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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2013

Tabled in the House of Assembly and ordered to be published, 15 October 2013

Second Session, Fifty-Second Parliament

Part B: Agency audit reports

Volume 6

By Authority: B. Morris, Government Printer, South Australia

2013

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ISSN 0815-9157

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Part B

References to matters of significance

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

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

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

Superannuation Funds Management Corporation of South Australia

Functional responsibility

Establishment

The Superannuation Funds Management Corporation of South Australia (Funds SA) is a statutory authority established by the *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act).

Functions

Funds SA's main function is to invest and manage the public sector superannuation funds, the nominated funds of approved authorities and other funds (funds under management) pursuant to strategies formulated by Funds SA. For details of Funds SA's objectives and functions refer note 1 to the financial statements.

Restrictions on operations

Pursuant to section 21(1) of the SFMCSA Act, Funds SA is subject to the direction and control of the Minister. However, a ministerial direction must not be given for an investment decision dealing with property or the exercise of a voting right.

Funds SA has broad powers over the investment of funds under management. 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 SFMCSA Act impose restrictions so that Funds SA must not invest in real property outside the State or enter into derivative transactions (eg futures contracts, forward contracts, swaps) without the relevant authority of the Minister.

Funds under management

The funds managed and invested by Funds SA are identified in note 1(b) to the financial statements.

Funds SA is not responsible for administering (ie receipting contributions and paying benefits) any of the public sector superannuation funds or eligible superannuation funds. This responsibility rests with the following entities:

- South Australian Superannuation Board – South Australian Superannuation Scheme, Southern State Superannuation Scheme, Super SA Retirement Investment Fund and South Australian Ambulance Service Superannuation Scheme
- Police Superannuation Board – Police Superannuation Scheme
- South Australian Parliamentary Superannuation Board – Parliamentary Superannuation Scheme
- DTF – the Governors' Pensions Scheme and the Judges' Pensions Scheme
- the Trustee of the South Australian Metropolitan Fire Service Superannuation Scheme
- Southern Select Super Corporation as trustee of Super SA Select.

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

Approved authorities for the purpose of investing funds with Funds SA are:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission.

Structure

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 fund management firms. Fund managers are utilised for all investment types, and there is a single custodian entity (which is responsible for holding, valuing and accounting for the assets) for the majority of those fund managers. Each fund manager and the custodian is appointed pursuant to an agreement that dictates the scope for investment, fees and reporting requirements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 28 of the SFMCSA Act provide for the Auditor-General to audit the accounts of Funds SA for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2012-13, the review included:

- investment policy and strategy approval and compliance
- investment activity (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- fixed assets
- administration expenses.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Superannuation Funds Management Corporation of South Australia as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the 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.

Communication of audit matters

The review of the auditable areas (including financial report verification) indicated that the financial controls of Funds SA were satisfactory. No matters arose during the audit that required management letter communication to the Chief Executive Officer.

Interpretation and analysis of the financial report

Highlights of the financial report

Funds SA	2013 $'million	2012 $'million
Total income	5.7	5.2
Total expenses	5.1	5.0
Net surplus (deficit) and total comprehensive result	0.6	0.2
Net cash provided by (used in) operating activities	0.6	0.7
Total assets	3.7	3.1
Total liabilities	1.2	1.3
Total equity	2.5	1.8

Funds under management	2013 $'billion	2012 $'billion
Net income	2.6	0.5
Net assets	20.7	17.8

Statement of Comprehensive Income

The operating result of Funds SA for the year was a net surplus of $611 000 ($160 000).

Revenues from fees and charges increased by $544 000 as a result of a higher level of fees charged for services provided to Funds SA clients due to an increased level of funds under management. Funds SA aims to only recover its costs and from time to time will adjust the amounts charged for its services if excessive amounts are recovered.

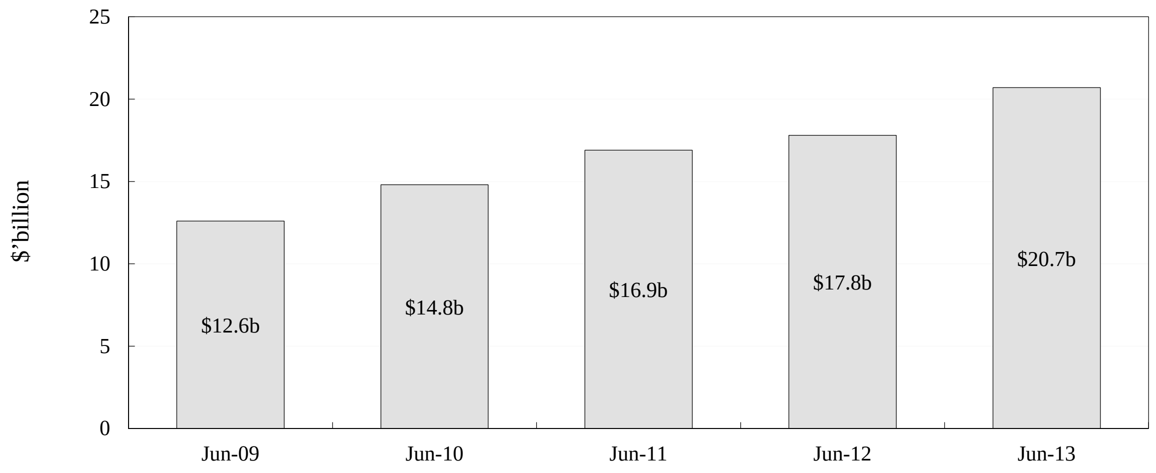
Expenses increased by $79 000 mainly as a result of an increase in employee benefit costs, up $24 000 and increased supplies and services costs, up $68 000 due mainly to increased costs for legal and advisory expenses.

Further commentary on operations

Funds under management

As mentioned, Funds SA invests and manages the public sector superannuation funds, the funds of eligible superannuation schemes and the nominated funds of approved authorities. The public sector superannuation funds represent 84% of total net funds under management.

The following chart illustrates the net funds under management as at 30 June over the past five years.



In 2013 the net funds under management increased by $2.9 billion to $20.7 billion due mainly to an increase in funds invested by clients of $277 million and net income earned from investing activities of $2.6 billion (further commented on under the heading 'Income from investments').

Asset allocation

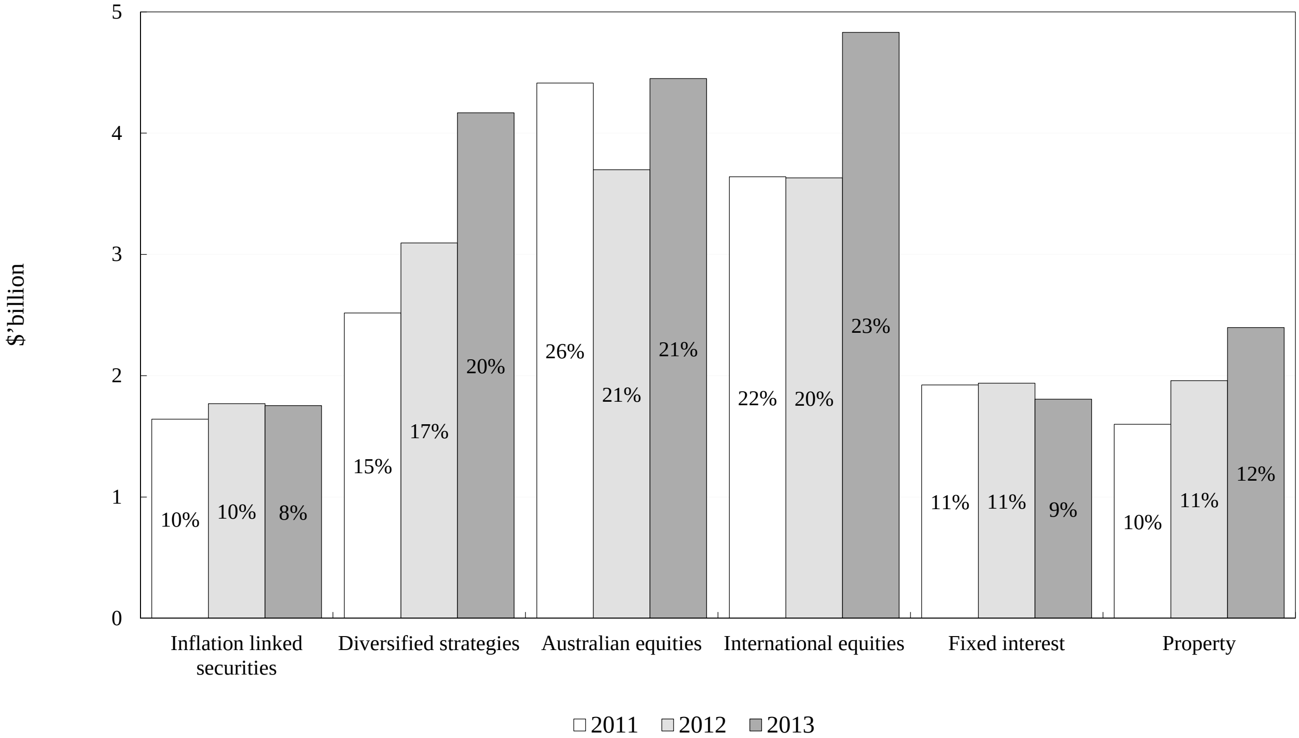
An investment policy drives decisions about how funds will be invested. Section 7 of the SFMCSA Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- 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.

Underpinning the investment policy and decision-making is an understanding of the financial risks facing Funds SA. Funds SA manages some of its financial risks by diversifying funds under management into 17 asset classes. These asset classes underpin the investment strategies (multi-sector portfolios) and single-sector products that Funds SA offers to its clients to meet their differing time horizons and levels of acceptable risks. Client investors are responsible for setting investment objectives and selecting investment options that meet their needs. Funds SA is responsible for managing the investment portfolio in accordance with agreed asset allocations and reporting investment performance as required by the client.

Funds SA continually monitors investment performance during the year and makes adjustments to investment subclass holdings as required.

The value of each asset class (excluding the cash, Motor Accident Commission absolute return, Motor Accident Commission infrastructure and socially responsible investment classes which in total only represent 6% (9%) of the 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. The asset classes include both taxed and untaxed funds where applicable.



The chart shows that the value and percentage holding of international equities increased during the year and the value of Australian equities also increased although the percentage holdings remained steady. This reflects the impact that improved economic conditions, particularly in Europe, had on growth assets, especially equities. Diversified strategies investments which include both growth and income assets increased in both value and percentage of the overall investment portfolio. This reflects the solid performance of certain market segments within the class as well as the increased investment asset allocation to this class from 1 July 2012. Property investments have also grown over the last three years both in value and as a percentage of the overall investment portfolio.

The primarily long-term nature of investment strategies means funds under management are exposed to periodic falls in financial markets as well as gains.

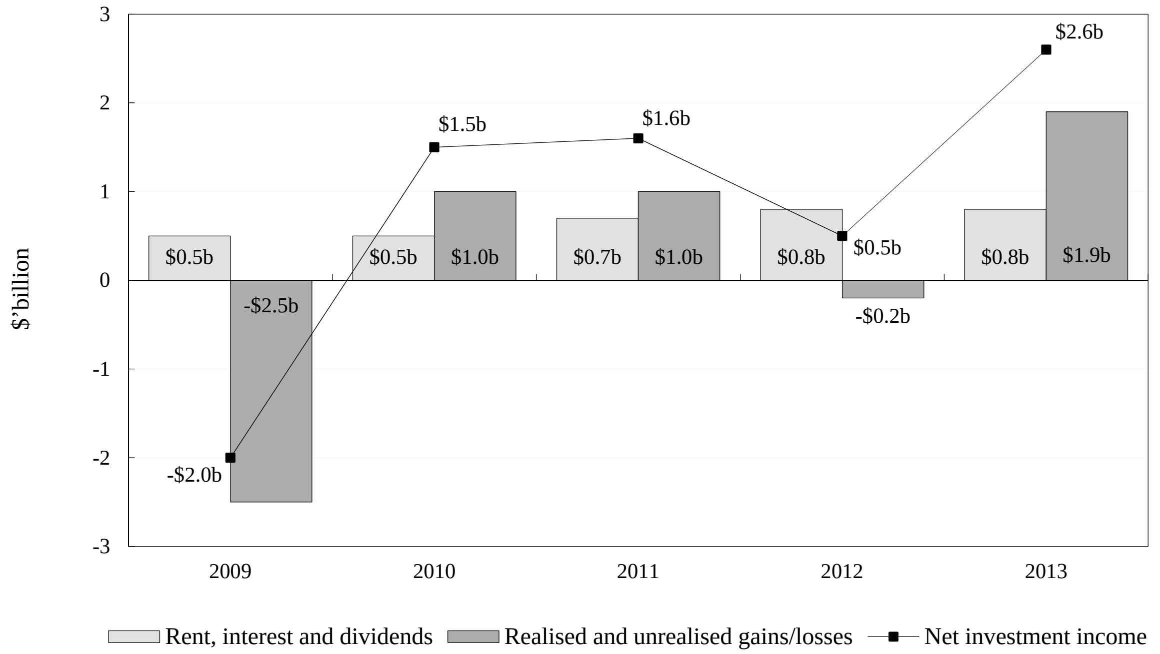
Income from investments

Net income from investment activities comprises income from rent, interest and dividends, realised and unrealised gains and losses from investment valuations less expenses incurred in the investment activity.

Net income from investment activities was a surplus of $2.6 billion ($537 million), an increase of $2.1 billion. Income comprised rent, interest and dividends of $793 million ($805 million), realised gains of $467 million ($53 million loss) and unrealised gains of $1.5 billion ($129 million loss).

Schedule 1 to the financial statements provides full details of income earned from investment activities for each asset class.

An analysis of the investment result for funds under management for the five years to 2013 is shown in the following chart.



As can be seen from this chart, positive realised and unrealised gains in 2010, 2011 and 2013 contributed significantly to the net investment income result. However, in 2009 the significant financial market downturn resulted in negative net investment returns. In 2012 there were negative realised and unrealised gains but these were offset by rent, income and dividend income to still provide for a positive net investment income result.

The following table shows a structural analysis of net income earned for the five years to 2013 highlighting the varying performance of the major investment asset classes. It should be noted that the magnitude of net income earned from investment activities in each year is a function of not only the performance of financial markets, especially equities, but also the size of total assets invested in the markets.

Net income earned from investment activities

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Inflation linked funds	61	236	123	168	3
Property	264	155	138	52	(394)
Australian equities	839	(398)	447	416	(759)
International equities	1 118	(23)	453	342	(835)
Fixed interest	61	224	99	145	130
Diversified strategies	227	278	315	348	(178)
Cash/Socially responsible/Other	63	65	53	46	40
Total net income	2 633	537	1 628	1 517	(1 993)
Total value of assets invested as at 30 June	20 684	17 774	16 875	14 770	12 617

The earlier chart showing asset class holdings indicated that Funds SA's investment strategy is weighted towards Australian and international equity holdings. The table above shows a significant rise in income from these asset classes in 2013. The volatile nature of these investments will cause their returns to fluctuate from year to year consistent with prevailing economic conditions. The negative net income in 2009 reflects the significant fall in share markets in that year while improved market conditions are reflected in the improved returns in 2010 and 2011. In 2012 improved returns from inflation linked funds and fixed interest investments offset poor results from investment in equities. Income from inflation linked funds and fixed interest decreased in 2013 which reflects the changed market conditions affecting these classes of investments. Income from property investments continued to increase, again reflecting improved market conditions.

The table below shows Funds SA's percentage return for each of the past 10 years for both the balanced and growth (tax exempt) funds, which together account for 71% of total funds under management. These figures were provided by Funds SA and are unaudited.

Funds SA investment return
periods ending 30 June

	10 years	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	% p.a.	%	%	%	%	%	%	%	%	%	%
Balanced	7.7	14.7	3.1	10.9	12.6	(15.3)	(9.3)	17.7	17.6	14.7	16.1
Growth	7.8	16.4	2.0	11.4	12.3	(17.5)	(11.2)	19.5	19.4	15.2	17.9

The performance against target benchmarks for certain asset classes for the 2012-13 year and also the three years ended 2012-13 is shown in the following table. These figures were provided by Funds SA and are unaudited.

	1 year Actual %	1 year Benchmark %	3 years Actual %	3 years Benchmark %
Cash	3.4	3.3	4.4	4.3
Short-term fixed interest	3.1	2.9	6.0	5.7
Long-term fixed interest	5.5	4.5	8.4	7.2
Inflation linked securities A	2.2	0.6	8.2	7.8
Diversified strategies income	6.4	6.7	9.8	9.3
Property A	12.0	10.6	10.0	9.4
Australian equities A	23.0	21.9	7.6	8.2
International equities A	30.2	27.1	13.4	12.0
Diversified strategies growth A	8.2	7.3	12.9	8.3
Inflation linked securities B	2.1	1.1	7.3	7.7
Property B	10.7	10.6	9.7	9.4
Australian equities B	22.1	21.9	6.9	8.2
International equities B	30.1	27.4	13.2	12.1
Diversified strategies growth B	5.9	7.3	11.4	8.3

The performance of asset classes against benchmark for 2012-13 was good with the majority of classes exceeding benchmark. In particular the international equities A and B funds exhibited the strongest performance along with the property A and Australian equities A asset classes.

Investment expenses

In 2013 investment expenses amounted to $100 million, an increase of $15 million from the previous year. The increase is primarily a result of a higher value of funds under management during the year. Investment expenses remain at 0.5% of average funds under management.

Year	Investment expenses $'million	Average funds under management $'billion
2009	57.4	12.7
2010	69.0	14.5
2011	88.9	16.2
2012	85.4	17.3
2013	100.4	19.8

Statement of Comprehensive Income for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Revenues from fees and charges		5 622	5 078
Interest revenues		84	98
Total income		5 706	5 176
Expenses:			
Employee benefits costs	3	3 517	3 493
Supplies and services	4	1 391	1 323
Depreciation and amortisation expense	5	187	200
Total expenses		5 095	5 016
Net surplus (deficit)		611	160
Total comprehensive result		611	160

Net surplus (deficit) and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents		2 595	2 216
Receivables		651	533
Other current assets		49	59
Total current assets		3 295	2 808
Non-current assets:			
Property, plant and equipment	7	371	360
Funds SA investment trusts	15	-	-
Total non-current assets		371	360
Total assets		3 666	3 168
Current liabilities:			
Payables	8	250	337
Employee benefits liability	9	207	235
Total current liabilities		457	572
Non-current liabilities:			
Payables	8	50	64
Employee benefits liability	9	704	688
Total non-current liabilities		754	752
Total liabilities		1 211	1 324
Net assets		2 455	1 844
Equity:			
Retained earnings		2 455	1 844
Total equity		2 455	1 844

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	11
Contingent assets and liabilities	12

Statement of Changes in Equity
for the year ended 30 June 2013

	Retained earnings $'000	Total $'000
Balance at 30 June 2011	1 684	1 684
Total comprehensive result for 2011-12	160	160
Balance at 30 June 2012	1 844	1 844
Total comprehensive result for 2012-13	611	611
Balance at 30 June 2013	2 455	2 455

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from fees and charges		6 361	5 685
Interest received		85	97
GST recovered from the ATO		259	235
Cash generated from operations		6 705	6 017
Cash outflows:			
Employee benefit payments		(3 586)	(3 259)
Supplies and services		(1 874)	(1 475)
GST paid to the ATO		(668)	(609)
Cash used in operations		(6 128)	(5 343)
Net cash provided by (used in) operating activities	13	577	674
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of property, plant and equipment		-	3
Cash generated from investing activities		-	3
Cash outflows:			
Purchase of property, plant and equipment		(198)	(27)
Cash used in investing activities		(198)	(27)
Net cash provided by (used in) investing activities		(198)	(24)
Net increase (decrease) in cash and cash equivalents		379	650
Cash and cash equivalents at 1 July		2 216	1 566
Cash and cash equivalents at 30 June		2 595	2 216

Schedule 1: Asset Sector Funds Under Management

This Schedule provides information in relation to assets under Funds SA's management as at balance date.

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB 139. The sources of valuations are provided below.

This Schedule provides the following information:

- investment valuation sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Assets Under Management
- financial instruments and management of portfolio risk.

Investment valuation sources

Discretely managed portfolios

Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

Managed funds

Pooled funds/Unlisted unit trusts

Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers.

Private equity

The value of private equity investments is based on the most recent fund valuations supplied by the relevant fund managers.

Currency hedge overlay

The value of the currency hedge overlay, as at 30 June 2013, is supplied by Funds SA's custodian and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally managed investments

Internally managed inflation linked bonds

These investments, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Interactive Data Corporation.

Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2013

Asset sector:	Rent, interest and dividends $'000	Realised gains (losses)(1) $'000	Unrealised gains (losses)(2) $'000	Expenses $'000	2013 Total $'000
Australian equities A	203 552	130 845	464 099	(12 356)	786 140
Australian equities B	8 463	1 071	43 771	(873)	52 432
International equities A	91 656	164 952	822 679	(23 385)	1 055 902
International equities B	2 836	3 304	57 664	(1 355)	62 449
Property A	73 374	29 177	153 461	(10 423)	245 589
Property B	7 506	-	11 391	(836)	18 061
Diversified strategies growth A	52 051	17 471	30 381	(23 207)	76 696
Diversified strategies growth B	2 583	781	1 478	(1 590)	3 252
Diversified strategies income	86 136	46 999	13 793	(16 546)	130 382
Inflation linked securities A	28 660	(1 482)	8 820	(365)	35 633
Inflation linked securities B	62 052	14 493	(48 422)	(2 346)	25 777
Long-term fixed interest	22 466	81 483	(70 521)	(1 990)	31 438
Short-term fixed interest	27 863	443	(10 329)	(1 011)	16 966
Cash	50 043	-	-	(757)	49 286
Socially responsible investment	348	-	2 397	(149)	2 596
Motor Accident Commission absolute return	-	-	1 923	(336)	1 587
Motor Accident Commission infrastructure	405	-	10 159	(783)	9 781
Motor Accident Commission diversified strategies income	27 909	(12 831)	3 363	(1 660)	16 781
Motor Accident Commission fixed interest	44 801	(9 356)	(22 149)	(467)	12 829
Total	792 704	467 350	1 473 958	(100 435)	2 633 577

Statement of Income and Expenses of Assets Under Management for the year ended 30 June 2012

Asset sector:	Rent, interest and dividends $'000	Realised gains (losses)(1) $'000	Unrealised gains (losses)(2) $'000	Expenses $'000	2012 Total $'000
Australian equities A	177 913	(200 645)	(339 536)	(9 345)	(371 613)
Australian equities B	16 861	577	(43 109)	(849)	(26 520)
International equities A	69 281	8 697	(77 908)	(19 919)	(19 849)
International equities B	2 870	1 305	(6 709)	(1 023)	(3 557)
Property A	60 260	3	93 981	(8 775)	145 469
Property B	3 567	-	6 895	(650)	9 812
Diversified strategies growth A	55 649	18 177	19 320	(19 380)	73 766
Diversified strategies growth B	2 883	473	1 637	(1 112)	3 881
Diversified strategies income	118 518	9 206	89 806	(17 227)	200 303
Inflation linked securities A	77 892	(1 356)	564	(311)	76 789
Inflation linked securities B	63 031	26 656	71 949	(2 205)	159 431
Long-term fixed interest	19 628	54 260	11 419	(2 221)	83 086
Short-term fixed interest	21 031	15 157	11 843	(961)	47 070
Cash	66 393	-	-	(812)	65 581
Socially responsible investment	951	-	(913)	(92)	(54)
Motor Accident Commission absolute return	-	-	-	-	-
Motor Accident Commission diversified strategies income	3 125	74	(3 583)	(10)	(394)
Motor Accident Commission fixed interest	44 967	14 869	34 855	(472)	94 219
Total	804 820	(52 547)	(129 489)	(85 364)	537 420

(1) ***Realised gains (losses)***

Realised gains (losses) represent 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)***

Unrealised gains (losses) represent 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, and held at balance date.

Statement of Net Assets Under Management as at 30 June 2013

Asset sector:	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2013 Total $'000
Australian equities A	3 200 429	935 574	-	-	208	(3 810)	4 132 401
Australian equities B	1	316 844	-	-	8	(97)	316 756
International equities A	3 616 685	1 107 688	-	(183 888)	56	(4 334)	4 536 207
International equities B	-	306 672	-	(11 894)	5	(40)	294 743
Property A	78	2 204 530	-	-	37	(1 147)	2 203 498
Property B	-	193 622	-	-	2	(116)	193 508
Diversified strategies growth A	-	1 228 788	-	(79 983)	17	(414)	1 148 408
Diversified strategies growth B	-	89 189	-	(4 791)	2	(10)	84 390
Diversified strategies income	1 684 665	730 180	-	(51 143)	68	(1 925)	2 361 845
Inflation linked securities A*	-	-	435 446	-	1	(780)	434 667
Inflation linked securities B	1 319 032	-	-	-	1 032	(494)	1 319 570
Long-term fixed interest	598 982	-	-	-	22	(485)	598 519
Short-term fixed interest	578 318	-	-	-	19	(227)	578 110
Cash	-	1 115 694	-	-	143	(54)	1 115 783
Socially responsible investment	-	28 237	-	-	1 113	(3)	29 347
Motor Accident Commission absolute return	-	26 924	-	-	1	(23)	26 902
Motor Accident Commission infrastructure	-	104 771	3 677	-	1	(7)	108 442
Motor Accident Commission diversified strategies income	564 222	8 438	-	-	29	(397)	572 292
Motor Accident Commission fixed interest	629 045	-	-	-	58	(77)	629 026
Total	12 191 457	8 397 151	439 123	(331 699)	2 822	(14 440)	20 684 414

Statement of Net Assets Under Management
as at 30 June 2012

Asset sector:	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2012 Total $'000
Australian equities A	2 698 001	767 873	-	-	163	(2 399)	3 463 638
Australian equities B	91 251	143 595	-	-	5	(82)	234 769
International equities A	2 554 429	876 637	-	28 047	43	(3 575)	3 455 581
International equities B	-	173 607	-	1 425	2	(31)	175 003
Property A	77	1 826 900	97	-	10	(1 896)	1 825 188
Property B	-	133 486	-	-	2	(141)	133 347
Diversified strategies growth A	-	790 911	-	10 718	5	(473)	801 161
Diversified strategies growth B	-	49 028	-	512	1	(7)	49 534
Diversified strategies income	1 140 900	791 120	-	16 367	42	(1 585)	1 946 844
Inflation linked securities A*	-	-	427 455	-	(354)	(785)	426 316
Inflation linked securities B	1 343 048	-	-	-	28	(532)	1 342 544
Long-term fixed interest	605 822	-	-	-	24	(559)	605 287
Short-term fixed interest	560 371	-	-	-	17	(233)	560 155
Cash	-	1 647 519	-	-	117	(91)	1 647 545
Socially responsible investment	-	12 305	-	-	1	(2)	12 304
Motor Accident Commission absolute return	-	-	-	-	25 000	-	25 000
Motor Accident Commission diversified strategies income	283 808	13 403	-	-	-	(10)	297 201
Motor Accident Commission fixed interest	768 375	-	3 950	-	57	(141)	772 241
Total	10 046 082	7 226 384	431 502	57 069	25 163	(12 542)	17 773 658

* Inflation linked securities A excludes the portion of its ownership in the inflation linked securities B asset class.

Fair value hierarchy

In accordance with the disclosure requirements under AASB 7, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2013. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As per AASB 7 paragraph 27A, 'the level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety'. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the investment.

The determination of what constitutes 'observable' requires significant judgment by Funds SA. Funds SA considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA's investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2013.

Fair Value of Financial Assets and Liabilities as at 30 June 2013

2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Other $'000	Total $'000
Financial assets and liabilities through profit or loss:					
Australian equities A	3 200 185	935 574	-	(3 358)	4 132 401
Australian equities B	2	316 844	-	(90)	316 756
International equities A	3 616 678	923 807	-	(4 278)	4 536 207
International equities B	1	294 778	-	(36)	294 743
Property A	78	395 303	1 809 227	(1 110)	2 203 498
Property B	1	27 353	166 268	(114)	193 508
Diversified strategies growth A	1	124 824	1 023 981	(398)	1 148 408
Diversified strategies growth B	1	23 499	60 899	(9)	84 390
Diversified strategies income	175 311	2 188 344	-	(1 810)	2 361 845
Inflation linked securities*	711 755	608 258	435 445	(1 221)	1 754 237
Long-term fixed interest	551 140	47 826	-	(447)	598 519
Short-term fixed interest	410 492	167 813	-	(195)	578 110
Cash	1 115 832	-	-	(49)	1 115 783
Socially responsible investment	1 113	28 237	-	(3)	29 347
Motor Accident Commission absolute return	1	26 924	-	(23)	26 902
Motor Accident Commission infrastructure	1	-	108 447	(6)	108 442
Motor Accident Commission diversified strategies income	138 108	434 529	-	(345)	572 292
Motor Accident Commission fixed interest	311 176	317 916	-	(66)	629 026
Total	10 231 876	6 861 829	3 604 267	(13 558)	20 684 414

2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Other $'000	Total $'000
Financial assets and liabilities through profit or loss:					
Australian equities A	2 697 931	767 873	-	(2 166)	3 463 638
Australian equities B	91 250	143 595	-	(76)	234 769
International equities A	2 554 452	904 682	-	(3 553)	3 455 581
International equities B	1	175 032	-	(30)	175 003
Property A	79	318 740	1 508 256	(1 887)	1 825 188
Property B	1	22 056	111 430	(140)	133 347
Diversified strategies growth A	1	158 667	642 962	(469)	801 161
Diversified strategies growth B	1	16 942	32 598	(7)	49 534
Diversified strategies income	114 920	1 833 469	-	(1 545)	1 946 844
Inflation linked securities*	951 612	391 439	427 455	(1 646)	1 768 860
Long-term fixed interest	470 152	135 671	-	(536)	605 287
Short-term fixed interest	200 819	359 554	-	(218)	560 155
Cash	1 647 621	-	-	(76)	1 647 545
Socially responsible investment	1	12 305	-	(2)	12 304
Motor Accident Commission absolute return	25 000	-	-	-	25 000
Motor Accident Commission diversified strategies income	57 132	240 079	-	(10)	297 201
Motor Accident Commission fixed interest	574 551	193 875	3 950	(135)	772 241
Total	9 385 524	5 673 979	2 726 651	(12 496)	17 773 658

* Inflation linked securities includes the externally and internally managed inflation linked securities from both the inflation linked securities A and inflation linked securities B asset classes.

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Level 3 financial assets and liabilities:	Opening balance 01.07.12 $'000	Purchases $'000	Disposals $'000	Unrealised gain (loss) $'000	Closing balance 30.06.13 $'000
Property A	1 508 256	216 710	(34 474)	118 735	1 809 227
Property B	111 430	48 110	-	6 728	166 268
Diversified strategies growth A	642 962	395 724	(122 156)	107 451	1 023 981
Diversified strategies growth B	32 598	27 153	(5 433)	6 581	60 899
Inflation linked securities*	427 455	34 474	-	(26 484)	435 445
Motor Accident Commission infrastructure	-	99 012	-	9 435	108 447
Motor Accident Commission fixed interest	3 950	-	(4 012)	62	-
Total	2 726 651	821 183	(166 075)	222 508	3 604 267

* Inflation linked securities includes the externally and internally managed inflation linked securities from both the inflation linked securities A and inflation linked securities B asset classes.

Level 1
Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and developed market nominal sovereign bonds.

Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

Level 2
Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

Level 3
Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used valuation techniques to derive fair value. Level 3 investments include certain directly held non-traded index-linked securities and unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transaction purposes.

Other
Although not specifically required by AASB 7, ‘other’ includes accrued expenses and GST payable to, or receivable from, the ATO for each asset class and is included in the above disclosure for completeness purposes only.

Financial instruments and management of portfolio risk
Use of derivative financial instruments
Derivatives can be defined as financial contracts whose values depend on, or are derived from other specific assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, currency forward rate agreements and exchange-traded futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA’s external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2013 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market risk
Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment options are consistent with the time horizon of each.

Liquidity risk
Two types of liquidity risk are inherent in Funds SA’s investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet clients’ cash redemption requirements.

Funds SA manages liquidity risk as follows:

- Firstly, by giving careful consideration to the expected net cash redemption requirements of Funds SA’s clients. The allocation to cash in the strategic asset allocation of each investment option is set at a level sufficient to manage expected cash redemptions.

- Secondly, a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

Currency risk
Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

Funds SA's strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies growth A, diversified strategies growth B, diversified strategies income and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities A and international equities B asset sectors are 42.5% hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

Interest rate risk
Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

Notes to and forming part of the financial statements

1. Objectives of the Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation)

(a) Objectives of Funds SA
Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act).

Under section 5 of the Act, the functions of Funds SA are:

(a) to invest and manage:

(i) the public sector superannuation funds
(ii) the nominated funds of approved authorities

pursuant to strategies formulated by the Corporation

(ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation

(b) such other functions as are assigned to the Corporation by this or any other Act.

Under section 7 of the Act, the objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

(a) the need to maintain the risks relating to investment at an acceptable level
(b) the need for liquidity in the funds
(c) such other matters as are prescribed by regulation.

(b) Purpose of the financial statements
The purpose of the financial statements 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.

As at 30 June 2013, Funds SA managed the following funds:

Public sector superannuation funds
- South Australian Superannuation Scheme:
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Accounts
- Police Superannuation Scheme
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account

Public sector superannuation funds (continued)

- Southern State Superannuation Scheme
  - — Southern State Superannuation Fund
- Super SA Retirement Investment Fund
  - — Super SA Flexible Rollover Product
  - — Super SA Income Stream
- Parliamentary Superannuation Scheme
- Judges' Pensions Scheme
- Governors' Pensions Scheme.

Eligible superannuation funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme.

Nominated funds of approved authorities:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission - Compulsory Third Party Fund.

Other (established by the Public Corporation (Southern Select Super Corporation) Regulations 2012):

- Super SA Select.

(c) Format and content of Funds SA's financial statements

Funds SA adopts the format and content of the model financial statements developed by DTF.

The Statement of Financial Position does not incorporate the funds under its management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under note 16 in accordance with section 26(2) of the Act.

Controlled entities have not been consolidated into Funds SA's Statement of Financial Position as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

2. Summary of significant accounting policies

(a) Statement of compliance

Funds SA has prepared these financial statements in compliance with section 23 of the PFAA. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision of the PFAA.

Funds SA has applied AASs that are applicable to for-profit entities.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Funds SA for the reporting period ending 30 June 2013.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying Funds SA's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

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

(b) Basis of preparation (continued)

(a) expenses incurred as a result of engaging consultants (refer note 4)

(b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 3)

(c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement (refer note 10).

Funds SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis and are in accordance with the historical cost convention.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting entity

The financial report covers Funds SA as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to the Act.

(d) Rounding

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

(e) Comparative information

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

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

(f) Income and expenses

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

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

The notes to the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Revenues from fees and charges

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to the Funds SA clients (being SA Government entities) on a cost recovery basis. This revenue is recognised upon delivery of the service to the clients.

(g) Current and non-current classification

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

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

(h) Cash and cash equivalents

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

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts receivable from Funds SA's clients. Receivables arise in the normal course of providing services to the clients.

(j) Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

(k) Impairment

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

(l) 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 leasehold improvements, while depreciation is applied to physical assets such as computer and office equipment.

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

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

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

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	Term of lease
Computer and office equipment:		
Computers, hardware and software	Straight-line	3
Office furniture	Straight-line	10

(m) 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 Funds SA.

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

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

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

(n) Employee benefits

Salaries, wages, annual leave, retention leave and sick leave

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

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

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

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

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

This calculation is consistent with the Funds SA's experience of employee retention and leave taken. Based on a survey of staff, the portion of the LSL provision expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the LSL provision is classified as non-current.

Superannuation
Funds SA makes contributions to several State Government and external 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 State Government and external superannuation schemes.

(o) Leases
Funds SA has entered into an operating lease for its office premises. The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased premises. Lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased premises.

(p) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

(q) Insurance
Funds SA has arranged through SAICORP, a division of SAFA, to insure all major risks of Funds SA with the exception of directors and officers liability insurance, which is insured through an independent insurance provider.

(r) Taxation
Funds SA is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable

- payables, which are stated with the amount of GST included.

(s) Valuation basis of client funds under management
Note 16 provides financial statements in respect of each client fund under the management of Funds SA for the 2012-13 financial year.

The valuation of the investments of each client fund follows the valuation approach required under accounting standards relevant to that client:

- For superannuation scheme clients, investments have been valued at net market value in accordance with AAS 25.

- All other clients' investments have been valued at fair value in accordance with AASB 139.

3. Employee benefits costs

	2013 $'000	2012 $'000
Salaries and wages	2 597	2 584
Board fees	321	322
Employment on-costs	599	587
Total employee benefits costs	3 517	3 493

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$138 000 - $147 999	1	1
$148 000 - $157 999	1	1
$178 000 - $187 999	-	1
$188 000 - $197 999	2	2
$198 000 - $207 999	1	-
$268 000 - $277 999	1	1
$338 000 and over	1	1
Total	7	7

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $1.518 million ($1.503 million).

4. Supplies and services

	2013 $'000	2012 $'000
Computing and communication	156	163
Human resource expenses	25	15
Board expenses	198	210
Staff development	64	47
Subscriptions and publications	96	110
Internal audit fees	114	159
External audit fees	86	83
Travel and accommodation	149	171
Legal and advisory expenses	110	13
Office rent	257	231
Office supplies and printing	66	50
Website expenses	16	12
Client relationship expenses	5	13
Other	49	46
Total supplies and services(1)	1 391	1 323

(1) There were no transactions with SA Government entities greater than $100 000.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	5	4	3	10
Between $10 000 and $50 000	2	36	-	-
Above $50 000	1	67	-	-
Total paid/payable to the consultants engaged	8	107	3	10

5. Depreciation and amortisation expense

	2013 $'000	2012 $'000
Depreciation:		
Computer and office equipment	107	121
Amortisation:		
Leasehold improvements	80	79
Total depreciation and amortisation	187	200

6. Auditor's remuneration

	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	86	83
Total audit fees - SA Government entities	86	83

Other services

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

7. Property, plant and equipment

	2013	2012
Leasehold improvements:	$'000	$'000
Leasehold improvements at fair value	577	576
Accumulated amortisation	(470)	(390)
Total leasehold improvements	107	186
Computer and office equipment:		
Computer and office equipment at fair value	758	587
Accumulated depreciation	(494)	(413)
Total computer and office equipment	264	174
Total property, plant and equipment	371	360

Reconciliation of non-current assets

The following table shows the movement of non-current assets during the year ended 30 June 2013:

	2013 Leasehold imprvmnts $'000	2013 Computer and office equipment $'000	2013 Non-current assets total $'000	2012 Leasehold imprvmnts $'000	2012 Computer and office equipment $'000	2012 Non-current assets total $'000
Carrying amount at 1 July	186	174	360	265	271	536
Additions	1	197	198	-	27	27
Disposals	-	-	-	-	(3)	(3)
Depreciation and amortisation	(80)	(107)	(187)	(79)	(121)	(200)
Carrying amount at 30 June	107	264	371	186	174	360

8. Payables

	2013	2012
Current:	$'000	$'000
Creditors	108	198
Accrued expenses	104	83
Employment on-costs	38	56
Total current payables	250	337
Non-current:		
Employment on-costs	50	64
Total non-current payables	50	64

9. Employee benefits liability

	2013	2012
Current:		
Annual leave	139	121
LSL*	48	114
Skills and experience retention leave	20	-
Total current employee benefits liability	207	235
Non-current:		
LSL*	704	688
Total non-current employee benefits liability	704	688
Total employee benefits liability	911	923

* AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF has provided a set level of liability rather than a benchmark for the measurement of LSL. The effect of the change relating to the current period is immaterial.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

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

10. Key management personnel

(a) Board members

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

Helen Nugent	Chairman	throughout the year
Leigh Hall	Director	throughout the year
Jan McMahon	Director	throughout the year
Brett Rowse*	Director	throughout the year
Anne De Salis	Director	throughout the year
David McMahon	Director	throughout the year
Kevin Crawshaw	Director	throughout the year

(b) Subcommittees

Funds SA has established two subcommittees where members receive remuneration for their membership. These are:

Audit Committee

Leigh Hall	Chairman	throughout the year
Helen Nugent	Member	throughout the year
David McMahon	Member	throughout the year
Kevin Crawshaw	Member	throughout the year

Human Resource Committee

Helen Nugent	Chairman	throughout the year
Brett Rowse*	Member	throughout the year
Jan McMahon	Member	throughout the year
Anne De Salis	Member	throughout the year

* In accordance with DPC Circular 16, Brett Rowse, a public servant, did not receive any remuneration for board/committee duties during the financial year.

(c) Other key management personnel

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

Richard Smith	Chief Executive Officer
John Piteo	Chief Financial Officer

(d) Key management personnel compensation

The key management personnel are the governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

	2013	2012
	$'000	$'000
Short-term employee benefits	968	974
Long-term employee benefits	28	13
Total	996	987

(e) Remuneration of governing board members

Board members' remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board subcommittees. Directors' fees for the 2012-13 year were set by the Governor of South Australia. The aggregate remuneration of directors was $322 000 ($322 000).

In 2012-13, the aggregate amount paid, or due and payable, for Directors to the Southern State Superannuation Scheme totalled $183 000 ($183 000). In 2012-13, the periodic amounts paid, or due and payable, to private superannuation funds totalled $11 000 ($11 000).

The number of governing board members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$40 000 - $49 999	4	4
$50 000 - $59 999	1	1
$90 000 - $99 999	1	1
Total	6	6

(f) ***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 2012-13 on normal commercial terms and conditions. Dr Nugent did not receive any board papers, take 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 did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

11. Unrecognised contractual commitments

Operating lease commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

	2013	2012
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	$'000	$'000
Within one year	246	235
Later than one year but not longer than five years	83	325
Total non-cancellable operating lease commitments	329	560

Remuneration commitments

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

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:		
Within one year	1 481	1 388
Later than one year but not longer than five years	932	2 248
Total remuneration commitments	2 413	3 636

12. Contingent assets and liabilities

Funds SA is not aware of any contingent assets or liabilities.

13. Cash flow reconciliation

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

Net surplus (deficit)	611	160
Non-cash items:		
Depreciation and amortisation expense	187	200
Movements in assets/liabilities:		
Receivables	(118)	(6)
Other current assets	10	11
Payables	(101)	112
Employee benefits	(12)	197
Net cash provided by (used in) operating activities	577	674

14. Financial instruments

(a) ***Interest rate risk***

Funds SA's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with interest rate risk at balance date.

2013	Interest rate at balance date	Floating interest rate	Non-interest bearing	Total
Financial assets:	%	$'000	$'000	$'000
Cash	2.79	2 594	1	2 595
Receivables	-	-	651	651
Other assets	-	-	49	49
Total financial assets		2 594	701	3 295
Financial liabilities:				
Payables	-	-	49	49
Total financial liabilities		-	49	49

(a) Interest rate risk (continued)

2012	Interest rate at balance date	Floating interest rate	Non-interest bearing	Total
Financial assets:				
Cash	3.93	2 215	1	2 216
Receivables	-	-	533	533
Other assets	-	-	59	59
Total financial assets		2 215	593	2 808
Financial liabilities:				
Payables	-	-	105	105
Total financial liabilities		-	105	105

Interest rate and credit risk

Receivables are normally settled within 30 days. Receivables and other assets are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

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

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Funds SA as it has been determined that the possible impact on the net surplus/deficit or net assets from fluctuations in interest rates is immaterial.

(b) Market risk exposure

The administration fee that Funds SA charges to its clients to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depends upon the performance of the underlying investments, which are linked to the performance of world financial markets.

Funds SA manages this risk in two ways:

- Firstly, its administration fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management.
- Secondly, Funds SA has the ability to increase the administration fee should this action be necessary to cover administration expenses.

As Funds SA has the ability to amend the administration fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

(c) Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial benefits:

	Contractual maturity			
	2013		2012	
	Carrying amount	Less than 1 year	Carrying amount	Less than 1 year
Financial assets:	$'000	$'000	$'000	$'000
Cash	2 595	2 595	2 216	2 216
Receivables	651	651	533	533
Other assets	49	49	59	59
Total financial assets	3 295	3 295	2 808	2 808
Financial liabilities:				
Payables	49	49	105	105
Total financial liabilities	49	49	105	105

15. Investments in Funds SA unit trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying clients. Since that time, an additional two unit trusts have been established. A consolidated list of the Funds SA unit trusts is provided below.

Trust	*Date established*	*Settled sum*
High Growth B Unit Trust	20 June 2008	$10
Growth B Unit Trust	20 June 2008	$10
Balanced B Unit Trust	20 June 2008	$10
Moderate B Unit Trust	20 June 2008	$10
Conservative B Unit Trust	20 June 2008	$10
Capital Defensive B Unit Trust	20 June 2008	$10
Cash Option B Unit Trust	20 June 2008	$10
Australian Equities B Unit Trust	20 June 2008	$10
International Equities B Unit Trust	20 June 2008	$10
Property B Unit Trust	20 June 2008	$10
Diversified Strategies Growth B Unit Trust	20 June 2008	$10
Diversified Strategies Income A and B Unit Trust	20 June 2008	$10
Fixed Interest A and B Unit Trust	20 June 2008	$10
Inflation Linked Securities A and B Unit Trust	20 June 2008	$10
Cash A and B Unit Trust	20 June 2008	$10
Socially Responsible Investment Unit Trust	12 February 2010	$10
Short-term Fixed Interest A and B Unit Trust	8 June 2010	$10
		$170

16. Client funds under management

Operation of investment portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various client funds. For the year ending 30 June 2013, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible investment.

Each client fund holds units in an investment option, which in turn holds units in each of the asset sectors 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 market value of underlying investments.

Under section 26(2) of the Act, Funds SA is required to 'prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year'. In compliance with the Act, the format of these financial statements has been approved by the Treasurer.

These client fund financial statements are explained and disclosed below:

- Each client fund's allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include client placements and redemptions in investment options inclusive of switches between investment options.

- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.

- The indirect interest which each client fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.

- Australian equities A, international equities A, property A, diversified strategies growth A and inflation linked securities A asset classes are available to untaxed clients only, whereas Australian equities B, international equities B, property B and diversified strategies growth B asset classes are available to taxed clients only. All other asset classes, with the exception of Motor Accident Commission fixed interest, Motor Accident Commission absolute return and Motor Accident Commission diversified strategies income which are available to the Motor Accident Commission only, are available to both untaxed and taxed clients.

(a) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	2 303 368	2 374 154
Receipts	450 650	373 800
Net investment income	378 141	62 964
	828 791	436 764
Payments	(521 387)	(507 550)
Funds under management at 30 June	2 610 772	2 303 368

Statement of Funds Under Management - by Investment Option

Investment option:	2013 $'000	2012 $'000
Growth A	2 610 772	2 303 368
Funds under management at 30 June	2 610 772	2 303 368

Statement of Funds Under Management - by Asset Sector

Asset sector:	2013 $'000	2012 $'000
Australian equities A	651 315	552 879
International equities A	710 584	555 452
Property A	387 655	358 663
Diversified strategies growth A	222 349	137 822
Inflation linked securities A	198 903	217 312
Long-term fixed interest	44 575	58 775
Short-term fixed interest	21 527	37 809
Diversified strategies income	346 567	299 450
Cash	27 297	85 206
Funds under management at 30 June	2 610 772	2 303 368

(b) South Australian Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	1 201 028	1 249 953
Receipts	300	760
Net investment income	192 645	22 805
	192 945	23 565
Payments	(85 620)	(72 490)
Funds under management at 30 June	1 308 353	1 201 028

Statement of Funds Under Management - by Investment Option

Investment option:	2013 $'000	2012 $'000
Growth A	1 308 353	1 201 028
Funds under management at 30 June	1 308 353	1 201 028

Statement of Funds Under Management - by Asset Sector

Asset sector:	2013 $'000	2012 $'000
Australian equities A	326 398	288 284
International equities A	356 100	289 625
Property A	194 268	187 015
Diversified strategies growth A	111 427	71 863
Inflation linked securities A	99 677	113 312
Long-term fixed interest	22 338	30 647
Short-term fixed interest	10 788	19 714
Diversified strategies income	173 678	156 140
Cash	13 679	44 428
Funds under management at 30 June	1 308 353	1 201 028

(c) South Australian Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	579 223	594 748
Receipts	41 117	49 991
Net investment income	81 174	12 697
	122 291	62 688
Payments	(71 453)	(78 213)
Funds under management at 30 June	630 061	579 223

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth A	15 486	14 692
Growth A	454 678	439 080
Balanced A	30 573	20 244
Moderate A	12 563	7 983
Conservative A	33 500	22 041
Capital defensive A	33 746	22 497
Cash A	48 022	51 829
Socially responsible investment	1 493	857
Funds under management at 30 June	630 061	579 223

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	132 818	117 880
International equities A	145 708	118 742
Property A	80 692	77 359
Diversified strategies growth A	42 515	28 656
Inflation linked securities A	51 970	54 799
Long-term fixed interest	13 453	15 443
Short-term fixed interest	16 948	16 543
Diversified strategies income	77 463	69 801
Cash	67 001	79 143
Socially responsible investment	1 493	857
Funds under management at 30 June	630 061	579 223

(d) Southern State Superannuation Fund

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	8 327 573	7 691 785
Receipts	649 811	622 514
Net investment income	1 206 521	232 887
	1 856 332	855 401
Payments	(251 485)	(219 613)
Funds under management at 30 June	9 932 420	8 327 573

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth A	659 364	575 342
Growth A	263 212	224 384
Balanced A	8 100 088	6 775 190
Moderate A	75 210	33 935
Conservative A	265 661	176 883
Capital defensive A	240 180	147 376
Cash A	312 458	387 970
Socially responsible investment	16 247	6 493
Funds under management at 30 June	9 932 420	8 327 573

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	2 107 359	1 685 451
International equities A	2 318 585	1 680 265
Property A	1 239 666	943 759
Diversified strategies growth A	613 688	465 161
Inflation linked securities A	979 181	937 480
Long-term fixed interest	414 551	400 952
Short-term fixed interest	398 188	374 541
Diversified strategies income	1 262 499	1 031 355
Cash	582 456	802 116
Socially responsible investment	16 247	6 493
Funds under management at 30 June	9 932 420	8 327 573

(e) Super SA Retirement Investment Fund - Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	367 021	314 975
Receipts	165 046	158 441
Net investment income	35 835	11 045
	200 881	169 486
Payments	(102 468)	(117 440)
Funds under management at 30 June	465 434	367 021

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth B	21 307	16 996
Growth B	34 768	31 241
Balanced B	152 312	109 274
Moderate B	33 251	14 477
Conservative B	61 275	36 881
Capital defensive B	71 248	51 438
Cash B	86 126	104 383
Socially responsible investment	5 147	2 331
Funds under management at 30 June	465 434	367 021

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities B	65 231	46 268
International equities B	60 459	34 607
Property B	40 273	27 015
Diversified strategies growth B	16 118	9 529
Inflation linked securities B	47 704	32 574
Long-term fixed interest	16 574	12 666
Short-term fixed interest	31 127	22 692
Diversified strategies income	56 187	38 739
Cash	126 614	140 600
Socially responsible investment	5 147	2 331
Funds under management at 30 June	465 434	367 021

(f) Super SA Retirement Investment Fund - Super SA Income Stream

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	717 489	500 865
Receipts	335 514	262 940
Net investment income	76 453	21 688
	411 967	284 628
Payments	(113 926)	(68 004)
Funds under management at 30 June	1 015 530	717 489

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth B	28 798	23 484
Growth B	65 240	57 776
Balanced B	363 178	238 634
Moderate B	116 196	67 406
Conservative B	160 199	75 337
Capital defensive B	122 989	85 373
Cash B	152 776	167 068
Socially responsible investment	6 154	2 411
Funds under management at 30 June	1 015 530	717 489

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities B	149 714	98 944
International equities B	139 541	74 632
Property B	92 622	56 796
Diversified strategies growth B	36 453	19 129
Inflation linked securities B	110 769	69 320
Long-term fixed interest	40 904	29 199
Short-term fixed interest	67 688	45 013
Diversified strategies income	130 143	80 901
Cash	241 542	241 144
Socially responsible investment	6 154	2 411
Funds under management at 30 June	1 015 530	717 489

(g) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	189 382	177 800
Receipts	5 115	18 987
Net investment income	30 298	3 337
	35 413	22 324
Payments	(27 834)	(10 742)
Funds under management at 30 June	196 961	189 382

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth A	1 544	1 203
Growth A	188 125	183 501
Balanced A	6 616	3 956
Capital defensive A	294	-
Cash A	138	536
Socially responsible investment	244	186
Funds under management at 30 June	196 961	189 382

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	48 875	45 252
International equities A	53 331	45 445
Property A	29 061	29 230
Diversified strategies growth A	16 588	11 313
Inflation linked securities A	15 089	17 804
Long-term fixed interest	3 536	4 901
Short-term fixed interest	1 867	3 195
Diversified strategies income	26 050	24 501
Cash	2 320	7 555
Socially responsible investment	244	186
Funds under management at 30 June	196 961	189 382

(h) Judges' Pensions Scheme

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	182 215	181 401
Receipts	4 650	5 100
Net investment income	29 473	3 484
	34 123	8 584
Payments	(29 450)	(7 770)
Funds under management at 30 June	186 888	182 215

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Growth A	186 888	182 215
Funds under management at 30 June	186 888	182 215

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	46 623	43 737
International equities A	50 866	43 941
Property A	27 750	28 373
Diversified strategies growth A	15 917	10 903
Inflation linked securities A	14 238	17 191
Long-term fixed interest	3 191	4 650
Short-term fixed interest	1 541	2 991
Diversified strategies income	24 808	23 689
Cash	1 954	6 740
Funds under management at 30 June	186 888	182 215

(i) Governors' Pensions Scheme

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	1 125	1 308
Receipts	10	5
Net investment income	172	20
	182	25
Payments	(210)	(208)
Funds under management at 30 June	1 097	1 125

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Growth A	1 097	1 125
Funds under management at 30 June	1 097	1 125

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	274	270
International equities A	299	271
Property A	163	175
Diversified strategies growth A	93	67
Inflation linked securities A	83	106
Long-term fixed interest	19	29
Short-term fixed interest	9	19
Diversified strategies income	146	146
Cash	11	42
Funds under management at 30 June	1 097	1 125

(j) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	149 918	145 551
Receipts	10 310	9 000
Net investment income	20 706	3 667
	31 016	12 667
Payments	(5 340)	(8 300)
Funds under management at 30 June	175 594	149 918

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Balanced B	175 594	149 918
Funds under management at 30 June	175 594	149 918

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities B	39 118	33 455
International equities B	35 762	25 178
Property B	21 865	16 711
Diversified strategies growth B	11 605	8 751
Inflation linked securities B	18 251	15 181
Long-term fixed interest	8 060	8 446
Short-term fixed interest	6 763	6 811
Diversified strategies income	26 073	21 267
Cash	8 097	14 118
Funds under management at 30 June	175 594	149 918

(k) Police Superannuation Scheme - Employer Contribution Account

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	558 431	511 405
Receipts	67 100	59 300
Net investment income	95 783	14 206
	162 883	73 506
Payments	(25 035)	(26 480)
Funds under management at 30 June	696 279	558 431

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Growth A	696 279	558 431
Funds under management at 30 June	696 279	558 431

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	173 702	134 041
International equities A	189 509	134 664
Property A	103 386	86 955
Diversified strategies growth A	59 299	33 414
Inflation linked securities A	53 046	52 686
Long-term fixed interest	11 888	14 249
Short-term fixed interest	5 741	9 166
Diversified strategies income	92 428	72 599
Cash	7 280	20 657
Funds under management at 30 June	696 279	558 431

(l) Police Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	344 352	343 682
Receipts	-	75
Net investment income	56 213	6 615
	56 213	6 690
Payments	(6 120)	(6 020)
Funds under management at 30 June	394 445	344 352

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Growth A	394 445	344 352
Funds under management at 30 June	394 445	344 352

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	98 403	82 655
International equities A	107 358	83 040
Property A	58 568	53 620
Diversified strategies growth A	33 593	20 604
Inflation linked securities A	30 051	32 488
Long-term fixed interest	6 735	8 787
Short-term fixed interest	3 252	5 652
Diversified strategies income	52 361	44 768
Cash	4 124	12 738
Funds under management at 30 June	394 445	344 352

(m) South Australian Government Financing Authority (SAICORP - Insurance Fund 1)

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	345 634	327 994
Receipts	5 000	11 000
Net investment income	57 549	6 640
	62 549	17 640
Payments	(30 000)	-
Funds under management at 30 June	378 183	345 634

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Growth A	378 183	345 634
Funds under management at 30 June	378 183	345 634

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	94 287	83 019
International equities A	103 058	83 569
Property A	56 520	53 793
Diversified strategies growth A	32 132	20 664
Inflation linked securities A	28 702	32 531
Long-term fixed interest	6 432	8 797
Short-term fixed interest	3 107	5 661
Diversified strategies income	50 002	44 833
Cash	3 943	12 767
Funds under management at 30 June	378 183	345 634

(n) South Australian Government Financing Authority (SAICORP - Insurance Fund 2)

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	48 592	52 175
Receipts	-	-
Net investment income	4 755	3 417
	4 755	3 417
Payments	-	(7 000)
Funds under management at 30 June	53 347	48 592

Statement of Funds Under Management - by Investment Option

Investment option:	2013 $'000	2012 $'000
Conservative A	53 347	48 592
Funds under management at 30 June	53 347	48 592

Statement of Funds Under Management - by Asset Sector

Asset sector:	2013 $'000	2012 $'000
Australian equities A	6 713	3 723
International equities A	7 784	4 701
Property A	5 302	4 178
Diversified strategies income	8 156	8 703
Inflation linked securities A	9 277	10 399
Long-term fixed interest	2 503	2 686
Short-term fixed interest	6 277	6 127
Cash	7 335	8 075
Funds under management at 30 June	53 347	48 592

(o) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2013 $'000	2012 $'000
Funds under management at 1 July	3 216	3 395
Receipts	200	-
Net investment income	510	21
	710	21
Payments	(300)	(200)
Funds under management at 30 June	3 626	3 216

Statement of Funds Under Management - by Investment Option

Investment option:	2013 $'000	2012 $'000
High growth A	2 885	2 406
Capital defensive A	23	22
Cash A	718	788
Funds under management at 30 June	3 626	3 216

Statement of Funds Under Management - by Asset Sector

Asset sector:	2013 $'000	2012 $'000
Australian equities A	886	744
International equities A	948	724
Property A	489	397
Diversified strategies growth A	245	191
Inflation linked securities A	5	5
Long-term fixed interest	1	1
Short-term fixed interest	5	5
Diversified strategies income	300	264
Cash	747	885
Funds under management at 30 June	3 626	3 216

(p) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	2 215 012	2 151 477
Receipts	219 000	63 000
Net investment income	263 856	108 535
	482 856	171 535
Payments	(362 000)	(108 000)
Funds under management at 30 June	2 335 868	2 215 012

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Motor Accident Commission A	2 335 868	2 215 012
Funds under management at 30 June	2 335 868	2 215 012

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities A	436 662	419 441
International equities A	475 882	403 072
Inflation linked securities A	79 629	151 306
Motor Accident Commission fixed interest	629 025	772 241
Motor Accident Commission diversified strategies income	572 292	297 202
Motor Accident Commission infrastructure	108 442	-
Motor Accident Commission absolute return	26 902	25 000
Cash	7 034	146 750
Funds under management at 30 June	2 335 868	2 215 012

(q) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July	222 203	217 301
Receipts	23 361	28 047
Net investment income	32 439	3 115
	55 800	31 162
Payments	(23 595)	(26 260)
Funds under management at 30 June	254 408	222 203

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
High growth B	1 092	786
Growth B	238 495	207 522
Balanced B	689	386
Moderate B	913	596
Conservative B	4 744	3 244
Capital defensive B	5 930	4 420
Cash B	2 545	5 249
Funds under management at 30 June	254 408	222 203

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities B	61 820	55 530
International equities B	57 995	40 102
Property B	35 735	32 484
Diversified strategies growth B	20 127	12 104
Inflation linked securities B	19 208	15 912
Diversified strategies income	37 416	31 212
Long-term fixed interest	4 285	5 689
Short-term fixed interest	3 593	4 591
Cash	14 229	24 579
Funds under management at 30 June	254 408	222 203

(r) Super SA Select

Statement of Receipts and Payments

	2013	2012
	$'000	$'000
Funds under management at 1 July*	-	-
Receipts	862	-
Net investment income	(6)	-
	856	-
Payments	-	-
Funds under management at 30 June	856	-

Statement of Funds Under Management - by Investment Option

	2013	2012
Investment option:	$'000	$'000
Balanced B	772	-
Cash B	84	-
Funds under management at 30 June	856	-

Statement of Funds Under Management - by Asset Sector

	2013	2012
Asset sector:	$'000	$'000
Australian equities B	172	-
International equities B	157	-
Property B	96	-
Diversified strategies growth B	51	-
Inflation linked securities B	80	-
Diversified strategies income	115	-
Long-term fixed interest	36	-
Short-term fixed interest	30	-
Cash	119	-
Funds under management at 30 June	856	-

* Super SA Select was established on 1 January 2013.

TAFE SA

Functional responsibility

Establishment

TAFE SA was established on 1 November 2012 pursuant to the *TAFE SA Act 2012*. TAFE SA is a statutory corporation to which the provisions of the PCA (other than section 35) apply.

The TAFE SA Board is responsible to the Minister for Employment, Higher Education and Skills.

Functions

TAFE SA's main function is to provide technical and further education. For details of TAFE SA's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 32(4) of the PCA and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of TAFE SA for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by TAFE 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 controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

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

During 2012-13, specific areas of audit attention included:

- operating expenditure, including accounts payable
- employee benefits
- revenue, including funding under Skills For All, student fees and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger
- opening balances.

The audit took into account the controls and procedures performed by service providers including SSSA.

The work of internal audit was considered in planning and conducting the audit programs.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of TAFE SA as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chair, TAFE SA Board. The main matters raised with TAFE SA and the related responses are detailed below.

In addition, matters relating to SSSA as a service provider to TAFE SA are also described below.

Policies and procedures

TI 2 requires the chief executive to establish and maintain effective policies and procedures for the management of financial risks and to make these readily available to staff.

TAFE SA is yet to develop policies and procedures over key business activities or is still using the Department of Further Education, Employment, Science and Technology's (DFEEST) policies and procedures which may not reflect TAFE SA's business circumstances. For example, TAFE SA does not have documented policies and procedures covering:

- review of staff access to the Student Information System (SIS) or the Accounts Receivable Point Of Sale system. There was no evidence of any access reviews undertaken for the 2012-13 financial year
- updating hourly rates approved/noted by the Minister and nominal hours determined by the Victorian purchasing guide, for each unit of competency, into SIS. There was no evidence of an independent check of the update of hourly rates or nominal hours into SIS
- the approval and processing of applications for recognition of prior learning
- key control activities performed by TAFE SA officers on the review of key access and transaction reports for expenditure.

TAFE SA responded that TAFE SA policies are progressively being copied, rebranded and modified from current DFEEST policies and procedures to ensure that they fully cover the financial operations of TAFE SA.

TAFE SA

TAFE SA aims to ensure that its financial management policies and procedures are fully updated by 31 December 2013 and reviewed at least annually in accordance with TIs.

Student revenue

Use of exemption codes

The TAFE SA student fees policy provides an exemption to students from paying fees under certain circumstances. However there is no independent review to ensure that only approved exemptions from paying fees are processed.

TAFE SA responded it has identified opportunities for enhancing the accountability of this process and will be working with various stakeholders to improve this process.

Debtor reconciliations

Debtor reconciliations have not been performed in a timely manner.

TAFE SA responded that it has caught up on these outstanding reconciliations and continues to perform these debtor reconciliations in a timelier manner since the audit was conducted.

Skills for All revenue

External review of Skills for All systems

Given the significance of the Skills for All systems, TAFE SA engaged an external firm to review Skills for All information systems and key business processes.

The key findings of this review included:

- interface and data integrity – there were a number of data quality issues between SIS and other Skills for All systems resulting in potential under and overpayments to TAFE SA
- financial reconciliation of payments – there is currently no reconciliation process performed to ensure integrity of the revenue amount in Masterpiece to the subsidiary systems which contain source information.

To ensure the integrity of revenue to be reported in the financial statements, DFEEST and TAFE SA reconciled all transactions from SIS to payment systems and the general ledger.

TAFE SA responded that a TAFE SA/DFEEST Skills for All Reference Group was formed in May 2013 and consists of key agency executives. The reference group has been monitoring the implementation of key recommendations of an external review into the Skills for All payment system and recognises the importance of improving systems during the 2013-14 year. The TAFE SA executive is currently considering its ICT program for 2013-14 and this program will take into account these recommendations.

Payroll/Human resource management

Return of bona fide certificates

Certifying officers do not always review and return bona fide certificates on a timely basis.

TAFE SA responded that where bona fide certificates are not returned within appropriate timeframes, Human Resources issues a reminder email to appropriate parties. A second reminder may be issued if no further response is received by Human Resources. If there is still no response the issue is escalated to the Director of People and Culture for further action by senior management.

Further, in August 2013 the Director of People and Culture communicated to all directors and managers advising them of their responsibilities in this regard.

Approval of employee timesheets

Non-educational staff use timesheets to record their hours worked, record leave taken and manage flexitime arrangements. Some timesheets were not authorised or were not authorised on a timely basis.

TAFE SA responded that all managers have been reminded of the requirement for timesheets to be completed, reviewed, approved and retained by the respective managers for record keeping purposes.

Hourly paid instructors (HPIs)

Audit found some HPIs were commencing work prior to signing an agreement.

The directors of the business units have been informed by the Executive Director, Education of the need for HPIs to sign a letter of engagement prior to commencing employment. All managers were directed to follow this recommendation and adhere to the new HPI policy and procedure.

Expenditure

Purchase orders

TAFE SA officers are not using purchase orders for all goods and services acquired.

TAFE SA responded that the TAFE SA requisitions and purchase orders policy details when purchase orders are to be raised and how these are monitored. Managers and executives are responsible for ensuring that staff within their area of responsibility comply with the requirements of this policy and related procedures.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the TAFE SA Board.

The audit identified that for the period of review, the monthly account payment performance report was not prepared. Further, TAFE SA had not developed policies and procedures to ensure compliance with the revised TI 11 requirements could be met.

TAFE SA responded by specifying that it would address all noted issues with the view to ensuring complete TI 11 compliance by the end of September 2013.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of TAFE SA under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

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

Shared Services SA – Empower payroll control environment

SSSA processes payroll transactions specific to the Empower payroll system on behalf of TAFE SA in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environment operated by SSSA.

Review of the process and control environment in previous years has identified key control weaknesses for segregation of duties and user access.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year.

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

Interpretation and analysis of the financial report

TAFE SA was established as a public corporation on 1 November 2012. The operations of TAFE institutes were previously part of DFEEST and were reported in DFEEST's financial statements up to this date. As this is the first year of TAFE SA operations there is no comparative information. Note 30 to the financial statements provides details of the functions transferred in from DFEEST.

Highlights of the financial report

	2013 $'million
Expenses	
Employee benefits	159
Supplies and services	91
Other expenses	4
Total expenses	254
Income	
Vocational education and training from DFEEST	166
Student and other fees and charges	48
Other grants and contributions	43
Other income	16
Total income	273
Net cost of (revenue from) providing services	(19)
Assets	
Current assets	121
Non-current assets	27
Total assets	148

	2013 $'million
Liabilities	
Current liabilities	56
Non-current liabilities	52
Total liabilities	108
Total equity	40

Statement of Comprehensive Income

Net revenue from providing services

Net revenue from providing services for the period 1 November 2012 to 30 June 2103 was $19 million.

Expenses

The main expenses of TAFE SA are employee benefits of $159 million (63% of total expenses) and supplies and services of $91 million (36% of total expenses).

Supplies and services main expenditure items are:

- corporate services and infrastructure recharges to DFEEST of $32 million
- contractors and consultants of $15 million.

Income

TAFE SA's main income source is from DFEEST for vocational education and training funding. This was $166 million for the reporting period.

The other main income streams for TAFE SA were:

- student and other fees and charges of $48 million of which $29 million is for fees for services and $16 million is student enrolment fees and charges

- other grants and contributions of $43 million of which $41 million was received from DFEEST for TAFE SA to fulfil community service obligations.

Statement of Financial Position

The Statement of Financial Position shows that the most significant items are:

	2013 $'million
Assets	
Cash and cash equivalents	41
Receivables	79
Property, plant and equipment and intangibles	26
Liabilities	
Payables	26
Employee benefits	69

Cash totalling $41 million is held in a special deposit account with DTF and includes funds received from DFEEST for Skills for All funding and other program funding.

Receivables totalling $79 million include $58 million owed by DFEEST for Skills for All and other funding.

Intangibles of $11 million predominantly relate to TAFE SA's SIS.

Statement of Cash Flows

The following table summarises the net cash flows for the period 1 November 2012 to 30 June 2013.

	2013 $'million
Net cash flows	
Operating	(18)
Investing	(1)
Financing	60
Change in cash	41
Cash at 30 June	41

Cash increased by $41 million during the period. This is predominantly due to cash transferred from DFEEST of $60 million on the establishment of TAFE SA offset by cash outflows from operations and investing activities.

Statement of Comprehensive Income
for the period 1 November 2012 to 30 June 2013

	Note	2013 $'000
Expenses:		
Employee benefits	5	158 970
Supplies and services	6	90 949
Depreciation and amortisation	7	3 188
Net loss from the disposal of non-current assets	15	132
Other expenses	8	935
Total expenses		254 174
Income:		
Vocational education and training funding from the Department of Further Education, Employment, Science and Technology (DFEEST)	10	165 832
Commonwealth grants	11	7 598
Student and other fees and charges	12	48 264
Other grants and contributions	13	42 672
Investment income	14	4
Other income	16	9 059
Total income		273 429
Net revenue from providing services		19 255
Net result		19 255
Other comprehensive income		-
Total comprehensive result		19 255

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

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000
Current assets:		
Cash and cash equivalents	17	41 222
Receivables	18	78 912
Inventories	21	932
Total current assets		121 066
Non-current assets:		
Receivables	18	204
Property, plant and equipment	19	14 858
Intangibles	20	11 338
Total non-current assets		26 400
Total assets		147 466
Current liabilities:		
Payables	22	23 721
Employee benefits	23	24 559
Provisions	24	1 576
Unearned revenue	25	5 483
Other current liabilities	26	6
Total current liabilities		55 345
Non-current liabilities:		
Payables	22	1 918
Employee benefits	23	44 366
Provisions	24	6 130
Total non-current liabilities		52 414
Total liabilities		107 759
Net assets		39 707
Equity:		
Retained earnings	27	19 255
Contributed capital	27	20 452
Total equity		39 707

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28	
Contingent assets and liabilities	29	

Statement of Changes in Equity
for the period 1 November 2012 to 30 June 2013

	Note	Revaluation surplus $'000	Retained earnings $'000	Contributed capital $'000	Total $'000
Contributed capital	27	-	-	20 452	20 542
Net result for 2012-13	27	-	19 255	-	19 255
Total comprehensive result 2012-13		-	19 255	20 452	39 707
Balance at 30 June 2013		-	19 255	20 452	39 707

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

Statement of Cash Flows
for the period 1 November 2012 to 30 June 2013

	Note	2013 Inflows (Outflows) $'000
Cash flows from operating activities:		
Cash outflows:		
Employee benefit payments		(154 213)
Payments for supplies and services		(85 724)
GST paid to the ATO		(2 583)
Payments for Paid Parental Leave Scheme		(62)
Other payments		(264)
Cash used in operations		(242 846)
Cash inflows:		
Commonwealth grants		7 598
Vocational education and training funding from DFEEST		135 543
Student and other fees and charges		52 069
Other grants and contributions		14 289
Interest received		4
GST recovered from the ATO		5 768
Receipts for Paid Parental Leave Scheme		117
Other receipts		9 630
Cash generated from operations		225 018
Net cash provided by (used in) operating activities	33	(17 828)
Cash flows from investing activities:		
Cash outflows:		
Purchase of property, plant and equipment		(640)
Purchase of intangibles		(419)
Cash used in investing activities		(1 059)
Net cash provided by (used in) investing activities		(1 059)
Cash flows from financing activities:		
Cash inflows:		
Cash transferred as a result of restructuring activities		60 109
Cash generated from financing activities		60 109
Net cash provided by (used in) financing activities		60 109
Net increase (decrease) in cash and cash equivalents		41 222
Cash and cash equivalents at 1 November		-
Cash and cash equivalents at 30 June	17	41 222

Disaggregated Disclosures - Expenses and Income for the period 1 November 2012 to 30 June 2013

	Employment and Skills Formation		
	Vocational Education and Training	International and Higher Education	Total
	2013	2013	2013
Expenses:	$'000	$'000	$'000
Employee benefits	158 048	922	158 970
Supplies and services	90 368	581	90 949
Depreciation	3 188	-	3 188
Net loss on disposal of assets	132	-	132
Other	935	-	935
Total expenses	252 671	1 503	254 174
Income:			
Vocational education and training funding from DFEEST	165 832	-	165 832
Commonwealth grants	7 598	-	7 598
Student and other fees and charges	48 228	36	48 264
Other grants and contributions	42 672	-	42 672
Investment income	4	-	4
Other	7 405	1 654	9 059
Total income	271 739	1 690	273 429
Net result	19 068	187	19 255

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2013

	Employment and Skills Formation		
	Vocational Education and Training	International and Higher Education	Total
	2013	2013	2013
Assets:	$'000	$'000	$'000
Cash and cash equivalents	41 222	-	41 222
Receivables	79 116	-	79 116
Inventories	932	-	932
Property, plant and equipment	14 858	-	14 858
Intangibles	11 338	-	11 338
Total assets	147 466	-	147 466
Liabilities:			
Payables	25 639	-	25 639
Employee benefits	68 925	-	68 925
Provisions	7 706	-	7 706
Unearned revenue	5 483	-	5 483
Other liabilities	6	-	6
Total liabilities	107 759	-	107 759

Notes to and forming part of the financial statements

1. Agency objectives and funding

(a) Objectives

TAFE SA (TAFE SA or the Corporation) was established as a statutory corporation on 1 November 2012 by the *TAFE SA Act 2012*.

The *TAFE SA Act 2012* provided TAFE SA with modernised governance arrangements that have enabled it to operate in the more commercial and competitive environment introduced through Skills for All.

The objectives of TAFE SA are to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister.

In fulfilling its statutory functions as set out in section 6 of the *TAFE SA Act 2012*, TAFE SA shall aspire to be a leading government-owned provider of technical and further education and assist the Government in meeting its strategic objectives for technical and further education by the Corporation actively:

- aiming to increase participation in further education and training and the attainment of higher level qualifications meeting the skills needs of South Australia
- ensuring a flexible approach to delivery by using contemporary practices, such as workplace delivery, e-learning and recognition of prior learning
- ensuring the maintenance of quality training, including by meeting and exceeding where practicable, all relevant regulatory compliance requirements
- being customer-focused and responsive to the needs of students and industry
- contributing to the development of the South Australian economy, industry and local communities across South Australia through the delivery of technical and further education, particularly engaging individuals and employers in regional and remote areas, and where the Corporation is the only local provider of training
- developing and strengthening links with industry to ensure that programs and services meet the needs of industry, students and the community
- valuing and recognising the diversity of learners to improve their participation in technical and further education including by attracting and retaining learners from disadvantaged groups including Aboriginal people and others who may experience disadvantage through age, gender, race, ethnicity, lack of community support, health, physical isolation
- promoting equality of opportunity in undertaking technical and further education
- undertaking such further or other activities as are determined by the Board of the Corporation as fulfilling those statutory functions in accordance with the TAFE SA Ministerial Charter.

The Corporation, as a public provider, shall operate effectively and efficiently in a competitive market for vocational education and training to:

- deliver technical and further education efficiently and cost effectively at high standards of quality, while at all times ensuring the financial viability of the Corporation

(a) Objectives (continued)

- build the TAFE SA brand and grow the Corporation's reputation for quality, including strategic relationships with both the school and higher education sectors through rigorous attention to stakeholder demands and innovative delivery
- where and when appropriate, build alliances and cooperation with other service providers to ensure quality and relevant course availability and delivery in the most efficient manner
- further strengthen the Corporation's position in technical and further education through the provision of fee-for-service activities, including quality training for overseas students and targeted international activity
- ensure a safe work and learning environment for staff, students and the community.

(b) Funding

The Corporation is predominantly funded by the Department of Further Education, Employment, Science and Technology (DFEEST) through the Skills for All program.

In addition income is generated from sales and fee-for-service. These include:

- student fees and charges
- training for various organisations
- sale of curriculum material
- hire of facilities and equipment.

The financial activities of the Corporation are primarily conducted through a special deposit account with DTF pursuant to section 8 of the PFAA. The special deposit account is used for funds provided by Skills for All from DFEEST, Commonwealth grants and revenues from fees and charges.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

(b) Basis of preparation (continued)

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

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

(e) employee TVSP information.

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

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

The financial statements have been prepared based on the period 1 November 2012 to 30 June 2013 and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 30 June 2013.

(c) Reporting entity

The Corporation is a statutory corporation of the State of South Australia, established pursuant to the *TAFE SA Act 2012*.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Corporation in its own right.

(d) Comparative information

TAFE SA was established as a statutory corporation effective 1 November 2012. The period from 1 November 2012 to 30 June 2013 represents the first year of operation for TAFE SA. Comparative information for prior years is therefore not applicable.

(e) Rounding

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

(f) Income and expenses

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

Income

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

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Income from grants is recognised upon receipt of funding.
- Interest income is recognised as it accrues.
- Dividend income is recognised only when it is declared.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.

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

The following are specific recognition criteria:

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

  In regard to superannuation expenses, the amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of current services of current corporation staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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

(h) Events after the end of the reporting period
Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 31).

(i) Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and cash on hand.

Cash is measured at nominal value.

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

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

The recoverability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Corporation will not be able to collect the debt.

(k) Inventory
Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

(k) Inventory (continued)

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses is recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

(l) Property, plant and equipment

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, 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 restructure of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

Revaluation of non-current assets

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

Every three years, the Corporation revalues its library collection. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

Library collection

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2011 in the DFEEST accounts by the Australian Valuation Office, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

Plant and equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of $10 000 or greater are capitalised.

Items under $10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

Intangibles

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

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

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

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

(m) Impairment

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

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

(n) Depreciation and amortisation of non-current assets

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

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

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

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

Class of asset	*Depreciation/Amortisation method*	*Useful life (years)*
Other plant and equipment	Straight-line	1-45
Library collection	Straight-line	5-15
Intangibles	Straight-line	10

(o) Payables

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

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

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

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

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

Employee benefits on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave, non-attendance days, and skills and experience retention leave.

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

(p) Employee benefits and employment related liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, LSL, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under payables as on-costs on employee benefits (refer note 22).

Salaries, wages, annual leave, skills and experience retention leave, non-attendance days and sick leave

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

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

Non-attendance days are accrued annually for employees engaged under the *TAFE SA Act 2012* but are non-cumulative.

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

LSL

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

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

(q) 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 Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

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

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

(r) Leases

The Corporation has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

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

Details of commitments of current non-cancellable operating leases are disclosed at note 28.

(s) Accounting for taxation

The Corporation is liable for payroll tax, FBT, GST, Emergency Services levy and local government rate equivalents.

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

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

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

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

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

(t) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. Changes in accounting policies

The Corporation did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the period ending 30 June 2013. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

4. Activities and subactivities

Activity: Employment and Skills Formation

Description/Objective: To strengthen the economic prosperity and social wellbeing of South Australians through strategic employment, skills formation and workforce development.

Subactivity: Vocational Education and Training (VET)

Provide post-secondary VET including:

- the investment of public funds to support individuals and employers to develop workforce skills
- funding apprenticeships and traineeships
- supporting post-secondary training and education
- providing state and national policy advice.

Subactivity: International and Higher Education

Support the development of Adelaide as a centre for education, international education and South Australian education exports including providing marketing services, analysis and student and community support.

Provide high level strategic policy advice to the Minister on higher education policy and planning.

5. Employee benefits

	2013 $'000
Salaries and wages (including annual leave)	124 251
Superannuation	12 381
Payroll tax	7 286
LSL	5 186
Skills and experience retention leave	347
Workers compensation	1 626
TVSP payments	7 116
Other employee related costs	777
Total employee benefits	158 970

TVSPs

Amount paid to these employees:	
TVSPs	7 116
Annual leave and LSL paid during the period	1 885
	9 001
Funding from DTF (through DFEEST)	7 490
Net cost to TAFE SA	1 511

The number of employees who were paid TVSPs during the reporting period was 61.

Remuneration of employees	2013
The number of employees whose remuneration received or receivable is $138 000 or more from the date of TAFE SA incorporation falls within the following bands:	Number (including TVSPs)
$138 000 - $147 999	1
$148 000 - $157 999	1
$168 000 - $177 999	1
$298 000 - $307 999	1
$318 000 - $327 999[(i)]	1
$408 000 - $417 999[(i)]	1
Total	6

(i) This bandwidth includes employees that have received TVSPs during 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the period. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, separation packages, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.5 million.

For 2012-13, the above figures include two non-executive employees who took TVSPs during the year. The total remuneration received by these employees for the period was $700 000.

For 2012-13, there were no non-executive employees who received leave paid on termination payments during the period and were not paid TVSPs.

Remuneration of employees - 1 July 2012 to 30 June 2013	2013
The number of employees who transferred to TAFE SA under the transition arrangements are disclosed for the full 12 months as they are government employees. Their remuneration falls within the following bands for the 12 month period:	Number (including TVSPs)
$138 000 - $147 999	9
$148 000 - $157 999	3
$158 000 - $167 999	3
$168 000 - $177 999	2
$178 000 - $187 999	3
$188 000 - $197 999	2
$218 000 - $227 999	1
$238 000 - $247 999	1
$268 000 - $277 999	1
$298 000 - $307 999[(i)]	1
$328 000 - $337 999[(i)]	1
$338 000 - $347 999[(i)]	1

Remuneration of employees - 1 July 2012 to 30 June 2013 (continued)

	2013 Number (including TVSPs)
\$358 000 - \$367 999[(i)]	1
\$368 000 - \$377 999[(i)]	1
\$388 000 - \$397 999	1
\$418 000 - \$427 999[(i)]	1
\$438 000 - \$447 999[(i)]	1
\$468 000 - \$477 999[(i)]	1
Total	34

(i) This bandwidth includes employees that have received TVSPs during 2012-13.

6. Supplies and services

	2013 \$'000
Corporate services recharges to DFEEST	19 945
Infrastructure recharges to DFEEST	12 100
Funding to external VET providers	70
Printing and consumables	5 607
Minor works, maintenance and equipment	9 671
Information technology infrastructure and communications	3 250
Fees - contracted services (including consultants)	14 805
Utilities	5 917
Cleaning	6 652
Vehicle and travelling expenses	2 949
Rentals and leases	1 302
Books, materials and copyright	8 681
Total supplies and services	90 949

Supplies and services provided by entities within the SA Government:	
Corporate services recharges to DFEEST	19 945
Infrastructure recharges to DFEEST	12 100
Funding to external VET providers	13
Minor works, maintenance and equipment	7 130
Information technology infrastructure and communications	870
Fees - contracted services (including consultants)	8 307
Utilities	1 066
Cleaning	5 768
Vehicle and travelling expenses	911
Total supplies and services - SA Government entities	56 110

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

Consultancies

	2013 Number	2013 \$'000
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:		
Below \$10 000	1	1
Between \$10 000 and \$50 000	2	25
Above \$50 000	2	846
Total paid/payable to the consultants engaged (GST exclusive)		872

7. Depreciation and amortisation

	2013 \$'000
Depreciation:	
Plant and equipment	918
Library	1 351
Total depreciation	2 269
Amortisation:	
Intangibles	919
Total amortisation	919
Total depreciation and amortisation	3 188

8. Other expenses

	Note	2013 $'000
Audit fees	9	261
Allowance for doubtful debts and debt write-offs		672
Other		2
Total other expenses		935

9. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	261
Total auditor's remuneration paid/payable	261

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

10. VET funding from DFEEST

VET funding from DFEEST	165 832
Total VET funding from DFEEST	165 832

11. Commonwealth grants

Language Literacy and Numeracy Delivery Statewide	4 591
Aged Care Workforce	877
Community Development Employment Projects program	1 712
Other specific Commonwealth revenue	418
Total Commonwealth grants	7 598

2012-13 commitments

$4.6 million in Commonwealth revenue was received for the Language Literacy and Numeracy Delivery Statewide program in 2012-13 with all commitments being met.

$800 000 in Commonwealth revenue was received for the Aged Care Workforce program in 2012-13, of which $100 000 is committed to be spent in 2013-14 as part of providing personal care workers opportunities to upgrade their qualifications.

$1.7 million in Commonwealth revenue was received for the Community Development Employment Projects program in 2012-13 with all commitments being met.

12. Student and other fees and charges

	2013 $'000
Sales/Fee-for-service revenue	29 032
Student enrolment fees and charges	16 470
Other user fees and charges	2 762
Total fees and charges received/receivable	48 264
Fees and charges received/receivable from entities within the SA Government:	
Sales/Fee-for-service revenue	1 535
Student enrolment fees and charges	494
Other user fees and charges	77
Total fees and charges - SA Government entities	2 106

13. Other grants and contributions

Grants from entities within the SA Government	133
Grants from DFEEST	41 236
Grants and subsidies revenue	1 296
Miscellaneous contributions	6
Donations	1
Total other grants and contributions	42 672

14. Investment income

Interest from entities external to the SA Government	4
Total investment income	4

15. Net loss on disposal of non-current assets

	2013
Plant and equipment:	$'000
Total proceeds from disposal	-
Net book value of assets disposed	132
Net loss on disposal of non-current assets	132

16. Other income

TVSP recovery from DFEEST	7 490
Recoup of salaries	236
Sundry income	1 333
Total other income	9 059

17. Cash and cash equivalents

Special deposit account with DTF	41 176
Cash on hand	46
Total cash and cash equivalents	41 222

Special deposit account with DTF
Includes funds received from DFEEST for Skills For All and other program funding.

Interest rate risk
Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represent fair value.

18. Receivables

	2013
Current:	$'000
Skills For All funding receivable from DFEEST	30 030
Student and other fees and charges receivable	40 664
Allowance for doubtful debts	(1 612)
Prepayments	820
GST recoverable from the ATO	2 616
Other receivables	6 394
Total current receivables	78 912
Non-current:	
Workers compensation receivable	204
Total non-current receivables	204
Total receivables	79 116
Receivables from SA Government entities:	
Skills For All funding receivable from DFEEST	30 030
Student fees and charges receivable	22 620
Prepayments	4
Other receivables	6 287
Total receivables from SA Government entities	58 941

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

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

	2013
	$'000
Carrying amount at 1 November 2012	1 304
Increase in the allowance	400
Amounts written off	(92)
Carrying amount at 30 June 2013	1 612

Interest rate risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing.

