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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2012

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Part B: Agency audit reports

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Part B

References to matters of significance

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

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

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

South Australian Water Corporation

Functional responsibility

Establishment

The South Australian Water Corporation (SA Water) was established pursuant to the *South Australian Water Corporation Act 1994*. SA Water is responsible to the Minister for Water and the River Murray.

Functions

The primary functions of SA Water, in accordance with the *South Australian Water Corporation Act 1994*, are to provide services for the:

- supply of water by means of reticulated systems
- storage, treatment and supply of bulk water
- removal and treatment of wastewater by means of sewerage systems.

The PCA applies to SA Water and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with SA Water.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 32(4) of the PCA provide for the Auditor-General to audit the accounts of SA Water in respect of 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 SA Water 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 2011-12, specific areas of audit attention included:

- revenue raising, collection, receipting and banking
- tendering and contract management
- expenditure including procurement and accounts payable
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowing and finance leases.

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

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Main matters arising during the course of the audit were detailed in management letters to the Chief Executive of SA Water. The main matters raised with SA Water and the related responses are detailed below.

Procurement

Background

Previous Annual Reports have reported issues concerning SA Water's procurement controls together with SA Water actions to improve procurement practices. This has included restructuring of procurement policies, procedures and practices.

The 2010-11 Annual Report included matters arising from the North South Interconnection System Project (NSISP) procurement (refer to that report for audit observations specific to the NSISP). Background detail on the NSISP is provided under 'Further commentary on operations' later in this section of this Report.

Following the audit, SA Water's governance structure (through the SA Water Audit Committee) decided to review and consider actions to improve controls over procurement. This was to include review of the NSISP procurements and procurements other than those associated with the NSISP. The SA Water Audit Committee received reports on the review of NSISP procurements in September 2011 and the review of other procurements in December 2011.

Issues identified

The internal audit report on the NSISP found instances where the documented procedures were not complied with. Several key procurement controls do not appear to be operating effectively including requirements to:

- comply with organisation-wide procurement templates

- prepare and approve a procurement plan and offer evaluation plan
- obtain approval in accordance with SA Water's Delegations of Financial and Procurement Authority
- obtain approval for contract execution and contract variations prior to work commencing.

The internal audit review of other procurements identified that compliance with SA Water policies, procedures and standard templates was not as high as it should be. Important matters identified included:

- lack of offer evaluation plans and evaluation plan approval
- incomplete evaluation and recommendation reports
- incomplete conflict of interest declarations by evaluation team members
- lack of compliance to procurement templates
- unclear audit trail, lack of documentation and poor documentation retention and retrieval.

Actions taken

The SA Water Audit Committee has pursued the matters identified and has requested management to regularly advise of action taken and planned to improve procurement and contract management practices. In June 2012 the SA Water Audit Committee was advised of the actions taken to address the various procurement issues. These key actions included:

- a comprehensive review and update of SA Water procurement procedure
- the requirement for all procurement staff to acknowledge their understanding of policy and procedure
- implementation of a formal procurement documentation and storage work practice
- broadening of an internal quality audit program covering both sourcing and contract management activity
- all large procurements for major projects to fall under the leadership of SA Water Group Procurement Manager.

In addition the SA Water Audit Committee was advised of

- further action taken to enhance procurement compliance including:
  - introducing a procurement procedure checklist for procurements
  - improving automated procurement forms and templates for increased consistency, efficiency and information retention
  - surveying managers and staff to confirm the level of awareness of procurement and commencing procurement training for key non-procurement managers and staff
  - reporting of any significant procurement non-compliances detected to both the Chief Executive and relevant senior management team member immediately, and quarterly to the full senior management team
  - reviewing the SA Water Delegations of Financial and Procurement Authority policy to enhance clarity of the policy

- a review of the effectiveness of contract management. This review identified a contract management continuous improvement plan with completed actions including:

  — development of a new supplier management plan template

  — introduction of a revised supplier segmentation tool and related training

  — rollout of a new database to provide improved visibility of contracts and standing offer agreements.

  The continuous improvement plan was intended to lead to further enhancements throughout the year. In addition an updated Contract Management Framework was being finalised to reflect these changes

- progress to realign procurement effort to those areas where the most value or the highest risk exists. This included renewal of SA Water capital panels for construction, engineering and other services

- action taken in preparation for economic regulation expectations on the integrity and efficiency of procurement activity. Work commenced in the following areas:

  — reviewing procurement processes to identify opportunities to streamline processes while enabling procurements which are both efficient and maintain appropriate levels of governance and control

  — reviewing the integrity and efficiency of major contracts and procurement activities

  — the use of across-government procurement arrangements within a regulatory environment.

Audit comment

SA Water's procurement controls have been the subject of comment in previous Annual Reports. It is noted that in 2009 as a result of an SA Water commissioned review into the procurement processes, SA Water has taken progressive actions to improve procurement practices. This included the restructuring of procurement policies, procedures and practices.

Comment has also been made in past Annual Reports about the need to improve the level of documentation to support specific project procurement decisions. This has included documentation to demonstrate compliance with existing policies and procedures in areas such as waiver of tenders, procurement plans and contract documentation.

As mentioned above, SA Water's governance structure (through the SA Water Audit Committee) has directed proper attention toward matters concerning procurement and contract management.

Work performed by Audit has confirmed the progress on procurement and contract management practices advised to the SA Water Audit Committee. These practices will continue to be reviewed by Audit.

Expenditure

Areas identified where internal controls over accounts payable could be improved included:

- controls to limit the risk of unauthorised changes to the EFT payment file

- including review of delegations in the quarterly review of access to the accounts payable system
- the timing of the annual review and establishment of delegations in the accounts payable system
- ensuring the payroll report used for removing terminated employees' access to financial systems is complete.

SA Water's response detailed action taken and planned to address all the matters raised.

Payroll

The payroll audit found that there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. This matter has been reported for several years and SA Water had previously indicated the introduction of an online time and attendance system would address this matter. Last year SA Water advised the new system was intended to be rolled out by the end of March 2012, however this did not occur.

In addition, the audit identified that controls could be improved for ensuring no unauthorised changes are made to the EFT payment file and for the completion of the annual review of user access to the payroll system.

SA Water indicated the introduction of an online time and attendance system had been trialled with several issues requiring resolution before being rolled out across SA Water. SA Water advised the roll-out is now expected to occur in early 2013. SA Water has advised of action taken and planned to address the other matters raised by Audit.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 $'million	2011 $'million
Income		
Water and wastewater rates and charges	972	799
Community service obligations	153	181
Other	146	175
Total income	1 271	1 155
Expenses		
Depreciation and amortisation expense	245	234
Borrowings costs	229	209
Operational and service contracts	155	137
Employee benefits expense	124	111
Other expenses	201	206
Total expenses	954	897
Net profit before income tax expense	317	258
Income tax expense	95	77
Net profit after income tax expense	222	181
Other comprehensive income (net of tax)	108	598
Total comprehensive income	330	779
Net cash inflows (outflows) from operating activities	637	396

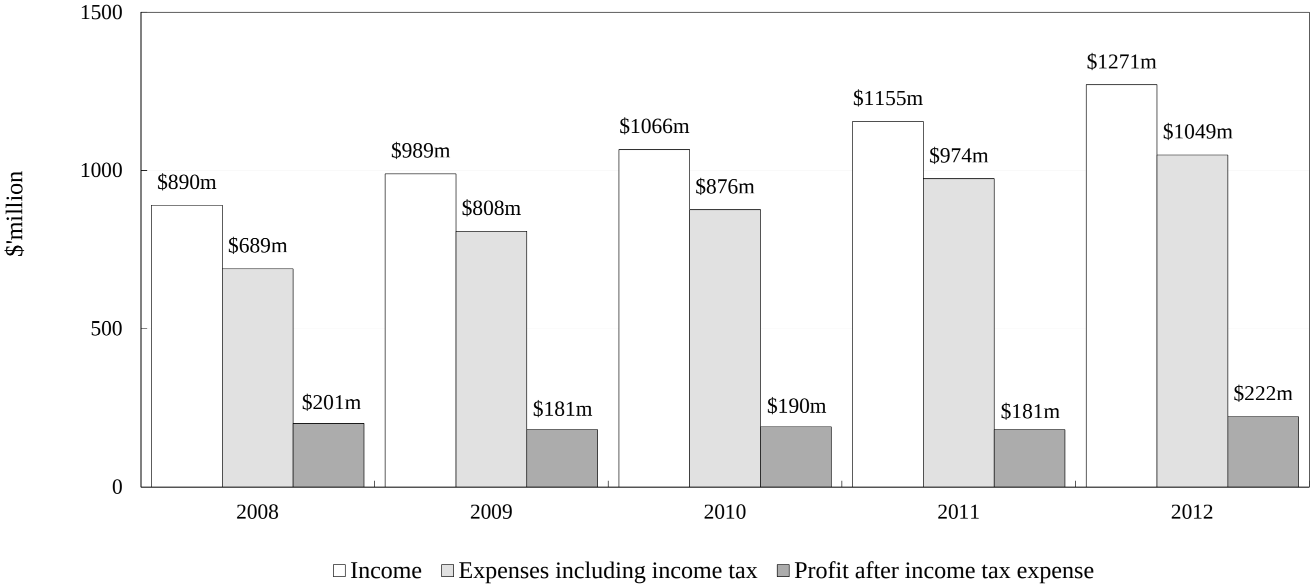
	2012 $'million	2011 $'million
Assets		
Current assets	186	194
Non-current assets	13 589	13 004
Total assets	13 775	13 198
Liabilities		
Current liabilities	272	282
Non-current liabilities	5 581	5 107
Total liabilities	5 853	5 389
Total equity	7 922	7 809

Statement of Comprehensive Income

Operating result

SA Water's profit after income tax increased by $41 million ($9 million decrease in 2011) to $222 million ($181 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2012.



The chart shows that both income and expenses have increased since 2008. The chart also shows the annual profit after income tax declined from the 2008 result until the substantial increase in the 2012 result.

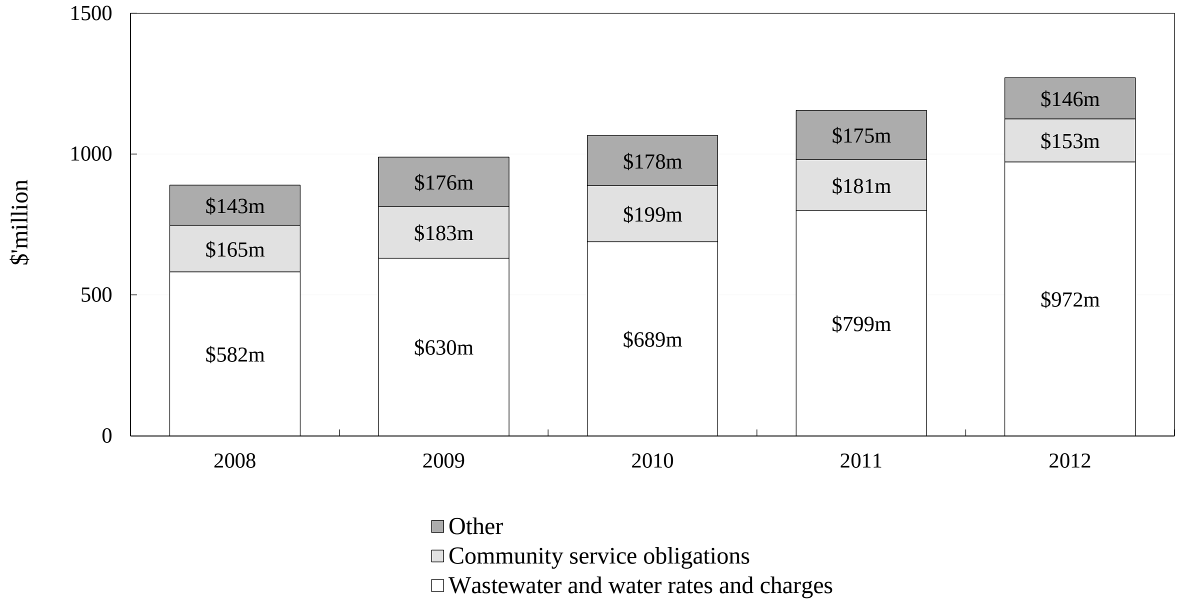
Income

Total income increased by $116 million to $1.271 billion. The increase was due mainly to water and wastewater rates and charges increasing by $173 million, due mainly to price increases. The increase in wastewater rates and charges was offset by:

- community service obligations (CSOs) decreasing by $28 million (refer to comments below)
- 2011 recording a $14 million settlement payment from a contractual dispute with United Water International Pty Ltd (United Water) (refer note 1(x) of the financial statements, and to comments under 'SA Water and United Water charging dispute' below)

- recoverable works income decreasing by $17 million due mainly to some programmed recoverable Murray River works being delayed because of high river levels during 2012.

The following chart analyses the main sources of income for SA Water for the five years to 2012.