Interest rate risk (continued)

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 34.3.

(b) Categorisation of financial instruments and risk exposure information - refer note 34.

19. Property, plant and equipment

	2013
	$'000
Plant and equipment:	
Plant and equipment at cost (deemed fair value)	24 533
Accumulated depreciation	(13 415)
	11 118
Library collection:	
Library collection at valuation	22 570
Accumulated depreciation	(18 830)
	3 740
Total property, plant and equipment	47 103
Total accumulated depreciation at 30 June	(32 245)
Total property, plant and equipment	14 858

Valuation of property

Plant and equipment was transferred at the fair value as determined by the transferor.

The libraries were transferred at the fair value as determined by the transferor.

Impairment

There were no indications of impairment of property and plant and equipment assets at 30 June 2013.

(a) Reconciliations

	Plant and equipment	Library collection at valuation	Total
2013	$'000	$'000	$'000
Assets transferred 1 November 2012	11 754	4 839	16 593
Additions	414	252	666
Disposals	(132)	-	(132)
Depreciation	(918)	(1 351)	(2 269)
Carrying amount at 30 June	11 118	3 740	14 858

20. Intangibles

	2013
	$'000
Computer software	14 128
Accumulated amortisation	(2 790)
Total computer software	11 338

The computer software predominantly relates to TAFE SA's student information system.

TAFE SA has no contractual commitments for the acquisition of intangibles assets.

Impairment

There were no indications of impairment of intangible assets at 30 June 2013.

(a) Reconciliations

	Intangibles	Intangibles work in progress	Total
2013	$'000	$'000	$'000
Assets transferred 1 November 2012	11 234	604	11 838
Additions	-	419	419
Other movements	1 023	(1 023)	-
Amortisation	(919)	-	(919)
Carrying amount at 30 June	11 338	-	11 338

21. Inventories

	2013
	$'000
Inventories held for sale	370
Inventories held for distribution	562
Total inventories	932

22. Payables

Current:	
Creditors	10 224
Accrued expenses	9 730
Employment on-costs	3 687
Paid Parental Leave Scheme	56
Other	24
Total current payables	23 721
Non-current:	
Creditors	64
Employment on-costs	1 854
Total non-current payables	1 918
Total payables	25 639
Payables to SA Government entities:	
Creditors	6 367
Accrued expenses	2 912
Employment on-costs	5 541
Total payables to SA Government entities	14 820

An actuarial assessment performed by DTF determines that the percentage of the proportion of LSL taken as leave is 26%. The average factor used in the calculation of employer superannuation cost on-cost is 10.2%. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables - refer note 34.3.

(b) Categorisation of financial instruments and risk exposure information - refer note 34.

23. Employee benefits

	2013
Current:	$'000
Annual leave	5 625
LSL	7 734
Skills and experience retention leave	1 003
Accrued salaries and wages	5 059
Non-attendance days	5 138
Total current employee benefits	24 559
Non-current:	
LSL	44 366
Total non-current employee benefits	44 366
Total employee benefits	68 925

AASB 119 contains the calculation methodology for LSL liability. This year an actuarial assessment performed by DTF has provided a set level of liability rather than using a benchmark for the measurement of LSL. The effect of the change relating to the current period is immaterial.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds is 3.5% at 30 June 2013.

23. Employee benefits (continued)

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF has been calculated based upon a salary inflation rate of 4%.

Leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from the TAFE SA Empower payroll system. Leave entitlement data for HPIs is only updated in Empower once actual leave requests have been manually verified against human resource records on a case by case basis.

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2013 are $27.4 million and $46.2 million respectively.

24. Provisions

	2013
	$'000
Current:	
Workers compensation	1 576
Total current provisions	1 576
Non-current:	
Workers compensation	6 130
Total non-current provisions	6 130
Total provisions	7 706
Carrying amount at 1 November 2012	8 074
Reduction in provisions recognised	(368)
Carrying amount at 30 June 2013	7 706

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

25. Unearned revenue

	2013
	$'000
Unearned revenue from SA Government entities	260
Unearned revenue from non-SA Government entities	5 223
Total unearned revenue	5 483

26. Other liabilities

Current:	
Other liabilities	6
Total current other liabilities	6

27. Equity

Retained earnings	19 255
Contributed capital	20 452
Total equity	39 707

28. Unrecognised contractual commitments

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at 30 June but not recognised as liabilities are payable as follows:	
Within one year	8 531
Later than one year and not later than five years	4 556
Total remuneration commitments	13 087

Amounts disclosed include commitments arising from executive contracts and HPIs. TAFE SA does not offer remuneration contracts greater than five years.

Other commitments	2013
	$'000
Within one year	9 572
Later than one year and not later than five years	11 367
Total other commitments	20 939

TAFE SA's other commitments relate to agreements for Productivity Places programs contracts, cleaning contracts, and other procurement commitments.

Operating leases commitments

Commitments in relation to operating leases contracted for at 30 June but not recognised as liabilities are payable as follows:	
Within one year	26 080
Later than one year and not later than five years	74 543
Total operating lease commitments	100 623

TAFE SA's operating leases are for office accommodation, campuses, equipment and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure but paid through an infrastructure recharge with DFEEST under a Memorandum of Administrative Arrangement. The leases are non-cancellable with some leases having the right of renewal. TAFE SA campuses are leased from DFEEST under the Memorandum of Administrative Arrangement. Rent is payable in arrears. Motor vehicles are leased from SAFA through their agent LeasePlan Australia.

29. Contingent assets and liabilities

TAFE SA is not aware of any contingent assets.

There are a number of outstanding personal injury and common law claims not settled as at 30 June 2013 with an estimated settlement value of $42 350.

30. Transferred functions

Transferred in

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2012, from 1 November 2012 TAFE SA has been proclaimed as a statutory corporation, and all assets and liabilities relating to TAFE SA within DFEEST were transferred out to the new entity.

On transfer, TAFE SA recognised the following net assets and liabilities:	01.11.12
	$'000
Cash	60 109
Receivables	19 418
Inventories	905
Property, plant and equipment	16 593
Intangible assets	11 838
Total assets	108 863
Payables	11 424
Employee benefits liability	65 413
Provisions	8 074
Other liabilities	3 500
Total liabilities	88 411
Total net assets transferred	20 452

Net assets transferred to the Corporation as a result of the administrative restructure were at the carrying amount recorded in the transferor's Statement of Financial Position immediately prior to transfer. The net assets have been charged directly to equity.

Total income and expenses attributable to TAFE SA for 2012-13 were:	DFEEST 01.07.12 to 31.10.12	TAFE SA 01.11.12 to 30.06.13	Total
	$'000	$'000	$'000
VET funding from DFEEST	-	165 832	165 832
Commonwealth grants	3 125	7 598	10 723
Student and other fees and charges	28 013	48 264	76 277
Other grants and contributions	1 096	42 672	43 768
Other income	32 920	9 063	41 983
Total income	65 154	273 429	338 583

Transferred in (continued)	DFEEST 01.07.12 to 31.10.12 $'000	TAFE SA 01.11.12 to 30.06.13 $'000	Total $'000
Employee benefits	74 830	158 970	233 800
Supplies and services	22 348	90 949	113 297
Depreciation and amortisation	1 561	3 188	4 749
Other expenses	128	1 067	1 195
Total expenses	98 867	254 174	353 041
Net result	(33 713)	19 255	(14 458)

31. After balance day events

The South Australian Government Gazette dated 27 June 2013 contains an Administrative Arrangement (Transfer of Assets, Rights and Liabilities to TAFE SA) Proclamation 2013 which comes into operation on 1 July 2013. Under the arrangement the assets, rights and liabilities of the Minister for Employment, Higher Education and Skills attributable to any contract or other instrument listed in Schedule 1 of the proclamation are transferred to TAFE SA.

In June 2013, the Chief Executives of DFEEST and TAFE SA authorised the transfer of approximately 100 staff from DFEEST to TAFE SA pursuant to section 9 of the PSA. These transfers were in accordance with a decision taken by the TAFE SA Board to establish autonomous corporate services within TAFE SA. The financial effect of this machinery of government change has not been reflected in the financial statements due to the transfer becoming effective from 1 July 2013.

32. Remuneration of board and committee members

Members that were entitled to receive remuneration during the 2012-13 financial year were:

TAFE SA Board

P Vaughan (Chair)	J Branson	N Buddle
R Chapman	P Denley	A Hurley
A Marron	M Silva	

Audit and Risk Committee

J Branson (Chair)	N Buddle	A Hurley
M Silva		

Finance Committee

N Buddle (Chair)	J Branson	A Marron
M Silva		

Human Resources Committee

P Denley (Chair)	P Vaughan	R Chapman
A Hurley		

Transformation and Strategy Committee

P Vaughan (Chair)	R Chapman	P Denley
A Marron		

Adelaide College of the Arts Advisory Board

R Archer (Chair)	S Bowers	J Covernton
A Ford	A Hann	J MacDonnell^
S Grieve^	M Hill-Smith^	

^ Indicates a member who is entitled to receive remuneration but did not receive remuneration during the period 1 November 2012 to 30 June 2013.

The number of members whose remuneration from the entity falls within the following bands is:	2013 Number
$1 - $9 999	5
$30 000 - $39 999	5
$40 000 - $49 999	2
$70 000 - $79 999	1
Total	13

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $300 000.

32. Remuneration of board and committee members (continued)

Amounts paid to a superannuation plan for board/committee members totalled $30 900.

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

33. Reconciliation of cash and cash equivalents

	2013
Cash at 30 June as per:	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	41 222
Balance as per the Statement of Cash Flows	41 222

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	(17 828)
Depreciation and amortisation	(3 188)
Gain (Loss) on sale of assets	(132)
Movements in assets/liabilities:	
Employee benefits	(3 512)
Receivables	59 698
Inventories	27
Payables	(14 189)
Unearned revenue	(5 483)
Other liabilities	3 494
Provisions	368
Net revenue from providing services	19 255

34. Financial instruments

34.1 Categorisation of financial instruments

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

		Carrying amount 2013
Financial assets	Note	$'000
Cash and cash equivalents	17	41 222
Receivables[(1)(2)]	18	75 400
Total financial assets		
Financial liabilities		
Financial liabilities at cost:		
Payables[(1)]	22	19 759
Total net financial assets at cost		96 864

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

(2) Receivables amounts disclosed here excludes prepayments. Prepayments are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

All amounts recorded are carried at cost (not materially different from amortised cost).

Credit risk

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

Credit risk (continued)

The carrying amount of financial assets as detailed in note 34.1 represents the Corporation's maximum exposure to credit risk.

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

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

34.2 Ageing analysis of financial assets

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	2 632	1 995	4 754	9 381

34.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	41 222	41 222	-	-
Receivables	75 400	75 400	-	-
Total financial assets	116 622	116 622	-	-
Financial liabilities:				
Payables	19 758	19 758	-	-
Total financial liabilities	19 758	19 758	-	-

Liquidity risk

Liquidity risk arises where TAFE SA is unable to meet its financial obligations as they fall due. TAFE SA is funded principally from Skills for All funding provided by DFEEST.

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

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

The carrying amount of financial liabilities recorded in note 34.1 represents TAFE SA's maximum exposure to financial liabilities.

Department of Treasury and Finance

Functional responsibility

Establishment

The Department of Treasury and Finance (the Department) is an administrative unit established under the PSA, and is responsible to the Treasurer.

Functions

The Government, through the Treasurer and the Department, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level
- managing whole-of-government financial management processes
- providing a range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA
- raising and managing the State's debt funding and managing and insuring government risk through SAFA
- administering public sector superannuation through the State Superannuation Office
- providing support for the State Procurement Board.

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

Administered funds

The Department administers but does not control certain funds on behalf of the Treasurer. Further details are provided in the Statement of Administered Comprehensive Income, Statement of Administered Financial Position, Statement of Administered Changes in Equity and Statement of Administered Cash Flows appearing in the Department's financial report.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. The audit program also considered the review work undertaken by the internal audit section of the Department.

During 2012-13, specific areas of audit attention included:

Corporate systems

- expenditure
- payroll
- revenue
- financial accounting.

RevenueSA

- financial accounting and recording systems for tax collections
- First Home Owners Grant application and disbursements
- compliance services for all taxes
- EFT processing.

Financing and insurance services

Commentary on these activities is included in the section titled ‘South Australian Government Financing Authority’ elsewhere in Part B of this Report.

Superannuation services

Commentary on these activities is included in the section titled ‘South Australian Superannuation Board’ elsewhere in Part B of this Report.

Public finances

In addition, Audit undertakes ongoing work on various aspects of the public finances. These matters are primarily reported in Part C of this Report, and the Treasurer’s Statements are in the Appendix to Part B of this Report.

Audit findings and comments

Auditor’s report on the financial report

In my opinion, the financial report presents a true and fair view of the financial position of the Department of Treasury and Finance as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit of the Department were detailed in management letters to the Under Treasurer and Commissioner of State Taxation. The main matters raised with the Department and the related responses are detailed below.

In addition, matters relating to SSSA as a service provider to the Department are also described below.

RevenueSA

RevenueSA, through the Commissioner of State Taxation, is responsible for management, collection and enforcement of the State's taxation revenue, including stamp duty, payroll tax, land tax and the fixed property component of the Emergency Services levy (ESL).

RevenueSA is also responsible for the management and payment of the First Home Owners Grant.

During 2012-13 Audit reviewed the controls exercised by RevenueSA over these activities and identified the following issues.

RISTEC system Release 1 – review of IT controls for new payroll tax system

The RISTEC project involves the development and implementation of an integrated taxation system to replace certain legacy tax systems.

Last year's Report included comment that the RISTEC project would involve three system releases, notably:

- Release 1 – base system and payroll tax.
- Release 2 – land tax and ESL.
- Release 3 – stamp duty and sundry taxes.

While Release 1 was implemented in June 2012 further delays with the implementation of Release 2 and Release 3 are being experienced. Further comment on this matter is provided in Part A of this Report.

The RISTEC system releases are being developed utilising an enterprise application software development strategy and practice referred to as SAP.

The audit of Release 1 noted that the RISTEC project had implemented some positive controls. These included business role functions being defined within SAP and the reporting of certain SAP functions and system availability.

Despite these positive controls the audit highlighted many matters, including deficiencies that warranted the attention of management. These are briefly described below.

- Operational support teams needed access functions segregated.
- Application log monitoring and system reporting needed to improve.

- Operating system logging needed to be strengthened.
- There was a reliance on software implementer technical expertise.
- Control deficiencies had previously existed within the RISTEC internet interface called RevNet.
- SAP security patching was reactive not proactive.
- Controls over generic administrator accounts needed further tightening.
- No internal security assessment of RISTEC had been performed or was planned.
- Some procedure and system documentation was incomplete or out-dated.
- Weak SAP password configuration controls existed.

Audit recommended that the remediation of these matters required consideration and attention not just in the context of the effective operation for the payroll tax activity but also for subsequent tax activity releases. As the SAP environment takes on more taxation processing functions the criticality and risks associated with any known process and control deficiency may increase.

In addition as the RISTEC project is yet to be finalised Audit noted that any remediation activity would require a balancing of management attention and resourcing. This is to ensure that both the rollout and remediation activities can occur concurrently. The Department will also need to ensure adequate internal audit reviews occur in the future requiring access to suitable SAP technical expertise.

The Department responded to the issues raised by Audit with detailed remediation plans.

In 2013-14 Audit will continue to review RISTEC which will include the effectiveness of operational controls affecting the payroll tax processing function. The reviews will take into consideration the scope of any internal audit activity within the Department.

Accrued revenue for State taxation

In June 2012 Audit highlighted that State taxation revenue is recognised by the Department on a cash basis and not on an accrual basis (when taxation revenue is received). Recognising taxation revenue on a cash basis means that the Department does not recognise, in its annual financial statements, the value of outstanding taxation debt, estimate of debt that it is unlikely to collect (doubtful debts) and the value of taxation debt written off each year.

The Department has advised Audit that outstanding taxation debt as at 30 June 2013 totalled $46.5 million while debt written off during 2012-13 totalled $9.2 million. Over the six years to 30 June 2013 RevenueSA has written off over $41 million of unpaid tax.

Also in 2012 Audit recommended that RevenueSA review its accounting policy for recognising State taxation revenue and recognise the value of outstanding taxation debt, estimate of doubtful debt and annual debt write-offs in its annual financial report.

In response RevenueSA noted that while the new RISTEC system had the capability to recognise revenue on an accrual basis, it was not appropriate to consider any possible change to accrual reporting until its full implementation.

Audit followed up this matter in 2012-13 recommending that RevenueSA consider whether it is able to perform the relevant estimates manually. RevenueSA responded that while it is able to provide a level of outstanding debt and debt write-offs at 30 June, it currently has no reliable method for measuring the level of doubtful debts which takes into account the legislative rights and the various processes available to government in the collection and enforceability of taxation debts.

During 2013-14 Audit will liaise with the Department to understand the challenges in reliably estimating doubtful debts.

RISTEC - debtor management

In prior years Audit has noted opportunities for RevenueSA to improve the usefulness of debtor management reporting. In response RevenueSA has recognised the planned implementation of RISTEC as an opportunity to review and improve its internal reporting on outstanding taxation debt.

As mentioned earlier, the RISTEC system (Release 1) was implemented in June 2012 for calculating and managing payroll tax. Subsequent releases are planned in coming years for managing the remaining taxes raised and collected by RevenueSA.

While RISTEC is able to produce a range of debtor reports, RevenueSA has identified a number of limitations with these reports. These limitations cause inefficiencies in the debtor management process.

The relatively small number of open payroll tax debt management files means that RevenueSA is able to manage these limitations within existing resources.

Audit has noted, however, that there are significantly more open land tax and ESL debtor files than open payroll tax files. Similar limitations on debtor management reporting for land tax and ESL may impact RevenueSA's ability to efficiently and effectively manage outstanding debt.

In response RevenueSA has stated that the RISTEC project team is currently working on debtor management reporting for Release 2 (land tax and ESL) and will apply the lessons learnt from Release 1 (payroll tax) to ensure the errors identified are not repeated with Release 2 reporting.

RISTEC – delay in compliance activities for 2012-13

Each year RevenueSA compares existing taxpayer information with information received by other State and Commonwealth Government bodies. This data matching process is designed to compare wages information provided to the relevant government bodies and identify:

- unregistered employers who may be liable for payroll tax
- registered employers who may misstate their taxable wages and not pay the correct amount of payroll tax.

RevenueSA usually completes this data matching process by November each year. The results of this process are then used by RevenueSA to identify potential compliance targets for the current financial year.

Audit noted that as at April 2013, RevenueSA had not completed the data matching process for 2012-13 and therefore had not finalised its planned compliance audits for that year.

Delays in progressing planned compliance audits could impact on RevenueSA's capacity to meets its compliance revenue targets for 2012-13 and future periods.

RevenueSA responded that while the delay in completing the data matching process for 2012-13 negatively impacted on identifying audit targets for that year, the delay was not expected to impact significantly on revenue targets for 2012-13.

Audit was advised that the main reason for the delay was the difficulty in obtaining payroll tax data from the RISTEC system. RevenueSA is continuing to work with the RISTEC project team to ensure that the required data for all target selection processes is available for the future.

DTF corporate functions

DTF's corporate functions include:

- general ledger processing and general ledger reconciliations
- human resource management and payroll processing
- accounts payable and EFT disbursement
- accounts receivable.

Many of these functions are performed by SSSA on behalf of the Department in accordance with a service level determination.

The Department exercises controls to ensure that information provided to SSSA for processing is complete, accurate and properly approved. SSSA is responsible for the complete and accurate processing of this information into the Department's financial reporting systems.

The following matters were identified with respect to the Department's controls over financial management and reporting.

User access to the Basware system

The Basware system is used by the Department to electronically approve transactions prior to disbursement through the Department's online banking system.

The Department's controls over user access to the Basware system include:

- an annual check to ensure that the Basware system is updated to reflect changes made to the Department's delegations of authority

- quarterly checks of the validity of Basware users.

During 2012-13 Audit reviewed these controls and noted:

- the need for the Department to document its policies and procedures for the regular review of Basware user access

- that the Department's annual review of Basware users did not include a complete reconciliation of all users access limits in Basware with the Department's delegations of authority.

Further, Audit identified several discrepancies between the Department's delegation limits and the user access provided to Basware.

These matters were raised with the Department in July 2013. The Department has responded that it:

- has documented its policies and procedures for the regular review of Basware user limits

- will implement an annual reconciliation of all user access limits in Basware with the approved transaction limits

- has corrected all anomalies in user access limits identified by Audit.

Internal audit findings relating to payroll and TimeWise

In June and July 2012 the Department implemented a new employee attendance recording system – TimeWise. All branches were required to implement the new system, with the exception of RevenueSA who maintain a separate recording system.

The TimeWise system requires employees to record their daily time and attendance information and submit this information each pay period to their supervisor for approval. While the TimeWise system is not used to update the CHRIS payroll system, on a regular basis branch level administrators are able to reconcile the approved TimeWise data with information recorded in CHRIS.

Recognising the impact that TimeWise has had on its control environment, the Department's internal audit section initiated a review of its implementation.

In December 2012 internal audit noted that while it was satisfied that the payroll control environment was operating satisfactorily, its review highlighted:

- numerous instances of employee time recording that were either incomplete or not approved by the relevant delegate
- three of the five branch administrators selected for testing were unaware of all system reporting available to them to support an effective reconciliation of leave data recorded in the TimeWise system with that recorded in CHRIS
- the need for the Department to update its existing policies and procedures on attendance recording to reflect the revised practices following the introduction of TimeWise.

Recognising these outcomes, internal audit performed a follow-up review in April 2013 noting significant improvement in the controls for recording and reviewing leave and staff attendance.

Audit will review the Department's response to internal audit's findings during 2013-14.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the Treasurer.

The audit noted the need for updated policies and procedures for TI 11 requirements.

In response the Department advised that existing policies and procedures will be reviewed and updated where necessary to ensure compliance with TI 11.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of the Department under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

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

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Department in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

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

Shared Services SA – reconciliation of general ledger suspense and clearing accounts

SSSA is responsible for maintaining the completeness and accuracy of the Department’s general ledger. To meet this responsibility SSSA regularly reconciles relevant general ledger balances with information recorded in subsidiary reporting systems. Each month SSSA also reconciles balances recorded in a range of general ledger suspense and clearing accounts.

Suspense and clearing accounts are used by SSSA to record transactions and balances that, due to timing differences or processing errors, it has yet to transfer to another, more appropriate general ledger account. Regular reconciliation of these accounts ensures that financial information is correctly classified or processing errors corrected.

During 2012-13 Audit identified 21 clearing or suspense accounts that SSSA were not regularly reconciling.

While SSSA responded that it would ensure that it reconciled all clearing and suspense accounts by 31 August 2013, as part of the review of the Department’s 2012-13 financial statements Audit noted that one of these clearing accounts had an unreconciled balance of $63 million.

On further review the Department concluded that the balance of administered payables recognised in prior reporting periods was overstated by $63 million. The Department has accordingly disclosed a prior period error in the Statement of Administered Changes in Equity for the year ended 30 June 2013.

Government Accounting, Reporting and Procurement Branch (GARP)

Responsibilities of GARP include administration of the annual appropriation process, recording activities of the Consolidated Account and the balances of the Treasurer’s deposit accounts and Treasurer’s loans.

During 2012-13 Audit reviewed the controls exercised by GARP and identified the following matter.

Reconciliation of central general ledger (CGL) clearing accounts

The Treasurer is required to prepare annual financial statements in accordance with section 22 of the PFAA, based on financial records maintained by GARP in the CGL.

These financial statements are referenced as Treasurer's Statements A through to L and are included in the Appendix to Part B of this Report.

The CGL includes a series of clearing accounts representing amounts which, due to timing differences between the CGL and agency records or processing error, GARP have yet to transfer to another, more appropriate, CGL account.

The accumulated balance of these CGL clearing accounts is reported in Treasurer's Statement C as 'Cheques drawn but not presented/Deposits not credited', which at 30 June 2013 totalled $58.7 million. While this classification reflects the generally understood and likely nature of the balances held in these clearing accounts, GARP is unable to validate these balances.

Because of the complexities of agency banking arrangements, GARP cannot reconcile CGL clearing accounts without the assistance of agencies. Despite this complexity, the absence of an effective reconciliation of these CGL clearing accounts increases the risk of misstatement in the CGL and therefore the Treasurer's Statements.

Audit has previously recommended that GARP liaise with agencies to implement a regular reconciliation of these CGL clearing accounts.

The Department has responded that it will review the clearing account process and investigate ways of improving the data collection process from agencies and from the relevant financial institutions.

Information and communications technology and control

During the year Audit undertook a high-level review of the Department's key IT financial systems and infrastructure. That review was facilitated by the provision of certain information and documentation provided by the Department.

Certain observations arising from the review were raised with the Department for attention and comment. The main matters communicated were:

- ICT Strategic plan was still being progressed
- ICT business continuity and disaster recovery plans needed review
- integrated IT security policies required updating
- the development of the first phase of the information security management system (ISMS) mandated project was to be finalised. This was due for delivery in June 2013 with the rollout of remaining ISMS plan (across the Department) continuing beyond 30 June 2013
- the remediation of web and network infrastructure externally contracted review observations needed to be progressed.

In response the Department described actions being taken to address these matters and provided targeted dates for completion out to October 2013.

Interpretation and analysis of the financial report

Highlights of the Department's financial report - controlled

	2013 $'million	2012 $'million
Expenses		
Employee benefit expenses	69.4	106.5
Supplies and services	53.6	62.7
Other expenses	1.7	3.1
Total expenses	124.7	172.3
Income		
Fees and charges	40.8	88.2
Other income	5.7	1.2
Total income	46.5	89.4
Net cost of providing services	78.2	82.9
Revenues from SA Government	84.6	69.6
Net result and total comprehensive result	6.4	(13.3)
Assets		
Current assets	26.7	22.9
Non-current assets	25.1	23.3
Total assets	51.8	46.2
Liabilities		
Current liabilities	11.6	11.4
Non-current liabilities	16.4	17.4
Total liabilities	28.0	28.8
Total equity	23.8	17.4

Statement of Comprehensive Income

Effective from 1 February 2012 all employees of the operational unit known as SSSA were transferred to DPC. This transfer of employees reflected the transfer of the management and control of SSSA's activities to DPC as from that date.

The transfer of SSSA to DPC during 2011-12 has significantly decreased the Department's total expenses and income for 2012-13 relative to the prior year.

Total expenses have decreased by $47.6 million while total income has decreased by $42.9 million. Both reductions are due mainly to the transfer of SSSA.

The Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013 highlights the financial performance of the Department's programs. Activity 8 Shared Services SA provides the financial activities of SSSA for the seven months to 31 January 2012, after which these activities were transferred to DPC.

The increase in expenditure for Activity 2 (as defined in note 4 to the financial statements) reflects the Department's increased costs (legal and other consultants) associated with the divestment of government assets.

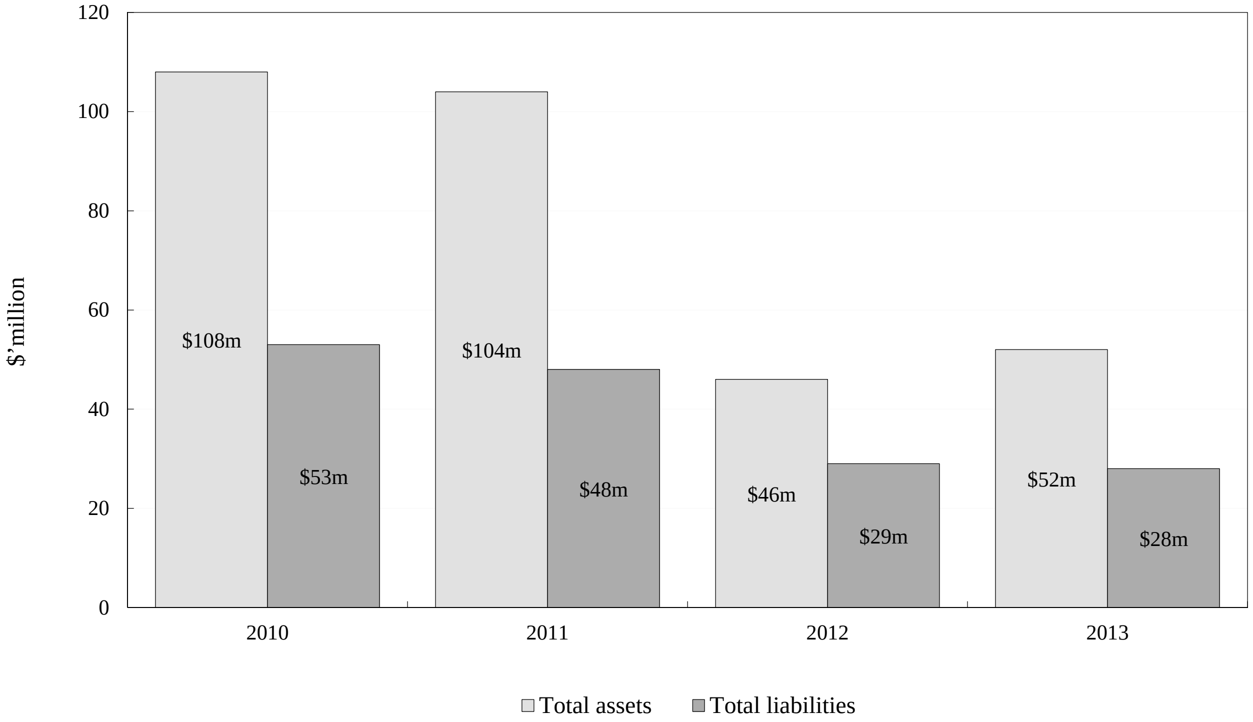
Statement of Financial Position

Assets and liabilities

Total assets increased by $5.6 million to $51.8 million due mainly to an increase in current receivables, reflecting the timing of cash flows from fees and charges, and the purchase of intangible assets.

Total liabilities have marginally decreased.

The following chart shows the decrease in the Department's assets and liabilities since 2010.



The significant decrease in assets and liabilities from 2011 to 2012 reflected the transfer of SSSA to DPC during 2011-12.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	5.2	(3.9)	(3.8)	37.6
Investing	(3.4)	(5.4)	(11.3)	(11.6)
Financing	-	(21.8)	-	(23.0)
Change in cash	1.8	(31.1)	(15.1)	3.0
Cash at 30 June	21.6	19.8	50.9	66.0

The reduction in cash on hand at 30 June 2012 results from the transfer of cash to DPC as part of the administrative restructure.

Highlights of the Department's financial report - administered

The administered financial statements mainly reflect the Department's transactions on behalf of the SA Government for the Consolidated Account. The Consolidated Account result for 2012-13 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

	2013 $'million	2012 $'million
Income		
Taxation	3 651	3 456
Commonwealth revenues	6 408	8 308
Revenues from SA Government	1 945	2 136
Other revenues	2 054	1 577
Total income	14 058	15 477
Expenses		
Payments to SA Government	11 050	10 927
Grants, subsidies and transfers	2 301	3 509
Other expenses	1 396	989
Total expenses	14 747	15 425
Net result	(689)	52
Assets		
Current assets	1 610	1 433
Non-current assets	5	2
Total assets	1 615	1 435
Liabilities		
Current liabilities	1 096	1 230
Non-current liabilities	75	76
Total liabilities	1 171	1 306
Total equity	444	129

In October 2012 the Government completed the forward sale of the State's Green Triangle forest plantations. To facilitate the process land, standing timber and other assets valued at $1.028 billion were transferred to the Treasurer. The resultant increase in the Department's Statement of Administered Financial Position was recognised as a direct increase in administered equity.

Immediately following the transfer of these assets, the Treasurer sold the standing timber and leased the associated land for an initial term of 70 years for consideration of $635.1 million (excluding stamp duty). While the State retains title over the forest land, disposal has been deemed in accordance with the accounting standard on leases. The land asset will return to the State for no consideration at the end of the lease arrangements.

Transfer of the sale proceeds to the Consolidated Account and the net loss on disposal of land and timber of $389 million are both recognised in the Statement of Administered Comprehensive Income as expenses.

The Department's administered net loss of $689 million for 2012-13 is due mainly to the net impact that this forward sale has had on the Statement of Administered Comprehensive Income, offset by a $408 million gain in the ETSA sales/lease proceeds account arising from brought forward dividends received from the State's electricity corporations.

Further commentary on operations

Commonwealth funding arrangements

The Intergovernmental Agreement on Federal Financial Relations (IGA) provides the framework for the Commonwealth's financial relations with the states and territories.

The IGA provides for the following types of Commonwealth payments:

- general revenue assistance, including the ongoing provision of GST payments, to be used by the states and territories for any purpose
- national specific purpose payments (SPP) to be spent in the key service delivery sectors as agreed to be between the Commonwealth and the states. Each national SPP is linked to a national agreement that contains objectives, outcomes, outputs and performance indicators, and clarifies the roles and responsibilities of each jurisdiction
- National Partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

Under the IGA all Commonwealth funding, with the exception of funding under the National Health Reform Agreement, is provided to the Department, which is then responsible for distributing funds to agencies. The Treasurer has established a special deposit account to receive and disburse money paid to the State for the national SPP purposes listed in Schedule F of the IGA and the national partnership payments purposes listed in Schedule G.

The balance of the IGA account at 30 June 2013 was $177 million ($309 million). This balance represents funds that the Department is yet to transfer to other agencies.

The National Healthcare SPP was replaced by the national health reform funding from 1 July 2012 and comprises base funding equivalent to the previous National Healthcare SPP and, from 1 July 2014, efficient growth funding. National health reform funding, which totalled $1 billion in 2012-13, is paid directly to the Department of Health and Ageing.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefit expenses	5	69 449	106 527
Supplies and services	6	53 577	62 696
Depreciation and amortisation expense	7	1 608	3 021
Other expenses	8	45	66
Total expenses		124 679	172 310
Income:			
Revenues from fees and charges	10	40 782	88 221
Interest revenues	11	27	778
Net gain from disposal of non-current assets	12	-	8
Other income	13	5 731	405
Total income		46 540	89 412
Net cost of providing services		(78 139)	(82 898)
Revenues from SA Government:			
Revenues from SA Government	14	84 563	69 569
Total revenues from SA Government		84 563	69 569
Net result		6 424	(13 329)
Total comprehensive result		6 424	(13 329)

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

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	15	21 600	19 751
Receivables	16	5 100	3 162
Total current assets		26 700	22 913
Non-current assets:			
Receivables	16	67	36
Property, plant and equipment	17	1 033	1 422
Intangible assets	18	24 040	21 821
Total non-current assets		25 140	23 279
Total assets		51 840	46 192
Current liabilities:			
Payables	19	4 348	4 236
Employee benefits	20	6 939	6 845
Provisions	21	292	295
Other current liabilities	22	-	49
Total current liabilities		11 579	11 425
Non-current liabilities:			
Payables	19	1 311	1 397
Employee benefits	20	14 198	15 065
Provisions	21	911	888
Total non-current liabilities		16 420	17 350
Total liabilities		27 999	28 775
Net assets		23 841	17 417
Equity:			
Contributed capital	23	547	547
Retained earnings	23	23 294	16 870
Total equity		23 841	17 417

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Contributed capital $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011		547	108	56 213	56 868
Net result for 2011-12		-	-	(13 329)	(13 329)
Total comprehensive result for 2011-12		-	-	(13 329)	(13 329)
Transactions with SA Government as owner:					
Revaluation surplus taken to equity (transfer between equity components)		-	(108)	108	-
Net assets transferred as a result of an administrative restructure	29	-	-	(26 122)	(26 122)
Balance at 30 June 2012	23	547	-	16 870	17 417
Net result for 2012-13		-	-	6 424	6 424
Total comprehensive result for 2012-13		-	-	6 424	6 424
Balance at 30 June 2013	23	547	-	23 294	23 841

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(69 993)	(103 209)
Payments for supplies and services		(53 820)	(58 710)
GST payments on purchases		(5 826)	(11 318)
GST remitted to ATO		(40 476)	(11 865)
Payments for Paid Parental Leave Scheme		(152)	(126)
Other payments		(112)	-
Cash used in operations		(170 379)	(185 228)
Cash inflows:			
Fees and charges		38 676	86 889
Interest received		27	697
GST receipts on receivables		40 668	12 202
GST recovered from ATO		5 837	11 418
Other receipts		5 731	405
Receipts for Paid Parental Leave Scheme		164	136
Cash generated from operations		91 103	111 747
Cash flows from SA Government:			
Receipts from SA Government		84 563	69 569
Cash generated from SA Government		84 563	69 569
Net cash provided by (used in) operating activities	27(b)	5 287	(3 912)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(174)	(299)
Purchase of intangible assets		(3 264)	(5 164)
Cash used in investing activities		(3 438)	(5 463)
Cash inflows:			
Proceeds from sale of property, plant and equipment	12	-	23
Cash generated from investing activities		-	23
Net cash provided by (used in) investing activities		(3 438)	(5 440)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities	29	-	(21 776)
Cash used in financing activities		-	(21 776)
Net cash provided by (used in) financing activities		-	(21 776)
Net increase (decrease) in cash and cash equivalents		1 849	(31 128)
Cash and cash equivalents at 1 July		19 751	50 879
Cash and cash equivalents at 30 June	27(a)	21 600	19 751

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2013

(Activities - refer note 4)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	362	332	17 035	15 712	1 687	4 923	5 747	6 089
Supplies and services	37	16	22 896	8 810	1 225	1 884	2 915	2 982
Depreciation and amortisation expense	2	1	135	96	18	15	23	25
Other expenses	-	-	13	10	-	-	3	3
Total expenses	401	349	40 079	24 628	2 930	6 822	8 688	9 099
Income:								
Revenues from fees and charges	6	2	539	513	6 444	6 404	854	537
Interest revenues	-	-	8	14	-	-	2	5
Net gain (loss) from disposal of non-current assets	-	-	-	2	-	-	-	-
Other income	23	-	2 151	113	-	-	353	6
Total income	29	2	2 698	642	6 444	6 404	1 209	548
Net cost of providing services	(372)	(347)	(37 381)	(23 986)	3 514	(418)	(7 479)	(8 551)
Revenues from SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Net result	(372)	(347)	(37 381)	(23 986)	3 514	(418)	(7 479)	(8 551)

(Activities - refer note 4)	5		6		7		8*	
	2013	2012	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	43 659	42 181	822	-	137	-	-	37 290
Supplies and services	26 106	27 851	302	-	96	-	-	21 153
Depreciation and amortisation expense	1 424	1 348	5	-	1	-	-	1 536
Other expenses	28	22	1	-	-	-	-	31
Total expenses	71 217	71 402	1 130	-	234	-	-	60 010
Income:								
Revenues from fees and charges	32 224	36 677	556	-	159	-	-	44 088
Interest revenues	17	30	-	-	-	-	-	729
Net gain (loss) from disposal of non-current assets	-	3	-	-	-	-	-	3
Other income	3 119	211	66	-	19	-	-	75
Total income	35 360	36 921	622	-	178	-	-	44 895
Net cost of providing services	(35 857)	(34 481)	(508)	-	(56)	-	-	(15 115)
Revenues from SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Net result	(35 857)	(34 481)	(508)	-	(56)	-	-	(15 115)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013 (continued)

(Activities - refer note 4)	General/ Not attributable		Total	
	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	69 449	106 527
Supplies and services	-	-	53 577	62 696
Depreciation and amortisation expense	-	-	1 608	3 021
Other expenses	-	-	45	66
Total expenses	-	-	124 679	172 310
Income:				
Revenues from fees and charges	-	-	40 782	88 221
Interest revenues	-	-	27	778
Net gain (loss) from disposal of non-current assets	-	-	-	8
Other income	-	-	5 731	405
Total income	-	-	46 540	89 412
Net cost of providing services	-	-	(78 139)	(82 898)
Revenues from SA Government:				
Revenues from SA Government	84 563	69 569	84 563	69 569
Net result	84 563	69 569	6 424	(13 329)

* Activity 8 Shared Services SA transferred to DPC on 1 February 2012.

The allocations to programs are indicative and are based on broad costing methodologies.

Disaggregated Disclosures - Assets and Liabilities
as at 30 June 2013

(Activities - refer note 4)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	-	-	38	33	-	17	338	59
Property, plant and equipment	-	-	53	74	20	2	-	-
Intangible assets	-	-	-	-	-	3	-	-
Total assets	-	-	91	107	20	22	338	59
Liabilities:								
Payables	13	11	1 034	1 611	179	269	233	480
Employee benefits	110	105	5 185	4 972	513	1 558	1 749	1 927
Provisions	1	-	514	251	28	54	65	85
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	124	116	6 733	6 834	720	1 881	2 047	2 492
Net assets	(124)	(116)	(6 642)	(6 727)	(700)	(1 859)	(1 709)	(2 433)

(Activities - refer note 4)	5		6		7		8*	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	3 157	1 774	147	-	74	-	-	-
Property, plant and equipment	552	813	-	-	-	-	-	-
Intangible assets	23 873	21 559	-	-	-	-	-	-
Total assets	27 582	24 146	147	-	74	-	-	-
Liabilities:								
Payables	2 180	2 538	40	-	38	-	-	-
Employee benefits	13 288	13 348	250	-	42	-	-	-
Provisions	586	793	7	-	2	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	16 054	16 679	297	-	82	-	-	-
Net assets	11 528	7 467	(150)	-	(8)	-	-	-

(Activities - refer note 4)	General/ Not attributable		Total	
	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	21 600	19 751	21 600	19 751
Receivables	1 413	1 315	5 167	3 198
Property, plant and equipment	408	533	1 033	1 422
Intangible assets	167	259	24 040	21 821
Total assets	23 588	21 858	51 840	46 192
Liabilities:				
Payables	1 942	724	5 659	5 633
Employee benefits	-	-	21 137	21 910
Provisions	-	-	1 203	1 183
Other liabilities	-	49	-	49
Total liabilities	1 942	773	27 999	28 775
Net assets	21 646	21 085	23 841	17 417

* Activity 8 Shared Services SA transferred to DPC on 1 February 2012.

Notes to and forming part of the financial statements

1. Objectives of the Department of Treasury and Finance (the Department)

The Department administers a range of programs and services in support of the Government's seven strategic priorities and South Australia's Strategic Plan. Sound budgeting and strong State finances underpin all of the Government's goals for the long-term future of the State. Within this context, the Department's objectives are:

- strong State finances
- effective budget and financial management processes
- efficient and responsive services
- effective economic, social and regulatory policy.

To achieve these objectives, the Department undertakes a number of activities for the Government. The activity information is summarised in note 4.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

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

The Department has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2013 (refer note 3).

Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

2.2 Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

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

2.3 Transferred functions

In 2012-13, certain assets and liabilities of Forestry SA were transferred to the Treasurer effective 17 October 2012 (refer note 61).

2.4 Comparative information

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

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

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

2.5 Rounding

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

2.6 Taxation

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

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

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

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

The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

2.7 Events after the end of the reporting period

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

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

2.8 Income

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

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

The following are specific recognition criteria:

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

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

Generally, the Department has obtained control or the right to receive for:

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

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

Revenues from SA Government
Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

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

Gains on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

Taxation
Taxation revenue includes payroll tax, property taxes (land tax, stamp duty and Emergency Services levy), income tax equivalents and contributions from the Lotteries Commission of South Australia. All taxes are collected on behalf of the State Government and recognised on receipt.

Payroll tax is payable pursuant to the *Payroll Tax Act 2009*. A payroll tax liability arises in South Australia when an employer (or a group of employers) has a wages bill in excess of $600 000 for services rendered by employees anywhere in Australia if any of those services are rendered or performed in South Australia.

Stamp duty is a charge on certain documents and transactions. Stamp duty is charged at either a flat rate or an ad valorem rate (based on the value of the transaction) depending on the particular document or transaction. Stamp duties apply to a range of transactions including conveyances, mortgages, insurance and rental transactions. Stamp duties are levied under the authority of the *Stamp Duties Act 1923*, which is supported by the Stamp Duties Regulations 2002.

Land tax is charged on land ownership and calculated according to the site value of the land. The land owner is exempt from land tax where the land constitutes the owner's principal place of residence (other exemptions also apply).

The Department also collects the fixed property component of Emergency Services levy payable under the *Emergency Services Funding Act 1998*.

Income tax equivalents are collected from applicable public authorities or business units in accordance with TI 22. Tax equivalent payments are calculated and paid on the basis of the accounting profits method at the companies' income tax rate under the ITAA.

Contributions from the Lotteries Commission of South Australia include distributions to the Hospitals Fund received in accordance with the *State Lotteries Act 1966*.

Commonwealth revenues
Commonwealth revenue disclosed in note 33 includes GST grants, specific purpose payments and national partnership payments received from the Commonwealth pursuant to the Intergovernmental Agreement on Federal Financial Relations. All Commonwealth revenue is recognised when received.

Dividends
Dividends represent distributions from applicable for-profit government agencies and include returns of accumulated capital. Dividend amounts are approved by the Treasurer prior to reporting date and recognised on receipt. Dividends are passed on to the Consolidated Account.

Interest revenues
Interest revenues principally relate to the income received/receivable on the Treasurer's deposit with SAFA. This interest is received/receivable on a quarterly basis at prevailing market rates.

Other revenues
Other revenue recognised in note 39 mainly represents the receipt of cash from agencies which are passed on to the Consolidated Account in accordance with the Government's relevant policy directive. Revenue received in this manner and subsequently transferred to the Consolidated Account includes repayment of capital and advances, return of cash pursuant to the Government's cash alignment policy and return of deposit account balances.

2.9 Expenses

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

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

The following are specific recognition criteria:

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

Employee benefit expenses include expenses associated with the employment of staff assigned to support the activities of SAFA and the South Australian Superannuation Board (Super SA). The Department fully recovers these expenses through service level agreements with SAFA and Super SA.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation scheme in respect of current services of current departmental staff. The superannuation liability of the SA Government is recognised in the whole-of-government general purpose financial statements.

Superannuation contributions to various schemes (administered)
This item represents past service superannuation cash payments to the South Australian Superannuation Fund and Police Superannuation Scheme. This annual contribution is designed to support the Government's target of fully funding its unfunded superannuation liabilities by 2034 and is recognised when paid.

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

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

The value of fitouts for leased buildings is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Depreciation and amortisation (continued)
Land and water licences are not depreciated.

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

Class of asset	*Depreciation/Amortisation method*	*Useful life (years)*
Buildings	Straight-line	0-39
Land improvements	Straight-line	3-100
Fitouts - leased buildings	Straight-line	Life of lease
Furniture	Straight-line	5-10
Information technology equipment	Straight-line	3-5
Intangibles	Straight-line	3-15
Office equipment	Straight-line	3-5
Plant and equipment	Straight-line	5-10

Grants, subsidies and transfers
Grants, subsidies and transfers mainly represent the transfer of Commonwealth funding received pursuant to the Intergovernmental Agreement on Federal Financial Relations to relevant government agencies. It also includes the payment of grants and other contributions approved by the Treasurer using appropriation funding provided to the Treasury and Finance administered items account. Grants, subsidies and transfers are recognised when paid.

All contributions paid by the Department have been contributions with unconditional stipulations attached.

Borrowing costs
Borrowing costs include annual interest charges on the Treasurer's borrowings from SAFA and interest paid by the Treasurer on agency deposit and special deposit accounts.

Interest is paid from the Treasury and Finance Administered Items special deposit account using funds appropriated for that purpose. While the Department administers these payments on behalf of the Treasurer, the underlying loan arrangements are administered by SAFA and are therefore not included in the Statement of Administered Financial Position.

Further information on borrowings undertaken by the Treasurer for the SA Government and other government financial assets and liabilities can be found in the SAFA annual report and the consolidated financial report for the SA Government prepared under AASB 1049.

2.10 Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

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

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

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from goods and services provided, GST input tax credits recoverable, prepayments and other accruals. GST receivables include amounts for controlled, administered and bureau activities.

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

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

Other financial assets
The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of $10 000 or greater are capitalised.

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

Every three years, the Department revalues its land and buildings over $1 million. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

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

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

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

Impairment
All non-current tangible and intangible assets are reviewed for indication of impairment through stocktaking processes or at the reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset’s carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

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

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

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

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

Subsequent expenditure on intangible assets that includes upgrades or enhancements to existing software systems that result in additional functionality or performance is capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality is expensed.

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

Payables
Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable. GST payables include amounts for controlled, administered and bureau activities.

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.

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

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

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

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Department has entered into operating leases.

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

Finance leases (continued)
Minimum lease payments are allocated between borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

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

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

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

Salaries, wages, annual leave, skills and experience retention leave and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. There were no accrued salaries and wages as at 30 June 2013, as the last pay period ended on Friday 28 June 2013.

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

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

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

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

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

The current/non-current classification of the Department's LSL liabilities has been calculated based on historical usage patterns.

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

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

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

Workers compensation
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment for workers compensation claims.

2.13 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards and policies

The Department did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2013. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

In achieving its objectives, the Department undertakes the following activities:

Activity 1: Gambling Policy

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling.

Activity 2: Accountability for Public Sector Resources

The Department ensures accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for government programs and priorities at the whole-of-government level.

Activity 3: Treasury Services

The Department manages the Government's financial assets and liabilities and provision of certainty of funding to the State.

Activity 4: Support Services

The Department provides vehicles for Ministers, Leader of the Opposition, members of Parliament and VIPs and supports the Treasurer's Office and Veterans SA.

Activity 5: Financial Services Provision

The Department provides a range of whole-of-government services including liability management, collection of taxes, insurance, superannuation and fleet administration.

Activity 6: Motor Injury Insurance (CTP) Reform

The Compulsory Third Party (CTP) Reform Governance Group oversees the implementation of reforms to the South Australian CTP Insurance Scheme.

Activity 7: Workers Compensation Improvement

The Department is developing operational and legislative changes to improve the effectiveness and efficiency of workers compensation in South Australia.

Activity 8: Shared Services SA

Design, development, implementation and delivery of shared services across government.

SSSA was transferred to DPC on 1 February 2012 and is included in the disaggregated disclosures schedules for comparative purposes.

General/Not attributable:

Certain items of the Department are not allocated to activities.

The disaggregated disclosure schedules present expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2012 and 30 June 2013.

5. Employee benefit expenses

	2013	2012
	$'000	$'000
Salaries and wages	49 926	74 335
TVSPs (refer below)	1 193	760
LSL	694	6 007
Annual leave	4 647	7 630
Skills and experience retention leave	318	-
Employment on-costs - superannuation	7 225	10 209
Employment on-costs - other	3 090	4 814
Board fees	349	266
Other employee related expenses	2 007	2 506
Total employee benefit expenses	69 449	106 527

TVSPs

Amount paid to these employees:		
TVSPs	1 193	760
Annual leave and LSL paid during the reporting period	479	166
	1 672	926
Recovery from DTF - administered items*	766	598
Net cost to the Department	906	328

* The recovery amount includes payroll tax, SSSA administration fees, and payments for employee assistance.

Reimbursement for expenditure incurred by government agencies for payment of TVSPs is paid in arrears on an acquittal basis, and is recognised as revenue when received. The Department expects to recover a further $427 000 in 2013-14.

The number of employees who received a TVSP during the reporting period was 13 (7).

Remuneration of employees	2013	2012
The number of employees whose total remuneration received/receivable falls within the following bands:	Number	Number
$134 000 - $137 999*	n/a	-
$138 000 - $147 999	7	4
$148 000 - $157 999	6	7
$158 000 - $167 999	7	7
$168 000 - $177 999	6	7
$178 000 - $187 999	3	4
$188 000 - $197 999	6	-
$198 000 - $207 999	3	4
$208 000 - $217 999	1	3
$218 000 - $227 999	1	2
$228 000 - $237 999	1	-
$238 000 - $247 999	1	1
$258 000 - $267 999	1	4
$268 000 - $277 999	3	-
$278 000 - $287 999	-	1
$288 000 - $297 999	1	-
$298 000 - $307 999	-	2
$308 000 - $317 999	1	-
$318 000 - $327 999	1	-
$328 000 - $337 999	-	1
$398 000 - $407 999	1	1
$458 000 - $467 999	1	-
Total	51	48

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which 44 (42) are executive and 7 (6) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $10.234 million ($9.534 million).

6. Supplies and services

	2013	2012
	$'000	$'000
Accommodation and telecommunications	6 815	12 049
Information technology expenses	6 813	17 083
Motor vehicle expenses	6	15
Minor works, maintenance and equipment	548	794
Legal costs	3 417	2 941
Consultants*	15 610	4 057
Contractors and temporary staff	4 121	10 239
Valuation fees	4 958	4 792
General administration and consumables	6 489	6 335
Other	4 800	4 391
Total supplies and services	53 577	62 696

	2013	2012
Supplies and services provided by entities within the SA Government:		
Accommodation and telecommunications	6 682	11 884
Information technology expenses	482	2 785
Motor vehicle expenses	-	1
Minor works, maintenance and equipment	373	424
Legal costs	1 146	1 207
Contractors and temporary staff	21	3
Valuation fees	4 958	4 792
General administration and consumables	3 579	2 527
Other	2 742	2 196
Total supplies and services provided by entities within the SA Government	19 983	25 819

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

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

	2013		2012	
	Number	$'000	Number	$'000
Below $10 000	38	117	19	63
Between $10 000 and $50 000	17	380	15	344
Above $50 000	16	15 113	15	3 650
Total paid/payable to the consultants engaged	71	15 610	49	4 057

7. Depreciation and amortisation expense

	2013	2012
Depreciation:	$'000	$'000
Furniture	32	31
Information technology equipment	283	708
Office equipment	56	118
Total depreciation	371	857
Amortisation:		
Intangible assets	1 045	1 654
Building fitouts	192	510
Total amortisation	1 237	2 164
Total depreciation and amortisation expense	1 608	3 021

Additional disclosure is made in the asset movement notes 17 and 18.

8. Other expenses

	2013	2012
Derecognition of assets	-	1
Bad and doubtful debts expenses	45	65
Total other expenses	45	66

9. Auditor's remuneration

	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	484	451
Total audit fees	484	451

9. Auditor's remuneration (continued)

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'supplies and services - other' (refer note 6).

10. Revenue from fees and charges

	2013 $'000	2012 $'000
Agencies for the provision of corporate services	1 021	2 065
SAFA	14 967	14 845
South Australian Superannuation Board	14 960	13 524
Community Emergency Services Fund	5 889	1 612
Land tax certificates	250	259
Regulatory fees	164	52
SSSA	-	40 534
Service provision	2 445	13 885
Fleet management	446	442
Other recoveries	640	1 003
Total fees and charges	40 782	88 221

Fees and charges received/receivable from entities within the SA Government:		
Agencies for the provision of corporate services	1 021	2 065
SAFA	14 967	14 845
South Australian Superannuation Board	14 960	13 524
Community Emergency Services Fund	5 889	1 612
SSSA	-	40 534
Service provision	2 445	11 745
Other recoveries	166	350
Total fees and charges from entities within the SA Government	39 448	84 675

11. Interest revenues

Interest from entities within the SA Government	27	778
Total interest revenues	27	778

12. Net gain (loss) from disposal of non-current assets

Office equipment:		
Proceeds from disposal	-	23
Net book value of assets disposed	-	(15)
Total net gain (loss) from disposal of non-current assets	-	8

13. Other income

Commissions	163	165
Banking recoveries	416	95
Other reimbursements	-	19
RESI residual	4 690	-
Other income	455	126
Recovery of prior year doubtful debts	7	-
Total other income	5 731	405

Other income received/receivable from entities within the SA Government:		
Other reimbursements	-	19
RESI residual	4 690	-
Other income	389	27
Recovery of prior year doubtful debts	6	-
Total other income from entities within the SA Government	5 085	46

14. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	63 672	65 509
Transfer from contingencies	20 891	4 060
Total revenues from SA Government	84 563	69 569

14. Revenues from SA Government (continued)

The appropriation from Consolidated Account is predominantly in support of operating activities with $3.542 million ($5.888 million) for the replacement of the taxation revenue management system (RISTEC) and $1.288 million ($550 000) for annual minor capital replacement.

Contingencies included $18.5 million ($2.8 million) for the asset divestment program, $1.31 million ($60 000) for the enterprise bargaining supplementation and $944 000 ($839 000) for TVSP reimbursements.

15. Cash and cash equivalents

	2013	2012
	$'000	$'000
Deposits with the Treasurer	21 596	19 747
Cash on hand	4	4
Total cash and cash equivalents	21 600	19 751

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is $2.276 million and is not available for general use.

Interest rate risk

Cash on hand is non-interest bearing. The carrying amount of cash approximates net fair value.

16. Receivables

	2013	2012
Current:	$'000	$'000
Receivables	3 167	844
Allowance for doubtful debts	(1)	(68)
Accrued revenues	660	833
Prepayments	1 154	1 230
Net GST receivables from the ATO	120	323
Total current receivables	5 100	3 162
Non-current:		
Receivables	39	36
Prepayments	28	-
Total non-current receivables	67	36
Total receivables	5 167	3 198
Receivables from SA Government entities:		
Receivables	1 194	665
Accrued revenues	172	824
Prepayments	-	-
Total receivables from SA Government entities	1 366	1 489

Movement in the allowance for doubtful debts

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

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2013	2012
	$'000	$'000
Carrying amount at 1 July	68	36
Increase in the allowance	-	65
Bad debts written off	(67)	-
Transfer through administrative restructuring	-	(33)
Carrying amount at 30 June	1	68

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables - refer note 28.3.

Categorisation of financial instruments and risk exposure information - refer note 28.

17. Property, plant and equipment

	2013 $’000	2012 $’000
Non-current:		
Building fitouts:		
At cost (deemed fair value)	2 049	1 960
Accumulated amortisation	(1 448)	(1 420)
Total building fitouts	601	540
Furniture:		
At cost (deemed fair value)	300	300
Accumulated depreciation	(267)	(235)
Total furniture	33	65
Information technology equipment:		
At cost (deemed fair value)	1 829	2 124
Accumulated depreciation	(1 467)	(1 585)
Total information technology equipment	362	539
Office equipment:		
At cost (deemed fair value)	528	555
Accumulated depreciation	(491)	(462)
Total office equipment	37	93
Work in progress:		
At cost (deemed fair value)	-	185
Total work in progress	-	185
Total non-current property, plant and equipment	1 033	1 422
Total property, plant and equipment	1 033	1 422

Impairment
There were no indicators of impairment for property, plant and equipment as at 30 June 2013.

Resources received free of charge
There were no resources received free of charge.

Reconciliation of property, plant and equipment
The following table shows the movement of property, plant and equipment during 2012-13:

	Building fitouts $’000	Furniture $’000	Information technology equipment $’000	Office equipment $’000	Work in progress $’000	Total $’000
2013						
Carrying amount at 1 July	540	65	539	93	185	1 422
Additions	-	-	95	-	92	187
Capital transfer from work in progress	253	-	-	-	(253)	-
Other movements	-	-	11	-	(24)	(13)
Depreciation and amortisation expense	(192)	(32)	(283)	(56)	-	(563)
Carrying amount at 30 June	601	33	362	37	-	1 033
2012						
Carrying amount at 1 July	2 007	74	2 398	249	726	5 454
Additions	22	22	52	43	185	324
Transfer through administrative restructuring	(1 005)	-	(1 902)	(66)	-	(2 973)
Disposal and derecognition of assets	-	-	(1)	(15)	-	(16)
Capital transfers from work in progress	26	-	700	-	(726)	-
Depreciation and amortisation expense	(510)	(31)	(708)	(118)	-	(1 367)
Carrying amount at 30 June	540	65	539	93	185	1 422

18. Intangible assets

	2013	2012
Internally developed computer software:	$'000	$'000
At cost (deemed fair value)	20 590	20 199
Accumulated amortisation	(10 226)	(9 398)
Total internally developed computer software	10 364	10 801
Externally acquired software:		
At cost (deemed fair value)	2 894	2 894
Accumulated amortisation	(2 829)	(2 612)
Total externally acquired software	65	282
Work in progress:		
At cost (deemed fair value)	13 611	10 738
Total work in progress	13 611	10 738
Total intangible assets	24 040	21 821

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2012-13:

	Internally developed software $'000	Externally acquired software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	10 801	282	10 738	21 821
Additions	289	-	2 975	3 264
Capital transfers from work in progress	102	-	(102)	-
Amortisation expense	(828)	(217)	-	(1 045)
Carrying amount at 30 June	10 364	65	13 611	24 040

Additions mainly relate to acquisitions associated with further development of RISTEC.

There were no indications of impairment for intangible assets as at 30 June 2013.

The following table shows the movement of intangible assets during 2011-12:

	Internally developed software $'000	Externally acquired software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	250	6 603	16 971	23 824
Additions	1 113	68	3 437	4 618
Transfer through administrative restructuring	-	(4 967)	-	(4 967)
Capital transfers from work in progress	9 670	-	(9 670)	-
Amortisation expense	(232)	(1 422)	-	(1 654)
Carrying amount at 30 June	10 801	282	10 738	21 821

19. Payables

	2013	2012
Current:	$'000	$'000
Creditors and accrued expenses	3 076	3 290
Employment on-costs	1 250	936
Paid Parental Leave Scheme payable	22	10
Total current payables	4 348	4 236
Non-current:		
Employment on-costs	1 311	1 397
Total non-current payables	1 311	1 397
Total payables	5 659	5 633
Payables to SA Government entities:		
Creditors and accrued expenses	2 063	1 320
Employment on-costs	1 104	1 143
Total payables to SA Government entities	3 167	2 463

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer note 28.3.

Categorisation of financial instruments and risk exposure information - refer note 28.

20. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	4 633	4 720
LSL	1 988	2 125
Skills and experience retention leave	318	-
Total current employee benefits	6 939	6 845
Non-current:		
LSL	14 198	15 065
Total non-current employee benefits	14 198	15 065
Total employee benefits	21 137	21 910

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

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by the Department was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased to 3.75% (2013) from 3% (2012).

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, has had the impact of decreasing the calculation of the reported LSL liability.

21. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	292	295
Total current provisions	292	295
Non-current:		
Provision for workers compensation	911	888
Total non-current provisions	911	888
Total provisions	1 203	1 183

Reconciliation of provisions

	2013	2012
Carrying amount at 1 July	1 183	1 243
Payments/Other sacrifices of future economic benefits	(432)	(832)
Additional provisions recognised	452	1 252
Transfer through administrative restructure	-	(480)
Carrying amount at 30 June	1 203	1 183

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. These claims are expected to be settled within the next financial year.

22. Other liabilities

	2013	2012
Current:	$'000	$'000
Unearned revenue	-	49
Total current other liabilities	-	49

23. Equity

	2013 $'000	2012 $'000
Capital contribution	547	547
Retained earnings	23 294	16 870
Total equity	23 841	17 417

24. Unrecognised contractual commitments

(a) Remuneration commitments

	2013	2012
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	9 257	8 309
Later than one year but not later than five years	19 553	18 944
Later than five years	194	464
Total remuneration commitments	29 004	27 717

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

(b) Operating lease commitments

Department as lessee

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

Motor vehicles are leased from SAFA through their agent LeasePlan, these leases are non-cancellable with terms of three to five years.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2013 $'000	2012 $'000
Not later than one year	4 691	5 119
Later than one year but not later than five years	6 958	9 777
Later than five years	239	-
Total non-cancellable operating lease commitments	11 888	14 896

(c) Other commitments

The Department's other commitments are primarily agreements for software licences and software development.

	2013	2012
Not later than one year	4 168	11 066
Later than one year but not later than five years	4 016	3 607
Total other commitments	8 184	14 673

25. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

26. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during 2012-13 financial year were:

SAFA Advisory Board
Mr Brett Rowse (Presiding Member)*
Mr Mark Day
Mr Leonard Foster
Mr Claude Long
Ms Yvonne Sneddon
Ms Juliet Brown
Ms Anne Westley*
Mr Garry Goddard (Deputy Member)*
Mr Peter Mendo (Deputy Member)*

SAFA Audit Committee
Ms Yvonne Sneddon (Chair)
Mr Leonard Foster
Mr Peter Mendo*
Ms Juliet Brown

Super SA Audit and Finance Committee
Ms Virginia Deegan (Convenor of meetings)
Mr Philip Jackson
Mr John Wright*

Veterans Advisory Council
Sir Eric Neal, AC, CVO
GPCAPT R Black, AM (Retd)
Mr K J Gillman
Mr M Benyk
Mrs C Fittock
Mr W Schmitt, AM
Mr G Harrison, OAM
LCDR J Godwin, RANR
LTCOL J Spencer, OAM RFD (Retd)
BRIG L Lewis, AM (Retd)^

Playford Capital Board
Mr Ian Kowalick (Chair)
Mr Marty Gauvin
Ms Gay Wallace
Mr Timothy Burfield*
Ms Amanda Heyworth*

Super SA Board
Mr Philip Jackson (Presiding Member)
Mr Kevin Cantley*
Ms Virginia Deegan
Dr Bill Griggs*
Ms Jan McMahon

Super SA Member Services Committee
Ms Jan McMahon (Convenor of meetings)
Ms Leah York
Dr Bill Griggs*
Mr Stephen Rowe*

Veterans Advisory Council (continued)
Mr M Von Berg, MC
LTCOL IR Gregg
Dr PD Schulz
Mr CM Burns, CSC
Ms HK Adamson
BRIG TJ Hanna, AM
Mrs K Harrison
LTCOL ME Garraway
Mrs J Wallent
MAJ I Smith (Retd)
Mr J Statton, OAM
Mr L Eddy

DTF Audit and Risk Committee
Mr Andrew Blaskett (Chair)*
Mr Alan Martin*
Mr Anthony Steele*
Mr Craig Fowler*
Mr Tim Smith*
Mr John Hill (Independent member)^

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

^ BRIG L Lewis, AM (Retd) and Mr John Hill were entitled to but elected not to receive remuneration for their membership of the Veteran's Advisory Council and DTF Audit and Risk Committee respectively.

The number of members whose remuneration received/receivable falls within the following bands:	2013 Number	2012 Number
$0 - $9 999	39	37
$20 000 - $29 999	4	2
$30 000 - $39 999	5	4
$40 000 - $49 999	2	2
Total	50	45

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $379 000 ($289 000).

Amounts paid to a superannuation plan for board/committee members was $30 000 ($23 000).

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

27. Cash flow reconciliation

	2013	2012
(a) Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Cash Flows	21 600	19 751
Statement of Financial Position	21 600	19 751

(b) Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2013	2012
Net cash provided by (used in) operating activities	5 287	(3 912)
Revenues from SA Government	(84 563)	(69 569)
Non-cash items:		
Depreciation and amortisation expense	(1 608)	(3 021)
Derecognition of assets	-	(1)
Bad and doubtful debt expenses	67	(65)
Non-current assets accrual in payables	-	(521)
Net assets on restructure impacting operating cash flows	-	(3 594)
Gain (Loss) on disposal of non-current assets	-	8

(b) ***Reconciliation of net cash provided by (used in) operating activities to net cost of providing services (continued)***	2013 $'000	2012 $'000
Movements in assets/liabilities:		
Receivables	1 902	(21 012)
Payables	(26)	5 296
Employee benefits	773	12 345
Provisions	(20)	60
Other liabilities	49	1 088
Net cost of providing services	(78 139)	(82 898)

28. Financial instruments/Financial risk management

28.1 Categorisation of financial instruments

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

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	15,27	21 600	21 600	19 751	19 751
Receivables[(1)(2)]	16	3 167	3 167	1 601	1 601
Total financial assets		24 767	24 767	21 352	21 352
Financial liabilities					
Financial liabilities - at cost:					
Payables[(1)]	19	2 592	2 592	2 645	2 645
Total financial liabilities		2 592	2 592	2 645	2 645

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Excludes prepayments, which do not meet the definition of a financial asset as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit ratings. The Department does not hold any collateral as security on any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 16 for information on the allowance for impairment in relation to receivables.

28.2 Ageing analysis of financial assets

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[(1)]	8	4	50	62
Impaired:				
Receivables[(1)]	-	-	1	1

28.2 *Ageing analysis of financial assets (continued)*

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2012	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[1]	192	533	51	776
Impaired:				
Receivables[1]	-	-	68	68

[1] Receivable amounts disclosed here exclude amounts relating to statutory receivables. They are carried at cost.

28.3 *Maturity analysis of financial assets and liabilities*

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

		Contractual maturity		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2013				
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	21 600	21 600	-	-
Receivables	3 167	3 167	-	-
Total financial assets	24 767	24 767	-	-
Financial liabilities:				
Payables	2 592	2 592	-	-
Total financial liabilities	2 592	2 592	-	-
2012				
Financial assets:				
Cash and cash equivalents	19 751	19 751	-	-
Receivables	1 601	1 601	-	-
Total financial assets	21 352	21 352	-	-
Financial liabilities:				
Payables	2 645	2 645	-	-
Total financial liabilities	2 645	2 645	-	-

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 28.3 represent the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

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

29. Transferred functions

2012-13

No restructures occurred during 2012-13.

2011-12

The following restructures occurred in 2011-12 as a result of machinery of government restructures.

Transferred out

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 dated 27 January 2012, effective 1 February 2012 the SSSA division of the Department was transferred to DPC.

On transfer of SSSA to DPC, the Department recognised movement of the following assets and liabilities:

	2012
Current assets:	$'000
Cash	21 776
Receivables	20 233
Total current assets	42 009
Non-current assets:	
Property, plant and equipment	2 973
Intangible assets	4 967
Receivables (workers compensation receivable)	11
Total non-current assets	7 951
Total assets	49 960
Current liabilities:	
Payables	4 118
Employee benefit expenses	5 310
Other current liabilities	279
Provisions	110
Total current liabilities	9 817
Non-current liabilities:	
Payables	1 070
Employee benefit expenses	12 246
Other current liabilities	335
Provisions	370
Total non-current liabilities	14 021
Total liabilities	23 838
Net assets transferred	26 122

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

30. Events after the end of the reporting period

The Department is not aware of any events after the reporting period that would impact on the financial statements.

Statement of Administered Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Taxation	32	3 651 128	3 455 794
Commonwealth revenues	33	6 408 322	8 308 311
Dividends	34	695 088	277 852
Interest revenues	35	120 941	153 993
Revenues from SA Government	36	1 944 728	2 136 149
Grants and contributions	37	134 032	129 465
Revenues from fees and charges	38	75 338	74 590
Other revenues	39	1 028 944	940 605
Total income		14 058 521	15 476 759
Expenses:			
Payments to SA Government	36	11 049 889	10 926 816
Employee benefit expenses	40	452 219	424 246
Supplies and services	41	58 314	58 409
Borrowing costs	42	388 926	413 130
Grants, subsidies and transfers	43	2 301 334	3 508 858
Depreciation and amortisation expense	44	478	140
Net loss from the disposal of non-current assets	45	388 567	-
Other expenses	46	107 362	93 332
Total expenses		14 747 089	15 424 931
Net result		(688 568)	51 828
Other comprehensive income			
Changes in property, plant and equipment revaluation surplus	50	187	-
Total comprehensive result		(688 381)	51 828

Statement of Administered Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	47	1 526 706	1 310 931
Receivables	48	82 752	121 506
Other financial assets	49	414	57
Total current assets		1 609 872	1 432 494
Non-current assets:			
Receivables	48	15	14
Other financial assets	49	175	589
Property, plant and equipment	50	5 428	1 617
Total non-current assets		5 618	2 220
Total assets		1 615 490	1 434 714
Current liabilities:			
Payables	51	1 095 167	1 228 494
Employee benefits	52	886	1 039
Provisions	53	100	104
Other current liabilities	54	31	351
Total current liabilities		1 096 184	1 229 988
Non-current liabilities:			
Payables	51	72 792	74 000
Employee benefits	52	956	852
Provisions	53	348	344
Other non-current liabilities	54	730	755
Total non-current liabilities		74 826	75 951
Total liabilities		1 171 010	1 305 939
Net assets		444 480	128 775
Equity:			
Accumulated surplus		443 845	128 327
Revaluation surplus		635	448
Total equity	55	444 480	128 775
Unrecognised contractual commitments	56		
Contingent assets and liabilities	57		

Statement of Administered Changes in Equity
for the year ended 30 June 2013

		Revaluation surplus $'000	Accumulated surplus (deficit) $'000	Total $'000
Balance at 30 June 2011		448	13 792	14 240
Error correction	50	-	62 707	62 707
Restated balance at 30 June 2011		448	76 499	76 947
Net result for 2011-12		-	51 828	51 828
Total comprehensive result for 2011-12		-	51 828	51 828
Balance at 30 June 2012	55	448	128 327	128 775
Net result for 2012-13		-	(688 568)	(688 568)
Gain on revaluation of land and buildings	50	187	-	187
Total comprehensive result for 2012-13		187	(688 568)	(688 381)
Transactions with SA Government as owner:				
Net assets received from an administrative restructure	61	-	1 004 086	1 004 086
Balance at 30 June 2013	55	635	443 845	444 480

Statement of Administered Cash Flows
for the year ended 30 June 2013

		2013	2012
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash inflows:			
Taxation received		3 651 128	3 455 794
Receipts from Commonwealth		6 408 321	8 308 311
Dividends		287 337	273 839
Interest received		120 941	154 025
Receipts from SA Government		1 944 728	2 136 149
Grants and contributions		134 032	128 814
Fees and charges		113 371	55 494
GST receipts on receivables		504	5 863
GST recovered from ATO		1 602	2 963
Receipts for Paid Parental Leave Scheme		-	11
SA Lotteries sale		402 771	-
Other receipts		603 997	937 711
Cash generated from operations		13 668 732	15 458 974
Cash outflows:			
Payments to SA Government		(10 180 134)	(10 926 816)
Employee benefit payments		(452 265)	(423 379)
Payments for supplies and services		(19 728)	(112 915)
Interest payments		(388 926)	(413 130)
Grants, subsidies and transfers		(2 301 334)	(3 507 318)
GST payments on purchases		(1 540)	(4 572)
GST remitted to ATO		(838)	(3 727)
Payments for Paid Parental Leave Scheme		(2)	(9)
Other payments		(107 362)	(89 397)
Cash used in operations		(13 452 129)	(15 481 263)
Net cash provided by (used in) operating activities	59(b)	216 603	(22 289)
Cash flows from investing activities:			
Cash outflows			
Purchase of property, plant and equipment		(62)	(733)
Cash used in investing activities		(62)	(733)
Net cash provided by (used in) investing activities		(62)	(733)
Cash flows from financing activities:			
Cash inflows:			
Proceeds from other financial assets		657	1 712
Cash generated from financing activities		657	1 712
Cash outflows:			
Repayment of interest bearing liabilities		(1 423)	(894)
Cash used in financing activities		(1 423)	(894)
Net cash provided by (used in) financing activities		(766)	818
Net increase (decrease) in cash and cash equivalents		215 775	(22 204)
Cash and cash equivalents at 1 July		1 310 931	1 333 135
Cash and cash equivalents at 30 June	59(a)	1 526 706	1 310 931

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2013

	Admin items on behalf of the Consolidated Account		Cwlth mirror taxes on Commonwealth Places Revenue Account		Community Development Fund		Community Emergency Services Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	3 552 508	3 358 545	-	-	-	-	98 620	97 249
Commonwealth revenues	5 240 583	5 901 068	23 947	22 803	-	-	-	-
Dividends	287 337	273 839	-	-	-	-	-	-
Interest revenues	118 852	150 938	-	-	-	-	90	149
Revenues from SA Government	54 314	48 494	-	-	-	-	-	-
Grants and contributions	-	-	-	-	20 000	20 000	90 462	82 196
Revenues from fees and charges	74 931	72 138	-	-	-	-	398	402
Other revenues	406 491	767 836	-	-	-	-	-	-
Total income	9 735 016	10 572 858	23 947	22 803	20 000	20 000	189 570	179 996
Expenses:								
Payments to SA Government	9 678 526	10 522 290	-	-	-	-	-	-
Employee benefit expenses	473	477	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	56 017	50 091	-	-	20 000	20 000	189 616	179 905
Depreciation and amortisation expense	-	-	-	-	-	-	-	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	-	23 947	22 803	-	-	-	-
Total expenses	9 735 016	10 572 858	23 947	22 803	20 000	20 000	189 616	179 905
Net result	-	-	-	-	-	-	(46)	91
Other comprehensive income:								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Total comprehensive result	-	-	-	-	-	-	(46)	91

	Country Equalisation Scheme		ETSA Sales/Lease Proceeds Account		Hospitals Fund		Housing Loans Redemption Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-	-	-
Dividends	-	-	407 751	4 013	-	-	-	-
Interest revenues	493	674	-	-	-	-	393	267
Revenues from SA Government	-	-	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	183 514	159 601	-	-
Total income	493	674	407 751	4 013	183 514	159 601	393	267
Expenses:								
Payments to SA Government	-	-	-	-	183 514	159 601	-	-
Employee benefit expenses	-	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-	-	-	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	183 514	159 601	-	-
Net result	493	674	407 751	4 013	-	-	393	267
Other comprehensive income:								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Total comprehensive result	493	674	407 751	4 013	-	-	393	267

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2013 (continued)

	Intergovernmental Agreement on Federal Financial Relations		Industry Financial Assistance Account		Local Government Concessions		Local Government Disaster Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-	-	-
Commonwealth revenues	1 143 792	2 384 440	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Interest revenues	-	-	40	45	-	-	1 073	1 911
Revenues from SA Government	-	-	-	-	-	-	-	-
Grants and contributions	-	-	2 565	1 691	96	5 018	-	-
Revenues from fees and charges	-	-	-	-	-	-	-	-
Other revenues	-	-	1 979	3 195	-	-	-	-
Total income	1 143 792	2 384 440	4 584	4 931	96	5 018	1 073	1 911
Expenses:								
Payments to SA Government	-	-	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	40	40
Borrowing costs	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	1 276 228	2 285 150	39 246	17 034	2 368	2 327	6 238	11 240
Depreciation and amortisation expense	-	-	-	-	-	-	-	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	-	1 460	3 937	-	-	-	-
Total expenses	1 276 228	2 285 150	40 706	20 971	2 368	2 327	6 278	11 280
Net result	(132 436)	99 290	(36 122)	(16 040)	(2 272)	2 691	(5 205)	(9 369)
Other comprehensive income:								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Total comprehensive result	(132 436)	99 290	(36 122)	(16 040)	(2 272)	2 691	(5 205)	(9 369)

	Responsible Gambling Working Party		State Procurement Board - Gaming machines		Support Services to Parliamentarians		Market Projects Unit	
	2013	2012	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Interest revenues	-	-	-	3	-	-	-	6
Revenues from SA Government	-	-	-	-	-	-	-	-
Grants and contributions	(10)	-	-	-	20 919	20 560	-	-
Revenues from fees and charges	-	-	-	2 050	9	-	-	-
Other revenues	-	-	-	-	-	3	-	2 000
Total income	(10)	-	-	2 053	20 928	20 563	-	2 006
Expenses:								
Payments to SA Government	-	-	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	14 146	15 084	-	-
Supplies and services	113	166	-	2 053	6 358	6 059	-	-
Borrowing costs	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	3	1	-	-
Depreciation and amortisation expense	-	-	-	-	300	114	-	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	1	-	2 003
Total expenses	113	166	-	2 053	20 807	21 259	-	2 003
Net result	(123)	(166)	-	-	121	(696)	-	3
Other comprehensive income:								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Total comprehensive result	(123)	(166)	-	-	121	(696)	-	3

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2013 (continued)

	Sustainable Budget Commission		Treasury and Finance Administered Items Account		Treasurer's Interest in the National Wine Centre Account		Treasury Working Account	
	2013	2012	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Interest revenues	-	-	-	-	-	-	-	-
Revenues from SA Government	-	-	1 890 414	2 087 655	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-	-	-
Other revenues	-	-	1 076	817	25	25	9 258	7 128
Total income	-	-	1 891 490	2 088 472	25	25	9 258	7 128
Expenses:								
Payments to SA Government	-	-	150 001	244 925	-	-	-	-
Employee benefit expenses	-	-	437 600	408 685	-	-	-	-
Supplies and services	-	-	51 778	50 069	25	22	-	-
Borrowing costs	-	-	387 503	413 130	-	-	-	-
Grants, subsidies and transfers	-	-	711 471	943 110	-	-	147	-
Depreciation and amortisation expense	-	-	-	-	26	26	-	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	485	72 844	56 975	-	-	9 111	7 128
Total expenses	-	485	1 811 197	2 116 894	51	48	9 258	7 128
Net result	-	(485)	80 293	(28 422)	(26)	(23)	-	-
Other comprehensive income:								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	187	-	-	-
Total comprehensive result	-	(485)	80 293	(28 422)	161	(23)	-	-

	Treasury - Asset Management Account		Asset Divestment		Total	
	2013	2012	2013	2012	2013	2012
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	3 651 128	3 455 794
Commonwealth revenues	-	-	-	-	6 408 322	8 308 311
Dividends	-	-	-	-	695 088	277 852
Interest revenues	-	-	-	-	120 941	153 993
Revenues from SA Government	-	-	-	-	1 944 728	2 136 149
Grants and contributions	-	-	-	-	134 032	129 465
Revenues from fees and charges	-	-	-	-	75 338	74 590
Other revenues	1 655	-	424 946	-	1 028 944	940 605
Total income	1 655	-	424 946	-	14 058 521	15 476 759
Expenses:						
Payments to SA Government	-	-	1 037 848	-	11 049 889	10 926 816
Employee benefit expenses	-	-	-	-	452 219	424 246
Supplies and services	-	-	-	-	58 314	58 409
Borrowing costs	-	-	1 423	-	388 926	413 130
Grants, subsidies and transfers	-	-	-	-	2 301 334	3 508 858
Depreciation and amortisation expense	-	-	152	-	478	140
Net loss from the disposal of non-current assets	-	-	388 567	-	388 567	-
Other expenses	-	-	-	-	107 362	93 332
Total expenses	-	-	1 427 990	-	14 747 089	15 424 931
Net result	1 655	-	(1 003 044)	-	(688 568)	51 828
Other comprehensive income:						
Changes in property, plant and equipment revaluation surplus	-	-	-	-	187	-
Total comprehensive result	1 655	-	(1 003 044)	-	(688 381)	51 828

Notes to and forming part of the administered financial statements

31. The administered financial statements include the revenues, expenses, assets and liabilities which the Department of Treasury and Finance (the Department) administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services; grants and subsidies to public sector agencies, the private sector and the community; and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

The administered financial statements include the Intergovernmental Agreement on Federal Financial Relations Account. The purpose of the account is to receive monies from the Commonwealth Government and disburse the monies to agencies pursuant to the Intergovernmental Agreement on Federal Financial Relations for the national specific purpose program purposes listed in Schedule F of that agreement and for the national partnership payments for the purposes listed in Schedule G of that agreement.

The administered financial statements also include the fixed property component of the Emergency Services levy collected by RevenueSA and transferred to the Community Emergency Services Fund and all the transactions for the special deposit accounts established under section 8 of the PFAA that are administered by the Department listed below:

- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Community Development Fund
- Community Emergency Services Fund
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Hospitals Fund
- Housing Loan Redemption Fund
- Industry Financial Assistance Account
- Intergovernmental Agreement on Federal Financial Relations
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- Market Projects Unit
- Responsible Gambling Working Party
- Support Services to Parliamentarians
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account
- Treasury - Asset Management Account.

31.1 Summary of significant accounting policies

The Department's significant accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department and administered financial statements.

32. Taxation

	2013 $'000	2012 $'000
Stamp duties	1 401 128	1 284 427
Commonwealth places mirror - stamp duties	263	262
Payroll tax	1 275 370	1 205 915
Commonwealth places mirror - payroll tax	22 312	21 105
Land tax	581 965	587 988
Commonwealth places mirror - land tax	1 371	1 437
Emergency Services levy	98 620	97 249
Local government rate equivalents	3 333	6 977
Income tax equivalents	131 546	130 713
Contributions from Lotteries Commission of South Australia	108 790	93 534
Save the River Murray levy	26 380	26 171
Hindmarsh Island Bridge levy	50	16
Total taxation	3 651 128	3 455 794

		2013	2012
32.	**Taxation (continued)**		
	Taxation received/receivable from entities within the SA Government:	$'000	$'000
	Stamp duties	4 728	4 908
	Payroll tax	229 859	227 037
	Land tax	214 777	232 252
	Emergency Services levy	3 252	1 265
	Local government rate equivalents	3 108	6 756
	Income tax equivalents	131 546	130 713
	Contributions from Lotteries Commission of South Australia	108 790	93 534
	Total taxation received/receivable from entities within the SA Government	696 060	696 465
33.	**Commonwealth revenues**		
	Commonwealth general purpose grants:		
	GST revenue grants	4 509 740	4 279 645
	Commonwealth places mirror taxes	23 946	22 804
	Total Commonwealth general purpose grants	4 533 686	4 302 449
	Commonwealth specific purpose grants:		
	Concessions to pensioners and others	26 756	25 180
	Council of Australian Governments funding arrangements	606 798	1 580 274
	Intergovernmental Agreement on Federal Financial Relations - recurrent	1 049 980	1 312 516
	Intergovernmental Agreement on Federal Financial Relations - capital	184 399	1 071 923
	Other grants paid to the Consolidated Account	6 472	15 135
	First Home Owners Boost	231	834
	Total Commonwealth specific purpose grants	1 874 636	4 005 862
	Total Commonwealth revenues	6 408 322	8 308 311
34.	**Dividends**		
	ForestrySA	29 527	14 187
	Transmission Lessor Corporation	156 061	-
	Generation Lessor Corporation	5 564	4 013
	Distribution Lessor Corporation	247 276	-
	HomeStart Finance	6 329	6 216
	Public Trustee Office	-	684
	SA Water Corporation	235 775	218 046
	South Australian Asset Management Corporation	4 620	20 200
	SA Government Employee Residential Property	1 706	1 706
	SAFA	8 230	12 800
	Total dividends	695 088	277 852
35.	**Interest revenues**		
	Interest	120 941	153 993
	Total interest revenues	120 941	153 993
	Total interest received/receivable from entities within the SA Government	116 996	149 040
36.	**Revenues from/Payments to SA Government**		
	Revenues from SA Government:		
	Appropriations from Consolidated Account pursuant to *Appropriation Act*	1 890 414	2 087 655
	Appropriations under other Acts	54 314	48 494
	Total revenues from SA Government	1 944 728	2 136 149

Appropriations from the Consolidated Account consists of $1.89 billion for operational funding.

The original amount appropriated to the Department under the annual *Appropriation Act 2011* was not varied however an additional $8.1 million ($112.948 million) was received from the Treasurer by the Governor's Appropriation Fund and an additional $83.247 million ($42.019 million) was received pursuant section 15 of the PFAA to fund payments resulting from salary and wage determinations.