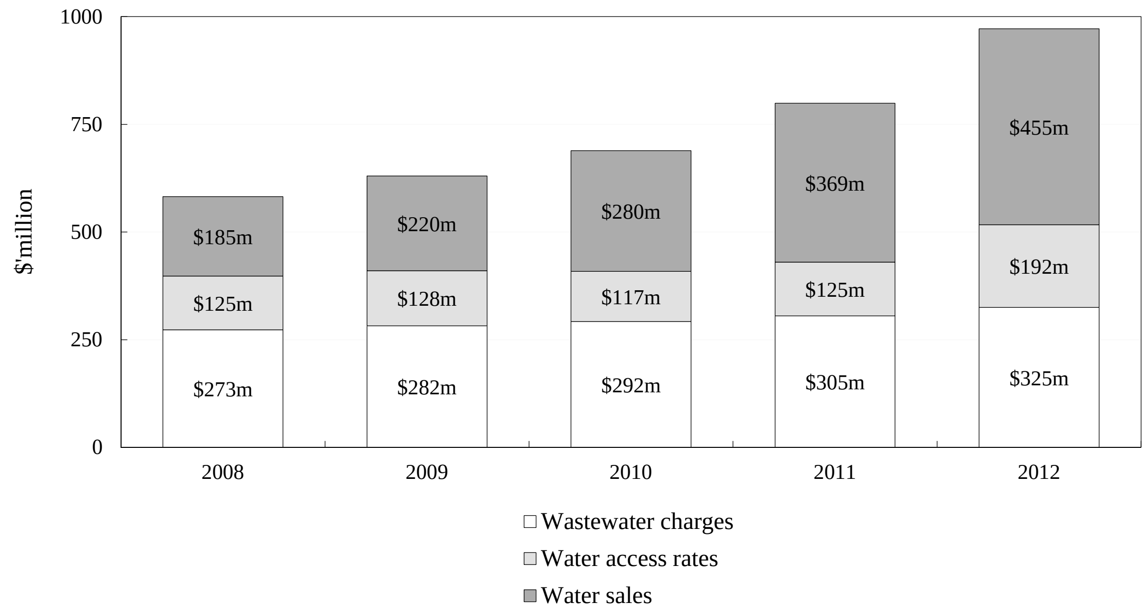
The above chart shows total income has increased by $381 million (43%) since 2008. Comments on the trend over this period are discussed below.

Wastewater and water rates and charges

The major contribution to SA Water's increase in income since 2008 is wastewater and water rates and charges. Wastewater and water rates and charges are mainly comprised of:

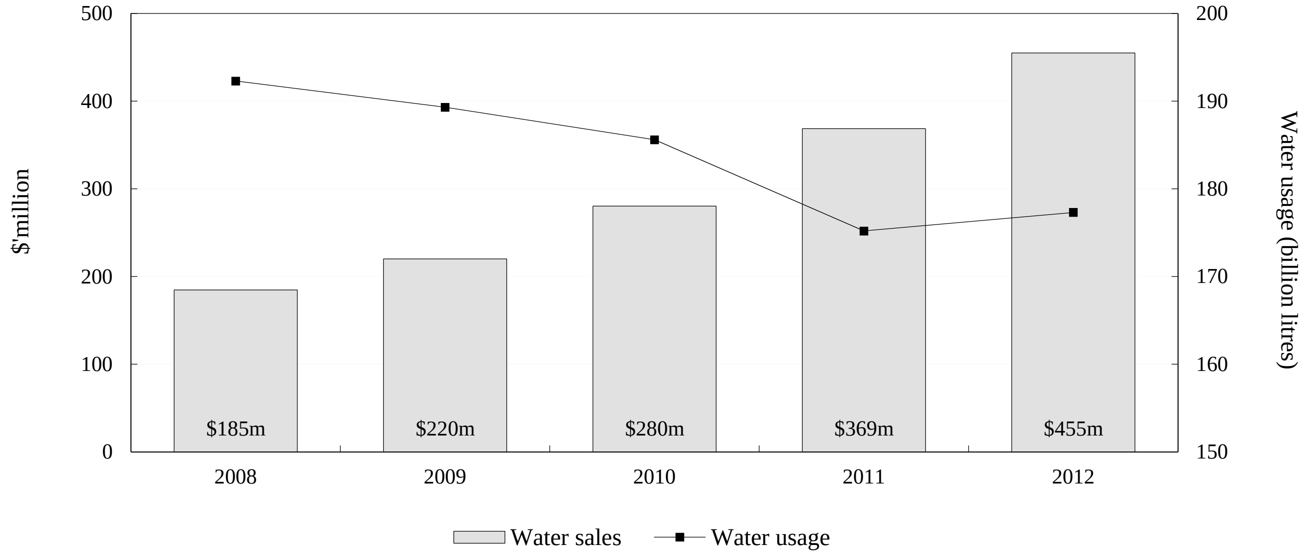
- wastewater charges, mainly set on property values
- water access charges, mainly set at a fixed amount
- water sales, charged by volume of water used.

The following chart details these components for the past five years.



The main factors affecting wastewater and water rates and charges are price increases and water consumption. The increase since 2008 is attributable mainly to price increases.

The following chart shows water sales income compared to the volume of water used.



Water sales income has increased by $270 million (or 146%) since 2008. The above chart shows that this level of increase has occurred despite reducing consumption levels to 2011. Water restrictions, which commenced in October 2006, were lifted in December 2010. While the easing of water restrictions has seen some growth in water usage in 2012, water usage has not returned to previous levels.

The determination of water prices is discussed below under 'Further commentary on operations'.

CSOs

SA Water is required to provide a number of non-commercial services to the community on behalf of the Government. The Government provides SA Water with CSO funding to compensate for these non-commercial activities. The main CSOs are to compensate SA Water for:

- the under-recovery of country water and wastewater services (due to the requirement for statewide pricing). SA Water received $129 million ($161 million) for this CSO in 2012, a decrease of $32 million from 2011. The decrease in funding is due mainly to increased water prices
- the provision of water and wastewater concessions to certain properties eg charities, churches and public schools. This CSO amounted to $12 million ($12 million).

CSOs are provided under the financial ownership framework agreed with DTF.

Other income

Other income decreased by $29 million to $146 million.

Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives. A large component of the recoverable works income is received from the Murray-Darling Basin Authority for management and works on the Murray River. There was a decrease in income of $17 million in this area in 2012 due to some works being delayed because of high river levels during 2012.

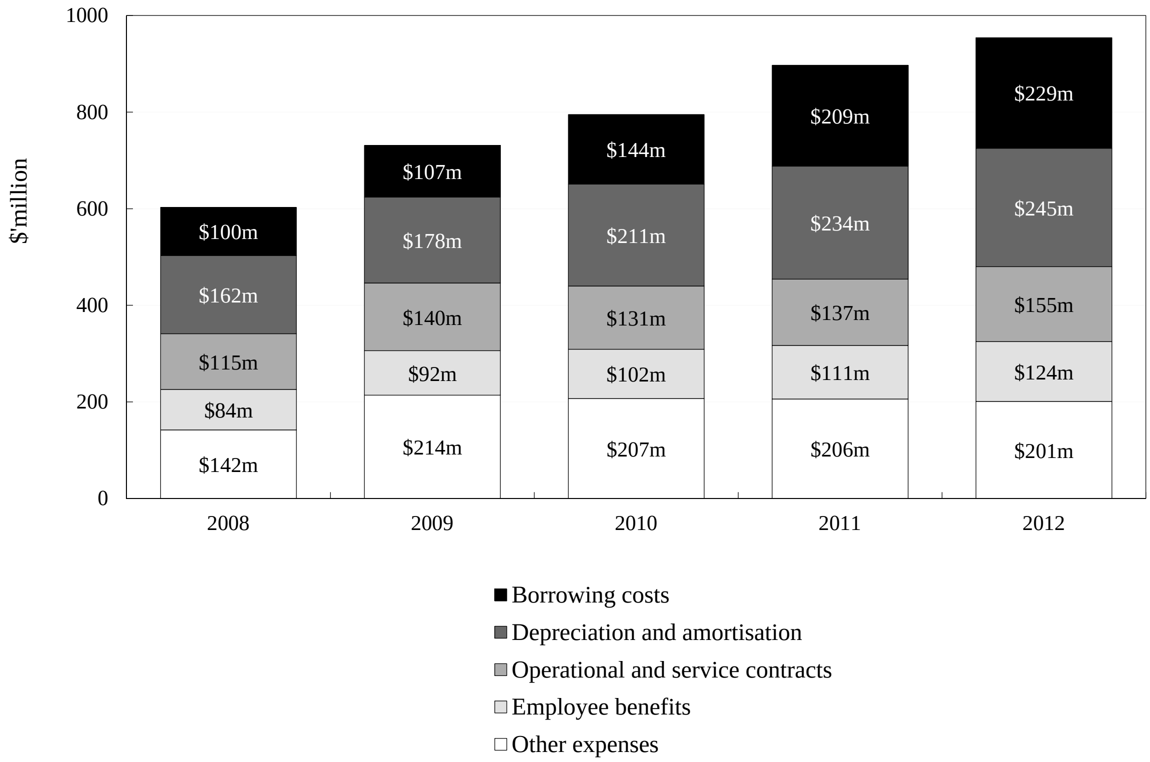
Other income for 2011 included the recording of a $14 million settlement payment from a contractual dispute with United Water.

Expenses

Total expenses increased by $57 million to $954 million. The major contributing components were:

- borrowing costs increased by $20 million due mainly to increased borrowings to fund capital projects
- depreciation and amortisation increased by $11 million due to higher asset values from revaluations and significant infrastructure assets being completed and commencing depreciation
- employee benefits increased by $13 million due mainly to increases in salary rates and the increase in net present value of the LSL liability at 30 June 2012. The main factor impacting the LSL liability increase for 2012 was the declining bond yields
- operational and service contracts increased by $18 million due mainly to higher grant funded recoverable works, commissioning costs for parts of the NSISP system and the Adelaide Desalination Project (ADP), and cost profile changes for the Metro Alliance contract
- supplies and services expenses decreased by $6 million due mainly to:
  - — $17 million less expenditure on recoverable Murray River works due to high river levels (refer to comments under 'Other income' above)
  - — $6 million less expenditure on rebate schemes due to some schemes ending
  - — new expenditure of $16 million to the (former) Department for Water for water planning and management (refer to comments for 'Wastewater and water rates and charges' under 'Further commentary on operations' below).

The following chart analyses the main expense items for SA Water for the five years to 2012.



Since 2008 expenses have increased by $351 million (58%). Major factors affecting expenses are:

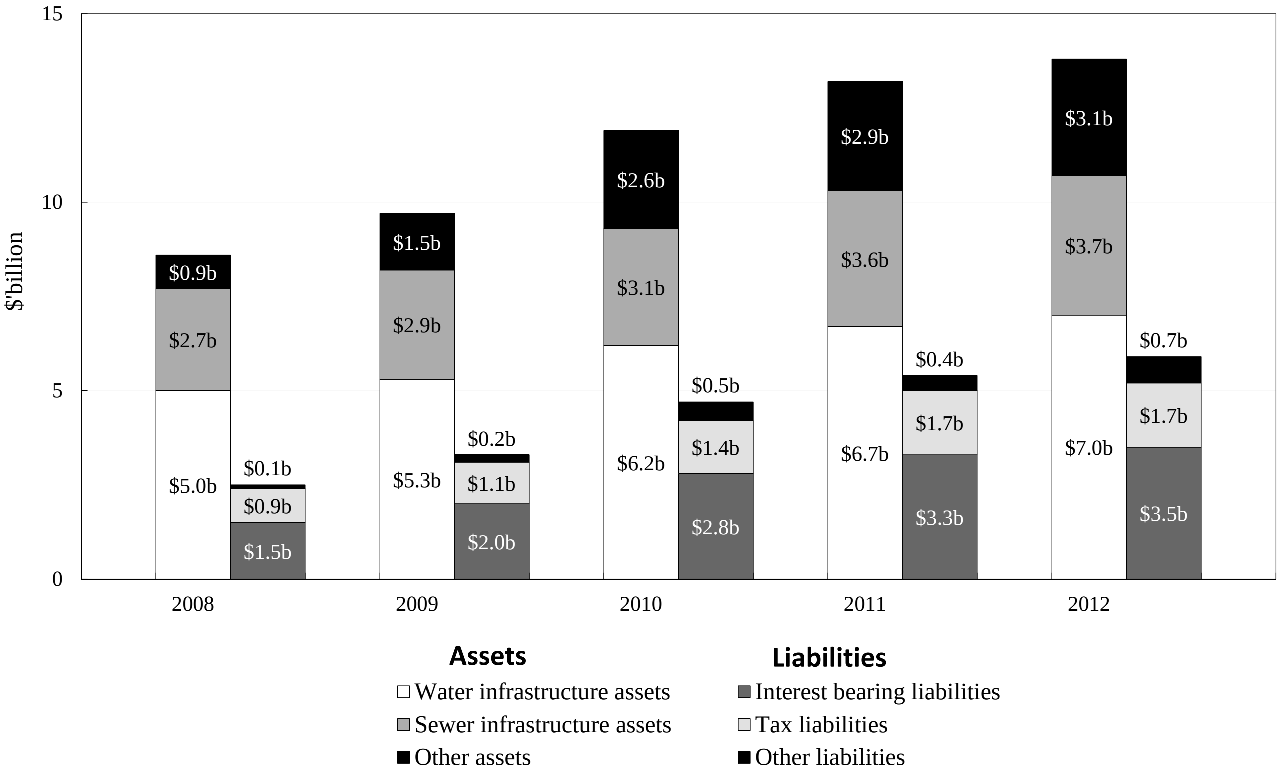
- increased borrowing costs since 2008 due mainly to additional borrowings to fund the construction and acquisition of assets
- depreciation and amortisation costs continue to grow significantly in line with the impact of asset revaluations and additions. Over the past four years this expense has increased by $83 million, primarily due to asset revaluations
- increasing operational and service contracts expenses due mainly to water security activities and increased costs
- since 2008 the increase in employee benefits exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions, drought initiatives and capital and operational projects
- for other expenses:
  - electricity costs were higher in 2009 due to additional pumping of water
  - a water efficiency rebates scheme was introduced in 2008 and grew in 2009 and 2010
  - there was an increase in the level of recoverable works since 2008. The level of works varies from year to year depending on economic conditions and government initiatives. In 2012 recoverable Murray River works declined due to high river levels.

Other comprehensive income

Other comprehensive income of $108 million ($598 million) is attributable mainly to the revaluation of assets.

Statement of Financial Position

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



SA Water's financial position is dominated by non-current infrastructure assets and related borrowings and tax liabilities.