	2013	2012
Payments to SA Government:	$'000	$'000
Transfer of revenue received on behalf of Consolidated Account	10 716 375	10 522 290
Other payments to the Consolidated Account	183 514	159 601
Return of surplus cash pursuant to cash alignment policy	150 000	244 925
Total payments to SA Government	11 049 889	10 926 816

37.	**Grants and contributions**	2013 $'000	2012 $'000
	Grants and contributions	134 032	129 465
	Total grants and contributions	134 032	129 465
	SA Government entities	132 382	127 678
	Total grants and contributions from entities within the SA Government	132 382	127 678

38.	**Revenues from fees and charges**		
	Guarantee fees	74 931	72 138
	Support services to Parliamentarians	9	-
	State Procurement Board - gaming machines	-	2 050
	Other recoveries	398	402
	Total fees and charges	75 338	74 590
	Fees and charges received/receivable from entities within the SA Government:		
	Guarantee fees	74 931	72 138
	Support services to Parliamentarians	2	-
	Total fees and charges from entities within the SA Government	74 933	72 138

39.	**Other revenues**		
	Contributions towards public hospital costs	183 514	159 601
	Discounted cash flow valuations for financial assistance loans	1 967	3 195
	Repayments of advances	55 326	163 167
	Return of cash to Consolidated Account - cash alignment policy	192 301	346 523
	Return of capital	66 904	217 475
	Return of deposit account balances	42 782	18 537
	Essential Services Commission of SA	8 718	6 409
	Support services to Parliamentarians	12	3
	Forgiveness of liabilities ForestrySA	22 175	-
	Sale proceeds - SA Lotteries	402 771	-
	Recoveries DPTI - indentured ports	26 679	4 912
	Other income	25 795	20 783
	Total other revenues	1 028 944	940 605
	Other revenues received/receivable from entities within the SA Government:		
	Contributions towards public hospital costs	183 514	159 601
	Repayment of advances	55 192	78 040
	Return of cash to Consolidated Account - cash alignment policy	192 301	346 523
	Return of capital	66 904	217 475
	Return of deposit account balances	4 682	5 237
	Essential Services Commission of SA	8 718	6 409
	Recoveries DPTI - indentured ports	26 679	4 912
	Other income	7 854	8 579
	Total other revenues received/receivable from entities within the SA Government	545 844	826 776

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd (Tatts) as its exclusive master agent to operate SA Lotteries' brands and products for a term of 40 years, starting 11 December 2012.

In exchange for the receipt of a monthly master agency fee and transfer of Lotteries Commission of South Australia (LCSA) business assets (predominately office equipment), Tatts paid $427 million (comprising $402.771 million sale proceeds and $24.229 million stamp duty) to the Treasurer.

In accordance with section 5 of the PFAA, the Treasurer transferred this amount to the Consolidated Account. The transfer to the Consolidated Account is included in the balance of payments to SA Government disclosed in the Statement of Administered Comprehensive Income.

As part of Tatts' appointment as master agent, the Treasurer guaranteed the LCSA's obligations, undertakings, covenants, indemnities and assurances pursuant to the relevant contractual arrangements. Further, the Treasurer indemnified Tatts against loss arising from State's ability to fulfil its obligations under these arrangements (refer note 57).

40. Employee benefit expenses

	2013	2012
	$'000	$'000
Superannuation contributions to various schemes	437 600	408 685
Salaries and wages	11 327	11 155
LSL	124	728
Annual leave	845	858
Skills and experience retention leave	9	-
Employment on-costs - superannuation	1 106	1 109
Employment on-costs - other	662	685
Minister's salary, electorate and expense allowance	473	477
Other employee related expenses	73	549
Total employee benefit expenses	452 219	424 246

Remuneration of employees

	2013	2012
The number of employees whose total remuneration received or receivable falls within the following bands:	Number	Number
$138 000 - $147 999	1	2
$148 000 - $157 999	1	-
$178 000 - $187 999	-	1
Total	2	3

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $295 000 ($461 000).

41. Supplies and services

	2013	2012
	$'000	$'000
State's share of GST administration	51 451	49 470
Support services to Parliamentarians	6 208	5 838
Gaming machines	-	2 053
Unclaimed monies	326	597
Accommodation and telecommunication	-	20
Consultants	10	55
General administration and consumables	183	186
Other	136	190
Total supplies and services	58 314	58 409

Supplies and services provided by entities within the SA Government:		
Support services to Parliamentarians	3 443	3 172
General administration and consumables	167	171
Other	120	189
Total supplies and services provided by entities within the SA Government	3 730	3 532

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice for payment.

The number and dollar amount of consultants paid/payable (included in supplies and services expense) fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Between $10 000 and $50 000	1	10	2	55
Total paid/payable to the consultants engaged	1	10	2	55

42. Borrowing costs

	2013	2012
	$'000	$'000
Interest on borrowings	353 895	370 588
Interest paid on deposit accounts and other monies	35 031	42 542
Total borrowing costs	388 926	413 130

Borrowing costs paid/payable to entities within the SA Government:		
Interest on borrowings	353 895	370 588
Interest paid on deposit accounts and other monies	31 957	38 148
Total borrowing costs paid/payable to entities within the SA Government	385 852	408 736

43. Grants, subsidies and transfers

	2013 $'000	2012 $'000
Recurrent grants, subsidies and transfers	2 157 526	2 469 236
Capital grants, subsidies and transfers	143 808	1 039 622
Total grants, subsidies and transfers	2 301 334	3 508 858
Grants, subsidies and transfers paid to entities within the SA Government:		
Recurrent grants, subsidies and transfers	2 032 961	2 393 159
Capital grants, subsidies and transfers	143 808	1 039 622
Total grants, subsidies and transfers paid to entities within the SA Government	2 176 769	3 432 781

44. Depreciation and amortisation expense

Depreciation:		
Buildings	36	26
Office equipment	4	4
Land improvements	141	-
Total depreciation	181	30
Amortisation:		
Building fitouts	297	110
Total amortisation	297	110
Total depreciation and amortisation expense	478	140

45. Net loss from the disposal of non-current assets

Standing timber:		
Proceeds from sale of standing timber	635 077	-
Carrying value of standing timber disposed	(587 693)	-
Net gain (loss) from disposal of standing timber	47 384	-
Land:		
Proceeds from lease of land	-	-
Carrying value of land leased	435 951	-
Net gain (loss) from derecognition of land	(435 951)	-
Net loss from disposal of assets	388 567	-

On 17 October 2012 the Government completed the financial closure of the forward sale of the State's Green Triangle forest plantations. These arrangements comprised the sale of the standing timber and a 70 year lease with an option for a further 35 years over the plantation land to OneFortyOne Plantations Pty Ltd.

In accordance with AASB 117 the lease arrangements for the land have been classified as a finance lease. AASB 116 requires the Department to derecognise the carrying amount of the land on disposal. A disposal under AASB 116 includes entering into a finance lease. Under the lease arrangements the Government retains legal ownership and access to the land, and has rights in relation to resuming control if certain conditions are not met. The land value will return to the Government's Statement of Financial Position for no outlay at the completion of the lease. At the same time the Government is required to purchase the standing timber comprising the plantation at the market value of forest plantation. The Department will record the cost of the purchase and a corresponding asset representing the standing timber in its financial accounts.

Under the sale and lease arrangements the Government received consideration of $635.1 million (excluding stamp duty) for the standing timber and $1 for the lease of the plantation land. Subsequent to the receipt of the consideration a one-off payment of $3.2 million was made to the purchaser for a harvest adjustment calculation provided for in the contractual arrangements. The premise of the harvest adjustment calculation is that it acted as a stocktake for actual timber sold up to 17 October 2012 to ensure the rotations purchaser got what they paid for and the State received an aggregate consideration that accurately compensated for the asset sold. This ensured the State did not double dip by selling the harvested timber via Forestry SA to commercial customers and also selling the same timber to the rotations purchaser.

46. Other expenses

	2013 $'000	2012 $'000
Refunds and remissions	23 119	40 648
Payments to the South Australian Superannuation Fund	38 100	13 300
Payments to Commonwealth Government	23 947	22 804
Bad debts	917	466
Doubtful debts	(1 154)	150
Repayment of borrowings	3 795	2 967
Loans forgiven	1 697	3 321
Other	16 941	9 676
Total other expenses	107 362	93 332

46. Other expenses (continued)

	2013	2012
Other expenses paid/payable to entities within the SA Government:	$'000	$'000
Repayment of borrowings	3 795	2 967
Other	8 483	3 220
Doubtful debts expenses	-	1
Total other expenses paid/payable to entities within the SA Government	12 278	6 188

47. Cash and cash equivalents

Deposits with the Treasurer	1 498 419	1 277 411
Promissory notes	28 287	33 520
Total cash and cash equivalents	1 526 706	1 310 931

Promissory notes

Promissory notes are issued for three months period by the Local Government Finance Authority of South Australia. Promissory notes earn interest at their respective promissory note rates.

Interest rate risk

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

48. Receivables

	2013	2012
Current:	$'000	$'000
Receivables	73 023	123 409
Allowance for doubtful debts	(2 003)	(2 559)
Accrued revenues	11 566	409
Prepayments	42	1
GST input tax recoverable	124	246
Total current receivables	82 752	121 506
Non-current:		
Receivables	15	14
Total non-current receivables	15	14
Total receivables	82 767	121 520
Receivables from entities within SA Government:		
Receivables	70 958	120 847
Accrued revenues	11 563	406
Total receivables from SA Government entities	82 521	121 253

Movement in the allowance for doubtful debts

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

The following table shows the movements in the allowance for doubtful debts (impairment loss):

		2013	2012
	Note	$'000	$'000
Carrying amount at 1 July		2 559	4 005
Increase in the allowance		(556)	150
Prior year provision now recognised against financial assets provision	49	-	(1 596)
Carrying amount at 30 June		2 003	2 559

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables - refer note 60.3.

Categorisation of financial instruments and risk exposure information - refer note 60.

49. Other financial assets

	2013	2012
Current:	$'000	$'000
Loans for financial assistance	1 014	657
Provision for doubtful debts	(600)	(600)
Total current other financial assets	414	57
Non-current:		
Loans for financial assistance	575	1 589
Provision for doubtful debts	(400)	(1 000)
Total non-current other financial assets	175	589
Total other financial assets	589	646

Movement in the provision for doubtful debts

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

The following table shows the movements in the provision for doubtful debts (impairment loss):

	Note	2013 $'000	2012 $'000
Carrying amount at 1 July		1 600	4
Movement in the provision		(600)	-
Increase in provision reassigned from receivables provision	48	-	1 596
Carrying amount at 30 June		1 000	1 600

Maturity analysis of receivables - refer note 60.3

Categorisation of financial instruments and risk exposure information - refer note 60.

50. Property, plant and equipment

	2013	2012
Buildings:		
At valuation (30 June 2010)	1 627	874
Accumulated depreciation	(26)	(52)
Total buildings	1 601	822
Building fitouts:		
At cost	1 589	1 526
Accumulated amortisation	(1 079)	(781)
Total building fitouts	510	745
Land:		
At valuation (30 June 2010)	58	46
Total land	58	46
Land improvements:		
At valuation	5 345	-
Accumulated amortisation	(2 411)	-
Total assets land improvements	2 934	-
Water licences:		
At cost	325	-
Total water licences	325	-
Office equipment:		
At cost (deemed fair value)	21	21
Accumulated depreciation	(21)	(17)
Total office equipment	-	4
Total property, plant and equipment	5 428	1 617

Certain assets of ForestrySA were transferred to the Treasurer effective 17 October 2012. Property, plant and equipment at 30 June 2013 includes land, land improvements, buildings and water licences that transferred from ForestrySA and are recognised in DTF administered statements for the first time.

Valuation of non-current assets

A valuation of the land and buildings for the National Wine Centre was performed by Mr Fred Taormina, BAppSc(Val), AAPI of Valcorp as at 30 June 2013. The revaluation involved discounting to net present value of the National Wine Centre land and buildings at the termination of the 40 year lease arrangement with the University of Adelaide. The valuation resulted in a land and building increment of $187 112. The market value based on the income approach will continue to be used to measure fair value in accordance with APF III.

Impairment

There were no indicators of impairment for the property, plant and equipment as at 30 June 2013.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2012-13:

	Land $’000	Standing timber $’000	Water licences $’000	Land imprvmnts $’000	Buildings $’000	Building fitouts $’000	Office equipment $’000	Total $’000
Carrying amount at 1 July	46	-	-	-	822	745	4	1 617
Additions	-	-	-	-	-	62	-	62
Transfer though administrative restructure	435 951	587 693	325	3 075	640	-	-	1 027 684
Revaluation increment/ decrement	12	-	-	-	175	-	-	187
Other - disposals	(435 951)	(587 693)	-	-	-	-	-	(1 023 644)
Depreciation and Amortisation expense	-	-	-	(141)	(36)	(297)	(4)	(478)
Carrying amount at 30 June	58	-	325	2 934	1 601	510	-	5 428

The following table shows the movement of property, plant and equipment during 2011-12:

	Land $’000	Buildings $’000	Building fitouts $’000	Office equipment $’000	Total $’000
Carrying amount at 1 July	46	848	122	8	1 024
Additions	-	-	733	-	733
Depreciation and amortisation expense	-	(26)	(110)	(4)	(140)
Carrying amount at 30 June	46	822	745	4	1 617

51. Payables

	2013 $’000	2012 $’000
Current:		
Creditors - electricity entities lease proceeds	4 855	408 887
Creditors - revenue on behalf of the Consolidated Account	1 047 864	813 186
Creditors - other	29 520	4 326
Accrued expenses	12 778	1 543
Employment on-costs	135	140
GST payable	15	410
Paid Parental Leave Scheme payable	-	2
Total current payables	1 095 167	1 228 494
Non-current:		
Creditors - electricity entities lease proceeds	70 202	73 921
Employment on-costs	88	79
Creditors - other	2 502	-
Total non-current payables	72 792	74 000
Total payables	1 167 959	1 302 494
Payables to entities within SA Government:		
Creditors - electricity entities lease proceeds	75 057	482 808
Creditors - revenue on behalf of the Consolidated Account	1 047 864	813 186
Creditors - other	257	2 786
Accrued expenses	11 908	468
Employment on-costs	96	100
Total payables to SA Government entities	1 135 182	1 299 348

51. Payables (continued)

During 2012-13 the Department determined that the balance of current payables as at 30 June 2011 incorrectly included outstanding liabilities totalling $62.7 million that the Department had paid during previous reporting periods.

The Department has recognised an error correction in the Statement of Administrated Charges in Equity for the year ended 30 June 2013 and restated the opening balances of accumulated surplus/deficit and current payables.

The following table discloses the impact that this error correction has had on the previously reported balance of current payables:

	2012
	$'000
Balance at 30 June 2012	1 291 201
Error correction	(62 707)
Restated balance as at 30 June 2012	1 228 494

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer note 60.3.

Categorisation of financial instruments and risk exposure information - refer note 60.

52. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	678	680
LSL	198	359
Skills and experience retention leave	10	-
Total current employee benefits	886	1 039
Non-current:		
LSL	956	852
Total non-current employee benefits	956	852
Total employee benefits	1 842	1 891

The annual leave liability is calculated at the salary rates the Department expects to pay. For 2012-13 a salary inflation rate of 4% was used for this estimate. This salary inflation rate remained unchanged from the prior year.

AASB 119 contains the calculation methodology for LSL liability. This year, the actuarial assessment performed by DTF has provided a set level of liability rather than a benchmark for the measurement of LSL. The effect of the change relating to the current period is immaterial.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased to 3.75% (2013) from 3.0% (2012).

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

53. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	100	104
Total current provisions	100	104
Non-current:		
Provision for workers compensation	348	344
Total non-current provisions	348	344
Total provisions	448	448

Reconciliation of provisions

Carrying amount at 1 July	448	80
Additional provisions recognised	-	368
Carrying amount at 30 June	448	448

Reconciliation of provisions (continued)

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by DPC. These claims are expected to be settled within the next financial year.

54. Other liabilities

	2013	2012
Current:	$'000	$'000
Unearned revenue	31	351
Total current other liabilities	31	351
Non-current:		
Unearned revenue	730	755
Total non-current other liabilities	730	755
Total other liabilities	761	1 106

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

55. Equity

Revaluation surplus	635	448
Accumulated surplus	443 845	128 327
Total equity	444 480	128 775

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

56. Unrecognised contractual commitments

(a) Remuneration commitments

	2013	2012
	$'000	$'000
Commitments for the payment of salaries and other remuneration under employment fixed-term contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	2 147	2 236
Later than one year but not later than five years	141	1 348
Total remuneration commitments	2 288	3 584

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

(b) Operating lease commitments

Department as lessee

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rent is payable in arrears.

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

	2013	2012
	$'000	$'000
Not later than one year	1 789	1 368
Later than one year but not later than five years	986	1 924
Total operating lease commitments	2 775	3 292

(c) Other commitments

The Department's other commitments primarily relate to distribution of Commonwealth funds to agencies in accordance with Schedule G of the Intergovernmental Agreement on Federal Financial Relations.

	2013	2012
	$'000	$'000
Not later than one year	164 363	240 320
Later than one year but not later than five years	12 478	68 958
Total other commitments	176 841	309 278

57. Contingent assets and liabilities

The following contingent assets and liabilities exist for the administered items:

Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd as its exclusive master agent to operate SA Lotteries' brands and products for a term of 40 years, starting 11 December 2012. Under this arrangement the LCSA is required to pay the master agent a master agency fee (payment obligation). The Treasurer has unconditionally and irrevocably guaranteed the performance by the LCSA of the payment obligation. The Treasurer has also indemnified the master agent against any cost, expense, loss or damage that the master agent may incur as a direct result of non-compliance by the LCSA with the payment obligation. The Treasurer's maximum aggregate liability to the master agent under this agreement is limited to an amount equal to the total quantum of the LCSA's liability to the master agent for the payment obligation.

The Treasurer unconditionally and irrevocably guarantees to each beneficiary the due and punctual payment and performance by the Adelaide Convention Centre Corporation of the Corporation's obligations to that beneficiary.

Under an Agreement, dated 9 May 1996, with the Australian Energy Market Operator, previously known as National Electricity Market Management Company, the Treasurer may be required to contribute to the winding up of Australian Energy Market Operator. The maximum exposure of the contingent liability at 30 June 2013 is capped at $692 000.

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia. This includes any derivative counterparties default. As at 30 June 2013, derivative credit exposure was $581.4 million.

SAFA has provided a guarantee to the Urban Renewal Authority for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two Origin Energy subsidiaries. SAFA in turn, is indemnified by Origin Energy for the performance of its subsidiaries and by the Treasurer for the performance of Origin Energy under this arrangement. The maximum exposure of the guarantee is estimated at $200 million.

Under an agreement with the South Australian Netball Association, the Treasurer has provided a Deed of Guarantee for the repayment of a loan, which the South Australian Netball Association has with an external banking institution with a total exposure value of $630 000.

Financial obligations with a total exposure of $41.152 million exist under various assistance agreements with the Treasurer relating to the Industry Investment Attraction Fund, the Structural Adjustment Fund for South Australia, the Strategic Industry Support Fund and the Innovation and Investment Fund. In addition to a number of one-off industry assistance projects that are funded by individual funding submissions. Agreements are subject to performance criteria by those entities receiving assistance.

Under the *Housing Loans Redemption Fund Act 1962* the Treasurer is committed to meet any shortfall in the fund from appropriated general revenue.

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 portfolio. Given the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. This is achieved by negating the operating profit or loss with either a payable to, or a receivable from, the Treasurer. In 2012-13 this policy resulted in a payable from SAFA to the Treasurer of $9.4 million.

58. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of $1 million. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with accounting standard AASB 117. The consideration of $1 million has been recorded as unearned revenue and is being apportioned over the life of the lease.

59. Cash flow reconciliation

	2013	2012
(a) Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Administered Cash Flows	1 526 706	1 310 931
Statement of Administered Financial Position	1 526 706	1 310 931

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

	2013	2012
Net cash provided by (used in) operating activities	216 603	(22 289)
Non-cash items:		
Depreciation and amortisation expense	(478)	(140)
Bad debts	(917)	(466)
Doubtful debts	1 154	(150)
Discounted cash flow valuations for financial assistance loans - other revenues	1 967	-
Movements in financial assistance loans	657	4 268
Loans forgiven	19 055	(3 321)
Net loss on disposal of assets	(388 567)	-
Transfer to Consolidated Account - proceeds from Forestry SA	(635 077)	-
Movement in provision for doubtful debts between receivables and non-current financial assets	-	1 596
Movements in assets/liabilities:		
Receivables	(37 837)	15 528
Other financial assets	(57)	-
Payables	134 535	56 558
Employee benefits	49	(452)
Provisions	-	(368)
Other liabilities	345	1 064
Total comprehensive result	(688 568)	51 828

60. Financial instruments/Financial risk management

60.1 Categorisation of financial instruments

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

		2013		2012	
Financial assets	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Cash:					
Cash and cash equivalents	47,59	1 526 706	1 526 706	1 310 931	1 310 931
Loans and receivables:					
Receivables(1)(2)	48	73 023	73 023	121 257	121 257
Investments - held to maturity:					
Other financial assets	49	589	589	646	646
Total financial assets		1 600 318	1 600 318	1 432 834	1 432 834
Financial liabilities					
Financial liabilities - at cost:					
Payables(1)	51	1 152 441	1 152 441	1 364 570	1 364 570
Total financial liabilities		1 154 943	1 154 943	1 364 570	1 364 570

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost.

(2) Excludes prepayments which do not meet the definition of a financial asset as per AASB 132.

Credit risk

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

Credit risk (continued)

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables and other financial assets, there is no evidence to indicate that the financial assets are impaired. Refer note 48 for information on the allowance for impairment in relation to receivables.

60.2 Ageing analysis of financial assets

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[1]	-	-	-	-
Other financial assets	-	-	589	589
Impaired:				
Receivables[1]	-	-	2 003	2 003
Other financial assets	-	-	-	-
	-	-	2 592	2 592
2012				
Not impaired:				
Receivables[1]	120 848	1	1	120 850
Other financial assets	-	-	646	646
Impaired:				
Receivables[1]	-	-	2 559	2 559
Other financial assets	-	-	1 600	1 600
	120 848	1	4 806	125 655

[1] Receivable amounts disclosed here exclude amounts relating to statutory receivables. They are carried at cost.

60.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 526 706	1 526 706	-	-
Receivables	73 023	73 023	-	-
Other financial assets	589	414	175	-
Total financial assets	1 600 318	1 600 143	175	-
Financial liabilities:				
Payables	1 152 441	1 082 239	-	70 202
Total financial liabilities	1 152 441	1 082 239	-	70 202
2012				
Financial assets:				
Cash and cash equivalents	1 310 931	1 310 931	-	-
Receivables	121 257	121 257	-	-
Other financial assets	646	57	589	-
Total financial assets	1 432 834	1 432 245	589	-
Financial liabilities:				
Payables	1 364 570	1 290 649	-	73 921
Total financial liabilities	1 364 570	1 290 649	-	73 921

Liquidity risk
Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 60.3 represent the Department's maximum exposure to financial liabilities.

Market risk
Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

61. Transferred functions

Transferred in
Certain assets and liabilities of ForestrySA transferred to the Treasurer effective 17 October 2012.

On transfer the Department recognised the following assets and liabilities:

	Total
	$'000
Non-current assets:	
Standing timber	587 693
Land	435 951
Land improvements	3 075
Building infrastructure	640
Water licences	325
Total non-current assets	1 027 684
Non-current liabilities:	
Loan from SAFA	23 598
Total non-current liabilities	23 598
Net assets transferred	1 004 086

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets and liabilities in the ForestrySA Statement of Financial Position immediately prior to transfer. The net assets transferred were treated as a contribution by the Government as owner. The standing timber and stock was subsequently sold to OneFortyOne Plantations Pty Ltd for $635.1 million (refer note 45). The land was leased to OneFortyOne Plantations Pty Ltd for 70 years with an option for a further 35 years. Subsequent to the sale the ForestrySA borrowings that transferred to the Treasurer were extinguished and there was also a minor stock adjustment.

62. Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

University of Adelaide

Functional responsibility

Establishment

The University of Adelaide (the University) is established by the *University of Adelaide Act 1971*.

Functions

The University has the objective of advancing learning and knowledge which it achieves through the provision of university education and the conduct of research activities.

The University has financial interests in a number of entities as detailed in notes 2, 32, 33 and 34 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Regulations under the PFAA provide that the University is a public authority. Consequently, section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of controls

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

Scope of audit

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

During 2012, specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- Commonwealth financial assistance
- research grants revenue
- student fee revenue
- accounts receivable and other revenue
- cash
- property, plant and equipment
- general ledger journal creation, approval and processing.

Internal audit activities and reports were also reviewed.

The audits of the controlled entities for the year ending 31 December 2012 were carried out by private accounting firms.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the University of Adelaide and its controlled entities (the Consolidated Entity) as at 31 December 2012, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

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 all the matters raised under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Vice-Chancellor. The University's response to the letter indicated that appropriate action would be taken to address the matters raised. The main matters raised with the University and the related responses are detailed below.

Policies and procedures

The 2012 audit indicated many of the University's policies and procedures had not been reviewed and updated within the last three years as required by the University policy framework. The timely review and update of policies and procedures has also been raised as an issue in prior year audits.

The University responded that relevant policies and procedures are currently under review and that University policy framework requirements and processes will be revised in order to facilitate the more timely and efficient update of all policies and procedures.

Procurement guidance for faculties and divisions

The University has established the following three procurement management streams:

- infrastructure, maintenance, utilities and IT
- preferred supplier arrangements
- local faculty and divisional procurement activities.

Faculties and divisions are primarily responsible for their own procurement activities in respect of goods and services not covered by the other two streams. This includes procuring goods and services related to research support, learning and teaching support, publicity, fundraising, consultants and specialist services.

The 2012 audit indicated that procurement guidance currently available to faculties and divisions did not address the following local area procurement activities:

- processes to be followed for each procurement value range
- acquisition planning
- waivers of competitive process
- tender evaluation.

There was also limited guidance available on probity and conflict of interest considerations related specifically to local area procurement activities.

The University responded that detailed procurement guidance formerly available to faculties and divisions had been withdrawn, pending review and update as part of the finance policies and procedures handbook project. The finance policies and procedures handbook currently under development will include updated procurement guidelines for faculties and divisions supplementing existing infrastructure procurement policies.

Payroll

Leave management

The 2012 audit identified that continued monitoring and management of excess annual leave balances is required given the significant number of University employees who currently have excess annual leave balances.

Audit also noted that leave management practices in faculties and divisions may not ensure that all leave taken by employees is identified and recorded in the Staff Services Online (SSO) system. As a result, annual leave entitlements may not be reduced for all leave taken. This may contribute to the accumulation of excess leave.

The University responded that a new performance indicator will be added to monthly financial management reports detailing the number and proportion of staff who have excess annual leave by faculty/division.

The University will also amend the workforce management policy to clearly indicate that staff are responsible for entering leave requests into the SSO system. In addition, the workforce management policy will be amended to make it clear that supervisors are responsible for ensuring that all leave taken is recorded in the SSO system.

Timely return of quarterly bona fide reports

The 2012 audit indicated that several divisions and faculties were not returning their quarterly bona fide reports to Human Resources in a timely manner. The timely review and return of the quarterly bona fide reports is a key control in ensuring only valid employees are paid and amounts paid are accurate.

The University responded that the requirement for timely return of quarterly bona fide reports has been reinforced and an escalation process has been implemented.

EFT file edit access

The 2012 audit indicated the payroll EFT file created in Peoplesoft for each pay run can be edited prior to being uploaded into the Business Banking Online (BBO) system. This increases the risk that invalid changes could be made to the EFT file resulting in fraudulent payments.

Audit noted that compensating controls exist which will likely prevent or detect such invalid changes, however the risk of invalid payments could be further reduced by changing the payroll EFT file to 'read only'.

The University responded that the payroll EFT file access had been amended to 'read only' effective from March 2013.

Accounts receivable

Monitoring of cash receipting locations

The 2012 audit identified that the University is yet to finalise a register of all cash receipting locations. In the absence of such a register, Financial Services may not be aware of all cash receipting locations and may be unable to effectively confirm that all cash is receipted in an appropriately controlled environment.

The University responded that an updated cash receipting location list was completed and distributed in the second quarter of 2013.

Segregation of revenue functions and cash management practices

The 2012 audit indicated segregation of duties could be improved at one of the University's business units, given a single officer performed the following revenue functions without independent review:

- receipting of sales in the cash register
- reconciliation of cash received to cash register sales when the register is closed off
- banking.

Audit review also indicated that a cash drawer had been used by the business unit for collecting cash receipts rather than a cash register. When the cash drawer was used, there was no record of each of the sales processed through the drawer (ie no receipts were issued).

Given the inadequate segregation of revenue functions and cash management practices, Audit noted there was an increased risk that cash receipts could be misappropriated at the business unit.

The University responded that independent reconciliations between cash register and banking records had been implemented and the use of the cash drawer had been discontinued. The University is also investigating the use of multiple cash registers and e-Commerce solutions at the business unit to improve receipting and banking controls. The amended practices will be formally documented in instructions and guidelines for staff.

Receipting and banking reconciliations

The 2012 audit indicated that daily receipting and banking reconciliation forms were not being completed and independently reviewed by receipting locations in accordance with the University's receipting and banking policy. The forms were also not returned to Accounts Receivable in Financial Services as required by the policy.

The University responded that the appropriate treatment of daily reconciliation forms would be reinforced by formal communications to all receipting locations and Accounts Receivable personnel would follow up the receipt of the forms.

Expenditure

The 2012 audit indicated the accounts payable EFT file created in Peoplesoft for each payment run can be edited following creation (eg within the BBO system). This increases the risk that invalid changes could be made to the EFT file resulting in fraudulent payments.

Audit noted that compensating controls exist which will likely prevent or detect such invalid changes, however the risk of invalid payments could be further reduced by changing the accounts payable EFT file to ‘read only’.

The University responded that while compensating controls are considered adequate, options will be investigated for amending the accounts payable EFT file access to ‘read only’.

Management of bequests

Internal audit completed a review of bequest management practices in October 2012. This review noted a number of issues which indicated overall weakness in the control environment for the management of bequests, in particular:

- lack of clear responsibility for overall monitoring of bequests across the University
- lack of a complete register of bequests across faculties and divisions
- lack of formal documented requirements for management of bequests
- lack of formal protocols for changes to bequest rules and criteria
- lack of compliance audits over bequests
- breaches of bequest rules and criteria identified.

Internal audit recommended the University:

- review and assess where responsibility and accountability for the management of bequests is allocated

- prepare a complete list of bequests and identify relevant information related to each bequest

- determine specific actions and dates to address specific findings from the review.

Audit review indicated the University had made limited progress in implementing these recommendations. Audit noted that adoption of these recommendations would ensure that the University has a more robust approach to bequest management.

The University responded that a review of the structure, roles and responsibilities for the management of trusts and bequests will be performed in 2013. This includes the establishment of a dedicated business unit, a centrally managed trusts and bequests database and a bequests framework.

General ledger

The 2012 audit indicated there was no formal procedural guidance related to:

- the positions with authority to approve general ledger journals
- preparing, reviewing and authorising general ledger journals
- uploading general ledger journals into the Peoplesoft general ledger.

The University responded that these areas would be addressed as part of the finance policies and procedures handbook project in 2013.

Information and communications technology and control

Last year's Report referred to remedial actions being taken by the University to enhance overall network and systems' security features. The remedial actions were being implemented in response to a comprehensive report on network security management completed by the University's internal audit in late 2011.

A follow-up report by internal audit in October 2012 confirmed completion of targeted remedial actions for enhancement of security and control.

Interpretation and analysis of the financial report (Consolidated)

The revenue and expense items for the interpretation and analysis of the financial report have been sourced from notes 37 and 38 as these notes are prepared in accordance with the Department of Industry, Innovation, Science, Research and Tertiary Education reporting guidelines and provide consistency and comparability with the other universities.

Highlights of the financial report (Consolidated)	2012 $'million	2011 $'million
Revenue		
Australian Government grants, FEE-HELP and SA-HELP	379	363
HECS-HELP (Australian Government and student)	89	83
Fees and charges	170	163
Other	200	178
Total revenue	838	787
Expenses		
Salaries and related expenses	418	398
Other expenses	360	341
Total expenses	778	739
Operating result from continuing operations	60	48
Net cash flows provided by (used in) operating activities	97	113
Net cash flows provided by (used in) investing activities	(103)	(102)
Assets		
Current assets	120	165
Non-current assets	1 409	1 281
Total assets	1 529	1 446
Liabilities		
Current liabilities	123	105
Non-current liabilities	230	222
Total liabilities	353	327
Total equity	1 176	1 119

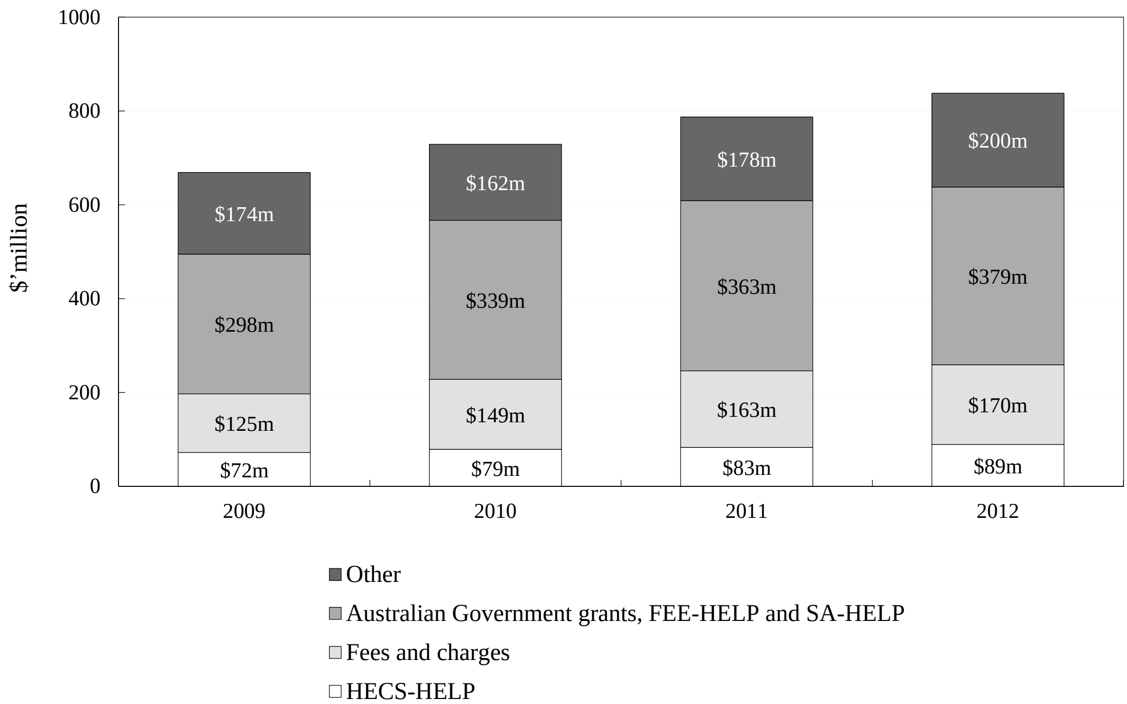
Statement of Comprehensive Income

Revenue

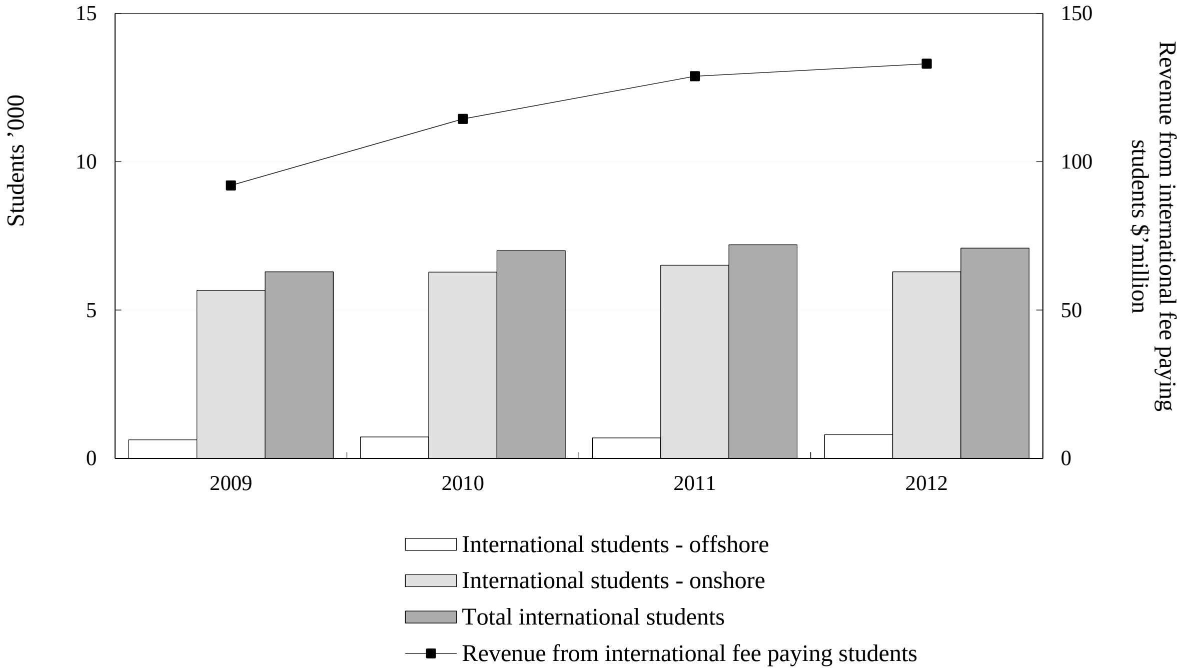
Total revenue increased by $51 million to $838 million. The main movements in the University's revenue were:

- Australian Government grants increased by $14 million, due mainly to an increase in the number of Commonwealth supported student enrolments, increased funding for Commonwealth supported student places and CPI increases. Funding for Commonwealth supported student places increased primarily as a result of the removal of caps on student enrolments for funding purposes in 2012
- HECS-HELP revenue increased by $6 million, due primarily to an increase in Commonwealth supported student enrolments and CPI increases
- fees and charges increased by $7 million. This is due mainly to a $4 million increase in student fee income, which is primarily attributable to price increases for international fee paying students. The increase is also due to student services and amenities fees ($2 million) which were collected by the University for the first time in 2012 under new arrangements established by the Commonwealth
- investment income increased by $14 million, due primarily to the general and endowment fund investment market valuation adjustment ($16 million) which reflects the improved performance of the University's investment portfolio compared to 2011
- consultancy and contract revenue increased by $8 million.

A structural analysis of operating revenues for the University in the four years to 2012 is presented in the following chart.



The following chart highlights the general upward trend in revenue received from international fee paying students.



The $4 million increase in student fee income from international fee paying students between 2011 and 2012 is primarily due to price increases ($10 million), offset partly by a decrease in student load ($6 million).

Expenses

Expenditure in 2012 totalled $778 million compared to $739 million in 2011. This increase in expenditure mainly reflects a $20 million increase in salaries and related expenses and a $19 million increase in other expenses.

The increase in salaries and related expenses is mainly related to:

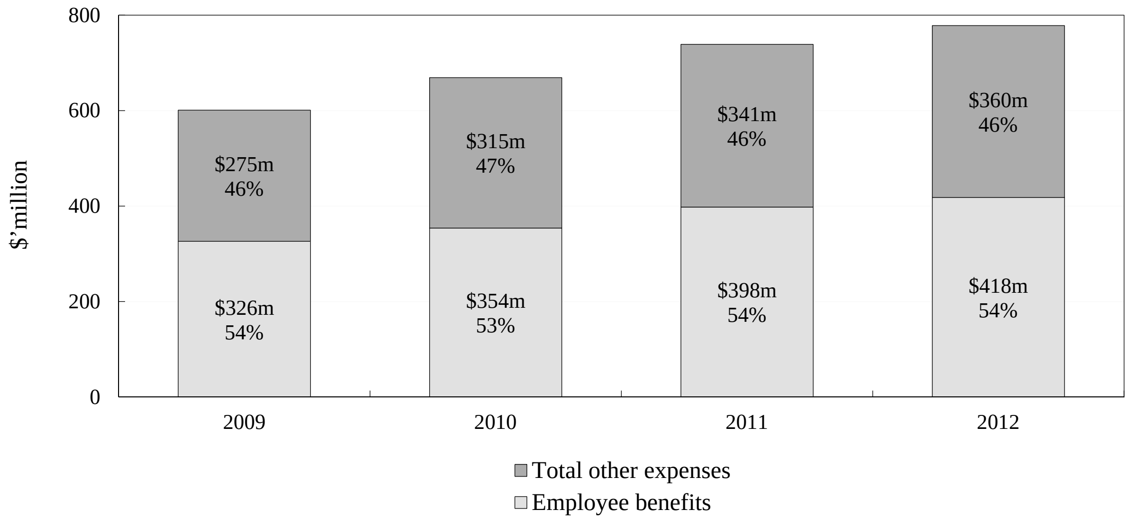
- the impact of enterprise bargaining agreement and salary increment increases
- the filling of 2011 position vacancies
- new positions in eResearch SA, Researcher Education and Development and the Centre for Learning and Professional Development.

Other expenses increased primarily due to:

- a $3 million increase in depreciation and amortisation expenses, due mainly to the impact of software and buildings additions in 2011 and 2012
- a $6 million increase in buildings and grounds expenses, mainly relating to higher property maintenance and utilities expenses. These increases are primarily due to the increased use of property maintenance contractors to cover staff vacancies and increased supply charges for utilities

- a $4 million increase in scholarships, grants and prizes, due primarily to an increase in postgraduate scholarships and stipends. The increase in postgraduate scholarships and stipends forms part of the University's strategy to recruit more research students
- a $6 million increase in other teaching and research expenses, due mainly to an increase in contributions towards student services and amenities projects.

The following chart shows employee expenses compared to other expenses over the four years to 2012.

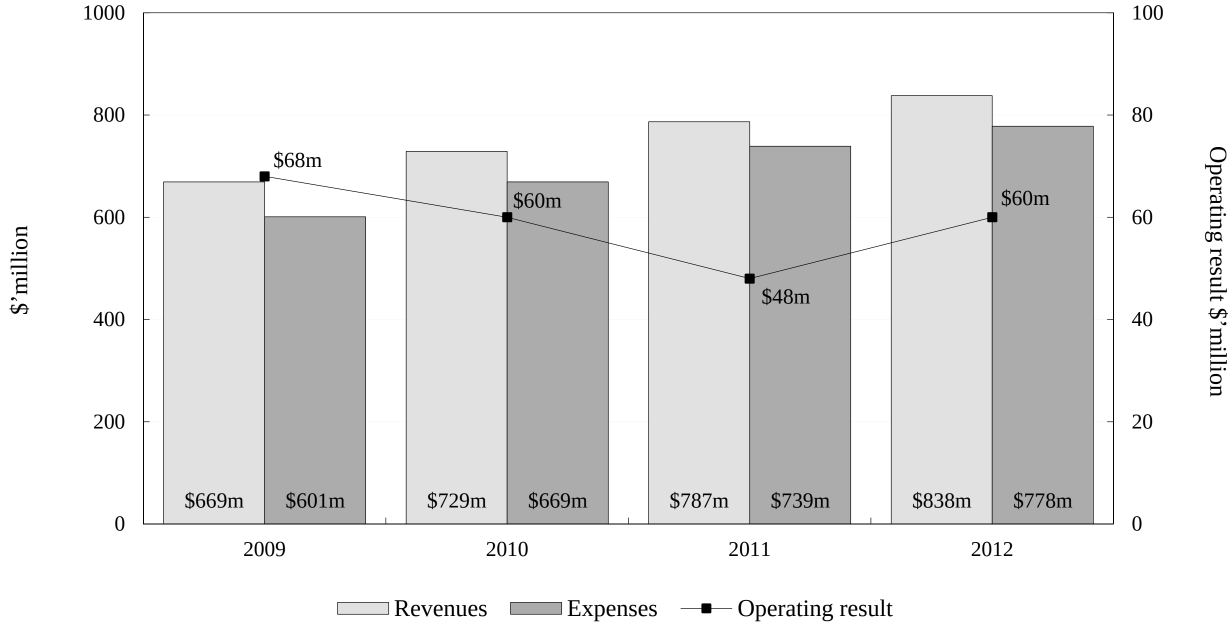


Operating result from continuing operations

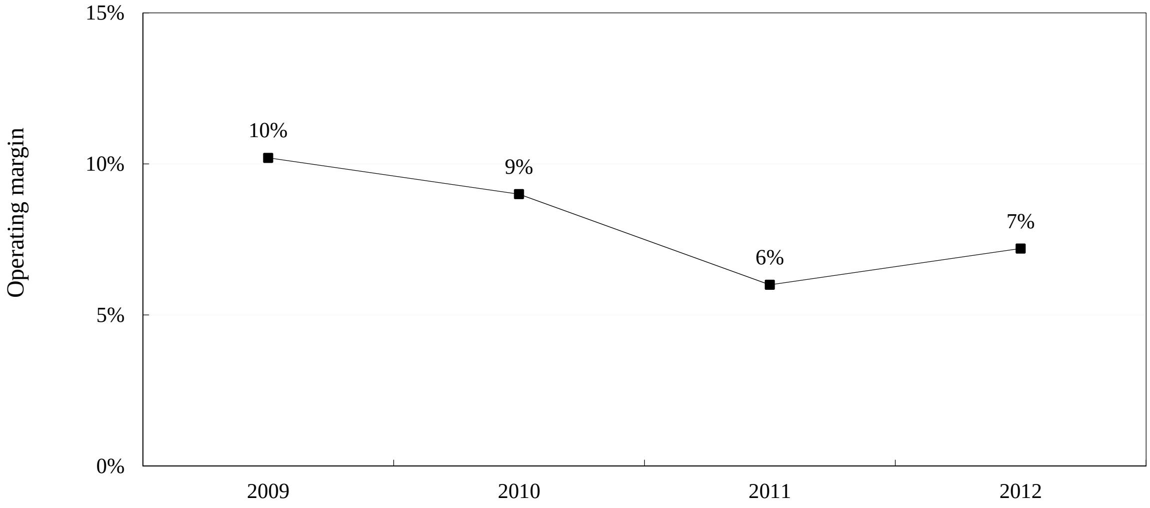
The consolidated operating result for 2012 was a surplus of $60 million compared to $48 million in 2011. The increase in the University's consolidated operating result is predominately due to:

- the increase in Commonwealth supported student enrolments
- increased funding for Commonwealth supported student places
- the improved performance of the University's investment portfolio.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2012.



The following chart shows the University's operating margin over the four years to 2012.



The University's consolidated operating result and operating margin have improved in 2012 following a downward trend in the previous three years.

Statement of Financial Position

The consolidated net assets of the University at 31 December 2012 totalled $1176 million ($1119 million), an increase of $57 million.

Assets

The value of the University's assets increased by $83 million to $1529 million. The major items causing this change were:

- an increase in other financial assets due mainly to proceeds from the sale of J A T Mortlock Trust land and the improved investment performance of the endowment fund
- an increase in the value of property, plant and equipment mainly relating to works in progress for the construction of the new Braggs building.

Liabilities

The value of the University's liabilities increased by $26 million to $353 million. The major items causing this change were:

- an increase in payables, primarily due to an increase in expenditure accruals associated with capital projects, utilities, IT equipment and property maintenance
- an increase in derivative financial instruments, primarily due to increases in the interest rate swap liability arising from changes in the interest rate curve
- increases in annual and LSL on-costs, due primarily to changes in actuarial assumptions regarding leave taken in service.

Statement of Cash Flows

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

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	97.5	112.6	97.2	73.7
Investing	(103.1)	(102.4)	(108.0)	(138.8)
Financing	(6.2)	(9.9)	21.2	58.3
Change in cash (including the effect of exchange rate movements)	(11.4)	0.4	10.5	(6.6)
Cash at 31 December	20.9	32.3	31.9	21.4

The net cash provided by operating activities decreased by $15 million due mainly to increased payments for salaries and related expenses, student services and goods and services.

The net cash flows used in investing activities were consistent with 2011.

The decrease in net cash flows used in financing activities reflects the one-off payment of dividends to minority interests in 2011.

Total cash decreased by $11 million between 2011 and 2012, whereas the consolidated operating result increased by $12 million. This difference is primarily attributable to the general and endowment fund investment market valuation adjustment in note 4, which reflects unrealised gains on the University's investment portfolio.

Statement of Comprehensive Income
for the year ended 31 December 2012

		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations:					
Received under *Higher Education Support Act 2003:*					
Base operating financial assistance	4	193 985	170 229	193 985	170 229
Other operating financial assistance	4	3 912	3 425	3 912	3 425
Higher Education Contribution Scheme	4	97 672	89 129	97 672	89 129
		295 569	262 783	295 569	262 783
Learning and teaching:					
Student fees	4	157 216	148 204	157 216	148 204
Grants		30 230	48 084	26 819	46 046
		187 446	196 288	184 035	194 250
Research grants and fees:					
National competitive grants		99 232	94 888	99 232	94 888
Public sector - other		54 540	54 679	40 283	39 300
Industry and other		46 040	40 907	33 317	29 240
		199 812	190 474	172 832	163 428
Research - other:					
Cooperative Research Centre direct funding		3 661	3 154	3 661	3 154
Research Infrastructure Program		14 332	15 181	14 332	15 181
Sustainable Excellence Research funding		9 234	7 136	9 234	7 136
		27 227	25 471	27 227	25 471
Other:					
Investment revenue	4	32 525	19 744	45 950	40 654
Property revenue	4	14 833	14 006	14 874	14 189
Specialist services and trading	4	43 492	43 594	18 568	18 981
Bequests, donations and other revenue	4	37 481	34 081	30 677	29 698
		128 331	111 425	110 069	103 522
Total revenue from continuing operations		838 385	786 441	789 732	749 454
Expenses from continuing operations:					
Salaries and related expenses	5	417 600	398 238	404 567	386 007
Student services		41 097	36 973	41 097	36 973
Teaching and research	5	85 376	74 744	85 300	74 919
Buildings and grounds	5	53 663	47 203	52 669	46 350
Finance costs	5	6 964	6 888	7 208	7 424
Administration, communication and travel	5	115 539	111 780	71 002	69 171
Finance and fund administration	5	3 170	13 002	3 166	13 002
Miscellaneous equipment, depreciation and net loss on disposal of assets	5	54 638	49 840	54 216	49 580
Total expenses from continuing operations		778 047	738 668	719 225	683 426
Net operating result for the year		60 338	47 773	70 507	66 028
Other comprehensive income:					
Gain (Loss) on revaluation of works of art		-	(33)	-	(33)
Gain (Loss) on value of available-for-sale financial assets, net of tax	14	-	-	(10 246)	(14 892)
Gain (Loss) on swap contracts	9	(3 787)	(8 412)	(3 787)	(8 412)
Share of other comprehensive income of associates and joint ventures, net of tax	4	516	(454)	-	-
Net actuarial gain (loss) recognised in respect of defined benefit plans	27	(646)	(5 666)	(646)	(5 666)
Non-controlling equity interest distribution paid		16	(3 819)	-	-
Other adjustments recognised directly in equity		-	33	-	33
Total other comprehensive income		(3 901)	(18 351)	(14 679)	(28 970)
Total comprehensive income		56 437	29 422	55 828	37 058
Total comprehensive income attributable to non-controlling interest		-	1 678	-	-
Total comprehensive income attributable to the University of Adelaide		56 437	31 100	55 828	37 058

Statement of Financial Position
as at 31 December 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Current assets:					
Cash and cash equivalents	6	20 921	32 339	14 371	22 835
Receivables	7	29 280	31 351	26 620	27 830
Other financial assets	8	57 106	80 577	57 161	80 632
Inventories	10	2 538	3 763	1 077	1 063
Other non-financial assets	11	10 590	7 478	10 475	7 407
		120 435	155 508	109 704	139 767
Non-current assets held for sale	12	-	9 136	-	-
Total current assets		120 435	164 644	109 704	139 767
Non-current assets:					
Other financial assets	8	182 394	118 200	182 614	118 475
Investments accounted for using the equity method	13	2 348	1 675	841	683
Available-for-sale financial assets	14	-	-	16 585	26 831
Property, plant and equipment	15	1 117 867	1 054 114	1 104 258	1 043 515
Investment property	16	17 970	18 995	17 970	18 995
Intangible assets	17	17 044	17 239	17 044	17 239
Other non-financial assets	11	1 165	1 227	1 165	1 163
Deferred government superannuation contribution	27	69 985	69 869	69 985	69 869
Total non-current assets		1 408 773	1 281 319	1 410 462	1 296 770
Total assets		1 529 208	1 445 963	1 520 166	1 436 537
Current liabilities:					
Payables	18	67 268	52 287	56 847	38 978
Borrowings	19	5 006	5 006	5 006	5 006
Provisions	20	33 572	31 881	32 830	31 257
Defined benefit obligation	27	4 300	4 200	4 300	4 200
Other	21	13 475	11 624	17 757	17 641
Total current liabilities		123 621	104 998	116 740	97 082
Non-current liabilities:					
Payables	18	11 300	6 810	11 280	6 777
Borrowings	19	78 031	78 037	78 031	78 037
Provisions	20	58 765	58 867	58 461	58 618
Derivative financial instruments	9	16 007	12 220	16 007	12 220
Defined benefit obligation	27	65 685	65 669	65 685	65 669
Total non-current liabilities		229 788	221 603	229 464	221 321
Total liabilities		353 409	326 601	346 204	318 403
Net assets		1 175 799	1 119 362	1 173 962	1 118 134
Equity:					
Capital reserves	23	558 504	564 680	569 166	579 412
Specific purpose reserves	23	436 994	374 681	436 994	374 681
Retained surplus	23	180 303	180 003	167 802	164 041
Total University interest		1 175 801	1 119 364	1 173 962	1 118 134
Non-controlling interest		(2)	(2)	-	-
Total equity		1 175 799	1 119 362	1 173 962	1 118 134

Statement of Changes in Equity
for the year ended 31 December 2012

Consolidated	Capital reserves $'000	Specific purpose reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2011	585 674	329 597	172 993	1 676	1 089 940
Net operating result	-	45 084	548	2 141	47 773
Other comprehensive income:					
Gain (Loss) on revaluation of works of art	(33)	-	-	-	(33)
Gain (Loss) on interest rate swap contracts	-	-	(8 412)	-	(8 412)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	(454)	-	(454)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	-	(5 666)	-	(5 666)
Other adjustments recognised directly in equity	-	-	33	-	33
Non-controlling equity interest distribution paid	-	-	-	(3 819)	(3 819)
Transfer from revaluation reserves to retained surplus for asset sales	(20 961)	-	20 961	-	-
Total other comprehensive income	(20 994)	-	6 462	(3 819)	(18 351)
Balance at 31 December 2011	564 680	374 681	180 003	(2)	1 119 362
Balance at 1 January 2012	564 680	374 681	180 003	(2)	1 119 362
Net operating result	-	62 313	(1 959)	(16)	60 338
Other comprehensive income:					
Gain (Loss) on swap contracts	-	-	(3 787)	-	(3 787)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	516	-	516
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	-	(646)	-	(646)
Non-controlling equity interest distribution paid	-	-	-	16	16
Transfer from revaluation reserves to retained surplus for asset sales	(6 176)	-	6 176	-	-
Total other comprehensive income	(6 176)	-	2 259	16	(3 901)
Balance at 31 December 2012	558 504	436 994	180 303	(2)	1 175 799

University	Capital reserves $'000	Specific purpose reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2011	594 337	329 597	157 142	-	1 081 076
Net operating result	-	45 084	20 944	-	66 028
Other comprehensive income:					
Gain (Loss) on revaluation of works of art	(33)	-	-	-	(33)
Gain (Loss) on value of available-for-sale financial assets, net of tax	(14 892)	-	-	-	(14 892)
Gain (Loss) on interest rate swap contracts	-	-	(8 412)	-	(8 412)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	-	(5 666)	-	(5 666)
Other adjustments recognised directly in equity	-	-	33	-	33
Total other comprehensive income	(14 925)	-	(14 045)	-	(28 970)
Balance at 31 December 2011	579 412	374 681	164 041	-	1 118 134
Balance at 1 January 2012	579 412	374 681	164 041	-	1 118 134
Net operating result	-	62 313	8 194	-	70 507
Other comprehensive income:					
Gain (Loss) on value of available-for-sale financial assets, net of tax	(10 246)	-	-	-	(10 246)
Gain (Loss) on swap contracts	-	-	(3 787)	-	(3 787)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	-	(646)	-	(646)
Total other comprehensive income	(10 246)	-	(4 433)	-	(14 679)
Balance at 31 December 2012	569 166	436 994	167 802	-	1 173 962

Statement of Cash Flows
for the year ended 31 December 2012

		Consolidated		University	
		2012	2011	2012	2011
		Inflows	Inflows	Inflows	Inflows
Cash flows from operating activities:		(Outflows)	(Outflows)	(Outflows)	(Outflows)
Inflows:	Note	$'000	$'000	$'000	$'000
Australian Government financial assistance	38(h)	451 244	430 895	447 888	426 342
OS-HELP (net)	38(h)	(887)	(124)	(887)	(124)
Superannuation supplementation	38(h)	3 601	3 589	3 601	3 589
State Government financial assistance		27 294	28 856	26 940	28 515
HECS-HELP student upfront payments		13 223	13 856	13 223	13 856
Fee paying student revenue received		145 957	141 047	145 957	141 047
Fees and charges		20 984	17 077	20 984	17 077
Donations and bequests		7 401	6 556	7 401	6 556
Interest and dividends received		11 021	14 788	6 406	9 296
Consultancy and contract research		82 607	73 207	46 880	39 883
Specialist services and produce trading		16 429	20 626	5 602	4 234
GST received		28 801	26 982	26 539	25 238
Other		38 183	46 480	42 700	62 759
Total inflows		845 858	823 835	793 234	778 268
Outflows:					
Salaries and related expenses		(407 512)	(382 507)	(394 657)	(370 049)
Student services		(41 156)	(37 039)	(41 080)	(36 986)
Goods and services		(266 122)	(259 842)	(218 538)	(214 709)
Costs of finance		(680)	(755)	(680)	(755)
GST paid		(32 908)	(31 061)	(28 170)	(25 937)
Total outflows		(748 378)	(711 204)	(683 125)	(648 436)
Net cash provided by (used in) operating activities	24	97 480	112 631	110 109	129 832
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of property, plant and equipment		11 265	23 037	82	137
Proceeds from sale of financial assets		3 900	4 201	3 900	4 201
Proceeds from sale of financial assets held to maturity		23 471	-	23 471	-
Proceeds from joint venture investments		-	30	-	30
Repayment of loans by related parties		132	117	282	422
Total inflows		38 768	27 385	27 735	4 790
Outflows:					
Payments for property, plant and equipment		(90 966)	(90 661)	(87 498)	(86 226)
Payments for intangible assets		(3 260)	(5 386)	(3 260)	(5 386)
Purchase of financial assets		(47 620)	(10 459)	(47 620)	(10 459)
Purchase of financial assets held to maturity		-	(23 132)	-	(23 132)
Payment of loans		(6)	(131)	(116)	(131)
Repayment of funds held on deposit		-	-	(2 000)	(4 000)
Total outflows		(141 852)	(129 769)	(140 494)	(129 334)
Net cash provided by (used in) investing activities		(103 084)	(102 384)	(112 759)	(124 544)
Cash flows from financing activities:					
Outflows:					
Borrowings - interest repayments		(6 220)	(6 136)	(6 220)	(6 136)
Dividends paid to minority interests		-	(3 819)	-	-
Total outflows		(6 220)	(9 955)	(6 220)	(6 136)
Net cash provided by (used in) financing activities		(6 220)	(9 955)	(6 220)	(6 136)
Net increase (decrease) in cash and cash equivalents		(11 824)	292	(8 870)	(848)
Cash and cash equivalents at 1 January		32 339	31 958	22 835	23 594
Effects of exchange rate changes on cash and cash equivalents		406	89	406	89
Cash and cash equivalents at 31 December		20 921	32 339	14 371	22 835

The University invests its surplus working capital into bank term investments. These bank term investments are reported as financial assets held to maturity within note 8 (2012: $57 million, 2011: $80.5 million). As a consequence these amounts are not reported within cash and cash equivalents and the movement in these assets are not reported within the Statement of Cash Flows.

Notes to and forming part of the financial statements

1. Basis of preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with AASs, AASB interpretations, the *Higher Education Support Act 2003*, financial statement guidelines of the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE), the South Australian TIs and the APF issued under the provisions of PFAA (except where in conflict with DIISRTE requirements).

(a) Compliance with International Financial Reporting Standards (IFRS)

The financial statements and notes of the University of Adelaide (the University) comply with AASs, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical accounting estimates

Preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the University's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable, in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Scope of reporting

The financial statements and notes disclose the 2012 operating results and 2011 comparative results of the University of Adelaide as follows:

University – refers to all aspects of operation of the University of Adelaide only.

Consolidated – refers to the financial results of the University of Adelaide together with the financial results of its controlled entities (refer note 32). It includes the University's interests in associated entities (note 33) and its joint venture operations (note 34), recognised using the equity accounting method.

The controlled entities of the University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust
  - ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd)
- Adelaide Unicare Pty Ltd as trustee for the Unihealth Research & Development Trust
- Martindale Holdings Pty Ltd as trustee for:
  - J S Davies Estate
  - J A T Mortlock Trust
  - The Roseworthy Farm
- National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust
- Roseworthy Piggery Pty Ltd.

3. Statement of significant accounting policies

(a) Basis of accounting

This general purpose financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

(b) Principles of consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the Parent Entity, and its controlled entities (the Consolidated Entity). All entities have a 31 December reporting period.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interest in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign currency

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the net operating result. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Revenue recognition

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

Grant revenue

Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received or where the University obtains control of the right to receive the grant and when the revenue recognition criteria are met.

Student tuition fees and charges

Student tuition fees and charges are recognised in the year 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 note 3(j)).

Asset sales

The net gain/loss from asset sales is included in the Consolidated Entity net operating result The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) GST

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the 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) Intangible assets

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Any intangible assets arising from development (or from the development phase of an internal project) are recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment, whereby impairment is tested annually (refer note 17).

(g) Employee benefits

Wages and salaries

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary rates as at the balance date and have been recognised in payables.

Annual leave

The employees' entitlements to annual leave expected to be settled within 12 months of the balance date have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the balance date, the provision has been discounted to present value using the Australian Government three year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

LSL

The liability for employees' entitlements to LSL represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employees' entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Australian Government securities at balance date, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the net operating result. For defined benefit plans, the actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Statement of Financial Position. Refer note 27 for details relating to the individual schemes.

(h) Receivables

Trade receivables are initially recognised at fair value. The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash at bank or on hand and deposits held at call with financial institutions.

(j) Other financial assets

The Consolidated Entity classifies its investments into the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at each balance date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified in this category if acquired for the purpose of selling in the short-term. Financial assets at fair value through profit or loss are classified as current assets in the Statement of Financial Position, with any realised and unrealised gains or losses recognised in the net operating result

- *Endowment Fund*

  The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Endowment Fund. This fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the Endowment Fund represents a long-term investment holding. As a consequence, these investments are reported in non-current financial assets in the Statement of Financial Position at market values obtained from the investment managers.

Financial assets held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University's management has the positive intention and ability to hold to maturity.

The University places its surplus operating funds into bank term deposits with fixed maturity dates. The bank term deposits held at balance date had original maturities of 180 days or less. Financial assets held to maturity are carried at cost.

Available-for-sale financial assets

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading. Available-for-sale financial assets are recorded at fair value less impairment in the Statement of Financial Position. Unrealised gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the net operating result for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

Loans and receivables

Financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes (refer note 31). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as recent arm's length transactions or discounted cash flow analysis.

(k) Derivative financial instruments

The Consolidated Entity enters into interest rate swaps (derivative financial instruments) to manage its exposure to movements in interest rates on its borrowings.

In addition, the Consolidated Entity enters into foreign currency swaps (derivative financial instruments) to manage its exposure to movements in exchange rates on its capital expenditure and library subscriptions. As at 31 December 2012 there are no foreign currency swaps for capital expenditure or library subscriptions.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the interest rates swaps are effective hedging instruments.

(k) Derivative financial instruments (continued)

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge accounting

The Consolidated Entity has designated the interest rate and foreign currency swaps as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in the Statement of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the net operating result. As at 31 December 2012 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the net operating result in the periods when the hedged item is recognised in the net operating result. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the net operating result. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in the net operating result.

(l) Investments in business undertakings

Controlled entities

Investments in controlled entities are carried in the University’s financial statements at fair value. Dividends and distributions are brought to account in the net operating result when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises a significant influence but not control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

In the University’s financial statements, investments in associates are carried at cost.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. The Consolidated Entity’s share of the associates’ net profit or loss after tax is recognised in consolidated other comprehensive income 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 ventures

Joint ventures are those entities over whose activities the Consolidated Entity has joint control.

The University derives income as part of its participation in Cooperative Research Centres, as listed in note 34(a)(i). In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at the balance date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity’s interest in other joint ventures, as described in note 34(a)(ii), are accounted for using the equity method of accounting.

Other business undertakings
The Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non-publicly listed investments, these have been valued at lower of cost or net realisable value (refer note 3(j)).

(m) Inventories

Consumable materials and trading stock
The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.

Livestock
The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(n) Property, plant and equipment

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(q).

Revaluations
During 2010 land and buildings were independently valued on a fair value basis in accordance with AASs.

Increases in the carrying amounts arising on revaluation of each class of assets, being land and buildings, library collection and works of art are credited to capital reserves in equity within the Statement of Financial Position except to the extent that they reverse previous reductions in the carrying amounts which were charged to the net operating result. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the net operating result.

Disposal of revalued assets
The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and buildings
The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of land and buildings has been carried out by Mr Martin Oldfield, AAPI, BBus(Prop)(Val), Mr Lachlan Hogarth, AAPI, BBus(Prop)(Val), Grad Cert App Fin, Mrs Kate Tynan, AAPI, BBus(Prop)(Val), Dimitri Ekonomopoulos, GAPI, BBus(Prop)(Val) of Maloney Field Services (Australia) Pty Ltd on 31 December 2010.

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 collection was revalued on 31 December 2010 using an internal valuation based on the annual price movement of books.

Works of art
Works of art $2000 and greater, are recorded at fair value on the basis of an independent valuation carried out by Mr J F B Bruce, Valuer (MSAV) of Theodore Bruce Auctions Pty Ltd on 31 December 2011. No provision for depreciation is made for works of art

Leased property, plant and equipment
Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. As at 31 December 2012 there are no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the net operating result on a straight-line basis, over the period of the lease.

(o) Non-current assets held for sale
Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The University intends to dispose of any assets held for sale within the next 12 months after balance date.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised in the net operating result for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

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

(p) Impairment of assets
The Consolidated Entity assesses at balance date whether there is objective evidence that an asset or group of assets is impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the net operating result for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes in circumstances indicate they might be impaired. An impairment loss is recognised if the carrying amount of the asset or its related cash-generating-unit exceeds its recoverable amount.

(q) Depreciation and amortisation
Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land and works of art, on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

Buildings	80-100 years
Leasehold improvements	5-50 years
Library	10 years
Plant and equipment including motor vehicles	5-10 years
Leased plant and equipment	10 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(r) Investment properties
Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

(r) Investment properties (continued)

Subsequent to initial recognition at cost investment properties are revalued to fair value, which is based on active market prices, with changes in the fair value recognised in the net operating result in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the net operating result in the periods in which it is receivable, as this represents the pattern of service rendered though the provision of the properties.

An independent valuation of investment properties has been carried out by Mr Martin Oldfield, AAPI, BBus(Prop)(Val), Grad Cert App Fin of Maloney Field Services (Australia) Pty Ltd on 31 December 2012.

(s) Workers compensation

The University is responsible for payments of workers compensation claims and is registered with the WorkCover Corporation of South Australia as an exempt employer.

The actuarial assessment of the provision for workers compensation claims has been prepared by Brett & Watson Pty Ltd using the case estimation methodology. This methodology comprises the assessment of individual independent case estimates of all open claims. A separate allowance for incurred but not reported claims, unforeseen escalation of the case estimates and re-opening of finalised claims is then made.

(t) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Salaries and related expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and FBT.

(v) Borrowings costs

Borrowing costs incurred for the construction of buildings are capitalised during the period of time that is required to complete and prepare the building for its intended use. Other borrowing costs are expensed.

(w) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

4. Revenue from continuing operations

	Consolidated		University	
Received under *Higher Education Support Act 2003*:	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Base operating financial assistance:				
Commonwealth Grants Scheme (Commonwealth supported places)	148 180	126 359	148 180	126 359
Institutional Grants Scheme	15 879	15 286	15 879	15 286
Research Training Scheme	29 926	28 584	29 926	28 584
	193 985	170 229	193 985	170 229
Other operating financial assistance:				
Other operating financial assistance	3 912	3 425	3 912	3 425
	3 912	3 425	3 912	3 425
Higher Education Contribution Scheme:				
HECS-HELP student upfront payments	13 223	13 856	13 223	13 856
Australian Government financial assistance	84 449	75 273	84 449	75 273
	97 672	89 129	97 672	89 129
	295 569	262 783	295 569	262 783
Student fee income includes:				
Fee paying student revenue received				
Award courses:				
Australian fee paying undergraduate students	1 175	1 724	1 175	1 724
Australian fee paying postgraduate students	4 106	2 927	4 106	2 927
International fee paying students	133 025	128 820	133 025	128 820
	138 306	133 471	138 306	133 471

4. Revenue from continuing operations (continued)

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Non-award courses:					
Continuing education		574	528	574	528
Australian fee paying		3 767	3 575	3 767	3 575
Other teaching service fees		3 506	4 274	3 506	4 274
		7 847	8 377	7 847	8 377
Non-course income:					
Student services and amenities fees		1 751	-	1 751	-
		1 751	-	1 751	-
		147 904	141 848	147 904	141 848
Australian Government financial assistance:					
FEE-HELP		6 596	5 471	6 596	5 471
SA-HELP		1 769	-	1 769	-
Overseas postgraduate research scholarship		947	885	947	885
		157 216	148 204	157 216	148 204
Investment revenue:					
General fund earnings		7 213	6 949	6 892	6 481
Net realised gains on endowment fund investments		4 214	3 899	4 214	3 899
General and endowment fund investment market valuation adjustment		16 462	-	16 462	-
Unrealised gains on investment properties		701	267	701	267
Royalty, trademarks and licences		3 935	5 084	1 870	1 788
Dividends received		-	3 545	-	3 545
Distributions from controlled entities		-	-	15 811	24 674
		32 525	19 744	45 950	40 654
Property revenue:					
Rental charges/accommodation fees		11 301	10 984	11 224	11 007
Parking fees		1 635	1 350	1 635	1 350
Building development and maintenance recovery		1 281	1 142	1 281	1 142
Other property revenue		616	530	734	690
		14 833	14 006	14 874	14 189
Specialist services and trading:					
Consultancy fees		12 607	11 927	7 625	7 870
Library charges and fines		851	854	851	854
Sale of services		23 540	22 253	6 219	6 835
Sale of goods		3 045	4 919	684	657
Sponsorship and conference income		1 636	1 489	1 636	1 489
Other specialist services and trading		1 813	2 152	1 553	1 276
		43 492	43 594	18 568	18 981
Bequests, donations and other revenue:					
Bequests and donations received for:					
Research		3 905	3 145	3 905	3 145
General operational purposes		2 985	3 243	2 985	3 243
		6 890	6 388	6 890	6 388
Prizes and scholarships		1 890	1 958	1 890	1 958
Recharge of costs to other organisations		390	470	390	470
Application management and late fee		1 597	922	1 597	922
Franchise fees		1 356	1 127	1 356	1 127
Insurance claim recovery		271	970	271	970
Salary recharges		926	1 593	926	1 593
AusAID scholarships and stipends		7 475	5 298	7 475	5 298
Net foreign exchange gain		406	89	406	89
Other revenue		16 280	15 266	9 476	10 883
		37 481	34 081	30 677	29 698
Share of other comprehensive income of					
Joint venture operations	34	340	(476)	-	-
Associates	33	176	22	-	-
		516	(454)	-	-

5. **Expenses from continuing operations**	Consolidated		University	
Salaries and related expenses	2012	2011	2012	2011
Salaries and related expensed - academic:	$'000	$'000	$'000	$'000
Salaries	170 503	156 599	170 503	156 599
Contributions to superannuation schemes	25 878	23 242	25 878	23 242
Payroll tax	10 224	9 252	10 224	9 252
Annual leave	12 192	14 437	12 192	14 437
LSL	3 849	8 244	3 849	8 244
Workers compensation	884	798	884	798
Other	4 770	4 569	4 770	4 569
Total academic salaries and related expenses	228 300	217 141	228 300	217 141
Salaries and related expenses - non-academic:				
Salaries	140 879	132 538	129 833	122 041
Contributions to superannuation schemes	20 900	18 744	19 819	17 685
Payroll tax	8 208	7 719	7 845	7 155
Annual leave	11 292	10 667	10 900	10 568
LSL	3 257	5 383	3 139	5 528
Workers compensation	700	752	688	624
Other	4 064	5 294	4 043	5 265
Total non-academic salaries and related expenses	189 300	181 097	176 267	168 866
Total salaries and related expenses	417 600	398 238	404 567	386 007
Teaching and research:				
Agriculture, animals and cropping	1 134	962	1 134	1 040
Books, subscriptions and printed material	7 112	6 931	7 112	6 931
Laboratory expenses	16 661	14 839	16 661	14 839
Research transfer to other institutions	30 269	27 746	30 269	27 746
Other teaching and research	30 200	24 266	30 124	24 363
	85 376	74 744	85 300	74 919
Buildings and grounds:				
Cleaning and security	9 115	7 818	8 724	7 764
Property maintenance	18 028	15 261	17 931	15 170
Building leases and rent	13 471	13 381	13 076	13 030
Utilities	13 049	10 743	12 938	10 386
	53 663	47 203	52 669	46 350
Finance costs:				
Interest	6 220	6 187	6 464	6 723
Finance charges	744	701	744	701
	6 964	6 888	7 208	7 424
Administration, communication and travel:				
Consultants and specialist services	20 469	19 287	15 584	15 788
Fees and licenses	12 414	10 534	12 384	10 516
Insurance	3 007	3 028	2 843	2 835
Administration and communication	54 132	54 180	14 876	15 536
Publicity and fundraising	3 604	5 042	3 452	4 845
Travel, accommodation and entertainment	21 913	19 709	21 863	19 651
	115 539	111 780	71 002	69 171
Finance and fund administration:				
Bad and doubtful debts:				
Student loans	(57)	(17)	(57)	(17)
Student tuition	(41)	68	(41)	68
Other debtors	1 352	23	1 348	23
	1 254	74	1 250	74
General and Composite Fund investment market valuation adjustment	-	11 652	-	11 652
Management and merchant fees	831	516	831	516
FBT payments	1 057	685	1 057	685
Other	28	75	28	75
	3 170	13 002	3 166	13 002

Salaries and related expenses (continued)		Consolidated		University	
		2012	2011	2012	2011
Miscellaneous equipment, depreciation and net loss on disposal of assets includes:	Note	$'000	$'000	$'000	$'000
Amortisation of intangible assets:					
Software		5 664	4 512	5 664	4 512
Amortisation:	3(q)				
Leasehold improvements		3 551	4 027	3 540	4 023
		9 215	8 539	9 204	8 535
Depreciation:	3(q)				
Buildings		21 367	19 923	21 302	19 915
Plant, equipment and motor vehicles		8 782	7 948	8 444	7 700
Library collection		2 823	2 717	2 823	2 717
		32 972	30 588	32 569	30 332
		42 187	39 127	41 773	38 867
Non-capitalised equipment		11 058	9 656	11 050	9 656
Net loss on disposal of assets		1 393	1 057	1 393	1 057
		54 638	49 840	54 216	49 580

6. Cash and cash equivalents

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Cash and cash equivalents	3(i)				
Cash at bank or on hand		15 574	19 972	9 371	10 835
Deposits at call		5 347	12 367	5 000	12 000
		20 921	32 339	14 371	22 835

The University invested its surplus working capital into bank term investments (2012: $57 million, 2011: $80.4 million). These bank term investments have been reported as financial assets held to maturity in note 8. As a result these funds are not reported within cash and cash equivalents or within the Statement of Cash Flows.

7. Receivables

		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Current:	3(h)				
Student tuition fees		4 676	3 795	4 676	3 795
Provision for impaired receivables		(155)	(372)	(155)	(372)
		4 521	3 423	4 521	3 423
Trade debtors		18 921	25 953	15 979	22 077
Provision for impaired receivables		(588)	(833)	(306)	(478)
		18 333	25 120	15 673	21 599
Sundry debtors and accrued income		7 784	2 729	7 784	2 729
Provision for impaired receivables		(1 414)	-	(1 414)	-
		6 370	2 729	6 370	2 729
Student loans		204	279	204	279
Provision for impaired receivables		(148)	(200)	(148)	(200)
		56	79	56	79
		29 280	31 351	26 620	27 830

(a) Impaired receivables

As at 31 December 2012 current receivables of the group with a nominal value of $2.5 million ($1.8 million) were impaired. The amount of the provision was $2.3 million ($1.4 million). The individually impaired receivables mainly relate to outstanding trade and student debtors. It was assessed that a portion of these receivables is expected to be recovered.

The ageing of impaired receivables is as follows:	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Zero to three months	110	71	110	71
Three to six months	53	188	53	188
Over six months	2 354	1 539	2 072	1 184
	2 517	1 798	2 235	1 443

(a) Impaired receivables (continued)

As at 31 December 2012 current receivables of the group of $29.1 million ($31 million) were not impaired. The majority of these receivables are current and mainly relate to a number of government agencies and independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Zero to three months	22 153	28 290	20 280	25 746
Three to six months	5 762	566	5 483	225
Over six months	1 153	2 102	645	1 466
	29 068	30 958	26 408	27 437

The movement in the provision for impaired receivables is as follows:

At 1 January	1 405	1 787	1 050	1 412
Net provision for impairment recognised (reversed) during the year	1 130	93	1 180	111
Receivables written off during the year as uncollectable	(230)	(475)	(207)	(473)
At 31 December	2 305	1 405	2 023	1 050

The creation and release of the provision for impaired receivables has been included in finance and fund administration in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

8. Other financial assets

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Current:					
Other loans		117	117	172	172
Held to maturity - bank term investments		56 989	80 460	56 989	80 460
		57 106	80 577	57 161	80 632
Non-current:					
Fair value through profit or loss (held for trading)					
Endowment Fund at fair value:	3(j)				
Australian fixed interest securities		10 295	7 080	10 295	7 080
Overseas fixed interest securities		10 376	7 285	10 376	7 285
Australian equities		72 946	46 017	72 946	46 017
Overseas equities		53 398	33 930	53 398	33 930
Property trusts		14 532	8 880	14 532	8 880
Cash and liquid assets		7 886	5 480	7 886	5 480
Alternative strategies		11 301	7 752	11 301	7 752
		180 734	116 424	180 734	116 424
Other shares		1 225	1 225	1 225	1 225
Total fair value through profit or loss (held for trading)		181 959	117 649	181 959	117 649
Other loans		435	551	655	826
Total non-current other financial assets		182 394	118 200	182 614	118 475

Held to maturity - bank term investments

The University invests its surplus working capital into bank term investments and these bank term investments have been reported as financial assets held to maturity. As a result these funds are not reported within cash and cash equivalents in note 6 or within the Statement of Cash Flows.

9. Derivative financial instruments

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Non-current liabilities:				
Interest rate swap contracts - cash flow hedges	16 007	12 220	16 007	12 220
Total derivative financial instruments	16 007	12 220	16 007	12 220

9. Derivative financial instruments (continued)

During 2007 the University entered into nine $10 million forward start interest rate swaps (totalling $90 million), to manage its interest rate exposures on planned borrowings for its North Terrace Development Strategy. The swaps commenced in February 2010 and amortise on a straight-line basis over 20 years. The University is obligated to pay a fixed interest rate of 6.65%. These interest rate swaps are effective hedges and the fair value of these hedges are recorded as a non-current liability.

	Note	Consolidated		University	
10. Inventories	3(m)	2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Consumable materials and trading stock		2 321	2 938	1 117	1 113
Livestock		257	875	-	-
Provision for obsolescence		(40)	(50)	(40)	(50)
		2 538	3 763	1 077	1 063

The University wrote down inventories by $12 000 during the year ended 31 December 2012 on identification of obsolete and overvalued items. The University did not write down inventories during the year ended 31 December 2011.

11. Other non-financial assets		Consolidated		University	
		2012	2011	2012	2011
Current:	Note	$'000	$'000	$'000	$'000
Prepayments		8 060	6 517	7 945	6 468
Accrued income		1 724	961	1 724	939
OS-HELP receivable from Australian Government		806	-	806	-
		10 590	7 478	10 475	7 407
Non-current:					
Prepayments		1 165	1 227	1 165	1 163
Total other non-financial assets		11 755	8 705	11 640	8 570
12. Non-current assets held for sale	3(o)				
Current:					
Controlled entities		-	9 136	-	-
		-	9 136	-	-
13. Investments accounted for using the equity method	3(l)				
Investments in associates:	33				
At cost		-	-	456	298
Equity accounted		569	236	-	-
Interests in joint ventures:	34				
At cost		-	-	385	385
Equity accounted		1 779	1 439	-	-
		2 348	1 675	841	683
14. Available-for-sale financial assets					
Non-current:					
Investments in controlled entities	32	-	-	16 585	26 831

15. Property, plant and equipment

Consolidated	Trust land	Other land	Trust buildings	Other buildings	WIP
As at 1 January 2011:	$'000	$'000	$'000	$'000	$'000
Cost	4	474	291	1 626	44 662
Valuation	145 325	71 988	588 014	50 487	-
Accumulated depreciation/amortisation	-	-	(23)	(238)	-
Net book amount	145 329	72 462	588 282	51 875	44 662
Year ended 31 December 2011:					
Opening net book amount	145 329	72 462	588 282	51 875	44 662
Revaluation increments (decrements)	-	-	-	-	-
Additions	-	296	-	2 172	83 125
Disposals	-	-	-	-	-
Transfers	-	-	63 759	15 400	(83 994)
Depreciation/Amortisation	-	-	(18 134)	(1 789)	-
Closing net book amount	145 329	72 758	633 907	67 658	43 793

15. Property, plant and equipment (continued)

Consolidated (continued)

	Trust land	Other land	Trust buildings	Other buildings	WIP
As at 31 December 2011:	$'000	$'000	$'000	$'000	$'000
Cost	4	770	64 050	19 198	43 793
Valuation	145 325	71 988	588 014	50 487	-
Accumulated depreciation/amortisation	-	-	(18 157)	(2 027)	-
Net book amount	145 329	72 758	633 907	67 658	43 793
Year ended 31 December 2012:					
Opening net book amount	145 329	72 758	633 907	67 658	43 793
Revaluation increments (decrements)	-	-	-	-	-
Additions	-	-	-	-	87 651
Disposals	-	-	-	-	-
Transfers	-	1 390	16 344	4 583	(27 025)
Depreciation/Amortisation	-	-	(19 140)	(2 227)	-
Closing net book amount	145 329	74 148	631 111	70 014	104 419
As at 31 December 2012:					
Cost	4	770	80 394	23 781	104 419
Valuation	145 325	73 378	588 014	50 487	-
Accumulated depreciation/amortisation	-	-	(37 297)	(4 254)	-
Net book amount	145 329	74 148	631 111	70 014	104 419

	Leasehold improvements	Library collections	Works of art	Plant and equipment	Total
As at 1 January 2011:	$'000	$'000	$'000	$'000	$'000
Cost	23 529	-	77	121 907	192 570
Valuation	-	27 166	7 534	-	890 514
Accumulated depreciation/amortisation	(12 244)	-	-	(78 896)	(91 401)
Net book amount	11 285	27 166	7 611	43 011	991 683
Year ended 31 December 2011:					
Opening net book amount	11 285	27 166	7 611	43 011	991 683
Revaluation increments (decrements)	-	-	(33)	-	(33)
Additions	37	2 151	75	13 430	101 286
Disposals	-	(1 087)	-	(427)	(1 514)
Transfers	2 154	-	-	(12)	(2 693)
Depreciation/Amortisation	(4 027)	(2 717)	-	(7 948)	(34 615)
Closing net book amount	9 449	25 513	7 653	48 054	1 054 114
As at 31 December 2011:					
Cost	25 720	2 151	-	132 987	288 673
Valuation	-	26 079	7 653	-	889 546
Accumulated depreciation/amortisation	(16 271)	(2 717)	-	(84 933)	(124 105)
Net book amount	9 449	25 513	7 653	48 054	1 054 114
Year ended 31 December 2012:					
Opening net book amount	9 449	25 513	7 653	48 054	1 054 114
Revaluation increments (decrements)	-	-	-	-	-
Additions	9	1 742	15	15 365	104 782
Disposals	-	(998)	-	(478)	(1 476)
Transfers	1 678	-	-	-	(3 030)
Depreciation/Amortisation	(3 551)	(2 823)	-	(8 782)	(36 523)
Closing net book amount	7 585	23 434	7 668	54 159	1 117 867
As at 31 December 2012:					
Cost	27 407	3 893	15	147 874	388 557
Valuation	-	25 081	7 653	-	889 938
Accumulated depreciation/amortisation	(19 822)	(5 540)	-	(93 715)	(160 628)
Net book amount	7 585	23 434	7 668	54 159	1 117 867

15. Property, plant and equipment (continued)

University	Trust land	Other land	Trust buildings	Other buildings	WIP
At 1 January 2011:	$'000	$'000	$'000	$'000	$'000
Cost	4	50	291	1 626	41 338
Valuation	145 325	71 443	588 014	49 477	-
Accumulated depreciation/amortisation	-	-	(23)	(238)	-
Net book amount	145 329	71 493	588 282	50 865	41 338
Year ended 31 December 2011:					
Opening net book amount	145 329	71 493	588 282	50 865	41 338
Revaluation increments (decrements)	-	-	-	-	-
Additions	-	-	-	-	82 528
Disposals	-	-	-	-	-
Transfers	-	-	63 759	12 091	(80 685)
Depreciation/Amortisation	-	-	(18 134)	(1 781)	-
Closing net book amount	145 329	71 493	633 907	61 175	43 181
As at 31 December 2011:					
Cost	4	50	64 050	13 717	43 181
Valuation	145 325	71 443	588 014	49 477	-
Accumulated depreciation/amortisation	-	-	(18 157)	(2 019)	-
Net book amount	145 329	71 493	633 907	61 175	43 181
Year ended 31 December 2012:					
Opening net book amount	145 329	71 493	633 907	61 175	43 181
Additions	-	-	-	-	84 912
Disposals	-	-	-	-	-
Transfers	-	1 390	16 344	4 583	(27 025)
Depreciation/Amortisation	-	-	(19 140)	(2 162)	-
Closing net book amount	145 329	72 883	631 111	63 596	101 068
As at 31 December 2012:					
Cost	4	50	80 394	18 300	101 068
Valuation	145 325	72 833	588 014	49 477	-
Accumulated depreciation/amortisation	-	-	(37 297)	(4 181)	-
Net book amount	145 329	72 883	631 111	63 596	101 068

	Leasehold improvements	Library collections	Works of art	Plant and equipment	Total
At 1 January 2011:	$'000	$'000	$'000	$'000	$'000
Cost	23 449	-	77	119 767	186 602
Valuation	-	27 166	7 534	-	888 959
Accumulated depreciation/amortisation	(12 232)	-	-	(77 885)	(90 378)
Net book amount	11 217	27 166	7 611	41 882	985 183
Year ended 31 December 2011:					
Opening net book amount	11 217	27 166	7 611	41 882	985 183
Revaluation increments (decrements)	-	-	(33)	-	(33)
Additions	-	2 151	75	12 173	96 927
Disposals	-	(1 087)	-	(427)	(1 514)
Transfers	2 154	-	-	(12)	(2 693)
Depreciation/Amortisation	(4 023)	(2 717)	-	(7 700)	(34 355)
Closing net book amount	9 348	25 513	7 653	45 916	1 043 515
As at 31 December 2011:					
Cost	25 603	2 151	-	129 598	278 354
Valuation	-	26 079	7 653	-	887 991
Accumulated depreciation/amortisation	(16 255)	(2 717)	-	(83 682)	(122 830)
Net book amount	9 348	25 513	7 653	45 916	1 043 515
Year ended 31 December 2012:					
Opening net book amount	9 348	25 513	7 653	45 916	1 043 515
Additions	-	1 742	15	14 689	101 358
Disposals	-	(998)	-	(478)	(1 476)
Transfers	1 678	-	-	-	(3 030)
Depreciation/Amortisation	(3 540)	(2 823)	-	(8 444)	(36 109)
Closing net book amount	7 486	23 434	7 668	51 683	1 104 258
As at 31 December 2012:					
Cost	27 281	3 893	15	143 809	374 814
Valuation	-	25 081	7 653	-	888 383
Accumulated depreciation/amortisation	(19 795)	(5 540)	-	(92 126)	(158 939)
Net book amount	7 486	23 434	7 668	51 683	1 104 258

16. Investment property

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at 1 January	18 995	18 685	18 995	18 685
Transfer from WIP	349	43	349	43
Transfer to land and buildings	(2 075)	-	(2 075)	-
Net gain (loss) from fair value adjustments	701	267	701	267
Balance at 31 December	17 970	18 995	17 970	18 995

(a) Amount recognised in income statement for investment property

The University has recognised $1.8 million ($1.8 million) of rental income from investment properties within the Statement of Comprehensive Income. Any direct operating expenses from generating rental income are included within the Statement of Comprehensive Income and are immaterial.