In 2012 total assets increased by $577 million to $13.8 billion. The change was due mainly to:

- acquisition of infrastructure, plant and equipment of $542 million ($724 million). Major capital expenditure includes NSISP $229 million, ADP $156 million, Christies Beach wastewater treatment plant capacity upgrade $25 million, and assets contributed through development activity $61 million

- infrastructure, plant and equipment revaluations of $147 million ($843 million). The combined revaluations from 2008 to 2012 amounted to $3.1 billion. Revaluation of assets is based on independent valuation or director's valuation and is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(e) to the financial statements details SA Water's revaluation policies

- depreciation and amortisation charges of $245 million

- an increase in receivables of $42 million mainly due to an increase in unbilled water sales due to price increases $19 million and estimation adjustments $12 million.

In 2012 liabilities increased by $464 million due to increases in:

- the balance of government grants recognised as unearned of $229 million. Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue and then transferred to income over the life of the asset. Note 1(c) to the financial statements explains the accounting process. The major grant amounts received during 2012 were for the ADP amounting to $222 million

- interest bearing liabilities of $184 million to fund non-current asset additions

- deferred tax liabilities of $49 million due mainly to the tax effect of revaluing assets.

Current assets and liabilities

At 30 June 2012 current liabilities amounted to $272 million ($282 million), exceeding current assets of $186 million ($194 million) by $86 million ($88 million). While such a large deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities and access to sufficient borrowing facilities with SAFA which would enable all of its current liabilities to be met. A large component of current liabilities is payables, which includes obligations for capital purchases.

Statement of Cash Flows

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

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows					
Operating	637	396	444	331	325
Investing	(602)	(722)	(1 140)	(649)	(249)
Financing	(34)	326	696	317	(79)
Change in cash	1	-	-	(1)	(3)
Cash at 30 June	2	1	1	1	2

Factors affecting cash flows over the five years include:

- an increasing level of investment in the construction and purchase of infrastructure, plant and equipment. For the years 2009 to 2012 investing activities totalled $3.1 billion
- payment of a dividend to the Government. This amounted to $218 million ($169 million) in 2012
- increased net borrowings. In 2012 net cash flows from borrowings were $189 million ($500 million). Since 2008, borrowings have increased by $2 billion to $3.5 billion mainly to fund infrastructure, plant and equipment acquisitions.

Further commentary on operations

Performance statement

As a public corporation SA Water is bound by a charter and is also required to meet a range of performance targets set out in an annual performance statement, as agreed between SA Water, the then Minister for Water and the Treasurer. The performance statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

The key financial performance measures agreed to in the performance statement are set out in the following table.

Performance measure	Target 2011-12	Actual result 2011-12
Profit before tax ($'million)	208	317
Capital expenditure	835	599
Rate of return on assets (%)[1]	3.3%	3.9%
Gearing ratio (%)[2]	27.5%	25.4%

(1) (Profit before tax plus net interest costs, less free assets revenue, plus free assets depreciation) divided by (assets excluding free assets).

(2) (Total interest bearing debt including borrowings and lease liabilities) divided by (total assets).

SA Water has exceeded the planned profit before tax by $109 million. SA Water internal reporting indicates major contributing factors were:

- lower than planned income from rates and charges due mainly to less than planned water consumption in the order of $46 million
- unused seasonal water allocations were approved for carryover and were consequently not expensed (refer note 1(e) to the financial statements). Note 13 to the financial statements shows that $54 million has been recognised in intangible assets for seasonal water allocations
- expenses for interest were lower than planned, due mainly to reduced borrowing requirements arising from the timing of capital expenditure and lower interest rates in the order of $33 million
- less than planned operating expenditure in the order of $55 million for the Adelaide desalination plant due to delays with the project (refer to commentary on the ADP below).

The better than targeted rate of return on assets was mainly due to the aforementioned matters. It is important to note that some of these factors are not under the control of SA Water.

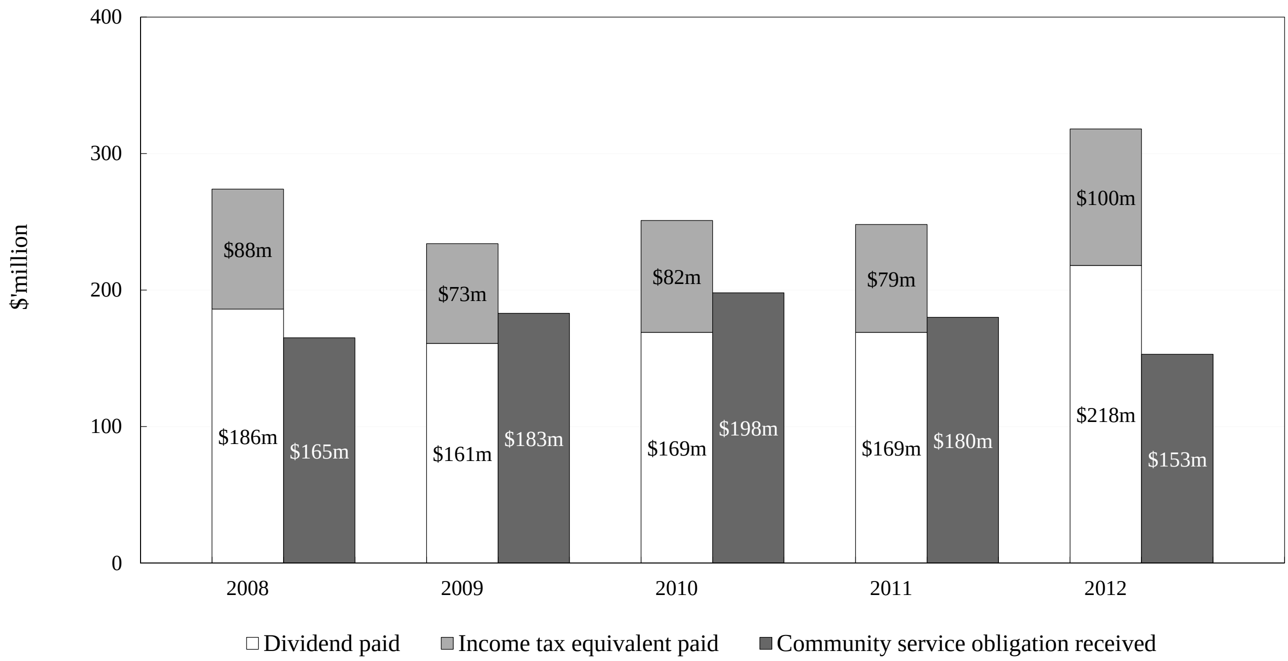
Capital expenditure was $236 million less than the target due mainly to the timing of expenditure, including for the ADP and NSISP.

Commentary on SA Water's gearing ratio is included under 'Contributions to the State Government' below.

Contributions to the State Government

Effectively, the Government fulfils a number of key roles for SA Water including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of SA Water which impacts on the amount of funding it provides to, or receives from, SA Water.

A structural analysis of particular cash contributions (dividends, income tax equivalent) paid to the Government and CSO funding provided by the Government for the five years to 2012 is shown in the following chart.



The above chart shows that the amount of money returned to the SA Government through tax equivalent and dividend increased significantly in 2012. In 2009, 2010 and 2011 the CSO funding exceeded the dividend.

SA Water operates under a financial ownership framework developed by DTF for public non-financial corporations. It was implemented in 2005-06. The main features of the framework are:

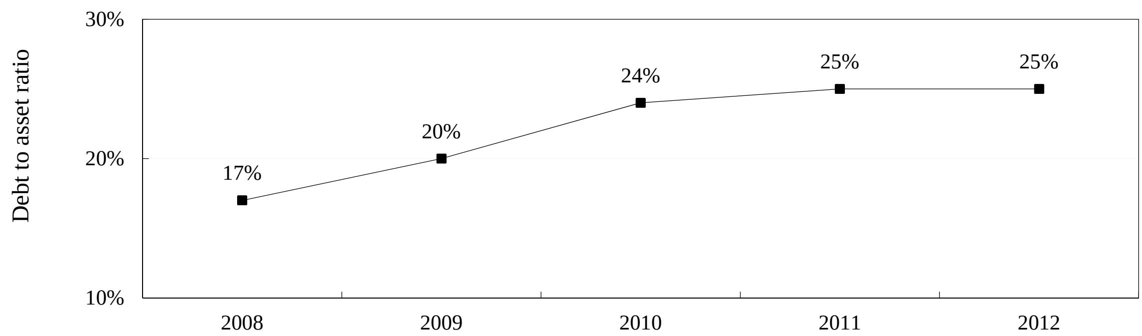
- debt to total assets ratio range of 15-25%
- dividend payout ratio of 95% based on after tax profit
- arrangements for the Government to purchase non-commercial services for which CSO payments are made.

The following table summarises movements in the major items influencing borrowings.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash inflows from operating activities	637	396	444	331	325
Net cash outflows from investing activities	(602)	(722)	(1 140)	(649)	(249)
Surplus (Shortfall) cash from operations after investing activities	35	(396)	(696)	(318)	76
Dividend payments to owners	(218)	(169)	(169)	(161)	(186)
Shortfall in funds to pay for dividends and investing activities	183	565	865	479	110
Net increase in borrowings	189	500	870	482	112

To meet its payment obligations to government and finance its capital works programs SA Water's net increase in borrowings has risen significantly. Since 2008, borrowings have increased by $2 billion to $3.5 billion.

The following graph presents movements in the debt to asset ratio for the five years to 2012.



The financial ownership framework gearing ratio range was 15-25% with a long term target of 20%. Up to 2008 the debt/asset ratio was below the long-term target predominantly due to the value of assets increasing significantly due to revaluation. However, from 2010, due to borrowings to fund capital works (discussed above), the ratio exceeded the long-term target. It is noted this was envisaged by the annual performance statement debt/asset ratio target, which established a target of 27.5%.

Water industry legislation

The *Water Industry Act 2012* (the Act) commenced on 1 July 2012. The Act replaces the *Waterworks Act 1932, Water Conservation Act 1936* and *Sewerage Act 1929.*

The Act, inter alia, aims to:

- facilitate planning in connection with water demand and supply
- regulate the water industry, including by providing for the establishment of a licensing regime and providing for the regulation of prices, customer service standards, technical standards for water and sewerage infrastructure and installations and plumbing, and by providing performance monitoring of the water industry
- provide for other measures relevant to the use and management of water.

Certain sections of the Act are not operational until 1 January 2013 via transitional provisions.

SA Water will operate within the requirements of the Act by holding a licence, and will continue to provide water supply and sewerage services.

Notably the Act appoints the Essential Services Commission of South Australia (ESCOSA) as the independent economic regulator for the South Australian water industry. ESCOSA is responsible for price regulation for SA Water commencing 1 July 2013.

Wastewater and water rates and charges

As detailed above, the Act establishes ESCOSA as the body responsible for price regulation. ESCOSA's first price determination under the Act will be for 2013-14.

For the periods up to 2010-11 the Government has made its annual water and sewerage pricing decisions in accordance with the *Waterworks Act 1932* and *Sewerage Act 1929* and the Treasurer has forwarded a Transparency Statement to ESCOSA for independent review.

For the periods 2011-12 and 2012-13, the Government approved transitional arrangements for setting water prices. The effect was that the previously prepared Transparency Statement and the associated inquiry by ESCOSA during the period of the transitional arrangements were replaced with regulatory statements issued by the Government.

Pricing 2011-12

In May 2011 the Government issued the regulatory statement for 2011-12 Drinking Water and Sewerage Prices.

In its 2010-11 pricing decision, the Government considered that it complied with the National Water Initiative Pricing Principles by fully recovering the efficient costs of supplying SA Water's drinking water and sewerage services. The Government continued to apply a statewide pricing policy that is based on applying a similar charge to all SA Water customers in South Australia who are connected to SA Water's network, regardless of location.

The regulatory statement indicated the 2011-12 pricing decision for drinking water and sewerage services for SA Water customers would result in:

- drinking water charges rising by 26.3% on average
- metropolitan sewerage charges rising by 5.5% and country sewerage charges rising by 6%, on average.

The regulatory statement indicated the significant increase in drinking water charges reflects SA Water's continued investment in securing South Australia's drinking water supply, including the ADP, NSISP and securing temporary water entitlements to River Murray water for critical human needs.

In addition the 2011-12 pricing decision also reflects:

- regulatory costs of independent economic regulation
- the recovery of water planning and management costs incurred by the Department for Water from SA Water and its customers.

In February 2012 Cabinet approved the direct payment of $15.9 million by SA Water to the Department for Water for water planning and management in 2011-12. The Cabinet submission indicated the payment by SA Water provided a basis for a 3% rise in SA Water's prices for 2011-12.

Pricing 2012-13

The regulatory statement for the 2012-13 indicated the pricing decision for drinking water and sewerage services for SA Water customers would result in:

- drinking water charges rising by 25%, on average
- metropolitan sewerage charges rising by 3.3% and country sewerage charges rising by 3.8%, on average.

A one-off water security rebate will be applied to SA Water's residential drinking water customers' bills from 1 January 2013. For an average metropolitan residential property that consumes 190 kilolitres each year, the total water and sewerage bill will increase by 9.4%.

Similar to the previous year, the regulatory statement indicated the significant increase in drinking water charges reflects SA Water's continued investment in securing South Australia's drinking water supply, including the ADP and NSISP.

The statement also commented that drinking water consumption did not rebound as expected when water restrictions were lifted. This was taken into account in demand forecasts and future operating costs.

Adelaide Desalination Project

Introduction

The ADP is a major construction undertaking, which commenced in 2008-09. The objective of the project is to construct and operate infrastructure that obtains and treats seawater to produce drinking quality water.

It is important to note the context in which the ADP was approved. At the time of approval of the ADP the Government was concerned with water security arising from a prolonged drought and resultant water availability and quality considerations. In response Cabinet approved the ADP procurement in February 2008. Subsequently, Cabinet approved the acceleration of the procurement of the full scale plant (by 12 months to achieve first water by December 2010) in July 2008, capital expenditure of $1.374 billion for the ADP for a 50 gigalitre capacity plant in November 2008 and capital expenditure of up to $1.824 billion for the expansion of the ADP from 50 gigalitre per annum to 100 gigalitre per annum capacity in June 2009.

The 2008-09 Annual Report provided a summary of major events including the Government approvals and key contracts entered into at that time (refer to that Report for this information).

Governance arrangements

The delivery of the ADP is governed by the SA Water Board and the Adelaide Desalination Project Steering Committee. The committee is chaired by an independent advisor, with other committee members comprising the Under Treasurer and the chief executives of SA Water, DPC and various other government departments.

The SA Water Board receives monthly reports on the progress of the ADP. A project director was appointed and separate project team established within SA Water which have responsibility for executing the procurement and delivery arrangements for the ADP.

Major project components

The major ADP construction contracts are for the:

- design and construction of the desalination plant and associated marine works (DC contract)
- design and construction of the transfer pipeline system (TPS contract)
- construction of power supply infrastructure.

The major non-construction contracts are for the:

- operation and maintenance the desalination plant (operator contract)
- power to operate the desalination plant.

Developments during 2011-12

The total estimated cost of the ADP remains within the Cabinet approved capital budget of $1.824 billion. As at 30 June 2012 $1.696 billion had been spent. Of this, $283 million has been transferred from capital work in progress to infrastructure, property plant and equipment, and intangibles.

During the year there have been a number of developments with the ADP, with some involving contractual changes. Notwithstanding these changes at the date of preparing this report, internal SA Water management reports indicate that the forecast capital costs will remain within the Cabinet approved budget of $1.824 billion.

Comments on developments during 2011-12 are below:

DC contract

This is the largest single contract associated with the ADP and is for the design and construction of the desalination plant and associated marine works. The contract was awarded in February 2009 for a 50 gigalitre plant with the option to expand to 100 gigalitre capacity (by building another 50 gigalitre desalination plant) being exercised in June 2009.

The Public Works Committee approval for the ADP expansion works indicated practical completion by August 2012 with handover occurring by the end of December 2012.

The contract contained a mechanism (completion loans) that would require the DC contractor to pay SA Water an amount for each day of delay in achieving specified dates (for example contractual ‘first water’) up to a maximum amount.

While the 50 gigalitre capacity plant produced desalinated water in July 2011, achieving ‘first water’ to contractual specifications was attained in October 2011, compared to the milestone target of end of December 2010. At the time of preparing this Report plant handover for the 50 gigalitre plant and the 100 gigalitre expansion had not occurred.

DC contract deed of settlement

During 2011 and 2012, against the background of project delays and the DC contractor not achieving agreed milestones, SA Water and the DC contractor made several large claims against each other for the project delays and other matters. For SA Water this included deducting amounts for not achieving contractually specified dates. Notably, for a period this resulted in SA Water making limited progress payments.

SA Water and the DC contractor anticipated that these claims would continue to escalate as the project progressed and the referral to the contractual dispute resolution process appeared unlikely to result in a satisfactory resolution of disputes between the parties. Protracted litigation appeared inevitable and likely to consume significant project resources as well as defer resources from the primary task of completing construction and commencing operations.

In consideration of the aforementioned, SA Water and the DC contractor renegotiated the contractual arrangements to settle current and certain future claims. This was used as a mechanism to ensure greater certainty of outcomes in terms of timing and price for the delivery of the project.

The deed of settlement was executed in May 2012. Importantly the deed of settlement related to both the construction and the operational and maintenance contracts, and was consequently signed by SA Water, DC contractor and operator. For comments relating to the operator refer below.

The deed of settlement established new payment terms as well as certain management mechanisms to progress the completion of remaining works, resolution of defects and achievement of certificates of compliance. The renegotiated contract sum was not materially different to the previous contract sum plus change orders.

The amounts required to be paid by the DC contractor to SA Water for failing to meet contracted dates were included in the negotiated deed of settlement outcome. It is noted the deed of settlement includes a compensation payment by the DC contractor to SA Water for each day of delay in achieving project handover up to a specified amount.

The deed of settlement provides for the project handover for all works by the DC contractor by 22 December 2012. A large payment is still linked to achieving the full project handover. Further, SA Water will retain the full amount of bank guarantees until the project handover, with an amount being retained for the warranty period (two years).

The negotiation process and deed of settlement were reviewed and approved by the SA Water Board. Prior to the approval the SA Water Board considered legal counsel from Crown Law and other external legal advisors, and a risk assessment on the project. Also the SA Water Board has been, through the life of the project, been regularly updated through monthly project status reports.

TPS contract

The contract to design, construct and commission the pump station and transfer pipeline system from the desalination plant to the Happy Valley water treatment plant was executed in December 2008. Similar to the DC contract, the TPS contract had an option to cater for the expansion of the ADP plant capacity.

Actual pipeline handover was 11 August 2011 and final acceptance was 23 April 2012.

Similar to the DC contract, the TPS contract included a mechanism that would require the TPS contractor to pay SA Water an amount for each day of delay in achieving specified dates (for example contractual ‘first water’) up to a maximum amount.

In October 2010 the TPS contractor submitted a number of claims to SA Water. These claims were referred to the dispute resolution process, which produced a determination in November 2011. Both parties rejected the outcome of the dispute resolution process.

SA Water and the TPS contractor entered into direct negotiations to avoid costly litigation. In February 2012 SA Water and the TPS contractor entered into a deed of settlement to resolve all claims and disputes.

The SA Water Board was informed of the TPS contract settlement process, considered legal advice and approved the execution of the deed of settlement.

Power supply infrastructure

In December 2008 SA Water entered into a contract for the construction of infrastructure to supply operational power to the ADP by 30 November 2010. In June 2009 the arrangement was varied to increase power supply to meet the 100 gigalitre expansion requirements with a completion of works by 30 May 2011.

The construction of the infrastructure to supply operational power was completed in the specified quality and timelines required by SA Water and within the agreed contract amounts.

Operator contract

The operations and maintenance contract was awarded in February 2009 and provides for the operator to operate and maintain the desalination plant for a period of 20 years from project handover of the 50 gigalitre capacity plant. Under the contract the volume of water to be produced by the operator is specified by SA Water.

To ensure that the operation and maintenance of the desalination plant is integrated with the plant’s design and construction, the operator is required to be heavily involved in the design, testing, commissioning and process proving of the desalination plant before project handover. In addition the operator must prepare and implement operator management plans. To facilitate this, the operator has been involved in the project since inception.

The operator receives payment for these activities and for any desalinated water delivered to SA Water prior to the project handover.

As discussed above under the ‘Desalination plant and associated marine works’ the operator also signed the deed of settlement, which provided for an additional payment to the operator to compensate for costs it had incurred to date, to accept risk of defects and support the DC contractor completion timeline.

SA Water’s 2011-12 financial statements include expenditure of $6.5 million for operating the plant. Total expenses paid to the operator since the inception of the project to 30 June 2012 was $11 million.

Power supply contract

As a part of the approval for the ADP a commitment was made that renewable energy would be used for the production of the desalinated water and the transfer of this water to the distribution network. In September 2009 SA Water entered into a 20 year contract for the supply of operational power for the ADP. The contract includes the requirement to purchase a minimum number of renewable energy certificates (refer note 1(w) to the financial statements).

SA Water’s 2011-12 financial statements include expenditure of $4.7 million for ADP operational power (including relevant used renewable energy certificates). In addition, a current asset of $4.4 million was recorded for renewable energy certificates acquired but not yet used (refer note 10 to the financial statements).

Change orders

As reported last year change orders have been issued under the various contracts for the ADP. A large number of these change orders were issued under a '10 10 10' initiative arrangement with the contractor for the construction of the desalination plant and associated marine works contract (DC contractor). The 10 10 10 initiative was implemented to respond to risks arising from the tight delivery timelines and the impact of expanding the ADP capacity from 50 to 100 gigalitres per annum. The aims of the 10 10 10 initiative included:

- improved management of risks shared between the contractor and SA Water
- early commencement of critical path activities and delivery of critical path equipment
- improved safety
- creation of a shared program float.

SA Water advised that because the aims were to address shared risks the costs of the 10 10 10 initiatives were shared between SA Water and the DC contractor in the proportion of approximately 63% and 37% respectively. SA Water's contribution was managed by issuing the change orders under the original contract. SA Water paid change order claims based on demonstrated achievement of outcomes and performance indicators.

The total value of 10 10 10 change orders issued was $63.4 million, with the amount expended by SA Water to 30 June 2011 amounting to $46.4 million. SA Water advised that because of non-achievement of some of the agreed key performance indicators, amounts totalling $17 million were not claimable by the DC contractor.

There was a minor change in value at time of final reconciliation and at time of deed of settlement. The amount expended on the 10 10 10 change orders by SA Water to the deed of settlement with the DC contractor amounted to $46.6 million.

ADP Commonwealth funding

The Commonwealth Government has committed funding of $328 million towards cost of the ADP. The funding is provided under the National Partnership Agreement and comprises two separate components, being $100 million for the 50 gigalitre per annum plant and $228 million for expansion to a 100 gigalitre per annum plant. The 2010 and 2011 annual Reports have explained issues with reaching an agreement with the Commonwealth and the consequential funding implications.

As at 30 June 2012 in total grant funding received by SA Water for the ADP was $282 million. The remaining funding of $46 million is dependent on the completion of the requirements of the implementation plan, which include:

- agreement of the (State and) Murray Darling Basin Authority of a framework that ensures that the six gigalitre high reliability entitlement and the environmental provision will be available to offset the South Australian sustainable diversion limit established by the Basin Plan
- agreement of the (State and) Commonwealth Department of Sustainability, Environment, Water, Population and Communities to an annual reporting format for the environmental water arrangements
- achieve practical completion and tests to demonstrate the operation of the 100 gigalitre annum expansion works and the submission of a final report.

The Commonwealth grants have been recorded in other liabilities as unearned income and will be systematically recognised as income over the life of the plant (refer notes 1(c), 19 and 25 to the financial statements).

Audit comment

During 2011-12 the ADP project experienced delays and missed key milestones. For the TPS contract and the DC contract SA Water entered into negotiating settlement, with SA Water and contracting parties having each made large claims against each other.

For both the TPS contract and the DC contract there was the risk of disputes escalating further to court action.

For the DC contract the project was not yet complete. SA Water were concerned that critical project resources for both parties were diverted from the primary task of completing construction and commencing operations and water production.

In entering into the deed of settlement for the DC contract both parties were prepared to compromise their extensive contractual rights under the DC contract to achieve a practical and early resolution of all commercial issues and claims and greater commitment from all parties to completing the project.

SA Water had advice and assistance from the Crown Solicitor's Office and other legal representatives with negotiation and drafting the settlement terms. Further, the SA Water Board met regularly over the course of negotiations receiving and considering relevant briefings and details, including on matters dealing with project risk management and legal advice and approving the terms of settlement.

NSISP

Major project components

Adelaide has discrete northern and southern water supply systems. The aim of the project is to connect the northern and southern water supply systems to enable the ability to transfer large volumes of water between the systems. The NSISP is a major construction undertaking which will enable full utilisation of the capacity of reservoirs and the Adelaide desalination plant between the two systems.

Project approvals

In July 2009 Cabinet approved expenditure of $30 million to undertake preliminary works (excluding construction) for the NSISP. These works were for the preliminary scoping, feasibility and concept work to develop a system interconnection design solution.

In November 2010 Cabinet approved $403 million for the NSISP, which included the $30 million for the preliminary works and $13 million in previous sunk costs incurred in prior financial years. Approval was also provided for ongoing costs for operation and maintenance.

Governance arrangements

Governance arrangements for the project are facilitated through a steering committee, project sponsor, project director and other specific advisory and management groups.

Project expenditure

As at 30 June 2012 total expenditure on works for the NSISP was $306 million ($77 million).

Metropolitan Adelaide Service Delivery Project, Operations and Maintenance Alliance Contract Arrangement

Note 1(v) to the financial statements briefly explains the particulars of this alliance contract which commenced on 1 July 2011, following a procurement process that was initiated in February 2010 and finalised in March 2011 with the execution of the contract.

The alliance arrangement replaces the previous contract arrangement (1 January 1996 to 30 June 2011) between SA Water and United Water International Pty Ltd (United Water) for the management of the operations and maintenance of Metropolitan Adelaide water and wastewater systems.

Consistent with previous financial reporting practice, expenditure commitments associated with the alliance arrangement are included in note 30(c) to the financial statements 'Other expenditure commitments'.

Audit is reviewing governance, operational, financial and contractual aspects for the alliance arrangement.

SA Water and United Water charging dispute

In 1995 SA Water entered into a contract with United Water. The responsibilities of United Water included the general management, operation and maintenance of the water and wastewater systems in the Adelaide metropolitan area and the management of most of the Corporation's capital assets.

In 2009 SA Water commenced Supreme Court action against United Water alleging misleading and deceptive conduct and breach of contract. The action concerned a charging dispute under the contractual agreement that existed between SA Water and United Water. SA Water and United Water subsequently agreed to refer the matter for expert determination.

The determination was being delivered in two parts. The first expert determination, delivered on 18 February 2011 awarded an amount, including interest, of $14 million to SA Water. Both United Water and SA Water reserved their rights in respect of the first expert determination. Last year's Annual Report reported that the parties were awaiting the outcome of the second expert determination of the independent expert.

During September 2012, SA Water and United Water reached a commercial settlement on all disputes between them concerning the 1995 Adelaide Metropolitan Outsourcing contract. This commercial settlement included the as yet undelivered second expert determination. The terms of the commercial settlement were approved by the SA Water Board, with a deed of settlement and deed poll of release being executed on 11 September 2012. Both documents were executed by two directors of the SA Water Board and the responsible Minister. As noted in note 1(x) to the financial statements United Water will pay SA Water a net settlement amount of $6.3 million, with no admission of liability.