(b) Valuation basis

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar leases.

An independent valuation of investment properties has been carried out by Mr M Oldfield, AAPI, BBus(Prop)(Val), Certified Practicing Valuer of Maloney Field Services on 31 December 2012.

(c) Non-current assets pledged as security

No non-current assets have been pledged.

(d) Contractual obligations

There are no capital commitments for investment properties.

(e) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on investment properties are as follows:

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	1 158	1 549	1 158	1 549
Later than one year but not later than five years	473	1 362	473	1 362
Later than five years	-	-	-	-
	1 631	2 911	1 631	2 911

17. Intangible assets

	Note	Consolidated	University
	3(f)	$'000	$'000
Non-current:			
As at 1 January 2011:			
Cost		31 714	31 714
Accumulated amortisation and impairment		(12 650)	(12 650)
Net book amount		19 064	19 064
Year ended 31 December 2011:			
Opening net book amount		19 064	19 064
Additions - internal development		38	38
Transfer from WIP		2 649	2 649
Amortisation charge		(4 512)	(4 512)
Closing net book amount		17 239	17 239
As at 1 January 2012:			
Cost		34 271	34 271
Accumulated amortisation and impairment		(17 032)	(17 032)
Net book amount		17 239	17 239

	Note	Consolidated	University
17. Intangible assets (continued)	3(f)	$’000	$’000
Year ended 31 December 2012:			
Opening net book amount		17 239	17 239
Additions		713	713
Transfer from WIP		4 756	4 756
Amortisation charge		(5 664)	(5 664)
Closing net book amount		17 044	17 044
As at 31 December 2012:			
Cost		39 740	39 740
Accumulated amortisation and impairment		(22 696)	(22 696)
Net book amount		17 044	17 044

18. Payables

		Consolidated		University	
		2012	2011	2012	2011
Current:	Note	$’000	$’000	$’000	$’000
Accounts payable		45 223	32 135	39 610	24 574
Annual and LSL on-costs	22	5 981	4 599	5 892	4 534
Accruals		6 116	6 976	1 397	1 295
Salary and wage deductions		9 948	8 496	9 948	8 494
OS-HELP liability to Australian Government		-	81	-	81
		67 268	52 287	56 847	38 978
Non-current:					
Annual and LSL on-costs	22	11 300	6 810	11 280	6 777
Total payables		78 568	59 097	68 127	45 755

19. Borrowings

Current:				
Other - unsecured	5 006	5 006	5 006	5 006
Non-current:				
Other - unsecured	78 031	78 037	78 031	78 037
Total borrowings	83 037	83 043	83 037	83 043

The University maintains an unsecured $20 million multi-option facility (as a standby working capital facility) and an unsecured $100 million multi-option facility (to part fund the North Terrace Development Strategy). As at 31 December 2012 the standby working capital facility has not been drawn down. As at 31 December 2012 the multi-option facility has been drawn down to the value of $83 million to fund the major capital works program.

20. Provisions

	Note	Consolidated		University	
		2012	2011	2012	2011
Current:		$’000	$’000	$’000	$’000
Workers compensation provision		494	821	494	821
Annual and LSL	22	30 356	28 303	29 614	27 679
Insurance provision		2 722	2 757	2 722	2 757
Non-current:					
Workers compensation provision		632	705	632	705
Annual and LSL	22	48 858	49 149	48 554	48 900
Defined benefit fund net liability	27(c)	9 275	9 013	9 275	9 013
		58 765	58 867	58 461	58 618
Total provisions		92 337	90 748	91 291	89 875

Movements in provisions	Workers compensation provision	Annual and LSL	Insurance provision	Defined benefit fund net liability
Consolidated - current:	$’000	$’000	$’000	$’000
Carrying amount at 1 January	821	28 303	2 757	-
Additional (Reductions in) provisions recognised	(327)	2 053	(35)	-
Carrying amount at 31 December	494	30 356	2 722	-

Movements in provisions (continued)	Workers compensation provision	Annual and LSL	Insurance provision	Defined benefit fund net liability
Consolidated - non-current:	$'000	$'000	$'000	$'000
Carrying amount at 1 January	705	49 149	-	9 013
Additional (Reductions in) provisions recognised	(73)	(291)	-	262
Carrying amount at 31 December	632	48 858	-	9 275

Workers compensation provision

Provision is made based on an actuarial assessment of workers compensation estimated claims liability for future years. Refer note 3(s).

Annual and LSL

Provision is made for benefits accruing to employees in respect of annual leave and LSL when it is probable that settlement will be required and they are capable of being measured reliably. Refer note 3(g).

Insurance provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2012 that were expected to be paid subsequent to 1 January 2013 and are below the University deductible in the University insurance policies.

Defined benefit fund net liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119. Refer notes 3(g) and 27(c).

21. Other liabilities

	Consolidated		University	
	2012	2011	2012	2011
Current:	$'000	$'000	$'000	$'000
Outside funded positions	168	140	168	140
Income in advance	1 072	1 370	615	897
Student tuition fees received in advance	9 167	8 853	9 167	8 853
Residential bonds	326	288	326	288
Employee benefits - separation packages	2 214	509	2 214	509
Funds held on deposit for controlled entities	-	-	4 739	6 495
Other	528	464	528	459
	13 475	11 624	17 757	17 641

22. Employee benefits and related on-cost liabilities

In accordance with the requirements of AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately in note 20. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2012 relating to employee benefits:

		Consolidated		University	
		2012	2011	2012	2011
Annual leave:	Note	$'000	$'000	$'000	$'000
On-costs included in payables - current	18	3 575	3 362	3 541	3 332
Employee benefits - current	20	19 995	18 870	19 581	18 533
		23 570	22 232	23 122	21 865
On-costs included in payables - non-current	18	1 464	1 316	1 458	1 310
Employee benefits - non-current	20	8 100	7 335	8 062	7 285
		9 564	8 651	9 520	8 595
LSL:					
On-costs included in payables - current	18	2 406	1 237	2 351	1 202
Employee benefits - current	20	10 361	9 433	10 033	9 146
		12 767	10 670	12 384	10 348
On-costs included in payables - non-current	18	9 836	5 494	9 822	5 467
Employee benefits - non-current	20	40 758	41 814	40 492	41 615
		50 594	47 308	50 314	47 082
		96 495	88 861	95 340	87 890

23. Retained surplus and reserves

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(a) Summary				
Capital reserves:				
Capital reserve	2 971	2 971	-	-
Capital profits reserve	1 481	1 481	-	-
Revaluation surplus	274 928	281 104	273 457	273 457
Initial asset recognition reserve	279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve	-	-	16 585	26 831
	558 504	564 680	569 166	579 412
Specific purpose reserves:				
Special reserve	229 808	209 749	229 808	209 749
Bequests/Donations unspent income reserve	7 801	36 601	7 801	36 601
Restricted purpose bequest capital reserve	157 963	107 345	157 963	107 345
Endowment Fund revaluation reserve	41 422	20 986	41 422	20 986
	436 994	374 681	436 994	374 681
Retained surplus	180 303	180 003	167 802	164 041
(b) Movements in reserves				
Capital reserve:				
Opening balance	2 971	2 971	-	-
Current year movement	-	-	-	-
Closing balance	2 971	2 971	-	-
Capital profits reserve:				
Opening balance	1 481	1 481	-	-
Current year movement	-	-	-	-
Closing balance	1 481	1 481	-	-
Revaluation surplus:				
Opening balance	281 104	300 695	273 457	273 490
Revaluation increment on property, plant and equipment	-	(33)	-	(33)
Transfer from (to) retained surplus	(6 176)	(19 558)	-	-
Closing balance	274 928	281 104	273 457	273 457
Initial asset recognition reserve:				
Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing balance	279 124	279 124	279 124	279 124
Available-for-sale financial assets revaluation reserve:				
Opening balance	-	1 403	26 831	41 723
Transfer from (to) retained surplus	-	(1 403)	-	-
Current year movement	-	-	(10 246)	(14 892)
Closing balance	-	-	16 585	26 831
Special reserve:				
Opening balance	209 749	181 055	209 749	181 055
Transfer from (to) retained surplus	20 059	28 694	20 059	28 694
Closing balance	229 808	209 749	229 808	209 749
Bequests/Donations unspent income reserve:				
Opening balance	36 601	23 071	36 601	23 071
Transfer from (to) retained surplus	(28 800)	13 530	(28 800)	13 530
Closing balance	7 801	36 601	7 801	36 601

(b)	***Movements in reserves (continued)***	Consolidated		University	
		2012	2011	2012	2011
	Restricted purpose bequest capital reserve:	$'000	$'000	$'000	$'000
	Opening balance	107 345	96 976	107 345	96 976
	Transfer from (to) retained surplus	50 618	10 369	50 618	10 369
	Closing balance	157 963	107 345	157 963	107 345
	Endowment Fund revaluation reserve:				
	Opening balance	20 986	28 495	20 986	28 495
	Transfer from (to) retained surplus	20 436	(7 509)	20 436	(7 509)
	Closing balance	41 422	20 986	41 422	20 986

(c) Nature and purpose of reserves

Capital reserve
Represents capital accounts held within controlled entities of the University.

Capital profits reserve
Represents the accumulation of realised revalued increments of assets sold.

Revaluation surplus
Is used to record increments and decrements on the revaluation of non-current assets. Refer note 3(n).

Initial asset recognition reserve
Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Available-for-sale financial assets revaluation reserve
Is used to record increments and decrements on the revaluation of available-for-sale financial assets. Refer note 3(j).

Specific purpose reserves
Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

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

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Net operating result		60 338	47 773	70 507	66 028
Non-cash items:					
Amortisation	5	9 215	8 539	9 204	8 535
Depreciation	5	32 972	30 588	32 569	30 332
Write-down (Write-up) of investments		(21 377)	7 527	(21 377)	7 527
Other revenue/expenses		(6 265)	(4 776)	(6 217)	(4 811)
Funds held on deposit		-	-	2 000	4 000
Loss (Profit) on sale of property, plant and equipment		(560)	(1 414)	1 393	1 378
Movements in assets/liabilities:					
Inventories		1 225	6 349	(14)	76
Receivables		2 071	625	1 210	(1 642)
Other assets		(3 050)	(607)	(3 070)	(503)
Payables		19 471	(1 325)	22 372	2 809
Other current liabilities		1 851	634	116	(2 806)
Provisions		1 589	18 718	1 416	18 909
Net cash provided by operating activities		97 480	112 631	110 109	129 832

25. Commitments

Operating expenditure

	Consolidated 2012	Consolidated 2011	University 2012	University 2011
Contracted but not provided for and payable:				
Within one year	21 276	24 098	20 724	23 659
Later than one year	12 081	13 367	10 549	11 608
Total operating expenditure commitments	33 357	37 465	31 273	35 267

Capital commitments	Consolidated		University	
Property, plant and equipment	2012	2011	2012	2011
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:	$'000	$'000	$'000	$'000
Within one year	29 635	69 534	29 635	66 392
Later than one year	-	-	-	-
Total capital commitments	29 635	69 534	29 635	66 392

Lease commitments

Operating leases

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	9 512	10 865	9 512	10 865
Between one and five years	11 548	18 135	11 548	18 135
Later than five years	250	14	250	14
Total future minimum lease payments	21 310	29 014	21 310	29 014

26. Contingencies

(a) Guarantees

The University in 1997 provided a $120 000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of $126 000 to be used for the construction of the Observatory Child Care Centre. In 2009 the original guarantee of $120 000 was cancelled and a new guarantee for the amount of $46 000 was issued to reflect the reduction in the outstanding loan balance.

On July 1 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with WorkCoverSA and provide a bank guarantee to cover projected workers compensation outstanding claims liabilities. Currently, the University has provided a $2.2 million bank guarantee to WorkCoverSA. The amount of the guarantee was based on an actuarial assessment of the projected workers compensation claims liabilities. In August 2010 the University was advised by WorkCoverSA that it had approved a self-insurance renewal for a period of three years from 1 July 2010.

(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% 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 note 27(c).

(ii) UniSuper Limited superannuation schemes

Refer note 27(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remain 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 $2.7 million under the self-insurance component of the University program. Refer note 20.

27. Superannuation schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) Those operative and open to membership:

- UniSuper Defined Benefit Plan or Accumulation Super 2 (formerly Investment Choice Plan)
- Accumulation Super 1 (formerly UniSuper Award Plus Plan)

(a) Categories (continued)

(ii) Those operative but closed to future membership:

- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

(iii) State Government schemes closed to future membership by University employees:

- State Pension Scheme
- State Lump Sum Scheme

(b) UniSuper Limited superannuation schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2012 for employees in either the Defined Benefit Division or Accumulation Super 2 (formerly Investment Choice Plan) was 14% of salaries plus 3% of salaries. The contribution to the Accumulation Super 1 (formerly Award Plus Plan) and for employees only in the Accumulation Super 1 was 9% of salaries.

The operation of clause 34 of the Trust Deed (as amended in 2006) means that the UniSuper Defined Benefit Division is a defined contribution fund for the purpose of AASB 119, allowing participating employers to treat the UniSuper Defined Benefit Division as a defined contribution fund.

Clause 34 states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the trustee must reduce the benefits of its members on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2012 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2012 the assets of the Defined Benefit Division in aggregate were estimated to be $2010.8 million ($906.5 million) in deficiency of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the Defined Benefit Division.

As at 30 June 2012 the assets of the Defined Benefit Division in aggregate were estimated to be $906.8 million ($426.7 million in excess) in deficiency of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary, Russell Employee Benefits, using the actuarial demographic assumptions outlined in their report dated 15 November 2012 on the actuarial investigation of the Defined Benefit Division as at 30 June 2012. The financial assumptions used were:

	Vested benefits	Accrued benefits
Gross of tax investment return - Defined Benefit Division pensions	5.85% p.a.	7.50% p.a.
Gross of tax investment return - commercial rate indexed pensions	3.40% p.a.	3.40% p.a.
Net of tax investment return - non-pensioner members	5.25% p.a.	6.70% p.a.
CPI	2.75% p.a.	2.75% p.a.
Inflationary salary increases short-term (1 year)	5.00% p.a.	5.00% p.a.
Inflationary salary increases long-term	3.75% p.a.	3.75% p.a.

Assets have been included at their net market value, ie allowing for realisation costs.

(c) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

Scheme A 1985 is a defined benefit plan in accordance with AASB 119 that provides superannuation benefits for employees who had not transferred to UniSuper. The trustee and administrator of Scheme A 1985 is Tidswell Financial Services Ltd. Scheme A 1985 is governed by a separate trust deed and the general laws relating to trusts and superannuation. Scheme A 1985 provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). Scheme A 1985 is closed to new members.

Reconciliation of the present value of the defined benefit obligation	Note	2012 $'000	2011 $'000
Present value of defined benefit obligations at 1 January		21 184	16 465
Current service costs		353	423
Interest cost		685	817
Contributions by scheme participants		43	50
Actuarial losses (gains)		1 135	4 568
Benefits paid		(1 317)	(775)
Taxes, premiums and expenses paid		(245)	(364)
Present value of defined benefit obligations at 31 December		21 838	21 184
Reconciliation of the fair value of scheme assets			
Fair value of scheme assets at 1 January		12 171	12 141
Expected return on scheme assets		936	912
Actuarial gains (losses)		489	(1 098)
Employer contributions		486	1 305
Contributions by scheme participants		43	50
Benefits paid		(1 317)	(775)
Taxes, premiums and expenses paid		(245)	(364)
Fair value of scheme assets at 31 December		12 563	12 171
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position			
Defined benefit obligation including contributions tax provision		21 838	21 184
Fair value of scheme assets		(12 563)	(12 171)
Defined benefit fund net liability	20	9 275	9 013
Expense recognised in the Statement of Comprehensive Income			
Service cost		353	423
Interest cost		685	817
Expected return on assets		(936)	(912)
Superannuation expense		102	328
Amounts recognised in other comprehensive income			
Actuarial losses (gains)		646	5 666
Cumulative amount recognised in other comprehensive income			
Cumulative amount of actuarial losses (gains)		5 063	4 417

Scheme assets	2012	2011
The percentage invested in each asset class at the reporting date:	%	%
Australian equity	30	30
International equity	22	24
Fixed income	29	31
Property	12	10
Cash	7	5

Fair value of scheme assets

The fair value of scheme assets does not include amounts relating to any of the University's own financial instruments or any property occupied by, or other assets used by, the University.

Expected rate of return on scheme assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. The expected return on assets assumption for pension assets has not been reduced for investment tax, as earnings on the assets supporting the pension liability are tax free.

	2012 $'000	2011 $'000
Actual return on scheme assets	1 425	(186)

Principal actuarial assumptions at the balance date	2012	2011
	%	%
Discount rate (active members)	2.90	3.30
Discount rate (pensioners)	3.30	3.70
Expected rate of return on plan assets (active members)	n/a	6.75
Expected rate of return on plan assets (pensioners)	n/a	8.00
Expected salary increase rate (for the first year)	4.00	7.50
Expected salary increase rate (thereafter)	4.00	4.50
Expected pension increase rate	2.50	2.50

Historical information	2012	2011	2010	2009	2008
	$’000	$’000	$’000	$’000	$’000
Present value of defined benefit obligation	21 838	21 184	16 465	15 817	19 622
Fair value of scheme assets at 1 January	12 563	12 171	12 141	11 471	9 710
Deficit (Surplus) in scheme	9 275	9 013	4 324	4 346	9 912
Experience adjustments loss (gain) - scheme assets	(489)	1 098	345	(989)	3 636
Experience adjustments loss (gain) - scheme liabilities	119	(25)	(110)	(25)	1 138

Expected contributions

The expected employer contributions for the year ended 31 December 2013 are $300 000 ($300 000).

(d) State Government superannuation schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the South Australia Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2012 were 3% of salaries, and remaining benefits are met on an emerging cost basis.

Super SA estimate that, as at 31 December 2012, using AASB 119 assumptions there is an unfunded liability of $70 million ($69.9 million). This represents an increase in liability of $100 000 since 31 December 2011.

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 2012 Reporting Period’ provided by DIISRTE. The accounting treatment employed is also consistent with the approach taken by other Australian universities. Accordingly, total assets of $70 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 defined benefit obligation.

Summary	Consolidated		University	
Deferred government superannuation contribution:	2012 $’000	2011 $’000	2012 $’000	2011 $’000
Non-current asset	69 985	69 869	69 985	69 869
Defined benefit obligation:				
Current liability	4 300	4 200	4 300	4 200
Non-current liability	65 685	65 669	65 685	65 669
	69 985	69 869	69 985	69 869

(e) Contributions

	2012	2011
The total employer contributions were:	$’000	$’000
UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2 (formerly Investment Choice Plan)	32 136	29 634
Accumulation Super 1 (formerly UniSuper Award Plus Plan)	14 409	13 612
Super SA	94	88
State Government superannuation schemes (3%)	7	7
The University of Adelaide Superannuation Scheme A 1985	93	96
Self-managed funds	85	55
	46 824	43 492

28. 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.

29. Auditors' remuneration

During the year, the following fees were paid for services provided by the auditors of the University and its controlled entities.

	Consolidated		University	
	2012	2011	2012	2011
Audit and review of the financial statements	$'000	$'000	$'000	$'000
Fees paid to South Australian Auditor-General	265	253	265	253
Other auditors of controlled entities	83	85	-	-
	348	338	265	253
Other audit and assurance services				
Other auditors of controlled entities	28	32	-	-
	376	370	265	253

Amounts paid or payable for other audit and assurance services relate to the provision of accounting services.

30. The University council members and senior management

(a) Names of the University council members and senior management

University council members

Ex officio	Hill, AC, The Hon Robert Murray	
	McWha, AO, Professor James Alexander	ceased 30.06.2012
	Bebbington, Professor Warren	commenced 16.07.2012
	Findlay, AM, Professor Christopher	recommenced 01.02.2012 ceased 31.12.2012
	Macintyre, Professor Clement	ceased 31.01.2012
Co-opted	Schacht, The Hon Christopher Cleland	commenced 24.07.2012
Appointed	Bagot, Mr Charles	
	Castine, Ms Kathryn	ceased 31.03.2012
	Davidson, Ms Dianne	
	Johnson, Ms Wendy	commenced 01.04.2012
	Kowalick, AM, Mr Ian John	
	Martin, Ms Pamela June	ceased 31.12.2012
	Steel, Ms Loewn	
	Young, Mr Stephen Elliott	
Elected staff	Buttfield, Mr Gerald	
	Patrikeeff, Associate Professor Felix	
	Thomas, Professor Anthony	
	Yam, Ms Geraldine	
Elected graduates	Maddocks, Professor Simon	
	Radcliffe, AM, Dr John Clive	
	Robinson, Dr Susan	
Students	Shepherd, Mr Andrew	ceased 05.03.2012
	Ting, Mr Xu	ceased 05.03.2012
	Yang, Mr Eric Fan	ceased 05.03.2012
	Briggs, Mr Casey	commenced 06.03.2012
	Arthur, Mr Luke	commenced 06.03.2012
	Prescott, Mr William	commenced 06.03.2012

University senior management

McWha, Professor James	ceased 30.06.2012
Bebbington, Professor Warren	commenced 16.07.2012
Brooks, Professor Mike	
Duldig, Mr Paul	

University senior management (continued)

Quester, Professor Pascale	
Anderson, Professor Kent	commenced 14.02.2012
Kirkpatrick, Professor Denise	commenced 01.05.2012
Russell, AM, Professor Richard	
Taplin, Professor John	ceased 02.02.2012
Beilby, Professor Justin	
Beynon, Professor John	commenced 01.08.2012
Dowd, Professor Peter	ceased 31.07.2012
Findlay AM, Professor Christopher	
Harvey, Professor Nicholas	
Hill, Professor Robert	
Reid, Professor Iain	commenced 01.01.2012
Williams, Professor John	ceased 31.01.2012

(b) Remuneration of the University council members and senior management

University council members

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

University senior management	2012 $'000	2011 $'000
Amounts paid or payable to University senior management	4 940	4 249

	2012 Number	2011 Number
$115 000 - $129 999	2	-
$130 000 - $144 999	-	1
$160 000 - $174 999	2	-
$220 000 - $234 999	1	3
$235 000 - $249 999	4	-
$265 000 - $279 999	1	1
$295 000 - $309 999	-	2
$310 000 - $324 999	1	-
$340 000 - $354 999	-	1
$370 000 - $384 999	-	1
$385 000 - $399 999	1	1
$400 000 - $414 999	1	1
$415 000 - $429 999	2	-
$880 000 - $894 999	-	1
$910 000 - $924 999[a]	1	-
	16	12

[a] Includes end of contract entitlements.

The DIISRTE Guidelines specify that executives are defined as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University while holding a University senior management position. Only senior managers with remuneration in excess of one hundred thousand have been included in salary bands.

31. Financial instruments

(a) Interest rate risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

(a) Interest rate risk (continued)

The Consolidated Entity has entered into forward start interest rate swaps to manage its interest rate exposures on borrowings for its North Terrace Development Strategy. Further details are contained in note 9.

2012	Note	Weighted average effective rate %	Floating interest rate $'000	Fixed maturity dates: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000
Financial assets:							
Cash and cash equivalents	6	2.84	20 622	-	-	-	-
Receivables	7	-	-	-	-	-	-
Financial assets held for trading	8	-	-	-	-	-	-
Financial assets held to maturity	8	4.98	-	56 989	-	-	-
Other financial assets	8,13	1.70	-	117	117	104	214
			20 622	57 106	117	104	214
Weighted average interest rate			2.89%	4.98%	6.38%	6.65%	7.00%
Financial liabilities:							
Derivative financial instruments	9	-	-	-	-	-	-
Payables	18	-	-	-	-	-	-
Borrowings	19	5.00	-	5 000	5 000	5 000	5 000
			-	5 000	5 000	5 000	5 000
Weighted average interest rate			-	5.00%	5.00%	5.00%	5.00%

	Note	Fixed maturity dates: 4 to 5 years $'000	5+ years $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	6	-	-	299	20 921
Receivables	7	-	-	24 839	24 839
Financial assets held for trading	8	-	-	181 959	181 959
Financial assets held to maturity	8	-	-	-	56 989
Other financial assets	8,13	-	-	2 348	2 900
		-	-	209 445	287 608
Weighted average interest rate		-	-		
Financial liabilities:					
Derivative financial instruments	9	-	-	16 007	16 007
Payables	18	-	-	71 064	71 064
Borrowings	19	5 000	58 000	37	83 037
		5 000	58 000	87 108	170 108
Weighted average interest rate		5.00%	5.00%		

2011	Note	Weighted average effective rate %	Floating interest rate $'000	Fixed maturity dates: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000
Financial assets:							
Cash and cash equivalents	6	3.67	31 855	-	-	-	-
Receivables	7	-	-	-	-	-	-
Financial assets held for trading	8	-	-	-	-	-	-
Financial assets held to maturity	8	5.73	-	80 460	-	-	-
Other financial assets	8,13	1.89	-	117	117	117	104
			31 855	80 577	117	117	104
Weighted average interest rate			3.73%	5.73%	6.38%	6.38%	6.65%

2011 (continued)	Note	Weighted average effective rate %	Floating interest rate $'000	Fixed maturity dates: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000
Financial liabilities:							
Derivative financial instruments	9	-	-	-	-	-	-
Payables	18	-	-	-	-	-	-
Borrowings	19	5.60	-	5 000	5 000	5 000	5 000
			-	5 000	5 000	5 000	5 000
Weighted average interest rate			-	5.66%	5.66%	5.66%	5.66%

	Note	Fixed maturity dates: 4 to 5 years $'000	5+ years $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	6	-	-	484	32 339
Receivables	7	-	-	28 631	28 631
Financial assets held for trading	8	-	-	117 649	117 649
Financial assets held to maturity	8	-	-	-	80 460
Other financial assets	8,13	213	-	1 675	2 343
		213	-	148 439	261 422
Weighted average interest rate		7.00%	-		
Financial liabilities:					
Derivative financial instruments	9	-	-	12 220	12 220
Payables	18	-	-	51 026	51 026
Borrowings	19	5 000	58 000	43	83 043
		5 000	58 000	63 289	146 289
Weighted average interest rate		5.66%	5.66%		

(b) Foreign exchange risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

The Consolidated Entity has entered into foreign currency swaps to manage foreign currency exposures on capital expenditure and library subscriptions. Further details are contained in note 3(k).

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) On Statement of Financial Position financial instruments

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from government customers with minimal credit risk. The credit risk relating to cash holdings and investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit rating agencies.

(ii) Off 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) Liquidity risk

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's liquidity risk management policy.

(e) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities are determined by the Consolidated Entity on the following basis:

(i) On 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.

Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) Off 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.

32. Investments in controlled entities

Controlled entities and contribution to operating result before elimination of consolidation items:

Controlled Entity	Holding		Investment at fair value		Investment at cost		Contribution to operating result	
	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	$'000	$'000	$'000	$'000	$'000	$'000
The Adelaide Research and Innovation Investment Trust	100	100	746	1 556	-	-	481	1 714
Adelaide Unicare Pty Ltd	100	100	13 053	10 032	-	-	2 963	3 681
Martindale Holdings Pty Ltd as trustee for:								
J S Davies Estate	83	83	-	-	-	-	-	1 648
J A T Mortlock Trust	100	100	127	12 692	-	-	1 882	667
Roseworthy Farm	100	100	1 393	1 269	-	-	250	211
National Wine Centre Pty Ltd	100	100	1 033	1 066	-	-	430	603
Roseworthy Piggery Pty Ltd	100	100	233	216	100	100	17	(122)
			16 585	26 831	100	100	6 023	8 402

All of the above controlled entities are incorporated in Australia.

Controlled Entity	**Principal activities**
The Adelaide Research and Innovation Investment Trust	The University commercial arm that connects the community with a network of University of Adelaide researchers for purpose of research, development and innovation. The connection extends to commercialisation of the research developed.
Adelaide Unicare Pty Ltd	Manages the activities and operations of medical practices to provide placements for the teaching of medical students from the University of Adelaide. The practices provide quality general medical care to students, staff and the public.
Martindale Holdings Pty Ltd as trustee for:	Trustee company for the following:
J S Davies Estate	Established to operate farming properties that were bequeathed to the University of Adelaide and Prince Alfred College. This venture is no longer operating.
J A T Mortlock Trust	Established to operate farming properties that were bequeathed to the University of Adelaide. These operations ceased in 2012.
Roseworthy Farm	Manages the broadacre farm operations at the University Roseworthy campus.
National Wine Centre Pty Ltd	Operates the National Wine Centre complex undertaking banquets, events, conference space and wine tourism, and other catering operations as directed by the University of Adelaide.
Roseworthy Piggery Pty Ltd	Established to manage the piggery located on the Roseworthy campus. The piggery provides a source of pigs for research.

33. Investments in associates

(a) Equity and contribution to operating result

Associated entity	Principal activity	Holding 2012 %	Holding 2011 %	Consolidated carrying amount 2012 $'000	Consolidated carrying amount 2011 $'000	Investment at cost 2012 $'000	Investment at cost 2011 $'000
Held by the University							
Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore.	50	50	285	236	456	298
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	45	44	-	-	-	-
Muradel Pty Ltd	Developing an approach to using salt water tolerant algae for 'second generation' biofuel production.	21	28	284	-	-	-
SNAP Network Surveillance Pty Ltd	Production of software to simplify operation of large-scale video surveillance.	34	38	-	-	-	-
				569	236	456	298

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

The University has a 25% interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity.

All associated entities have a 31 December reporting period, except for Muradel Pty Ltd and SNAP Network Surveillance Pty Ltd, which have a 30 June reporting period.

(b) Movements in carrying amounts of investments in associates

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
At 1 January	236	214	-	-
Additional investment in associates	157	-	-	-
Share of operating result	176	22	-	-
	569	236	-	-

(c) Results attributed to associates

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Operating result	176	22	-	-
Additional investment in associates	157	-	-	-
Retained surplus attributable to associates at 1 January	236	214	-	-
Retained surplus attributable to associates at 31 December	569	236	-	-

(d) Accounting for associates

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to associated entities.

(ii) Contingent liabilities

There are no material contingent liabilities relating to associated entities.

(iii) Post balance date events

There are no material post balance date events to report for associated entities.

(d) Accounting for associates (continued)

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Statement of Financial Position financial instruments

Neither the Consolidated Entity, nor any of its associated entities, have any off Statement of Financial Position financial instruments.

34. Interests in joint ventures

(a) Groups

The University participates in a number of joint ventures. For reporting purposes these have been segregated into two groups as follows:

(i) Cooperative Research Centres (CRCs)

CRCs have the characteristics of joint ventures. These operations are not material to the University and there is no separate disclosure for 2012 in accordance with AASB 131.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, government agencies, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest based on their contribution proportion. The funding of the CRC is coordinated through either a company formed by the core participants or by a centre agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

			Participation %
CRC for Greenhouse Gas Technologies	(I)	(C)	5
Energy Pipelines CRC	(I)	-	12
Deep Exploration Technologies CRC	(I)	(C)	8
CRC for Beef Genetic Technologies	(I)	(C)	13
CRC for High Integrity Australian Pork (formerly CRC for an Internationally Competitive Pork Industry)	(I)	-	12
eWater CRC	(U)	(C)	3
Future Farm Industries CRC	(I)	(C)	-
Plant Biosecurity CRC	(I)	(C)	1
Invasive Animals CRC	(U)	(C)	-

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The University was a supporting participant for the Australian Seafood CRC, the Poultry CRC and the CRC for Water Sensitive Cities.

The University over the next five years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, \$1.4 million in cash (\$1 million) and \$20.2 million in-kind (\$19.3 million).

(ii) Joint ventures accounted for using the equity method

Name	**Principal activity**		**Participation %**
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programs.	(U)	33
Professional Certificate in Arbitration	To develop and deliver tertiary courses in arbitration.	(U)	50

(ii) Joint ventures accounted for using the equity method (continued)

Name	**Principal activity**		**Participation %**
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 & Telecommunications (IT&T)	Represents the three South Australian universities by providing a focal point for the State in pursuing and winning major research funding in IT&T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three South Australian universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the South Australian community.	(U)	25
Water Ed Australia Pty Ltd	A centre of leadership and innovation in collaborative water resources management education and training.	(I)	20
Adelaide Proteomics Centre	Provision of cost effective and high quality proteomic analysis to researchers conducting basic and applied research.	(U)	50
Adelaide MicroArray Centre	Provision of services for MicroRNA profiling using microarrays.	(U)	50
Defence Systems Innovation Centre	A centre to conduct contract-based studies and consultancies, post-graduate and under-graduate education programs, and collaborative research projects focussed on the needs of the defence community.	(U)	33
eResearch SA	To provide expertise, facilities and advice to the South Australian research community for research collaboration, data management, high performance computing and visualisation technologies.	(U)	33

(I) Incorporated (U) Unincorporated

All joint ventures have a 31 December reporting period, except for Water Ed Australia Pty Ltd, which has a 30 June reporting period.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$1.8 million (\$1.5 million). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in note 3(l).

(b) Equity and contribution to operating result

Joint venture entity	2012 %	2011 %	Carrying amount 2012 $'000	Carrying amount 2011 $'000	Investment at cost 2012 $'000	Investment at cost 2011 $'000
Held by the University						
Middleback Field Centre	33	33	12	14	-	-
Professional Certificate in Arbitration	50	50	75	23	35	35
South Australian Centre for Economic Studies	50	50	288	272	-	-
South Australian Tertiary Admissions Centre	25	25	625	498	-	-
South Australian Consortium for Information Technology & Telecommunications	33	33	1	59	-	-
Ethics Centre of South Australia	25	25	-	16	-	-
Water Ed Australia Pty Ltd	20	20	359	372	350	350
Adelaide Proteomics Centre	50	50	11	10	-	-
Adelaide MicroArray Centre	50	50	57	71	-	-
Defence Systems Innovation Centre	33	33	-	-	-	-
eResearch SA	33	33	351	104	-	-
			1 779	1 439	385	385

(c) Movements in carrying amounts of joint ventures

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
At 1 January	1 439	1 945	-	-
Share of operating result	340	(476)	-	-
Additional investment in joint ventures	-	(30)	-	-
	1 779	1 439	-	-

(d) Results attributed to joint ventures

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Operating result	340	(476)	-	-
Additional investment in joint ventures	-	(30)	-	-
Retained surplus attributable at 1 January	1 439	1 945	-	-
Retained surplus attributable at 31 December	1 779	1 439	-	-

(e) Accounting for joint ventures

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to joint ventures.

(ii) Contingent liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) Post balance date events

There are no material post balance date events to report for joint ventures.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off 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.

35. Related parties

(a) Parent Entity

The ultimate Parent Entity within the group is the University of Adelaide.

(b) Controlled entities, joint ventures and associated entities

Investments in controlled entities are detailed in note 32, investments in associates are detailed in note 33 and interests in joint ventures are detailed in note 34.

(c) Council members and senior management

Disclosures relating to the University council members and senior management are detailed in note 30.

(d) Councillor related transactions

Certain councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and council members, in respect of services provided to council members, are trivial and domestic in nature.

Certain council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) ***Property leases***

The University is the lessor of long-term leases at peppercorn rents to the CSIRO and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres (refer note 34).

(f) ***Fees paid to members of Council***

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

(g) ***Students at the University***

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 same fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

36. Post balance date event

The Women's & Children's Health Research Institute (WCHRI) became a controlled entity of the University on 1 January 2013. WCHRI is a medical research institute involved in research towards improving the health of women and children, focused on maternal and child nutrition, diseases of the blood and immune system and the development and repair of the digestive system, skull and skin. As at 31 December 2012 WCHRI's net assets totalled $9.4 million and the net operating surplus for 2012 was $1.1 million. The operating results and assets and liabilities of WCHRI will be consolidated into the University's financial statements for the period ending 31 December 2013.

37. Income Statement for the year ended 31 December 2012

The information in notes 37 to 42 has been prepared in accordance with the DIISRTE reporting guidelines.

		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations:					
Australian Government financial assistance	38	455 054	431 392	451 643	429 354
State and Local Government financial assistance	40	27 075	27 464	26 550	27 123
HECS-HELP - student payments	4	13 223	13 856	13 223	13 856
Fees and charges	41	169 943	162 917	169 866	162 940
Investment income		28 589	14 659	44 080	38 866
Royalties, trademarks and licenses	4	3 935	5 084	1 870	1 788
Consultancy and contracts	42	78 564	70 985	46 696	40 223
Other revenue		62 002	60 084	35 804	35 304
Total revenue from continuing operations		838 385	786 441	789 732	749 454
Expenses from continuing operations					
Salaries and related expenses	5	417 600	398 238	404 567	386 007
Depreciation and amortisation	5	42 187	39 127	41 773	38 867
Buildings and grounds	5	53 663	47 203	52 669	46 350
Bad and doubtful debts	5	1 254	74	1 250	74
Finance costs	5	6 964	6 888	7 208	7 424
General and Composite Fund investment market valuation adjustment	5	-	11 652	-	11 652
Scholarships, grants and prizes		38 354	34 595	38 354	34 595
Non-capitalised equipment	5	11 058	9 656	11 050	9 656
Advertising, marketing and promotional expenses		3 622	5 042	3 452	4 845
Net losses on disposal of assets	5	1 393	1 057	1 393	1 057
Other expenses		201 952	185 136	157 509	142 899
Total expenses from continuing operations		778 047	738 668	719 225	683 426
Net operating result for the year		60 338	47 773	70 507	66 028

38. Australian Government financial assistance

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(a) DIISRTE - Commonwealth Grants Scheme and other DIISRTE grants				
Commonwealth Grants Scheme	148 180	126 359	148 180	126 359
Teaching hospitals grant	940	786	940	786
Indigenous Support Program	666	666	666	666
Partnership & Participation Program	1 320	1 973	1 320	1 973
Promotion of Excellence in Learning & Teaching Program	82	-	82	-
Diversity and Structural Adjustment Fund	140	-	140	-
Reward Funding Program	758	-	758	-
Transitional Cost Program	8 535	6 374	8 535	6 374
	160 621	136 158	160 621	136 158
(b) Higher Education Loan Programmes				
HECS-HELP	75 914	68 899	75 914	68 899
FEE-HELP	6 596	5 471	6 596	5 471
SA-HELP	1 769	-	1 769	-
	84 279	74 370	84 279	74 370
(c) Learning scholarships				
Australian postgraduate awards	10 494	8 807	10 494	8 807
International postgraduate research scholarships	947	885	947	885
Commonwealth education costs scholarships	805	2 035	805	2 035
Commonwealth accommodation scholarships	166	(57)	166	(57)
Indigenous access scholarships	239	210	239	210
	12 651	11 880	12 651	11 880
(d) DIISRTE research				
Joint Research Engagement Program	15 879	15 286	15 879	15 286
Research Training Scheme	29 926	28 584	29 926	28 584
Research infrastructure block grants	13 682	13 231	13 682	13 231
Sustainable research excellence in universities	9 234	7 136	9 234	7 136
Commercialisation Training Scheme	-	-	-	-
	68 721	64 237	68 721	64 237
(e) Other capital funding				
Teaching and Learning Capital Fund	-	-	-	-
Education Investment Fund	325	6 234	325	6 234
	325	6 234	325	6 234
(f) Australian Research Council (ARC)				
(i) Discovery				
Projects	12 750	11 007	12 750	11 007
Fellowships	8 521	5 189	8 521	5 189
Indigenous researchers development	55	54	55	54
	21 326	16 250	21 326	16 250
(ii) Linkages				
Infrastructure	650	1 950	650	1 950
International	-	-	-	-
Projects	5 703	6 072	5 703	6 072
	6 353	8 022	6 353	8 022
(iii) Networks and Centres				
Centres	5 344	6 396	5 344	6 396
	5 344	6 396	5 344	6 396
Total ARC	33 023	30 668	33 023	30 668

(g) Other Australian Government financial assistance received

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Non-capital:				
AusAID	677	1 306	677	1 306
Australian Centre for International Agricultural Research	1 631	1 497	1 631	1 497
Australian Institute of Health and Welfare	673	726	673	726
Civil Aviation Authority	-	115	-	115
CSIRO	1 579	405	1 579	405
Defence, Science and Technology Organisation	2 693	2 774	2 693	2 774
Department of Agriculture, Fisheries and Forestry	15 241	18 112	15 241	18 112
Department of Climate Change and Energy Efficiency	590	883	590	883
Department of Defence	3 427	3 577	3 427	3 577
Department of Sustainability, Environment, Water, Population and Communities	701	965	701	965
Department of Families, Housing, Community Services and Indigenous Affairs	288	166	288	166
Department of Health and Ageing	59 068	56 698	55 657	54 660
Department of Immigration and Citizenship	20	107	20	107
Department of the Prime Minister and Cabinet	206	172	206	172
Department of Industry, Innovation, Science Research and Tertiary Education	2 811	14 659	2 811	14 659
Department of Veterans' Affairs	401	537	401	537
Health Workforce Australia	3 677	4 678	3 677	4 678
Other	1 751	468	1 751	468
	95 434	107 845	92 023	105 807
Reconciliation:				
Australian Government grants	370 775	357 022	367 364	354 984
HECS-HELP payments	75 914	68 899	75 914	68 899
FEE-HELP payments	6 596	5 471	6 596	5 471
SA-HELP payments	1 769	-	1 769	-
	455 054	431 392	451 643	429 354
(h) Australian Government grants received - cash basis				
CGS and other DIISRTE grants	160 487	124 161	160 487	124 161
Higher education loan programmes	83 612	74 572	83 612	74 572
Scholarships	12 651	11 880	12 651	11 880
DIISRTE research	68 721	64 237	68 721	64 237
Other capital funding	325	6 234	325	6 234
ARC grants - Discovery	20 801	15 456	20 801	15 456
ARC grants - Linkages	6 626	7 740	6 626	7 740
ARC grants - Networks and Centres	5 344	6 396	5 344	6 396
Other Australian Government grants	92 677	120 219	89 321	115 666
	451 244	430 895	447 888	426 342
OS-HELP (net)	(887)	(124)	(887)	(124)
Superannuation Supplementation	3 601	3 589	3 601	3 589
	453 958	434 360	450 602	429 807

39. Acquittal of Australian Government financial assistance

(a) DIISRTE - Commonwealth Grants Scheme and other DIISRTE grants

Parent Entity (University) only

	Note	Commonwealth Grants Scheme 2012 $'000	Commonwealth Grants Scheme 2011 $'000	Teaching Hospitals Grant 2012 $'000	Teaching Hospitals Grant 2011 $'000
Financial assistance received in cash during the reporting period		148 180	114 458	940	786
Net accrual adjustments		-	11 901	-	-
Revenue for the period	38(a)	148 180	126 359	940	786
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		148 180	126 359	940	786
Expenses including accrued expenses		(148 180)	(126 359)	(940)	(786)
Surplus (Deficit) for the reporting period		-	-	-	-

(a) DIISRTE - Commonwealth Grants Scheme and other DIISRTE grants (continued)

		Parent Entity (University) only			
		Indigenous Support Program		Partnership & Participation Program	
		2012	2011	2012	2011
	Note	$’000	$’000	$’000	$’000
Financial assistance received in cash during the reporting period		666	666	1 320	1 973
Net accrual adjustments		-	-	-	-
Revenue for the period	38(a)	666	666	1 320	1 973
Surplus (Deficit) from the previous year		-	-	1 549	851
Total revenue including accrued revenue		666	666	2 869	2 824
Expenses including accrued expenses		(666)	(666)	(2 869)	(1 275)
Surplus (Deficit) for the reporting period		-	-	-	1 549

		Promotion of Excellence in Learning & Teaching Program		Diversity and Structural Adjustment Fund	
		2012	2011	2012	2011
		$’000	$’000	$’000	$’000
Financial assistance received in cash during the reporting period		82	-	140	-
Net accrual adjustments		-	-	-	-
Revenue for the period	38(a)	82	-	140	-
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		82	-	140	-
Expenses including accrued expenses		(32)	-	(140)	-
Surplus (Deficit) for the reporting period		50	-	-	-

		Reward Funding Program		Transitional Cost Program	
		2012	2011	2012	2011
		$’000	$’000	$’000	$’000
Financial assistance received in cash during the reporting period		758	-	8 401	6 278
Net accrual adjustments		-	-	134	96
Revenue for the period	38(a)	758	-	8 535	6 374
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		758	-	8 535	6 374
Expenses including accrued expenses		-	-	(8 535)	(6 374)
Surplus (Deficit) for the reporting period		758	-	-	-

		Total	
		2012	2011
		$’000	$’000
Financial assistance received in cash during the reporting period		160 487	124 161
Net accrual adjustments		134	11 997
Revenue for the period	38(a)	160 621	136 158
Surplus (Deficit) from the previous year		1 549	851
Total revenue including accrued revenue		162 170	137 009
Expenses including accrued expenses		(161 362)	(135 460)
Surplus (Deficit) for the reporting period		808	1 549

(b) *Higher Education Loan Programmes*

		Parent Entity (University) only			
		HECS-HELP		FEE-HELP	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Cash payable (receivable) at 1 January		(195)	(533)	(173)	76
Financial assistance received in cash during the reporting period		76 763	69 237	5 740	5 222
Cash available for period		76 568	68 704	5 567	5 298
Revenue earned	38(b)	75 914	68 899	6 596	5 471
Cash payable (receivable) at 31 December		654	(195)	(1 029)	(173)

		SA-HELP		Total	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Cash payable (receivable) at 1 January		-	-	(368)	(457)
Financial assistance received in cash during the reporting period		1 109	-	83 612	74 459
Cash available for period		1 109	-	83 244	74 002
Revenue earned	38(b)	1 769	-	84 279	74 370
Cash payable (receivable) at 31 December		(660)	-	(1 035)	(368)

(c) *Learning scholarships*

		Parent Entity (University) only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		10 494	8 807	947	885
Net accrual adjustments		-	-	-	-
Revenue for the period	38(c)	10 494	8 807	947	885
Surplus (Deficit) from the previous year		895	1 197	-	-
Total revenue including accrued revenue		11 389	10 004	947	885
Expenses including accrued expenses		(11 198)	(9 109)	(947)	(885)
Surplus (Deficit) for the reporting period		191	895	-	-

		Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		805	2 035	166	(57)
Net accrual adjustments		-	-	-	-
Revenue for the period	38(c)	805	2 035	166	(57)
Surplus (Deficit) from the previous year		1 947	342	(290)	362
Total revenue including accrued revenue		2 752	2 377	(124)	305
Expenses including accrued expenses		(202)	(430)	(235)	(595)
Surplus (Deficit) for the reporting period		2 550	1 947	(359)	(290)

(c) Learning scholarships (continued)

		Parent Entity (University) only			
		Indigenous Access Scholarships		Total	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		239	210	12 651	11 880
Net accrual adjustments		-	-	-	-
Revenue for the period	38(c)	239	210	12 651	11 880
Surplus (Deficit) from the previous year		4	19	2 556	1 920
Total revenue including accrued revenue		243	229	15 207	13 800
Expenses including accrued expenses		(132)	(225)	(12 714)	(11 244)
Surplus (Deficit) for the reporting period		111	4	2 493	2 556

(d) DIISRTE Research

		Parent Entity (University) only			
		Joint Research Engagement		Research Training Scheme	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		15 879	15 286	29 926	28 584
Net accrual adjustments		-	-	-	-
Revenue for the period	38(d)	15 879	15 286	29 926	28 584
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		15 879	15 286	29 926	28 584
Expenses including accrued expenses		(15 879)	(15 286)	(29 926)	(28 584)
Surplus (Deficit) for the reporting period		-	-	-	-

		Research Infrastructure Block Grants		Sustainable Research Excellence	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		13 682	13 231	9 234	7 136
Net accrual adjustments		-	-	-	-
Revenue for the period	38(d)	13 682	13 231	9 234	7 136
Surplus (Deficit) from the previous year		-	-	-	915
Total revenue including accrued revenue		13 682	13 231	9 234	8 051
Expenses including accrued expenses		(13 682)	(13 231)	(9 234)	(8 051)
Surplus (Deficit) for the reporting period		-	-	-	-

		Commercialisation Training Scheme		Total	
		2012	2012	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		-	-	68 721	64 237
Net accrual adjustments		-	-	-	-
Revenue for the period	38(d)	-	-	68 721	64 237
Surplus (Deficit) from the previous year		131	243	131	1 158
Total revenue including accrued revenue		131	243	68 852	65 395
Expenses including accrued expenses		(21)	(112)	(68 742)	(65 264)
Surplus (Deficit) for the reporting period		110	131	110	131

(e) Other capital funding

		Parent Entity (University) only			
		Teaching and Learning Capital Fund		Education Investment Fund	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		-	-	325	6 234
Net accrual adjustments		-	-	-	-
Revenue for the period	38(e)	-	-	325	6 234
Surplus (Deficit) from the previous year		347	1 840	2 120	19 517
Total revenue including accrued revenue		347	1 840	2 445	25 751
Expenses including accrued expenses		(134)	(1 493)	(2 230)	(23 631)
Surplus (Deficit) for the reporting period		213	347	215	2 120

		Total	
		2012	2011
		$'000	$'000
Financial assistance received in cash during the reporting period		325	6 234
Net accrual adjustments		-	-
Revenue for the period	38(e)	325	6 234
Surplus (Deficit) from the previous year		2 467	21 357
Total revenue including accrued revenue		2 792	27 591
Expenses including accrued expenses		(2 364)	(25 124)
Surplus (Deficit) for the reporting period		428	2 467

(f) Australian Research Council grants - Discovery

		Parent Entity (University) only			
		Projects		Fellowships	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		12 838	11 076	7 908	4 326
Net accrual adjustments		(88)	(69)	613	863
Revenue for the period	38(f)	12 750	11 007	8 521	5 189
Surplus (Deficit) from the previous year		6 277	6 061	3 338	1 383
Total revenue including accrued revenue		19 027	17 068	11 859	6 572
Expenses including accrued expenses		(11 507)	(10 791)	(6 405)	(3 234)
Surplus (Deficit) for the reporting period		7 520	6 277	5 454	3 338

		Indigenous Researchers Development		Total	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		55	54	20 801	15 456
Net accrual adjustments		-	-	525	794
Revenue for the period	38(f)	55	54	21 326	16 250
Surplus (Deficit) from the previous year		56	9	9 671	7 453
Total revenue including accrued revenue		111	63	30 997	23 703
Expenses including accrued expenses		(70)	(7)	(17 982)	(14 032)
Surplus (Deficit) for the reporting period		41	56	13 015	9 671

Australian Research Council grants - Linkages		Parent Entity (University) only			
		Infrastructure		International	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		650	1 950	-	-
Net accrual adjustments		-	-	-	-
Revenue for the period	38(f)	650	1 950	-	-
Surplus (Deficit) from the previous year		495	-	25	54
Total revenue including accrued revenue		1 145	1 950	25	54
Expenses including accrued expenses		(923)	(1 455)	(14)	(29)
Surplus (Deficit) for the reporting period		222	495	11	25

		Projects		Total	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		5 976	5 790	6 626	7 740
Net accrual adjustments		(273)	282	(273)	282
Revenue for the period	38(f)	5 703	6 072	6 353	8 022
Surplus (Deficit) from the previous year		3 666	2 917	4 186	2 971
Total revenue including accrued revenue		9 369	8 989	10 539	10 993
Expenses including accrued expenses		(5 624)	(5 323)	(6 561)	(6 807)
Surplus (Deficit) for the reporting period		3 745	3 666	3 978	4 186

Australian Research Council grants - Networks and Centres		Parent Entity (University) only			
		Centres		Total	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		5 344	6 396	5 344	6 396
Net accrual adjustments		-	-	-	-
Revenue for the period	38(f)	5 344	6 396	5 344	6 396
Surplus (Deficit) from the previous year		2 226	-	2 226	-
Total revenue including accrued revenue		7 570	6 396	7 570	6 396
Expenses including accrued expenses		(5 757)	(4 170)	(5 757)	(4 170)
Surplus (Deficit) for the reporting period		1 813	2 226	1 813	2 226

(g) Other Australian Government financial assistance		Parent Entity (University) only	
		OS-HELP	
		2012	2011
		$'000	$'000
Cash received during the reporting period		546	879
Cash spent during the reporting period		1 433	1 003
Net cash received	38(h)	(887)	(124)
Surplus (Deficit) from the previous year		81	205
Surplus (Deficit) for the reporting period		(806)	81

(g)	*Other Australian Government financial assistance (continued)*	Note	Parent Entity (University) only Superannuation Supplementation 2012 $'000	2011 $'000
	Cash received during the reporting period		3 601	3 589
	University contribution in respect of current employees		-	-
	Cash available	38(h)	3 601	3 589
	Surplus (Deficit) from the previous year		267	176
	Cash available for current period		3 868	3 765
	Contributions to specified defined benefit funds		(3 588)	(3 498)
	Surplus (Deficit) for the reporting period		280	267

		Note	Student Services and Amenities Fee 2012 $'000	2011 $'000
	Unspent (overspent) revenue from previous period		-	-
	SA-HELP revenue earned	38(b)	1 769	-
	Student services fees direct from students	41	1 751	-
	Total revenue expendable in period		3 520	-
	Student services expenses during period		2 836	-
	Unspent (overspent) student services revenue		684	-

40. State and Local Government financial assistance

(a) ***SA Government and Local Government financial assistance***	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Arts SA	29	28	29	28
Bio Innovation SA	2 362	1 868	2 191	1 868
Central Adelaide Local Health Network	1 889	2 189	1 889	2 189
Central Northern Adelaide Health Service	901	854	901	854
Defence SA	340	164	340	164
Department of Environment, Water and Natural Resources	452	839	452	839
Department for Communities and Social Inclusion	339	393	339	393
Department of Further Education, Employment, Science and Technology	3 303	5 463	3 303	5 463
Department of Health (SA)	3 134	2 263	3 134	2 263
DPC	773	379	773	379
Department for Education and Child Development	556	181	556	181
Department for Manufacturing, Innovation, Trade, Resources and Energy	919	495	919	495
Department of Planning, Transport and Infrastructure	589	667	589	667
Department for Water	1 005	615	1 005	615
Institute of Medical and Veterinary Science	12	17	12	17
Motor Accident Commission	684	667	684	667
Primary Industries and Regions SA	514	791	514	791
Royal Adelaide Hospital	5 498	5 288	5 498	5 288
SA Murray-Darling Basin NRM Board	49	45	49	45
SafeWork SA	174	283	174	283
South Australian Dental Service	317	240	317	240
SAFA	-	30	-	30
South Australian Museum	327	364	327	364
Southern Adelaide Health Service	354	341	-	-
Women's and Children's Health Network	247	300	247	300
WorkCover Corporation of South Australia	125	83	125	83
Other	1 020	1 070	1 020	1 070
Total SA Government and Local Government financial assistance	25 912	25 917	25 387	25 576

		Consolidated		University	
		2012	2011	2012	2011
(b) Other State Government and Local Government financial assistance		$'000	$'000	$'000	$'000
		1 163	1 547	1 163	1 547
Total State and Local Government financial assistance		27 075	27 464	26 550	27 123

41. Fees and charges

		Consolidated		University	
		2012	2011	2012	2011
Course fees and charges:	Note	$'000	$'000	$'000	$'000
Student fee income	4	146 153	141 848	146 153	141 848
Non-course fees and charges:					
Student services and amenities fees	4	1 751	-	1 751	-
Library charges and fines	4	851	854	851	854
Application management and late fees	4	1 597	922	1 597	922
Parking fees	4	1 635	1 350	1 635	1 350
Rental charges/accommodation fees	4	11 301	10 984	11 224	11 007
Recharge of costs to other organisations	4	390	470	390	470
Franchise fees	4	1 356	1 127	1 356	1 127
Other		4 909	5 362	4 909	5 362
		169 943	162 917	169 866	162 940

42. Consultancy and contract revenue

Consultancy	12 607	11 927	7 625	7 870
Contract research	65 957	59 058	39 071	32 353
	78 564	70 985	46 696	40 223

University of South Australia

Functional responsibility

Establishment

The University of South Australia (the University) is established under the *University of South Australia Act 1990*.

Functions

To provide tertiary education programs, preserve, extend and disseminate knowledge through teaching, research, scholarship and consultancy and to provide educational programs for the benefit of the wider community or the enhancement of its cultural life.

The University has a financial interest in a number of entities as detailed in notes 1(b), 32, 33 and 34 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

Scope of the audit

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

For the year ended 31 December 2012 areas reviewed included:

- payroll
- expenditure
- revenue including government financial assistance, student fees, research revenue and other revenue
- receipting and banking
- general ledger and financial accounting
- cash and term deposits
- fixed assets (including major capital works)
- liabilities including provisions.

Internal audit activities were also reviewed.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2012 Independent Auditor's Report, which details the qualification to the University's financial report.

Basis for Qualified Opinion

The University has recognised $43 million of unspent funding as a liability for the year ended 31 December 2012. This amount has been accounted for as income received in advance and included in 'Other Liabilities - Commonwealth and State Government Grants', 'Other Liabilities - Income in advance on incomplete projects' and 'Other Liabilities – Other current liability' in note 25 to the financial report. The University has disclosed its accounting treatment of these funds in note 1(d) to the financial report.

In my opinion, the funds represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 Contributions and the Department of Treasury and Finance Accounting Policy Framework V Income Framework. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with stipulated conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such funds received, including any unspent portion, should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2012 financial report:

- *the revenue recognised as Australian Government grants is overstated by $5.8 million ($10.9 million understated in 2011)*
- *the revenue recognised as State and Local Government financial assistance is overstated by $600 000 ($500 000 overstated in 2011)*
- *the revenue recognised as Consultancy and contract research is understated by $4.5 million ($800 000 understated in 2011)*
- *Operating result attributable to members of University of South Australia is overstated by $1.9 million ($11.2 million understated in 2011)*
- *Other liabilities is overstated by $43 million ($44.9 million overstated in 2011)*
- *Retained earnings is understated by $44.9 million ($33.7 million understated in 2011).*

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the University of South Australia and its controlled entities as at 31 December 2012, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, *the* Higher Education Support Act 2003 *and Australian Accounting Standards.*

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor and a response has been received from the University. Major matters raised with the University and the related responses are detailed below.

Grant funding

As occurred in past years, the University has recognised a liability for grants which were unspent as at 31 December 2012.

In my opinion, the grants represent contributions that are non-reciprocal and the University obtained control of the grant funding on receipt. As a consequence, in accordance with AASB 1004, the grants should be recognised as revenue in the year of receipt.

As a result the Independent Auditor's Report on the University's financial report for 2012 (and 2011) was qualified with respect to the treatment of these grants. The financial effect of the non-compliance with the accounting standard is provided above under the heading 'Auditor's report on the financial report'.

Revenue

Approval of tuition fee waivers

The audit included a follow-up of action taken by the University to develop and document policies and delegations of authority for the approval of tuition fee waivers. The 2012 audit found no evidence of a policy or set of criteria for waiving fees or delegation of authority to approve fee waivers. The review also found documentation prepared to support the fee waiver process did not always appropriately document reasons for requested fee waivers.

The University responded that forms and policies were updated in February 2013 to ensure fee waivers are authorised in line with delegations of authority. The form to facilitate fee waivers now requires sufficient explanation for proposed fee waivers.

Undercharging of student contributions

The audit of University revenue from student contributions included testing to obtain assurance that student contributions charged by the University reflected rates approved by the University. The testing identified that some students enrolled in a specific course had been charged less than the approved student contribution since 2008. To address the audit finding it was recommended that the University ensure that the student fees recorded in the student information system reflect approved pricing information.

The University responded that procedures have been implemented to independently check that correct fee structures are applied to commencing and continuing students.

System access

The review of revenue system access identified a number of instances where system access was inconsistent with user roles and responsibilities within the University.

The University advised that a review of system access has been undertaken recently to ensure staff have access appropriate to their roles.

Payroll

The audit review of arrangements implemented by the University to record leave taken by academic staff has, for some years, concluded that control arrangements did not provide assurance that all leave taken was recorded in the University's leave records. Follow-up in 2012 concluded the University had not implemented revised arrangements that addressed Audit's concerns and found:

- no formal follow-up was performed on employees' leave balances greater than 40 days after the first three months of the year
- the number of employees with recreation leave balances over 40 days has increased.

The University acknowledged Audit's views and recommendations but responded that it believes risks are being managed appropriately given the nature of academics' duties.

Processing casual staff pays

Casual staff are a significant component of the University's workforce and the cost of their remuneration is a material element of the University's expenses. The audit of the University's payroll processing arrangements considered controls implemented by the University to provide assurance that payments to casual staff are valid and for work performed.

Previous audits have established that the University has developed payroll system reports that enable managers within schools/divisions to check that active casual contracts were valid and that new contracts reflected in the report were accurately recorded. Approved University procedures require designated managers within schools/divisions to review the reports after each pay. The audit for 2012 concluded that this report was not reviewed by designated managers in all instances, as required by the University's procedures.

Other matters arising from the audit included:

- many contracts were signed after employees commenced at the University
- contracts that had not been approved by an authorised delegate
- no documented guidelines for the use of negotiated rates in contracts.

The University advised that it has sought to reinforce to relevant staff the expectation that they will review relevant control reports and that a project manager has commenced a project to consider options for enhancement to the casual administration system. The authorisation process and production of a contract is in scope within the project.

Expenditure

Independent review and authorisation of expenditure

Consistent with findings reported in previous years, Audit found:

- the University has not implemented controls that ensure two officers are involved in the ordering, receipting and authorisation functions to substantiate each expenditure transaction

- the University does not confirm that all payments are appropriately authorised but, instead, relies on testing a sample of payments.

Since Audit initially reported these findings, the University has advised it would implement a workflow authorisation system. Audit follow-up in 2012 confirmed there were delays in implementing this initiative. In February 2013 the University advised the release of a web-based solution was planned for March 2013 and, following validation, the University expects to commence rolling out the solution in the second half of 2013.

Scholarship payments

The audit found some scholarship payments are processed manually by the accounts payable team using an Excel spreadsheet to enter payment details, which are then uploaded into the accounts payable system for processing. Audit made the following observations:

- The spreadsheet is not independently reviewed before uploading.
- Changes made to existing scholarship payment data in the spreadsheet were not approved by a secondary officer.
- Only the total balances, not individual transactions, are reviewed to authorise payments for disbursement.

The University advised that an independent review of payments in the spreadsheet is now completed for each fortnightly payment run.

General ledger

Audit follow-up of previous years' findings with respect to controls over general journals found, consistent with reported findings in 2010 and 2011, there was no preventative or monitoring controls to ensure general journals were independently reviewed and authorised. Independent approval provides assurance that journals are valid and correct.

In February 2013 the University advised the release of a web-based solution that will improve controls over journal processing was planned for March 2013 and, following validation, the University expects to commence rolling out the solution in the second half of 2013.

Intellectual property

Since 2009 Audit has reported that adequate intellectual property (IP) and associated risk management is dependent on the finalisation and implementation of the University's proposed IP framework and policy. Follow-up of the University's progress found the IP policies were not finalised. The University agreed with Audit recommendations to finalise the policy and framework.

Information and communications technology and control

The 2011-12 Report referred to the University's review of its overall information security framework which was intended to assess whether the minimum standards set by the University were being applied and maintained for University-wide infrastructure.

Documentation provided by the University confirmed it has implemented a new information security website which provides access to the University's ICT policies and standards. The website also provides access to security educational related information, including information about security alerts, and a mechanism for staff, students and external parties to report security incidents.

Interpretation and analysis of the financial report

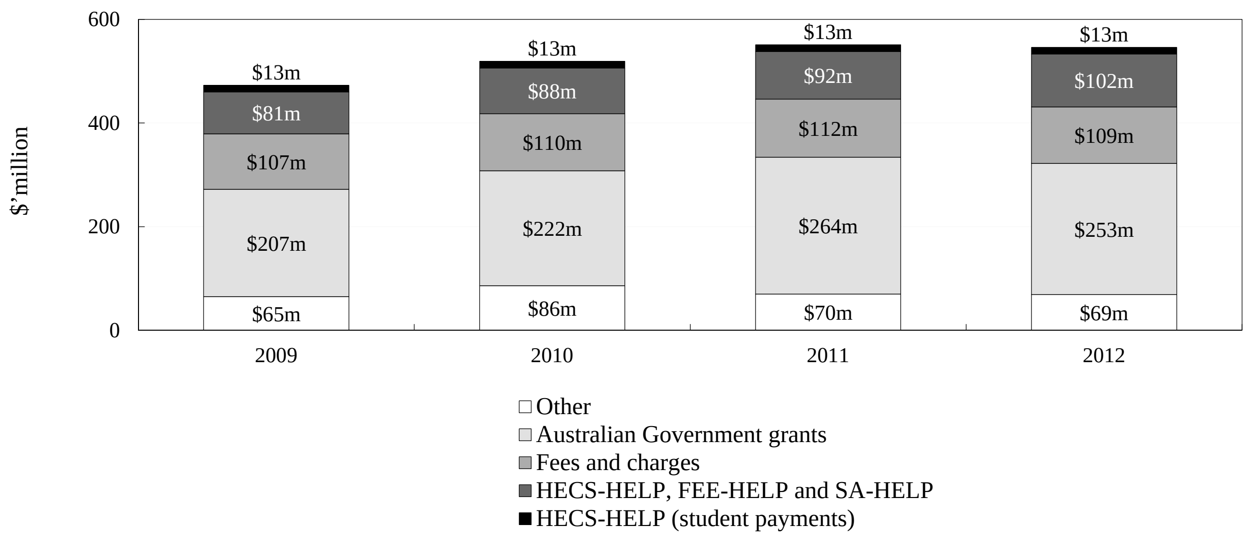
Highlights of the financial report (Consolidated)

	2012 $'million	2011 $'million
Income		
Australian Government grants	253	264
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	102	92
HECS-HELP (student payments)	13	13
Fees and charges	109	112
Other	69	70
Total income	546	551
Expenses		
Employee related expenses	318	304
Other expenses	195	175
Total expenses	513	479
Operating result before income tax	33	72
Net cash provided by (used in) operating activities	80	132
Net cash provided by (used in) investing activities	(48)	(84)
Assets		
Current assets	361	338
Non-current assets	1 180	1 166
Total assets	1 541	1 504
Liabilities		
Current liabilities	166	166
Non-current liabilities	485	482
Total liabilities	651	648
Total equity	890	856

Statement of Comprehensive Income

Income

A structural analysis of the University's income for the four years to 2012 is presented in the following chart.



Total income decreased by $5 million to $546 million. The main movements in the University's income were:

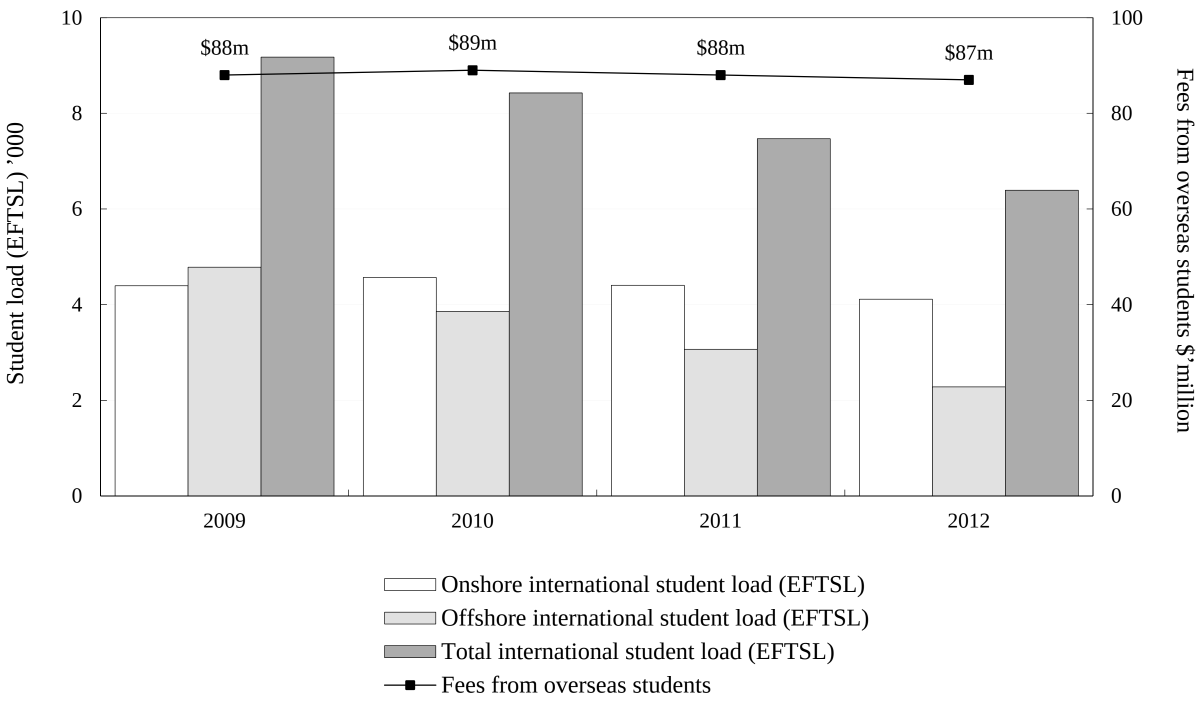
- Australian Government grants decreased by $11 million. This is due to a one-off Education Investment Fund grant received in 2011 supporting a major capital infrastructure project. The reduction was offset by an increase in funding for Commonwealth supported student places and receipt of other Australian Government research grants

- HECS-HELP – Australian Government payments increased by $7 million, due to the increase in student load

- fees and charges decreased by $3 million, due to the recognition of deferred revenue for flying fees in 2011 for Australian fee paying students.

Fees and charges - overseas students

The following chart shows that income from fees from overseas students have remained relatively consistent over the last four years.



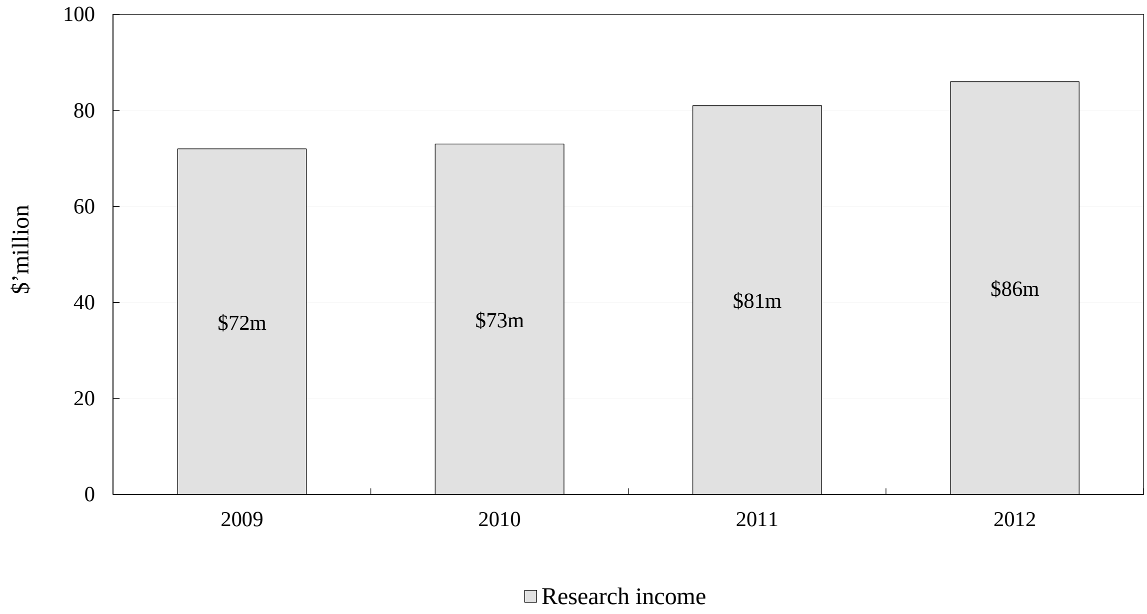
Source: Student numbers, which are based on equivalent full time student load (EFTSL), were obtained from the University's annual reports and are unaudited figures.

International student load reduced by 14% in 2012. This comprised a fall of 291 in the onshore international student load and a fall of 787 in the offshore international student load reflecting the University's scale back of its offshore operations.

Revenue from fee-paying overseas students represents 16% of total revenue, a ratio that has fallen since 2009 when it represented 19% of total revenue.

Research

The following chart shows that research income has increased by 6% to $86 million in 2012. Research income is disclosed in the notes to the financial statements as DIISRTE Research - note 3(d), Australian Research Council - note 3(f), other Australian Government research grants - note 3(g), State and Local Government research grants - note 4 and contract research - note 7.



When interpreting research income it is important to note that the University has deferred significant amounts of research revenue into future reporting periods. In Audit's opinion these grants should be recognised as revenue in the year of receipt. The University's accounting treatment is qualified in the Independent Auditor's Report - refer to the comments made earlier under the heading 'Auditor's report on the financial report'.

Expenses

Total expenses increased by $34 million to $513 million. The main expense of the University is employee related expenses which increased by $14 million to $318 million, mainly as a result of enterprise agreement increases.

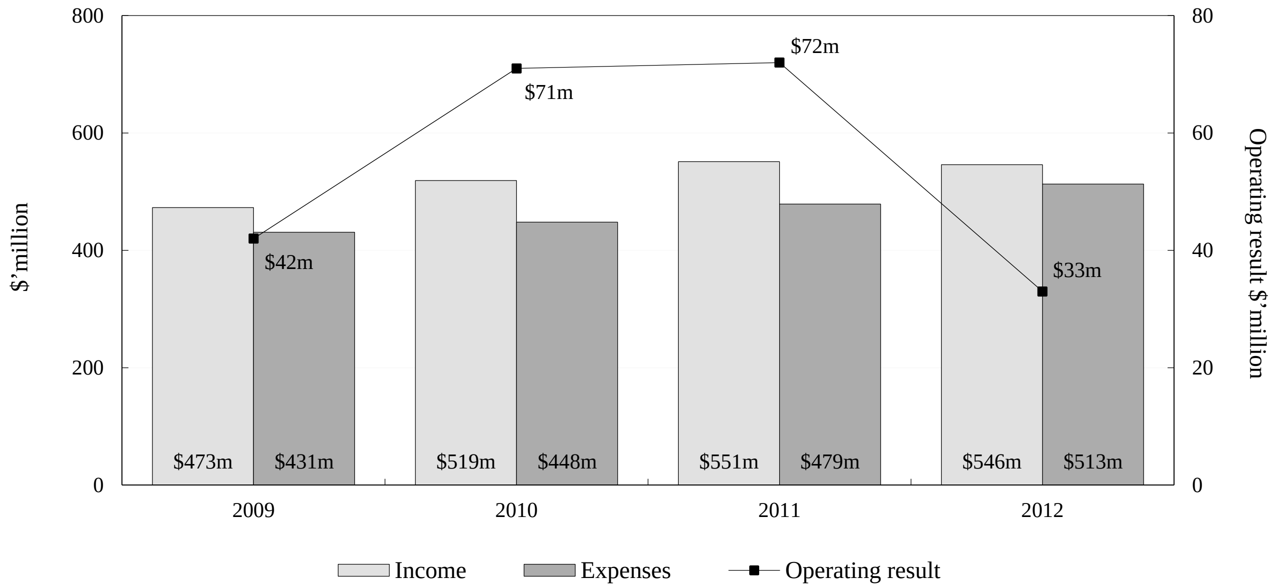
Other expenses increased by $20 million to $195 million. The increase is primarily due to:

- a $7 million increase in external services, mainly relating to contributions to projects and third party services
- a library asset revaluation expense of $3 million
- a $1.4 million increase in scholarships, grants and prizes for internally funded and Commonwealth Government supported scholarships.

Operating result

The consolidated operating result for the year was a surplus of $33 million ($72 million). The decrease is predominately due to the $29 million non-recurring capital funding received in 2011 from the Education Investment Fund.

The following chart shows the movement in income, expenses and the operating result before income tax for the last four years.



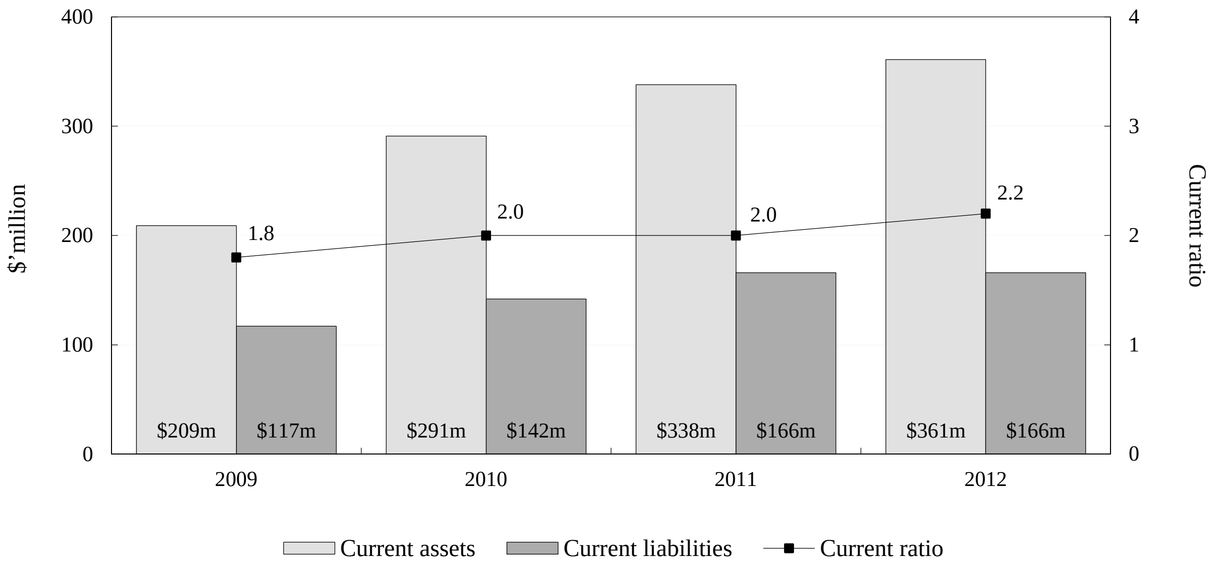
Statement of Financial Position

The main item of the University's Statement of Financial Position is property, plant and equipment, representing 47% of total assets. The carrying value of property, plant and equipment increased by $14 million to $731 million due mainly to:

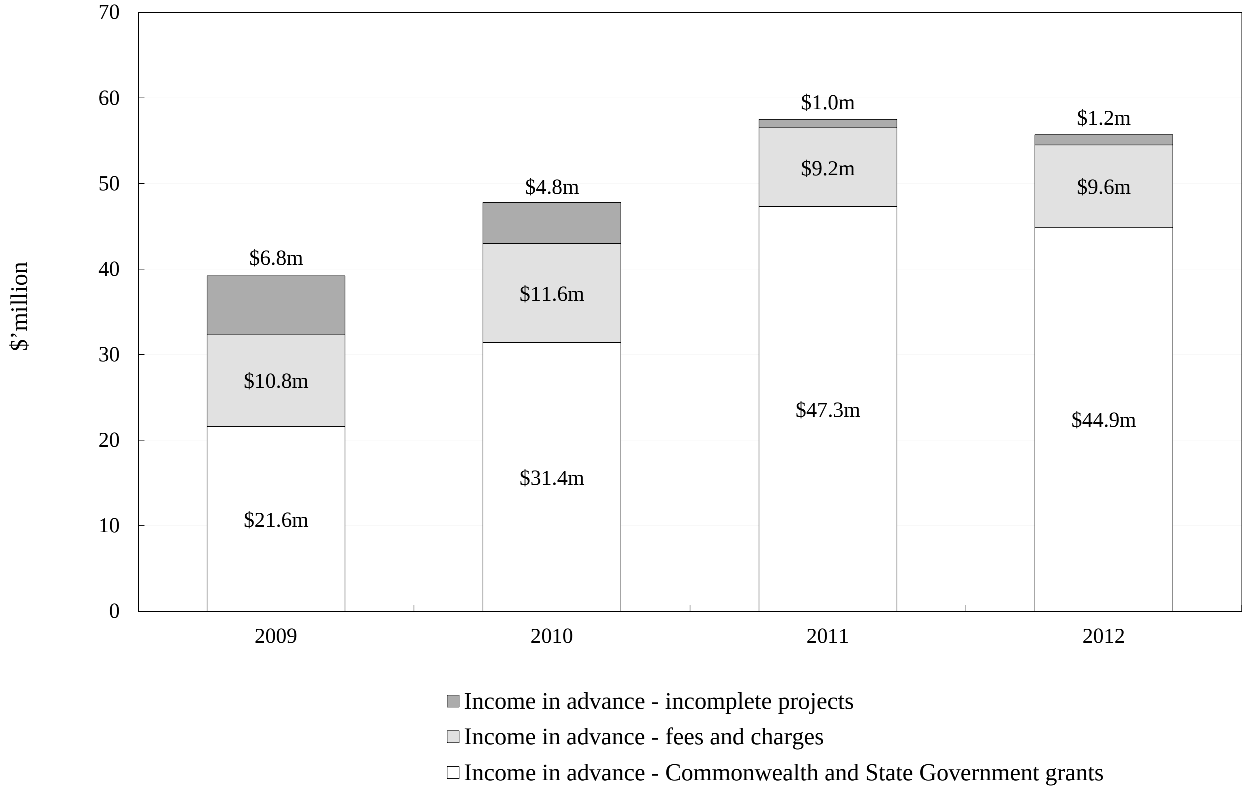
- expenditure on major capital infrastructure projects of $36 million
- other asset additions of $11 million, which includes major IT equipment, equipment and costs for capital campus projects.

These increases were offset by depreciation charges of $30 million and a $3 million library collection revaluation decrement.

The following chart shows the University's current assets and liabilities. As at 31 December 2012 current assets, $361 million, exceeded current liabilities, $166 million, by $195 million.



The following chart shows the growth, since 2009, of income in advance within the University's other liabilities. These liabilities represent deferral of income into future reporting periods in accordance with the University's income recognition policies. Reference should be made to note 1(d) to the financial statements and the audit qualification described under the heading 'Auditor's report on the financial report' earlier in this section of this Report.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012 and illustrates the continued growth in the University's cash balance.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	80	132	98	87
Investing	(48)	(84)	(30)	(52)
Change in cash	32	48	68	35
Cash at 31 December	294	262	214	146

Operating cash inflows include capital grants that are used for investing purposes, primarily payments for property, plant and equipment. The net cash flows provided by operating activities decreased by $52 million due mainly to the decrease in Australian Government grants received and decrease of funds held on behalf of external entities.

The decrease of $36 million in net cash used in investing activities is due to the completion of a major capital infrastructure project in 2011. The majority of costs for the next major capital project will occur in 2013.

Statement of Comprehensive Income
for the year ended 31 December 2012

		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations:					
Australian Government financial assistance:					
Australian Government grants	3	252 743	264 395	252 743	264 395
HECS-HELP - Australian Government payments	3	91 700	84 408	91 700	84 408
FEE-HELP	3	8 998	7 438	8 998	7 438
SA-HELP	3	1 124	-	1 124	-
State and Local Government financial assistance	4	10 359	9 005	10 190	8 929
HECS-HELP - student payments		12 896	12 811	12 896	12 811
Fees and charges	5	108 510	111 952	108 510	111 952
Investment revenue	6	18 040	20 995	17 750	19 994
Royalties		437	470	306	368
Consultancy and contract research	7	29 958	29 224	30 111	29 309
Other revenue	8	11 200	10 828	11 096	10 782
Total revenue from continuing operations		545 965	551 526	545 424	550 386
Gains (Losses) on disposal of assets	9	(553)	(192)	(556)	(253)
Total income from continuing operations		545 412	551 334	544 868	550 133
Expenses from continuing operations:					
Employee related expenses	10	318 289	304 037	317 126	302 731
Depreciation and amortisation	11	31 683	29 275	31 662	29 261
Repairs and maintenance	12	10 443	9 303	10 442	9 302
Other expenses	13	151 909	136 422	152 808	135 562
Bad and doubtful debts	14	401	86	401	86
Total expenses from continuing operations		512 725	479 123	512 439	476 942
Operating result before income tax		32 687	72 211	32 429	73 191
Income tax expense		148	49	144	89
Operating result attributable to the members of the University of South Australia	26(b)	32 539	72 162	32 285	73 102
Property, plant and equipment revaluation surplus:	26(a)				
Gain (Loss) on revaluation of available-for-sale financial assets		915	(1 051)	915	(1 051)
Total comprehensive income attributable to the members of the University of South Australia		33 454	71 111	33 200	72 051

Statement of Financial Position
as at 31 December 2012

		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash and cash equivalents	15	294 031	261 616	288 036	255 887
Receivables	16	23 801	35 422	23 374	35 453
Deferred government superannuation contribution	31	30 100	28 600	30 100	28 600
Other non-financial assets	19	13 080	12 557	13 064	12 557
Total current assets		361 012	338 195	354 574	332 497
Non-current assets:					
Other financial assets	18	7 437	6 232	11 782	10 488
Property, plant and equipment	20	730 564	716 943	730 533	716 911
Deferred tax assets		153	60	-	-
Intangible assets	21	5 836	6 980	5 836	6 980
Deferred government superannuation contribution	31	435 700	435 900	435 700	435 900
Total non-current assets		1 179 690	1 166 115	1 183 851	1 170 279
Total assets		1 540 702	1 504 310	1 538 425	1 502 776
Current liabilities:					
Trade and other payables	22	29 258	29 048	28 957	28 831
Provisions	24	17 422	17 629	17 280	17 490
Current tax liabilities		859	739	762	718
Other liabilities	25	88 027	89 651	87 755	89 705
Provision for superannuation	31	30 100	28 600	30 100	28 600
Total current liabilities		165 666	165 667	164 854	165 344
Non-current liabilities:					
Trade and other payables	22	5 814	5 365	5 814	5 365
Provisions	24	43 741	41 051	43 741	41 051
Provision for superannuation	31	435 700	435 900	435 700	435 900
Total non-current liabilities		485 255	482 316	485 255	482 316
Total liabilities		650 921	647 983	650 109	647 660
Net assets		889 781	856 327	888 316	855 116
Equity:					
Reserves	26(a)	160 625	159 710	160 625	159 710
Retained earnings	26(b)	729 156	696 617	727 691	695 406
Total equity		889 781	856 327	888 316	855 116

Statement of Changes in Equity
for the year ended 31 December 2012

	Reserves $'000	Retained earnings $'000	Total $'000
Consolidated			
Balance at 1 January 2011	160 761	624 455	785 216
Profit (Loss)	-	72 162	72 162
Gain (Loss) on available-for-sale financial assets	(1 051)	-	(1 051)
Total comprehensive income	(1 051)	72 162	71 111
Balance at 31 December 2011	159 710	696 617	856 327
Balance at 1 January 2012	159 710	696 617	856 327
Profit (Loss)	-	32 539	32 539
Gain (Loss) on available-for-sale financial assets	915	-	915
Total comprehensive income	915	32 539	33 454
Balance at 31 December 2012	160 625	729 156	889 781
University			
Balance at 1 January 2011	160 761	622 304	783 065
Profit (Loss)	-	73 102	73 102
Gain (Loss) on available-for-sale financial assets	(1 051)	-	(1 051)
Total comprehensive income	(1 051)	73 102	72 051
Balance at 31 December 2011	159 710	695 406	855 116
Balance at 1 January 2012	159 710	695 406	855 116
Profit (Loss)	-	32 285	32 285
Gain (Loss) on available-for-sale financial assets	915	-	915
Total comprehensive income	915	32 285	33 200
Balance at 31 December 2012	160 625	727 691	888 316

Statement of Cash Flows for the year ended 31 December 2012

		Consolidated		University	
		2012	2011	2012	2011
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Inflows:					
Australian Government grants received	3(h)	362 818	373 489	362 818	373 489
OS-HELP (net)	3(h)	60	(71)	60	(71)
Superannuation supplementation	3(h)	29 271	25 617	29 271	25 617
State and local government grants		10 040	7 858	9 871	7 782
HECS-HELP - student payments		12 896	12 994	12 896	12 994
Receipts from student fees and other customers		117 054	119 673	116 883	119 371
Dividends received		2 027	5 013	2 027	18 024
Interest received		15 816	14 297	15 525	13 400
Royalties		437	469	306	368
Consultancy and contract research		30 574	25 492	31 098	25 679
Other receipts		15 898	30 841	15 700	30 734
GST recovered/paid		7 917	9 913	8 063	9 844
Outflows:					
Payments to suppliers and employees (GST inclusive)		(524 099)	(493 833)	(524 096)	(491 345)
Net cash provided by (used in) operating activities		80 709	131 752	80 422	145 886
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of plant and equipment		24	8	24	8
Proceeds from sale of investments		5	163	5	163
Outflows:					
Payments for property, plant and equipment		(47 937)	(83 816)	(47 916)	(83 797)
Payments for investments		(386)	(759)	(386)	(4 308)
Net cash provided by (used in) investing activities		(48 294)	(84 404)	(48 273)	(87 934)
Net increase (decrease) in cash and cash equivalents		32 415	47 348	32 149	57 952
Cash and cash equivalents at 1 January		261 616	214 268	255 887	197 935
Cash and cash equivalents at 31 December	15	294 031	261 616	288 036	255 887
Non-cash investing and financing activities	37				

Notes to and forming part of the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years reported unless otherwise stated. The financial statements include separate statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

(a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis in accordance with AASs, AASB interpretations, requirements of the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) and other State/Australian Government legislative requirements.

(a) Basis of preparation (continued)

Except where in conflict with the DIISRTE requirements, the financial statements are prepared in accordance with the South Australian TIs and APSs issued under the provisions of the PFAA.

In our opinion, the financial statements and notes of the Consolidated Entity comply with Australian standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting Standards.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian dollars.

Historical cost convention

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities that were valued in accordance with the applicable valuation policy.

Critical accounting estimates

Compliance with AASs requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgment in applying the University's accounting policies. Management's judgment is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgment where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, LSL provision, and valuation and depreciation of property, plant and equipment. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2012 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in note 32.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Parent Entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group has no material investments in associates and therefore they are not incorporated in the financial statements (refer note 33).

(iii) Joint venture operations

If material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation are incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in note 34(a). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.

(iv) Joint venture entities

If material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the University.

Under the equity method the Group's share of the profits or losses of the entity are recognised in the Statement of Comprehensive Income, and the share of movements in reserves in the Statement of Comprehensive Income and the Statement of Changes in Equity.

Details of joint venture entities are set out in note 34(b). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.

(c) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Financial assistance

- *DIISRTE financial assistance (including Commonwealth Grant Scheme, Higher Education Loan programs, scholarships and DIISRTE Research)*
  The University recognises DIISRTE financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other financial assistance (including ARC, NHMRC, Australian Government and State Government)*
  Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

  Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) Fees and charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 14 days from the date of recognition.

Student fees receivables are recognised initially at fair value as at census date and are collectable at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Statement of Comprehensive Income in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date (the date on which the University commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity in the available-for-sale investments revaluation surplus. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

If the market for a financial asset is not active (eg unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Statement of Comprehensive Income.

The University has investments in shares, property trusts and managed funds, which are classified as available-for-sale financial assets and measured at fair value.

(i) Property, plant and equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred (refer note 12).

Revaluation increments are credited directly to the asset revaluation surplus except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Statement of Comprehensive Income.

(i) Property, plant and equipment (continued)

Revaluation decrements are debited directly to the asset revaluation surplus to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Statement of Comprehensive Income.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than $10 000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2010 and was performed by R Wood, BAppSc PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land, being the existing use as University campuses and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in note 1(k).

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which management has concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2010, the entire buildings portfolio was re valued independently by R Wood, BAppSc PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the ‘written down current cost’ for the buildings based upon the ‘new replacement cost’ having regard to the estimated useful and remaining life for each structure.

Buildings under construction and buildings commissioned or purchased after the valuation are measured at cost.

(iii) Library collection

The library collection is valued at fair value. The University has concluded that the collection’s fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2012 valuation resulted in a decrease of $3.218 million (increase of $662 000). The full amount of the revaluation has been recognised as a loss in the Statement of Comprehensive Income recorded within other expenses.

(iv) Plant and equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

(v) Art collection

As at 31 December 2010, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation surplus. The 2010 valuation resulted in an increase to the fair value of the art collection of $130 000. The art collection will be internally revalued every three years.

(vi) Leased assets

Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance balance. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset’s useful life and the lease term. The Consolidated Entity has no finance leases for 2012 (nil). Refer note 30(b) for details on operating leases.

(j) *Depreciation*

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The Consolidated Entity 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.

Assets class	*Useful life*
Property:	
Buildings	50-150 years
Leasehold improvements	Lease term
Library collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased plant and equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(k) *Restrictions on assets*

Land includes $48.085 million ($48.085 million) of Crown lands and $16.49 million ($16.49 million) of land dedicated for educational use.

The University has restrictions on the above land by application of the *University of South Australia Act 1990* section 6(3).

(l) *Intangible assets and amortisation*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently seven years.

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure is capitalised upon the completion of the project.

(m) *Unfunded superannuation*

An arrangement exists between the Australian Government and the SA Government to share the unfunded liability of the University's beneficiaries of the South Australian State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1988, Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Statement of Financial Position as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group (refer note 31).

The recognition of the expense in the face statements is offset by the revenue received from the Australian Government. Consequently, the Superannuation Supplementation program funding is no longer recognised as revenue in the Statement of Comprehensive Income as the payment is in respect of an existing liability. The expense (which is a net amount) is shown as an 'ordinary' expense within employee related expenses. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program it has reported a nil expense in the Statement of Comprehensive Income.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the University prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Wages, salaries, non-monetary benefits and annual leave

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(ii) Sick leave

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

(iii) LSL

The LSL liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2012 by Bruce Watson, FIA, FIAA of Brett & Watson Pty Ltd. The current portion represents the amount expected to be paid in the following 12 months. The liability for LSL is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The LSL liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The University recognises an expense in the Statement of Comprehensive Income for contributions paid to the funded schemes and on an emerging cost basis for the unfunded schemes. Note 31 provides details of the individual schemes.

(p) Workers compensation

The University is responsible for payments of workers compensation.

The provision for workers compensation is independently actuarially estimated each year. The last update was performed at 31 December 2012 by Laurie Brett, FIA, FIAA of Brett & Watson Pty Ltd using case estimation methodology. Under this methodology, consideration is given to individual case estimates of all open claims plus an allowance for incurred but not reported claims, re-opening of claims regarded as closed and unforseen escalation of case estimates as more information becomes available.

(q) Funds held on behalf of external entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash and cash equivalents and a corresponding liability is included in other liabilities (refer note 25).

(r) GST

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables 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.

(s) ***Income tax***

The University is exempt from income tax pursuant to Division 50 of the ITAA. The University subsidiaries are not exempt from income tax. Income tax expense or benefit for the period is calculated as the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

(t) ***Changes in accounting policies***

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the University for the reporting period ending 31 December 2012. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be insignificant.

(u) ***Comparative amounts***

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

2. Disaggregated information (Consolidated)

	Revenue		Results		Total assets	
	2012	2011	2012	2011	2012	2011
Geographical	$'000	$'000	$'000	$'000	$'000	$'000
Australia	539 302	542 794	32 239	71 769	1 540 659	1 504 250
Asia	6 663	8 726	300	393	43	60
Other	-	6	-	-	-	-
Total	545 965	551 526	32 539	72 162	1 540 702	1 504 310

The University operates in the field of higher education principally in Australia and provides teaching and research services. The results of the geographical segments, other than Australia, are based upon consideration of the variable costs associated with those operations.

3. Australian Government financial assistance including HECS-HELP and FEE-HELP

(a) ***Commonwealth Grants Scheme and other grants***		Consolidated		University	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Commonwealth Grants Scheme		161 951	152 688	161 951	152 688
Indigenous Support Fund		1 146	1 008	1 146	1 008
Partnership & Participation Program		6 038	4 852	6 038	4 852
Disability Support Program		97	131	97	131
Capital Development Pool		-	2 051	-	2 051
Diversity & Structural Adjustment Fund		3 260	1 984	3 260	1 984
Transitional Cost Program		333	650	333	650
Chair in Child Protection		914	655	914	655
Promotion of Excellence in Learning and Teaching		129	-	129	-
Reward Funding		835	-	835	-
Total Commonwealth Grants Scheme and other grants	40.1	174 703	164 019	174 703	164 019
(b) ***Higher Education Loan programs***					
HECS-HELP - Australian Government Payments		91 700	84 408	91 700	84 408
FEE-HELP		8 998	7 438	8 998	7 438
SA-HELP		1 124	-	1 124	-
Total Higher Education Loan programs	40.2	101 822	91 846	101 822	91 846

			Consolidated		University	
			2012	2011	2012	2011
		Note	$'000	$'000	$'000	$'000
(c)	***Scholarships***					
	Australian Postgraduate Awards		4 926	4 058	4 926	4 058
	International Postgraduate Research Scholarship		448	419	448	419
	Commonwealth Education Costs Scholarships		846	854	846	854
	Commonwealth Accommodation Scholarships		490	499	490	499
	Indigenous Access Scholarships		49	(8)	49	(8)
	Total scholarships	40.3	6 759	5 822	6 759	5 822
(d)	***DIISRTE Research***					
	Joint Research Engagement Scheme		7 707	7 284	7 707	7 284
	Research Training Scheme		12 548	11 700	12 548	11 700
	Research Infrastructure Block Grants		2 956	2 712	2 956	2 712
	Commercialisation Training Scheme		(184)	144	(184)	144
	Sustainable Research Excellence in Universities		1 937	1 694	1 937	1 694
	Total DIISRTE Research	40.4	24 964	23 534	24 964	23 534
(e)	***Other capital funding***					
	Education Investment Fund		12 500	41 704	12 500	41 704
	Total other capital funding	40.5	12 500	41 704	12 500	41 704
(f)	***Australian Research Council***					
	(i) Discovery					
	Projects		2 913	3 989	2 913	3 989
	Fellowships		1 508	1 248	1 508	1 248
	Indigenous Researchers Development		63	4	63	4
	Discovery - Early Career Research		412	-	412	-
	Total discovery	40.6(i)	4 896	5 241	4 896	5 241
	(ii) Linkages					
	Linkages Special Research Initiatives		249	-	249	-
	Infrastructure		65	259	65	259
	International		4	15	4	15
	Projects		3 337	2 712	3 337	2 712
	Total linkages	40.6(ii)	3 655	2 986	3 655	2 986
	(iii) Networks and centres					
	Research networks		-	9	-	9
	Centres		71	70	71	70
	Total networks and centres	40.6(iii)	71	79	71	79
	Total Australian Research Council		8 622	8 306	8 622	8 306
(g)	***Other Australian Government financial assistance***					
	Non-capital:					
	Indigenous Tutorial Assistance Scheme grant		268	227	268	227
	Other Commonwealth grants		4 876	2 923	4 876	2 923
	Other Australian Government research grants		20 051	17 860	20 051	17 860
	Total other Australian Government financial assistance		25 195	21 010	25 195	21 010
	Total Australian Government financial assistance		354 565	356 241	354 565	356 241

	Consolidated		University	
(g) Other Australian Government financial assistance (continued)	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Reconciliation:				
Australian Government grants	252 743	264 395	252 743	264 395
HECS-HELP payments	91 700	84 408	91 700	84 408
FEE-HELP payments	8 998	7 438	8 998	7 438
SA-HELP	1 124	-	1 124	-
Total Australian Government financial assistance	354 565	356 241	354 565	356 241
(h) Australian Government grants received - cash basis				
CGS and other DIISRTE grants	170 744	167 370	170 744	167 370
Higher Education Loan programs	99 405	96 827	99 405	96 827
Scholarships	6 211	7 071	6 211	7 071
DIISRTE Research	25 148	23 534	25 148	23 534
Other capital funding	23 866	37 978	23 866	37 978
ARC grants - discovery	5 606	5 498	5 606	5 498
ARC grants - linkages	2 612	3 782	2 612	3 782
Other Australian Government grants	29 226	31 429	29 226	31 429
Total Australian Government grants received - cash basis	362 818	373 489	362 818	373 489
OS-HELP (net)	60	(71)	60	(71)
Superannuation supplementation	29 271	25 617	29 271	25 617
Total Australian Government funding received - cash basis	392 149	399 035	392 149	399 035
4. State and Local Government financial assistance				
Non-capital:				
Research grants	7 515	7 355	7 577	7 355
Other	392	102	161	26
Total non-capital	7 907	7 457	7 738	7 381
Capital:				
State and Local Government financial assistance	2 452	1 548	2 452	1 548
Total capital	2 452	1 548	2 452	1 548
Total State and Local Government financial assistance	10 359	9 005	10 190	8 929
5. Fees and charges				
Course fees and charges:				
Continuing education	793	1 053	793	1 053
Fee-paying overseas students	87 335	88 451	87 335	88 451
Fee-paying domestic postgraduate students	3 238	5 678	3 238	5 678
Total course fees and charges	91 366	95 182	91 366	95 182
Other fees and charges:				
Other fees and charges	9 688	8 896	9 688	8 896
Miscellaneous enrolment fees	5 920	6 824	5 920	6 824
Seminar/Workshops	1 062	1 050	1 062	1 050
Student services fees from students	474	-	474	-
Total other fees and charges	17 144	16 770	17 144	16 770
Total fees and charges	108 510	111 952	108 510	111 952
6. Investment revenue				
Dividends and distributions	1 618	6 002	1 618	5 898
Interest	16 422	14 993	16 132	14 096
Total investment revenue	18 040	20 995	17 750	19 994
7. Consultancy and contract research				
Consultancy	4 762	5 166	4 691	5 067
Contracts	25 196	24 058	25 420	24 242
Total consultancy and contract research	29 958	29 224	30 111	29 309

8. Other revenue

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Donations and bequests	1 233	1 944	1 233	1 944
Scholarships and prizes	1 308	1 152	1 308	1 152
Other fees and charges	6 041	5 290	5 905	5 260
Other	2 618	2 442	2 650	2 426
Total other revenue	11 200	10 828	11 096	10 782

9. Gains (Losses) on disposal of assets

(a) Disposal of property, plant and equipment

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Proceeds from sale	24	8	24	8
Carrying amount of assets sold	(580)	(385)	(578)	(385)
Net gain (loss) on disposal of property, plant and equipment	(556)	(377)	(554)	(377)

(b) Sale of shares

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Realised gain (loss) on disposal of investments	3	185	(2)	124
Total of net gain (loss) on disposal of assets	(553)	(192)	(556)	(253)

10. Employee related expenses

(a) Employee related expenses

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Academic:				
Salaries	136 962	128 940	136 962	128 940
Contribution to superannuation and pension schemes:				
Emerging cost	761	856	761	856
Funded	19 598	18 601	19 598	18 601
Payroll tax	8 268	7 696	8 268	7 696
Workers compensation	(167)	70	(167)	70
LSL	3 935	6 851	3 935	6 851
Annual leave	9 230	8 169	9 230	8 169
Total academic	178 587	171 183	178 587	171 183
Non-academic:				
Salaries	104 508	98 031	103 473	96 906
Contribution to superannuation and pension schemes:				
Emerging cost	236	258	142	157
Funded	15 742	14 949	15 742	14 949
Payroll tax	6 441	6 323	6 379	6 258
Workers compensation	500	551	500	551
LSL	3 810	5 260	3 858	5 239
Annual leave	8 264	7 300	8 244	7 306
Total non-academic	139 501	132 672	138 338	131 366
Total academic and non-academic employee benefits and on-costs	318 088	303 855	316 925	302 549
Council member remuneration	201	182	201	182
Total employee related expenses	318 829	304 037	317 126	302 731

(b) Voluntary separation packages

Employee related expenses include voluntary separation packages paid during the year as follows:

	Consolidated 2012 Number	Consolidated 2011 Number	University 2012 Number	University 2011 Number
Number of voluntary separation packages	16	15	16	15

	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Voluntary separation package expenses	2 198	1 034	2 198	1 034
Annual leave and LSL entitlements paid	801	340	801	340
Total amount associated with separations	2 999	1 374	2 999	1 374

There is no entitlement to recover separation payments from DPC.

11. Depreciation and amortisation

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Depreciation:				
Buildings	18 576	17 285	18 576	17 285
Leasehold improvements	660	627	660	627
Library collection	2 442	2 175	2 442	2 175
Plant and equipment	8 463	7 986	8 442	7 972
Total depreciation	30 141	28 073	30 120	28 059
Amortisation				
Intangibles	1 542	1 202	1 542	1 202
Total amortisation	1 542	1 202	1 542	1 202
Total depreciation and amortisation	31 683	29 275	31 662	29 261

12. Repairs and maintenance

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Buildings	9 268	8 184	9 267	8 183
Grounds	1 175	1 119	1 175	1 119
Total repairs and maintenance	10 443	9 303	10 442	9 302

13. Other expenses

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Scholarships, grants and prizes	22 589	21 216	22 586	21 216
Non-capitalised equipment	5 220	5 417	5 217	5 417
Advertising, marketing and promotional expenses	6 872	6 454	6 860	6 377
Telecommunications	4 657	4 513	4 645	4 500
Travel, staff development and entertainment	19 130	19 289	19 080	19 199
External services*	46 633	39 921	48 080	39 613
IT hardware and software	10 762	10 841	10 714	10 820
Library subscriptions	4 445	3 241	4 445	3 241
Printing	1 147	1 364	1 147	1 364
Operating lease rental expenses	2 607	2 510	2 607	2 510
Bank charges, legal costs, insurance and taxes	5 521	5 442	5 236	5 109
General consumables	6 961	6 585	6 944	6 569
Other**	15 365	9 629	15 247	9 627
Total other expenses	151 909	136 422	152 808	135 562

* Included within external services for 2012 is an amount for consultants of $2.18 million University ($2.415 million Consolidated) exclusive of GST ($1.778 million University, $2.169 million Consolidated). This amount excludes consultant payments for the capital works program.

** Net foreign exchange losses included in other expenses for 2012 were $301 000 University ($307 000 Consolidated) ($130 000 University and Consolidated).

14. Bad and doubtful debts

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Bad and doubtful debts	401	86	401	86
Total bad and doubtful debts	401	86	401	86

15. Cash and cash equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Cash at bank and on hand	19 973	13 681	19 871	9 626
Deposits	274 058	247 935	268 165	246 261
Total cash and cash equivalents	294 031	261 616	288 036	255 887

(a) Reconciliation to cash at the end of the year

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Balances per Statement of Financial Position	294 031	261 616	288 036	255 887
Balances per Statement of Cash Flows	294 031	261 616	288 036	255 887

(b) Cash at bank and on hand

During the year cash earned an average of 3.36% (3.75%) and interest is credited to the University on a monthly basis.

(c) Deposits

During the year cash deposits earned interest at a fixed rate which ranged between 4.34% and 6.44% (range between 5.6% and 6.34%). These deposits had an average maturity of 170 days (172 days).

16. Receivables

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade debtors	13 079	14 747	12 896	14 785
Provision for impaired receivables	(197)	(213)	(197)	(213)
	12 882	14 534	12 699	14 572
Student fees	4 336	4 007	4 336	4 007
Provision for impaired receivables	(640)	(517)	(640)	(517)
	3 696	3 490	3 696	3 490
Commonwealth receivables	5 241	15 283	5 241	15 283
Other	1 982	2 115	1 738	2 108
Total receivables	23 801	35 422	23 374	35 453

(a) *Impaired receivables*

As at 31 December 2012 current trade receivables of the Group with a nominal value of $183 000 ($191 000) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past due status and historical collection experience resulting in a further provision of $14 000 ($22 000). The total amount of the provision for impaired trade receivables was $197 000 ($213 000).

Trade receivables

	Consolidated	
	2012	2011
The ageing analysis of impaired trade receivables is as follows:	$'000	$'000
Less than three months	-	-
Three to six months	42	140
Over six months	155	73
	197	213

As at 31 December 2012, trade receivables of $5.17 million ($6.103 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	Consolidated	
The ageing analysis of past due but not impaired receivables is as follows:	2012 $'000	2011 $'000
Less than three months	4 203	4 586
Three to six months	741	1 364
Over six months	226	153
	5 170	6 103
Movements in the trade debtors provision for impaired receivables are as follows:		
At 1 January	213	368
Provision for impairment recognised during the year	175	192
Receivables written off during the year as uncollectable	(3)	(91)
Unused amount reversed and debts collected	(188)	(256)
At 31 December	197	213

Student receivables

As at 31 December 2012, student receivables of $3.478 million ($3.204 million) were past due but not impaired. The ageing analysis of these receivables is as follows:

Less than three months	952	215
Three to six months	1 781	2 522
Over six months	745	467
	3 478	3 204

Student receivables (continued)

Movements in the student fees provision for impaired receivables are as follows:	2013 $'000	2012 $'000
At 1 January	517	533
Provision for impairment recognised during the year	435	353
Receivables written off during the year as uncollectable	(259)	(363)
Unused amount reversed and debts collected	(53)	(6)
At 31 December	640	517

The creation and release of the provision for impaired receivables has been included in 'Bad and doubtful debts expense' in the Statement of Comprehensive Income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

The carrying amount of the Group and the University's receivables are denominated in Australian dollars.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

17. Investments accounted for using the equity method

The University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting.

18. Other financial assets

		Consolidated		University	
		2012	2011	2012	2011
Non-current:	Note	$'000	$'000	$'000	$'000
Shares in subsidiaries	32	-	-	5 730	5 730
Available-for-sale financial assets		7 437	6 232	6 052	4 758
Total other financial assets		7 437	6 232	11 782	10 488

19. Other non-financial assets

Current:				
Prepayments	8 411	8 564	8 395	8 564
Accrued income	4 669	3 993	4 669	3 993
Total other non-financial assets	13 080	12 557	13 064	12 557

20. Property, plant and equipment

Land:				
At valuation	114 900	114 900	114 900	114 900
At cost	11 396	11 396	11 396	11 396
Net book amount	126 296	126 296	126 296	126 296
Buildings:				
At valuation	909 164	909 164	909 164	909 164
At cost	79 841	65 012	79 841	65 012
Accumulated depreciation	(472 149)	(453 573)	(472 149)	(453 573)
Net book amount	516 856	520 603	516 856	520 603
Construction in progress:				
At cost	32 663	11 450	32 663	11 450
Net book amount	32 663	11 450	32 663	11 450
Plant and equipment:				
At cost	76 827	73 353	76 742	72 989
Accumulated depreciation	(39 691)	(36 418)	(39 637)	(36 086)
Net book amount	37 136	36 935	37 105	36 903

20. Property, plant and equipment (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Leasehold improvements:				
At cost	5 863	5 564	5 863	5 564
Accumulated amortisation	(3 655)	(2 995)	(3 655)	(2 995)
Net book amount	2 208	2 569	2 208	2 569
Art collection:				
At valuation	1 535	1 535	1 535	1 535
At cost	59	31	59	31
Net book amount	1 594	1 566	1 594	1 566
Library:				
At valuation	21 962	27 060	21 962	27 060
Accumulated depreciation	(8 842)	(11 281)	(8 842)	(11 281)
Net book amount	13 120	15 779	13 120	15 779
Plant and equipment in progress:				
At cost	691	1 745	691	1 745
Net book amount	691	1 745	691	1 745
Total property, plant and equipment	730 564	716 943	730 533	716 911

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
Year ended 31 December 2011:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	21 466	114 900	472 876	29 273	4 513
Revaluation	-	-	-	-	-
Additions	53 742	11 396	1 666	11 464	1 412
Disposals	-	-	-	(369)	-
Reclassifications	(63 758)	-	63 346	4 553	(4 180)
Depreciation/Amortisation charge	-	-	(17 285)	(7 986)	-
Closing net book amount	11 450	126 296	520 603	36 935	1 745
Year ended 31 December 2012:					
Opening net book amount	11 450	126 296	520 603	36 935	1 745
Revaluation	-	-	-	-	-
Additions	36 265	-	306	7 136	586
Disposals	-	-	-	(342)	-
Reclassifications	(15 052)	-	14 523	1 870	(1 640)
Depreciation/Amortisation charge	-	-	(18 576)	(8 463)	-
Closing net book amount	32 663	126 296	516 856	37 136	691

Year ended 31 December 2011:	Leasehold imprvmnts	Library	Art collection	Total
Opening net book amount	3 157	14 291	1 535	662 011
Revaluation	-	662	-	662
Additions	-	3 010	31	82 721
Disposals	-	(9)	-	(378)
Reclassifications	39	-	-	-
Depreciation/Amortisation charge	(627)	(2 175)	-	(28 073)
Closing net book amount	2 569	15 779	1 566	716 943
Year ended 31 December 2012:				
Opening net book amount	2 569	15 779	1 566	716 943
Revaluation	-	(3 218)	-	(3 218)
Additions	-	3 227	28	47 548
Disposals	-	(226)	-	(568)
Reclassifications	299	-	-	-
Depreciation/Amortisation charge	(660)	(2 442)	-	(30 141)
Closing net book amount	2 208	13 120	1 594	730 564

20. Property, plant and equipment (continued)

University

	Construction in progress $'000	Land $'000	Freehold buildings $'000	Plant and equipment $'000	Plant and equipment in progress $'000
Year ended 31 December 2011:					
Opening net book amount	21 466	114 900	472 876	29 246	4 513
Revaluation	-	-	-	-	-
Additions	53 742	11 396	1 666	11 445	1 412
Disposals	-	-	-	(369)	-
Reclassifications	(63 758)	-	63 346	4 553	(4 180)
Depreciation charge	-	-	(17 285)	(7 972)	-
Closing net book amount	11 450	126 296	520 603	36 903	1 745
Year ended 31 December 2012:					
Opening net book amount	11 450	126 296	520 603	36 903	1 745
Revaluation	-	-	-	-	-
Additions	36 265	-	306	7 114	586
Disposals	-	-	-	(340)	-
Reclassifications	(15 052)	-	14 523	1 870	(1 640)
Depreciation charge	-	-	(18 576)	(8 442)	-
Closing net book amount	32 663	126 296	516 856	37 105	691

	Leasehold Imprvmnts $'000	Library $'000	Art collection $'000	Total $'000
Year ended 31 December 2011:				
Opening net book amount	3 157	14 291	1 535	661 984
Revaluation	-	662	-	662
Additions	-	3 010	31	82 702
Disposals	-	(9)	-	(378)
Reclassifications	39	-	-	-
Depreciation charge	(627)	(2 175)	-	(28 059)
Closing net book amount	2 569	15 779	1 566	716 911
Year ended 31 December 2012:				
Opening net book amount	2 569	15 779	1 566	716 911
Revaluation	-	(3 218)	-	(3 218)
Additions	-	3 227	28	47 526
Disposals	-	(226)	-	(566)
Reclassifications	299	-	-	-
Depreciation charge	(660)	(2 442)	-	(30 120)
Closing net book amount	2 208	13 120	1 594	730 533

21. Intangible assets

	Consolidated		University	
	2012	2011	2012	2011
Intangibles in progress:	$'000	$'000	$'000	$'000
At cost	744	395	744	395
Net closing book amount	744	395	744	395
Other intangible assets:				
At cost	10 146	10 114	10 146	10 114
Accumulated amortisation and impairment	(5 054)	(3 529)	(5 054)	(3 529)
Net closing book amount	5 092	6 585	5 092	6 585
Total intangibles	5 836	6 980	5 836	6 980

University

	Intangibles in progress $'000	Other intangible assets $'000	Total $'000
Year ended 31 December 2012:			
Balance at 1 January	395	6 585	6 980
Additions	349	61	410
Disposals	-	(12)	(12)
Amortisation charge	-	(1 542)	(1 542)
Closing value at 31 December	744	5 092	5 836

21. Intangible assets (continued)

University (continued)

	Intangibles in progress	Other intangible assets	Total
Year ended 31 December 2011:	$'000	$'000	$'000
Balance at 1 January	1 822	4 429	6 251
Additions	1 938	-	1 938
Disposals	-	(7)	(7)
Reclassifications	(3 365)	3 365	-
Amortisation charge	-	(1 202)	(1 202)
Closing value at 31 December	395	6 585	6 980

Consolidated

	Intangibles in progress	Other intangible assets	Total
Year ended 31 December 2012:			
Balance at 1 January	395	6 585	6 980
Additions	349	61	410
Disposals	-	(12)	(12)
Amortisation charge	-	(1 542)	(1 542)
Closing value at 31 December	744	5 092	5 836
Year ended 31 December 2011:			
Balance at 1 January	1 822	4 429	6 251
Additions	1 938	-	1 938
Disposals	-	(7)	(7)
Reclassifications	(3 365)	3 365	-
Amortisation charge	-	(1 202)	(1 202)
Closing value at 31 December	395	6 585	6 980

22. Payables

	Consolidated		University	
	2012	2011	2012	2011
Current:	$'000	$'000	$'000	$'000
Trade creditors	16 996	18 324	16 695	18 107
Accrued salaries	8 792	7 409	8 792	7 409
Annual leave on-costs	2 928	2 772	2 928	2 772
LSL on-costs	542	543	542	543
Total current payables	29 258	29 048	28 957	28 831
Non-current:				
Annual leave on-costs	1 649	1 530	1 649	1 530
LSL on-costs	4 165	3 835	4 165	3 835
Total non-current payables	5 814	5 365	5 814	5 365
Total payables	35 072	34 413	34 771	34 196

(a) Foreign exchange and interest rate risk

The carrying amounts of the Group and the University's payables are denominated in Australian dollars.

23. Borrowings

The University does not hold any borrowings.

(a) Financing arrangements

Unrestricted access was available at reporting date to the following lines of credit:

	Consolidated		University	
Credit standby arrangements:	2012	2011	2012	2011
Total facilities:	$'000	$'000	$'000	$'000
Credit card facility with National Australian Bank (NAB)	8 000	8 000	8 000	8 000
Credit card facility with American Express (Amex)	1 530	1 380	1 530	1 380
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	500	500	500	500
IT lease facility with Commonwealth Bank	5 000	5 000	5 000	5 000
Bank guarantee	5 100	5 100	5 100	5 100
	20 330	20 180	20 330	20 180

(a) Financing arrangements (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Used at balance date:				
Credit card facility NAB	13	7	13	7
Credit card facility with Amex	105	453	105	453
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	-	-	-	-
Bank guarantee	2 600	3 677	2 600	3 677
	2 718	4 137	2 718	4 137
Unused at balance date:				
Credit card facility NAB	7 987	7 993	7 987	7 993
Credit card facility with Amex	1 425	927	1 425	927
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	500	500	500	500
IT lease facility with Commonwealth Bank	5 000	5 000	5 000	5 000
Bank guarantee	2 500	1 423	2 500	1 423
	17 612	16 043	17 612	16 043
Bank loan facilities:				
Unused at balance date	-	-	-	-

24. Provisions

	Consolidated 2012	Consolidated 2011	University 2012	University 2011
Current:				
Annual leave	12 331	11 733	12 258	11 680
LSL	4 391	5 025	4 322	4 939
Separation Scheme	442	445	442	445
Workers compensation liability	258	426	258	426
Total current provisions	17 422	17 629	17 280	17 490
Non-current:				
Annual leave	6 799	6 380	6 799	6 380
LSL	36 475	34 068	36 475	34 068
Workers compensation liability	467	603	467	603
Total non-current provisions	43 741	41 051	43 741	41 051
Total provisions	61 163	58 680	61 021	58 541

Movements in the workers compensation liability are set out below:

	Consolidated 2012	Consolidated 2011	University 2012	University 2011
Carrying amount 1 January	1 029	902	1 029	902
Additional provisions recognised	355	403	355	403
Amounts used	(345)	(259)	(345)	(259)
Unused amounts reversed	(336)	(40)	(336)	(40)
Increase (Decrease) in discounted amount	22	23	22	23
Carrying amount 31 December	725	1 029	725	1 029

25. Other liabilities

	Consolidated 2012	Consolidated 2011	University 2012	University 2011
Current:				
Funds held on behalf of external entities	30 443	29 332	30 407	29 332
Income in advance on incomplete projects	1 212	956	1 212	956
Fees and charges	9 632	9 286	9 632	9 286
Commonwealth and State Government grants	44 937	47 315	44 937	47 315
Other	1 803	2 762	1 567	2 816
Total other liabilities	88 027	89 651	87 755	89 705

26. Reserves and retained earnings

(a) *Reserves*

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Property plant and equipment revaluation surplus:				
Land and buildings	158 839	158 839	158 839	158 839
Art collection	424	424	424	424
Library	-	-	-	-
	159 263	159 263	159 263	159 263
Available-for-sale investments revaluation surplus	1 362	447	1 362	447
	160 625	159 710	160 625	159 710
Movements				
Property, plant and equipment revaluation reserve:				
Land and buildings:				
Balance 1 January	158 839	158 839	158 839	158 839
Asset revaluation increment	-	-	-	-
Balance 31 December	158 839	158 839	158 839	158 839
Art collection:				
Balance 1 January	424	424	424	424
Asset revaluation increment	-	-	-	-
Balance 31 December	424	424	424	424
Available-for-sale investments revaluation surplus:				
Balance 1 January	447	1 498	447	1 498
Asset revaluation decrement	915	(1 051)	915	(1 051)
Total available-for-sale investments revaluation surplus	1 362	447	1 362	447

(b) *Retained earnings*

	Consolidated 2012 $'000	Consolidated 2011 $'000	University 2012 $'000	University 2011 $'000
Retained earnings at 1 January	696 617	624 455	695 406	622 304
Operating result for the period	32 539	72 162	32 285	73 102
Retained earnings at 31 December	729 156	696 617	727 691	695 406

(c) *Nature and purpose of reserves*

The University has four reserves. The land and buildings revaluation surplus records revaluations in land and buildings, the available-for-sale investments revaluation surplus records revaluations in investments, the library revaluation surplus records revaluations in the library collection and the art collection revaluation surplus records revaluations in the art collection.

27. Key management personnel disclosures

(a) *Names of responsible persons*

The following persons were responsible persons of the University during the 2012 year. Council members include University employees who may be ex officio members or elected staff members.

2012 Council members

Dr Ian Gould, AM, Chancellor
Professor Peter Høj, Vice-Chancellor and President (resigned 7 September 2012)
Professor Joanne Wright, acting Vice-Chancellor and President (commenced 8 September 2012)
Dr Wendy Craik, AM, Deputy Chancellor
Mr Terry Evans, Pro-Chancellor
Associate Professor Pat Buckley (term commenced 7 January 2012)
Ms Pauline Carr
Mr Bill Cossey, AM (term completed 31 December 2012)
Ms Melissa Davies (term commenced 1 January 2012, term completed 31 December 2012)
Professor Drew Dawson (resigned 6 January 2012)
Ms Tanya Hosch (resigned 16 August 2012)
Mr Bruce Linn
Ms Paula Nagel
Ms Corinne Namblard (term commenced 1 January 2012)
Professor Leanna Read
Professor Rick Sarre (term completed 31 December 2012)
Ms Carol Sutherland (term commenced 1 January 2012)
Mr Matthew Walton (term commenced 1 January 2012, term completed 31 December 2012)

Directorships held by Council members during the 2012 year in subsidiaries and associates of the University

Mr Bruce Linn, ITEK Pty Ltd (1 January 2012 to 19 April 2012), ITEK Ventures Pty Ltd and SABRENet Ltd.

(b) Remuneration of University Council members, directors of subsidiary companies and executive officers

	Consolidated		University	
	2012	2011	2012	2011
Remuneration of Council members	Number	Number	Number	Number
$nil	6	5	6	5
$1 - $9 999	1	3	1	3
$10 000 - $19 999	8	7	8	7
$20 000 - $29 999	1	-	2	1
$40 000 - $49 999	1	1	-	-
$50 000 - $59 999	1	1	1	1
	18	17	18	17

Remuneration received and receivable by Council members for their services as Council members was $200 750 ($181 984). The total remuneration received and receivable by Council members in their position as Council members and as Directors of subsidiary companies was $227 250 ($206 984).

	Consolidated		University	
	2012	2011	2012	2011
Remuneration of executive officers	Number	Number	Number	Number
$100 000 - $109 999	-	1	-	1
$240 000 - $249 999	-	1	-	1
$270 000 - $279 999	-	1	-	1
$310 000 - $319 999	1	1	1	1
$320 000 - $329 999	-	2	-	2
$340 000 - $349 999	1	-	1	-
$350 000 - $359 999	2	1	2	1
$370 000 - $379 999	-	1	-	1
$390 000 - $399 999	1	-	1	-
$420 000 - $429 999	-	1	-	1
$430 000 - $439 999	1	-	1	-
$440 000 - $449 999	1	-	1	-
$450 000 - $459 999	1	-	1	-
$740 000 - $749 999*	1	-	1	-
$940 000 - $949 999#	-	1	-	1
	9	10	9	10

* includes leave paid on termination.

\# includes deferred performance compensation relating to prior years which required completion of a service period.

Executives are defined as the Vice-Chancellor and President and the University's Senior Management Group. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting year. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive officers' compensation

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term employee benefits	3 429	3 300	3 429	3 300
Post-employment benefits	484	474	484	474
	3 913	3 774	3 913	3 774

(d) Related party transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

28. Remuneration of auditors

During the year, the following fees were paid for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

Assurance services	Consolidated		University	
Audit services:	2012	2011	2012	2011
Fees paid to Auditor-General's Department:	$'000	$'000	$'000	$'000
Audit of financial reports	262	254	262	254
Fees paid to BDO Australia Ltd:				
Audit and review of financial reports of any entity in the Consolidated Entity	9	18	-	-
Total remuneration for audit services	271	272	262	254

29. Contingencies

The University entered into an agreement with the Minister of the Department of Education, Training and Employment (DETAFE) on 20 February 1997 to provide 35 spaces in a child care centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of $680 000 is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2012 this contingent liability reduced to $291 000.

The University entered into an agreement with the Commonwealth Department of Innovation, Industry, Science and Research (DIISR) on 23 September 2009 to raise $5 million by 2014 after which an endowed chair in child protection can be funded from investment revenue. The Commonwealth has provided $2 million and the University must raise $3 million by 2014. If the $3 million is not raised by 2014, the Commonwealth may request repayment of any portion of the Commonwealth contribution of $2 million. As at 31 December 2012 this contingent liability is $2 million.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

30. Commitments

(a) *Capital commitments*

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2012	2011	2012	2011
Property, plant and equipment:	$'000	$'000	$'000	$'000
Within one year	39 265	9 232	39 265	9 232
Later than one year	91	3 670	91	3 670
Total capital commitments	39 356	12 902	39 356	12 902

(b) *Lease commitments - operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	2 755	2 229	2 755	2 229
Between one and five years	6 944	5 340	6 944	5 340
Later than five years	2 064	-	2 064	-
Total lease commitments - operating leases	11 763	7 569	11 763	7 569

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between one and 10 years.

(c) *Other expenditure commitments*

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, are payable as follows:

	Consolidated		University	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	5 266	3 264	5 266	3 264
Between one and five years	7 982	6 160	7 982	5 600
Later than five years	1 415	2 193	1 415	1 994
Total other expenditure commitments	14 663	11 617	14 663	10 858

31. Superannuation plan

The University contributes to the following employee superannuation funds:

(a) Superannuation plan

A number of present and past employees of the University and its predecessor institutions are members of the South Australian Superannuation Scheme. This scheme is administered by Super SA on behalf of the South Australian Superannuation Board (the Board) which is responsible for managing this scheme. The funds are managed by the specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA).

Under this scheme, benefits are paid as a continuing pension or lump sum to members eligible to claim their entitlement. The Pension Scheme is a defined benefit scheme where member benefits are calculated as a percentage of final salary. Benefits are generally payable fortnightly and are indexed by CPI. The Lump Sum Scheme is part accumulation and part defined benefit where member basic entitlements represent a refund of the member's contributions with investment returns plus a defined multiple of final salary.

Under current arrangements, Super SA pays eligible members their benefit 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 under the Commonwealth State Agreement. The Agreement provides that the employer component of the superannuation benefits payable to former employees of the University who were members of one of the main State schemes, be shared.

An actuarial assessment (the assessment) of the University's superannuation liability with respect to future benefits for current pensioners and employees was performed by Brett and Watson Pty Ltd as at 31 December 2012. The actuarial valuation was based on 30 June 2012 membership data which was projected to 31 December 2012. The University's present value of the defined benefit obligations was assessed to be $495.7 million ($491.1 million).

The University's liability under the scheme has been partly funded by an amount of $29.9 million ($26.6 million) arising from 3% productivity employer contributions. This results in an unfunded liability of $465.8 million ($464.5 million).

	2012	2011
Defined benefit obligations:	$'000	$'000
Present value obligations	495 700	491 100
Present value of plan assets	29 900	26 600
Total liability	465 800	464 500

The net unfunded amount of $465.8 million ($464.5 million) 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 DIISRTE 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 Brett and Watson Pty Ltd in determining the University's liability were:

	2012	2011
	% p.a.	% p.a.
Long-term rate of increase in the CPI	2.5	2.5
Rate of salary increases	4.0	4.0
Discount rate	3.8	4.1
Return of fund assets	7.0	7.0

These rates provide for a 1.5% real gap between CPI and salary increases and a further 3% real gap between salary increases and investment earnings.

(b) Deferred government superannuation contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

On an accrual basis, expenses of $29.048 million ($26.229 million) are offset by $29.048 million ($26.229 million) Commonwealth revenue. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program these costs have been offset and have a nil balance in the Statement of Comprehensive Income.

Note 40.8 contains details regarding payments made to Super SA and revenue received from the Commonwealth Government.

(b) ***Deferred government superannuation contribution (continued)***	2012	2011
Defined benefit obligations:	$'000	$'000
Current provision for superannuation	30 100	28 600
Non-current provision for superannuation	435 700	435 900
Total liability	465 800	464 500
Reimbursement rights:		
Current deferred Government superannuation contribution	30 100	28 600
Non-current deferred Government superannuation contribution	435 700	435 900
Total asset	465 800	464 500
Total net liability/asset in balance sheet	-	-

(c) ***UniSuper***

The University contributes to the following employee superannuation funds:

(i) *UniSuper Defined Benefit Division*

The Defined Benefit Division (DBD) Superannuation Fund (the Fund) is managed by a corporate trustee, UniSuper Limited, which has delegated the day to day administration of the Fund to a wholly owned subsidiary company, UniSuper Management Pty Ltd. The executive management of UniSuper Management Pty Ltd reports to the Boards of UniSuper Limited and UniSuper Management Pty Ltd.

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a defined benefit plan to a defined contribution plan. Previously under clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made four years in advance. If such a request was agreed to by employers then members were also required to make additional contributions equal to one half of the rate which their employer is prepared to contribute.

Clause 34(b) now states that if 'the Trustee still considers that UniSuper is or may be insufficient to provide the benefits payable under the Deed, the Trustee must reduce the benefits (including benefits in the course of payment) payable under Division A and Division B on a fair and equitable basis.'

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the funds and the actuarial risk and investment risk fall on the employee.

Following the 31 December 2008 actuarial investigation, the Trustee invoked clause 34 of the UniSuper Trust Deed in June 2009. This requires UniSuper to closely monitor the DBD over a four year period ending 31 December 2012. This action is designed to protect the long-term financial stability of the DBD and to enable the Trustee to properly manage the assets of all DBD members for the future.

As at 30 June 2012 the assets of the DBD aggregate (ie entire multi-employer DBD plan) were estimated to be:

- $2010.8 million ($906.5 million) in deficiency of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD
- $906.8 million in deficiency ($426.7 million in excess) of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits Pty Ltd using the actuarial demographic assumptions outlined in their report dated 15 November 2012 on the actuarial investigation of the DBD as at 30 June 2012. The financial assumptions used were:

	Vested benefits % p.a.	Accrued benefits % p.a.
Gross of tax investment return - DBD pensions	5.85	7.50
Gross of tax investment return - commercial rate index pensions	3.40	3.40
Net of tax investment return - non-pensioners members	5.25	6.70
CPI	2.75	2.75
Inflationary salary increases short-term (two years)	5.00	5.00
Inflationary salary increases long-term	3.75	3.75

(i) UniSuper Defined Benefit Division (continued)
Assets have been included at their net market value, ie allowing for realisation costs.

At 30 June 2012 the vested benefit index (VBI) was 85.3% and the accrued benefit index (ABI) was 92.8%. As the VBI was below 100%, the DBD as at 30 June 2012 is in an 'unsatisfactory financial position' as defined by *Superannuation Industry (Supervision) Act 1993* Regulation 9.04. An 'unsatisfactory financial position' for a defined benefit fund is defined as when 'the value of the assets of the Fund is inadequate to cover the value of the liabilities of the Fund in respect of benefits vested in the members of the Fund'.

The Trustee has invoked the clause 34 process following the report on the actuarial investigations as at 31 December 2008, 30 June 2011 and 30 June 2012. The four year monitoring periods will end 31 December 2012, 30 June 2015 and 30 June 2016 respectively.

UniSuper closely monitors the DBD during these periods. This action is designed to protect the long-term financial stability of the DBD and to enable the Trustee to properly manage the assets of all DBD members for the future. After the four year monitoring period, if the VBI and ABI are below the specified thresholds, the Trustee may reduce the benefits payable on a fair and equitable basis.

The clause 34 monitoring period which was triggered in June 2009, following the December 2008 actuarial report, ceased on 31 December 2012. The Fund's actuary will now conduct a further review of the financial position of the DBD, to determine whether benefit reductions are required. If the funding level of the DBD continues to be insufficient, benefit reductions could be considered at the end of either or both the 30 June 2015 and the 30 June 2016 monitoring periods. The Trust Deed does not impose any obligations on employers to make additional contributions.

(ii) UniSuper Accumulation Super 2 (Accum 2)
The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to Accum 2. Contributions made by both the employee and employer remain unchanged.

The University has recognised an expense of $23.565 million ($22.36 million) for the DBD and Accum 2.

(iii) UniSuper Accumulation Super 1 (Accum 1)
The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee (SG) and Award obligations. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University has recognised an expense of $11.679 million ($11.152 million) for Accum 1.

32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Ownership interest 2012 %	2011 %
(a) ITEK Pty Ltd	Australia	100	100
(b) University of South Australia Foundation Incorporated	Australia	100	100
(c) ITEK Ventures Pty Ltd	Australia	100	100
(d) UniSA Health Pty Ltd	Australia	100	100

(a) ITEK Pty Ltd (ITEK)
ITEK Pty Ltd was formed on 1 July 1999 and is the trustee for the ITEK Trust. The ITEK Trust provided the University with business incubation and technology commercialisation services. Its role was 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.

(a) ITEK Pty Ltd (ITEK) (continued)

In October 2011, the University's Council approved moving the Trusts operations to a for profit company structure. An Asset Sale Agreement was executed and became effective on 1 December 2011 transferring investment assets, plant and equipment and employee liabilities of the Trust to the newly incorporated for profit entity, ITEK Ventures Pty Ltd.

(b) University of South Australia Foundation Incorporated (the Foundation)

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2012. This company will remain legally intact indefinitely to ensure that any future bequests, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

(c) ITEK Ventures Pty Ltd

ITEK Ventures Pty Ltd was incorporated on 15 November 2011 and is wholly owned by the University. The University was allotted four million Ordinary Shares, issued at $1.00 per share.

ITEK Ventures Pty Ltd provides the University with business incubation and technology commercialisation services. Its 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.

(d) UniSA Health Pty Ltd

UniSA Health Pty Ltd was incorporated on 13 September 2011 and is wholly owned by the University. The University was allotted 10 ordinary shares, issued at $1.00 per share.

The core business of UniSA Health Pty Ltd will initially be to contribute to quality teaching through the provision of placements to undergraduate and postgraduate students through a private clinic and to provide high quality patient care and health prevention/promotion to University staff and students.

33. Investments in associates

SABRENet Ltd (SABRENet)

SABRENet is incorporated in Australia and was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian universities and the SA Government. Defence Science and Technology Organisation (DSTO) is a contractual partner.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided $250 000 to SABRENet which has been recognised as an expense in the year payment was made. Consequently, the University's interest in SABRENet has not been recognised in the accounts on an equity basis.

South Australian Health and Medical Research Institute (SAHMRI)

SAHMRI was established by the SA Government and in collaboration with the South Australian research community, health sector and universities seeks to fundamentally improve the quality of life for all people, through innovative, world class and groundbreaking health and medical research. As South Australia's flagship research facility, SAHMRI will provide a clear focal point for health and medical research in the State.

While the University is considered to have significant influence over SAHMRI, its interest has no right to residual assets. Consequently the University's interest in SAHMRI has not been recognised in the accounts on an equity basis.

34. Interests in joint ventures

(a) Joint venture operations

The University's interests in joint venture operations are as follows:

			Ownership interest	
			2012	2011
Entity		Reporting date	%	%
(i)	Mawson Centre Building	31 December	63	63
(ii)	e-Research SA	31 December	33	33
(iii)	SA node of the Australian National Fabrication Facility (ANFF)	30 June	-	-

(i) *Mawson Centre Building*

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department for Education and Child Development (DECD) entered into an agreement in 2003 to design, develop, construct and 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% share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19% share and DECD holding an 18% share.

In 2010 the building was independently revalued and the University's 63% share of the asset's carrying amount as at 31 December 2012 is $6.994 million ($7.16 million) which is included in buildings.

(ii) *eResearch SA (formerly South Australian Partnership for Advanced Computing (SAPAC))*

eResearch SA is a collaborative joint venture of the three South Australian universities and its mission is to support the development, implementation and use of eResearch methodologies and activities in South Australia and to provide access to eResearch facilities and practical support for researchers from all disciplines. The University's 33% share of this joint venture has not been included in the consolidated report as this is immaterial to the University's activities.

(iii) *South Australian node of the Australian National Fabrication Facility (ANFF)*

Established in 2007, under the National Collaborative Research Infrastructure Strategy, the ANFF links seven university based nodes to provide researchers and industry with access to state of the art fabrication facilities. Each node offers a specific area of expertise including advanced materials, nano-electronics and photonics and bio nano-applications. The ANFF is a company limited by guarantee and no contributions were made to the ANFF during the year.

(b) ***Joint venture entities***

The University has an interest in a number of joint venture entities as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

Entity		Reporting date	Ownership interest 2012 %	2011 %
(i)	Australian Centre for Community Ageing	30 June	25.00	25.00
(ii)	Cooperative Research Centre for Infrastructure and Engineering Asset Management	30 June	12.27	12.27
(iii)	South Australian Consortium for Information Technology and Telecommunications	31 December	33.33	33.33
(iv)	South Australian Tertiary Admissions Centre	31 December	25.00	25.00
(v)	AutoCRC (previously the Cooperative Research Centre for Advanced Automotive Technology)	30 June	0.00	8.90
(vi)	Automotive Australia 2020 CRC (previously AutoCRC)	30 June	8.20	0.00
(vii)	Cooperative Research Centre for Contamination Assessment and Remediation of the Environment	30 June	0.00	22.76
(viii)	Cooperative Research Centre for Contamination Assessment and Remediation of the Environment II	30 June	8.30	0.00
(ix)	Cooperative Research Centre for Polymers	30 June	0.00	1.67
(x)	Cooperative Research Centre for Rail Innovation	30 June	8.98	9.66
(xi)	Australian Seafood Cooperative Research Centre	30 June	0.00	1.06
(xii)	Australian Synchrotron	30 June	1.00	1.00
(xiii)	Defence Systems Innovation Centre	30 June	33.33	33.33
(xiv)	The Cooperative Research Centre for Remote Economic Participation	30 June	6.70	7.82
(xv)	Australian Centre for Plant Functional Genomics	31 December	1.10	1.10
(xvi)	Wound Management Innovation Cooperative Research Centre	30 June	10.80	8.61
(xvii)	Bushfire Cooperative Research Centre	30 June	2.80	0.00

(i) *Australian Centre for Community Ageing (ACCA)*
The ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected Research Centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members with an aim of applying outcomes of quality research in ageing issues into practical solutions for older people, as well as informing those who supply older people with goods and services.

(ii) *Cooperative Research Centre for Infrastructure Engineering Asset Management (CIEAM)*
The CIEAM is a national cooperative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life cycle physical asset management to meet present and future needs to ensure international competiveness and sustainability of Australian industry.

(iii) *South Australian Consortium for Information Technology and Telecommunications (SACITT)*
The SACITT brings together the three universities of South Australia and is supported by an advisory board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australian 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.

(iv) *South Australian Tertiary Admissions Centre (SATAC)*
The SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. The SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

(v) *AutoCRC (previously Cooperative Research Centre for Advanced Automotive Technology)*
The AutoCRC was created in December 2005 as part of a national strategy to secure Australia's position in the global automotive industry. The AutoCRC aims to deliver outcomes that will directly enhance the viability and sustainability of the Australian automotive industry, its capability to export and its productivity. The AutoCRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated. The first tranche of funding for AutoCRC continued until June 2012.

(vi) *Automotive Australia 2020 CRC (previously AutoCRC)*
The Automotive Australia 2020 CRC was established in July 2012, in succession of the AutoCRC. The research agenda of Automotive Australia 2020 is focused on vehicle electrification, gaseous fuels and sustainable automotive manufacturing. New international participants in the CRC complement the skills of the existing cohort, ensuring that outputs and knowledge created from the AutoCRC are integrated into high growth global supply chains.

(vii) *Cooperative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE I)*
The CRC CARE was established under the Federal Government's CRC Program in 2005 to bring together Australia's foremost expertise in science, industry and government. The CRC CARE is a research and development organisation providing cutting edge technologies and knowledge in assessing, preventing and remediating contamination of soil, water and air. The first phase of this CRC ended in 2011.

(viii) *Cooperative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE II)*
The CRC CARE was established under the Federal Government's CRC Program in 2005 to bring together Australia's foremost expertise in science, industry and government. The CRC CARE is a research and development organisation providing cutting edge technologies and knowledge in assessing, preventing and remediating contamination of soil, water and air. The CRC entered its second phase in 2011 with a completion date of 2020.

(ix) Cooperative Research Centre for Polymers (CRC Polymers)
The CRC for Polymers conducts leading edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design. The Centre is an incorporated joint venture between organisations that include companies, universities and government research laboratories. UniSA is not a participant within the second phase of this CRC, which commenced in 2012.

(x) Cooperative Research Centre for Rail Innovation (CRC for Rail Innovation)
The CRC for Rail Innovation commenced 1 July 2007 and is a collaborative joint venture between leading organisations in the Australian rail industry and Australian universities and is supported by the Commonwealth Government. It seeks to build on the successful collaborative arrangements and approaches from the former Rail CRC by meeting growing transport needs identified by both the rail industry and researchers.

(xi) Australian Seafood Cooperative Research Centre (Australian Seafood CRC)
The Australian Seafood CRC has a vision to assist the seafood industry to profitably deliver safe, high quality and nutritious Australian seafood products to premium domestic and overseas markets. It aims to stimulate and provide comprehensive seafood related research and development and industry leadership on a national basis to address institutional and market failure in many of the Australian seafood industry's value chains. The Australian Seafood CRC will undertake research programs covering value chain profitability and product quality and integrity.

(xii) Australian Synchrotron (via the SA/La Trobe consortium)
The Australian Synchrotron is a joint venture entity funded by the Victorian State Government and various funding partners, one of which is the University of South Australia, a founding member as part of the South Australia/La Trobe University consortium. The Australian Synchrotron was established with an initial subscription of $150 million and is an essential tool for new science providing world leading technical capability to serve universities, research organisations and industry. The facility promotes the international collaboration to leading edge R&D and is a hub for research that will greatly benefit Australia and our regional neighbours.

(xiii) Defence Systems Innovation Centre (DSIC)
DSIC is an unincorporated joint venture between the University of South Australia, University of New South Wales and The University of Adelaide. Its purpose is to deliver joint projects, contractual based studies, consultancies, postgraduate courses, and an in-house research program focused on collaborative projects of direct relevance to the defence community.

(xiv) Cooperative Research Centre for Remote Economic Participation (CRC REP)
The CRC REP delivers solutions to the economically disadvantaged in remote Australia. The CRC REP will systemically investigate and provide practical responses to the complex issues that drive economic participation in Australia's remote regions.

(xv) Australian Centre for Plant Functional Genomics (ACPFG)
The ACPFG focuses on improving wheat and barley's tolerance to environmental stresses such as drought, heat, salinity and nutrient toxicities. ACPFG research is helping to ensure Australia maintains its competitive position in cereal production.

(xvi) Wound Management Innovation Cooperative Research Centre (WMI CRC)
The WMI CRC focuses on developing strategies, diagnostics and treatments to accelerate healing, prevent wound infection and reduce scar development in acute wounds. It will improve knowledge of key factors underlying chronic wound development, healing and effective care.

(xvii) Bushfire Cooperative Research Centre (Bushfire CRC)
The Bushfire CRC aims to improve the management of the bushfire risk to the community in an economically and ecologically sustainable manner. The CRC seeks to develop an internationally renowned centre of excellence to lead bushfire research in Australia, establish a research framework to enhance the effectiveness of bushfire management agencies, and to increase the self sufficiency of communities in managing the risks from bushfires.

35. Events occurring after the balance sheet date

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

36.	**Reconciliation of operating results after income tax to net cash flows from operating activities**	Consolidated		University	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
	Operating result for the period	32 539	72 162	32 285	73 102
	Non-cash items:				
	Depreciation and amortisation	31 683	29 275	31 662	29 261
	Non-cash donations	(330)	(629)	(330)	(629)
	Capital assets accrual	308	28	310	(32)
	Library collection revaluation	3 218	(662)	3 218	(662)
	Net loss (gain) on sale of property, plant and equipment	556	377	554	377
	Net loss (gain) on sale of available-for-sale financial assets	2	(185)	2	(124)
	Fair value gains on other financial assets at fair value through profit or loss	90	(185)	-	(185)
	Movements in operating assets and liabilities:				
	Receivables	11 621	(4 351)	12 079	(4 511)
	Other assets	(616)	4 187	(507)	17 346
	Payables	659	1 936	575	2 150
	Provisions	2 483	7 294	2 480	7 350
	Other liabilities	(1 504)	22 505	(1 906)	22 443
	Net cash provided by (used in) operating activities	80 709	131 752	80 422	145 886

37.	**Non-cash investing and financing activities**				
	Donations of works of art and library materials	330	629	330	629
	Total non-cash investing and financing activities	330	629	330	629

38. Assets and liabilities of trusts for which the University is custodian

During the year the University was custodian for the Donald Dyer Scholarship Fund and Irene & David Davy Scholarship Fund.

39. Financial risk management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The University does not hold any derivative instruments.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice to manage the market risk of its investments.

Risk management is coordinated by the University under policies approved by Council. The University identifies and evaluates financial risks in close cooperation with the University's operating units.

(a) Market risk

(i) Foreign exchange risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2012 the University held MYR137 000 (AUD43 000) (MYR194 000 (AUD60 000)) in an offshore bank account.

During 2012 the University entered into three hedging contracts totalling USD4.109 million (AUD4 million) to mitigate foreign exchange risk for probable forecasted transactions in foreign currencies therefore classified as a fair value hedge. The fair value is recorded as a net payable amount of AUD42 000 (Net receivable of AUD56 000).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The University no longer holds a bill facility with the NAB due to the high available cash balance.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to holds fixed rate assets and liabilities to maturity.

(iii) Risk associated with available-for-sale assets

Investments mainly comprise investments in listed entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time; however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long-term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are rarely used. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the statement of financial position is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

(c) Liquidity risk

The University maintained a $35 million bill facility with the NAB which was a drawdown facility, available to 31 October 2011. The University did not enter into a new facility.

The following tables summarise the maturity of the Group's financial assets and financial liabilities:

2012	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	5+ years $'000	Non-interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	5.30	294 031	-	-	-	294 031
Receivables		-	-	-	23 801	23 801
Other financial assets		-	-	-	7 437	7 437
Accrued income		-	-	-	4 669	4 669
Total financial assets		294 031	-	-	35 907	329 938
Financial liabilities:						
Payables		-	-	-	35 072	35 072
Other		-	-	-	1 803	1 803
Funds held on behalf of external entities		-	-	-	30 443	30 443
Total financial liabilities		-	-	-	67 318	67 318
2011						
Financial assets:						
Cash and cash equivalents	5.70	261 616	-	-	-	261 616
Receivables		-	-	-	35 422	35 422
Other financial assets		-	-	-	6 232	6 232
Accrued income		-	-	-	3 993	3 993
Total financial assets		261 616	-	-	45 647	307 263
Financial liabilities:						
Payables		-	-	-	34 413	34 413
Other		-	-	-	2 762	2 762
Funds held on behalf of external entities		-	-	-	29 332	29 332
Total financial liabilities		-	-	-	66 507	66 507

(d) Fair value estimation

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values.

40. Acquittal of Australian Government financial assistance

40.1 Commonwealth Grant Scheme and other grants

	Commonwealth Grants Scheme 2012 $'000	Commonwealth Grants Scheme 2011 $'000	Indigenous Support Program 2012 $'000	Indigenous Support Program 2011 $'000	Partnership & Participation Program 2012 $'000	Partnership & Participation Program 2011 $'000	Disability Support Program 2012 $'000	Disability Support Program 2011 $'000
Financial assistance received in cash during the reporting period	160 560	156 126	1 008	1 008	6 038	4 852	97	131
Net accrual adjustments	1 391	(3 438)	138	-	-	-	-	-
Revenue for the period	161 951	152 688	1 146	1 008	6 038	4 852	97	131
Movement in deferred income	-	-	-	-	-	-	-	-
Surplus (Deficit) from the previous year	-	-	-	-	676	602	394	462
Total revenue including accrued revenue	161 951	152 688	1 146	1 008	6 714	5 454	491	593
Expenses including accrued expenses	(161 951)	(152 688)	(1 146)	(1 008)	(6 482)	(4 778)	(123)	(199)
Surplus (Deficit) for the reporting period	-	-	-	-	232	676	368	394

	Capital Development Pool 2012 $'000	Capital Development Pool 2011 $'000	Diversity & Structural Adjustment Fund 2012 $'000	Diversity & Structural Adjustment Fund 2011 $'000	Transitional Cost Program 2012 $'000	Transitional Cost Program 2011 $'000	Promo of Exc in Learning & Teaching 2012 $'000	Promo of Exc in Learning & Teaching 2011 $'000
Financial assistance received in cash during the reporting period	-	2 051	-	1 520	638	535	378	-
Net accrual adjustments	-	-	3 260	464	(305)	115	(249)	-
Revenue for the period	-	2 051	3 260	1 984	333	650	129	-
Movement in deferred income	-	-	(3 260)	(464)	-	-	249	-
Surplus (Deficit) from the previous year	4 900	2 868	8 284	8 685	-	-	-	-
Total revenue including accrued revenue	4 900	4 919	8 284	10 205	333	650	378	-
Expenses including accrued expenses	-	(19)	(3 247)	(1 921)	(333)	(650)	(68)	-
Surplus (Deficit) for the reporting period	4 900	4 900	5 037	8 284	-	-	310	-

	Reward Funding 2012 $'000	Reward Funding 2011 $'000	Chair in Child Protection 2012 $'000	Chair in Child Protection 2011 $'000	Total 2012 $'000	Total 2011 $'000
Financial assistance received in cash during the reporting period	835	-	1 190	1 147	170 744	167 370
Net accrual adjustments	-	-	(276)	(492)	3 959	(3 351)
Revenue for the period	835	-	914	655	174 703	164 019
Movement in deferred income	-	-	276	492	(2 735)	28
Surplus (Deficit) from the previous year	-	-	1 206	717	15 460	13 334
Total revenue including accrued revenue	835	-	2 396	1 864	187 428	177 381
Expenses including accrued expenses	(835)	-	(914)	(658)	(175 099)	(161 921)
Surplus (Deficit) for the reporting period	-	-	1 482	1 206	12 329	15 460

40.2 Higher Education Loan programs (excluding OS-HELP)

	HECS-HELP (Aust. Govt payments only) 2012 $'000	HECS-HELP (Aust. Govt payments only) 2011 $'000	FEE-HELP 2012 $'000	FEE-HELP 2011 $'000	SA-HELP 2012 $'000	SA-HELP 2011 $'000	Total 2012 $'000	Total 2011 $'000
Cash payable (receivable) at 1 January	1 440	(3 534)	-	-	-	-	1 440	(3 534)
Financial assistance received in cash during the reporting period	91 022	89 382	7 729	7 445	654	-	99 405	96 827
Cash available for the reporting period	92 462	85 848	7 729	7 445	654	-	100 845	93 293
Revenue earned	91 700	84 408	8 998	7 445	1 124	-	101 822	91 853
Cash payable (receivable) at 31 December	762	1 440	(1 269)	-	(470)	-	(977)	1 440

40.3 Scholarships

	Australian Postgraduate Awards 2012 $'000	Australian Postgraduate Awards 2011 $'000	International Postgraduate Research Scholarships 2012 $'000	International Postgraduate Research Scholarships 2011 $'000	Commonwealth Education Cost Scholarships 2012 $'000	Commonwealth Education Cost Scholarships 2011 $'000	Commonwealth Accommodation Scholarships 2012 $'000	Commonwealth Accommodation Scholarships 2011 $'000
Financial assistance received in cash during the reporting period	4 926	4 058	448	419	507	1 665	281	937
Net accrual adjustments	-	-	-	-	339	(811)	209	(438)
Revenue for the period	4 926	4 058	448	419	846	854	490	499
Movement in deferred income	-	-	-	-	(339)	811	(208)	438
Surplus (Deficit) from the previous year	851	738	-	-	978	43	392	329
Total revenue including accrued revenue	5 777	4 796	448	419	1 485	1 708	674	1 266
Expenses including accrued expenses	(4 475)	(3 945)	(448)	(419)	(113)	(730)	(384)	(874)
Surplus (Deficit) for the reporting period	1 302	851	-	-	1 372	978	290	392

40.3 Scholarships (continued)

	Indigenous Access Scholarships 2012	Indigenous Access Scholarships 2011	Indigenous Staff Scholarships 2012	Indigenous Staff Scholarships 2011	Total 2012	Total 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	49	(8)	-	-	6 211	7 071
Net accrual adjustments	-	-	-	-	548	(1 249)
Revenue for the period	49	(8)	-	-	6 759	5 822
Movement in deferred income	-	-	-	-	(547)	1 249
Surplus (Deficit) from the previous year	-	29	12	12	2 233	1 151
Total revenue including accrued revenue	49	21	12	12	8 445	8 222
Expenses including accrued expenses	(54)	(21)	-	-	(5 474)	(5 989)
Surplus (Deficit) for the reporting period	(5)	-	12	12	2 971	2 233

40.4 DIISR Research

	Joint Research Engagement Scheme 2012	Joint Research Engagement Scheme 2011	Research Training Scheme 2012	Research Training Scheme 2011	Research Infrastructure Block Grants 2012	Research Infrastructure Block Grants 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	7 707	7 284	12 548	11 700	2 956	2 712
Net accrual adjustments	-	-	-	-	-	-
Revenue for the period	7 707	7 284	12 548	11 700	2 956	2 712
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total revenue including accrued revenue	7 707	7 284	12 548	11 700	2 956	2 712
Expenses including accrued expenses	(7 707)	(7 284)	(12 548)	(11 700)	(2 956)	(2 712)
Surplus (Deficit) for reporting period	-	-	-	-	-	-

	Commercialisation Training Scheme 2012	Commercialisation Training Scheme 2011	Sustainable Research Excellence in Universities 2012	Sustainable Research Excellence in Universities 2011	Total 2012	Total 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	-	144	1 937	1 694	25 148	23 534
Net accrual adjustments	(184)	-	-	-	(184)	-
Revenue for the period	(184)	144	1 937	1 694	29 964	23 534
Surplus (Deficit) from the previous year	294	150	-	-	294	150
Total revenue including accrued revenue	110	294	1 937	1 694	25 258	23 684
Expenses including accrued expenses	(110)	-	(1 937)	(1 694)	(25 258)	(23 390)
Surplus (Deficit) for reporting period	-	294	-	-	-	294

40.5 Other capital funding

	Teaching & Learning Capital Fund 2012	Teaching & Learning Capital Fund 2011	Education Investment Fund 2012	Education Investment Fund 2011	Total 2012	Total 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	-	-	23 866	37 978	23 866	37 978
Net accrual adjustments	-	-	(11 366)	3 726	(11 366)	3 726
Revenue for the period	-	-	12 500	41 704	12 500	41 704
Surplus (Deficit) from the previous year	2 488	11 228	11 988	666	14 476	11 894
Total revenue including accrued revenue	2 488	11 228	24 488	42 370	26 976	53 598
Expenses including accrued expenses	(2 488)	(8 740)	(21 465)	(30 382)	(23 953)	(39 122)
Surplus (Deficit) for the reporting period	-	2 488	3 023	11 988	3 023	14 476

40.6 Australian Research Council grants

(i) Discovery

	Projects 2012	Projects 2011	Fellowships 2012	Fellowships 2011	Indigenous Researchers Development 2012	Indigenous Researchers Development 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	3 433	3 584	1 597	1 847	70	67
Net accrual adjustments	(520)	405	(89)	(599)	(7)	(63)
Revenue for the period	2 913	3 989	1 508	1 248	63	4
Movement in deferred income	499	(200)	90	599	7	63
Surplus (Deficit) from the previous year	2 039	2 239	864	265	63	-
Total revenue including accrued revenue	5 451	6 028	2 462	2 112	133	67
Expenses including accrued expenses	(2 913)	(3 989)	(1 509)	(1 248)	(63)	(4)
Surplus (Deficit) for the reporting period	2 538	2 039	953	864	70	63

	Early Career Researcher Award 2012	Early Career Researcher Award 2011	Total 2012	Total 2011
	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	506	-	5 606	5 498
Net accrual adjustments	(94)	-	(710)	(257)
Revenue for the period	412	-	4 896	5 241
Movement in deferred income	94	-	690	462
Surplus (Deficit) from the previous year	-	-	2 966	2 504
Total revenue including accrued revenue	506	-	8 552	8 207
Expenses including accrued expenses	(412)	-	(4 897)	(5 241)
Surplus (Deficit) for the reporting period	94	-	3 655	2 966

(ii) Linkages

	Special Research Initiatives		Infrastructure		International	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	-	-	300	-	-	-
Net accrual adjustments	249	-	(235)	259	4	15
Revenue for the period	249	-	65	259	4	15
Movement in deferred income	(54)	79	247	(400)	(4)	(15)
Surplus (Deficit) from the previous year	79	-	-	400	3	18
Total revenue including accrued revenue	274	79	312	259	3	18
Expenses including accrued expenses	(249)	-	(65)	(259)	(3)	(15)
Surplus (Deficit) for the reporting period	25	79	247	-	-	3

	Projects		Total	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	2 312	3 782	2 612	3 782
Net accrual adjustments	1 025	(1 070)	1 043	(796)
Revenue for the period	3 337	2 712	3 655	2 986
Movement in deferred income	(893)	881	(704)	545
Surplus (Deficit) from the previous year	3 901	3 020	3 983	3 438
Total revenue including accrued revenue	6 345	6 613	6 934	6 969
Expenses including accrued expenses	(3 337)	(2 712)	(3 654)	(2 986)
Surplus (Deficit) for the reporting period	3 008	3 901	3 280	3 983

(iii) Networks and Centres

	Research Networks		Centres		Total	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period	-	-	-	-	-	-
Net accrual adjustments	-	9	71	70	71	79
Revenue for the period	-	9	71	70	71	79
Movement in deferred income	-	(9)	-	-	-	(9)
Surplus (Deficit) from the previous year	-	9	-	-	-	9
Total revenue including accrued revenue	-	9	71	70	71	79
Expenses including accrued expenses	-	(9)	(71)	(70)	(71)	(79)
Surplus (Deficit) for the reporting period	-	-	-	-	-	-

40.7 OS-HELP

	2012	2011
	$'000	$'000
Cash received during the reporting period	486	460
Cash spent during the reporting period	(426)	(531)
Net cash received	60	(71)
Net accrual adjustments	(60)	67
Surplus (Deficit) from the previous period	-	4
Surplus (Deficit) for the reporting period	-	-

40.8 Superannuation supplementation

	2012	2011
Cash received during the reporting period	29 271	25 617
Surplus (Deficit) from the previous period	(580)	891
Cash available for current period	28 691	26 508
Contributions to specified defined benefit funds	(27 834)	(27 088)
Surplus (Deficit) for the reporting period	857	(580)

41. Acronyms and definitions

The following acronyms and terminology are used throughout the financial statements:

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ARC	Australian Research Council
ASIC	Australian Securities & Investment Commission
ATO	Australian Taxation Office
AUD	Australian dollar
CPI	Consumer price index
CRC	Co-operative Research Centre
DBD	UniSuper Defined Benefit Division
DECD	SA Government Department for Education and Child Development
DFEEST	SA Government Department of Further Education, Employment, Science and Technology
DETYA	Australian Government Department of Education, Training and Youth Affairs
DIISRTE	Australian Government Department of Industry, Innovation, Science, Research and Tertiary Education
GST	Goods and services tax
HECS	Higher Education Contribution Scheme
MYR	Malaysian ringgit
NAB	National Australia Bank
NHMRC	National Health and Medical Research Council
Safety margin	Operating result as a percentage of total income
USD	United States dollar

Urban Renewal Authority

Functional responsibility

Establishment

The Urban Renewal Authority (URA) is a statutory corporation established on 1 March 2012 by the Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulations 2012 under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

The trading name of the URA is Renewal SA.

The URA incorporates the functions and resources of the former Land Management Corporation (LMC) and certain land, buildings and housing stock assets, employees and functions from Defence SA and the South Australian Housing Trust (SAHT).

Functions

The URA has responsibility for leading and coordinating urban renewal activity to ensure future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

Note 1 to the financial statements explains the objectives of the URA.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 27(4) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the URA for each financial year.

Assessment of controls

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

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

Scope of the audit

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

During 2012-13, areas of review included:

- corporate governance
- sales
- property income
- expenditure
- payroll
- inventory
- cash
- general ledger
- creditor account payment performance.

Internal audit activities and reports were also reviewed.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Chief Executive of the URA. The URA's response to the letter indicated that appropriate action would be taken to address the matters raised. The main matters raised with the URA and the related responses are detailed below.

Establishment and approval of key corporate governance documentation

Audit review indicated that key components of the URA's corporate governance framework are yet to be finalised and approved, including the ownership framework, charter and strategic plan. It is of particular concern that the URA has operated without these key components of its corporate governance framework for a period of more than 12 months.

The finalisation and approval of these documents is necessary to confirm the URA's approved strategic direction, functions and funding arrangements.

Audit recommended the URA finalise the ownership framework, charter and strategic plan and obtain appropriate approvals as soon as possible.

The URA responded that it is committed to finalising a new ownership framework as soon as possible for submission to the Minister and Treasurer for formal Cabinet approval. Significant work has been undertaken to date to progress towards a new ownership framework. This includes developing an appropriate funding model and capital structure for the URA that enables delivery of the objectives set by government for the URA, in a financially sustainable manner, against government's expectation of dividends and returns.

In February 2013, the URA commenced a financial review project and engaged an external consultant to assist the organisation in undertaking the necessary commercial assessment and financial review in preparation for developing a new ownership framework.

The financial review project is nearing completion with the final deliverable of benchmarking against key government land organisations and private sector developers anticipated in early September 2013. A report is currently being prepared for the URA Board of Management (the Board) that will inform the approach and negotiation process for the new ownership framework.

The URA charter was submitted to the Minister for Housing and Urban Development on 27 June 2013. The Minister has signed the charter and forwarded it to the Treasurer for approval.

The URA has also prepared a draft 2013-2017 strategic plan that has been considered by the Board. It is anticipated that the plan will be submitted to the Board for their approval at its September 2013 meeting.

Procurement

The URA has established a quarterly procurement compliance audit process whereby a sample of procurement processes are selected each quarter to ensure they comply with all requirements of the URA's procurement framework. The March 2013 quarterly audit identified widespread and significant instances of non-compliance with the URA's procurement framework.

Given the high level of non-compliance with the procurement framework, there is a risk that all key procurement activities and tasks required by procurement policies and procedures may not be completed. As a result, there is an increased likelihood the URA may not obtain maximum value for money from procurement contracts. The URA may also lack assurance that probity has been maintained throughout procurement processes.

Audit recommended the URA investigate alternative strategies to improve compliance with procurement framework requirements, including focused training of staff and the development of system based templates and work flows for key procurement tasks and documentation requirements.

The URA responded that an internal audit review of procurement processes is currently being conducted. This review will identify key priority areas for control redesign which may include recommendations on the level of dependence on manual processing and systemisation of procurement tasks and documentation requirements.

The URA has also performed an analysis of the root causes for non-compliance in conjunction with the internal auditors. The URA will investigate alternative strategies to improve compliance in consultation with internal audit, including a review of procurement processes in similar organisations.

Contract management

In the prior year, Audit noted that a formalised contract management framework was yet to be implemented in accordance with the recommendations of the internal audit contract management review, including the:

- development and implementation of contract management policies and supporting procedures and tools to achieve consistent and tailored contract management processes across agency operations
- development of a template contract management plan to be rolled out to a selective range of high value and/or high risk contracts.

Audit follow-up in 2012-13 indicated a new URA contract management policy has been drafted, however a formal contract management framework is yet to be finalised, approved and implemented.

Given effective contract management practices are critical to the URA's operations, it is crucial that the URA establishes a robust approach to contract management.

Audit recommended that the URA implement the recommendations arising from the internal audit contract management review as soon as possible.

The URA responded that it is committed to delivering the agreed management actions from the internal audit contract management review subject to available resources and budget.

A draft contract management policy and framework has been completed and will be provided to the October 2013 meeting of the Audit and Risk Committee. It is planned that the policy and framework will be finalised and implemented by the end of December 2013.

Procedures and tools to achieve a consistent and tailored contract management process across the URA and the formation of template contract management plans for a range of contracts will be developed and implemented by the end of January 2014.

Policies and procedures

The Board formally adopted the former LMC's policies and procedures on 14 March 2012. Audit review indicated that accounts payable, human resources, general ledger, cash and revenue policies and procedures have not been reviewed or updated since the former LMC's policies and procedures were adopted.

TI 2.5 requires chief executives to ensure that policies and procedures are reviewed on a regular basis. Audit believes it is particularly important to update existing finance and human resources policies and procedures given they relate to former LMC organisational structures, processes and practices.

The URA has advised that finance and human resources policies and procedures were not updated during 2012-13 owing to competing resource demands associated with higher risk priority areas, including the establishment of strategic frameworks for the agency, reviews of budget performance and financial sustainability and transition issues associated with recently transferred employees from SAHT and Defence SA. The URA has indicated that the update of finance and human resources policies and procedures will be a priority area in 2013-14.

Audit noted the URA's priorities and recommended that the URA review and update the accounts payable, human resources, general ledger, cash and revenue policies and procedures as soon as possible within the proposed timeframe to ensure they reflect current business processes, organisational structures and management expectations. Audit also recommended the URA perform formal monitoring to ensure the timely review and update of all policies and procedures.

The URA responded that policies and procedures will be updated as indicated in 2013-14 and will then be reviewed on a regular basis.

Accuracy of project reporting

Audit review identified instances where whole-of-life project budget information in the e-Financials system did not agree to corresponding information in the most recent Cabinet submission. As a result, e-Financials may not contain accurate whole-of-life project budget information for decision-making purposes.

Audit recommended that the URA perform checks to ensure whole-of-life project budget information in e-Financials accurately reflects the most recently approved cabinet submission for all projects. Audit also recommended the URA implement a protocol to ensure the finance team is made aware of all newly approved project Cabinet submissions in a timely manner.

The URA responded that data integrity analysis is currently being conducted across all data sets used for internal management reporting purposes. An assessment is also being performed to identify improvements to current financial data governance structures.

Expenditure

Last year Audit noted e-system substitution and user maintenance changes were only reviewed on an ad hoc basis as they occurred and when relevant documentation was submitted for review. There was no regular independent review performed to ensure that all substitution and user maintenance changes made in e-systems during a specified time period were valid and accurate.

Audit recommended the URA perform and document regular checks to ensure:

- all changes made to user profiles during the period are accurate and valid, for example all substitutions are consistent with approved higher duties documentation
- all user profiles in e-systems accurately reflect the current delegations of authority, including special delegations relating to interest, tax, payroll and utilities payments.

Audit indicated the checks should be performed at least every six months by officers without e-systems administrator access and also recommended that the e-systems administration procedure be updated to reflect the required checks.

Audit follow-up in 2012-13 indicated the recommended regular checks were yet to be implemented.

The URA responded that the recommended checks would be performed at least every six months by an independent officer without e-systems administrator access. The e-systems administration procedure will also be updated to incorporate the additional control.

Payroll

Audit review indicated a human resources officer had the ability to process payroll data and employee masterfile changes without independent review. Therefore, any inaccurate or invalid changes made by the officer may not have been detected.

Audit review also indicated that two officers had access to enter and process payroll data, add/terminate employees to/from the masterfile and change employee details in the masterfile. Given these officers did not have payroll data processing responsibilities, it was unlikely that this access was required.

Audit recommended the URA amend system access arrangements to ensure the relevant officers do not have the ability to enter and process payroll data, add/terminate employees to/from the masterfile and change employee details in the masterfile.

The URA responded that this recommendation has been implemented and system access for entering, adjusting and processing payroll data has been restricted to the roles with direct responsibility for payroll processing.

General ledger

General ledger reconciliation register not maintained

Last year Audit noted the URA did not perform systematic checks to ensure all general ledger reconciliations were prepared and independently reviewed on a timely basis.

Audit recommended the URA perform systematic checks through the establishment and monitoring of a general ledger reconciliation register or checklist.

The URA responded that a checklist and corresponding review process had been developed, however due to the onset of significant transitional activities the checklist and review process were yet to be put into operational effect.

Audit follow-up in 2012-13 indicated a key reconciliation checklist had been established, however it had not been maintained, completed or signed off during the year.

This increases the risk that not all required general ledger reconciliations were prepared and independently reviewed in a timely manner. As a result, discrepancies between subsidiary systems and the general ledger may not have been adequately followed up and corrected.

Audit recommended the URA perform and document review of the key reconciliation checklist in a timely manner.

The URA responded that it will ensure the checklist is completed in a timely manner.

No system restrictions to prevent posting of unauthorised journals

The URA's journal entry procedure states that all general ledger journals prepared by URA staff must be printed out and checked by an independent reviewer prior to being posted. Audit review indicated that no system restrictions exist in Accpac to ensure all journals posted are appropriately approved prior to posting. Finance staff could therefore bypass the independent review and approval stage and post invalid or inaccurate general ledger journals.

Audit recommended the URA implement a system control in Accpac that requires different officers to prepare and authorise general ledger journals prior to posting or, alternatively, perform a monthly review of all general ledger journals processed to ensure that all journals have been appropriately approved prior to posting.

The URA responded that the monthly review of all general ledger journals for appropriate approval would be implemented and supported by a corresponding procedure.