As mentioned in previous Annual Reports, SA Water needs to take note of any matters of significance that have arisen from its experience so far with the contract charging dispute. In particular, those matters that can further improve its contract formulation, execution and management approach and processes for other current SA Water contractual arrangements or arrangements that may be subject to renewal or renegotiation at some time in the future.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Income:			
Revenue from ordinary activities	4	1 269 964	1 154 130
Other income	5	1 258	573
Total income		1 271 222	1 154 703
Expenses:			
Depreciation and amortisation expense	6	(245 514)	(234 293)
Borrowing costs	6	(228 586)	(208 824)
Electricity expense		(28 886)	(28 284)
Services and supplies		(171 838)	(177 852)
Operational and service contracts		(155 135)	(136 957)
Employee benefits expense		(123 884)	(110 773)
Total expenses		(953 843)	(896 983)
Profit (Loss) before income tax		317 379	257 720
Income tax expense	7	(95 283)	(76 843)
Net profit (loss) after income tax expense		222 096	180 877
Other comprehensive income:			
Gain on revaluation of infrastructure, plant and equipment assets	29	146 331	848 400
Revaluation of financial assets	29	1 741	(1 468)
Income tax relating to components of other comprehensive income	7(c)	(39 934)	(248 976)
Other comprehensive income for the year, net of tax		108 138	597 956
Total comprehensive result		330 234	778 833

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	26	1 878	1 410
Receivables	8	171 526	129 957
Inventories	9	4 834	5 591
Derivative financial instruments	22	154	-
Other current assets	10	7 212	57 043
Total current assets		185 604	194 001
Non-current assets:			
Available-for-sale financial assets	11	22 107	20 366
Deferred tax assets	12	34 845	32 785
Intangible assets	13	214 143	76 350
Infrastructure, plant and equipment	14	13 317 783	12 874 723
Derivative financial instruments	22	-	179
Total non-current assets		13 588 878	13 004 403
Total assets		13 774 482	13 198 404
Current liabilities:			
Payables	15	204 640	196 113
Financial liabilities/borrowings	16	21 691	27 748
Tax liabilities	17	9 468	21 547
Provisions	18	18 122	20 111
Derivative financial instruments	22	249	203
Other current liabilities	19	17 501	16 640
Total current liabilities		271 671	282 362
Non-current liabilities:			
Payables	20	2 985	1 731
Financial liabilities/borrowings	21	3 480 471	3 290 162
Derivative financial instruments	22	-	1 116
Deferred tax liabilities	23	1 694 677	1 645 559
Provisions	24	34 920	26 904
Other non-current liabilities	25	368 041	141 041
Total non-current liabilities		5 581 094	5 106 513
Total liabilities		5 852 765	5 388 875
Net assets		7 921 717	7 809 529
Equity:			
Contributed equity		173 610	173 610
Reserves	29(a)	7 497 824	7 404 010
Retained earnings	29(b)	250 283	231 909
Total equity		7 921 717	7 809 529

Total equity is attributable to the SA Government as owner

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

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2010		173 610	6 813 675	212 417	7 199 702
Profit after income tax equivalent		-	-	180 877	180 877
Gain on revaluation of infrastructure, plant and equipment assets	29	-	848 400	-	848 400
Revaluation of investment in financial shares	29	-	(1 468)	-	(1 468)
Transfer to retained profits on disposal	29	-	(7 621)	-	(7 621)
Transfer from infrastructure, plant and equipment reserve	29	-	-	7 621	7 621
Income tax relating to components of other comprehensive income	7(c)	-	(248 976)	-	(248 976)
Total comprehensive result for the year		-	590 335	188 498	778 833
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(169 006)	(169 006)
Balance at 30 June 2011		173 610	7 404 010	231 909	7 809 529
Balance at 1 July 2011		173 610	7 404 010	231 909	7 809 529
Profit for the year		-	-	222 096	222 096
Gain on revaluation of infrastructure, plant and equipment assets	29	-	146 331	-	146 331
Revaluation of investment in unlisted shares	29	-	1 741	-	1 741
Transfer to retained profits on disposal	29	-	(14 324)	-	(14 324)
Transfer from infrastructure, plant and equipment reserve	29	-	-	14 324	14 324
Income tax relating to components of other comprehensive income	7(c)	-	(39 934)	-	(39 934)
Total comprehensive result for the year		-	93 814	236 420	330 234
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(218 046)	(218 046)
Balance at 30 June 2012		173 610	7 497 824	250 283	7 921 717

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Receipts from customers		1 095 457	988 276
Payments to suppliers and employees		(539 452)	(536 153)
Receipts from community service obligation funding		153 047	180 361
Receipts from contributions		21 453	29 213
Receipts from government grants		233 316	12 091
Interest received		1 537	135
Borrowing costs paid		(228 484)	(199 512)
Income taxes paid	17	(100 237)	(78 691)
Net cash inflows (outflows) from operating activities	27	636 637	395 720
Cash flows from investing activities:			
Payments for construction and purchase of infrastructure, plant and equipment		(598 810)	(707 442)
Payments for intangible assets		(9 558)	(18 140)
Proceeds from sale of intangible assets		5 598	2 650
Proceeds from sale of infrastructure, plant and equipment		395	813
Net cash inflows (outflows) from investing activities		(602 375)	(722 119)
Cash flows from financing activities:			
Proceeds from borrowings		1 389 540	1 792 562
Repayment of borrowings		(1 200 198)	(1 292 619)
Dividends paid	33	(218 046)	(169 006)
Repayment of finance lease liability		(5 090)	(4 553)
Net cash inflows (outflows) from financing activities		(33 794)	326 384
Net increase (decrease) in cash and cash equivalents		468	(15)
Cash and cash equivalents at 1 July		1 410	1 425
Cash and cash equivalents at 30 June	26	1 878	1 410

Notes to and forming part of the financial statements

1. Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was established on 1 July 1995, as a State-owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. Property, rights, powers and liabilities of the Minister for Water, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932*, were vested in the Corporation.

The Corporation 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 Corporation has applied AASs that are applicable to for-profit entities, as the Corporation is a 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 2012.

(a) 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 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) 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 Corporation to those employees.

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 were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

The financial statements were authorised for issue by the Board.

Change in accounting policy

There have been no changes to accounting policy during the 2011-12 financial year.

Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant notes.

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.

Rounding

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

(b) Jointly controlled operations

The Corporation's interest in the joint venture operation is brought to account by including its proportionate share of the joint venture assets, liabilities, expenses and revenues on a line-by-line basis. For disclosure of the Corporation's interest in the joint venture operation refer to note 31.

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June 2012 (refer note 3).

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on master meters, billing system reconciliations, and assessments of water losses.

Community service obligations (CSOs)

The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non-commercial activities. The main CSOs relate to under recovery of country water and wastewater services (due to the requirement for state-wide pricing) and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main

(ii) subdividers who make contributions where either:

  (a) water and sewerage infrastructures are constructed by subdividers and transferred to SA Water. The contribution recognised is equivalent to the Corporation’s estimated cost of construction

  (b) the Corporation constructs the infrastructure at the subdivider’s request.

Contributed assets are recognised at fair value when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue received in advance of the asset’s construction is recorded as unearned revenue (refer note 19).

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date that control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

Recoverable works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants

In accordance with AASB 120, grants from the Government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions to the grant.

Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

The Corporation received grant funding in 2011-12 amounting to $232.4 million ($8.795 million). For 2011-12 the projects are: Adelaide Airport Stormwater Scheme, the Barker Inlet Stormwater Scheme and the Adelaide Desalination Plant (ADP) (refer note 25).

(d) 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.

(d) Expenses (continued)

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 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.

Superannuation

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 authority staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

Depreciation

Refer note 1(e).

Borrowing costs

Borrowing costs include interest expense, government guarantee fees, SAFA margins and finance lease charges.

In accordance with the APF II and AASB 123, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised.

The Corporation has not capitalised borrowing costs in 2011-12 as they were assessed as not material.

(e) Non-current assets

Infrastructure, plant and equipment

- *Acquisition*

  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned (refer note 1(g)).

  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 Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

- *Valuations*

  To comply with the APF, APF III and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

  The Corporation uses both directors' valuation and independent valuation methods to measure fair value. Directors' valuation is performed using the producer price index (PPI) or current contract rates. The PPI measures changes over time in the price of new construction outputs whereas current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

  The Corporation's valuation methodologies, for any major class of infrastructure assets, are subjected to independent review when a change in the valuation method occurs. The most recent independent review was completed by GHD Pty Ltd and Ernst and Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values.

  Revaluation adjustments are taken to the revaluation reserve on a class basis, with the exception of land and buildings which are adjusted on an asset-by-asset basis.

- *Valuations (continued)*
  Accordingly the Corporation has adopted the following asset valuation methods:

  Infrastructure assets
  The fair value of an asset is determined by its written down current cost being the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded from the value.

  Infrastructure assets during the year were valued as follows:

  - The unit rates for water mains/connections and sewer mains/connections were independently determined by Aquenta Consulting as at 1 July 2011. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.
  - Leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aquenta Consulting as at 1 July 2011.
  - Other infrastructure assets were either independently valued or valued using directors' valuations as at 1 July 2011 based on the current construction data rates. These assets are indexed in between intervening years of comprehensive valuations using the PPI.

  Land and buildings
  Land is valued at market value generally using valuations provided from the State Valuer-General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer.

  Buildings and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July using the PPI.

  Plant and equipment
  Plant and equipment is valued at historical cost.

  Other assets
  Other assets are valued at cost and indexed annually using the PPI.

- *Depreciation*
  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from two to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of asset	*Useful life (years)*
Water and sewer assets	7-170
Water and sewer leased assets	20-50
Buildings	50
Other	2-50
Plant and equipment	3-15

  The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Available-for-sale financial assets
The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this Scheme will result in an option at the end of the contract to acquire the Scheme. The Scheme distributes 'Class A' reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd, a subsidiary of Euratech Limited. Advances to Water Reticulation Systems (Virginia) Pty Ltd were converted to non-voting class B shares, issued at a price of $1 per share.

The Corporation's investment in non-voting class B shares has been measured at fair value, in accordance with AASB 139 (refer note 11). Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the available-for-sale revaluation reserve. The methodology of valuation of VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009.

Intangible assets

- *Issued water licences*

  The SA Government has issued water licences to the Corporation under the NRMA. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value. The details of these water licences are as follows:

  Rights other than those relating to the River Murray are:

  - various South East Region licences
  - various Murray Mallee Area licences
  - various Eyre Peninsula Region licences
  - Licence 4484 McLaren Vale Licence for the Aldinga Wastewater Treatment Plant
  - Licence 5706 Northern Adelaide Plains Licence for the Bolivar Wastewater Treatment Plant.

  River Murray water rights are conferred via multiple instruments:

  - Licence 2333 River Murray Licence for Metropolitan Adelaide
  - Licence 2334 River Murray Licence for Country Towns.

- *Water rights - permanent*

  The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as water access entitlements onto licences issued by the SA Government under the NRMA, as water shares issued by the Victorian Government under the *Water Act 1989*, and as unit shares issued by the New South Wales Government under the *Water Management Act 2000*). These rights comprise:

  - River Murray entitlements under the NRMA (South Australia)
  - Goulburn Zone 1A and Murray Zone 7 High Reliability water shares held under the *Water Act 1989* (Victoria)
  - NSW Murray Regulated River High Security unit shares held under the *Water Management Act 2000* (New South Wales).

  The allocations made to these water rights are able to be transferred within the Southern Murray Darling Basin including South Australia.

  In accordance with the requirements of the APF covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

- *Seasonal water allocations*

  In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to 30 June 2012 the Government has approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years.

- *Prescription of the Mount Lofty Ranges*

  SA Water has contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long-term protection of the water supply to Adelaide. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used.

- *Easements*

  In accordance with APF III, easements are classified as an intangible asset and valued at cost. Easements gifted to the Corporation are not valued.

- *Application software*

  Application software is valued at cost as per AASB 138. The useful life is reviewed annually and has been assessed at five years. The software is amortised using the straight-line method.

- *ADP intangible asset*

  An intangible asset has been recognised in relation to the network connection agreement between SA Water and ETSA Utilities. The agreement grants the Corporation the legal right to connect to the ETSA substation constructed at Port Stanvac and thus acquire electricity for the ADP at the rates specified in the agreement. In accordance with AASB 138, this right has been recognised as an intangible asset and is measured at the cost of the ETSA substation.

- *ADP intangible asset (continued)*
  The useful life of the intangible asset has been assessed at 65.2 years based on the average useful life of the ADP assets belonging to SA Water upon which it is dependent as per AASB 138. As with other non-current assets, its useful life will be assessed annually.

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed 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 any impairment loss is offset against the relevant asset revaluation reserve until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2012 and given the absence of an indication of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Finance leases

Leases for infrastructure assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has previously entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(h) Expenditure on behalf of the State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the SA Government and are disclosed in note 6.

(i) Taxes

SA Water is liable for income tax equivalents (income tax, land tax and council rates), payroll tax, FBT, GST and Emergency Services levy.

Income tax
From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the ATO.

Income tax expense is calculated in accordance with AASB 112 using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects at, the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Taxation equivalents - land tax and council rates
The charge for land tax and council rate equivalents has been calculated by Revenue SA - DTF, based on valuations supplied by the Valuer-General.

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

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

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

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

(j) Cash and cash equivalents
Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) Receivables
Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) 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 and salaries, annual leave and sick leave
The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

LSL
Liabilities arising in respect of LSL expected to be settled within 12 months of balance date are measured at their nominal rates. All other LSL entitlements are 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 anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation's LSL liability for 30 June 2012 is valued by KPMG Actuarial Pty Ltd.