Inventory

The URA adopted a new approach to capitalising development costs to inventory in 2012-13, whereby a portion of salaries and wages, land tax and borrowing costs are now capitalised to inventory.

This change in approach was not reflected in the URA's capitalisation and development obligations policy.

Audit recommended the URA update the capitalisation and development obligations policy to reflect the new approach to capitalising development costs to inventory. Audit also recommended the policy be supported by a detailed procedure that outlines the processes to be followed in identifying costs to be capitalised in order to ensure compliance with accounting standard requirements.

The URA responded that the policy would be updated to reflect the changes in accounting treatment.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the Board.

The audit identified that the monthly account payment performance report did not include an analysis and/or explanation in respect of payments not made within 30 days of the receipt of the invoice.

The audit also identified instances where the monthly account payment performance report was not provided to the Board in a timely manner.

In addition, the audit noted that documented policies and procedures outlining the systems and internal controls relating to the payment of creditors accounts were only in draft form.

The URA responded that it would address all identified issues with a view to ensuring complete TI 11 compliance by the end of 2013.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	01.03.12 to 31.06.13 $'million
Income		
Sales less cost of sales	56	7
Joint venture profit	7	1
Revenues from government	4	7
Property income	21	7
Interest and other revenue	8	2
Net gain from restructure	82	373
Total income	178	397

	2013 $'million	01.03.12 to 31.06.13 $'million
Expenses		
Employee benefits expenses	18	5
Operating expenditure, depreciation and amortisation	46	13
Borrowing costs	9	2
Loss resulting from changes in value of properties	98	45
Payments to SA Government entities	-	238
Total expenses	171	303
Profit before income tax equivalent	7	94
Total comprehensive result	7	94
Net cash provided by (used in) operating activities	(32)	(246)
Assets		
Current assets	120	126
Non-current assets	540	533
Total assets	660	659
Liabilities		
Current liabilities	335	330
Non-current liabilities	116	127
Total liabilities	451	457
Total equity	209	202

Statement of Comprehensive Income

The variances between the current and prior year are primarily attributable to the four month reporting period in the prior year and the inventory and investment property assets transferred to the URA upon establishment and during 2012-13.

Income

Gross profit for 2012-13 was $56 million comprising revenue from sales of $87 million, less cost of sales of $31 million. Sales revenue primarily relates to Blakes Crossing ($22 million), Playford Alive ($19 million), Woodville West ($9 million), Seaford Meadows ($12 million), Northgate ($10 million) and Seaford Heights ($6 million). For further commentary regarding cost of sales, refer 'Cost of sales' below.

The net gain from restructure in the current year of $82 million recognises the carrying value immediately prior to transfer of the Adelaide Station and Environs Redevelopment (ASER) property transferred to the URA from the Department of Planning, Transport and Infrastructure (DPTI) on 30 June 2013 (refer note 38 to the financial statements). For further commentary regarding this transfer, refer 'Transfer of ASER site to the URA' below.

Refer notes 3 and 4 to the financial statements for further details regarding material sales and cost of sales transactions.

Expenses

Key components of expenses are:

- operating expenditure totalling $45 million, mainly comprising property expenditure, administration expenditure and land tax (this excludes land tax totalling $6 million that has been capitalised to inventory under the URA's new inventory accounting policy)

- employee expenses totalling $18 million, mainly comprising salaries and wages (this excludes employee benefits totalling $4 million that have been capitalised to inventory under the URA's new inventory accounting policy)

- borrowing costs totalling $9 million (this excludes borrowing costs totalling $13 million that have been capitalised to inventory under the URA's new inventory accounting policy)

Refer 'Capitalisation of inventory development costs' below for further commentary regarding the URA's new inventory accounting policy.

Loss resulting from changes in value of properties

The loss resulting from changes in the value of properties in the current year ($98 million) primarily relates to the $81 million (20%) write-down of inventories to the lower of cost or net realisable value based on independent valuations performed at 30 June 2013 (refer note 21 to the financial statements). For further commentary regarding the inventory write-downs, refer 'Inventory' below.

The loss resulting from changes in the value of properties is also due to investment property fair value adjustments totalling $21 million (refer note 22 to the financial statements). The reduction in fair value primarily relates to the ASER property, which was independently revalued as at 30 June 2013 following its transfer from DPTI. Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise. For further commentary regarding the investment property fair value adjustments, refer 'Investment property' below.

Profit before income tax equivalent

The URA's profit before income tax equivalent in the current year is $7 million. This profit figure includes the net gain from restructure revenue associated with the ASER property transfer ($82 million). The URA has obtained approval from the Treasurer to exclude the net gain from restructure from the income tax equivalent calculation. As the URA made a loss of $75 million excluding the net gain from restructure, no income tax equivalent is payable.

Statement of Financial Position

Assets

Total assets increased by $1 million to $660 million. The increase in assets is mainly due to the increase in investment property ($61 million), offset largely by decreases in inventories ($52 million) and mortgage debtor receivables ($8 million).

Inventory

The URA's primary activities involve holding and developing land assets. Land and other property held for sale in the ordinary course of business is classified as inventory. The value of inventory at 30 June 2013 was $400 million, representing 60% of total assets.

The value of inventory includes initial acquisition costs and capitalised development costs, reduced for cost of sales during the year. Annual valuations are performed to ensure inventories are reflected at the lower of cost or net realisable value.

The URA did not purchase or otherwise acquire new inventory stock in 2012-13.

Capitalisation of inventory development costs

The URA revised its accounting policies and processes for the treatment of inventory development costs during 2012-13, in order to ensure greater consistency with industry practice and accounting standard requirements.

The URA now capitalises salaries, land tax and borrowing costs to inventory, where those costs are directly attributable to land currently under development and are necessarily incurred in bringing the inventories to their present condition. These costs are then recognised as part of cost of sales when inventories are sold.

Under the new approach, salaries, land tax and borrowing costs incurred in developing inventories are recognised at the same time as the corresponding sales revenue (ie the recognition of these development costs as an expense is deferred until the relevant inventories are sold). Therefore, operating expenditure is reduced and profit is increased in the period before the inventories are sold. The impact on profit of this change in approach will be particularly significant in a slow land sales environment.

The total development costs capitalised in 2012-13 were $56 million ($28 million) (refer note 21 to the financial statements). These costs primarily relate to Edinburgh Parks ($11 million), Tonsley ($11 million), Bowden Urban Village ($8 million) and Playford Alive ($8 million).

The salaries, land tax and borrowing costs capitalised to inventories are reflected in notes 11, 14 and 15 to the financial statements respectively.

The impact of the changes in accounting policies on comparative figures is reflected in note 39 to the financial statements.

Cost of sales

The cost of sales attributable to inventories sold during the year was $32 million. Cost of sales comprises all direct material acquisition, development and holding costs. The carrying amount of any inventory held for sale is expensed as a cost of sale when settlement occurs. Where applicable, a portion of future development obligations in respect of land that has been sold is also recognised in cost of sales when settlement occurs.

Inventory valuations

In order to ensure inventories were recognised at the lower of cost or net realisable value in accordance with AASB 102, the URA independently revalued all inventories as at 30 June 2013. Independent valuations by qualified valuers form the most reliable basis for measuring land and property assets.

The decrease in inventories is primarily due to write-downs to the lower of cost or net realisable value based on independent valuations performed at 30 June 2013 (refer note 21 to the financial statements). The write-downs totalled $81 million and are mainly attributable to inventories in Bowden (former Clipsal site - $34 million), Tonsley (former Mitsubishi Motors site - $24 million), Woodville West (former SAHT development - $12 million) and Osborne North (former Defence SA development - $8 million).

The Bowden and Tonsley sites were not subject to independent valuation in 2011-12. At the time, the URA considered there was a lack of relevant sale and other key development cost information (eg remediation costs) to support a more reliable valuation than acquisition cost.

The valuation methodology adopted in determining net realisable value was the direct comparison approach where subject land and properties were compared directly with sales of other land and properties in similar locations. In cases where there was a lack of recent sales evidence for larger development holdings, valuation modelling was undertaken in order to derive an estimated market value. This approach made allowances for costs which would be incurred in order to make the property ready for sale.

The valuation methodology also assumed an orderly sale program and considered demolition costs, remediation works (including asbestos removal, site contamination treatment and removal) and holding costs.

The major factor contributing to the inventory write-downs is the capital expenditure incurred to date on relevant projects has not yielded corresponding increases in the net realisable value of relevant properties. The development works to date on these properties have limited market value given they are substantially incomplete and significant additional costs are required in order to make the relevant properties ready for sale. The net realisable value of these properties is expected to increase as development works are completed and sales commence.

The other major factor causing these write-downs was a downward trend in Adelaide metropolitan area land values since the last independent valuation of relevant land parcels.

Independent valuations are current as at the date of valuation only. By its nature, the value of land and property assets can change significantly and unexpectedly in a short period of time. Influencing factors include general property market movements, the broader economic environment and matters specific to individual properties.

Fair value of inventory

Recognising that the fair value is materially greater than the recorded book value, the URA has disclosed in a note to the financial statements (refer note 21) the estimated fair value of $1.1 billion with respect to land and improvements held for sale. This is based on independent valuations as at 30 June 2013.

The total fair value of inventories differs significantly to the reported carrying amount of inventories ($400 million). This is due to the measurement basis adopted for inventories under AASB 102. This standard requires inventories to be reflected at the lower of cost or net realisable value and not fair value. Net realisable value is determined using the estimated sales proceeds less marketing and selling costs. Where the net realisable value of properties exceeds their cost, the properties are reflected at cost and not the higher net realisable value amount.

The fair value of individual properties may exceed their cost owing to a number of factors, including the appreciation of land values over time.

Investment property

The URA is a holder of significant investment properties valued at $189 million as at 30 June 2013. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the URA's portfolio of investment properties is reflected at fair value based on annual independent valuations.

The increase in investment property is primarily attributable to the transfer of the ASER property to URA on 30 June 2013 ($82 million). This increase is partly offset by the downward fair value adjustment ($21 million) to reflect independent valuations performed as at 30 June 2013. The downward fair value adjustment primarily relates to the ASER property, which was revalued as at 30 June 2013 following its transfer from DPTI.

The capitalisation of net income method was adopted in determining the fair value of investment properties. This approach involves applying a capitalisation rate to the rental income stream (ie dividing the annual rental income by an assumed capitalisation rate produces an asset value which in the context of the given rental income derives a market comparable yield on investment).

Other assets

The decrease in mortgage debtor receivables is due to scheduled principal payments in the applicable contracts. Mortgage debtor receivables are gradually being paid down as the URA has not entered into any new arrangements of this nature.

Liabilities

Total liabilities decreased by $6 million to $451 million. The decrease in liabilities is mainly due to:

- a $15 million decrease in payables, which is primarily attributable to the earlier payment of invoices compared to the prior year, in particular invoices related to land tax
- a $5 million decrease in unearned income, which is primarily due to the settlement of the Blakeview Stage 3B land sale in 2012-13 (this land sale was paid in instalments and did not settle until 2012-13)
- a $5 million decrease in the provision, which is mainly due to the payment of $5 million to the Newport Quays consortium in accordance with the deed setting out the dispute resolution process for the Port Adelaide Waterfront Redevelopment project termination
- a $4 million decrease in other non-current liabilities, which is attributable to a reduction in Cheltenham trust funds. These funds are disbursed by the URA to the developer of the land formerly occupied by Cheltenham racecourse upon achievement of key deliverables related to affordable housing and the development of open spaces.

These decreases are largely offset by the increase in borrowings ($24 million). The borrowings have increased in order to provide sufficient working capital to fund the URA's general operations and development obligations. Refer to 'Increase in 2012-13 debt ceiling' below for further commentary on the matter of debt management.

Statement of Cash Flows

The following table summarises the net cash flows for 2013.

	2013 $'million	01.03.12 to 30.06.12 $'million
Net cash flows		
Operating	(32)	(246)
Investing	8	-
Financing	23	267
Change in cash	(1)	21
Cash at 30 June	20	21

The decrease in net cash flows used in operating activities is primarily due to the one-off payments made to SA Government entities in the prior year. These payments were made to Defence SA ($185 million) and SAHT ($54 million) and related to the transfer of assets from these agencies to the URA.

The increase in net cash provided by investing activities is primarily attributable to capital repayments by joint ventures.

The net cash provided by financing activities reflects proceeds from borrowings ($51 million), offset partly by repayments of borrowings ($28 million).

Further commentary on operations

Establishment of the URA

Cabinet approved the URA's establishment on 9 February 2012. The URA incorporates the functions and resources of the former LMC, land and buildings held by Defence SA and land and housing stock held by SAHT. URA's functions are set out in Regulation 6 of the Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulations 2012.

The purpose of the URA is to accelerate urban renewal in line with the objectives and targets contained within The 30-Year Plan for Greater Adelaide. This is to be achieved through a focus on the delivery of more affordable housing and better social housing outcomes through targeted and strategic urban renewal projects. The URA will also provide commercial and industrial land to support employment and economic opportunity.

The Cabinet submission approving the establishment of the URA also contained a number of recommendations relating to the transfer of additional functions and assets to the URA.

The resourcing for recommended transfers of additional functions (for example infrastructure coordination) and the full transfer of assets set out in the Cabinet submission are yet to occur as at 30 June 2013.

Borrowings

All of the URA's borrowings are held with SAFA. These borrowings are comprised of Premises SA Scheme loans, project loans, an asset transfer loan and overdraft facility.

Premises SA Scheme loans

The Premises SA Scheme loans were inherited from the Industrial and Commercial Premises Corporation in 2003. The loans were established as part of the Premises SA Scheme for the development of new factory and commercial properties to assist industry. Deferred purchase agreements and accommodation tenure arrangements were entered into with private sector entities for the provision of facilities designed to satisfy particular operating requirements and to secure their presence in South Australia.

The URA has deferred purchase agreements totalling $26 million. For each SAFA loan payable there is a corresponding client loan receivable. These loans each have a schedule for systematic principal repayments over the ten year period of the loan. All of these agreements are scheduled to be fully paid by 2017.

The URA also has tenure agreements totalling $49 million for which rental income is received for the use of the buildings until they are sold. At the time of sale, the relevant SAFA loan is repaid and the difference between the loan and the sales proceeds is paid to DTF as a special dividend.

Project loans

The URA has six project loans which have been approved through Cabinet. The facility limits of these loans are based on the anticipated cash flow needs from the feasibility model included in the Cabinet submission. The loans are drawn down during periods where the project is cash flow negative and repaid during periods where the project is cash flow positive. The original feasibilities for these projects indicate that the loans will be fully repaid by the end of the projects.

The total project loan facility is drawn down by $133 million as at 30 June 2013.

Other loans

An asset transfer loan of $131 million was drawn down in 2012 to fund the assets transferred from SAHT and Defence SA.

The URA has drawn down $30 million out of the $50 million overdraft facility to accommodate project cash flow needs that do not have a separate facility approved through Cabinet.

Four additional loan drawdowns from project loans totalling $46 million have been made during 2012-13. These drawdowns have yet to be allocated to individual projects and elements of the drawdowns are working capital in nature (for example are being used to fund salaries).

Increase in 2012-13 debt ceiling

DTF requires the URA to adopt a core debt management facility approach, consistent with other public non-financial corporations. This requires approval by the Minister and Treasurer for an annual debt ceiling.

The approved debt ceiling for the URA in 2012-13 was $456 million, including a working capital overdraft of $50 million.

Based on cash flow projections performed in February 2013, the URA forecast that the debt ceiling would potentially be breached in May 2013. The URA also forecast that operating losses would continue into 2013-14.

The URA advised the Treasurer that an increase in the overdraft facility from $50 million to $100 million was required to cover operating costs which had impacted on the organisation’s cash outflows and its immediate capacity to operate with its current approved debt ceiling.

The Treasurer responded that a $50 million increase would be made to the URA’s core debt facility rather than its working capital facility and that the increase would expire on 30 June 2014.

The increase in the debt ceiling highlights the URA’s current liquidity issues and the challenges it faces in maintaining sufficient cash reserves to fund its operations.

The need for additional borrowings to fund working capital and operations is primarily attributable to the slow real estate market and consequent impact on sales. The URA currently has insufficient sales revenue to cover operating costs. In order to address this issue, the URA has deferred significant capital expenditure on major projects in 2012-13.

Audit also notes the URA’s current borrowings ($314 million) significantly exceed the URA’s total current assets ($120 million). The URA’s borrowings are classified as current when the maturity date of the loan is within the next 12 months. Historically, SAFA has rolled over loans into subsequent periods when the URA has not had sufficient funds to repay the loan.

However, in the event the current borrowings are not rolled over by SAFA, the URA may encounter significant liquidity and cash management issues.

Inter-agency arrangements

A number of agreements have been drafted to clarify the roles, responsibilities and service obligations of government agencies with housing and infrastructure responsibilities, including:

- the inter-ministerial agreement between the Minister for Social Housing and the Minister for Housing and Urban Development
- the agreement between the SAHT Board and the URA Board
- the Memoranda of Administrative Arrangements (MOAA) with the Department for Communities and Social Inclusion (DCSI) and Department of Planning, Transport and Infrastructure (DPTI).

The URA has advised that the status of these agreements is as follows:

- the inter-ministerial agreement between the Minister for Social Housing and the Minister for Housing and Urban Development is currently with both Ministers for their consideration
- the agreement between the SAHT Board and the URA Board is subject to finalisation of the inter-ministerial agreement and the two Boards determining a requirement for such an agreement
- the MOAA with DCSI is in draft form and will be subject to finalisation of the inter-ministerial agreement
- The MOAA with DPTI has been put on hold as it is expected that the Housing and Urban Development (Administrative Arrangements) (Urban Renewal) Amendment Bill 2013 currently before Parliament will negate the need for an MOAA.

Given the delay in finalising and approving these agreements, the URA’s housing and infrastructure roles and responsibilities in relation to other relevant government agencies may be unclear. As a result, housing and infrastructure roles and responsibilities across relevant agencies may be duplicated or subject to dispute.

It is critical the inter-ministerial and inter-agency agreements are updated and approved as soon as possible.

Port Adelaide Waterfront Redevelopment

Termination of the Port Adelaide Waterfront Redevelopment agreement

On 31 October 2011, the Premier announced that the former LMC would exercise its discretionary right to terminate the Port Adelaide Waterfront Redevelopment agreement (the development agreement) with the Newport Quays Consortium (NQC). As a result, the former LMC was obliged to pay NQC damages which were estimated to amount to $6 million.

The URA assumed the liabilities of the former LMC and is obliged pay to the damages associated with the early termination of the development agreement.

On 18 March 2013, the URA, the State and NQC entered into a deed setting out the dispute resolution process relating to the calculation of the agreed damages amount and other matters.

Pursuant to the deed, the URA and NQC have been undertaking non-binding negotiations with a view to reaching agreement on the quantum of the agreed damages amount contractually due from the URA to NQC. In March 2013, URA paid NQC the amount of $5 million, which represents the monetary performance bond provided by the former LMC to NQC under the development agreement.

As at 30 June 2013, non-binding negotiations are continuing pursuant to the dispute resolution process set out in the deed and no litigation claiming damages has yet been instituted by the NQC against URA arising from the termination of the development agreement.

Note 29 to the URA's financial statements provides further information on the provision set aside for the damages.

Port Adelaide Renewal Project

Following termination of the development agreement, the Port Adelaide Waterfront Redevelopment project has been suspended. The URA is now responsible for planning a new approach to the redevelopment of Port Adelaide under a new project, titled the Port Adelaide Renewal Project.

As part of this new project, the URA has developed proposals for $7.2 million in early activation works to be jointly funded by the State Government and Port Adelaide Enfield Council. The early activation works include:

- construction of a sand beach at Cruickshanks Corner
- design works for landscaping around Harts Mill
- design and construction of a waterfront loop path for shared bike and walking use
- building upgrades works for the visitor information centre
- revised angle parking on St Vincent Street.

Cabinet has approved the delivery of the early activation works by the URA and the works will be undertaken during the next two years.

The URA will also undertake a precinct planning process in parallel to planning for the Port Adelaide Renewal Project.

Playford Alive project

The Playford Alive project was approved in February 2006 by Cabinet. The project involves the physical and community renewal of the existing suburbs of Davoren Park and Smithfield Plains linked to the development of adjacent undeveloped land at Munno Para, Munno Para Downs and Andrews Farm. The project is planned to be completed over 15 to 20 years and will see the existing population of approximately 13 000 people expand to almost 40 000 people over the life of the project.

The URA undertakes a project manager role for the Department for Communities and Social Inclusion in the renewal areas of the project and develops the greenfield component of the project in its own right. The URA also undertakes a coordination role working with government agencies and the City of Playford to ensure the delivery of whole-of-government objectives.

During 2012-13, a number of activities relating to the project were undertaken including:

- eight commercial allotment sales and 87 residential sales

- the completion of two stages of community consultation for the Playford Alive Town Park and finalisation of the concept design

- the delivery of the town centre perimeter roads to create the Woolworths allotments and the commercial allotments on Curtis Road
- the settlement of the Woolworths transaction in the town centre precinct.

Bowden Urban Village

The Bowden project is an urban renewal project which is planned to be completed over 10 to 15 years. The project is expected to house approximately 3000 people in over 2400 dwellings in addition to a substantial commercial and retail component.

The project encompasses an area of approximately 16 hectares of which 10 hectares comprise the former Clipsal site and six hectares comprise the former Origin Energy site. In December 2009 Cabinet approved the purchase of the Origin Energy site at a price of $1 with Origin Energy to pay the Government $12 million towards the cost of site remediation. The site will facilitate a transit oriented development on behalf of the Government.

A master plan for the project was completed in early 2010 and urban design guidelines, a Design Review Panel and a Ministerial Development Plan Amendment Report have been completed.

The Bowden Urban Village Ministerial Development Plan Amendment was gazetted in July 2012 for inclusion in the City of Charles Sturt Development Plan.

During 2012-13, a number of activities relating to the project were undertaken including the:

- opening of the project's first newly rebuilt streets and landscaping works in May 2013
- commencement of site works on the first apartment project in June 2013
- drafting of a concept plan for the proposed upgrade of the parklands opposite the Bowden development site which was presented to the Adelaide City Council Parklands Committee and the Parkland Authority in December 2012 and was endorsed for community consultation
- release of four land parcels comprising 13 separate development sites with all but two sites being sold during 2012-13
- off the plan sale of apartments and terraces from the first land release with all apartments from this release sold as at 30 June 2013.

Tonsley Park project

In December 2009 Cabinet approved the purchase of the former Mitsubishi Motors Tonsley Park manufacturing site at Clovelly Park. The value of the land recognised by the former Department of Trade and Economic Development (now the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE)), was $44 million reflecting a $32 million cash component and a rent-free period provided to Mitsubishi Motors which was valued by the former LMC at $12 million.

The site will be established as an integrated mixed use employment precinct that will support a shift from manufacturing industry to knowledge-intensive industries and economic growth of southern Adelaide in support of South Australia's Strategic Plan.

During the year, the URA supported DMITRE as the lead agency in the ongoing management of the 61 hectare Tonsley Park redevelopment site. The URA managed the physical delivery of the redevelopment including site remediation, establishment of roads, infrastructure, public space and landscaping and sale of allotments to the private sector. DMITRE is responsible for the jobs creation and industry attraction that will support the integration of education with industry, research and development.

During 2012-13, a number of activities relating to the project site were undertaken including:

- the construction of TAFE SA's Sustainable Industries Education Centre which is planned for completion in November 2013. The Centre will open in January 2014 and will cater for over 8000 students per year
- the commencement of preliminary site works on the Flinders University Computer Science, Engineering and Mathematics School building. The building is budgeted to cost $120 million and will accommodate over 2000 students per year
- the public notification of the Tonsley Park Development Plan Amendment in March 2013
- the construction of site infrastructure and public realm areas for stages 1 and 2 of the project commenced, including significant works to the former Mitsubishi main assembly building.

Woodville West project

The Woodville West medium density residential development commenced in 2009 following Cabinet approval for the Department for Communities and Social Inclusion to undertake a renewal project to demolish up to 183 outdated SAHT owned dwellings and create a minimum of 425 new dwellings. Under the project targets, 85% of the dwellings have been earmarked for private sale with the remaining 15% retained as social housing.

The majority of the rights, liabilities, assets, contracts and properties associated with the Woodville West project were transferred from SAHT to URA by notice in The South Australian Government Gazette on 26 April 2012.

At the time of the transfer, SAHT had undertaken significant civil and building works within Stage 1 and the carrying value of the land and improvements was $61.5 million.

During 2012-13, the construction of Stage 1 of the project was completed. Stage 1 of the project comprised 69 apartment and townhouse properties. Eleven of the properties were transferred to SAHT for social housing, 31 properties have been sold to private purchasers and the remaining 27 properties are available for sale to the public.

The Board has endorsed a broad design concept for Stage 2 of the project and planning will continue during 2013-14 prior to commencing further development works.

Transfer of ASER site to the URA

The Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2013 gazetted on 27 June 2013 transferred land, defined by regulation under the *ASER (Restructure) Act 1997* as the site, from the Minister for Transport and Infrastructure (DPTI) to the URA effective 30 June 2013.

The ASER site comprises the Adelaide Railway Station and surrounding areas, including the Adelaide Casino, Intercontinental Hotel and Riverside Building.

The transfer of the ASER site to the URA allows management of the site in the context of URA's lead role in Riverbank precinct planning and also addresses the current inconsistency in land tax recovery for similar commercial sites.

The ASER site originally transferred from TransAdelaide to DPTI in 2008. As DPTI was not a public corporation, it did have the authority to recover land tax from subsidiary site lessees, including the Adelaide Casino, the Intercontinental Hotel and the Riverside Building. As a result, the Government was not recovering approximately $1 million in land tax per year during this time.

In order to facilitate the management of the site in the context of Riverbank precinct planning and enable the recovery of land tax, Cabinet approved the transfer of the site to the URA in June 2013. As a public corporation, the URA has the power to recover land tax under the terms of the relevant lease agreements on behalf of government.

The transfer of ownership of the site will also result in a number of operational functions transferring from DPTI to the URA. The extent of operational aspects to transfer will be subject to the development of a memorandum of understanding between the two agencies. It is expected that the URA will assume responsibility for the payment of outgoings (including all taxes and charges associated with the assets) as well as the recognition of rental revenue and any other cost recovery (including land taxes) from tenants.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	01.03.12 to 30.06.12 $'000
Income:			
Revenue from sales	4	87 345	12 904
Cost of sales	4	31 530	5 442
Gross profit		55 815	7 462
Share of net profits of joint ventures	5.1	7 566	964
Revenues from Commonwealth and SA Government	6	4 188	6 673
Interest revenues	7	3 023	1 171
Property income	8	20 723	6 475
Other revenues	9	4 635	1 218
Total other income		40 135	16 501
Net gain from restructure	38	81 800	373 176
Total income		177 750	397 139
Expenses:			
Employee benefits expenses	11	17 980	4 921
Operating expenditure	14	44 816	12 770
Borrowing costs	15	8 885	1 763
Depreciation and amortisation	23	491	151
Loss resulting from changes in value of properties	21,22	98 385	44 839
Payments to SA Government entities		-	238 489
Net loss from the disposal of non-current assets	10	1	-
Total expenses		170 558	302 933
Profit before income tax equivalent		7 192	94 206
Income tax equivalent expense	17	-	-
Profit after income tax equivalent		7 192	94 206
Total comprehensive result		7 192	94 206

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

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	01.03.12 to 30.06.12 $'000
Current assets:			
Cash and cash equivalents	36	19 717	20 475
Mortgage debtor receivables	19	7 555	7 585
Receivables	20	7 149	4 864
Inventories	21	78 731	91 771
Investment in joint ventures	5.1	7 009	1 655
Total current assets		120 161	126 350
Non-current assets:			
Mortgage debtor receivables	19	21 811	29 363
Receivables	20	3 556	3 556
Inventories	21	320 796	360 081
Investment property	22	189 424	128 347
Property, plant and equipment	23	3 975	3 476
Work in progress	24	-	1 114
Investment in joint ventures	5.1	679	6 645
Total non-current assets		540 241	532 582
Total assets		660 402	658 932
Current liabilities:			
Payables	25	13 859	28 827
Unearned income	28	4 960	10 079
Tax liabilities	27	-	-
Borrowings	26	313 824	283 405
Provision	29	967	5 967
Employee benefits	30	1 554	1 607
Total current liabilities		335 164	329 885
Non-current liabilities:			
Payables	25	313	342
Unearned income	28	10 184	10 558
Borrowings	26	101 041	107 703
Employee benefits	30	3 396	3 652
Other non-current liabilities	31	967	4 647
Total non-current liabilities		115 901	126 902
Total liabilities		451 065	456 787
Net assets		209 337	202 145
Equity:			
Contributed capital		107 939	107 939
Retained earnings		101 398	94 206
Total equity		209 337	202 145

Total equity is attributable to the SA Government as owner

Remuneration commitments	11
Unrecognised contractual commitments - operating leases	32
Unrecognised contractual commitments - capital expenditure	33
Contingent assets and liabilities	34

Statement of Changes in Equity
for the year ended 30 June 2013

	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 1 March 2012	-	-	-
Equity contribution from the SA Government	107 939	-	107 939
Profit after income tax equivalent for 2011-12	-	94 206	94 206
Total comprehensive result for 2011-12	-	94 206	94 206
Balance at 30 June 2012	107 939	94 206	202 145
Profit after income tax equivalent for 2012-13	-	7 192	7 192
Total comprehensive result for 2012-13	-	7 192	7 192
Balance at 30 June 2013	107 939	101 398	209 337

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	01.03.12 to 30.06.12 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from sales		78 945	12 904
Receipts from sales in advance		-	4 758
Receipts from SA Government		10 352	6 673
Receipts from Commonwealth for Housing Affordability Fund		2 520	-
Interest received		533	318
Receipts from mortgage debtors (principal and interest)		10 157	5 001
Receipts from tenants (rent and recoveries)		16 992	1 747
Recoveries and sundry receipts		7 864	1 050
Funds held in trust		269	2 797
GST recovered from the ATO		11 238	2 430
Transfer in from administrative restructure		-	7 707
Receipts from Paid Parental Leave Scheme		32	4
Cash generated from operations		138 902	45 389
Cash outflows:			
GST paid to the ATO		(9 911)	(2 370)
Payments to Paid Parental Leave Scheme		(27)	(6)
Payments for land purchase and development		(38 425)	(25 182)
Payments for work in progress		-	(250)
Payments for salaries and related costs		(21 929)	(5 475)
Payments to suppliers		(50 299)	(9 496)
Land tax paid		(24 337)	(4 288)
Interest paid		(22 318)	(6 045)
Payments of funds held in trust		(3 949)	-
Payment to SA Government entities		-	(238 489)
Cash used in operations		(171 195)	(291 601)
Net cash provided by (used in) operating activities	35	(32 293)	(246 212)
Cash flows from investing activities:			
Cash inflows:			
Capital repayments by joint ventures		8 577	388
Distributions of profit by joint ventures		-	112
Cash generated from investing activities		8 577	500
Cash outflows:			
Capital contributions to joint ventures		(400)	-
Purchase of property, plant and equipment and investment property		(381)	(197)
Payments for work in progress (property, plant and equipment and investment property)		(19)	(179)
Cash used in investing activities		(800)	(376)
Net cash provided by (used in) investing activities		7 777	124
Cash flows from financing activities:			
Cash inflows:			
Capital contributions received from the SA Government		-	107 939
Proceeds from borrowings		51 000	161 452
Cash generated from financing activities		51 000	269 391
Cash outflows:			
Repayment of borrowings		(27 242)	(2 828)
Cash used in financing activities		(27 242)	(2 828)
Net cash provided by (used in) financing activities		23 758	266 563
Net increase (decrease) in cash and cash equivalents		(758)	20 475
Cash and cash equivalents at 1 July		20 475	-
Cash and cash equivalents at 30 June	36	19 717	20 475

Notes to and forming part of the financial statements

1. Objectives of the Urban Renewal Authority (Renewal SA)

The Urban Renewal Authority (trading as Renewal SA) was established as a statutory authority on 1 March 2012 by the Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulations 2012 (the Regulations) under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

In accordance with the Regulations Renewal SA's Board of Management is appointed by His Excellency the Governor and comprises seven members, including a Presiding Member. The Presiding Member reports to the Minister for Housing and Urban Development. Renewal SA's functions are contained in Regulation 6 of the Regulations and the specific powers of Renewal SA are contained in Regulation 7.

In undertaking its functions Renewal SA will make a significant contribution to creating a vibrant city; renewing our neighbourhoods to make them safe and healthy; and ensuring an affordable place to live for everyone. Renewal SA has the responsibility for leading and coordinating urban renewal activity to ensure that our future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

Renewal SA has the following key strategic objectives:

(a) Contribute to key strategic priorities of the SA Government, including:

- creating a vibrant city
- renewing our neighbourhoods to make them safe and healthy
- having an affordable place to live for everyone.

(b) As the key precinct planning and delivery agency responsible for outcomes sought through The 30-Year Plan for Greater Adelaide work in partnership with communities and industry to significantly contribute to the reduction of urban sprawl that will progressively deliver 70% of urban growth within existing urban areas by 2038.

(c) Ensure levels of affordable housing (purchase and rental) are increased, and overall levels of social rental housing (public, not-for-profit and community housing) are maintained across urban renewal projects.

(d) Engage, involve and consult with the community and other stakeholders during the planning and delivery of residential, commercial and mixed use projects that connect people to transport, services, employment and the community around them.

(e) Through innovation and excellence in design quality, create well connected and integrated neighbourhoods where people can afford to live in safe, vibrant and healthy communities.

(f) Show leadership to the market in social and environmental sustainability with smart planning and delivery essential to accommodate South Australia's expected population growth.

(g) Support economic development through the creation and supply of employment lands and create opportunities for the private sector that will enable them to invest capital that will drive investment in urban renewal activities.

(h) Facilitate opportunities to renew and improve social housing stock through urban renewal projects and by supporting the growth of the not-for-profit housing sector to meet future tenancy needs and to reduce current concentrations of social disadvantage.

(i) Acquire and assemble land to generate agreed urban outcomes in strategic locations for development or redevelopment via commercial negotiation and by leveraging opportunities from government owned land assets.

(j) Undertake development, including infrastructure and human services planning and coordination, to ensure the appropriate delivery of approved projects.

(k) Negotiate with key stakeholders financial arrangements for the delivery of necessary infrastructure in development areas.

(l) To be accountable and operate commercially in accordance with:

- sound business and financial management policies and practices
- government policy objectives
- prudent risk management practices.

2. Summary of significant accounting policies

2.1 Statement of compliance

Renewal SA has prepared these financial statements in compliance with section 23 of the PFAA. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

Renewal SA has applied AASs that are applicable to for-profit entities, as Renewal SA is a for-profit entity.

AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by Renewal SA for the reporting period ended 30 June 2013. Renewal SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of Renewal SA.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying Renewal SA's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by Renewal SA to those employees.

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

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

The financial statements have been prepared for the year 1 July 2012 to 30 June 2013 and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

2.3 Comparative information and rounding

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financials statements if material. The restated comparative amounts do not replace the original financial statements for the preceding period.

Comparative information is presented for a period of four months given Renewal SA was established on 1 March 2012.

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

2.4 *Taxation*

In accordance with TI 22, Renewal SA is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State's taxation equivalent regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period (refer note 27).

Renewal SA is liable for payroll tax, FBT, GST, Emergency Services levy, land tax and local government rate equivalents.

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

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

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

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

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

2.5. *Events after the end of the reporting period*

Adjustments are made to amounts recognised in the financial statements, where an event arose after 30 June 2013 and before the financial statements are authorised for issue, where those events provided information about conditions that existed at 30 June 2013.

Note disclosure is made about events between 30 June 2013 and the date the financial statements are authorised for issue where the events relate to a condition which occurred after 30 June 2013 and which may have a material impact on the results of subsequent years.

2.6 *Income and expenses*

Income

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

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

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

The following are specific recognition criteria:

Revenues from sales

(i) Inventories - land held for resale

Sales revenue in respect of land made available to the Mawson Lakes and Northgate joint ventures is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the respective joint venture agreements.

With respect to all other land sales, recognition of sales revenue occurs when settlement is completed and legal title transfers to the purchaser.

(ii) Investment properties

Sales revenue from the disposal of investment properties is recognised when settlement occurs and legal title transfers to the purchaser.

For investment properties that are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Revenue from development fees
Development fee revenue is recognised when the right to develop parcels of land is transferred to the developer and the right to receive payment is established and it is expected that additional revenue will be realised from the subsequent sales of the allotments.

Property income
Property income arising on investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Interest income
Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Joint venture income
Joint venture income is recognised when the right to receive payment is established.

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

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the development of inventories are deducted against inventory and recognised in the Statement of Comprehensive Income as a reduction to cost of sales when inventory is sold during the reporting period.

Where money has been received in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of Renewal SA and the funding is recorded as contributed equity.

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

Resources received free of charge
Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value.

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

Other revenues
Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned (refer note 9).

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

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

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

The following are specific recognition criteria:

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by Renewal SA to superannuation plans in respect of current services of current Renewal SA staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

Cost of sales
Cost of sales comprises all direct material acquisition, development and holding costs, offset by deferred government grants relating to these costs in respect of inventory sold during the reporting period. The carrying amount of any inventory held for sale is expensed as a cost of sale when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs, where applicable.

Project expenditure
Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by Renewal SA so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Depreciation and amortisation
All non-current assets except land, 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 assets such as leasehold improvements, while depreciation is applied to tangible assets such as property, plant and equipment.

Investment properties are not depreciated (refer note 2.13).

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

Class of asset	*Years*
Leasehold improvements	Life of lease
Plant and equipment	5-10
Furniture and fittings	5-10
Computer equipment	5

Borrowing costs
Borrowing costs include interest expense, guarantee fees and indemnity margin. In accordance with APF II and AASB 123, material borrowing costs directly attributable to the construction of a qualifying asset are capitalised. All other borrowing costs are expensed when incurred.

2.7 Current and non-current classification

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

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

2.8 Assets

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

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

2.9 Cash and cash equivalents

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

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

Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from the sale of goods and services, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

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

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

2.11 Mortgage debtor receivables

Mortgage debtor receivables include amounts receivable from deferred purchase arrangements, measured at historical cost.

Mortgage debtor receivables arise from the administering of deferred purchase agreements to the public and other government agencies. Mortgage debtor receivables are generally receivable as specified in the original contract payment schedule.

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

2.12 Inventories

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

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

The valuation methodology for net realisable value generally applied is the direct comparison approach where subject land and properties are compared directly with sales of other land and properties in similar locations with adjustments made for small points of difference.

Where appropriate, in cases where there is a lack of recent sales evidence for larger development holdings, valuation modelling has been undertaken in order to derive an estimated market value. This approach includes making allowances for costs which would be incurred in order to make the property ready for sale. Allowances are also made for marketing and selling costs, legal costs and holding costs during the sale period. This approach assumes an orderly sale program and reflects sales on an individual allotment basis across the relevant development site.

Where buildings exist on development sites and those buildings are leased and producing income, those buildings are valued by applying the capitalisation of net income method. This approach involves applying a capitalisation rate to the rental income stream. Dividing the annual rental income by an assumed capitalisation rate produces an asset value which in the context of the given rental income derives a market comparable yield on investment. This is the generally accepted method for valuing properties which are being held and leased for a period of time during the development of a larger land holding.

The amount of any inventory write-down to net realisable value or inventory impairment losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as a reduction to expense.

An independent valuation of all Renewal SA’s inventories was conducted as at 30 June 2013.

2.12 Inventories (continued)

The following are specific recognition criteria:

(i) Land held for resale

Land held for resale is carried at the lower of cost or net realisable value. Costs comprise all direct material acquisition, development and holding costs offset by deferred government grants relating to these costs. Net realisable value is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances periodically and writes off inventory where the net realisable value is less than the carrying amount.

All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer.

2.13 Investment property

Renewal SA's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to Renewal SA. Subsequent to initial recognition, Renewal SA's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise. Any gains or losses on the sale of an investment property are recognised in the Statement of Comprehensive Income in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations. In determining the fair value, the capitalisation of net income method has generally been applied. This approach involves applying a capitalisation rate to the rental income stream. Dividing the annual rental income by an assumed capitalisation rate produces an asset value which in the context of the given rental income derives a market comparable yield on investment.

Any surplus land associated with investment property holdings has been valued by applying the direct comparison approach where subject land holdings are compared directly with sales of other properties in similar locations with adjustments made for small points of difference.

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2013.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis over the lease term.

Where investment property was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the investment property was recorded at the value recorded by the transferor, immediately prior to transfer.

2.14 Acquisition and recognition of non-current assets

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

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

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

2.14 Acquisition and recognition of non-current assets (continued)

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, on an annual basis.

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

Land and investment properties are not depreciated.

Where non-current assets were acquired at no or nominal value as part of a restructuring of administrative arrangements, the non-current assets were recorded at the value recorded by the transferor, immediately prior to transfer.

2.15 Interests in joint ventures

Renewal SA's interest in joint ventures is measured by applying the equity method. Renewal SA's share of the assets and liabilities of joint ventures in which it has a participating interest is included in the Statement of Financial Position as investment in joint ventures. Renewal SA's share of net profit from joint ventures is included as revenue in the Statement of Comprehensive Income as share of net profits of joint ventures. Details of Renewal SA's interests in joint ventures are shown in note 5.

2.16 Work in progress

(i) Deposits received

Renewal SA acts as a project manager and financier for the construction of buildings for clients under the Premises SA Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

(ii) Operational projects in progress

Expenditure associated with the construction of projects held for operational purposes is capitalised as work in progress as incurred (refer note 24). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to property, plant and equipment.

2.17 Impairment

All non-current assets are tested for indications of impairment at each reporting date. If there is an indication of impairment, the asset's carrying value is compared to its recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Statement of Comprehensive Income. Refer to note disclosures on inventories (note 21), financial assets (note 37) and investment property (note 22) for further information in relation to these specific assets.

2.18 Liabilities

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

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

2.19 Payables

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

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

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

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

2.19 Payables (continued)

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

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

Renewal SA 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 various superannuation schemes.

2.20 Borrowings/Financial liabilities

Renewal SA measures financial liabilities including borrowings/debt at historical cost.

2.21 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. Renewal SA has only entered into operating leases.

Renewal SA as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Renewal SA as lessee

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

Where applicable, the aggregate benefit of lease incentives received by Renewal SA in respect of operating leases have been recorded as a reduction of rental expense over the lease term on a straight-line basis.

2.22 Employee benefits

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

Wages, salaries, annual leave, skills and experience retention leave and sick leave

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

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

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

LSL

The liability for LSL is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match, as closely as possible, the estimated future cash outflows.

The portion of the LSL liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during Renewal SA's normal operating cycle.

Employee benefit on-costs
Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

2.23 Provisions

Provisions are recognised when Renewal SA has a present obligation as a result of a past event, it is probable that an outflow of resources to settle the obligation will occur and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

2.24 Guarantees and indemnities

Renewal SA constructs and owns specialised building premises which are leased or sold to private companies under the Premises SA Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. Renewal SA is now the beneficiary of these guarantees and indemnities.

2.25 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value (refer notes 32 and 33).

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 34).

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

2.26 Insurance

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

2.27 Financial risk management

Renewal SA is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk (refer note 37).

Risk management is overseen by the corporate services division and risk management policies and practices are in accordance with AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines.

Renewal SA has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at DTF and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

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

Renewal SA has no significant concentration of credit risk. Renewal SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

3. Material transactions

3.1 Adelaide Station and Environs Redevelopment (ASER) site

The Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2013 gazetted on 27 June 2013, transferred land and buildings relating to the Adelaide Railway Station and environs totalling $81.8 million from the Minister for Transport and Infrastructure to Renewal SA effective 30 June 2013. The transfer of the land, buildings and associated property management functions has been reflected as an administrative restructure (refer note 38).

3.2 Land sale - Blakes Crossing

Renewal SA received $8.4 million following settlement of the stage 3B contract and $13.35 million following settlement of the stage 4 contract between Renewal SA and Lend Lease. The settlement for stage 4 was the final settlement. In 2008 Lend Lease was awarded the contract for the purchase of 88 hectares of residential land at Blakeview to be settled in four stages which were included in separate contracts that come under the umbrella of a development deed to ensure that all of Renewal SA’s mandatory requirements are met.

3.3 Land sale - Seaford Meadows

Renewal SA received $12.206 million following settlement of the stage 5 contract between Renewal SA and the South Australian Housing Trust (SAHT) and Land SA. In 2005, Land SA was awarded the tender for the purchase of 132 hectares of residential land at Seaford Meadows, to be settled in six stages which were included in separate contracts that come under the umbrella of a development deed to ensure that all of Renewal SA’s mandatory requirements are met. The last settlement for stage 6 is due November 2013.

3.4 Land sale - Seaford Heights

Renewal SA received $6.128 million following settlement for the stage 1 contract between Renewal SA and SAHT and Land SA. In 2008 Land SA was awarded the contract for the purchase of approximately 80 hectares of residential land at Seaford Heights to be settled in four stages which were included in separate contracts that come under the umbrella of a development deed to ensure that all of Renewal SA’s mandatory requirements are met. Stage 1 settlement was conditional on a development plan approval which occurred in May 2011. The settlement for stage 4 is due in April 2018.

4. Sales revenue and cost of sales

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes and Northgate.

Sales revenue for the reporting period is summarised as follows:	2013	01.03.12 to 30.06.12
Land sales to:	$’000	$’000
Joint ventures	10 651	3 105
Entities within the SA Government	1 703	-
Other - sales to general public and developers	74 991	9 799
Total sales revenue	87 345	12 904

Cost of sales comprise all direct material costs of acquisition, development and holding costs in respect of inventory sold during the reporting period.

Cost of sales for the reporting period is summarised as follows:		
Costs of sales associated with:		
Joint ventures	391	274
Entities within the SA Government	1 209	-
Other - cost of sales associated with sales to general public and developers	29 930	5 168
Total cost of sales	31 530	5 442

5. Joint venture entities

5.1 Joint venture summary

Renewal SA’s share of the profit from ordinary activities of joint venture entities in which Renewal SA has a participating interest, is as follows:

Revenues	19 317	11 205
Expenses	(11 751)	(10 241)
Profit from ordinary activities	7 566	964

Movements in Renewal SA’s investment in joint venture entities during the reporting period are summarised as follows:

Share of accumulated profits:		
Carrying amount at the beginning of the period	8 300	-
Transfer in from administrative restructure	-	7 835
Profit for the reporting period	7 566	964
Distribution of profit to Renewal SA during the reporting period	(8 178)	(499)
Total carrying amount of investment in joint venture entities	7 688	8 300

5.1 Joint venture summary (continued)

Renewal SA's investment in joint venture entities is represented by its share of assets and liabilities as follows:

	2013	01.03.12 to 30.06.12
Current assets:	$'000	$'000
Cash	4 028	2 669
Receivables	870	758
Inventories	7 276	9 112
Financial assets	197	197
Deferred tax asset	157	157
Prepayments	28	-
	12 556	12 893
Non-current assets:		
Inventories	118	18
Property, plant and equipment	561	67
	679	85
Total assets	13 235	12 978
Current liabilities:		
Creditors and other payables	5 258	4 389
Financial liabilities	225	225
Tax liabilities	64	64
	5 547	4 678
Total liabilities	5 547	4 678
Net assets	7 688	8 300
The net assets are split as follows:		
Current	7 009	1 655
Non-current	679	6 645
	7 688	8 300

5.2 Northgate Stage 3 Joint Venture

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of CIC Australia Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. On 19 November 2010 documentation was executed with the same partner, to extend the Lightsview Joint Venture over Renewal SA's adjoining Precinct 2 land parcel.

The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The 85.6 hectare project is forecast to deliver in the order of 1700 allotments and 2200 dwellings and is required to achieve a number of paramount development objectives established by the Government, including the provision of a wide diversity of housing allotments and 15% of sites for high needs and affordable housing.

Renewal SA has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA will make available to the joint venture land for development and receive progressive land payments as development proceeds.

5.3 Mawson Lakes Economic Development Project

On 10 July 1997 joint venture agreements were executed with Delfin Property Group Limited (now Lend Lease Communities Australia Limited), Lend Lease Corporation Limited and associated subsidiary companies to commence the Mawson Lakes Economic Project at the Levels.

This project comprises residential, retail and industrial land to be developed over a 15 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

Renewal SA had a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA made available to the joint venture land for development. In addition the State Government had obligations for various infrastructure works associated with the project.

The joint venture terminated on 30 June 2011. A project completion arrangements deed is now in effect. This deed covers the sale of the remaining residential and commercial lots unsold at June 2011 and the completion of some remaining works. Obligations for Renewal SA project works have been completed. The residential market for vacant allotments has been depressed during the 2012-13 financial year but progress has been made with two residential allotments and one medium density development site on unconditional contracts with settlements due in July 2013. This will leave one small residential allotment for sale.

5.4 *Port Adelaide Waterfront Redevelopment (PAWR) Marina Joint Venture*

Renewal SA has a 50% interest in a joint venture with Newport Quays Consortium (NQC), the former developers of the PAWR. The NQC comprises developers Urban Construct Pty Limited and Brookfield Multiplex Developments Australia Pty Limited. The PAWR Marina Joint Venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10-13 years.

Marina berths are being offered under leasehold arrangements, with Renewal SA retaining ownership of the inner harbour (subjacent land). Renewal SA will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. Renewal SA will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

The PAWR Marina Joint Venture has total assets of $1.7 million and total liabilities of $1.4 million resulting in net assets of $339 000. This has been accounted for within Renewal SA's accounts in accordance with the equity method of accounting.

The joint venture agreement was not terminated by virtue of the termination of the project development agreement with the NQC announced on 31 October 2011. Renewal SA is having discussions with the other joint venturer concerning the future operation of the PAWR Marina Joint Venture.

6. Revenues from Commonwealth and SA Government

	2013 $'000	01.03.12 to 30.06.12 $'000
Recurrent transfer received from DTF, administered items	10 352	885
Capital transfer received from DTF administered items	-	5 788
Housing Affordability Fund received from Commonwealth	2 520	-
Gross revenues from government	12 872	6 673
Deferred revenues from Commonwealth and SA Government	(8 684)	-
Total revenues from Commonwealth and SA Government	4 188	6 673

7. Interest revenues

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue for the reporting period is summarised as follows:

	2013 $'000	01.03.12 to 30.06.12 $'000
Interest received/receivable from entities within the SA Government:		
Interest from operations	366	182
Interest received/receivable from entities external to the SA Government:		
Mortgage debtor interest	2 485	896
Interest from operations	172	93
Total interest revenues	3 023	1 171

8. Property income

Property income includes rent and recoveries from leased properties. Property income for the reporting period is summarised as follows:

Property income received/receivable from entities within the SA Government	1 123	522
Property income received/receivable from entities external to the SA Government	19 600	5 953
Total property income	20 723	6 475

9. Other revenues

Other revenues includes recoveries and sundry income. Other revenues for the reporting period are summarised as follows:

Other revenues received/receivable from entities within the SA Government	4 147	1 106
Other revenues received/receivable from entities external to the SA Government	488	112
Total other revenues	4 635	1 218

10. Net loss from the disposal of non-current assets

Net loss from the disposal of non-current assets is summarised as follows:

	2013	01.03.12 to 30.06.12
Plant and equipment:	$'000	$'000
Proceeds from disposal	-	-
Net book value of assets disposed	1	-
Net loss from the disposal of plant and equipment	(1)	-
Total net loss from the disposal of non-current assets	(1)	-

11. Employee benefits expenses

	2013	01.03.12 to 30.06.12
Salaries and wages	18 419	5 020
LSL	(349)	312
Annual leave	83	166
Skills and experience retention leave	41	-
Employment on-costs - superannuation	1 771	286
Employment on-costs - other	1 182	191
Board fees	298	51
Other employee related expenses	101	139
Gross employee benefits	21 546	6 165
Employee benefits capitalised to inventories	(3 566)	(1 244)
Total employee benefits expenses	17 980	4 921

No employees were paid TVSPs during the reporting period.

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	01.03.12 to 30.06.12 Number
$134 000 - $137 999*	-	1
$138 000 - $147 999	7	11
$148 000 - $157 999	7	5
$158 000 - $167 999	6	2
$168 000 - $177 999	1	1
$178 000 - $187 999	1	3
$188 000 - $197 999	5	1
$198 000 - $207 999	4	2
$208 000 - $217 999	1	1
$228 000 - $237 999	2	2
$238 000 - $247 999	1	-
$258 000 - $267 999	-	1
$288 000 - $297 999	1	-
$348 000 - $357 999	-	1
$398 000 - $407 999	1	-
Total	37	31

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level between 1 July 2012 and 30 June 2013. Remuneration of employees reflects all costs of employment, including salaries and wages, superannuation contributions, FBT and any salary sacrifice benefits.

Total income received or due and receivable by the above employees for the period they held office was $6.789 million ($5.4 million)

The number of employees at the reporting date was 199.7 (188.6).

Remuneration commitments

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

	2013 $'000	01.03.12 to 30.06.12 $'000
Within one year	14 825	10 642
Later than one year but not longer than five years	19 624	7 785
	34 449	18 427

Remuneration commitments (continued)
Amounts disclosed include commitments arising from executive and other service contracts.

For term contracted employees, Renewal SA does not offer fixed-term remuneration contracts greater than five years.

12. Key management personnel

12.1 Board members

The following persons held the position of governing board member during the period for the Renewal SA Board:

From 1 July 2012 to 31 July 2012	*From 1 August 2012 to 30 June 2013*
M J Terlet, AO (Presiding Member)	Hon B J Pike (Presiding Member)
J M Carr*	H M Fulcher
A Clark	C A Holden
R G Hook*	T S Maras AM
T S Maras AM	Dr A M Rischbieth
J A Westacott	M J Terlet AO
	J A Westacott

12.2 Other key management personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of Renewal SA, directly or indirectly during the current reporting period:

F J Hansen	Chief Executive
W P Smith	Executive Director, Corporate Affairs and Strategy
M M P Young	Executive Director, People and Organisational Development
J C Durand	Executive Director, Marketing and Corporate Relations
J A Meakins	Executive Director, Inter-Government Relations and Policy
M J Buchan	General Manager, Major and Residential Project Delivery
D J DeConno	General Manager, Asset Management
I H Hodgen	General Manager, Industrial Project Delivery
L A South	General Manager, Corporate Services (commenced 30 July 2012)
D K Just	General Manager, Urban and Portfolio Planning (commenced 1 October 2012)
I R H McLachlan	General Manager, Riverbank, Infrastructure and Project Coordination (commenced 10 September 2012)
J A Meakins	Transitional General Manager, Urban and Portfolio Planning (ceased 30 September 2012)
M J Buchan	Transitional General Manager, Corporate Services (ceased 29 July 2012)

12.3 Key management personnel compensation

Key management personnel compensation for the period ended 30 June 2013 is set out below.

The key management personnel are the governing board members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of Renewal SA.

	2013 $'000	01.03.12 to 30.06.12 $'000
Short-term employee benefits	2 482	1 640
Total employee benefits	2 482	1 640

12.4 Remuneration of governing board members

The number of governing board members whose remuneration received or receivable falls within the following bands:	2013 Number	01.03.12 to 30.06.12 Number
$0	2	2
$1 - $9 999	1	-
$10 000 - $19 999	-	4
$30 000 - $39 999	5	-
$40 000 - $49 999	1	-
$70 000 - $79 999	1	-
Total	10	6

12.4 Remuneration of governing board members (continued)

Total remuneration received and receivable by all governing board members for the period they held office was $298 000 ($56 000) which includes superannuation contributions.

The number of board members who held office at 30 June 2013 was seven (six).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for governing board duties during the financial year (refer note 12.1).

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

12.5 Remuneration of committee members

Committee members during 2013 financial year were:

Port Adelaide Steering Committee

C Duncan	M O'Brien
J Ford	P Bicknell
C Siegfriedt	M Hemmerling
T Kearney	B McFarlane
S Melville	

The number of committee members whose remuneration received or receivable falls within the following bands:	2013 Number	01.03.12 to 30.06.12 Number
Nil	2	-
$1 - $9 999	6	-
$20 000 - $29 999	1	-
Total	9	-

Remuneration of committee members reflects all costs of performing committee member duties including sitting fees, superannuation contributions and salary sacrifice benefits. Total remuneration received and receivable by all committee members for the period they held office was $29 000 ($0) which includes superannuation contributions.

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

13. Related party disclosures

Directors

Details of the directors of Renewal SA appointed in accordance with the Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulations 2012 are set out in note 12.

During the period of their appointment to Renewal SA the directors disclosed the following:

Hon B J Pike was the Presiding Member of the Board of Management of the Urban Renewal Authority from 1 August 2012 and is employed on a part-time basis by Telstra Health.

Mr M J Terlet AO was Chairman of Tidswell Financial Services Ltd and Chairman of Operation Flinders. He was State Chairman of the Australian British Chamber of Commerce. He was a Director of Equity and Advisory Limited, the ACHA Health Group, Statewide Superannuation, the Australian Government Centre for Plant Functional Genomics and the International Centre of Excellence in Water Research Management. He was a board member of Business SA. He was co-Chairman of the SA Business and Parliamentary Trust. He ceased being the Presiding Member of the Board of Management of the Urban Renewal Authority on 31 July 2012.

Ms J M Carr was Executive Director, Building Management, DPTI and a board member of the State Procurement Board and Chair of the South Australian Heritage Council.

Ms A Clark was the Executive Director of Shelter SA.

Directors (continued)

Ms H M Fulcher was a member of the Board of Uniting Care Wesley Port Adelaide and a Deputy Member of the Aquaculture Advisory Committee.

Mr C A Holden was a Director of Forme Projex and a member of the board of Common Ground Ltd.

Mr R G Hook was Chief Executive of DPTI. He was South Australia's Coordinator-General for the Nation Building Economic Stimulus Plan and South Australia's Commissioner of Highways.

Mr T S Maras AM was owner/director of the Maras Group and director of Mancorp Group. He was Chairman of the Rundle Mall Management Authority, Member of the Rundle Mall Project Reference Group, Chairman of the University of Adelaide Heritage Foundation, Chairman of Unley Business and Economic Development Board, Member of the Planning Improvement Panel Expert Panel, Member of the City of Unley Development Strategy and Policy Committee, Alternate Chair of the Bowden Design Review Panel, Member of the Australian Centre for Child Protection Fundraising Board, Foundation Fellow of the Australian Institute of Company Directors, Member of the Australian Property Institute, Member of the Royal Australian Institute of Construction, and Member of the Flinders University Foundation of Modern Greek.

Dr A M Rischbieth was Chief Executive of the Heart Foundation (South Australia) and a member of the South Australian Motor Sport Board.

Ms J A Westacott was Chief Executive of the Business Council of Australia and a non-Executive Director of Wesfarmers.

From time to time Renewal SA may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which Renewal SA had entered into a transaction during the 2013 financial year.

14. Operating expenditure

	2013 $'000	01.03.12 to 30.06.12 $'000
Expenditure on supplies and services provided by entities external to the SA Government:		
Property expenditure	13 124	3 661
Contractors and consultants	3 845	991
Accommodation costs	1 004	73
Administration and other expenditure	10 076	2 556
Total supplies and service expenditure - non-SA Government entities	28 049	7 281
Expenditure on supplies and services provided by entities within the SA Government:		
Property expenditure	2 598	1 184
Land tax	15 558	5 939
Contractors and consultants	1 560	1
Accommodation costs	756	261
Administration and other expenditure	2 495	690
Gross supplies and services expenditure - SA Government entities	22 967	8 075
Land tax capitalised to inventories	(6 200)	(2 586)
Total supplies and services expenditure - SA Government entities	16 767	5 489
Total operating expenditure	44 816	12 770

14.1 External consultants

The number and dollar amount of external consultancies paid/payable included in the Statement of Comprehensive Income that fell within the following bands:

	2013		01.03.12 to 30.06.13	
	Number	$'000	Number	$'000
Below $10 000	41	184	34	144
Between $10 000 and $50 000	19	510	8	209
Above $50 000	9	857	1	69
Total paid/payable to consultants engaged	69	1 551	43	422

15. Borrowing costs

	2013	01.03.12 to 30.06.12
Services provided by entities within the SA Government:	$'000	$'000
Borrowing costs:		
Industrial and Commercial Premises Scheme loans	3 818	1 508
Other loans	11 202	2 033
Overdraft	1 662	755
Guarantee fees:		
Industrial and Commercial Premises Scheme loans	328	111
Other loans	4 364	577
Overdraft	684	267
Gross borrowing costs	22 058	5 251
Borrowing costs capitalised to inventories	(13 173)	(3 488)
Total borrowing costs	8 885	1 763

The average rate of interest capitalised in the reporting period was 5.3% (5.3%).

16. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the financial statements audit	180	118
Total auditor's remuneration	180	118

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

17. Income tax equivalent

In accordance with TIs issued under the PFAA, Renewal SA is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30%) be applied to the profit for the reporting period.

The Treasurer approved that the net gain from restructure is exempt from Renewal SA's income tax calculation for both current and preceding reporting periods. Excluding net gain from restructure, Renewal SA made a financial loss in both years, therefore no income tax equivalent is payable.

18. Dividends paid to the SA Government

Pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*, Renewal SA may be required to pay dividends to the Minister. Following recommendations by the Board, and after consultation with the Treasurer, the Minister determined that there is no dividend payable in respect of the reporting period.

19. Mortgage debtor receivables

	2013	01.03.12 to 30.06.12
Current:	$'000	$'000
Mortgage debtor receivables	7 555	7 585
	7 555	7 585
Non-current:		
Mortgage debtor receivables	21 811	29 363
	21 811	29 363
Total mortgage debtor receivables	29 366	36 948

(a) Maturity analysis of receivables - refer note 37.4.

(b) Categorisation of financial instruments and risk exposure information - refer note 37.1.

20. Receivables

Current:		
Trade and other debtors[(a)]	7 720	5 428
Allowance for doubtful debts	(579)	(579)
Prepayments	8	15
Total current receivables	7 149	4 864
Non-current:		
Marina Adelaide	3 556	3 556
Total non-current receivables	3 556	3 556
Total receivables	10 705	8 420

[(a)] Included in this balance are receivables from SA Government entities totalling $4.692 million ($1.002 million).

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in note 14 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in carrying amounts	2013 $'000	01.03.12 to 30.06.12 $'000
Carrying amount at beginning of the period	579	-
Transfer in from administrative restructure	-	551
Increase in allowance recognised in profit or loss	-	28
Carrying amount at 30 June	579	579

Bad and doubtful debts expense		
Bad debts written off - trade debtors	-	1
Transfer to provision for doubtful debts - trade debtors	-	28
Total bad and doubtful debts expense	-	29

The bad and doubtful debts expense is recorded in operating expenditure (refer note 14).

Interest rate and credit risk

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

Maturity analysis of receivables

Refer note 37.4.

Categorisation of financial instruments and risk exposure information

Refer note 37.1.

21. Inventories

	2013 $'000	01.03.12 to 30.06.12 $'000
Current:		
Cost of acquisition	42 879	65 020
Development cost capitalised	35 852	26 751
	78 731	91 771
Non-current:		
Cost of acquisition	175 928	247 995
Development cost capitalised	144 868	112 086
	320 796	360 081
Total inventories	399 527	451 852

Movements in carrying amounts		
Carrying amount at 1 July	451 852	-
Transfer in from administrative restructure	-	454 423
Land purchases	-	15 744
Transfer from investment properties	-	2 063
Development costs capitalised	56 344	28 215
Cost of sales	(31 530)	(5 442)
Inventories write-down	(80 879)	(43 151)
Reversal of inventories write-down	3 740	-
Carrying amount at 30 June	399 527	451 852

An independent valuation of all Renewal SA's land inventories was conducted as at 30 June 2013. These valuations were undertaken by the following firms: m3property, McGees Property and Maloney Field Services. All valuations were prepared by qualified Certified Practicing Valuers and were carried out in accordance with the relevant provisions of the Australian Property Institute of Australia and New Zealand's Valuation and Property Standards and AASB 102.

Renewal SA has recognised land inventory within the Statement of Financial Position at the lower of cost or net realisable value. However, the fair value of inventory as at 30 June 2013 is $1.122 billion ($1.168 billion).

22. Investment property

	Note	2013 $'000	01.03.12 to 30.06.12 $'000
Investment property at fair value:			
Freehold land at fair value:			
Independent valuation - 2013		100 928	-
Independent valuation - 2012		-	68 527
		100 928	68 527
Buildings at fair value:			
Independent valuation - 2013		88 496	-
Independent valuation - 2012		-	59 820
		88 496	59 820
Total investment property		189 424	128 347

Movements in carrying amounts

	Note	2013 $'000	01.03.12 to 30.06.12 $'000
Freehold land at fair value:			
Carrying amount at 1 July		68 527	-
Transfer to inventories		-	(2 063)
Transfer in from administrative restructure		17 100	72 985
Net gain (loss) on fair value adjustments		15 301	(2 395)
Carrying amount at 30 June		100 928	68 527
Buildings at fair value:			
Carrying amount at 1 July		59 820	-
Transfer in from administrative restructure		64 700	59 113
Additions		30	-
Transfer from work in progress		493	-
Net gain (loss) on fair value adjustment		(36 547)	707
Carrying amount at 30 June		88 496	59 820
Total carrying amount at 30 June		189 424	128 347
Amounts recognised in profit and loss:			
Income	8	11 446	3 601
Direct operating expenses from property that generated income	14	(7 408)	(2 280)
Total amount recognised in the profit and loss		4 038	1 321

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2013. Valuations of all investment properties were undertaken by the firms of McGees Property and Maloney Field Services and prepared by qualified Certified Practicing Valuers. Valuations were carried out in accordance with the relevant provisions of the Property Institute of Australia and New Zealand's valuation and Property Standards and as per AASB 140.

23. Property, plant and equipment

Leasehold improvements

	2013 $'000	01.03.12 to 30.06.12 $'000
At cost	3 152	2 928
Accumulated amortisation	(423)	(105)
Total leasehold improvements	2 729	2 823

Impairment

There were no indications of impairment of leasehold improvements at 30 June 2013.

Movements in carrying amounts

	2013 $'000	01.03.12 to 30.06.12 $'000
Leasehold improvements:		
Carrying amount at 1 July	2 823	-
Transfer in from administrative restructure	-	2 928
Additions	224	-
Amortisation	(318)	(105)
Carrying amount at 30 June	2 729	2 823

Plant and equipment

	2013 $'000	01.03.12 to 30.06.12 $'000
At cost	1 464	699
Accumulated depreciation	(218)	(46)
Total plant and equipment	1 246	653

Carrying amount of plant and equipment

Plant and equipment includes $958 000 ($954 000) of fully depreciated property still in use.

Impairment

There were no indications of impairment of plant and equipment at 30 June 2013.

Movements in carrying amounts	2013	01.03.12 to 30.06.12
Plant and equipment:	$'000	$'000
Carrying amount at 1 July	653	-
Transfer in from administrative restructure	-	502
Transfer in from work in progress	640	-
Additions	127	197
Disposals	(1)	-
Depreciation	(173)	(46)
Carrying amount at 30 June	1 246	653
Total property, plant and equipment	3 975	3 476

24. Work in progress

Movements in carrying amounts		
Carrying amount at 1 July	1 114	-
Transfer in from administrative restructure	-	936
Additions	19	178
Transfer to property, plant and equipment	(640)	-
Transfer to investment property	(493)	-
Carrying amount at 30 June	-	1 114

25. Payables

Current:		
Trade creditors	4 357	10 055
Sundry creditors and accrued expenses	9 155	18 380
Paid Parental Leave Scheme	4	-
Employment on-costs	343	392
	13 859	28 827
Non-current:		
Employment on-costs	313	342
	313	342
Total payables	14 172	29 169

The total includes liabilities payable to SA Government entities, comprising:

Current:		
Trade creditors	482	4 452
Sundry creditors and accrued expenses	5 647	12 670
Employment on-costs	317	378
	6 446	17 500
Non-current:		
Employment on-costs	300	327
	300	327
Total payables to SA Government entities	6 746	17 827

Interest rate and credit risk

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

Maturity analysis of payables

Refer note 37.

Categorisation of financial instruments and risk exposure information

Refer note 37.

26. Borrowings

	2013	01.03.12 to 30.06.12
Current:		
Loans:	$'000	$'000
SAFA[(a)]	38 473	38 154
SAFA[(b)]	275 351	245 251
	313 824	283 405

26. Borrowings (continued)

	2013	01.03.12 to 30.06.12
Non-current:		
Loans:	$'000	$'000
SAFA[(a)]	28 391	35 953
SAFA[(b)]	72 650	71 750
	101 041	107 703
Total borrowings	414 865	391 108

(a) Comprises borrowings from the SAFA in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of Renewal SA.

Maturity analysis of borrowings

Refer note 37.4.

Categorisation of financial instruments and risk exposure information

Refer note 37.1.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

27. Tax liabilities

In accordance with TIs issued under the PFAA, Renewal SA is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30%) be applied to the profit for the reporting period.

The Treasurer approved that the net gain from restructure is exempt from Renewal SA's income tax calculation for both current and preceding reporting periods. Excluding net gain from restructure, Renewal SA made a financial loss in both years, therefore no income tax equivalent is payable.

28. Unearned income

	2013	01.03.12 to 30.06.12
Current:	$'000	$'000
Unearned income	4 960	10 079
	4 960	10 079
Non-current:		
Unearned income	10 184	10 558
	10 184	10 558
Total unearned income	15 144	20 637

Movements in carrying amounts

Carrying amount at 1 July	20 637	-
Transfer in from administrative restructure	-	20 704
Received during the year	4 423	4 778
Recognised in the Statement of Comprehensive Income	(9 916)	(4 845)
Carrying amount at 30 June	15 144	20 637

Consists of rental income received in advance.

29. Provision

Current:		
Provision for general expenditure	967	5 967
Total provision for general expenditure	967	5 967

Movements in carrying amounts

Provision for general expenditure:		
Carrying amount at 1 July	5 967	-
Transfer in from administrative restructure	-	5 967
Reductions in provisions	(5 000)	-
Total carrying amount at 30 June	967	5 967

A provision for general expenditure has been set aside to meet future needs in relation to the termination of the PAWR Project Development Agreement with NQC.

30. Employee benefits

	2013 $'000	01.03.12 to 30.06.12 $'000
Current:		
Accrued wages and salaries	-	199
Annual leave	1 377	1 291
LSL	136	117
Skills and experience retention leave	41	-
Total current employee benefits	1 554	1 607
Non-current:		
LSL	3 396	3 652
Total non-current employee benefits	3 396	3 652
Total employee benefits	4 950	5 259

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3.0%) to 2013 (3.75%).

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability. The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

31. Other non-current liabilities

	2013 $'000	01.03.12 to 30.06.12 $'000
Funds held in trust - Cheltenham funds	967	4 647
Total funds held in trust	967	4 647

These funds are being held in trust on behalf of the Minister for Housing and Urban Development. The funds are to be disbursed by Renewal SA to the developer of the land formerly occupied by the Cheltenham racecourse upon achievement of key deliverables related to affordable housing and the development of open spaces.

32. Unrecognised contractual commitments - operating leases

Operating lease receivables

	2013 $'000	01.03.12 to 30.06.12 $'000
Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided for in the accounts:		
Due not later than one year	9 999	13 404
Due later than one year but not later than five years	25 781	37 502
Due later than five years	17 153	40 297
Total operating lease receivables	52 933	91 203

Operating lease payables

	2013 $'000	01.03.12 to 30.06.12 $'000
Non-cancellable operating leases contracted for at balance date but not provided for in the accounts, net of GST:		
Payable not later than one year	1 579	782
Payable later than one year but not later than five years	6 266	2 859
Payable later than five years	4 326	2 808
Total operating lease payables	12 171	6 449

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

33. Unrecognised contractual commitments - capital expenditure

Capital expenditure commitments arising from general operations

	2013 $'000	01.03.12 to 30.06.12 $'000
At reporting date Renewal SA had capital expenditure commitments from general operations as follows:		
Payable not later than one year	15 604	29 981
Payable later than one year but not later than five years	2 192	3 027
Payable later than five years	159	21
	17 955	33 029

The Playford Alive, Bowden, Tonsley and Woodville West projects contain a significant portion of commitments for the reporting period. As at 30 June 2013 commitments relating to Playford Alive were estimated to be $7.598 million ($8.184 million), commitments for Bowden were estimated to be $2.647 million ($6.981 million), commitments for Tonsley were estimated to be $4.444 million ($8.332 million) and commitments for Woodville West were estimated to be $909 000 ($3.817 million).

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital expenditure commitments arising from Edinburgh Parks acquisition

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the former Land Management Corporation (LMC), from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase are summarised as follows:

Stage 0 land and buildings

Based on the contractual agreements, an amount may be payable to DMITRE, representing 25% of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be $2.498 million ($1.911 million).

	2013 $'000	01.03.12 to 30.06.12 $'000
Payable not later than one year	200	844
Payable later than one year but not later than five years	1 052	1 067
Payable later than five years	1 246	-
	2 498	1 911

Stages 1 and 3

Assets included in stages 1 and 3 have been acquired by Renewal SA on a deferred payment basis. Payments are made to DMITRE and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	2013 $'000	01.03.12 to 30.06.12 $'000
Stages 1 and 3 land:		
Payable not later than one year	1 682	-
Payable later than one year but not later than five years	4 273	7 019
Payable later than five years	7 055	4 754
	13 010	11 773

Stage 2 was completed by the former Department of Trade and Economic Development.

Stages 4 to 11

On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below:

	2013 $'000	01.03.12 to 30.06.12 $'000
Stages 4 to 11 land:		
Payable not later than one year	96	966
Payable later than one year but not later than five years	933	868
Payable later than five years	5 297	4 829
	6 326	6 663

Total capital expenditure commitments	2013 $'000	01.03.12 to 30.06.12 $'000
Payable not later than one year	17 582	31 791
Payable later than one year but not later than five years	8 450	11 981
Payable later than five years	13 757	9 604
	39 789	53 376

34. Contingent assets and liabilities

Contingent assets

Renewal SA has indemnities from DMITRE relating to various industry assistance packages totalling $4.837 million as at 30 June 2013. These indemnities relate to purpose built facilities constructed under the Premises SA Scheme and are provided as follows:

(i) In respect of properties owned by Renewal SA and leased to tenants, the indemnity covers any shortfall between current valuation and historical cost.

(ii) In respect of properties that are subject to a deferred purchase arrangement, the indemnity covers any shortfall between current valuation and loan balance outstanding.

As at 30 June 2013, Renewal SA has no other contingent assets related to land acquisitions.

Contingent liabilities

PAWR project

Due to the termination of the PAWR project development agreement (PDA) with the NQC, which occurred on 31 October 2011, LMC was obliged to make certain payments to NQC (which were secured by the $5 million performance bond provided by LMC to NQC). At the time of termination of the PDA, LMC calculated the quantum of the monies that LMC considered was payable (Agreed Damages Amount), to be in the order of $5.96 million. NQC disputed this quantum and asserted that the quantum of the Agreed Damages Amount was in the order of $27 million - $30 million.

From 1 March 2012 Renewal SA has assumed responsibility for LMC's obligations under the terminated PDA and Renewal SA has disputed the quantum of the Agreed Damages Amount as asserted by NQC on various occasions.

On 18 March 2013 Renewal SA, the State of South Australia and NQC entered into a deed setting out a dispute resolution process relating to the calculation of the Agreed Damages Amount and other matters.

Pursuant to the deed, Renewal SA and NQC have been undertaking non-binding negotiations with a view to reaching an agreement on the quantum of the Agreed Damages Amount contractually due from Renewal SA to NQC. In late March 2013 Renewal SA paid NQC the amount of $5 million (being a component of Renewal SA's estimate of the Agreed Damages Amount) and NQC returned to Renewal SA the $5 million monetary performance bonds provided by LMC to NQC under the PDA.

As at the reporting date non-binding negotiations are continuing pursuant to the dispute resolution process set out in the deed and no litigation claiming damages has yet been instituted by NQC against Renewal SA arising from the termination of the PDA by LMC.

Dean Rifle Range

In October 2009, Cabinet approved the compulsory acquisition of the interest held by the Corporation of the City of Adelaide (the ACC) in the Dean Rifle Range, being a 50% interest in the Dean Rifle Range, with the remaining 50% equitable interest owned by LMC (now owned by Renewal SA). The compulsory acquisition of the ACC's 50% equitable interest was completed on 11 February 2010 by the Minister for Environment and Conservation (the Minister). In 2011, The ACC instituted proceedings against the Minister disputing the compensation payable for the compulsory acquisition of the ACC's interest in the Dean Rifle Range.

LMC was nominated as the Minister's agent in relation to the compulsory acquisition of the ACC's 50% equitable interest in the Dean Rifle Range.

The Minister transferred the ACC's 50% equitable interest and as a result LMC became the owner of 100% legal and equitable interest in the Dean Rifle Range.

Dean Rifle Range (continued)
As at 30 June 2013 the Minister (acting through Renewal SA as the Minister's agent) and the ACC were still disputing the compensation amount. As this relates to ongoing court proceedings, no value has been disclosed.

Pursuant to the arrangement between Renewal SA and the Minister in respect of Renewal SA becoming the 100% legal and equitable owner of the Dean Rifle Range, Renewal SA will be responsible for any compensation which may be determined to be payable, which exceeds the compensation amount paid by Renewal SA to the Court.

35. Cash flow reconciliation

	2013	01.03.12 to 30.06.12
Reconciliation of cash and cash equivalents - cash at 30 June:	$'000	$'000
Statement of Cash Flows	19 717	20 475
Statement of Financial Position	19 717	20 475
Reconciliation of total comprehensive result to net cash provided by (used in) operating activities		
Total comprehensive result	7 192	94 206
Non-cash items:		
Share of net profits of joint ventures	(7 566)	(964)
Net loss on disposal of plant and equipment	1	-
Depreciation and amortisation	491	151
Inventories write-down	80 879	43 151
Investment property fair value adjustments	21 246	1 688
Receivables assumed on restructure	-	46 820
Work in progress assumed on restructure	-	633
Inventories assumed on restructure	-	454 423
Reclassification from investment property to inventories	-	2 063
Payables assumed on restructure	-	(14 117)
Unearned income assumed on restructure	-	(20 704)
Reversal of inventory write-down	(3 740)	-
Provisions assumed on restructure	-	(5 967)
Employee benefits assumed on restructure	-	(4 700)
Non-current liabilities assumed on restructure	-	(2 101)
Increase in cash from restructure	-	7 707
Net gain from restructure	(81 800)	(373 176)
Movements in assets/liabilities:		
Mortgage debtor receivables	7 582	(36 948)
Other receivables	(2 292)	(8 405)
Prepayments	7	(15)
Work in progress	-	(633)
Inventories	(24 814)	(495 003)
Payables	(14 919)	29 169
Unearned income	(5 493)	20 637
Provisions	(5 000)	5 967
Employee benefits	(387)	5 259
Other non-current liabilities	(3 680)	4 647
Net cash provided by (used in) operating activities	(32 293)	(246 212)

36. Cash and cash equivalents

Deposits with the Treasurer	18 531	15 255
Short-term deposits with SAFA	159	154
Cash held in Cheltenham Trust Account	967	4 647
Cash at bank and on hand	60	419
Total cash and cash equivalents	19 717	20 475

Deposits with the Treasurer
Includes funds held in Renewal SA's operating account.

Short-term deposits
Short-term deposits are made for varying periods of between one day and three months, are lodged with SAFA and earn the respective short-term deposit rates.

Interest rate risk

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

37. Financial instruments disclosure/Financial risk management

37.1 Categorisation of financial instruments

The fair value of cash and payables approximates their carrying amount. The fair value of receivables has been calculated by discounting cash flows using a zero coupon yield curve derived from observable rates in the financial markets.

The fair value of mortgage debtor receivables and borrowings has been calculated by discounting cash flows using a zero coupon yield curve derived from observable rates in the financial markets. The resultant fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management considers that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and fair values of financial assets and liabilities at balance date are:

	2013		01.03.12 to 30.06.12	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$'000	$'000	$'000	$'000
Cash and cash equivalents	19 717	19 717	20 475	20 475
Loans and receivables:				
Receivables(1)(2)	11 276	11 249	6 846	6 610
Mortgage debtors receivables	29 366	27 366	36 948	33 767
Allowance for doubtful debts	(579)	(579)	(579)	(579)
Total financial assets	59 780	57 753	63 690	60 273
Financial liabilities				
Financial liabilities at cost:				
Payables(1)	12 203	12 203	19 752	19 752
Borrowings	414 865	395 001	391 108	219 603
Total financial liabilities	427 068	407 204	410 860	239 355
Net financial assets (liabilities)	(367 288)	(349 451)	(347 170)	(179 082)

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 20 as receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefits of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

37.2 Credit risk

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

The carrying amount of financial assets as detailed in note 37.1 represents Renewal SA's maximum exposure to credit risk.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 20 for information on the allowance for impairment in relation to receivables.

37.3 Ageing analysis of receivables

	Past due by			
2013	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
Not impaired:	$’000	$’000	$’000	$’000
Receivables	1 212	51	2	1 265
Impaired:				
Receivables	-	-	579	579
01.03.12 to 30.06.12				
Not impaired:				
Receivables	126	1	1	128
Impaired:				
Receivables	-	-	579	579

37.4 Maturity analysis of financial assets and liabilities

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$’000	$’000	$’000	$’000
Cash and cash equivalents	19 717	19 717	-	-
Loans and receivables:				
Receivables	11 276	7 720	3 556	-
Mortgage debtors receivables	29 366	7 555	21 811	-
Allowance for doubtful debts	(579)	(579)	-	-
Total financial assets	59 780	34 413	25 367	-
Financial liabilities:				
Financial liabilities at cost:				
Payables	12 203	12 203	-	-
Borrowings	414 865	313 824	94 022	7 019
Total financial liabilities	427 068	326 027	94 022	7 019
Net financial assets (liabilities)	(367 288)	(291 614)	(68 655)	(7 019)

37.5 Liquidity risk

Liquidity risk arises where Renewal SA is unable to meet its financial obligations as they fall due. Renewal SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

Renewal SA’s exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The largest Renewal SA risk is loan default by third parties secured over property assets, thus affecting Renewal SA’s ability to service loans payable, and is assessed to be low. If default should occur, cash facilities have been secured to manage this risk in the short-term.

The carrying amount of financial liabilities recorded in the table of note 37.1 represents Renewal SA’s maximum exposure to financial liabilities.

37.6 Market risk

Market risk for Renewal SA is primarily through price risk. Prices for residential, industrial and commercial property have been depressed as a consequence of the continuing effect of the global financial crisis. Renewal SA also has exposure to interest rate risk arising through its borrowings. Renewal SA’s borrowings are managed through SAFA and any movement in interest rates are monitored regularly. There is no exposure to foreign currency risks.

37.7 Sensitivity analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Renewal SA as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial. The impact of price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

38. Net gain from restructure

Transfer of land and buildings from DPTI

The Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2013 gazetted on 27 June 2013 transferred land defined by regulation under the *ASER (Restructure) Act 1997* as the site, from the Minister for Transport and Infrastructure to Renewal SA effective 30 June 2013.

Transfer of land and buildings from DPTI (continued)

Renewal SA recognised the following income upon the transfer of the ASER site on 30 June 2013:	2013 $'000
Net gain from restructure	81 800
Net result	81 800

Renewal SA recognised the following assets upon the transfer of the ASER site on 30 June 2013:

Investment property	81 800
Total assets transferred	81 800

39. Restatement of financial statements as a result of change in accounting policy and correction of an error

During the year ended 30 June 2013, Renewal SA completed a review of its accounting policies for inventory. As a result of this review it was identified that certain material costs directly related to the production of inventories, being land taxes and salaries of staff can be capitalised in accordance with accounting standard AASB 102. Furthermore, Renewal SA determined the development of land inventories did in fact meet the requirements set out in accounting standard AASB 123 to be a qualifying asset (being an asset which takes a substantial period of time to be prepared for its intended use or sale), for which capitalisation of borrowing costs during the period of construction is mandated.

The following adjustments have been made to the comparative period to correctly capitalise interest, which was not capitalised in error, and to reflect the change in accounting policy to capitalise land tax and salaries:

Statement of Comprehensive Income for the period ended 30 June 2012

	2012 $'000	Change in accounting policy adjustment $'000	Correction of error adjustment $'000	Restated $'000
Income:				
Cost of sales	(4 434)	(633)	(375)	(5 442)
Gross profit	8 470	(633)	(375)	7 462
Expenses:				
Employee benefits expenses	6 165	(1 244)	-	4 921
Operating expenditure	15 356	(2 586)	-	12 770
Borrowing costs	5 251	-	(3 488)	1 763
Depreciation and amortisation	151	-	-	151
Loss resulting from changes in value of properties	44 301	122	416	44 839
Payments to SA Government entities	238 489	-	-	238 489
Total expenses	309 713	(3 708)	(3 072)	302 933
Profit before income tax equivalent	88 434	3 075	2 697	94 206
Profit after income tax equivalent	88 434	3 075	2 697	94 206

Statement of Financial Position as at 30 June 2012

Non-current assets:				
Inventories	354 309	3 075	2 697	360 081
Total non-current assets	526 810	3 075	2 697	532 582
Total assets	653 160	3 075	2 697	658 932
Equity:				
Retained earnings	88 434	3 075	2 697	94 206
Total equity	196 373	3 075	2 697	202 145

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

Profit after income tax equivalent for 2011-12	88 434	3 075	2 697	94 206
Total comprehensive result for 2011-12	88 434	3 075	2 697	94 206
Balance at 30 June 2012	88 434	3 075	2 697	94 206

WorkCover Corporation of South Australia

Functional responsibility

Establishment

The WorkCover Corporation of South Australia (the Corporation) was established under the *WorkCover Corporation Act 1994* to administer the WRCA.

Functions

The main objectives of the Corporation are to reduce the incidence and severity of work related injuries and to fairly compensate and rehabilitate injured workers while keeping employers' costs to a minimum.

The Corporation administers four funds, the main fund being the Compensation Fund. Refer note 1(c) to the financial statements which describes the nature of operation of the funds.

Regarding the Compensation Fund, employers must pay a premium to the Corporation based on remuneration provided to their workers and, for certain employers, their claims experience. The Corporation invests the premium revenue until it is needed to compensate and rehabilitate injured workers. The premium revenue is also used to pay administration expenses and claim management fees. The claim management fees are paid to Employers Mutual Limited (EML) and Gallagher Basset Services Pty Ltd (GB). EML were the Corporation's sole agent in managing and providing workers compensation and rehabilitation. From 1 January 2013 this responsibility was split equally between EML and GB.

Legislative changes

On 17 June 2008 the South Australian Parliament passed the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* which made some significant legislative amendments to the WorkCover Scheme (the Scheme). The amendments made changes to both the WRCA and the *WorkCover Corporation Act 1994*. Many of the changes to the Scheme (that would particularly affect the Compensation Fund) came into effect on 1 July 2008, with some of the more complex changes following later.