Superannuation
Contributions are made by the Corporation to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers compensation
The Corporation is registered with WorkCoverSA as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2012 provided by KPMG Actuarial Pty Ltd.

The Corporation is responsible for the payment of workers compensation claims.

(o) Insurance
SAICORP, a division of SAFA, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the SA Government. In addition, insurance arrangements are in place for construction works, travel insurance and director's and officer's liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables
Liabilities, whether or not yet billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions
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 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.

Damages and claims
A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation
A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

(r) Borrowings
All SA Water's borrowings are measured at their historical value. The Corporation has a long-term and short-term borrowing facility with the SAFA. The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's debt portfolio is managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

(s) Derivatives
The Corporation's Treasury Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise overall borrowing costs.

Interest rate derivatives
The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage refinancing exposures. The Corporation does not trade physical debt with no trades of physical debt occurring in 2011-12.

Foreign exchange derivatives
Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's Foreign Exchange Risk Management Policy and TI 23. Permitted foreign currency derivatives as outlined in SA Water's Permitted Treasury Instruments Policy include spot and forward foreign currency contracts and currency options to maximum maturity of three years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2012 SA Water had no outstanding foreign exchange derivatives.

Accounting for derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as 'held for trading' under AASB 139 and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Accounting for derivatives (continued)

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water's Treasury Policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items

The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 37.

River Murray levy

The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of government is not controlled by the Corporation.

Pensioner concessions

SA Water is responsible for the administration of local government pensioner concession payments. An amount is received from SA Government which is used to make payments to local government councils. The amount collected on behalf of government is not controlled by the Corporation.

(u) Adelaide water contract (United Water International)

Under this contract, United Water International Pty Ltd (United Water) managed the operations and maintenance of metropolitan Adelaide water and wastewater systems, including the delivery of capital works. This contract commenced on 1 January 1996 and expired on 30 June 2011. As part of the contract, there is a further 18 month transition period that expires on 31 December 2012. United Water and SA Water are working together through this period to finalise the close-out of the contract.

(v) Adelaide Services Alliance Agreement

In March 2011 the Corporation entered into an alliance contract to operate, manage and maintain Adelaide's metropolitan water, wastewater and recycled water services. The alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for the Corporation to extend the contract for a further six years in 12 month increments. The alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(w) ADP

In 2008-09 the Corporation began the ADP to build a seawater desalination plant and transfer pipeline system at Port Stanvac at an estimated cost of $1.824 billion. The ADP cost includes the desalination plant, marine works, transfer pipeline system to transfer water to Happy Valley and power supply infrastructure. Delivery and the completion of the 100 gigalitre per annum capacity is targeted for the end of December 2012.

In addition, the Corporation has entered into contracts to:

- operate and maintain the Adelaide Desalination Project from project handover of the 50 gigalitre per annum capacity. The contract is for a term of 20 years from handover and includes flexible mechanisms to manage the volume of water produced
- provide GreenPower accredited renewable energy to operate the ADP. The contract commenced on 1 June 2011 for a term of 20 years and includes the requirement to purchase a minimum level of renewable energy certificates. The renewable energy certificates can be used elsewhere in the Corporation.

(x) United Water dispute

In 2009, SA Water filed proceedings in the Supreme Court against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract. The parties to the dispute subsequently agreed to refer the matter for Expert Determination. The determination is being delivered in two parts. The First Expert Determination, delivered on 18 February 2011 awarded an amount, including interest, of $14 million to SA Water (refer note 4).

(x) United Water dispute (continued)

On 14 September 2012 SA Water and United Water International announced that all disputes between them concerning the 1995 Adelaide Metropolitan Outsourcing Contract which ended on 30 June 2011 have been settled. Under the agreed terms of settlement, United Water will pay SA Water the net amount of $6.3 million without any admission of liability.

Upon payment of the settlement amount there will be no further claims or disputes between United Water and SA Water.

(y) New water industry legislation

The *Water Industry Act 2012* (the Act) was gazetted by the SA Government on 21 June 2012. The Act has a commencement date of 1 July 2012, although certain sections of the Act are not operational until 1 January 2013 via transitional provisions. The Act repeals the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*. The Corporation's own incorporating legislation, the *South Australian Water Corporation Act 1994* remains unchanged. The Corporation will operate within the requirements of the Act by holding a licence, and will continue to provide water supply and sewerage services.

(z) New accounting standards and interpretations

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the period ending 30 June 2012. The Corporation has assessed the AASB 108, paragraphs 30 and 31 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.

2. Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. Since 2009-10 the Corporation has applied a benchmark debt duration of 2.75 years based on advice from the Corporation's debt advisor and manager - SAFA. The benchmark duration has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2012 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 1% downwards.

		Interest rate risk			
	Carrying	-1%		+0.5%	
2012	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 878	(13)	(13)	7	7
Derivatives - held for trading	154	-	-	-	-
Financial liabilities:					
Derivatives - held for trading	(249)	(1)	(1)	-	-
Short-term borrowings	(16 000)	112	112	(56)	(56)
Long-term borrowings	(3 380 000)	175	175	(88)	(88)
Total increase (decrease)		273	273	(137)	(137)

(ii) Summarised sensitivity analysis (continued)

		Interest rate risk			
		-0.5%		+1%	
	Carrying				
2011	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 410	(5)	(5)	10	10
Derivatives - held for trading	179	133	133	(266)	(266)
Financial liabilities:					
Derivatives - held for trading	(1 319)	(138)	(138)	277	277
Short-term borrowings	(22 658)	79	79	(159)	(159)
Long-term borrowings	(3 184 000)	88	88	(175)	(175)
Total increase (decrease)		157	157	(313)	(313)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the *Waterworks Act 1932*, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity risk

The Corporation has in place a Liquidity Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Board monthly.

Contractual maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and SAFA margins. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

2012	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
Non-derivatives:					
Non-interest bearing liabilities*	161 153	-	-	-	161 153
Finance lease liabilities	21 695	21 695	65 084	130 120	238 594
Float rate borrowings	41 808	-	-	-	41 808
Fixed rate borrowings	1 121 090	713 972	1 088 657	1 180 044	4 103 763
Total non-derivatives	1 345 746	735 667	1 153 741	1 310 164	4 545 318
Derivatives:					
Financial assets:					
Net settled (interest rate swaps)	(181)	-	-	-	(181)
Financial liabilities:					
Net settled (interest rate swaps)	605	-	-	-	605
Total derivatives	424	-	-	-	424

Contractual maturities (continued)

2011	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
Non-derivatives:					
Non-interest bearing liabilities*	153 817	-	-	-	153 817
Finance lease liabilities	21 428	21 428	64 283	149 461	256 600
Float rate borrowings	24 195	26 117	-	-	50 312
Fixed rate borrowings	633 109	807 383	1 652 022	813 646	3 906 160
Total non-derivatives	832 549	854 928	1 716 305	963 107	4 366 889
Derivatives:					
Financial assets:					
Net settled (interest rate swaps)	(159)	(32)	-	-	(191)
Financial liabilities:					
Net settled (interest rate swaps)	1 245	513	-	-	1 758
Total derivatives	1 086	481	-	-	1 567

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

(d) Fair value of measurements

(i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements (refer note 1(f)).

The carrying amounts and fair values of long-term borrowings at balance date are:

	2012		2011	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Long-term borrowings	3 380 000	3 543 172	3 184 000	3 223 367

The fair values of all other financial liabilities approximate the carrying values.

The following table provides an analysis of financial instruments grouped into levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

(i) Fair value of financial liabilities (continued)

2012	Quoted market price (Level 1) $'000	Valuation technique market observable inputs (Level 2) $'000	Valuation technique non-market observable inputs (Level 3) $'000	Total $'000
Assets:				
Derivatives held for trading	-	154	-	154
Available-for-sale financial assets:				
Unlisted shares	-	-	22 107	22 107
Total assets	-	154	22 107	22 261
Liabilities:				
Derivatives held for trading	-	249	-	249
Total liabilities	-	249	-	249

The following table presents the changes in level 3 instruments for the year ended 30 June 2012:

	Available-for-sale financial assets unlisted shares $'000	Total $'000
Opening balance	20 366	20 366
Gains recognised in other comprehensive income	1 741	1 741
Closing balance	22 107	22 107

The Corporation has invested in unlisted class B shares as part of the BOOT arrangements for the VPS. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6% (6%) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by $1.3 million ($1.4 million). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by $1.4 million ($1.5 million).

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- unbilled revenue (refer note 1(c))
- contributed assets (refer note 1(c))
- valuation and useful lives of assets (refer note 1(e))
- impairment of assets (refer note 1(e))
- borrowing costs (refer note 1(d))
- provision for LSL (refer note 1(m))
- provision for workers compensation (refer note 1(n))
- provisions (refer note 1(q))
- valuation of derivatives (refer note 1(s))

4. Revenue from ordinary activities

	Note	2012 $'000	2011 $'000
CSOs		153 274	180 780
Water and wastewater rates and charges		972 354	798 873
Recoverable works		57 460	74 636
Fees and charges		19 975	20 155
Miscellaneous*		114	14 628
Government grants		3 376	1 891
Contributed assets		60 619	61 859
Rents		1 118	1 118
Interest		1 674	190
		1 269 964	1 154 130

* Includes $14 million received in 2011 re United Water dispute (refer note 1(x)).

5. Other income

Net gain on disposal of infrastructure, plant and equipment		176	-
Net gain on interest rate derivatives		-	528
Net gain on disposal of water allocations		826	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement		256	45
		1 258	573

6. Expenses

Profit before income tax includes the following specific expenses:

	Note	2012 $'000	2011 $'000
Depreciation:	14		
Buildings		1 638	4 418
Plant and equipment		4 806	5 369
Other		13 072	11 737
Infrastructure assets - water		138 909	127 222
Infrastructure assets - sewer		78 490	79 870
Amortisation:	13		
Computer software		7 826	5 677
ADP intangibles		773	-
Total depreciation		245 514	234 293
Borrowing costs:			
Interest paid/payable for borrowings not at fair value through profit or loss		216 222	195 664
Finance charges on capitalised leases		12 364	13 160
Total borrowing costs		228 586	208 824
Net loss on interest rate derivatives		7	-
Finance lease contingent rentals		4 120	3 579
Operating leases minimum lease payments		9 466	8 916
Net bad and doubtful debts expense including movements in allowance for doubtful debts		276	(14)
Infrastructure, plant and equipment revaluation decrement		83	5 914
Write-down in value of infrastructure, plant and equipment		5 709	-
Net loss on disposal of infrastructure, plant and equipment		-	50
Write-off value of capital works in progress		2 949	3 818
Superannuation contributions		15 260	14 475
Consultancy costs		2 368	5 029
Expenditure on behalf of State Government:			
Water Industry Best Practice Program		-	190

7. Income tax expense

(a) *Income tax expense*

Current tax		87 914	77 156
Deferred tax		7 140	(298)
Amounts under (over) provided in prior years		229	(15)
		95 283	76 843

(a) *Income tax expense (continued)*	Note	2012 $'000	2011 $'000
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (Increase) in deferred tax assets	12	(2 060)	(2 576)
Increase (Decrease) in deferred tax liabilities	23	9 200	2 278
		7 140	(298)
(b) ***Numerical reconciliation of income tax expense to prima facie tax payable***			
Profit before income tax expense		317 379	257 720
Tax at the Australian tax rate of 30% (30%)		95 214	77 316
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Net loss on sale of land		-	18
Investment allowance		-	(316)
Revaluation decrement		40	-
Government grants		(123)	(120)
Provision for employee benefits		(77)	(40)
		95 054	76 858
Amounts under (over) provided in prior years		229	(15)
Income tax expense		95 283	76 843
Total income tax expense		95 283	76 843
(c) ***Tax expense (income) relating to items of other comprehensive income***			
Gain on revaluation of infrastructure, plant and equipment assets	29(a)	39 412	249 416
Revaluation of investment in unlisted shares	29(a)	522	(440)
		39 934	248 976

8. Current assets - receivables

Receivables:		
Rates receivable (water and wastewater)	124 701	88 357
Sundry debtors	34 250	29 241
Allowance for doubtful debts	(96)	(85)
	158 855	117 513
Other receivables:		
CSOs	12 671	12 444
	171 526	129 957

(a) Impaired receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The ageing of these receivables is as follows:		
More than 90 days overdue	96	85
Movements in the allowance for impairment loss are as follows:		
At 1 July	85	162
Provision for impairment recognised during the year	35	23
Amounts written off	(24)	(100)
At 30 June	96	85

(b) Past due but not impaired

At 30 June the ageing of rates receivable that are past due but not impaired is as follows:		
Past due zero-69 days	15 451	16 785
Past due more than 69 days	11 293	9 389
	26 744	26 174

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is $8.97 million ($8.153 million).

(b) Past due but not impaired (continued)

At 30 June the ageing of sundry debtors receivable that are past due but not impaired is as follows:	2012 $'000	2011 $'000
Past due zero-30 days	1 670	1 953
Past due more than 30 days	1 093	1 325
	2 763	3 278

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is $1.072 million ($1.292 million).

Balances for other receivables relate to CSOs and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(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.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

9. Current assets - inventories

	2012 $'000	2011 $'000
Raw materials and stores	5 764	6 014
Allowance for obsolete stock	(1 286)	(1 081)
Work in progress - sundry debtors	356	658
	4 834	5 591

10. Current assets - other current assets

	2012 $'000	2011 $'000
Interest receivable	192	55
Prepayments	2 607	2 580
Seasonal water allocations	-	54 408
Renewable energy certificates*	4 413	-
	7 212	57 043

* SA Water purchases renewable energy certificates (RECs) in order to meet greenhouse gas emission targets. SA Water does not purchase REC's with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at cost. These RECs are expected to be utilised in satisfying the Corporations 2012-13 greenhouse gas emission targets and will be expensed at time of surrender.