WRCA

Amendments to this Act were aimed at significantly increasing worker return to work rates in South Australia thereby minimising the negative impacts of injured workers remaining on the Scheme, and enabling a reduction in the cost of premiums paid by employers and ensuring the achievement of full funding.

A notable change included work capacity reviews to strengthen the test that determines whether an injured worker is well enough to return to work or is entitled to ongoing compensation beyond 2.5 years.

Other amendments changed the method for determining premiums from 1 July 2012. In 2009-10 the Corporation stopped its bonus penalty scheme whereby an employer's levy (premium) would be adjusted for a bonus or penalty depending on whether they were a higher or lower claims risk based on their past claims history. The Corporation did not introduce an alternative to the bonus penalty scheme until 1 July 2012. On this date a new employer premium system commenced. It introduces claims experience rating for medium and large employers who, according to the Corporation, form only around 10% of all employers but account for approximately 75% of total claims costs. Small employers pay the base premium for their industry whilst other employers will generally pay the base premium for their industry rate adjusted for their claims experience. Employers with poor claims experience now have to pay higher premiums than similar sized employers in the same industry with good claims experience. This new method provides financial incentives to employers to improve their claim performance by focusing on injury prevention and supporting injured workers to return to work. Overall the premium charged to all employers should result in the Board of Management's approved average premium rate of 2.75%.

WorkCover Corporation Act 1994

Amendments to this Act made changes to the governance arrangements of the Corporation.

A notable change was that the Corporation is required to be audited by the Auditor-General, effective 1 July 2008.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 19 of the *WorkCover Corporation Act 1994* and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of controls

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

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

Scope of the audit

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

During 2012-13, specific areas of audit attention included:

- premiums
- investments
- workers compensation such as income maintenance and medical costs
- actuarial estimates of outstanding claim liabilities
- procurement activities
- general operating expenses such as payroll and other administrative expenses
- ICT infrastructure and systems.

The audit of procurement activities included the review of the procurement of claim agents and legal service providers. The contracts for these services were finalised in 2012-13. Audit's review identified no significant issues.

The Corporation has a comprehensive internal audit program. Planned and actual internal audit activities for 2012-13 were considered and reviewed to assist the planning, conduct and assessment reporting for specific areas of the Corporation's operations that were subject to audit review and attention.

Audit findings and comments

Auditor's report on the financial report

Since 2008-09 the Independent Auditor's Reports (IARs) on the financial reports of the Corporation have been unmodified. The IARs, however, have included a comment on the inherent uncertainty regarding the outstanding claims provisions and funding ratio implications.

The comment reflects acknowledgement of uncertainty about the financial impact of the 2008 legislative reforms on the Scheme. The impact of reform will only become clearer as actual claims experience emerges under the reforms in upcoming periods.

The legislative reform program came into effect on 1 July 2008, with reforms progressively implemented in 2008-09 and 2009-10, and as mentioned earlier changes to levy (premium) determination from 1 July 2012. The nature of the comment included in the previous years' unmodified IARs remain relevant for the 2012-13 IAR in view of the reported performance of the Scheme for 2012-13.

The following is an extract from the 2012-13 IAR on the Corporation's 2012-13 financial report, which is unmodified and again includes the comment on the inherent uncertainty of the outstanding claims provisions, and funding ratio implications.

> ***Opinion***
>
> *In my opinion, the financial report gives a true and fair view of the financial position of the WorkCover Corporation of South Australia as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 198*7 and Australian Accounting Standards.*
>
> ***Inherent uncertainty - outstanding claims liability and funding ratio***
>
> *Without qualification to the opinion expressed above, attention is drawn to notes 2, 18 and 19 to the financial statements.*
>
> *There is significant uncertainty surrounding the financial impact of the WorkCover Scheme legislative reform program. As the reform program has been progressively implemented from 2008-09 its impact will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in notes 18 and 19 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 28 and the future average premium rate. The Board of Management will need to take this matter into account when setting the average levy rate in future years.*

Assessment of controls

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

Communication of audit matters

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

Premiums

Premium revenue from registered employers in 2012-13 was $667 million.

Corporation’s auditing of declared workers’ remuneration and data matching with other government agencies

The Corporation has implemented a number of Audit’s previous recommendations to improve controls over premiums. In particular, the Corporation is now applying new sampling techniques enabling the selection and audit of more representative samples of employers across all industries. These audits should improve the Corporation’s ability to gauge whether employers in general are completely and accurately declaring their workers’ remuneration which is used by the Corporation to calculate the employers’ premiums. Nevertheless, a few of Audit’s past recommendations had not been fully implemented.

In particular, Audit recommended in 2008-09 that the Corporation compare its data with other government agencies, such as RevenueSA or the ATO, to detect unregistered employers or identify employers significantly misstating their workers’ remuneration used to calculate their premium. In response the Corporation indicated it:

- would expand its comparison of data with RevenueSA to not only detect unregistered employers but also identify employers misstating their workers’ remuneration
- had begun obtaining and analysing data from the ATO to identify unregistered employers but did not indicate whether it would use this data to identify employers significantly misstating their workers’ remuneration.

Audit noted in 2011-12 that:

- the expansion of the comparison of data with RevenueSA to not only detect unregistered employers but also identify employers misstating their workers’ remuneration did not eventuate
- the comparison of data with RevenueSA to detect unregistered employers was abandoned after 2008-09 for a number of reasons including the high volume of mismatched records coupled with mismatched fields not being highlighted making the comparison process very time consuming
- the ATO had been contacted requesting data that could be used to identify employers significantly misstating their workers’ remuneration.

In response the Corporation indicated in 2011-12 it would continue data matching with RevenueSA and commence data matching with the ATO upon initial receipt of information.

Audit noted in 2012-13 that data was received from RevenueSA and the ATO late in 2012-13 and comparison of this data to the Corporation's data was scheduled to commence in September 2013.

Experience rated premiums

Audit noted in 2012-13 a number of matters arising from the introduction of experience rated premiums. More specifically it was noted that claim agents controls require improvement to ensure compliance with the Corporation's claims estimation manual. This manual must be used by the claim agents to determine the estimates used in premium calculations. In particular, Audit noted that controls required improvement to ensure estimates are updated when certain milestones are reached. Keeping estimates up-to-date ensures the complete and accurate calculation of each employer's:

- hindsight premium adjustment at year end based on their actual claim experience. Those employers whose actual claim experience was worse than estimated at the start of the year must pay more premium whilst those employers with better than estimated claim experience pay less premium

- estimated premium for the forthcoming year.

Audit also noted that controls could be circumvented or were not operating to ensure claims were not improperly coded as secondary or unrepresentative. Claims coded as secondary or unrepresentative are excluded from claim estimate calculations resulting in lower premiums rates. According to the Corporation's reports there were 865 secondary injury claims and 130 accepted unrepresentative injury claims out of approximately 14 000 claims processed during 2012-13.

In response to Audit's observations, the Corporation advised that key performance indicators (KPIs) for claim agents will address these matters. Claim agents will be required to audit their own performance against these KPIs in accordance with contractual requirements and the Corporation will undertake verification audits.

Workers compensation

Documentation of controls

The WRCA is very complex and has many requirements that must be followed. Some of these requirements are enforced by business rules built into the Corporation's workers compensation system, Curam. Other requirements are enforced outside Curam. To ensure compliance with all of these requirements both the Corporation and the claim agents have developed a vast array of certificates, checklists, policies, procedures and manuals.

Audit reported to the Corporation in 2011-12 that:

- some gaps in these procedures and controls had resulted in some requirements of the WRCA not being enforced or misinterpreted

- the Corporation had no document that maps each requirement of the WRCA to a Corporation or claim agents control. Audit recommended that given the new claim agents arrangements were about to commence it was an opportune time to establish a document that maps each requirement of the WRCA to a Corporation or agent control.

In response, the Corporation and the claim agents performed this mapping process in 2012-13 resulting in the revision of the Claim Agent Assurance program and creation of an agent performance operational risk register. The two claim agents were required to certify in August 2013 that their controls in this register were operating throughout 2012-13. The two claim agents each appointed an auditing firm to provide an independent opinion on the reasonableness on the design and operating effectiveness of the agent controls included in the register.

Audit advised the Corporation in 2012-13 that the register could be improved by:

- changing the direction of the mapping process so that each section of the WRCA is linked to an objective and risk. The mapping process in 2012-13 involved linking the objectives and risks in an existing operational risk register to sections of the WRCA. The mapping process would have been more complete had it been performed in the opposite direction. This would have ensured no requirements of the WRCA were overlooked. For example, Audit noted the register omitted the requirement of section 35(2) of the WRCA to stop income maintenance when the worker reaches the lesser of retirement age or 65
- including the objectives, risks, controls and WRCA requirements for recovering compensation from the Motor Accident Commission or third parties who injure workers
- including the objectives, risks, controls and WRCA requirements for estimating costs of claims used in premium calculations
- ensuring every significant risk is covered by a control. Examples of risks in the register not covered by a control were:
  - invalid adjustment made to a worker's average weekly earnings in Curam
  - segregation of duties matrix for creation, processing and approval of income maintenance payments is not completely and accurately maintained in Curam.

Audit also noted that recoveries and claim estimations were omitted from the Claim Agent Assurance program as well as the three year rotational controls testing plan performed by the auditing firms. Nevertheless, the Corporation did undertake its own audits of claim estimations.

Audit recommended appropriate action to address these matters in 2013-14.

In response, the Corporation advised that:

- it notes the risk of deficiency in the claim agents external assurance program and risk register
- it has recently reviewed its claims management assurance program aiming to achieve a balance that enables claim agents to resource and focus on minimising outstanding claims liability - the major funding risk to the Scheme through improved case management outcomes
- rather than modifying the claim agents external assurance program to include recoveries and claims estimations, the Corporation will improve the risk controls by:
  - inclusion of these activities as criteria in the claim agents KPIs with requirements linked to agent remuneration
  - exception and system reports run at the Corporation aimed at identifying potential overpayments early
  - Corporation targeted audit activity of claim agents.

Internal audits

Audit reported in 2011-12 that some significant areas of workers compensation, particularly income maintenance payments worth $197 million in 2011-12, were not covered by internal audits by the Corporation or the claim agents. In addition, the claim agents' quality assurance audits did not cover all aspects of income maintenance. Of particular note, there was no auditing to determine whether income maintenance payable by employers for the first two weeks of the claim was being correctly waived. Audit noted that the prerequisites of the WRCA on the waiver checklist needed to be corrected to stop case managers from providing waivers without having received the employer report form. The employer report form, which must be completed and received from the employer within specified days of the employer receiving the claim, is a useful tool for detecting claimants that have exaggerated their injury, recovered from their injury but pretending to be still injured, been injured outside work (eg injured while playing sport) or injured while doing work outside the State. Audit recommended appropriate action to address these matters.

Audit noted in 2012-13 that internal audits of both claim agents now cover income maintenance. However, Audit noted that claim agents still needed to correct their checklists for waivers to properly reflect the prerequisites of the WRCA.

In response, the Corporation advised that it will review the claim agents waiver checklists for consistency with the WRCA.

Acceptance of claims

The value of outstanding claims at 30 June 2013 was $3.6 billion.

The WRCA stipulates that a claim be accepted if the claimant is a worker, their injury arose from their employment and their employment was connected with the state. While the WRCA criteria can usually be determined from the claim form or confirmed with the employer there are some claims requiring greater scrutiny.

Audit reported in 2011-12 that a case manager's decision to reject a claim was being checked before notifying the worker but not their decision to accept a claim. If the case manager's decision to accept a claim, and therefore incur a liability, was wrong it may never be detected. Audit recommended that case managers only accept claims after their supervisors have verified that enough evidence exists of the claim satisfying the WRCA criteria.

Audit noted in 2012-13 one of the two claim agents had established processes that ensured all income maintenance claims were scrutinised by a technical officer and a case manager before acceptance whilst the other claim agent did not require all income maintenance claims accepted by case managers to be scrutinised by a second expert before acceptance. Nevertheless, the other claim agent had established a process where certain types of claims are assessed by specialised case managers.

In response to Audit's observations, the Corporation advised that it does not consider it practical to have supervisors verify evidence on each claim in a 'no fault' compensation system, prior to claim acceptance. Research from interstate workers compensation schemes has indicated that no other scheme verifies claim acceptance after a supervisor reviews the evidence. However the Corporation has reviewed and included claim determination in the claim agents KPI requirements. Claim agents must ensure that high risk (income maintenance) claims are to have an evidence based decision. Claim agents will be required to audit their own performance against this KPI in accordance with contractual requirements and the Corporation will undertake verification audits.

Checking average weekly earnings (AWE) calculations for new claims

The WRCA specifies how the AWE of an injured worker must be determined. This determination forms the basis for calculating an injured worker's weekly income maintenance payments.

Audit reported in 2009-10 that errors were found in a sample of audited AWE calculations for new claims and recommended that all AWE calculations irrespective of their value be checked on determination to stop errors. An incorrectly calculated AWE will cause ongoing under/over payments of income maintenance.

Audit reported in 2010-11 there was insufficient evidence of all AWE calculations being checked on determination. The Corporation indicated that evidence of AWE calculation checks would be kept in future.

Audit reported in 2011-12 that the claim agents had introduced checking of all AWE calculations using checklists. However, for the December 2011 quarter the claim agents' quality assurance audit indicated 20% of sampled AWE calculations did not agree to supporting evidence and 4% had no proof of earnings on file. Audit recommended that officers checking AWE calculations confirm the calculations agree to supporting evidence including proof of earnings. More specifically the checking officers confirm that proof of earnings have been completely and accurately transposed into AWE calculators. Audit also recommended that checking officers produce a report periodically from Curam of accepted income maintenance claims for comparison to their checklists to ensure they have checked all AWE calculations.

Audit noted in 2012-13 from sample testing of AWE calculations for new claims that errors are still occurring including proof of earnings not being completely and accurately transposed into AWE calculators. Also checking officers are not producing a report periodically from Curam of accepted income maintenance claims for comparison to their checklists to ensure they have checked all AWE calculations. Audit noted from the sample testing many AWE calculations at both claim agents had no evidence of having been checked.

In response to Audit's observations, the Corporation advised that AWEs must be completely and accurately calculated in accordance with the WRCA. For this reason, KPIs for claim agents addresses the timing and accuracy of weekly payments. Claim agents will be required to audit their own performance against this KPI in accordance with contractual requirements and the Corporation will undertake verification audits.

Annual pay increase under section 39 of the WRCA

Under section 39 of the WRCA the income maintenance of a worker must be increased annually on the anniversary date of their injury in line with their award or the wage price index (WPI).

Audit reported in 2011-12 that, apart from internal audits of a sample of claims, there was no check to ensure case managers had accurately calculated the WPI or award increase and then correctly entered the increase and effective date into Curam. Also, case managers had the ability to increase a worker's AWE in Curam without any verification of its validity. Audit recommended that a control be introduced that ensures all increases to AWEs are valid and correctly calculated.

Audit noted in 2012-13 that one claim agent had still not established a control that ensures all increases to AWEs are valid and correctly calculated.

Audit recommended that the Corporation should ensure:

- increases in each worker's AWE are accurate, valid and applied on the correct date
- officers with the ability to change a worker's AWE in Curam do not have the ability to approve or apply that change.

In response, the Corporation advised that KPIs for claim agents addresses the timing and accuracy of weekly payments. Claim agents will be required to audit their own performance against this KPI in accordance with contractual requirements and the Corporation will undertake verification audits.

For Australian Bureau of Statistics increases, the Curam system performs the calculation. Further changes to annual pay increase functions in Curam are not being pursued as a priority at this time.

Step downs under section 35A of the WRCA

Under section 35A of the WRCA the income maintenance of a worker must be periodically reduced to encourage the worker back to work. The reductions, called step downs, occur at 13 and 26 weeks of the worker's entitlement to income maintenance.

Audit reported in 2011-12 that not all step downs were occurring on time.

Audit noted in 2012-13 that some step downs are still not occurring on time. One of the claim agents was developing an exception report to identify missed step downs.

Audit recommended the Corporation should ensure step downs occur on time.

In response, the Corporation advised that it should be noted that the calculation of entitlement weeks is not simply based on a calendar week. Furthermore, calculations can be dependent on the submission of income maintenance reimbursement forms by employers. Given the complexity and the variables, KPIs for claim agents addresses the timing and accuracy of weekly payments. Claim agents will be required to audit their own performance against this KPI in accordance with contractual requirements and the Corporation will undertake verification audits.

The Corporation further produces exception reports for late step downs to be monitored and actioned by claim agents and the Corporation.

The claim agent agreement provides a further control against late step downs as claim agents are required to declare and reimburse the overpayment to the Corporation.

Income maintenance reimbursements to employers and workers

There are deficiencies in the controls designed to prevent the processing of fraudulent income maintenance reimbursements to employers and workers.

Employers who pay the entire salaries and wages of injured workers obtain a weekly reimbursement from the Corporation for the time not worked (salaries not earned) by the injured worker.

Injured workers who are paid salaries and wages by their employer for only those hours worked (ie actual earnings) seek a weekly reimbursement from the Corporation for the remainder of their income maintenance entitlement.

Audit has commented to the Corporation since every year of audit from 2008-09 on how easily certain source documents could be falsified by employers and workers to obtain larger reimbursements.

Audit recommended in 2011-12 that actual earnings declared on reimbursement forms from employers and workers be investigated when they are above or below the worker's expected earnings. The expected earnings should be based on the known level of incapacity of the worker. In response, the Corporation advised Audit that it will request that claim agents ensure an appropriate check of the worker capacity when paying employer and worker reimbursements.

Audit noted in 2012-13 that the claim agents indicated they check actual earnings declared on reimbursement forms from employers and workers against the worker's expected earnings and investigate any inconsistencies. However, the claim agents do not maintain evidence of these checks.

Audit again recommended a control be implemented that reduces this high risk of fraud.

In response, the Corporation advised that it acknowledges there is a risk of fraud. The Corporation also:

- acknowledges that the current Experience Rated Premium system mitigates this risk. In addition, the Corporation has enhanced its investigations and fraud capability and has capacity to investigate potential fraud in this area
- notes that the majority of weekly payments in the Scheme relate to workers receiving full costs of their weekly payments not top-up arrangements
- notes that for this risk to become material, the employer would consciously need to manufacture payslips and other employment records.

Recoveries

Actual recoveries were $21 million in 2012-13. The Corporation's actuary estimated outstanding recoveries at 30 June 2013 to be $91 million.

The process of accepting a claim involves the case manager identifying and notifying the Recoveries Unit of potential recoveries of money from parties who injured the worker.

Audit reported in 2011-12 some opportunities to improve controls for identifying and processing recoveries. In particular, there was a significant reliance on case managers to identify and notify specialist recovery officers of potential recoveries. There were a number of reports created from Curam by both the Corporation and the claim agents to identify potential recoveries overlooked by case managers. However, these reports would not identify all potential recoveries overlooked by case managers. Audit recommended that case managers no longer be responsible for identifying potential recoveries of money from parties who injured the worker and instead have all claims above a certain estimated value automatically referred by Curam to specialist recovery officers for assessment.

Audit noted in 2012-13 that claims above a certain estimated value are still not automatically referred by Curam to specialist recovery officers for assessment.

In response, the Corporation advised that it does not believe that it is practical for automatic referral to be made by Curam and that it is more appropriate for claims management staff undertaking the initial claim investigation to undertake this function.

The claim agents KPI requirements now also require claims management staff to identify any and all possible wrongdoer recovery types pursuant to section 54 of the WRCA. These KPIs include:

- all new claims received are considered for recovery potential

- upon audit by the Corporation, the claim agents has identified greater than or equal to 90% of those identified as potential recovery claims at 26 calendar weeks from date of claim receipt
- for all claims identified by the agent as having recovery potential, there is a documented recovery plan on file that is regularly reviewed and kept current.

Service plans

Case managers use the Curam system to manage workers compensation claims. Case managers are overseen by team leaders.

Service plans tailored to the needs of each injured worker were introduced in 2009-10. One of the purposes of the service plan is to help case managers and their supervisors control medical and rehabilitation costs.

In 2010-11 Audit reported that case managers can create the same service plan item multiple times. While there are circumstances where this is appropriate there is a potential for this feature to be misused by case managers to circumvent approval of amounts by their supervisors. For example, a case manager could initiate extra service plan items to avoid their supervisor being alerted by Curam that actual costs have reached their approval limit. In response, the Corporation indicated it was developing reports as part of a monitoring framework.

Audit noted in 2011-12 that reports had been created to identify case managers creating the same service plan item multiple times but the Corporation had not determined who should review the report and how often.

Audit noted in 2012-13 that the Corporation had issued instructions in April 2013 to the claim agents for the periodic review of the report.

Lump sum overpayment

Audit testing of transactions identified an instance of a control being evidenced by a claim agent as performed but was not performed properly resulting in a lump sum overpayment of about $214 000.

In response, the Corporation advised that it expects to recover the overpayment in full from the claim agent. The Corporation also advised that it will improve controls by introducing a KPI for claim agents to ensure that lump sum payments pursuant to section 43 of the WRCA are subject to regular internal test, verification and improvement processes by the claim agents and the results reported to the Corporation on a six monthly basis. The Corporation will undertake verification audits. The Corporation will implement system reports and ensure that claim agents continue to implement required control reports. The claims agent agreement also provides a control against duplicate lump sum payments as claim agents are required to declare and reimburse the overpayment to the Corporation.

Procurement

Officers can approve payments for items they purchased

The Corporation allows its officers with a financial delegation to approve payments for items they purchase. Thus Audit considered controls were not sufficient to prevent or detect officers with financial delegations approving fraudulent payments to related parties. Such frauds would not be prevented or detected by:

- the accounts payable officer who will pay invoices provided they are signed by the correct delegated authority

- managers reviewing budget performance reports unless they obtain and investigate the nature of every individual transaction summarised within these reports and were not the perpetrator of the fraud
- officers establishing new vendors in the vendor masterfile where the vendor is a legitimate supplier but a related party of delegated officers approving payments.

Unless individual purchases exceeded certain criteria they would not be checked by anyone to ensure they were procured ethically and were not fraudulent.

Audit recommended that the Corporation no longer allow officers with a financial delegation to approve payments for items they purchase. Audit also recommended the Corporation consider using the purchase order and payment approval functionality within the Finance One system to enforce this segregation.

In response, the Corporation advised Audit that management consider the documented financial delegations in place for the approval of payments is appropriate. Vendors are authorised by financial operations when set up on the system. Regular review of cost centre expense by finance business partners and relevant directors and general managers is a control likely to detect fraudulent expenditure that is material.

Checking procurement of minor items

The Corporation operates a decentralised procurement model with each business unit being responsible for checking its own compliance with the Corporation's procurement manual.

The Corporation's procurement and contract guidelines specify that a planning documentation checklist must be completed for all major procurements over $110 000 and provided to the procurement and contracts consultant to confirm that all necessary documentation has been prepared. However, Audit noted that no person outside the business units checks to ensure minor procurements below $110 000 are conducted by business units in an ethical manner and in accordance with relevant policies and guidelines. Audit recommended that someone outside the business unit should monitor accumulated payments to vendors and for a sample of smaller vendors ensure they were procured in an ethical manner and in accordance with relevant policies and guidelines.

In response, the Corporation advised Audit that the procurement process has been reviewed with a focus on adopting a commercial value risk management approach. The newly appointed Manager Financial Operations and Procurement is implementing the new process. Consideration will be given for this officer to periodically review a sample of the minor procurements to verify that they were procured in an ethical manner in accordance with guidelines.

Information and communications technology and control

The Corporation maintains a number of important ICT systems. In particular the Curam workers compensation system, Technology One Finance Interface Management system, the WIRE database, Information Extract Library and the CHRIS HRMS.

These systems support the Corporation's day to day operations as well as being integral to the completeness and accuracy of data and information used for financial management, accounting and reporting. In addition, the Corporation's claim agents require system access and extract reports from certain systems.

Changes affecting the Corporation's ICT environment during 2012-13 included Curam production server and software changes, the appointment of a new chief information officer and the engagement of an additional claim agent.

The Corporation has continued to maintain a strong level of internal audit review of its systems and facilities. Audit's review coverage for 2012-13 took into account the work undertaken by the Corporation's internal auditors. This included a review of general IT controls for the Corporation's computer operations, IT security (database, application and operating system), access to programs and data and also program changes.

Audit's reviews in 2012-13 included a follow-up of remediation activities for ICT related audit issues raised in previous years, a high level review of the Corporation's compliance with the global payment card industry standards and an assessment of the Corporation's monitoring of ICT security controls for its claim agents. Key findings arising from the review and the Corporation's response to those findings are discussed hereunder.

Key audit findings

In respect of specific control issues, the review found that the Corporation has resolved many of the 2011-12 ICT related audit issues raised by both Audit and the Corporation's internal auditor.

Audit noted that information security classification has occurred for Technology One Finance Interface Management system and CHRIS HRMS and the Corporation undertook a review of one of its claim agent's security systems and processes. The claim agent review demonstrated sufficient levels of compliance as required under the claims management agreement and also provided effective controls in compliance with the specified security requirements to ISO/IEC 27001 standards. A similar audit review for the other claim agent was scheduled for September 2013.

While acknowledging the remediation action taken, Audit identified certain issues requiring attention by the Corporation. The main issues/recommendations were:

- priority be given to the strengthening of the formal change approval process
- ICT documentation be reviewed and updated consistent with the Corporation's ICT document register review cycle. In addition, the Corporation should ensure that all ICT procedure documents are recorded in the register. Also procedure documentation incorporating the roles and functions of the new claim agent should be developed
- a risk register be maintained to track the risk of not regularly monitoring users that have high level of privileges and access to the Curam system. The decision for not proceeding with a proposed monitoring software tool to potentially address this risk be formally documented and provided to the Corporation's Audit and Risk Committee
- improvement of the classification of incidents within the Corporation's service desk system and other applicable systems
- the payment card industry data security standard self-assessment questionnaire be revisited for currency and involve regular monitoring of current or potential wireless access points within the Corporation's network.

In addition to the issues raised by Audit the Corporation's internal auditor identified certain priority issues.

The high priority issues were:

- the production and development environments for Curam and WIRE were not appropriately segregated. The change migrator for Curam also had access to the development environment, and used a generic account to migrate changes. Although there were mitigating controls the segregation deficiencies increased the risk of unauthorised/inadequately tested changes being migrated to production. In addition, the use of the generic account weakened accountability exercised over any changes migrated into production

- a key review task in the recoveries process was not being correctly performed
- generic administrative accounts on CHRIS HRMS were not being adequately monitored. In addition user accounts with excessive administrative access to Curam and CHRIS HRMS databases existed. Whilst the Curam database system automatically alerted administrators of any changes to database objects these accounts still increased the risk of inadvertent or unauthorised activity going undetected.

Corporation's response

The Corporation responded to the issues and observations raised by both Audit and the internal audit reviews.

Remediation activities for the issues raised by Audit include the Corporation implementing a new production change approval process and updating selected ICT documents and the document register. In addition, the Corporation is implementing ITIL foundational disciplines in its service desk operations and will be incorporating wireless access testing into future network penetration tests. The target date for the completion of most issues is the end of 2013.

The issues raised by the Corporation's internal auditor are receiving appropriate attention. The majority of issues were to be addressed by the end of September 2013, with a new backup solution anticipated to be completed in October 2013.

Interpretation and analysis of the financial report

Highlights of the financial report (WorkCoverSA)

	2013 $'million	2012 $'million
Underwriting result		
Registered employer premium revenue	667	639
Claims paid	(441)	(394)
Claim recoveries	22	19
Increase in net outstanding claims liability	(373)	(676)
Claim management fees	(44)	(42)
Other underwriting expenses	(11)	(12)
Underwriting result	(180)	(466)
Net investment and other income		
Investment profit and investment expenses	249	92
Other income	25	20
Net investment profit (loss) and other income	274	112
Operating expenses		
Employee benefit expenses	(33)	(39)
Other expenses	(38)	(44)
Total operating expenses	(71)	(83)
Total comprehensive result	23	(437)
Net cash provided by (used in) operating activities	213	230

	2013 $'million	2012 $'million
Assets		
Investments	2 258	1 867
Other assets	140	147
Total assets	2 398	2 014
Liabilities		
Outstanding claims	3 725	3 345
Other liabilities	39	58
Total liabilities	3 764	3 403
Total equity	(1 366)	(1 389)

Statement of Comprehensive Income

Total comprehensive result

The comprehensive result of the Corporation depends significantly on:

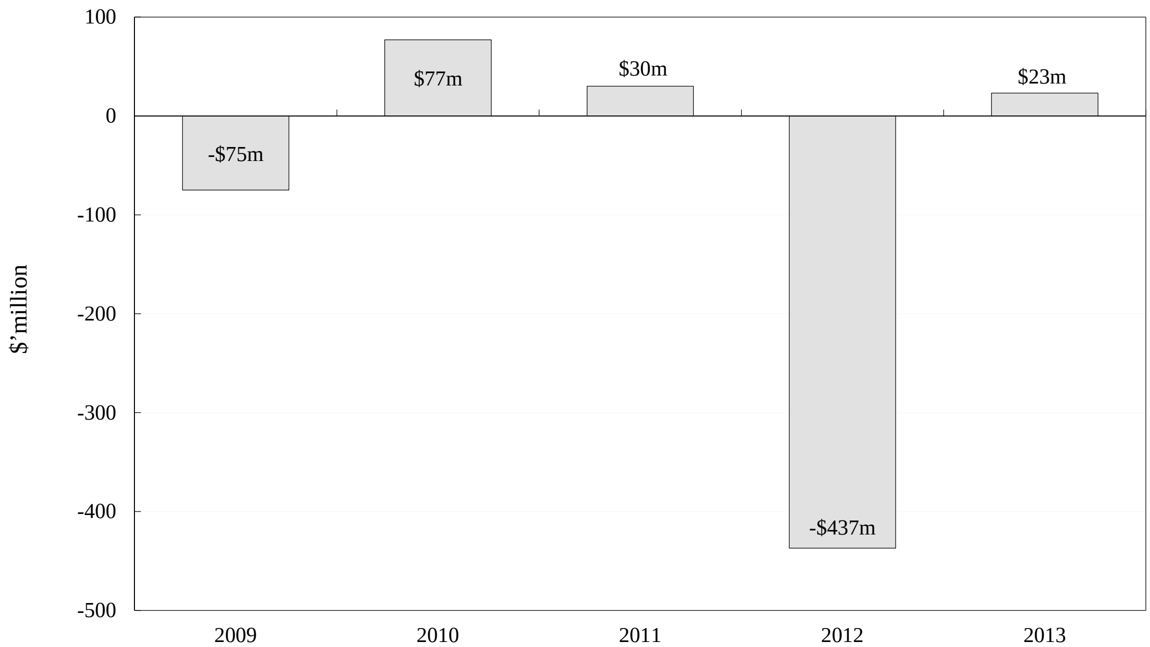
- premium rates being set before the start of the financial year with the aim of ensuring premium revenue and investment income will at least cover the cost of new claims received during the financial year and administrative costs. The premium setting process depends significantly on the actuarial estimate of the cost of new claims likely to be received during the forthcoming year and other factors determined by the Board of Management of the Corporation

- actuarial estimate of the outstanding claims provision

- the market value of its investments.

The total comprehensive result for the year was a profit of $23 million ($437 million loss). The $460 million increase in the total comprehensive result was due mainly to an increase in net investment profit of $157 million coupled with a $286 million lower deterioration in the underwriting result caused mainly by a lower increase in the net outstanding claims liability.

The following chart shows the total comprehensive result of the Corporation for the five years to 2013.



Underwriting result

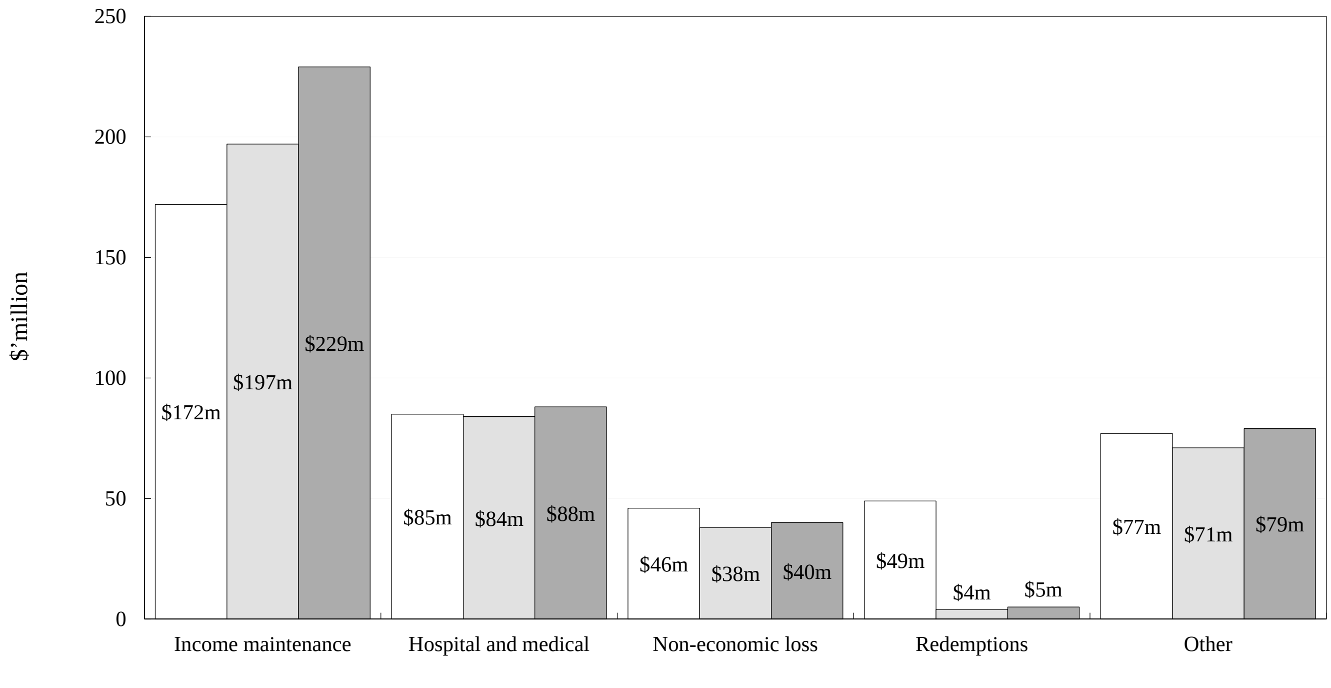
The underwriting result is essentially registered employer premium revenue less claims expense. Investment income does not form part of the underwriting result. AASB 1023 requires the underwriting result to be shown separately in the Statement of Comprehensive Income to help show the extent to which underwriting activities rely on investment income for the payment of claims.

There was a $286 million lower deterioration in the underwriting result reflecting:

- a $256 million lower deterioration in the underwriting result of the Compensation Fund due mainly to the actuarial estimate of the net outstanding claims liability moving from a $676 million increase at 30 June 2012 to a $373 million increase at 30 June 2013. Consistent with 2011-12 the increase in the actuarial estimate of this liability at 30 June 2013 is due mainly to changes in inflation and discount rate assumptions and more injured workers receiving income maintenance for more than a year. There was also a $47 million increase in claim payments due mainly to higher income maintenance payments resulting from more injured workers receiving income maintenance coupled with indexed wages. This was offset by a $28 million increase in registered employer premium revenue reflecting the growth in workers' remuneration across the State.
- a $14 million increase in the underwriting result of the Statutory Reserve Fund due mainly to the net outstanding claims liability moving from an increase of $14 million at 30 June 2012 to a decrease of $16 million at 30 June 3013. The reduction in the actuarial estimate of the liability at 30 June 2013 reflected a reduction in the assumed number of future asbestos claims from uninsured and insolvent employers.

Claim payments

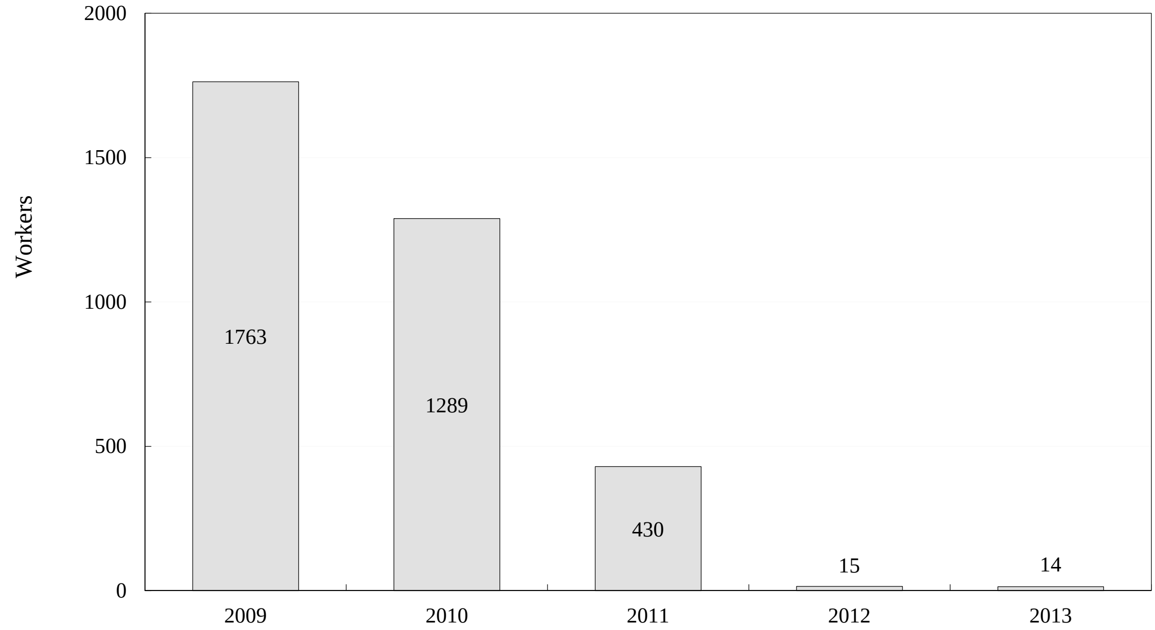
The following chart analyses claim payments for the three years to 2013.



The above chart shows how claim payments are growing due mainly to more workers receiving benefits under the Scheme.

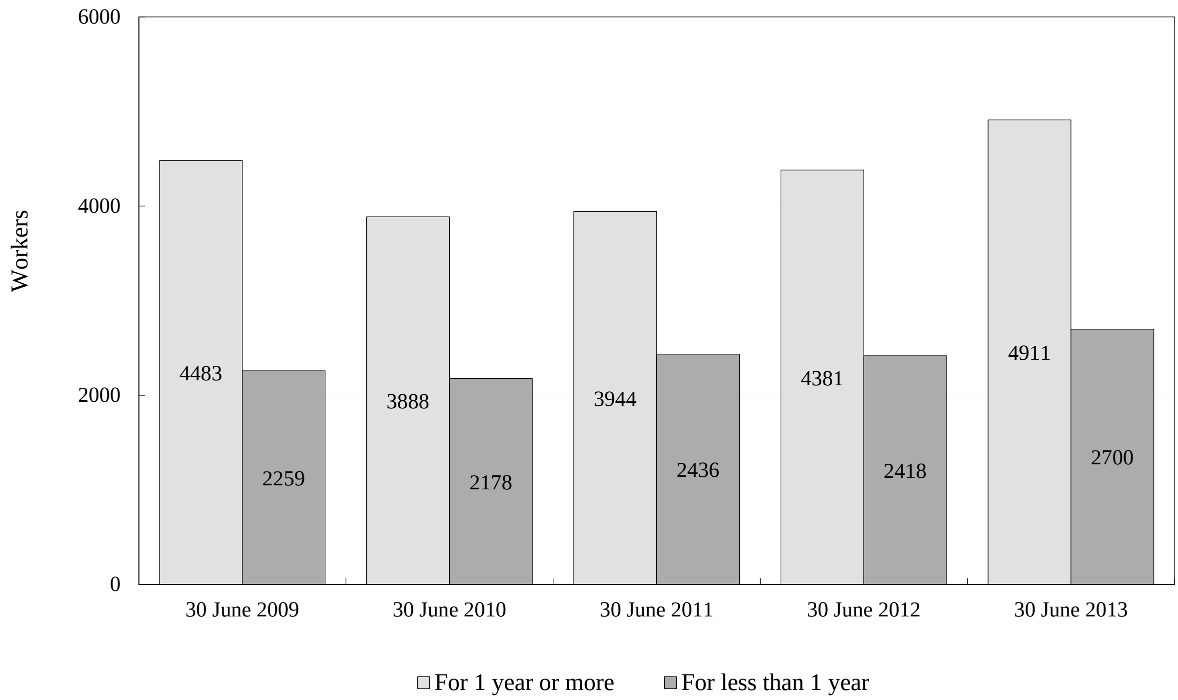
Amended legislation that became effective on 1 July 2009 set more requirements to be met before redemptions could be paid. The transitional effect of the amended legislation ended in September 2010. As a result, most of the redemptions for 2011 were paid between July and September 2010.

The following chart shows the number of workers paid income maintenance redemptions for the five years to 2013. The numbers shown in the chart were provided by the Corporation and are unaudited.



The above chart reflects a concerted effort before 2012 to facilitate the exit of long-term injured workers from the scheme using redemptions.

The change in the number of workers receiving income maintenance is reflected in the following chart.

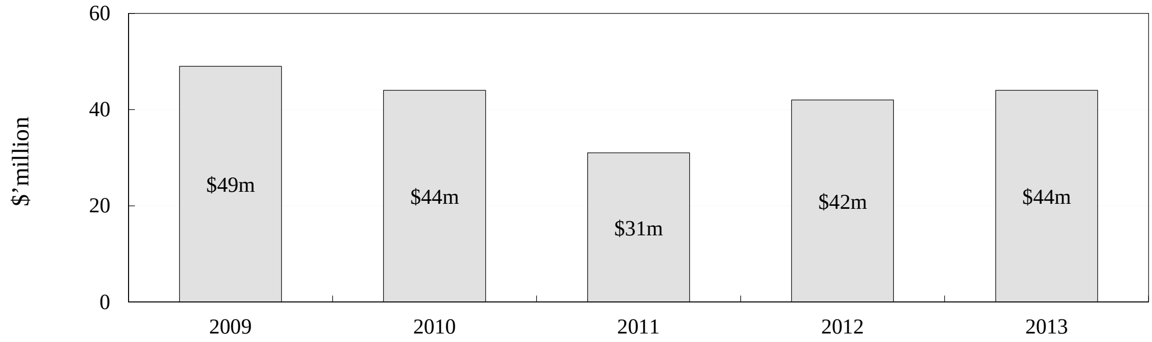


The numbers shown in the above chart were provided by the Corporation and are unaudited.

The above chart shows the number of workers receiving income maintenance for a year or more was reducing up to 30 June 2010 but is now increasing. The reductions up to 2010 were mainly due to redemptions which virtually stopped in September 2010.

Claim management fees

The following chart shows claim management fees for the five years to 2013.

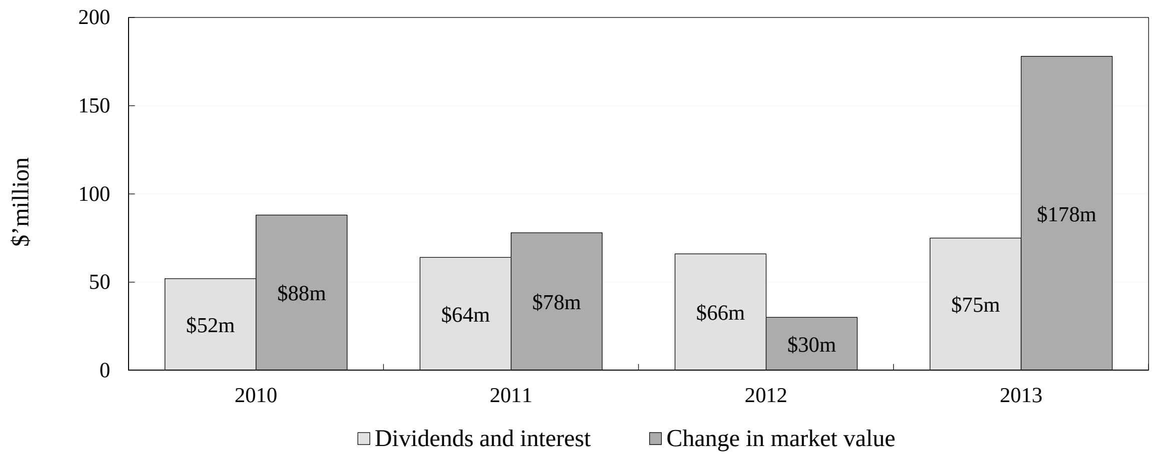


Claim management fees are paid to EML and GB for managing workers compensation claims and rehabilitation. EML was the Corporation's sole agent in managing and providing workers compensation and rehabilitation. From 1 January 2013 this responsibility was split equally between EML and GB. The claim management fees were higher in 2009 and 2010 mainly due to higher performance fees for reducing the number of long-term benefit claims essentially by using scheme monies to pay these injured workers redemptions. The method for determining performance fees coupled with stricter laws that virtually ended redemptions in September 2010 made it harder for the claim agents to earn performance fees. Instead of paying workers redemptions to exit the Scheme thus reducing the outstanding claims liability they had to focus more on rehabilitating workers back into the workforce. In 2012 the method for determining the performance fees was amended resulting in higher fees. In 2013 the new contractual arrangement with the two claim agents resulted in the method for determining the performance fees being amended again resulting in higher fees. The higher fees also resulted from more claims to manage and transition costs associated with moving from one claim agent to two claim agents.

Investment profits/losses

The Corporation's investment profits and losses have fluctuated significantly over recent years as result of changes in the market value of its investments which depend on financial market conditions. Financial markets improved significantly in 2013.

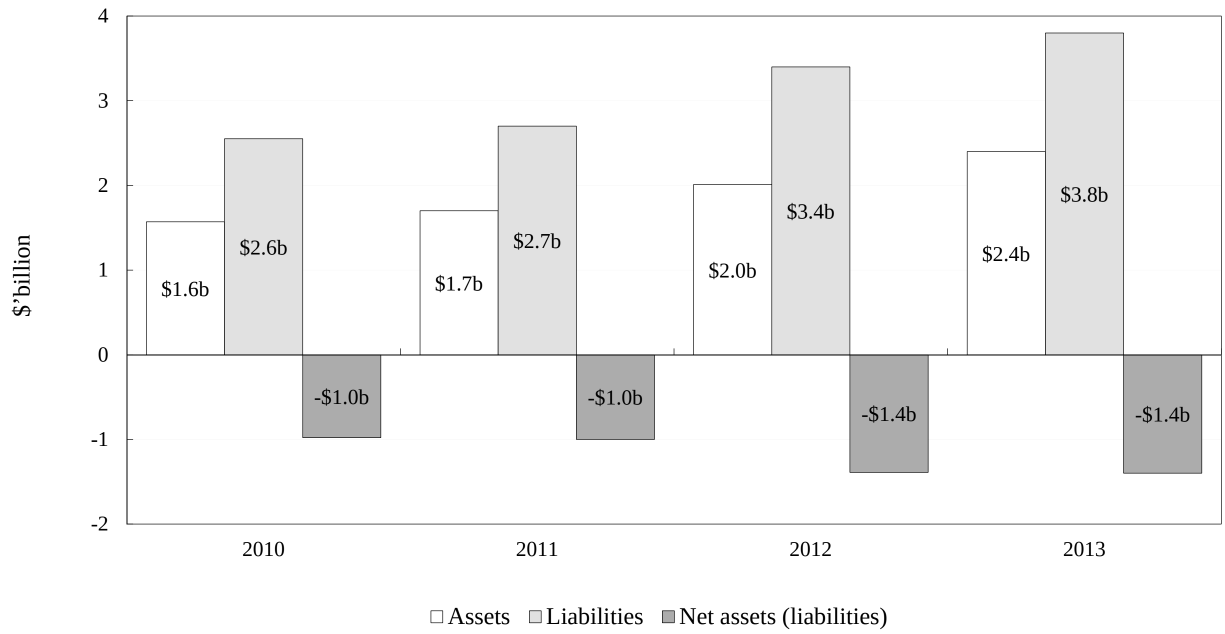
The following chart shows the main categories of investment income of the Corporation for the four years to 2013.



Statement of Financial Position

The net liabilities of the Corporation reduced by $23 million in 2013 due mainly to an increase of $391 million in investments and reduction of $13 million in payables offset by an increase of $380 million in the outstanding claims liability. The reduction in payables is due mainly to the change in the method for paying claim management fees by instalment resulting in less being accrued.

The following chart analyses the assets and liabilities of the Corporation for the four years to 2013.



Outstanding claims - Compensation Fund

Outstanding claims comprised 99% (98%) of the Corporation's liabilities. The outstanding claims liability covers expected future payments including those related to claims reported but not yet paid, incurred but not yet reported and incurred but underreported.

The liability is determined on the basis of consideration and assessment by the management and Board of Management of the Corporation of a comprehensive actuarial review of claims exposures by an independent actuary. Relevant information relating to the actuarial estimation of outstanding claims liabilities is provided in notes 1(l), 2, 18 and 19 to the financial statements.

In particular, note 18 indicates that the actuarial estimation is primarily based on the observed post-legislative reform experience to date, although some judgment is still required about the future outworkings of the reform implementation. This acknowledges, as previously commented, that legislative reform came into effect from 2008 and its impact will only become clearer as actual claims experience emerges under the reforms. Further, note 18 specifies the nature of a number of key uncertainties associated with the actuarial estimation. It also shows that the weighted average expected term to settlement of claims has reduced from 9.1 years in 2012 to 8.9 years in 2013.

The actuarial estimate of the net outstanding claims liability moved from a $662 million increase at 30 June 2012 to a $389 million increase at 30 June 2013. This means the increase reduced by $273 million. The increase in the actuarial estimate of this liability at 30 June 2012 was due mainly to changes in inflation and discount rate assumptions and more injured workers receiving income maintenance for more than a year. The actuarial estimate increased again at 30 June 2013 due mainly to even more injured workers receiving income maintenance for more than a year. The effect of this was offset by changes to discount rate assumptions.

Although changes to discount and inflation rate assumptions are impacted by events outside of the Corporation's control, the actuary determines the rates. The actuary increased the discount rate from 3.8% in 2012 to 4.4% in 2013. An increase in the discount rate by 1% results in a reduction in the liability of $279 million. Meanwhile the actuary increased the inflation rate for income maintenance, medical, legal and other costs by 0.05%. A 1% increase in inflation rates increases the liability by $321 million. Note 18(e) to the financial statements provides an analysis of the sensitivity of the outstanding claims liability to changes in discount and inflation rates.

Legislative reform

Amendments to the WRCA in 2008 were aimed at significantly increasing worker return to work rates in South Australia, thereby minimising the negative impacts of injured workers remaining on the Scheme, and enabling a reduction in the cost of premiums paid by employers and ensuring the achievement of full funding.

However, there remains uncertainty around the effectiveness of these legislative reforms potentially affecting the uncertainty of the outstanding claims liability estimate. This matter is outlined in more detail together with other developments affecting the uncertainty of the outstanding claims liability estimate in note 18(a) to the financial statements.

Audit noted that amendments to the WRCA in 2008 affecting the uncertainty of the outstanding claims liability include:

- work capacity review experience and the extent to which future outcomes regarding long-term benefit claims are affected by the review process
- the outcomes of claims with pending disputes - the valuation basis assumes a high level of success on currently disputed claims (or at least that any unsuccessful outcomes will be offset by additional exits of other claims)
- the mix of claims moving into the tail over time (becoming long-term benefit claims) which is different from the past after the removal of redemptions and the introduction of work capacity reviews
- the ultimate number and size distribution of lump sum payments under the Whole Person Impairment assessment basis.

The uncertainty of the outstanding claims liability estimate is also affected by amendments to the WRCA that changed the method for determining premiums from 1 July 2012. The intention of the changes is to increase the engagement of employers in the prevention and management of workplace injuries.

Probability of sufficiency

As disclosed in note 18 the estimate of outstanding claims liability is determined by reference to a 65% probability that the provision for outstanding claims will be adequate. The charter of the Corporation requires it to estimate its claims liabilities using an appropriate risk margin which is based on at least 65% probability of sufficiency. The Australian Prudential Regulation Authority sets a minimum of 75% in its Prudential Standard GPS 320. Public sector entities are not bound by this requirement. It is noted that the Motor Accident Commission uses 80% and some other schemes in Australia, some of which are fully funded, currently use 75%.

The impact of using a 75% probability of sufficiency on the outstanding claims liability is shown in note 18(e) to the financial statements.

Funding position

Note 28 to the financial statements discusses the funding position of the Compensation Fund and other funds. There was an increase in the funding ratio from 59.2% as at 30 June 2012 to 63.7% as at 30 June 2013.

Investments

The Corporation's investment portfolio of $2.3 billion ($1.9 billion) mainly comprises investments in pooled funds, discrete mandate funds and fixed-term deposits.

Pooled funds

The Corporation trade unit holdings in pooled funds that have characteristics consistent with the Corporation's fund manager guidelines. Other organisations besides the Corporation also hold units in the pooled funds.

Discrete mandate funds

The Corporation has agreements with firms (fund managers) to manage investment portfolios in accordance with the Corporation's investment guidelines.

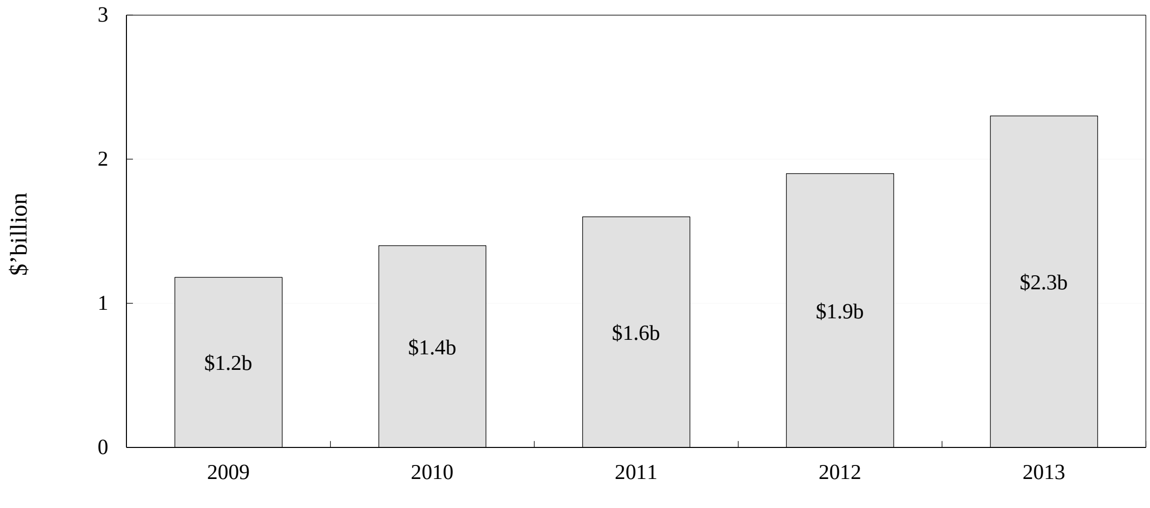
Custodian

The Corporation has appointed the National Australia Bank to be custodian of the pooled funds and discrete mandate fund.

Investment decisions

Investment officers of the Corporation implement the Corporation's investment strategy which involves rebalancing between investments held in pooled funds, discrete mandate funds and fixed-term deposits to minimise risk and achieve target returns. The investment officers also receive expert advice on investment matters from an external consultant.

The following chart shows the market value of the Corporation's investments for the five years to 2013.



Statement of Comprehensive Income
for the year ended 30 June 2013

		Compensation Fund	Other funds	WorkCoverSA 2013	WorkCoverSA 2012
	Note	$'000	$'000	$'000	$'000
Registered employer premium revenue	5	667 375	-	667 375	639 212
Cost of claims	6	(809 086)	14 181	(794 905)	(1 054 593)
Claims management fees		(44 371)	-	(44 371)	(42 225)
Workers Compensation Tribunal		(4 370)	-	(4 370)	(4 710)
WorkCover Ombudsman		(693)	-	(693)	(718)
Medical Panels SA		(2 611)	-	(2 611)	(3 153)
Underwriting result		(193 756)	14 181	(179 575)	(466 187)
Investment profit	7	236 111	16 789	252 900	95 931
Investment expenses		(3 743)	(197)	(3 940)	(3 543)
Self-insured employer fee revenue	5	18 095	-	18 095	15 882
Net profit (loss) from disposal of non-current assets		(28)	-	(28)	(95)
Other income	8	6 466	-	6 466	3 753
Net investment profit (loss) and other income		256 901	16 592	273 493	111 928
Employee benefit expenses	9	(32 940)	(147)	(33 087)	(39 431)
Depreciation and amortisation expenses	10	(5 672)	-	(5 672)	(5 090)
SafeWork SA		(11 281)	-	(11 281)	(11 160)
Return to Work Fund		(490)	-	(490)	(786)
Other general operating expenses	10	(19 883)	(813)	(20 696)	(26 667)
Total operating expenses		(70 266)	(960)	(71 226)	(83 134)
Total comprehensive result		(7 121)	29 813	22 692	(437 393)

Statement of Financial Position
as at 30 June 2013

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Assets:					
Cash	12	5	-	5	5
Trade and other receivables	13	97 545	3 914	101 459	103 125
Investments	3,14	2 112 198	145 446	2 257 644	1 866 800
Property, plant and equipment	15	8 826	-	8 826	9 667
Intangible assets	16	29 923	-	29 923	34 323
Total assets		2 248 497	149 360	2 397 857	2 013 920
Liabilities:					
Unearned premiums		1 544	-	1 544	1 704
Trade and other payables	17	19 076	138	19 214	32 597
Outstanding claims	18,19	3 642 841	82 284	3 725 125	3 345 392
Employee benefits	20	17 046	-	17 046	21 097
Provisions	21	1 357	-	1 357	2 251
Total liabilities		3 681 864	82 422	3 764 286	3 403 041
Net assets (liabilities)		(1 433 367)	66 938	(1 366 429)	(1 389 121)
Equity:					
Retained earnings		(1 433 367)	66 938	(1 366 429)	(1 389 121)
Total equity		(1 433 367)	66 938	(1 366 429)	(1 389 121)
Commitments	25				
Employer financial guarantees	26				
Contingent liabilities	27				

Statement of Changes in Equity
for the year ended 30 June 2013

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Total equity at 1 July	(1 426 246)	37 125	(1 389 121)	(951 728)
Total comprehensive result	(7 121)	29 813	22 692	(437 393)
Total equity at 30 June	(1 433 367)	66 938	(1 366 429)	(1 389 121)

Statement of Cash Flows
for the year ended 30 June 2013

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Cash flows from operating activities:					
Premium receipts		760 268	-	760 268	719 397
Claim recoveries		23 624	589	24 213	20 994
Other receipts		3 375	-	3 375	4 334
Claim and other related payments		(469 361)	(2 185)	(471 546)	(427 219)
Interest received		35 450	2 521	37 971	35 470
Dividends received		34 431	2 448	36 879	30 781
Other payments to suppliers and employees		(118 521)	(1 067)	(119 588)	(99 317)
GST received from (paid to) ATO		(54 392)	80	(54 312)	(50 896)
Investment expenses		(4 117)	(197)	(4 314)	(3 871)
Net cash provided by (used in) operating activities	22	210 757	2 189	212 946	229 673
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment		3	-	3	3
Proceeds from the sale of investments		584 656	-	584 656	738 624
Acquisition of property, plant and equipment		(237)	-	(237)	(10 181)
Acquisition of investments		(752 697)	(2 189)	(754 886)	(959 313)
Net cash provided by (used in) investing activities		(168 275)	(2 189)	(170 464)	(230 867)
Net increase (decrease) in cash and cash equivalents		42 482	-	42 482	(1 194)
Cash and cash equivalents at 1 July	12	61 297	-	61 297	62 491
Cash and cash equivalents at 30 June	12	103 779	-	103 779	61 297

Notes to and forming part of the financial statements

1. Summary of significant accounting policies

(a) Statement of compliance

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

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA. The financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

WorkCoverSA has applied AASs that are applicable for not-for-profit-entities as WorkCoverSA is a not-for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by WorkCoverSA for the reporting period ending 30 June 2013. None of these are expected to have a significant effect on the financial statements of WorkCoverSA, except for AASB 9 which becomes mandatory for WorkCoverSA's 2016 financial statements and could change the classification and measurement of financial assets. WorkCoverSA does not plan to adopt this standard early and the extent of the impact has not been determined.

(b) Basis of preparation

The financial statements have been prepared based on a 12 month period and are presented in Australian currency and have been rounded to the nearest thousand dollars ($'000).

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment, or where assumptions and estimates are significant to the financial statements, are outlined in applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those employees
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Judgments made by management in the application of AASs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting entity

WorkCoverSA is a statutory authority constituted under the *WorkCover Corporation Act 1994*. It is domiciled in Australia. For financial reporting purposes four separate funds are recognised as comprising WorkCoverSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

Compensation Fund

The Compensation Fund refers to the fund which was established on 30 September 1987 under section 64 of the WRCA and excludes the Statutory Reserve Fund, the Insurance Assistance Fund and the Mining and Quarrying Industries Fund.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed *Workers Compensation Act 1971* and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The fund was re-established under Schedule 1, clause 5 of the WRCA and forms a separate part of the Compensation Fund.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund
The Insurance Assistance Fund was established under Schedule 1, clause 5A of the WRCA and forms a separate part of the Compensation Fund. The Insurance Assistance Fund exists to support policies issued under section 118(g) of the repealed *Workers Compensation Act 1971* (the repealed Act). These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed Act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund
Amendments to the WRCA provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to WorkCoverSA and credited to a special account titled 'Mining and Quarrying Industries Fund' which is divided into two parts:

Part A – to satisfy liabilities under the Silicosis Scheme established under the repealed Act

Part B – to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in the Fourth Schedule.

With effect from 1 January 2006 the *Occupational Health Safety and Welfare (SafeWork SA) Amendment Act 2005* transferred the responsibility for the administration of this fund to SafeWork SA.

(d) Administered items
The financial statements and accompanying notes include all the controlled activities of WorkCoverSA. Transactions and balances relating to administered resources are not recognised as WorkCoverSA income, expenses, assets and liabilities. As administered items are insignificant in relation to the WorkCoverSA's overall financial performance and position, they are disclosed under administered items at note 29. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as WorkCoverSA items.

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

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

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

(f) Foreign currency
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by WorkCoverSA in foreign currencies have been translated to Australian currency at rates of exchange current at the reporting period with resulting exchange differences brought to account at 30 June 2013.

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

(h) Trade and other receivables
Trade and other receivables are stated at fair value less impairment losses with the exception of claims recoveries receivable. Fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Claim recoveries receivables are stated at the amounts estimated in the actuarial valuation.

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

(i) Investments

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- receivables are initially recognised at fair value and subsequently at amortised cost less impairment losses (refer note 1(o))
- listed securities and government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

(j) Insurance contracts

Insurance contracts are contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary. WorkCoverSA's liabilities for outstanding claims are similar in nature to general insurance contracts and accordingly are treated as general insurance contracts for the purpose of AASB 1023.

(k) Events after the reporting period

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

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

(l) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by WorkCoverSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300 Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 65% probability of sufficiency.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported (IBNR), claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

(m) Assets backing insurance liabilities

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums recorded in the Statement of Financial Position. As WorkCoverSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, WorkCoverSA considers that substantially all of its assets, excluding property, plant and equipment, and intangible assets exist to back these insurance liabilities. As part of its investment strategy WorkCoverSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

(n) Property, plant and equipment

All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value (refer note 1(o)).

Depreciation is calculated on a straight-line basis so as to write-off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

Class of asset	*Useful life (years)*	
	2013	2012
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications	4-5	4-5
General office equipment	4-5	4-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(o) Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(p) Intangible assets - IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where WorkCoverSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is five to 10 years.

(q) Trade and other payables

Trade and other payables are stated at cost. These amounts represent liabilities for goods and services provided to WorkCoverSA prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

(r) Provisions

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

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

(s) Revenue

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

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

(s) Revenue (continued)

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

Transactions with SA Government entities below the threshold of $100 000 have been included with non-government transactions, classified according to their nature.

Premium revenue

Premiums are payable by all registered South Australian employers under the WRCA.

Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience, and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period.

Premiums attributable to future years and received in the current financial year have been classified as unearned premiums.

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date WorkCoverSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Claims recoveries

Claims recoveries are made from a range of parties in accordance with the WRCA.

Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

Net profit (loss) on non-current assets

Any profit (loss) on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and determined after deducting the proceeds from the carrying amount at the time of disposal.

(t) Expenses

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

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

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

Transactions with SA Government entities below the threshold of $100 000 have been included with non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Operating lease payments

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

Claims management fees

Claims management fees are determined on an accruals basis in accordance with the respective agreements between WorkCoverSA and its claims agents.

Employee benefits - wages, salaries, annual leave and skills and experience retention leave
Liabilities for employee benefits for wages, salaries, annual leave and skills and experience retention leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid as at reporting date including related on costs.

Employee benefits - defined contribution superannuation plan
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

Employee benefits - defined benefits superannuation plan
WorkCoverSA contributes to two defined benefit superannuation plans.

WorkCoverSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the reporting period on government bonds that have maturity dates approximating to the terms of WorkCoverSA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Comprehensive Income.

Where the calculation results in a benefit to WorkCoverSA, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

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

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

(u) Taxation

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

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

(v) Futures contracts

Futures contracts are recorded in the financial statements at fair value. The fair value is the unrealised gain/loss on the outstanding contracts as at the reporting period. All open futures contracts mature within 12 months of the reporting period.

(w) Segment reporting

WorkCoverSA operates within the insurance industry predominantly providing for the rehabilitation and compensation of workers with respect to injuries and diseases arising from their employment. WorkCoverSA operates solely in the State of South Australia.

2. Critical accounting judgments and estimates

WorkCoverSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on WorkCoverSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of outstanding claims liability and the estimate of the premiums receivable balance.

Outstanding claims liability

WorkCoverSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in notes 18 and 19.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. WorkCoverSA has adopted a risk margin of 5.5% for the Compensation Fund (5.5%) and 5.5% for the Statutory Reserve Fund (5.5%) and the Insurance Assistance Fund (5.5%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 25% (25%)) at 65% (65%) probability of sufficiency. The risk margins were determined based on advice from Finity Consulting Pty Ltd.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims IBNR to WorkCoverSA. The IBNR relates principally to claims for asbestos related diseases and affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Premiums receivable

The premiums receivable balance is the balance of premium debtors as at 30 June plus an estimate of premiums receivable based on end of year returns from employers, after allowing for the impairment of any of these amounts and for refunds issued after the end of the year.

3. Risk management

(a) Overview

WorkCoverSA's risk management framework is the principal means by which identified risks are managed. WorkCoverSA has developed a risk management strategy that supports the risk management framework. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage WorkCoverSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment and regular review by the Board Audit and Risk Committee and management of a risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up-to-date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

(a) Overview (continued)

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with WorkCoverSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WorkCoverSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by WorkCoverSA. WorkCoverSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in WorkCoverSA's activities. WorkCoverSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The Board categories of risk faced by WorkCoverSA are:

- insurance risk
- operational and other risk
- financial risk.

(b) Insurance risk

As set out in note 1, WorkCoverSA provides workers compensation coverage, in accordance with the WRCA, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the WRCA the Compensation Fund is funded by charging premiums to all employers covered by the WRCA which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the average premium rate.

The average premium rate is set annually by the Board in accordance with its funding policy based on an actuarial assessment of the overall funding requirement of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the WRCA. The average premium rate is then used as a basis for determining an individual premium rate for individual industry groups according to their South Australian WorkCover industrial classification. Under the WRCA, WorkCoverSA has the power to set premium rates to recover any shortfalls in premium collections. The funding policy is for WorkCoverSA to become fully funded as soon as practicable. Full funding is defined by the Board as having a ratio of assets to liabilities of between 90% and 110%.

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models to translate the average premium rate into individual South Australian WorkCover industrial classification premium rates. The number of registered (non-self-insured) employers for the financial year was approximately 50 000. The entitlements payable to injured workers are determined by the WRCA

WorkCoverSA's approach to determining the outstanding claims provisions and related sensitivities is set out in notes 2, 18 and 19. WorkCoverSA relies on the following key controls in seeking to ensure the adequacy of the claims provision:

- there are established processes for managing claims in accordance with the WRCA and other relevant legislation
- the claims provision is reviewed by an external actuary as follows:
  - Compensation Fund – every six months
  - Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) – every 12 months

(b) Insurance risk (continued)

- Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) – every 12 months
- IBNR arising from asbestos related matters – every 12 months with a more detailed review every two years
- Mining and Quarrying Industries Fund – every three years.

In addition to these key controls the nature of workers compensation means that the liability associated with an individual claim, whilst being difficult to determine precisely on an individual basis, is relatively small in relation to the assessed value of all of the claims taken as a whole.

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

WorkCoverSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

WorkCoverSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about WorkCoverSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments - risk management framework

WorkCoverSA's investment policy document defines the investment policies for the management and oversight of WorkCoverSA's investment portfolio. It overviews the broader context against which the WorkCoverSA investment program operates, sets forth the specific investment objectives for the portfolio and the Board's governance arrangements for the investment program. The investment policy objectives are to:

- assist in minimising employer premiums by delivering investment returns that exceed the actuarial discount rate, achieved by adopting a moderate-risk, balanced investment portfolio
- ensure maintenance of the purchasing power of money held to fund the Scheme's incurred, predominantly inflation indexed, liabilities by focusing on maximising real (ie in excess of South Australian wage inflation) investment returns, measured over rolling three year periods.

Achievement of these objectives will be subject to:

- the expected impact of the investment program on the volatility of the funding ratio being acceptable
- there being an acceptable risk that the nominal investment return in any one year will be negative
- assets being sufficiently liquid to meet any Scheme cash outflow requirements.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances. Other documents integral to WorkCoverSA's investment activities are:

- investment strategy – this board approved document incorporates the asset allocation that has been adopted to achieve the Board's investment objectives. This document is reviewed at least annually
- fund manager guidelines and credit limits – these documents outline the detailed operating controls and limitations applying to each investment portfolio. These documents are reviewed at least annually
- risk management statement and derivatives policy – this Board Investment, Premiums and WorkCover Finance Committee approved document specifies WorkCoverSA's policies for the use of derivatives within the Compensation Fund. This document is reviewed annually.

Investments - risk management framework (continued)

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

In meeting the investment objectives, WorkCoverSA's investment strategy currently maintains exposure to a range of assets. The management of these assets is conducted on a day-to-day basis through 20 (20) portfolios managed by external specialist fund managers, with the two cash portfolios, managed internally. Exposures within each asset class are maintained within the Board approved target ranges as determined by the Investment Strategy document. The allowable range of investments (and resulting risk exposure) for each fund manager is determined by the fund manager guidelines. Fund manager and each asset group performance are monitored monthly and comprehensively reviewed at least annually. The investment guidelines and fund manager guidelines set out for each asset group and portfolio:

- the desired portfolio characteristics
- the required performance and variability in relation to a recognised benchmark appropriate to that portfolio
- the type of assets that can be held
- the extent and nature of trading and the types of financial instrument that can be utilised by the fund manager.

Management, in conjunction with specialist advisors, monitors each fund manager against risk and return criteria and their contractual obligations. The Board Investment, Premiums and WorkCover Finance Committee review investment program risk and compliance activity for individual portfolios and the overall Compensation Fund.

WorkCoverSA has a master custody arrangement with National Australia Bank. All assets are held by National Australia Bank under safe custody, except for the internally managed cash portfolios and a portfolio held under a separate trust agreement.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements.

The composition of each asset group at 30 June 2013 was:

2013	Deposits with financial institutions $'000	Govt/ semi-govt securities $'000	Non-govt debt instruments $'000	Securities listed on Australian Stock Exchange $'000	Securities listed on overseas stock exchanges $'000	Unit trust - unlisted property and debt security assets $'000	Derivatives $'000	Total $'000
Cash	103 774	-	-	-	-	-	-	103 774
Fixed interest	5 418	160 471	81 266	-	-	-	(72)	247 083
Inflation linked securities	203 221	197 453	-	-	-	-	-	400 674
Australian equities	5 323	-	-	253 412	-	-	1 909	260 644
Overseas equities - hedged	-	-	-	-	209 890	-	-	209 890
Overseas equities - unhedged	-	-	-	-	328 613	-	-	328 613
Property	2 368	-	-	7 013	102 316	57 880	(5 306)	164 271
Real return growth assets	5 713	-	65 532	69 747	112 852	174 679	(1 920)	426 603
Alternative income	7 287	9 728	102 451	-	-	-	(3 374)	116 092
	333 104	367 652	249 249	330 172	753 671	232 559	(8 763)	2 257 644

The composition of each asset group at 30 June 2012 was:

2012								
Cash	61 292	-	-	-	-	-	-	61 292
Fixed interest	10 116	146 710	69 484	-	-	-	233	226 543
Inflation linked securities	116 814	236 983	-	-	-	-	-	353 797
Australian equities	13 529	-	-	244 669	-	-	1 917	260 115
Overseas equities - hedged	-	-	-	-	187 121	-	-	187 121
Overseas equities - unhedged	-	-	-	-	172 338	-	-	172 338
Property	4 806	-	-	-	83 960	54 671	-	143 437
Real return growth assets	7 478	-	60 368	41 904	90 516	168 523	2 345	371 134
Alternative income	27 074	-	63 928	-	-	-	21	91 023
	241 109	383 693	193 780	286 573	533 935	223 194	4 516	1 866 800

Use of derivatives
In the normal course of its investment activities WorkCoverSA is party to arrangements involving derivatives. Derivatives held within portfolios through WorkCoverSA's custodian have three main objectives:

- risk management – minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency – derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market
- value added strategies – given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund manager's individual derivative risk statement Part B and WorkCoverSA's derivative risk statement and derivatives policy. Where there is inconsistency, the fund manager guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which WorkCoverSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the unit trusts in which WorkCoverSA invests is approved and monitored by the responsible entity or trustee for the respective unit trust.

No single instrument is individually material to the future cash flows of WorkCoverSA. WorkCoverSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. WorkCoverSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts
- WorkCoverSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, WorkCoverSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes WorkCoverSA intentionally maintains some unhedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Credit risk - investments
Credit risk is the risk of financial loss to WorkCoverSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

WorkCoverSA manages its exposure to credit risk related to fixed interest and cash investments through its investment strategy and investment guidelines and investment credit limits documents. Credit exposures are monitored against approved limits with breaches notified to the Board Investment, Premiums and WorkCover Finance Committee. These documents impose the following restrictions:

- credit limits are placed on all categories of debt investments on an individual and cumulative basis
- for each individual investment and on a cumulative investment category basis minimum credit ratings requirements are imposed based on Standard & Poor's (or equivalent Moody's) ratings
- maturity constraints are imposed on non-government guaranteed debt instruments.

The following tables outline WorkCoverSA's credit risk exposure within the major debt securities asset classes as at balance date. As at 30 June 2013:

Credit risk - investments (continued)

	Short-term issue ratings*			Long-term issue ratings**			Derivatives***	
						Less than	Not	
	A1+	A1	A2	AAA	AA	AA-	rated	Total
2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	87 697	16 077	-	-	-	-	-	103 774
Fixed interest	5 418	-	-	175 259	39 887	26 591	(72)	247 083
Inflation linked securities	186 059	17 162	-	197 453	-	-	-	400 674
Alternative income	7 287	-	-	40 384	5 609	66 186	(3 374)	116 092
	286 461	33 239	-	413 096	45 496	92 777	(3 446)	867 623
2012								
Cash	45 129	16 163	-	-	-	-	-	61 292
Fixed interest	10 116	-	-	150 461	54 378	11 355	233	226 543
Inflation linked securities	116 814	-	-	236 983	-	-	-	353 797
Alternative income	27 074	-	-	24 932	3 196	35 800	21	91 023
	199 133	16 163	-	412 376	57 574	47 155	254	732 655

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to premiums due and payable from registered and self-insured employers and sundry debtors. WorkCoverSA is able to enforce the collection of any debt due under the WRCA through a court of competent jurisdiction. WorkCoverSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

12.3% of WorkCoverSA's premium receivables and sundry debtors were past due greater than 30 days (14.6%). The ageing of WorkCoverSA's premium receivables and sundry debtors at the reporting date was:

	2013	2012
	$'000	$'000
Not past due	4 631	9 200
Past due one to 30 days	50	354
Past due 31 to 60 days	48	31
Past due 61 days to one year	508	1 495
More than one year	102	102
	5 339	11 182

There were no significant concentrations of credit risk. None of the above amounts are considered impaired.

Liquidity risk

Liquidity risk is the risk that WorkCoverSA will not be able to meet its financial obligations as they fall due. WorkCoverSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to WorkCoverSA's reputation. At least 20% of WorkCoverSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 86.7% (86.3%) of WorkCoverSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. WorkCoverSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly WorkCoverSA considers that its short-term liquidity risks are minimal.

Liquidity risk (continued)

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. Outstanding claims are covered in notes 18 and 19.

	2013	2012
	$'000	$'000
1 year or less	18 974	32 297
1-3 years	240	126
3-5 years	-	-
Over 5 years	-	-
No term	-	-
Total trade and other payables	19 214	32 423

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WorkCoverSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

WorkCoverSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Currency risk

WorkCoverSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. WorkCoverSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property, overseas infrastructure, and approximately 40% of the international equity securities are covered by forward exchange contracts whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our material unhedged major currency exposures. This analysis is based on foreign currency exchange rate variances that WorkCoverSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Residual exposure		Movement in variable	Profit (Loss)		Equity	
	2013	2012	against A$	2013	2012	2013	2012
	$'000	$'000	%	$'000	$'000	$'000	$'000
US dollar	160 455	75 922	+10	(16 045)	(7 592)	(16 045)	(7 592)
			-10	16 045	7 592	16 045	7 592
Euro	33 835	14 150	+10	(3 384)	(1 415)	(3 384)	(1 415)
			-10	3 384	1 415	3 384	1 415
Sterling	25 781	13 176	+10	(2 578)	(1 318)	(2 578)	(1 318)
			-10	2 578	1 318	2 578	1 318

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by WorkCoverSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

WorkCoverSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of WorkCoverSA's defensive or low risk exposure to provide capital stability and secure income. WorkCoverSA's investments in interest bearing securities consist of marketable securities which are not held for trading.

Interest rate risk (continued)

WorkCoverSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that WorkCoverSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Financial impact			
	Movement in	Profit (Loss)		Equity	
	interest rate	2013	2012	2013	2012
	%	$'000	$'000	$'000	$'000
Interest rate movement -	+1	(25 764)	(27 845)	(25 764)	(27 845)
interest bearing investments	-1	25 764	27 845	25 764	27 845

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

WorkCoverSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

WorkCoverSA manages its exposure to market risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities asset groups on WorkCoverSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation assumes that exposures are unhedged. Industry standard categorisations have been adopted for WorkCoverSA's equity exposures.

	Exposure		Movement	Profit (Loss)		Equity	
	2013	2012	in variable	2013	2012	2013	2012
	$'000	$'000	%	$'000	$'000	$'000	$'000
Domestic equities	253 412	244 669	+20	50 682	48 934	50 682	48 934
			-20	(50 682)	(48 934)	(50 682)	(48 934)
International equities	538 503	359 459	+20	107 701	71 892	107 701	71 892
			-20	(107 701)	(71 892)	(107 701)	(71 892)
Listed property	109 329	83 960	+20	21 866	16 792	21 866	16 792
			-20	(21 866)	(16 792)	(21 866)	(16 792)
Listed infrastructure	121 587	90 516	+20	24 317	18 103	24 317	18 103
			-20	(24 317)	(18 103)	(24 317)	(18 103)

Fair value measurements

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices).

Level 3 – inputs for the asset that are not based on observable market data (unobservable inputs).

Fair value measurements (continued)

The following tables present WorkCoverSA's investments measured and recognised at fair value:

2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with financial institutions	333 104	-	-	333 104
Government/Semi-government securities	367 652	-	-	367 652
Non-government debt instruments	249 249	-	-	249 249
Securities listed on the Australian Stock Exchange	330 172	-	-	330 172
Securities listed on overseas stock exchanges	753 671	-	-	753 671
Unit trusts - unlisted property and debt security assets	-	198 024	34 535	232 559
Derivatives	-	(8 763)	-	(8 763)
Total investments at fair value through profit and loss	2 033 848	189 261	34 535	2 257 644
2012				
Deposits with financial institutions	241 109	-	-	241 109
Government/Semi-government securities	383 693	-	-	383 693
Non-government debt instruments	193 780	-	-	193 780
Securities listed on the Australian Stock Exchange	286 573	-	-	286 573
Securities listed on overseas stock exchanges	533 935	-	-	533 935
Unit trusts - unlisted property and debt security assets	-	185 084	38 110	223 194
Derivatives	-	4 516	-	4 516
Total investments at fair value through profit and loss	1 639 090	189 600	38 110	1 866 800

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by WorkCoverSA is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for unlisted equity securities.

The following table presents the changes in Level 3 instruments for the years ended 30 June 2013 and 2012:

	Unit trusts - unlisted property and debt security $'000
Opening balance at 1 July 2011	49 803
Contributions	1 864
Withdrawals	(13 891)
Gains (Losses) recognised in investment profit	334
Closing balance at 30 June 2012	38 110

Fair value measurements (continued)

	Unit trusts - unlisted property and debt security $'000
Opening balance at 1 July 2012	38 110
Contributions	494
Withdrawals	(4 472)
Gains (Losses) recognised in investment profit	403
Closing balance at 30 June 2013	34 535
Total gains (losses) for the period included in investment profit that relate to assets held at the end of the reporting period:	
2012	334
2013	403

The fair value of Level 3 instruments is valued by an independent third party with the appropriate skills, experience and resources.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

4. Other funds

Statement of Comprehensive Income for the year ended 30 June 2013

	Note	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	Total other funds 2013 $'000	Total other funds 2012 $'000
Claims paid	6	(2 185)	-	-	-	(2 185)	(1 946)
Claim recoveries	6	589	-	-	-	589	598
Decrease (Increase) in outstanding claims liability	19	15 639	138	-	-	15 777	(14 466)
Underwriting result		14 043	138	-	-	14 181	(15 814)
Investment profit	7	13 015	2 092	24	1 658	16 789	6 799
Investment expense		(153)	(24)	-	(20)	(197)	(259)
Net investment profit		12 862	2 068	24	1 638	16 592	6 540
Total operating expenses		(288)	-	-	(672)	(960)	(964)
Total comprehensive result		26 617	2 206	24	966	29 813	(10 238)

Statement of Financial Position as at 30 June 2013

	Note	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	Total other funds 2013 $'000	Total other funds 2012 $'000
Assets:							
Trade and other receivables		3 902	-	-	12	3 914	25
Investments		112 882	18 259	212	14 093	145 446	131 357
Total assets		116 784	18 259	212	14 105	149 360	131 382
Liabilities:							
Payables		100	-	-	38	138	98
Outstanding claims	19	81 817	367	100	-	82 284	94 159
Total liabilities		81 917	367	100	38	82 422	94 257
Net assets (liabilities)		34 867	17 892	112	14 067	66 938	37 125
Equity:							
Retained earnings		34 867	17 892	112	14 067	66 938	37 125
Total equity		34 867	17 892	112	14 067	66 938	37 125

5. Total income

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Registered employer premium		666 431	-	666 431	633 960
Fines and penalties		944	-	944	5 252
Registered employer premium revenue		667 375	-	667 375	639 212
Self-insured employer fee - SA Government		8 491	-	8 491	7 667
Self-insured employer fee - non-SA Government		9 604	-	9 604	8 215
Self-insured premium revenue		18 095	-	18 095	15 882
Total premium revenue		685 470	-	685 470	655 094
Claim recoveries	6	21 476	589	22 065	19 140
Investment profit	7	236 111	16 789	252 900	95 931
Other income	8	6 466	-	6 466	3 753
Total income		949 523	17 378	966 901	773 918

6. Cost of claims

(a) Cost of claims

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Claims paid		438 839	2 185	441 024	394 352
Claim recoveries	5	(21 476)	(589)	(22 065)	(19 140)
Net claims paid		417 363	1 596	418 959	375 212
Increase (Decrease) in net outstanding claims liability	18,19	389 266	(15 777)	373 489	676 471
Net self-insurer settlements		2 457	-	2 457	2 910
Cost of claims		809 086	(14 181)	794 905	1 054 593

(b) Net claims paid

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Income maintenance		229 123	-	229 123	197 003
Redemption - payments under Division 4A of the WRCA		4 740	-	4 740	3 560
Non-economic loss - payments under Division 5 and Division 6 of the WRCA		40 491	-	40 491	37 678
Hospital treatment		13 048	-	13 048	13 223
Medical treatment		75 086	-	75 086	70 571
Vocational rehabilitation		27 952	-	27 952	26 247
Physiotherapy		12 870	-	12 870	12 404
Legal costs		15 197	329	15 526	13 552
Other		20 332	1 856	22 188	20 114
Claims paid		438 839	2 185	441 024	394 352
Recoveries from other parties	5	(21 476)	(589)	(22 065)	(19 140)
Net claims paid		417 363	1 596	418 959	375 212

7. Investment profit

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Dividends		34 431	2 448	36 879	30 781
Interest received		35 450	2 521	37 971	35 470
Change in net market values:					
Investments held at 30 June		154 235	10 967	165 202	18 964
Investments realised during the financial year		11 995	853	12 848	10 716
Investment profit		236 111	16 789	252 900	95 931

8. Other income

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Defined benefit fund	20(d)	5 087	-	5 087	914
Sundry income		1 379	-	1 379	2 839
Total other income		6 466	-	6 466	3 753

9. Employee benefit expenses

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Salaries and wages		27 783	128	27 911	26 449
LSL		1 136	4	1 140	610
Annual leave		463	4	467	2 217
Skills and experience retention leave		68	-	68	-
Expenses relating to defined benefit plans	20(d)	1 158	-	1 158	8 112
Contributions to defined contribution plans		2 332	11	2 343	2 043
Total employee benefit expenses		32 940	147	33 087	39 431

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$138 000 - $147 999	5	2
$148 000 - $157 999	5	12
$158 000 - $167 999	7	3
$168 000 - $177 999	4	-
$178 000 - $187 999	3	1
$188 000 - $197 999	-	1
$198 000 - $207 999	2	-
$208 000 - $217 999	1	1
$218 000 - $227 999	1	1
$228 000 - $237 999	-	1
$238 000 - $247 999	2	-
$248 000 - $257 999	-	2
$258 000 - $267 999	2	-
$288 000 - $297 999	1	-
$298 000 - $307 999	1	-
$328 000 - $337 999	1	-
$338 000 - $347 999	-	1
$408 000 - $417 999	-	1
$508 000 - $517 999	1	-
Total	36	26

The table includes all employees who received normal remuneration equal to or greater than the base executive remuneration level during the year (prior year comparatives have been amended to reflect this treatment). The remuneration amounts shown above include all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any FBT paid of payable in respect of those benefits, and payments of accumulated annual leave, LSL, superannuation and eligible termination payments, in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was $7.1 million ($4.9 million).

10. Depreciation, amortisation and other general operating expenses

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Depreciation - property, plant and equipment	1 272	-	1 272	702
Amortisation - intangible assets	4 400	-	4 400	4 388
Depreciation and amortisation expenses	5 672	-	5 672	5 090
Net rental expenses relating to operating leases	2 043	-	2 043	3 707
Motor vehicle expenses relating to operating leases	163	-	163	236
Consultants	2 899	-	2 899	4 439
Other operating costs	14 779	813	15 591	18 285
Other general operating expenses	19 883	813	20 696	26 667

The number and dollar amount of consultancies paid/payable (included in general operating expenses) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	3	18	7	37
$10 000 - $50 000	19	534	21	538
Above $50 000	11	2 347	17	3 864
Total paid/payable to the consultants engaged	33	2 899	45	4 439

11. Auditor's remuneration

	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	479	468

Other services

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

12. Cash and cash equivalents

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Cash		5	-	5	5
Cash equivalents	3	103 774	-	103 774	61 292
Cash and cash equivalents in the Statement of Cash Flows		103 779	-	103 779	61 297

13. Trade and other receivables

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Current receivables:					
Premiums, fines and penalty interest		5 237	-	5 237	11 080
Recoverable claim payments	18,19	17 694	3 902	21 596	17 256
Trade debtors		175	12	187	1 001
Sundry debtors and prepayments		1 146	-	1 146	2 399
Total current receivables		24 252	3 914	28 166	31 736
Non-current receivables:					
Recoverable claim payments	18	73 293	-	73 293	71 389
Total non-current receivables		73 293	-	73 293	71 389
Total trade and other receivables		97 545	3 914	101 459	103 125

Current receivables are net of a provision for doubtful debts.

14. Investments

	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Deposits with financial institutions	333 104	241 109
Government/Semi-government securities	367 652	383 693
Non-government debt instruments	249 249	193 780
Securities listed on the Australian Stock Exchange	330 172	286 573
Securities listed on overseas stock exchanges	753 671	533 935
Unit trusts - unlisted property and debt security assets	232 559	223 194
Derivatives	(8 763)	4 516
Total investments at fair value through profit and loss	2 257 644	1 866 800
Current	324 413	245 625
Non-current	1 933 231	1 621 175
Total	2 257 644	1 866 800

15. Property, plant and equipment

Fair value:	Leasehold improvements including office furniture and fittings $'000	Computer and communications equipment $'000	General office equipment $'000	Total $'000
Balance at 1 July 2011	15 063	3 598	1 270	19 931
Additions	7 896	1 152	206	9 254
Disposals	(14 959)	(1 198)	(1 270)	(17 427)
Balance at 30 June 2012	8 000	3 552	206	11 758
Balance at 1 July 2012	8 000	3 552	206	11 758
Additions	-	1 122	-	1 122
Disposals	(660)	(1 930)	-	(2 590)
Balance at 30 June 2013	7 340	2 744	206	10 290

15. Property, plant and equipment (continued)

	Leasehold improvements including office furniture and fittings	Computer and communications equipment	General office equipment	Total
Depreciation:	$'000	$'000	$'000	$'000
Balance at 1 July 2011	(14 937)	(2 578)	(1 203)	(18 718)
Depreciation charge	(48)	(614)	(40)	(702)
Disposals	14 943	1 145	1 241	17 329
Balance at 30 June 2012	(42)	(2 047)	(2)	(2 091)
Balance at 1 July 2012	(42)	(2 047)	(2)	(2 091)
Depreciation charge	(705)	(526)	(41)	(1 272)
Disposals	-	1 899	-	1 899
Balance at 30 June 2013	(747)	(674)	(43)	(1 464)
Carrying amounts:				
At 1 July 2011	126	1 020	67	1 213
At 30 June 2012	7 958	1 505	204	9 667
At 1 July 2012	7 958	1 505	204	9 667
At 30 June 2013	6 593	2 070	163	8 826

16. Intangible assets

	IT development and software
Fair value:	$'000
Balance at 1 July 2011	43 880
Additions - internal development	-
Additions - external costs	-
Balance at 30 June 2012	43 880
Balance at 1 July 2012	43 880
Additions - internal development	-
Additions - external costs	-
Balance at 30 June 2013	43 880
Amortisation:	
Balance at 1 July 2011	(5 169)
Amortisation charge	(4 388)
Balance at 30 June 2012	(9 557)
Balance at 1 July 2012	(9 557)
Amortisation charge	(4 400)
Balance at 30 June 2013	(13 957)
Carrying amounts:	
At 1 July 2011	38 711
At 30 June 2012	34 323
At 1 July 2012	34 323
At 30 June 2013	29 923

17. Trade and other payables

	Compensation Fund	Other funds	WorkCoverSA 2013	WorkCoverSA 2012
Current:	$'000	$'000	$'000	$'000
Creditors	18 217	138	18 355	31 906
Employment on-costs	619	-	619	565
Non-current:				
Creditors	27	-	27	89
Employment on-costs	213	-	213	37
Total trade and other payables	19 076	138	19 214	32 597

18. Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Note	2013 $'000	2012 $'000
Expected future gross claims payments (undiscounted)		5 566 092	4 711 965
Discount to present value		(2 113 162)	(1 630 228)
Central estimate		3 452 930	3 081 737
Risk margin		189 911	169 496
Liability for outstanding claims		3 642 841	3 251 233
Recoveries	13	(90 987)	(88 645)
Net liability for outstanding claims		3 551 854	3 162 588
Current liability for outstanding claims		471 050	421 442
Non-current liability for outstanding claims		3 171 791	2 829 791
Total liability for outstanding claims		3 642 841	3 251 233
Change in liability for outstanding claims		391 608	667 405
Change in claim recoveries receivable		(2 342)	(5 400)
Movement in net outstanding claims liability		389 266	662 005

	2013 Years	2012 Years
Weighted average expected term to settlement	8.9	9.1

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 5.5% (5.5%) to bring the estimated net liability to a 65% probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Ltd. Should the timing of cash flows vary from that projected by Finity Consulting Pty Ltd then the proportions of the overall claims liability that are shown as current and non-current may vary.

The WorkCoverSA Scheme is a scheme designed in part to provide long-term financial support for those injured at work. In some cases this long-term financial support can be provided over many years. Assumptions adopted in relation to the projected future payments made to claims are detailed in note 18(d).

With effect from 1 July 2008 the provisions of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* have progressively come into force.

The principal changes impacting on the estimate of the claims liability for existing claims were those relating to the amendments to the non-economic loss provisions, the changes to the dispute resolution process, the introduction of work capacity reviews, the introduction of medical panels and the restrictions on the use of redemptions.

The estimate of the value of the claims liability is primarily based on the observed post-reform experience to date, although some judgment is still required about the future outworkings of the reform implementation. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- the impact of claims agent and legal services provider changes on future claims outcomes
- work capacity review experience and the extent to which future outcomes regarding long-term benefit claims are affected by the review process
- the outcomes for claims with pending disputes
- the culture of the scheme and the implications for front-end claim trends and return to work outcomes
- future changes in the overall economic environment.

(a) Outstanding claims (continued)

The increase in the outstanding claims liability includes the net impact of the increase in the average discount rate from 3.8% at 30 June 2012 to 4.4% at 30 June 2013.

Note 18(e) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

Net claims incurred	Current year	Prior years	2013 Total	Current year	Prior years	2012 Total
Undiscounted:	$’000	$’000	$’000	$’000	$’000	$’000
Gross incurred	1 205 119	173 194	1 378 313	1 091 421	(44 564)	1 046 857
Recoveries	(18 683)	(8 942)	(27 625)	(18 007)	(1 123)	(19 130)
Net incurred - undiscounted	1 186 436	164 252	1 350 688	1 073 414	(45 687)	1 027 727
Discounted:						
Gross incurred	797 457	71 361	868 818	758 121	334 474	1 092 595
Recoveries	(15 861)	(10 026)	(25 887)	(15 699)	(9 674)	(25 373)
Net incurred - discounted	781 596	61 335	842 931	742 422	324 800	1 067 222
Discounted and discount movement:						
Gross incurred - discounted	(407 662)	(101 833)	(509 495)	(333 300)	379 038	45 738
Recoveries - discounted	2 822	(1 084)	1 738	2 308	(8 551)	(6 243)
Net incurred - undiscounted	(404 840)	(102 917)	(507 757)	(330 992)	370 487	39 495

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

(c) Claims development

Estimate of ultimate claims cost**	Prior years*	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000
At end of year	-	325 617	332 168	395 377	396 059	422 794	445 035	471 917	506 902	527 850	625 012	665 173
One year later	812 404	314 439	368 048	382 259	419 758	435 848	447 935	480 472	487 196	586 296	616 974	
Two years later	1 045 565	333 644	375 409	408 008	452 514	460 605	461 964	489 652	521 046	562 035		
Three years later	1 105 023	343 547	387 244	406 101	437 354	475 519	457 878	517 651	499 973			
Four years later	1 162 849	354 287	375 531	368 271	417 646	484 162	492 947	525 857				
Five years later	1 230 627	339 116	361 281	383 879	417 524	496 736	513 198					
Six years later	1 295 008	329 228	357 003	368 005	420 017	499 395						
Seven years later	1 286 078	328 029	354 917	369 695	413 787							
Eight years later	1 285 326	325 554	354 263	369 890								
Nine years later	1 238 986	324 268	358 813									
10 years later	1 235 883	325 274										
11 years later	1 243 176											
12 years later	1 249 667											
Current estimate of cumulative claims costs**	1 249 667	325 274	358 813	369 890	413 787	499 395	513 198	525 857	499 973	562 035	616 974	665 173
Cumulative payments**	1 133 056	310 409	333 635	337 079	334 613	315 907	291 549	276 187	240 209	211 280	155 737	63 762
Outstanding payments**	116 611	14 865	25 178	32 811	79 174	183 488	221 649	249 670	259 764	350 755	461 237	601 411
Discount adjustment***	82 547	10 357	15 606	17 778	36 719	70 999	67 982	55 751	43 564	44 308	35 111	18 845
Net outstanding claims	199 158	25 222	40 784	50 589	115 893	254 487	289 631	305 421	303 328	395 063	496 348	620 256

* Development of outstanding claim estimate as at 30 June 2003 for accidents prior to 30 June 2002.

** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

	2013	2012
	$’000	$’000
Prior years	199 158	202 429
Year ended 30 June 2003	25 222	24 719
Year ended 30 June 2004	40 784	35 801
Year ended 30 June 2005	50 589	50 953
Year ended 30 June 2006	115 893	129 439
Year ended 30 June 2007	254 487	264 451
Year ended 30 June 2008	289 631	285 129

(c) Claims development (continued)

	2013	2012
	$'000	$'000
Year ended 30 June 2009	305 421	328 534
Year ended 30 June 2010	303 328	369 152
Year ended 30 June 2011	395 063	479 203
Year ended 30 June 2012	496 348	586 478
Year ended 30 June 2013	620 256	-
Net outstanding claims	3 096 180	2 756 288
Claims handling expenses	270 506	241 426
Risk margin	185 168	164 874
Net liability for outstanding claims	3 551 854	3 162 588

(d) Key assumptions

The key assumptions used by Finity Consulting Pty Ltd in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2013	2012
Economic assumptions:	%	%
Inflation rate - income maintenance	3.50	3.45
Inflation - medical, legal and other costs	3.75	3.70
Superimposed inflation rate - medical payments	2.00-4.00	2.00-6.00
Superimposed inflation rate - other	Refer below	
Discount rate	4.40	3.80
Duration and severity of claims	Refer below	
Claims handling expenses	8.50	8.50
Risk margin	5.50	5.50

Superimposed inflation of between 1% and 6% p.a. has been included in relation to hospital, vocational rehabilitation expenditure, travel, recoveries, and some other minor payment types.

Finity Consulting Pty Ltd has made a range of assumptions relating to the projected duration that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the length of time that a group of claims has been in receipt of payments
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of claims and in particular long-term claims.

(e) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit (loss) impact at the 65th percentile (ie after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase (Decrease) in net liability $'million	Percentage of net liability
Economic and modelling assumptions:		
Increase in inflation rates by 1%	321.3	9.0
Increase in discount rate by 1%	(278.5)	(7.8)
Duration and severity of claims:		
Increase in assumed average lump sum payment for claimants entitled to such payments by 10%	17.5	0.5
Increase in assumed lifetime income maintenance payments by 10% for claims less than three years old	102.0	3.1
Increase in assumed other payments by 10% for claims less than three years old	51.1	1.6
Increase in assumed income maintenance payments by 10% for claims more than three years old	108.1	3.3
Increase in assumed other payments by 10% for claims more than three years old	55.9	1.7

(e) Sensitivity to changes in key assumptions (continued)

In conducting its valuation, Finity Consulting Pty Ltd modelled a number of scenarios under which the assumptions related to the long-term exit rates or the impact of the introduction of the provisions of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by the order of up to plus or minus $180 million. These scenarios do not reflect either the maximum or minimum increase in the liability but reflect a range of likely scenarios.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability. The impact on the outstanding claims liability of adopting a 75% probability is shown in the following table:

	2013	2012
	$'million	$'million
Increase in net outstanding claims liability at 75% probability of sufficiency	168.3	143.9

19. Outstanding claims liability - other funds

(a) Outstanding claims - SRF and IAF

	SRF	IAF	Combined 2013	Combined 2012
	$'000	$'000	$'000	$'000
Open claims	1 021	-	1 021	1 695
Total incurred but not yet reported (IBNR)	59 744	272	60 016	68 243
Claims handling expenses	4 861	22	4 883	5 595
Central estimate	65 626	294	65 920	75 533
Risk margin	16 191	73	16 264	18 526
Liability for outstanding claims	81 817	367	82 184	94 059
Recoveries	(3 902)	-	(3 902)	-
Net liability for outstanding claims	77 915	367	78 282	94 059

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 65% probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2013 due to exposure prior to 30 June 2013. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Ltd based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Movement in liability - SRF and IAF

	SRF 2013	SRF 2012	SRF Change	IAF 2013	IAF 2012	IAF Change
Asbestos related:	$'000	$'000	$'000	$'000	$'000	$'000
Reported	374	1 038	(664)	-	-	-
IBNR/Re-opened claims	59 436	67 486	(8 050)	272	374	(102)
	59 810	68 524	(8 714)	272	374	(102)
Non-asbestos related:						
Reported	647	657	(10)	-	-	-
IBNR/Re-opened claims	308	383	(75)	-	-	-
	955	1 040	(85)	-	-	-
Central estimate	60 765	69 564	(8 799)	272	374	(102)
Claims handling expenses	4 861	5 565	(704)	22	30	(8)
Risk margin	16 191	18 425	(2 234)	73	101	(28)
Total outstanding claims liability	81 817	93 554	(11 737)	367	505	(138)

(c) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

The following key assumptions were used in this valuation of the outstanding claims liability as at 30 June 2013 shown together with those used at 30 June 2012 for comparison:

	2013	2012
Inflation rate:	%	%
Asbestos claims	5.8	5.5
Non-asbestos claims	3.8	3.5
Discount rate:		
Asbestos IBNR	4.5	4.0
Other	4.5	4.0
Claim handling expenses	8.0	8.0
Risk margin:		
Reported claims	5.5	5.5
IBNR claims	25.0	25.0

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(d) Sensitivity to changes in key assumptions - SRF and IAF

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

(e) Mining and Quarrying Industries Fund - silicosis liability

As at 30 June 1989 the balance of the Silicosis Fund established under the repealed Act was transferred to WorkCoverSA under the Mining and Quarrying Industries Fund established for that purpose. At 30 June 2013 Finity Consulting Pty Ltd estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being $100 000.

(f) Summary of other funds	2013	2012
	$'000	$'000
Statutory Reserve Fund	81 817	93 554
Insurance Assistance Fund	367	505
Mining and Quarrying Industries Fund	100	100
Liability for outstanding claims	82 284	94 159
Statutory reserve fund - recoveries	(3 902)	-
Net liability for outstanding claims	78 382	94 159
Current liability for outstanding claims	1 853	2 278
Non-current liability for outstanding claims	80 431	91 881
Total liability for outstanding claims	82 284	94 159
Change in liability for outstanding claims	(11 875)	14 466
Change in claim recoveries receivable	(3 902)	-
Change in liability for outstanding claims	(15 777)	14 466

20. Employee benefits

(a) *Liability for employee benefits*

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Current:					
Annual leave		1 805	-	1 805	1 933
Skills and experience retention leave		68	-	68	-
LSL		3 386	-	3 386	2 899
		5 259	-	5 259	4 832
Non-current:					
Recognised liability for defined benefit obligations	20(b)	11 008	-	11 008	15 594
LSL		779	-	779	671
		11 787	-	11 787	16 265
Total employee benefits		17 046	-	17 046	21 097

(b) *Liability for defined benefit obligations*

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Net liability for defined benefit obligations at 1 July	(15 594)	-	(15 594)	(9 099)
Contributions received	657	-	657	703
Expenses recognised in the Statement of Comprehensive Income	3 929	-	3 929	(7 198)
Net liability for defined benefit obligations at 30 June	(11 008)	-	(11 008)	(15 594)
Amounts reflected in the Statement of Financial Position:				
Assets	14 506	-	14 506	12 916
Liabilities	(25 514)	-	(25 514)	(28 510)
Net liability	(11 008)	-	(11 008)	(15 594)

(c) Changes in the present value of the defined benefit obligation are as follows:

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2013 $'000	WorkCoverSA 2012 $'000
Opening fair value of fund assets	12 916	-	12 916	13 462
Expected return	888	-	888	914
Actuarial gains (losses)	1 174	-	1 174	(646)
Contributions by employer	657	-	657	703
Transfers in	-	-	-	265
Benefits paid	(1 129)	-	(1 129)	(1 782)
Closing fair value of fund assets	14 506	-	14 506	12 916
Opening liabilities	28 510	-	28 510	22 561
Service cost	213	-	213	185
Interest cost	945	-	945	1 182
Actuarial (gains) losses	(3 025)	-	(3 025)	6 099
Transfers in	-	-	-	265
Expected benefits	(1 129)	-	(1 129)	(1 782)
Closing liabilities	25 514	-	25 514	28 510

Employees who participate in the Defined Benefit Superannuation Fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The Defined Benefit Superannuation Fund has been closed to new members since May 1994.

The State Superannuation Scheme's assets are under the Superannuation Funds Management Corporation of South Australia's (Funds SA) management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

(d) Expenses recognised in the Statement of Comprehensive Income

	Note	WorkCoverSA 2013 $'000	2012 $'000
Current service costs		213	185
Interest cost		945	1 182
Expected return on plan assets		(888)	(914)
Actuarial (profit) loss		(4 199)	6 745
		(3 929)	7 198
The (income) expense is recognised in the following lines of the Statement of Comprehensive Income:			
Employee benefit expenses	9	1 158	8 112
Other income	8	(5 087)	(914)
		(3 929)	7 198

WorkCoverSA expects to contribute $701 000 to the Defined Benefit Superannuation Fund in the 2013-14 financial year.

(e) Defined contributions plans

WorkCoverSA makes contributions to the various superannuation schemes as defined contributions. The amount recognised as an expense was $2 343 351 for the year ended 30 June 2013 ($2 042 919).

(f) Actuarial assumptions

	2013 %	2012 %
Discount rate at 30 June	4.3	3.4
Expected return on plan assets at 1 July	7.0	7.0
Salary increases	4.0	4.0
Inflation	2.5	2.5

Assumptions regarding future mortality are based on published statistics and mortality tables.

(g) Actual return on scheme assets

	WorkCoverSA 2013 $'000	2012 $'000
Actual return on scheme assets	2 062	269

(h) Historical information

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Present value of defined benefit obligation	(25 514)	(28 510)	(22 561)	(22 412)	(20 845)
Fair value of plan assets	14 506	12 916	13 462	13 343	12 157
Deficit in the plan	(11 008)	(15 594)	(9 099)	(9 069)	(8 688)

21. Provisions

	WorkCoverSA 2013 $'000	2012 $'000
Balance at 1 July	2 251	870
Provisions made during the year	1 357	2 251
Provisions used during the year	(2 125)	(870)
Provisions reversed during the year	(126)	-
Balance at 30 June	1 357	2 251

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2013. The redundancy provision is calculated in accordance with the WorkCoverSA Award and Certified Agreement. WorkCoverSA expects to extinguish the liability within the next 12 months.

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

	Compensation Fund	Other funds	WorkCoverSA 2013	WorkCoverSA 2012
	$'000	$'000	$'000	$'000
Comprehensive result	(7 121)	29 813	22 692	(437 393)
Depreciation	1 272	-	1 272	702
Amortisation	4 400	-	4 400	4 388
Net loss (profit) on disposal of non-current assets	28	-	28	95
Investment loss (profit)	(236 111)	(16 789)	(252 900)	(95 931)
Interest received	35 450	2 521	37 971	35 470
Dividends received	34 431	2 448	36 879	30 781
Increase (Decrease) in creditors	(13 650)	(40)	(13 690)	8 286
Decrease (Increase) in receivables	5 555	(3 889)	1 666	(6 470)
Increase (Decrease) in unearned premiums	(160)	-	(160)	(266)
Increase (Decrease) in outstanding claims liability	391 608	(11 875)	379 733	681 871
Increase (Decrease) in provisions	(894)	-	(894)	1 381
Increase (Decrease) in employee benefits	(4 051)	-	(4 051)	6 759
Net cash provided by (used in) operating activities	210 757	2 189	212 946	229 673

23. Related parties transactions

Ms S De Poi resigned from the WorkCoverSA Board on 21 January 2013. In relation to Ms S De Poi, a company in which she has an interest, De Poi Consulting Pty Ltd, has a current contract with WorkCoverSA for the provision of rehabilitation services and medical expert services as directed by WorkCoverSA's claims agents. The expenditure incurred during the period 1 July 2012 to 21 January 2013 was $4 379 470 including GST, of which $3 528 621 was for rehabilitation services and $850 849 was for medical expert services, ($8 618 125). The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-board member related entities on an arm's length basis.

In relation to board member Mr P Vaughan, a State Councillor on the Council for Economic Development of Australia of which WorkCoverSA is a member. No expenditure was incurred during the year ended 30 June 2013 ($6030). No amounts were outstanding at the end of the current or prior year end. Mr Vaughan was appointed as Chair of the TAFE SA Board of Directors on 4 October 2012. WorkCoverSA used the services of TAFE SA for both staff and claimant training. The expenditure for the period from 4 October 2012 to 30 June 2013 was $53 249 including GST. No amounts were outstanding at the end of the current year end. The terms and conditions for transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to/from non-board member related entities on an arm's length basis.

In relation to board member Mr P Malinauskas, an employee of the Shop Distributive and Allied Employees Association. WorkCoverSA has a current contract with Shop Distributive and Allied Employees Association for the provision of services. The expenditure incurred during the year ended 30 June 2013 was $8932 including GST ($10 298). The Shop Distributive and Allied Employees Association provides sponsorship of the WorkCoverSA Return to Work Awards. The sponsorship income during the year ended 30 June 2013 was $3300 including GST ($2750). No amounts were outstanding at the end of the current or prior year end. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to/from non-board member related entities on an arm's length basis.

In relation to board member Ms J Yuile, ANZ Bank Chairman for South Australia. ANZ Bank provides merchant services to WorkCoverSA. The expenditure incurred during the year ended 30 June 2013 was $124 726 including GST ($128 565). At 30 June 2013 the balance outstanding to ANZ Bank was $10 163 ($10 437). The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to/from non-board member related entities on an arm's length basis.

Board member Ms N Buddle was appointed to the TAFE SA Board of Directors on 4 October 2012. Details of WorkCoverSA's transactions with TAFE SA are disclosed above in the paragraph relating to Mr P Vaughan.

Board member Ms J Denley was appointed to the TAFE SA Board of Directors on 4 October 2012. Details of WorkCoverSA's transactions with TAFE SA are disclosed above in the paragraph relating to Mr P Vaughan.

Board member related entities pay premiums in accordance with the WRCA. Apart from the details disclosed in this note, no board member has entered into a material contract with WorkCoverSA since the end of the previous financial year and there were no material contracts involving board members' interests existing at year end.

24. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2012-13 financial year were:

Member	*Appointed/ Resigned*	*Board*	*Workplace Injury & Scheme Performance Committee*	*Investments, Premiums and WorkCover Finance Committee*	*Audit and Risk Committee*	*Human Resources Committee*
Mr P Bentley		Chair	Chair	Member	-	Member
Ms S De Poi	Resigned 21 January 2013	Member	Member	Member	-	-
Mr P Malinauskas		Member	-	Member	-	Member
Mr P Vaughan		Member	Member	-	-	Chair
Ms R Buckler	Appointed 12 July 2012	Member	Member	-	-	-
Ms J Yuile		Member	-	-	Chair	-
Ms N Buddle		Member	-	Chair	Member	-
Ms J Denley		Member	Member	-	Member	Member
Mr D White		Member	-	Member	Member	-

The number of members whose remuneration received and receivable falls within the following bands:	2013 Number	2012 Number
$1 - $9 999	-	-
$10 000 - $19 999	-	-
$20 000 - $29 999	-	-
$30 000 - $39 999	2	1
$40 000 - $49 999	-	-
$50 000 - $59 999	6	7
$90 000 - $99 999	-	1
$100 000 - $109 999	1	-

The total remuneration received and receivable by board members was $481 280 ($497 720) which includes superannuation contributions.

The Workers Rehabilitation and Compensation Advisory Committee is established under the WRCA and gives advice direct to the Minister and not the Board. The members remuneration paid/payable was $24 991 ($21 677) in total for the year ending 30 June 2013. Members during the 2013 financial year were: J Camillo (Presiding Member), D Black, A Costa, T Earls, S Myatt and J Szakacs. D Frith resigned on 22 February and V Lecky resigned on 28 March 2013. M Evans and R Cairney were appointed on 26 April 2013. Remuneration for this Committee is not included in the member remuneration table above.

25. Commitments

WorkCoverSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Other $'000	Office leases $'000	Motor vehicles $'000	2013 Total $'000	Other $'000	Office leases $'000	Motor vehicles $'000	2012 Total $'000
Within one year	1 331	2 075	199	3 605	325	1 995	174	2 494
Later than one year but not longer than five years	-	8 952	245	9 197	-	8 810	202	9 012
Later than five years	-	9 787	-	9 787	-	12 004	5	12 009
	1 331	20 814	444	22 589	325	22 809	381	23 515

A memorandum of understanding is in place between WorkCoverSA and the Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure, regarding the lease of office space at 400 King William Street Adelaide.

WorkCoverSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

Other commitments relate to expenditure on the Return to Work Fund initiative. WorkCoverSA established the $15 million Return to Work Fund initiative to implement initiatives that contribute to the improved return of injured workers to work. The amounts above represent known future funding commitments.

26. Employer financial guarantees

Under section 60 of the WRCA, WorkCoverSA administers financial guarantees lodged by self-insured employers. As at 30 June 2013, WorkCoverSA held security to the value of $364.7 million in financial guarantees for self-insured employers. These guarantees are held in trust for the purpose of extinguishing the claim liabilities under the WRCA of the self-insured employer in the event of that employer no longer being able to meet these liabilities.

Under the terms of the retro paid loss contracts, WorkCoverSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2013, WorkCoverSA held security to the value of $32.7 million in financial guarantees for retro paid loss employers. These guarantees are held in trust for the purpose of extinguishing the premium liabilities under the terms of the retro paid loss contracts of the retro paid loss employer in the event of that employer no longer being able to meet these liabilities.

27. Contingent liabilities

The SRF and the IAF have exposure to claims in failed insurance companies and uninsured insolvent employers. No specific allowance is made in the claims provision for future new insolvencies. The SRF and the IAF have exposure to claims for asbestos related injuries incurred until 30 September 1987. The outstanding claims liabilities for the SRF and IAF funds were estimated, including an IBNR component, on the basis of claims reported to date. There are inherent uncertainties associated with estimating the outstanding claims liability for asbestos related diseases as set out in note 19. If at any time the SRF and IAF are unable to meet their liabilities, the Compensation Fund is obliged to provide financial support to enable them to do so.

WorkCoverSA has a number of legal cases pending with the Workers Compensation Tribunal. At the time of this report the outcome of these cases is not known and the effects are not quantifiable.

28. Funding ratio

The Board approved policy requires a funding range of 90% to 110% with any shortfall in funding to be recovered over a Board approved time frame. The unfunded position at June 2013 with prior year comparative figures is provided below:

	Compensation Fund	Other funds	WorkCoverSA 2013	WorkCoverSA 2012
	$’000	$’000	$’000	$’000
Funded (unfunded) position	(1 433 367)	66 938	(1 366 429)	(1 389 121)
Funding percentage	61.1%	181.2%	63.7%	59.2%

The mechanism for managing the funding position is the average premium rate. Each year the average premium rate is reviewed and future projections of scheme liability and cost are analysed to determine the most appropriate average premium rate to achieve WorkCoverSA’s desired long-term funding policy. A component of average premium rate is an allowance to recoup the unfunded position.

The Board has considered the following matters in preparing the financial statements on a going concern basis:

- the long-term view of the funding position
- WorkCoverSA retains sufficient funds to meet current expenditure for both claim payments and operating costs
- WorkCoverSA continues to manage its funding position through the average premium rate by setting that rate at a level which includes a contribution to the recovery of the unfunded position and this rate is assessed each year.

29. Transactions with SA Government

The table below details the transactions with SA Government departments and agencies for the financial years ending 30 June 2013 and 2012.

	Revenue	Expenses	Assets	Liabilities
2013	$’000	$’000	$’000	$’000
Government	8 491	24 660	-	14 195
Non-SA Government	958 410	919 549	2 397 857	3 750 091
	966 901	944 209	2 397 857	3 764 286
2012				
Government	8 527	36 634	52	23 849
Non-SA Government	765 391	1 174 677	2 013 868	3 379 192
	773 918	1 211 311	2 013 920	3 403 041

Capital payments for leasehold improvements with SA Government departments amounted to $563 000 in the year ending 30 June 2013 ($5.896 million).

Administered items

Section 67A of the *Occupational Health Safety and Welfare Act 1986* requires employers to register and make payments in the form of fees. The registration and collection of these fees is administered by WorkCoverSA for SafeWork SA (being part of DPC) in conjunction with the registration of employers under the WRCA. WorkCoverSA pays these funds to SafeWork SA whilst retaining a portion of the funds to cover administration costs.

Under AASB 1050, WorkCoverSA should only recognise transactions from activities that it controls. It is considered that except for the portion of funds retained by WorkCoverSA to cover administration costs, WorkCoverSA does not control the funds that it collects on behalf of SafeWork SA. Therefore, WorkCoverSA does not recognise the fees collected and subsequent payments made in relation to SafeWork SA in its Statement of Comprehensive Income or Statement of Financial Position.

The table below details the administered items for the financial year ending 30 June 2013:

	Revenue	Expenses	Assets	Liabilities
2013	$'000	$'000	$'000	$'000
Administered items	7 584	7 241	-	101
2012				
Administered items	6 768	7 010	242	-

30. Events after the reporting period

There have been no events after the reporting period which would have a material effect on WorkCoverSA's financial statements at 30 June 2013.

APPENDIX TO

AUDITOR-GENERAL'S

ANNUAL REPORT

TREASURER'S

STATEMENTS

(Pursuant to section 22 of the *Public Finance and Audit Act 1987*)

2012-13

STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget $	Actual $
RECEIPTS		
Taxation	3 669 766 000	3 733 553 485
Commonwealth general purpose grants	4 511 800 000	4 509 739 844
Commonwealth specific purpose grants	567 311 000	596 398 390
Commonwealth National Partnership payments	64 633 000	134 445 239
Contributions from state undertakings	365 817 000	422 216 222
Fees and charges	393 553 000	356 337 261
Recoveries	46 312 000	278 329 985
Royalties	235 570 000	171 898 711
Other receipts	269 310 000	1 301 313 933
Total Receipts	10 124 072 000	11 504 233 070
PAYMENTS		
Appropriation Act	12 280 709 000	12 498 001 509
Specific appropriation authorised in various Acts	120 994 000	121 480 389
Total Payments	12 401 703 000	12 619 481 898
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT	2 277 631 000	1 115 248 828

The deficit for 2012-13 has been funded by borrowings from the SA Government Financing Authority, pursuant to section 16(2) of the *Public Finance and Audit Act 1987* , increasing the level of debt serviced from the Consolidated Account.

J.W. WEATHERILL, 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 2013
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2012-13	Actual 2012-13
RECEIPTS	$	$
TAXATION		
Payroll Tax	1 298 600 000	1 275 369 693
Commonwealth Places Mirror Payroll Tax[(a)]	22 200 000	22 312 049
Stamp Duties	1 275 709 000	1 401 128 069
Commonwealth Places Mirror Stamp Duties[(a)]	300 000	263 360
Land Tax	585 800 000	581 964 607
Commonwealth Places Mirror Land Tax[(a)]	1 500 000	1 371 148
Other Taxes on Property	10 000	49 485
Save the River Murray Levy	25 400 000	26 380 205
Gaming Machines Tax	318 908 000	287 911 459
Contribution from Lotteries Commission of South Australia	111 592 000	108 791 126
Contribution from Casino Operations	23 100 000	21 648 224
Contribution from South Australian Totalizator Agency Board	3 500 000	3 681 794
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	3 147 000	2 682 266
Total Taxation Receipts	3 669 766 000	3 733 553 485
COMMONWEALTH GENERAL PURPOSE PAYMENTS		
GST Revenue Grants	4 511 800 000	4 509 739 844
Total Commonwealth General Purpose Payments	4 511 800 000	4 509 739 844
COMMONWEALTH SPECIFIC PURPOSE PAYMENTS [(b)]		
Council of Australian Governments funding arrangements	567 261 000	596 398 390
Natural disaster relief and recovery arrangements	50 000	—
Total Commonwealth Specific Purpose Payments	567 311 000	596 398 390
COMMONWEALTH NATIONAL PARTNERSHIP PAYMENTS [(c)]		
Council of Australian Governments funding arrangements	64 633 000	134 445 239
Total Commonwealth National Partnership Payments	64 633 000	134 445 239

(a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.

(b) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.
(c) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2012-13 — *continued*

	Budget 2012-13	Actual 2012-13
RECEIPTS - *continued*	$	$
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Arrangements with private electricity entities —		
Local Government Rate Equivalent	228 000	225 297
Austraining Pty Ltd —		
Income Tax Equivalent	—	657 220
Department of Planning, Transport and Infrastructure —		
Income Tax Equivalent	2 641 000	1 646 150
Local Government Rate Equivalent	1 318 000	601 952
ForestrySA —		
Dividend	656 000	29 527 000
Income Tax Equivalent	4 727 000	501 326
Funds SA —		
Local Government Rate Equivalent	196 000	203 544
HomeStart Finance —		
Dividend	6 195 000	6 328 811
Income Tax Equivalent	4 425 000	4 421 279
SA Lotteries —		
Income Tax Equivalent	8 439 000	5 974 143
Local Government Rate Equivalent	5 000	—
Public Trustee Office —		
Dividend	1 370 000	—
Income Tax Equivalent	675 000	—
Generation Lessor Corporation —		
Dividend	—	1 150 000
SA Water Corporation —		
Dividend	209 211 000	235 775 000
Income Tax Equivalent	100 276 000	96 447 147
Local Government Rate Equivalent	1 473 000	1 513 160
South Australian Asset Management Corporation —		
Dividend	—	4 620 000
South Australian Government Employee Residential Properties —		
Dividend	1 706 000	1 706 000
Income Tax Equivalent	351 000	—
South Australian Government Financing Authority —		
Dividend	8 230 000	8 230 000
Income Tax Equivalent	4 470 000	21 840 000
Renewal SA —		
Dividend	7 363 000	—
Income Tax Equivalent	954 000	—
Local Government Rate Equivalent	682 000	788 970
West Beach Trust —		
Income Tax Equivalent	226 000	59 223
Total Contributions from State Undertakings	365 817 000	422 216 222

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2012-13 — *continued*

	Budget 2012-13	Actual 2012-13
RECEIPTS - *continued*	$	$
FEES AND CHARGES [d]		
Auditor-General's Department — Fees for audit and other sundry receipts	14 488 000	11 721 340
Court fines	36 697 000	22 909 448
Court regulatory fees	32 423 000	30 524 337
Guarantee fees	80 216 000	74 931 233
Infringement Notice Schemes — Expiation fees	89 759 000	78 738 037
Land and business regulations	1 817 000	1 366 000
Land Services regulatory fees	137 751 000	136 070 811
Small lotteries	369 000	—
Sundry fees	33 000	76 055
Total fees and charges	393 553 000	356 337 261
RECOVERIES		
Contribution to the cost of private plated vehicles	10 000	—
Department for Planning, Transport and Infrastructure — Indentured Ports	4 279 000	26 678 838
Department for Water — Qualco Sunlands	250 000	250 000
Essential Services Commission of South Australia	6 467 000	8 718 370
Helicopter service — Recovery of costs and sponsorships	1 020 000	1 121 450
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	2 000 000	2 000 000
Metropolitan Drainage Fund	7 000	7 409
National Tax Equivalent Program	50 000	—
Return of cash to Consolidated Account — Cash Alignment Policy	—	192 301 000
Return of deposit account balances	—	4 681 631
Return of deposit account balances — Superannuation	30 000 000	38 100 000
Sale of government publications and subscriptions	183 000	146 304
Sundry recoupments	142 000	—
Unclaimed monies and personal property	1 904 000	4 324 983
Total recoveries	46 312 000	278 329 985

(d) Refers to only those fees and charges paid to the Consolidated Account.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2012-13 — *continued*

	Budget 2012-13	Actual 2012-13
RECEIPTS - *continued*	$	$
ROYALTIES		
Department of Manufacturing, Innovation, Trade, Resources and Energy	235 570 000	171 898 711
Total Royalties	235 570 000	171 898 711
OTHER RECEIPTS		
Interest —		
Interest on investments	109 671 000	94 064 537
Interest recoveries from general government entities	1 051 000	2 981 766
Interest recoveries from non-commercial public trading enterprises	25 419 000	21 762 389
Interest recoveries from the private sector	345 000	42 820
Repayment of advances —		
Administered items for the Department for Transport, Energy and Infrastructure	209 000	465 846
Department for Health and Ageing	19 059 000	1 870 291
Department of Primary Industries and Regions	3 733 000	2 500 000
Renmark Irrigation Trust	121 000	127 373
Royal Zoological Society of South Australia	229 000	220 076
South Australia Housing Trust	49 714 000	50 356 276
Other repayments	6 000	6 343
Repayment of equity capital contributions —		
Adelaide Convention Centre	45 500 000	47 672 000
Department of Planning, Transport and Infrastructure	—	19 232 457
Environment Protection Authority	—	8 434 000
Forestry SA	—	4 983 521
Renewal SA	1 971 000	—
Other —		
Other recoveries	1 947 000	—
Sale of land and buildings	10 335 000	8 746 435
Proceeds from appointing a master agent to manage SA Lotteries brands and products	—	402 770 546
Proceeds from sale of the State's Green Triangle forest plantations	—	635 077 257
Total other receipts	269 310 000	1 301 313 933
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	10 124 072 000	11 504 233 070

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2013
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2012-13	Actual 2012-13
PAYMENTS - AUTHORISED BY VARIOUS ACTS	$	$
SALARIES AND ALLOWANCES		
Agent-General - *Pursuant to Agent-General Act 1901*	111 000	98 049
Auditor-General - *Pursuant to Public Finance and Audit Act 1987*	294 000	297 495
Commissioners of Environment, Resource and Development Court - *Pursuant to Remuneration Act 1990*	1 154 000	1 195 888
Commissioner of Police - *Pursuant to Police Act 1988*	418 000	754 447
State Coroner and Deputy Coroner - *Pursuant to Remuneration Act 1990*	833 000	790 219
Electoral Commissioner and Deputy Electoral Commissioner - *Pursuant to Electoral Act 1985*	365 000	367 391
Employee Ombudsman - *Pursuant to Fair Work Act 1994*	140 000	201 620
Governor - *Pursuant to Constitution Act 1934*	286 000	313 510
Judges - *Pursuant to Remuneration Act 1990* —		
Chief Justice	670 000	636 318
Judges and Masters	23 458 000	23 252 096
Magistrates - *Pursuant to Remuneration Act 1990*	14 354 000	13 106 283
Members of various standing committees - *Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991*	814 000	855 476
Ombudsman - *Pursuant to Ombudsman Act 1972*	384 000	335 008
Parliamentary salaries and electorate other allowances - *Pursuant to Parliamentary Remuneration Act 1990*		
Ministers, officers and members of parliament	13 807 000	14 224 858
Senior Judge and judges of the Industrial Relations Court and Commission - *Pursuant to Remuneration Act 1990*	3 045 000	2 835 201
Solicitor-General - *Pursuant to Solicitor-General Act 1972*	592 000	572 452
Valuer-General - *Pursuant to Valuation of Land Act 1971*	129 000	169 569
Total Salaries and Allowances	60 854 000	60 005 880
OTHER		
Compensation for injuries resulting from criminal acts - *Pursuant to Victims of Crime Act 2001*	7 633 000	7 633 000
Electoral Districts Boundaries Commission - *Pursuant to Constitution Act 1934*	—	—
First Home Owner Grant - *Pursuant to First Home Owner Grant Act 2000*	52 507 000	53 841 509
Total Other	60 140 000	61 474 509
TOTAL PAYMENTS FOR WHICH SPECIFIC APPROPRIATION IS AUTHORISED IN VARIOUS ACTS	120 994 000	121 480 389

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2012-13 — *continued*

	Budget (*Appropriation Act 2012*)			Actual [b]
	Initial Section 4(1)	Transfers Section 5	Balance	2012-13
PAYMENTS	$	$	$	$
Arts SA	123 727 000		123 727 000	129 926 000
Attorney-General's Department	89 409 000		89 409 000	84 076 000
Administered items for the Attorney-General's Department	43 344 000		43 344 000	36 385 000
Auditor-General's Department	15 444 000		15 444 000	15 444 000
Courts Administration Authority	87 507 000		87 507 000	89 984 000
Defence SA	23 225 000		23 225 000	21 695 000
Department for Communities and Social Inclusion	961 839 000		961 839 000	973 301 000
Administered items for the Department for Communities and Social Inclusion	164 327 000		164 327 000	165 309 000
Department for Correctional Services	241 934 000		241 934 000	241 934 000
Department for Education and Child Development	2 633 800 000		2 633 800 000	2 617 289 000
Administered items of the Department for Education and Child Development	220 355 000		220 355 000	221 705 000
Department of Health and Ageing	3 010 707 000		3 010 707 000	2 999 170 000
Department of Manufacturing, Innovation, Trade, Resources and Energy	86 228 000		86 228 000	86 228 000
Administered items for the Department of Manufacturing, Innovation, Trade, Resources and Energy	959 000		959 000	959 000
Department for Water [a]	87 728 000	-4 504 000	83 224 000	83 224 000
Administered items for the Department for Water	7 009 000		7 009 000	7 009 000
Department of Environment, Water and Natural Resources [a]	127 990 000	4 504 000	132 494 000	137 269 000
Administered items for the Department of Environment, Water and Natural Resources [a]	12 443 000		12 443 000	12 502 000
Department of Further Education, Employment, Science and Technology	519 768 000		519 768 000	527 767 000
Department of Planning, Transport and Infrastructure	954 509 000		954 509 000	1 089 725 000
Administered items for the Department of Planning, Transport and Infrastructure	4 041 000		4 041 000	3 837 000
Department of Primary Industries and Regions	89 658 000		89 658 000	89 673 948
Administered items for the Department of Primary Industries and Regions	3 471 000		3 471 000	3 471 000
Department of the Premier and Cabinet	113 059 000		113 059 000	108 447 000
Administered items for the Department of the Premier and Cabinet	20 551 000		20 551 000	19 833 121
Department of Treasury and Finance	67 538 000		67 538 000	63 672 000
Administered items for the Department of Treasury and Finance	1 799 067 000		1 799 067 000	1 890 414 000
Electoral Commission of South Australia	3 122 000		3 122 000	3 605 000
House of Assembly	8 239 000		8 239 000	7 378 884
Independent Gambling Authority	1 657 000		1 657 000	1 657 000
Joint Parliamentary Services	14 305 000		14 305 000	15 345 412
Legislative Council	5 379 000		5 379 000	4 345 144

(a) As a result of machinery of government changes during 2012-13, the Department for Water and the Department of Environment and Natural Resources were amalgamated to become the Department of Environment, Water and Natural Resources.

(b) Actual payments includes those authorised under other provisions of the *Public Finance and Audit Act 1987* (refer to Statement K)

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2012-13 — *continued*

	Budget (*Appropriation Act 2012*)			Actual [(b)]
	Initial Section 4(1)	Transfers Section 5	Balance	2012-13
PAYMENTS - *continued*	$	$	$	$
Minister for Tourism	4 454 000		4 454 000	4 454 000
South Australia Police	681 531 000		681 531 000	686 713 000
Administered items for South Australia Police	171 000		171 000	173 000
South Australian Tourism Commission	49 080 000		49 080 000	50 947 000
State Governor's Establishment	3 134 000		3 134 000	3 134 000
Total Payments Appropriated for Public Authorities and Ministers	12 280 709 000	—	12 280 709 000	12 498 001 509
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	12 401 703 000	—	12 401 703 000	12 619 481 898

(b) Actual payments includes those authorised under other provisions of the *Public Finance and Audit Act 1987* (refer to Statement K)

J.W. WEATHERILL, Treasurer

STATEMENT B

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2013
(Section 22 (a) (ii) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	2012-13 $'000	2011-12 $'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	3 733 554	3 541 233
Commonwealth General Purpose Grants	4 509 740	4 279 645
Commonwealth Specific Purpose Grants	596 398	1 548 927
Commonwealth National Partnership Payments	134 445	72 496
Contributions from State Undertakings	422 216	411 530
Fees and Charges	356 337	337 071
Recoveries	278 330	409 643
Royalties	171 899	203 687
Other Receipts	1 301 314	578 160
Total Receipts	11 504 233	11 382 392
Increase in balance of Special Deposit Accounts	71 159	362 119
Increase in balance of Deposits lodged with the Treasurer	—	90 225
Increase in borrowings from the South Australian Government Financing Authority [(a)]	1 115 249	1 474 709
Decrease in cash at bank	—	—
Decrease in deposits by the Treasurer with LGFA	5 233	6 981
Decrease in the value of cheques drawn but not presented / Deposits not credited	—	—
Decrease in deposits by the Treasurer with SAFA	113 751	—
Decrease in Treasurer's loans to SAFA — payments to be settled [(b)]	205	9 944
	12 809 830	13 326 370
APPLICATION OF FUNDS		
Consolidated Account Payments	12 619 482	12 857 101
Decrease in balance of Deposits lodged with the Treasurer	70 962	—
Increase in cash at bank	107 901	28 016
Increase in deposits by the Treasurer with SAFA	—	365 709
Increase in the value of cheques drawn but not presented/Deposits not credited	11 485	75 544
	12 809 830	13 326 370

(a) As reported in Statement A and Statement J, the Consolidated Account deficit for 2012-13 was funded by the Treasurer's borrowings from the South Australian Government Financing Authority.

(b) Payments processed in respect of June transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in that month but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

J.W. WEATHERILL, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2013
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

	2012-13 $'000	2011-12 $'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT — see Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES — see Statement F	2 757 861	2 686 702
DEPOSITS LODGED WITH THE TREASURER — see Statement G	613 094	684 056
CHEQUES DRAWN BUT NOT PRESENTED/DEPOSITS NOT CREDITED	- 58 654	- 47 169
TREASURER'S LOANS TO BE SETTLED [(a)]	—	- 205
	3 312 301	3 323 384
REPRESENTED BY		
CASH AT BANK	263 553	155 652
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY — see Statement J	3 020 005	3 133 756
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA — see Statement E	28 287	33 520
DEPARTMENTAL IMPREST ACCOUNTS — see Statement H	456	456
	3 312 301	3 323 384

(a) Payments processed in respect of June transactions for the Treasurer's Loans to the South Australian Government Financing Authority were not settled in June but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

J.W. WEATHERILL, Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2013 [(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 Payments	$'000 Recoveries	$'000 Cost	$'000
Department of the Premier and Cabinet	128 280	152	128 128	
State Governor's Establishment	3 134	—	3 134	
Arts SA	129 926	—	129 926	
South Australian Tourism Commission	50 947	—	50 947	
Minister for Tourism	4 454	—	4 454	
Auditor-General's Department	15 444	11 721	3 723	
Department of Treasury and Finance	1 950 764	2 634 892	- 684 128	
Independent Gambling Authority	1 657	—	1 657	
Department of Manufacturing, Innovation, Trade, Resources and Energy	87 187	—	87 187	
Defence SA	21 695	—	21 695	
Department of Primary Industries and Regions	93 145	—	93 145	
Attorney-General's Department	120 461	1 152	119 309	
Courts Administration Authority	89 984	64 436	25 548	
Department for Correctional Services	213 930	—	213 930	
South Australia Police	686 886	67 214	619 672	
Electoral Commission of South Australia	3 605	5	3 600	
Department for Health and Ageing	2 684 744	—	2 684 744	
Department for Communities and Social Inclusion	1 138 610	—	1 138 610	
Department of Education and Child Development	2 838 994	—	2 838 994	
Department of Further Education, Employment, Science & Technology	415 290	8 247	407 043	
Department of Environment, Natural Resources and Water [(b)]	149 771	478	149 293	
Department for Water [(b)]	78 514	421	78 093	
Department of Planning, Transport and Infrastructure	410 313	164 453	245 860	
Legislature	27 069	—	27 069	
Payments authorised under various acts	121 480	—	121 480	
Total	11 466 284	2 953 171	8 513 113	
TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES				8 513 113

(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) As a result of machinery of government changes during 2012-13, the Department for Water and the Department of Environment and Natural Resources were amalgamated to become the Department of Environment, Water and Natural Resources.

STATEMENT D - *continued*

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2013 [(a)]
(Section 22 (a) (iii) *Public Finance and Audit Act 1987*)

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST—

State Taxation —	$'000	$'000	$'000
Payroll tax	1 275 370		
Stamp duties	1 401 128		
Land tax	581 965		
Commonwealth places mirror tax	23 947		
Save the River Murray Levy	26 380		
Other taxes on property	50		
Gaming machines tax	287 911		
Contribution from Lotteries Commission	108 791		
Contribution from casino operations	21 648		
Contribution from Totalizator Agency Board	3 682		
Contribution from on-course totalizators, bookmakers and small lotteries	2 682		
Total Receipts from State Taxation		3 733 554	
Commonwealth government general purpose grants		4 509 740	
Royalties		171 899	
Total Direct Receipts			8 415 193
LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			- 97 920
THIS WAS INCREASED BY THE NET OF —			
Payments for investing activities		-1 149 875	
Payments for financing activities		- 3 322	
Receipts from investing activities		135 868	
			-1 017 329
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF			-1 115 249

(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.

J.W. WEATHERILL, Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY) WITH WHICH THE TREASURER HAS INVESTED FUNDS DURING THE YEAR ENDED 30 JUNE 2013

(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 2013 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was $28.3 million.

J.W. WEATHERILL, Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2013
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—	
Adelaide Convention Centre Future Asset Replacement Account	19 829 253
Adelaide Convention Centre Operating Account	25 445 509
Adelaide Dolphin Sanctuary Fund	1 308
Adelaide Stormwater Project	5 597 833
ANZAC Day Commemoration Fund	34 945
Barossa Wine Industry Fund	672 470
Building the Education Revolution	16 720 685
Caring for our Country	303 496
Citrus Growers Fund	79 964
Clare Valley Wine Industry Fund	49 236
Commonwealth Funding for Specific Projects	2 559 809
Community Emergency Services Fund	2 677 964
Community Road Safety Fund	3 607 784
Coorong, Lower Lakes and Murray Mouth Recovery Project	8 808 665
Country Equalisation Scheme	16 865 224
Dog Fence Fund	109 491
Electricity Sale/Lease Proceeds Account	—
Eyre Peninsula Grain Growers Rail Fund	528 442
Gamblers Rehabilitation Fund	844 328
Governors’ Pensions Account	8 181
Grain Industry Fund	1 016 732
Health, Community and Disability Services Ministerial Council	12 434 262
HIH Builders' Indemnity Assistance Account	2 213 639
Homes for Incurables Trust	321 837
HomeStart Finance Account	3 896 014
Housing Loans Redemption Fund	10 376 956
Indigenous Program for Specific Projects	40 070 714
Judges’ Pensions Account	226 756
Local Government Disaster Fund	217 415
Mount Barker Urban Development	—
Murray Futures Fund	19 158 577
National Rail Safety Reform Account	7 030
National Water Initiative Fund	51
Olive Industry Fund	17 636
Parliamentary Superannuation Scheme Account	368 849
Peter Stephens Trust	64 163
Playford Centre Operating Account	—
Police Superannuation Scheme Contribution Account	442 529
Public Trustee Office Operating Account	2 591 694
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	1 661 696
Rock Lobster Fishing Industry Fund	130 692
Rural Finance Account	33 222 858
Rural Industry Adjustment and Development Fund	22 623 977
SA Grape Growers Industry Fund	419 718
School Loans Scheme	—
Shared Services SA	—
South Australian Aboriginal Heritage Fund	940 320
South Australian Ambulance Superannuation Scheme	1 387 462
South Australian Local Government Grants Commission Account	806 766
South Australian Lower Lakes Bioremediation and Revegetation	61 769
South Australian Superannuation Fund Account	7 394 368

STATEMENT F — *continued*

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2013
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—*continued*	
Southern State Superannuation Fund Account	16 499 907
Supported Residential Facilities Indemnity Fund	39 223
Treasury — Asset Management Account	4 156 746
Victims of Crime Fund	134 260 347
Sub-Total	421 775 290
Non-interest bearing—	
Accrual Appropriation Excess Funds	432 505 945
Adelaide Oval Redevelopment	53 292 002
Administrative and Information Services Administered Items Account	—
Administrative and Information Services Operating Account	—
Attorney-General's Administered Items Account	58 452 590
Attorney-General's Operating Account	12 410 823
Auditor-General's Administered Items Account	400 012
Auditor-General's Operating Account	2 607 889
Charitable and Social Welfare Fund	4 756 804
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Communities and Social Inclusion Administered Items Account	13 636 555
Communities and Social Inclusion Operating Account	20 923 614
Community Development Fund	—
Complementary State Natural Resource Management Program	305 080
Correctional Services Operating Account	16 885 127
Defence SA	14 771 268
Education and Child Development Administered Items Account	23 515 665
Education and Child Development Operating Account	137 079 793
Egg Industry Deregulation Account	464 709
Electoral Commission of South Australia Operating Account	1 908 305
Environment, Water and Natural Resources Administered Items Account	2 425
Environment, Water and Natural Resources Operating Account	10 485 112
Environment Protection Authority Operating Account	8 023 373
Environment, Resources and Development Court Suitors Fund	—
Essential Services Commission of SA	9 851 680
Further Education, Employment, Science and Technology Operating Account	62 626 941
Government Workers Rehabilitation and Compensation Fund	2 527 737
Health and Ageing Administered Items Account	—
Health and Ageing Operating Account	176 985 881
Health and Medical Research Fund	33 223 400
Highways Fund	311 213 738
Hospitals Fund	—
Industry Financial Assistance Account	39 735 401
Living Murray Fund, The	—
Local Government Concessions — Seniors Cardholders	1 966 095
Local Government Disaster Fund	28 287 311
Manufacturing, Innovation, Trade, Resources and Energy Administered Items Account	215 267
Manufacturing, Innovation, Trade, Resources and Energy Operating Account	16 118 484
Minister for Finance — Super SA Select	—
Minister for Gambling's Responsible Gambling Working Party	52 579
Motor Vehicles — Clearing Account	84 522 613
NRAH Operating Account	—
NRM Alliance Fund	—
Office of Public Employment Operating Account	—
Office of the Venture Capital Board Operating Account	—
Planning and Local Government Administered Items Account	—
Planning and Local Government Operating Account	—

STATEMENT F — *continued*

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2013
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance $
Non-interest bearing—*continued*	
Planning, Transport and Infrastructure Administered Items Account	6 559 009
Planning, Transport and Infrastructure Operating Account	109 484 967
Police and Emergency Services Administered Items Account	7 201 946
Police Operating Account	47 022 167
Premier and Cabinet Administered Items Account	2 329 568
Premier and Cabinet Operating Account	39 054 821
Primary Industries and Regions Administered Items Account	509 968
Primary Industries and Regions Operating Account	4 106 015
Professional Standards Council Fund	—
SA Lotteries Commission Operations	1 564 855
Sale of Government Land and Property	841 015
Save the River Murray Fund	3 629 911
Save the River Murray Voluntary Contributions Fund	4 415
South Australian Electricity Supply Industry Planning Council Operating Account	—
South Australian Film Corporation Unclaimed Investor Returns Account	56 116
Sport and Recreation Fund	3 321 998
State Governor’s Establishment Operating Account	101 545
State Procurement Board Account	979 396
Support Services to Parliamentarians	6 625 246
Surplus Cash Working Account	—
TAFE SA	40 916 925
Targeted/Voluntary Separation Package Schemes	3 456
Treasurer’s Interest in the National Wine Centre	710 148
Treasury and Finance Administered Items — Intergovernmental Agreement on Federal Financial Relations	176 841 807
Treasury and Finance Administered Items Account	262 874 178
Treasury and Finance Operating Account	19 319 931
Treasury — Working Account	955 823
Water Administered Items Account	3 438 965
Water Operating Account	17 877 679
Sub-Total	2 336 086 088
TOTAL SPECIAL DEPOSIT ACCOUNTS	2 757 861 378

J.W. WEATHERILL, Treasurer

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Operating Account	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Adelaide Dolphin Sanctuary Fund	To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the *Adelaide Dolphin Sanctuary Act 2005.*
Adelaide Oval Redevelopment	To record and identify all money made available and expended for the Adelaide Oval redevelopment.
Adelaide Stormwater Projects Fund	To record the financial activities in relation to the stormwater projects funded jointly by South Australia and the Commonwealth Government's *Water for the Future initiative*.
Administrative and Information Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Administrative and Information Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
ANZAC Day Commemoration Fund	To record the receipts and payments relating to the ANZAC Day Commemoration Fund in accordance with the *ANZAC Day Commemoration Act*
Attorney-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Attorney-General's Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Auditor-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Barossa Wine Industry Fund	To record receipts and payments relating to the Barossa wine industry in accordance with the *Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations.*

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Building the Education Revolution	To record the activities in relation to the Bilateral Agreement on the Nation Building and Jobs Plan (Building the Education Revolution Program) for government school's.
Caring for our Country	To receive funds from the Commonwealth, State and other sources for application towards the Caring for our Country Program.
Charitable and Social Welfare Fund	To record receipts and disbursements associated with the *Gaming Machines (Miscellaneous) Amendment Bill 1996* relating to supporting the work of not-for-profit charities and community based social welfare organisations.
Citrus Growers Fund	To receive funds and to make payments as prescribed by the *Primary Industries Funding Schemes (Citrus Growers Fund) Regulations 2005.*
Clare Valley Wine Industry Fund	To record the receipts and payments relating to the Clare Valley wine industry in accordance with the *Primary Industries Funding Schemes (Clare Valley Wine Industry Fund) Regulations.*
Commonwealth Funding Received for Specific Projects	To record all activities associated with funding provided by the Commonwealth for specific projects (interest bearing).
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	To receive amounts that are levied pursuant to the *Commonwealth Places (Mirror Taxes) Act 1998* of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the *Commonwealth Places (Mirror Taxes Administration) Act 1999* of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Communities and Social Inclusion Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Communities and Social Inclusion 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. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Community Development Fund	To record the receipts and disbursements associated with the *Gaming Machines (Miscellaneous) Amendment Bill 1996* relating to the provision of government health, welfare or education services and financial assistance for non government welfare agencies and community development.
Community Emergency Services Fund	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the *Emergency Services Funding Act 1998* and any amendments as approved by Parliament.
Community Road Safety Fund	To receive revenue derived from anti-speeding devices and other monies approved by both the Minister and the Treasurer and to make payments for road safety programs and policing.
Complementary State Natural Resource Management Program	To receive funds from the Commonwealth, State and other sources for application towards the Complementary State Natural Resources Management Program.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Coorong, Lower Lakes and Murray Mouth (CLLMM) Recovery Project	To record and identify all funds received and expended for the CLLMM Recovery Project.
Correctional Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make ‘refund’ payments to electricity retailers in accordance with the Country Equalisation Scheme.
Defence SA	To record all activities of Defence SA including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Dog Fence Fund	To record receipts and disbursements relating to the operation of the Dog Fence Board.
Education and Child Development Administered Items Account	To receive various Commonwealth grants, administered items appropriation for the Department, the SACE Board of South Australia and the Education and Early Childhood Services Board of South Australia pursuant to the Annual Appropriation Act and to disburse the associated payments.
Education and Child Development 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 Commission of South Australia 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 *Electricity Corporations (Restructuring and Disposal) Act 1999* and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of the State debt.
Environment, Water and Natural Resources Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Environment, Water and Natural 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.
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 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Essential Services Commission of SA	To record the financial transactions of the Essential Services Commission of South Australia.
Eyre Peninsula Grain Growers Rail Fund	To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the *Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006.*
Further Education, Employment, Science and Technology Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Gamblers Rehabilitation Fund	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.
Government Workers Rehabilitation and Compensation Fund	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions Scheme.
Grain Industry Fund	To hold and disburse funds collected in accordance with Section 4 of the Primary Industry Funding Scheme (Grain Industry Fund) Regulations 2012.
Health and Ageing Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Health and Ageing 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.
Health and Medical Research Fund	To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia.
Health, Community and Disability Services Ministerial Council	To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council.
Highways Fund	To record all transactions associated with the *Highways Act 1926* 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.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Homes for Incurables Trust	To record receipts and payments incurred within the terms of the Home for Incurables Trust
HomeStart Finance Account	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
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 *Housing Loans Redemption Fund Act 1962* 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.
Indigenous Program for Specific Projects	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) related to the operation of projects under the *Terms and Conditions of Funding Agreement with State/Territory/Local Government Agencies Relating to Indigenous Programs.*
Industry Financial Assistance Account	To record the financial transactions of industry financial assistance administered on behalf of the Treasurer, including operating and financing expenditures, revenues from various activities and injection of funds provided by the Consolidated Account.
Judges' Pensions Account	To record receipts and payments for the Judges' Pensions Scheme.
Living Murray Fund, The	To receive funds and make payments in relation to water recovery measures under the Living Murray initiative, including investments in, and/or received from, other Australian jurisdictions, together with proceeds generated through the temporary trade of water entitlements.
Local Government Concessions – Seniors Cardholders	To administer receipts and payments for Local Government Concessions — Seniors Cardholders.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Manufacturing, Innovation, Trade and Resources and Energy 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. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Manufacturing, Innovation, Trade, Resources and Energy – Administered Items	To record receipts and payments relating to Mining Royalties and various other programs, as well as, to receive administered items appropriation for the Department for Manufacturing, Innovation, Trade, Resources and Energy pursuant to the annual *Appropriation Act* and to disburse the associated payments.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Minister for Finance – Super SA Select	To record receipts and payments relating to the provision of funds from the Minister for Finance to the Southern Select Super Corporation for the purpose of establishing, and assisting in the establishment of Super SA Select Fund.
Minister for Gambling's Responsible Gambling Working Party	To record the financial transactions related to the operation of the Minister for Gambling's Responsible Gambling Working Party.
Motor Vehicles – Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
Mount Barker Urban Growth Development Developer contributions	To record and identify all money made available and expended pursuant to the Infrastructure Deed of Agreement between the Minister and Developers,
Murray Futures Fund	To record the activities in relation to the projects funded from the Commonwealth Government's Water for the Future initiative.
National Rail Safety Reform Account	To receive revenue associated with the National Rail Safety Reform initiative and to disburse associated payments.
National Water Initiative Fund	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission.
NRAH Operating Account	To record financial transactions of the Minister for Health and the Department of Health in respect of the NRAH PPP and financial arrangements associated with the securitisation structure set out in the NRAH PPP Project Documents.
NRM Alliance Fund	To receive funds and make payments in relation to initiatives relating to NRM science, technology and innovation, including investments in, and/or received from the NRM Alliance member organisations, together with proceeds generated through ancillary revenues.
Office of Public Employment Operating Account	To record all of the activities of the Office including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Office of the Venture Capital Board Operating Account	To record all the activities of the Office including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Olive Industry Fund	To record the receipts and payments relating to the Olive Industry in accordance with the Primary Industry Funding Schemes (Olive Industry Fund) Regulations 2009.
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.
Peter Stephens Trust	To record receipts and disbursements incurred within the terms of Peter Stephens Trust.
Planning and Local Government Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Planning and Local Government Operating Account	To record all activities of the Department including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and Borrowings. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Planning, Transport and Infrastructure Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual Appropriation Act and to disburse the associated payments.
Planning, Transport and Infrastructure Operating Account	To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Playford Centre Operating Account	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.
Police and Emergency Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Police Operating Account	To record all the activities of the Police Department including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.
Premier and Cabinet Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Premier and Cabinet Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings and the receipt of Commonwealth funding for the APY Lands and associated payments. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Primary Industries and Regions Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Primary Industries and Regions 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. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
Professional Standards Council Fund	Record receipts and payments related to the Professional Standards Council as set out in the *Professional Standards Act 2004*.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Public Trustee Office Operating Account	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement.
Rock Lobster Fishing Industry Fund	To record the receipts and payments relating to the Rock Lobster industry in accordance with the *Primary Industries Funding Schemes (Rock Lobster Fishing Industry Fund) Regulations 2008*.
Rural Finance Account	To provide for the administration of separate funds covering — the agreement between the Commonwealth and the States relating to: — 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; 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.
Rural Industry Adjustment and Development Fund	To record receipts and payments authorised by the *Rural Industry Adjustment and Development Act 1985*.
SA Grape Growers Industry Fund	To record receipts and payments relating to SA grape growers in accordance with the *Primary Industries Funding Schemes (SA Grape Growers Industry Fund) Regulations*.
SA Lotteries Commission Operations Account	To receipt and dispense funds associated with the Commissioner's regulatory, compliance and Master Agent contract management responsibilities under the *State Lotteries Act, 1966* and the transaction documents.
SA Lower Lakes Bioremediation and Revegetation	To record the activities in relation to SA's Lower Lakes bioremediation and revegetation projects in accordance with the Commonwealth Government Funding Deed — Bioremediation & Revegetation at South Australia's Lower Lakes.
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 Waterworks (Save the River Murray Levy) Amendment Act 2003.
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 *Waterworks (Save the River Murray Levy) Amendment Act 2003*.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
School Loans Scheme	To administer loans to schools.
Shared Services SA	To record all of the activities of Shared Services SA including operating and investing expenditure, revenue from various activities, and injections of funds provided from the Consolidated Account and borrowings.
South Australian Aboriginal Heritage Fund	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Ambulance Superannuation Scheme	To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme.
South Australian Electricity Supply Industry Planning Council Operating Account	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.
South Australian Film Corporation Unclaimed Investor Returns Account	To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation.
South Australian Local Government Grants Commission Account	To record all transactions associated with the *South Australian Local Government Grants Commission Act 1992* 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 *Gaming Machines (Miscellaneous) Amendment Bill 1996* 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.
State Procurement Board Account	To record all of the financial transactions associated with the State Procurement Board in accordance with the *State Procurement Act 2004*.
Supported Residential Facilities Indemnity Fund	To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund.
Support Services to Parliamentarians	To record the financial transactions related to the administration of Support Services to Parliamentarians.
Surplus Cash Working Account	To record the movement of surplus cash to and from agencies' operating accounts, and to the Consolidated Account, in accordance with the requirements of the Cash Alignment Policy.
TAFE SA	To record receipts and disbursements incurred in relation to TAFE SA activities.
Targeted/Voluntary Separation Package Schemes	To administer the costs associated with the Targeted/Voluntary Separation Package Schemes.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2013 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Treasurer's Interest in the National Wine Centre	To record all of the financial transactions associated with the management of the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* including injections of funds from the Consolidated Account.
Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations	To receive and disburse money paid to the State pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National SPP purposes listed in Schedule F of that agreement and for the NPP payments for the purposes listed in Schedule G of that agreement.
Treasury – Asset Management Account	To record all financial transactions associated with the former South Australian Asset Management Corporation (SAAMC) and the dissolution of the SAAMC Board.
Treasury and Finance Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Treasury and Finance Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. This includes the recording of transactions that are consequent to machinery of government changes affecting the agency.
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 Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Water 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.

J.W. WEATHERILL, Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2013
(Section 22 (a) (v) (A) *Public Finance and Audit Act 1987*)

Account	Purpose
TAFE SA	To record receipts and disbursements incurred in relation to TAFE SA activities.
Treasury – Asset Management Account	To record all financial transactions associated with the former South Australian Asset Management Corporation (SAAMC) and the dissolution up of the SAAMC Board.
SA Lotteries Commission Operations Account	To receipt and dispense funds associated with the Commission's regulatory, compliance and Master Agent contract management responsibilities under the *State Lotteries Act, 1966* and the transaction documents.
Manufacturing, Innovation, Trade, Resources and Energy – Administered Items	To record receipts and payments relating to Mining Royalties and various other programs, as well as, to receive administered items appropriation for the Department for Manufacturing, Innovation, Trade, Resources and Energy pursuant to the annual *Appropriation Act* and to disburse the associated payments.
Minister for Finance – Super SA Select	To record receipts and payments relating to the provision of funds from the Minister for Finance to the Southern Select Super Corporation, for the purpose of establishing, and assisting in the establishment of Super SA Select Fund.
Mount Barker Urban Development	To record and identify all money made available and expended pursuant to the Infrastructure Deed of Agreement between the Minister and the Developers

J.W. WEATHERILL, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2013
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.

Account	Balance $
Interest bearing—	
Adelaide and Mt Lofty Ranges Natural Resources Management Board	8 326 540
Adelaide Festival Centre Trust	9 887 534
Adelaide Hills Wine Industry Fund	142 655
Agents Indemnity Fund	60 483 788
Alinytjara Wilurara Natural Resources Management Board	2 301 175
Aquaculture Resource Management Fund	633 412
Art Gallery Board Bequests Account	6 193 607
Australian Council of State Emergency Services Fund	154 365
Bank of Tokyo — Mitsubishi Account	90 453
Bio Innovation SA	202 392
Boating Administration — Working Account	7 854 809
Botanic Gardens Board Endowment and Commercial Fund	3 534 125
Carrick Hill Trust	602 022
Cattle Compensation Fund	1 518 754
Cooperative Research Centre for Sustainable Aquaculture of Finfish	—
Correctional Services Prisoner Compensation Quarantine Fund Account	—
Crown Solicitor's Trust Account	2 186 494
Daniel Livingston Scholarship	34 824
Deer Keepers' Compensation Fund	133 835
Distribution Lessor Corporation Account	30 572
District Court Suitors' Fund	8 097 482
Dog and Cat Management Fund	713 283
Education Department — Scholarships and Prizes	180 599
Employment and Technical and Further Education — College Council Funds	141 603
Environment Protection Fund	6 963 044
Environment Resources and Development Court Suitors Fund	—
Eyre Peninsula Natural Resources Management Board	630 061
Facilities Fund (Marine)	6 425 711
Fleet SA	—
Generation Lessor Corporation Account	56 028
Grains Industry Levy Fund	313 973
History Trust of South Australia	2 220 524
Independent Gambling Authority	3 412 920
Industrial Court Commission	—
Institute of Medical and Veterinary Science	—
Langhorne Creek Wine Industry Fund	57 144
Legal Practitioners Act	407 863
Libraries Board of South Australia	7 395 590
Local Government Taxation Equivalents Fund	5 761
Market Projects Unit	2 937
McLaren Vale Wine Industry Fund	174 597
Medical Research Trust Funds	282 844
Motor Accident Commission Account	515 173

STATEMENT G — *continued*

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2013
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—*continued*	
Museum Board — Bequests Account	2 489 282
National Action Plan for Salinity and Water Quality	200 877
National Parks General Reserves Account	1 858 658
National Sirex Fund	—
Native Vegetation Fund	6 770 933
Natural Heritage Trust Extension (NHT2)	—
Natural Resources Management Fund	422 554
Outback Areas Community Development Fund	1 748 873
Passenger Transport Research and Development Fund	12 815
Phylloxera and Grape Industry Fund	1 440 727
Planning and Development Fund	12 456 197
Pleuro Pneumonia Fund	92 309
Police Superannuation Fund	93 496
Rail Commissioner	6 176 907
Rail Transport Facilitation Fund	47 716 341
Real Property Act Assurance Fund	7 100 731
Real Property Act Trust Account	67 621
RESI Corporation Account	—
Residential Tenancies Fund	8 355 268
Retail Shop Leases Fund	974 738
Returned and Services League of Australia (South Australian Branch) Incorporated	400 884
Riverland Wine Industry Fund	627 350
SA BITS Funds Pty Ltd — Playford Centre Capital	—
SAFECOM Operating Account	27 773 746
Second-Hand Vehicles Compensation Fund	2 483 598
South Australian Apiary Industry Fund	239 488
South Australian Arid Lands Natural Resources Management Board	2 244 253
South Australian Country Arts Trust	2 774 545
South Australian Forestry Corporation	5 426 851
South Australian Government Financing Authority	45 019 601
South Australian Housing Trust	60 739 749
South Australian Murray Darling Basin Natural Resources Management Board	9 878 112
South Australian Pig Industry Fund	3 556 016
South Australian Sheep Industry Fund	8 170 065
South East Natural Resources Management Board	5 653 860
State Emergency Relief Fund	69 973
State Procurement Board — Gaming Machine Operations	—
Superannuation Funds Management Corporation Operating Account	8 035 982
Super SA Board	17 520 375
Super SA Flexible Rollover Product	9 255 880
Super SA Income Stream	14 416 272
Super SA Select	—
Supreme Court Suitors Fund	14 393 543

STATEMENT G — *continued*

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2013
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—***continued***	
Teachers' Registration Board	8 168 371
Transmission Lessor Corporation Account	29 526
Upper South East Dryland Salinity Project	—
Urban Renewal Authority	18 948 860
Urban Renewal Authority — Cheltenham Trust Account	971 865
Waste to Resources Fund	43 724 980
Wildlife Conservation Fund	619 262
Woods, Bagot, Jory and Laybourne-Smith — National War Memorial Account	2 209
Sub-Total	551 432 036
Non-interest bearing—	
Agriculture — Research and Services Grants	16 584 233
Children's Services Office — Capital Assistance Fund	192 235
Coast Protection Fund	334 579
Companies Liquidation Account	94 244
Contractors' Deposits	32 565
Co-operatives Liquidation Account	64 993
Correctional Services — Prisoners' Monies	641 104
Courts Administration Authority	16 377 395
Extractive Areas Rehabilitation Fund	17 369 275
Fisheries — Research and Development Fund	3 155 113
Metropolitan Drainage Maintenance Fund	19 455
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	1 634 874
South Australian Film Corporation Investors Returns Account	270 366
South Australian Tourism Commission	3 269 212
South Eastern Water Conservation and Drainage Board	365 565
State Heritage Fund	367 190
Unclaimed Salaries and Wages Account	505 097
Workmen's Liens	384 878
Sub-Total	61 662 373
TOTAL DEPOSITS LODGED WITH THE TREASURER	613 094 409

J.W. WEATHERILL, Treasurer

STATEMENT H

IMPREST ACCOUNTS
(Section 22 (a) (vii) *Public Finance and Audit Act 1987*)

These amounts represent monies advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987* . Imprest accounts provide funds to meet payments at short notice and are subsequently recovered from departmental monies.

By Whom Held	Agency	Unappropriated Funds Allocated
		$
Chief Executive	Attorney-General's Department	44 020
Auditor-General	Auditor-General's Department	3 100
Chief Executive	Department of Education and Child Development	406 000
Electoral Commissioner	Electoral Commission of South Australia	200
Chief Executive	Department for Manufacturing, Innovation, Trade, Resources and Energy	3 000
TOTAL		456 320

J.W. WEATHERILL, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2013
(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 2013 was $9 106 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 2012-13 the Consolidated Account deficit was $1 115.2 million and was funded by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from the 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 the Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

	2012-13	2011-12
	$'000	$'000
Loans to State Government Departments		
Department of Primary Industries and Resources—Rural Loans	17 103	17 757
	17 103	17 757
Loans to Statutory Authorities and Other Bodies		
Flinders Medical Centre	19 562	21 432
Flinders Medical Centre Foundation	5 000	5 000
Lyrup Village Association	7	13
Renmark Irrigation Trust	716	843
Royal Adelaide Zoo	2 380	2 600
South Australian Housing Trust	109 994	480 350
South Western Suburbs Drainage	1 325	1 758
Woodville, Henley and Grange Drainage	154	187
	139 138	512 183

STATEMENT I — *continued*

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2013 — *continued*
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

	2012-13	2011-12
	$'000	$'000
Equity Contributions		
Adelaide Convention Centre	78 294	125 966
Adelaide Entertainments Corporation	55 536	55 536
Arts SA	45 221	45 221
Department for Correctional Services	47 668	19 664
Courts Administration Authority	3 140	3 140
Defence SA	101 888	101 888
Distribution Lessor Corporation	28 273	28 273
Electoral Commission of South Australia	1 363	1 363
Environment Protection Authority	—	8 434
Forestry SA	—	4 984
Generation Lessor Corporation	24 539	24 539
Department for Communities and Social Inclusion	74 325	74 325
Department for Health and Ageing	1 360 587	1 046 161
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Department of Primary Industries and Regions	1 059	1 059
SA Water Corporation	173 610	173 610
South Australian Film Corporation	8 460	8 460
South Australia Police	85 220	85 220
South Australian Tourism Commission	64	64
State Governor's Establishment	160	160
Urban Renewal Authority	107 938	107 938
Department of Treasury and Finance	547	547
Department of Planning, Transport and Infrastructure	2 136 804	1 472 788
Department of Environment, Water and Natural Resources [(a)]	22 612	10 893
Department of Further Education, Employment, Science and Technology	112 477	—
	4 470 368	3 400 816
Other Indebtedness		
Debt associated with prior operations of the Consolidated Account	4 479 362	4 359 312
TOTAL TREASURER'S INDEBTEDNESS TO SAFA	9 105 971	8 290 068

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.

(a) As a result of machinery of government changes during 2012-13, the Department for Water and the Department of Environment and Natural Resources were amalgamated to become the Department of Environment, Water and Natural Resources.

STATEMENT I — *continued*

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2013 — *continued*
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

The Treasurer is authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act 1941*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

The Treasurer has residual liabilities arising from the sale/lease of the State's electricity assets. These liabilities represent prepaid lease rental payments received by the Treasurer on behalf of the Transmission Lessor Corporation, Distribution Lessor Corporation and Generation Lessor Corporation. The Treasurer's liability to the corporations at 30 June 2013 was $75.1 million. This amount will reduce over the remaining term of the lease, as lease rental revenue is brought to account. No cash payments are anticipated.

J.W. WEATHERILL, Treasurer

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY
(Section 22 (a) (ix) *Public Finance and Audit Act 1987*)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below —

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including —

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- the Government's assumption of obligations of semi-government authorities and Public Sector Financial Institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2012-13 is summarised as follows—

	$million
Balance at 30 June 2012	8 290
Add — Consolidated Account borrowings in 2012-13	1 115
Add — Transfer in Foresty SA	23
Add — Realised loss (net)	3
Less — Repayment of borrowings	5
Less — SAHT Write Off	320
Balance at 30 June 2013	9 106
Market value at 30 June 2013 [(a)]	9 357

(a) SAFA manages its financial assets and liabilities on a market value basis (net fair value).

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. In respect of the remaining funds deposited with SAFA, the Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate.

At 30 June 2013 the Treasurer's deposit with SAFA was $3 020 million (SAFA's market valuation $3 144 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2013 and the form in which those balances were held.

SAFA's 2012-13 operating profit before income tax was $102.1 million. SAFA operates within the Tax Equivalent Regime (TER) and under this arrangement the amount paid to the Consolidated Account in 2012-13, as reported in Statement A, was $21.8 million.

After taking account of the retained surplus carried forward from previous years and the net loss after tax in 2012-13, the amount of SAFA's surplus potentially available for distribution at 30 June 2013 was $318.2 million. The Treasurer determined that the distribution for 2012-13 would be $8.2 million.

Similar to many other semi-government authorities, SAFA operates a Deposit Account — see Statement G. Any surplus funds otherwise standing to the credit of the account are invested by SAFA each day.

The State unconditionally guarantees all the liabilities of SAFA pursuant to Section 15 of the *Government Financing Authority Act 1982* . The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

STATEMENT J — *continued*

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY
(Section 22 (a) (ix) *Public Finance and Audit Act 1987*)

On 1 July 2006 the South Australian Government Insurance Corporation (SAICORP) was amalgamated with SAFA.

As part of the amalgamation arrangements, SAFA assumed the assets and liabilities of the South Australian Government Insurance and Risk Management (SAGIRM) Fund sections 1 and 2. The insurance function of SAFA operates through two funds, (SAICORP Insurance Fund 1 and 2), specifically established in SAFA's financial accounts to quarantine insurance activities from SAFA's financing and investing activities. SAICORP Insurance Funds 1 and 2 correspond with and reflect the transactions of the former SAGIRM Fund sections 1 and 2 respectively.

With respect to SAICORP Insurance Fund 2, the Treasurer has agreed to indemnify SAFA for the financial outcomes of the Fund to reflect the risks SAFA has assumed on the Treasurer's behalf. At 30 June each year the financial position of Fund 2 will be calculated and the Treasurer will be liable for any deficiency in the Fund. Conversely, SAFA will be liable to pay to the Treasurer any surplus in the Fund. Unless otherwise agreed, either the Treasurer or SAFA will settle their liabilities under this arrangement within 12 months of the relevant financial year.

SAICORP Insurance Fund 2 recorded an operating profit of $9.4 million in 2012-13. The Treasurer has a net receivable from the Fund of $8.2 million representing the outstanding liability of $8.2 million as at 2011-12, less an indemnity payment made by the Treasurer of $7.0 million in 2012-13, and less the Treasurer's receivable of $9.4 million for 2012-13.

J.W. WEATHERILL, 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 2012-13	382 210 000

Purpose of Appropriation	Amounts Issued and Applied
	$
Arts SA	6 199 000
Courts Admin Authority	2 477 000
Department for Communities and Social Inclusion	11 462 000
Administered Items for Department for Communities and Social Inclusion	982 000
Administered Items for Department for Education and Child Development	1 350 000
Department of Environment, Water and Natural Resources [(a)]	4 775 000
Administered Items of Department for Environment, Water and Natural Resources	59 000
Department of Further Education, Employment, Science and Technology	7 999 000
Department of Planning, Transport and Infrastructure	135 216 000
Department of Primary Industries and Resources	55 000
Administered Items for the Department of Treasury & Finance	8 100 000
Electoral Commission of South Australia	483 000
Joint Parliamentary Services	1 856 000
South Australia Police	5 182 000
Administered Items for South Australia Police	2 000
South Australian Tourism Commission	1 867 000
TOTAL	188 064 000

(a) As a result of machinery of government changes during 2012-13, the Department for Water and the Department of Environment and Natural Resources were amalgamated to become the Department of Environment, Water and Natural Resources.

STATEMENT K — *continued*

STATEMENT OF APPROPRIATION AUTHORITIES — *continued*

TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE *PUBLIC FINANCE AND AUDIT ACT 1987*
(Section 22 (a) (xii) *Public Finance and Audit Act 1987*)

No transfers were made during 2012-13

REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE *PUBLIC FINANCE AND AUDIT ACT 1987*
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

No reductions were made during 2012-13

APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE *PUBLIC FINANCE AND AUDIT ACT 1987*
(Section 22 (a) (xiii) *Public Finance and Audit Act 1987*)

	$
Administered Items for the Department of Treasury and Finance	83 247 000
TOTAL	83 247 000

APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2012-13
(Section 22 (a) (xiii) *Public Finance and Audit Act 1987*)

	Appropriation Authority	Actual Payments
	$	$
Appropriation Act 2012, Section 4	12 280 709 000	12 226 690 509
Public Finance and Audit Act 1987, Section 15	83 247 000	83 247 000
	12 363 956 000	12 309 937 509
The Governor's Appropriation Fund — *Public Finance and Audit Act 1987,* Section 12	382 210 000	188 064 000
	12 746 166 000	12 498 001 509
Specific appropriation authorised by various Acts	120 994 000	121 480 389
TOTAL	12 867 160 000	12 619 481 898

J.W. WEATHERILL, Treasurer

STATEMENT L

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2013
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

Transfers were made to the following agencies:	$
Arts SA	34 000
Attorney-Generals Department	7 725 392
Administered Items for Attorney-Generals Department	17 368 000
Auditor Generals Department	213 000
Courts Administration Authority	1 191 000
Defence SA	146 758
Department for Communities and Social Inclusion	12 740 060
Administered Items for Communities and Social Inclusion	41 000
Department for Correctional Services	4 220 502
Department of Education and Child Development	48 059 263
Administered items for Education and Child Development	282 000
Department for Environment, Water and Natural Resources [(a)]	11 770 394
Department for Health and Ageing	178 461 071
Department for Manufacturing, Innovation, Trade, Resources and Energy	5 756 794
Administered Items for Department for Manufacturing, Innovation, Trade, Resources and Energy	14 000
Department of Further Education, Employment, Science and Technology	18 849 224
Department of Planning, Transport and Infrastructure	21 921 998
Department of Primary Industries and Regions	6 549 956
Department of the Premier and Cabinet	6 525 273
Department of Treasury and Finance	24 986 588
Electoral Commission of South Australia	33 000
Environment Protection Authority	900 191
House of Assembly	157 000
Joint Parliamentary Services	456 000
Legislative Council	160 000
Lotteries Commission of South Australia	260 116
South Australian Ambulance Service	10 000
South Australia Police	1 888 000
South Australian Fire and Emergency Services Commission	1 135 373
South Australian Tourism Commission	927 114
South Australian Water Corporation	27 000
State Governor's Establishment	1 000
TOTAL	372 811 067

(a) As a result of machinery of government changes during 2012-13, the Department for Water and the Department of Environment of Natural Resources were amalgamated to become the Department for Environment, Water and Natural Resources.

J.W. WEATHERILL, Treasurer

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

Australian Accounting Standards - AASB (continued)

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

Treasurer's Instructions – TIs (continued)

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

Acronyms (continued)

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer’s Instruction
TVSP	Targeted voluntary separation package

Part B

General index

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