11. Non-current assets - available-for-sale financial assets

	2012 $'000	2011 $'000
Unlisted shares at fair value	22 107	20 366

12. Non-current assets - deferred tax assets

The balance comprises temporary differences attributable to:

	2012	2011
Doubtful debts	29	25
Obsolete stock	386	324
Infrastructure, plant and equipment	3 824	3 978
Pooled assets	73	78
Payables	1 485	1 056
Audit fee payable	119	114
Government grants	10 547	9 611
Employee benefits	14 247	12 170
Deferred lease incentive	453	493
Unearned income - customer contributions	647	943
Provision for site rehabilitation	176	911
Provision for asset disposal	35	38
Provision for damages and claims	209	118
Provision for workers compensation	205	127
Derivative financial liability	(2 608)	(2 287)
	29 827	27 699

12. Non-current assets - deferred tax assets (continued)

	Note	2012	2011
Amounts recognised directly in equity:		$'000	$'000
Derivative financial liability		2 683	2 683
Unearned income - customer contributions		2 335	2 335
Revaluation of infrastructure, plant and equipment		-	68
Net deferred tax assets		34 845	32 785
Movements:			
Balance at 1 July		32 785	30 315
Credited to the Statement of Comprehensive Income	7	2 060	2 576
Charged to equity		-	(1)
Amounts under-provided in prior years		-	(105)
Balance at 30 June		34 845	32 785
Deferred tax assets to be recovered within 12 months		10 477	10 036
Deferred tax assets to be recovered after more than 12 months		24 368	22 749
		34 845	32 785

13. Non-current assets - intangible assets

2012	Easements	Prescription rights	Computer software	ADP intangibles
Year ended 30 June:	$'000	$'000	$'000	$'000
Opening net book amount	6 058	4 500	23 520	-
Additions from external acquisitions	91	-	22 041	70 982
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortisation charge	-	-	(7 826)	(773)
Closing net book amount	6 149	4 500	37 735	70 209
At 30 June:				
Cost	6 149	4 500	90 760	70 982
Accumulated amortisation	-	-	(53 025)	(773)
Net book amount	6 149	4 500	37 735	70 209

	Purchased water rights	Seasonal water allocations	Total
Year ended 30 June:	$'000	$'000	$'000
Opening net book amount	42 272	-	76 350
Additions from external acquisitions	3 642	-	96 756
Disposals	(4 772)	-	(4 772)
Transfers	-	54 408	54 408
Amortisation charge	-	-	(8 599)
Closing net book amount	41 142	54 408	214 143
At 30 June:			
Cost	41 142	54 408	267 941
Accumulated amortisation	-	-	(53 798)
Net book amount	41 142	54 408	214 143

2011	Easements	Prescription rights	Computer software	Purchased water rights	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	5 916	4 500	24 918	44 292	79 626
Additions from external acquisitions	142	-	4 279	630	5 051
Disposals	-	-	-	(2 650)	(2 650)
Amortisation charge	-	-	(5 677)	-	(5 677)
Closing net book amount	6 058	4 500	23 520	42 272	76 350
At 30 June:					
Cost	6 058	4 500	68 719	42 272	121 549
Accumulated amortisation	-	-	(45 199)	-	(45 199)
Net book amount	6 058	4 500	23 520	42 272	76 350

14. Non-current assets - infrastructure, plant and equipment

2012 Year ended 30 June:	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Opening net book amount	2 149 795	343 222	26 459	20 709	26 628
Revaluation	-	15 123	836	654	-
Additions	603 457	4 013	1 132	2 686	4 268
Disposals	-	-	-	-	(210)
Transfers	(609 926)	-	-	-	-
Depreciation charge	-	-	(1 638)	(623)	(4 806)
Asset write-down	(2 949)	-	-	-	-
Closing net book amount	2 140 377	362 358	26 789	23 426	25 880
At 30 June:					
Cost	2 140 377	-	-	-	59 638
Valuation	-	362 358	69 558	27 487	-
Accumulated depreciation	-	-	(42 769)	(4 061)	(33 758)
Net book amount	2 140 377	362 358	26 789	23 426	25 880

Year ended 30 June:	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other $'000	Total $'000
Opening net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723
Revaluation	234 003	(74 565)	(32 464)	2 920	146 507
Additions	287 172	238 124	-	11 410	1 152 262
Disposals	-	-	-	-	(210)
Transfers	-	-	-	-	(609 926)
Depreciation charge	(132 168)	(77 867)	(6 741)	(13 072)	(236 915)
Asset write-down	(4 155)	(1 554)	-	-	(8 658)
Closing net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783
At 30 June:					
Cost	-	-	-	-	2 200 015
Valuation	12 060 229	5 977 221	187 891	178 952	18 863 696
Accumulated depreciation	(5 150 026)	(2 339 246)	(90 926)	(85 142)	(7 745 928)
Net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783

2011 Year ended 30 June:	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Opening net book amount	1 751 508	328 137	23 554	20 386	28 468
Revaluation	-	12 899	3 182	925	-
Additions	693 124	2 558	4 141	-	3 885
Disposals	-	(372)	-	-	(356)
Transfers	(291 019)	-	-	-	-
Depreciation charge	-	-	(4 418)	(602)	(5 369)
Asset write-down	(3 818)	-	-	-	-
Closing net book amount	2 149 795	343 222	26 459	20 709	26 628
At 30 June:					
Cost	2 149 795	-	-	-	57 015
Valuation	-	343 222	86 470	24 042	-
Accumulated depreciation	-	-	(60 011)	(3 333)	(30 387)
Net book amount	2 149 795	343 222	26 459	20 709	26 628

14. Non-current assets - infrastructure, plant and equipment (continued)

2011 (continued)	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278
Revaluation	447 156	368 375	6 074	3 919	842 530
Additions	157 191	140 103	-	14 094	1 015 096
Disposals	-	-	-	-	(728)
Transfers	-	-	-	-	(291 019)
Depreciation charge	(123 577)	(79 268)	(3 644)	(11 738)	(228 616)
Asset write-down	-	-	-	-	(3 818)
Closing net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723
At 30 June:					
Cost	-	-	-	-	2 206 810
Valuation	11 357 708	5 823 533	182 226	183 641	18 000 842
Accumulated depreciation	(4 832 357)	(2 269 696)	(46 056)	(91 089)	(7 332 929)
Net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723

Carrying amounts that would have been recognised if revalued assets were stated at cost

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	Note	2012	2011
Freehold land:		$'000	$'000
Cost		44 612	40 638
Buildings:			
Cost		46 418	54 337
Accumulated depreciation		(24 045)	(31 764)
Net book amount		22 373	22 573
Water infrastructure:			
Cost		2 244 874	1 984 561
Accumulated depreciation		(770 135)	(740 160)
Net book amount		1 474 739	1 244 401
Sewer infrastructure:			
Cost		1 664 590	1 447 837
Accumulated depreciation		(596 762)	(561 280)
Net book amount		1 067 828	886 557
Other:			
Cost		150 186	154 960
Accumulated depreciation		(67 798)	(72 358)
Net book amount		82 388	82 602

15. Current liabilities - payables

Interest payable	34 327	32 577
Trade creditors	160 090	155 354
Other creditors	10 223	8 182
	204 640	196 113

16. Current liabilities - financial liabilities/borrowings

Lease liabilities	30	5 691	5 090
Short-term borrowings		16 000	22 658
		21 691	27 748

The Corporation has a $100 million short-term borrowing facility with the SAFA bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) ***Fair value disclosures***

Due to the short-term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value (refer note 2).

17. Current tax liabilities

	2012	2011
Provision for current income tax movements during the year were as follows:	$'000	$'000
Balance at 1 July	21 547	23 201
Income tax paid	(100 237)	(78 690)
Current year's income tax provision	87 914	77 156
Amounts under (over) provided in prior year	244	(120)
	9 468	21 547

18. Current liabilities - provisions

Employee benefits	15 348	15 200
Asset disposal	20	30
Site rehabilitation	588	3 039
Damages and claims	898	593
Workers compensation	1 268	1 249
	18 122	20 111

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Asset disposal	Site rehabilitation	Damages & claims	Workers comp	2012 Total
Current:	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	30	3 039	593	1 249	4 911
Payments made during the year	(9)	(2 451)	(98)	(839)	(3 397)
Transfer to non-current provision	(1)	-	-	-	(1)
Re-measurement adjustments	-	-	(46)	(1 360)	(1 406)
Additional provision recognised	-	-	449	2 218	2 667
Carrying amount at 30 June	20	588	898	1 268	2 774

19. Current liabilities - other current liabilities

	Note	2012	2011
		$'000	$'000
Government grants		6 155	4 334
Lease incentives		134	134
Unearned income		9 941	10 925
Deposits from contractors		1 271	1 247
		17 501	16 640

20. Non-current liabilities - payables

Other payables		2 985	1 731

21. Non-current liabilities - financial liabilities/borrowings

Lease liabilities	30	100 471	106 162
Long-term borrowings		3 380 000	3 184 000
		3 480 471	3 290 162

22. Derivative financial instruments

Current financial assets:		
Interest rate swaps - held for trading	154	-
Non-current financial assets:		
Interest rate swaps - held for trading	-	179
Total derivative financial instrument assets	154	179
Current financial liabilities:		
Interest rate swaps - held for trading	249	203
Non-current financial liabilities:		
Interest rate swaps - held for trading	-	1 116
Total derivative financial instrument liabilities	249	1 319

23. Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:	Note	2012 $'000	2011 $'000
Prepayments		290	344
Rates receivable		20 098	12 127
Interest receivable		-	17
Derivative financial asset		46	54
Unlisted shares at fair value		(2 406)	(2 406)
Seasonal water allocations		16 322	16 322
Depreciation and amortisation		72 872	71 581
		107 222	98 039
Amounts recognised directly in equity:			
Revaluation of infrastructure, plant and equipment		1 582 872	1 543 459
Unlisted shares at fair value		4 583	4 061
		1 587 455	1 547 520
Total deferred tax liabilities		1 694 677	1 645 559
Movements:			
Balance at 1 July		1 645 559	1 394 305
Charged to the Statement of Comprehensive Income	7	9 200	2 278
Charged to equity	29	39 412	249 416
Unlisted shares at fair value		522	(440)
Amounts under (over) provided in prior years		(16)	-
Balance at 30 June		1 694 677	1 645 559
Deferred tax liabilities to be settled within 12 months		20 434	28 810
Deferred tax liabilities to be settled after more than 12 months		1 674 243	1 616 749
		1 694 677	1 645 559

24. Non-current liabilities - provisions

	2012 $'000	2011 $'000
Employee benefits	32 143	25 367
Workers compensation	2 680	1 441
Asset disposal	97	96
	34 920	26 904

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

2012 Non-current:	Workers comp $'000	Asset disposal $'000	Total $'000
Carrying amount at 1 July	1 441	96	1 537
Transfer from (to) current provision	-	1	1
Re-measurement adjustments	1 239	-	1 239
Carrying amount at 30 June	2 680	97	2 777

25. Non-current liabilities - other non-current liabilities

	2012 $'000	2011 $'000
Non-business advances	-	497
Government grants	366 664	139 034
Lease incentives	1 377	1 510
	368 041	141 041

26. Reconciliation of cash and cash equivalents

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2012 $'000	2011 $'000
Cash and cash equivalents	1 878	1 410

(a) Fair value

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27. Reconciliation of net profit after income tax to net cash inflows (outflows) from operating activities

	2012 $'000	2011 $'000
Net profit for the year	222 096	180 877
Non-cash items:		
Depreciation and amortisation	245 514	234 293
Amortisation and government grant revenue	(3 376)	(1 891)
Contributed assets	(38 545)	(35 041)
Net loss (gain) on disposal of infrastructure, plant and equipment	(188)	(95)
Net loss (gain) disposal of water allocations	(826)	-
Infrastructure, plant and equipment revaluation decrement reversal	(256)	(45)
Infrastructure, plant and equipment revaluation decrement	83	5 914
Write-down in value of infrastructure, plant and equipment	5 709	-
Write-down of capital works in progress	2 949	3 818
Movements in assets/liabilities:		
Rates and sundry receivables	(42 060)	(16 205)
Inventories	757	(198)
Prepayments	(28)	638
Other operating assets	(137)	(55)
Fair value of derivative financial assets	25	183
Deferred tax asset	(2 059)	(2 472)
Trade creditors	5 276	9 931
Provision for employee benefits	6 924	3 682
Provision for workers compensation	1 258	(105)
Other operating liabilities	6 324	2 412
Fair value of derivative financial liabilities	(1 070)	(1 802)
Government grants	233 316	12 091
Provision for deferred income tax	9 184	2 278
Other provisions	(2 154)	(833)
Provision for income taxes payable	(12 079)	(1 655)
Net cash inflows (outflows) from operating activities	636 637	395 720

28. Capital risk management

Capital is managed within the parameters outlined in the financial ownership framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, CSOs and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15% to 25%.

The Corporation's strategy, which is unchanged from 2010-11, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2011 and 30 June 2012 were as follows:

	Note	2012 $'million	2011 $'million
Interest bearing liabilities	16,21	3 502	3 318
Cash and cash equivalents	26	(2)	(1)
Net debt		3 500	3 317
Total assets		13 774	13 198
Gearing ratio (%)		25	25

Outside of the financial ownership framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the State Government continue to review the parameters of the financial ownership framework to ensure the appropriateness of the targets.

29. Reserves and retained profits

(a) *Reserves*

	Note	2012 $'000	2011 $'000
Infrastructure, plant and equipment revaluation reserve		7 487 131	7 394 537
Available-for-sale revaluation reserve		10 693	9 473
Balance at 30 June		7 497 824	7 404 010

(a) Reserves (continued)

Movements:	Note	2012 $'000	2011 $'000
Property, plant and equipment revaluation reserve:			
Balance at 1 July		7 394 536	6 803 174
Revaluation - gross		146 331	848 400
Movements in deferred tax liability	23	(39 412)	(249 416)
Movements in deferred tax asset		-	-
Transfer to retained profits on disposal		(14 324)	(7 621)
Balance at 30 June		7 487 131	7 394 537
Available-for-sale investments revaluation reserve:			
Balance at 1 July		9 473	10 501
Revaluation of investment in unlisted shares		1 742	(1 468)
Movements in deferred tax liabilities	23	(522)	440
Balance at 30 June		10 693	9 473

(b) Retained profits

Movements in retained profits were as follows:	Note	2012 $'000	2011 $'000
Balance at 1 July		231 909	212 417
Profit for the year		222 096	180 877
Dividends	33	(218 046)	(169 006)
Transfers from infrastructure, plant and equipment revaluation reserve		14 324	7 621
Balance at 30 June		250 283	231 909

(c) Nature and purpose of reserves

(i) Infrastructure, plant and equipment revaluation reserve

The revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation reserve

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation reserve.

30. Commitments

(a) Capital commitments

Total capital expenditure contracted for at balance date but not recognised in the financial statements and payable:	2012 $'000	2011 $'000
Within one year	170 372	289 862
Later than one year but not later than five years	71 421	29 947
Later than five years	-	-
	241 793	319 809

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	11 129	10 375
Later than one year but not later than five years	41 674	38 043
Later than five years	75 813	79 732
	128 616	128 150

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 3% or 4%. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

Future other expenditure commitments not provided for in the financial statements and payable:	2012 $'000	2011 $'000
Within one year	180 016	140 208
Later than one year but not later than five years	604 700	486 442
Later than five years	1 461 441	1 237 754
	2 246 157	1 864 404

(c) ***Other expenditure commitments (continued)***

Other expenditure commitments include commitments pursuant to contracts to:

- operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants (refer note 1(v))
- operate, maintain and provide energy for the ADP (refer note 1(w)).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) *(i)* *Finance leases*

Commitments in relation to finance leases are payable as follows:	Note	2012 $'000	2011 $'000
Within one year		17 584	17 584
Later than one year but not later than five years		70 335	70 335
Later than five years		98 807	116 390
Minimum lease payments		186 726	204 309
Future lease charges		(80 564)	(93 057)
Total lease liabilities		106 162	111 252
Representing lease liabilities			
Current	16	5 691	5 090
Non-current	21	100 471	106 162
		106 162	111 252
The present value of finance lease liabilities is as follows:			
Within one year		5 691	5 090
Later than one year but not later than five years		30 344	27 132
Later than five years		70 127	79 030
Minimum lease payments		106 162	111 252

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(ii) *Contingent rentals*

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2012 $'000	2011 $'000
Within one year	4 111	3 844
Later than one year but not later than five years	16 443	15 375
Later than five years	31 314	33 071
	51 868	52 290

The amount of contingent rentals paid during the year is disclosed in note 6.

(e) ***Remuneration commitments***

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

Within one year	14 937	14 102
Later than one year but not later than five years	21 301	16 619
	36 238	30 721

31. Interests in joint venture

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the joint venture operation named SA Water/Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

Jointly controlled operations (continued)	2012	2011
Current assets:	$'000	$'000
Cash and cash equivalents	33	60
Receivables	3	1
Other current assets	8	3
Total current assets	44	64
Non-current assets:		
Infrastructure, plant and equipment	1 605	1 606
Total non-current assets	1 605	1 606
Total assets	1 649	1 670
Current liabilities:		
Payables	21	21
Total current liabilities	21	21
Total liabilities	21	21
Net assets	1 628	1 649

32. Remuneration of auditors

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	396	378

No other services were provided.

33. Dividends

Dividends paid	218 046	169 006

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the PCA.

34. Remuneration of employees

	2012	2011
The number of employees whose remuneration received or receivable falls within the following bands is:	Number	Number
$130 700 - $133 999*	n/a	14
$134 000 - $143 999	47	35
$144 000 - $153 999	28	28
$154 000 - $163 999	10	14
$164 000 - $173 999	9	6
$174 000 - $183 999	7	9
$184 000 - $193 999	9	6
$194 000 - $203 999	4	1
$204 000 - $213 999	2	3
$214 000 - $223 999	1	3
$224 000 - $233 999	3	2
$234 000 - $243 999	2	2
$244 000 - $253 999	-	2
$254 000 - $263 999	2	3
$264 000 - $273 999	2	1
$274 000 - $283 999	2	1
$284 000 - $293 999	1	1
$294 000 - $303 999	1	1
$304 000 - $313 999	-	2
$314 000 - $323 999	-	1
$344 000 - $353 999	-	2
$354 000 - $363 999	1	-
$364 000 - $373 999	-	1
$374 000 - $383 999	1	-
$384 000 - $393 999	1	-
$474 000 - $483 999	-	1
$574 000 - $583 999	1	-

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

34. Remuneration of employees (continued)

The total remuneration paid and payable for those employees was $23.2 million ($24.2 million). This amount includes separation payments, lump sum payments for annual leave and LSL, fringe benefits and superannuation payments.

35. Remuneration of directors

The Board of SA Water was established under the *South Australian Water Corporation Act 1994* and consists of seven members including the Chief Executive Officer. Although a member of the Board, the Chief Executive Officer does not receive additional remuneration as a board member. The remuneration of the Chief Executive Officer is included in note 34.

Remuneration of directors (excluding the Chief Executive Officer) is shown in the table below.

The number of directors of the Corporation (excluding the Chief Executive Officer) whose remuneration received or receivable falls within the following bands is:	2012 Number	2011 Number
$1 - $9 999	-	2
$30 000 - $39 999	2	-
$40 000 - $49 999	2	3
$50 000 - $59 999	1	1
$80 000 - $89 999	1	-
$90 000 - $99 999	-	1

The total remuneration paid and payable for those directors was $300 000 ($280 000) which includes fringe benefits and superannuation contributions.

36. Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

S G M Blencowe	K A Maywald	L W Owens
F T Blevins	K G Osborn	J F Ringham
C S Cooper		

Ms Blencowe is an independent member of the Primary Industries SA Audit Committee, and a Specialist Member of the City of Port Adelaide Development Assessment Panel.

Mr Blevins is a Board member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Cooper is Chair of the Dairy Authority of SA, Fisheries Research and Agriculture Council, Dairy Authority of SA and Fleurieu Regional Waste Authority, Director of Rural Solutions and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the National Panel Energy Advocacy, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts and an independent member of the City of Marion Audit Committee.

Ms Maywald is a Director of Maywald Consultants Pty Ltd, Advisory Board Member of Transfield Services, consultant to Transfield Services Water Infrastructure and Kingston Estate Wines and member of the Sturt Fleurieu Gpet Management Committee.

Mr Osborn, who was appointed on 2 February 2012, is Director of Viterra Inc, Pateka Pty Ltd, Tristar Properties Pty Ltd, Adelaide University Business School Advisory Board, Chair of the Adelaide Desalination Cross Agency Steering Committee, Invest in South Australia and Deputy Chair of the Economic Development Board of SA and Port Adelaide Football Club.

Mr Owens is Chair of SA Water, SA Country Arts Trust, Adelaide University Business School Advisory Board, Director of Petratherm and Regional Arts Australia Ltd and Reconciliation Ambassador for Reconciliation SA and Member of Resources and Energy Sector Infrastructure Council, member of the City of Marion Audit Committee.

Mr Ringham is a director and Chief Executive of SA Water, Deputy Chair WaterAid Australia and Director of Water Services Association of Australia.

All financial benefits provided by SA Water to related parties are provided on arm’s length terms.

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2012 and 2011 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive Officer) and the senior management team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits $'000	Post-employment benefits $'000	Long-term benefits $'000	Total $'000
2012	16	2 668	785	72	3 525
2011	19	2 852	735	82	3 668

37. Statement of administered items

	River Murray levy $'000	Pensioner concessions $'000	2012 Total $'000	2011 Total $'000
Administered income:				
Revenue	26 162	29 000	55 162	54 077
Total administered income	26 162	29 000	55 162	54 077
Administered expenses:				
Expenses	26 162	29 000	55 162	54 077
Total administered expenses	26 162	29 000	55 162	54 077
Operating surplus	-	-	-	-
Current assets:				
Cash and cash equivalents	126	248	374	736
Receivables	1 247	-	1 247	1 229
Total current assets	1 373	248	1 621	1 965
Total administered assets	1 373	248	1 621	1 965
Current liabilities:				
Payables	1 373	248	1 621	1 965
Total current liabilities	1 373	248	1 621	1 965
Total administered liabilities	1 373	248	1 621	1 965
Net assets	-	-	-	-
Cash flows from operating activities:				
Cash inflows	26 144	29 000	55 144	54 027
Total cash inflows	26 144	29 000	55 144	54 027
Cash outflows	26 171	29 335	55 506	54 635
Total cash outflows	26 171	29 335	55 506	54 635
Net cash inflows (outflows) from operating activities	(27)	(335)	(362)	(608)
Net decrease (increase) in cash held cash equivalents held	(27)	(335)	(362)	(608)
Cash and cash equivalents at 1 July	153	583	736	1 344
Cash and cash equivalents at 30 June	126	248	374	736

38. SA Government transactions

(a) Income

Income received/receivable from entities within the SA Government:	2012 $'000	2011 $'000
Rates and charges	56 197	46 765
CSOs	153 274	180 780
Recoverable works	4 065	8 628
Fees and charges	36	156
Miscellaneous	2	65
Government grants	1 789	1 108
Interest received	1 628	130
Rents	-	2
Other income	-	528
Total income - SA Government entities	216 991	238 162

		2012	2011
(b)	***Expenses***		
	Supplies and services provided by entities within the SA Government:	$'000	$'000
	Operational services	37 118	20 924
	Administration	22 321	27 150
	Total supplies and services - SA Government entities	59 439	48 074
	Operational and service contracts provided by entities within the SA Government:		
	Operational and service contracts	2 373	1 724
	Total operational and service contracts - SA Government entities	2 373	1 724
	Borrowing costs provided by entities within the SA Government:		
	Interest expense	216 222	195 664
	Total borrowing costs - SA Government entities	216 222	195 664
(c)	***Receivables***		
	Receivables from SA Government entities:		
	CSOs	12 671	12 444
	Rates receivable (water and wastewater)	812	2 856
	Sundry debtors	7 232	2 899
	Total receivables - SA Government entities	20 715	18 199
(d)	***Payables***		
	Current:		
	Payables to SA Government entities:		
	Trade creditors	4 666	7 021
	Interest payable	34 327	32 577
	Other creditors	2 947	1 283
	Total payables - SA Government entities	41 940	40 881
	Non-current:		
	Payables to SA Government entities:		
	Other creditors	1 638	1 278

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.

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 which 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 2011-12, 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the 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	2012 $'million	2011 $'million
Total expenses	5.0	4.3
Total income	5.2	4.6
Net surplus (deficit) and total comprehensive result	0.2	0.3
Net cash provided by (used in) operating activities	0.7	0.2
Total assets	3.1	2.7
Total liabilities	1.3	1.0
Total equity	1.8	1.7

Funds under management	2012 $'billion	2011 $'billion
Net income	0.5	1.6
Net assets	17.8	16.9

Statement of Comprehensive Income

The operating result of Funds SA for the year was a surplus of $160 000 compared with a surplus of $332 000 the previous year.

Revenues from fees and charges increased by $486 000 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.

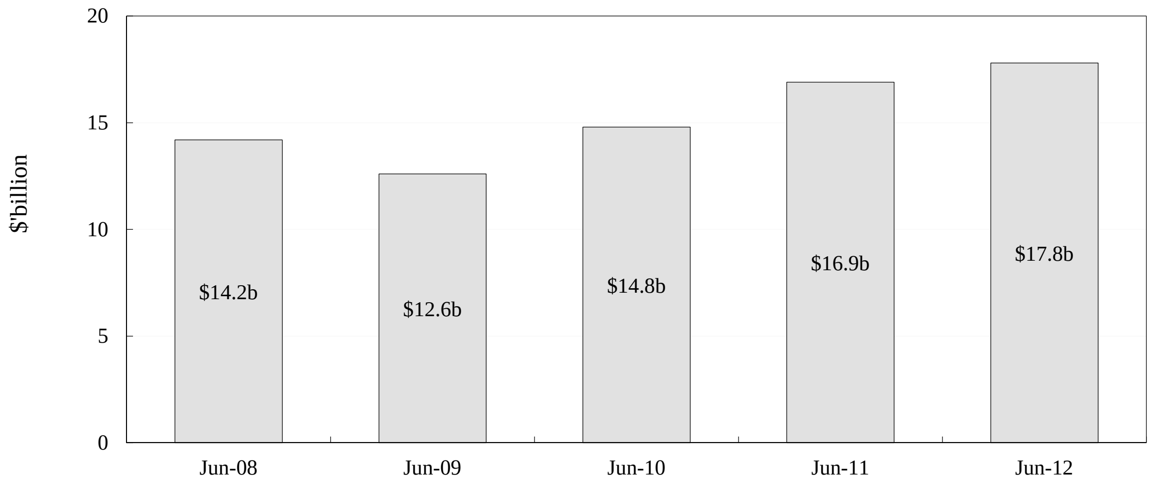
Expenses increased by $675 000 mainly as a result of an increase in employee benefit costs, up $387 000 and increased supplies and services costs, up $274 000 due mainly to increased costs of $134 000 for internal audit services which represents the full year cost of restructured internal audit arrangements, increased travel and accommodation costs of $56 000 due to overseas travel and increased board expenses of $39 000 due to board elections being held in June 2012.

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 83% 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 2012 the net funds under management increased by $899 million to $17.8 billion due mainly to an increase in funds invested by clients of $362 million and net income earned from investing activities of $537 million (further commented on under the heading ‘Income from investments’).

Asset allocation

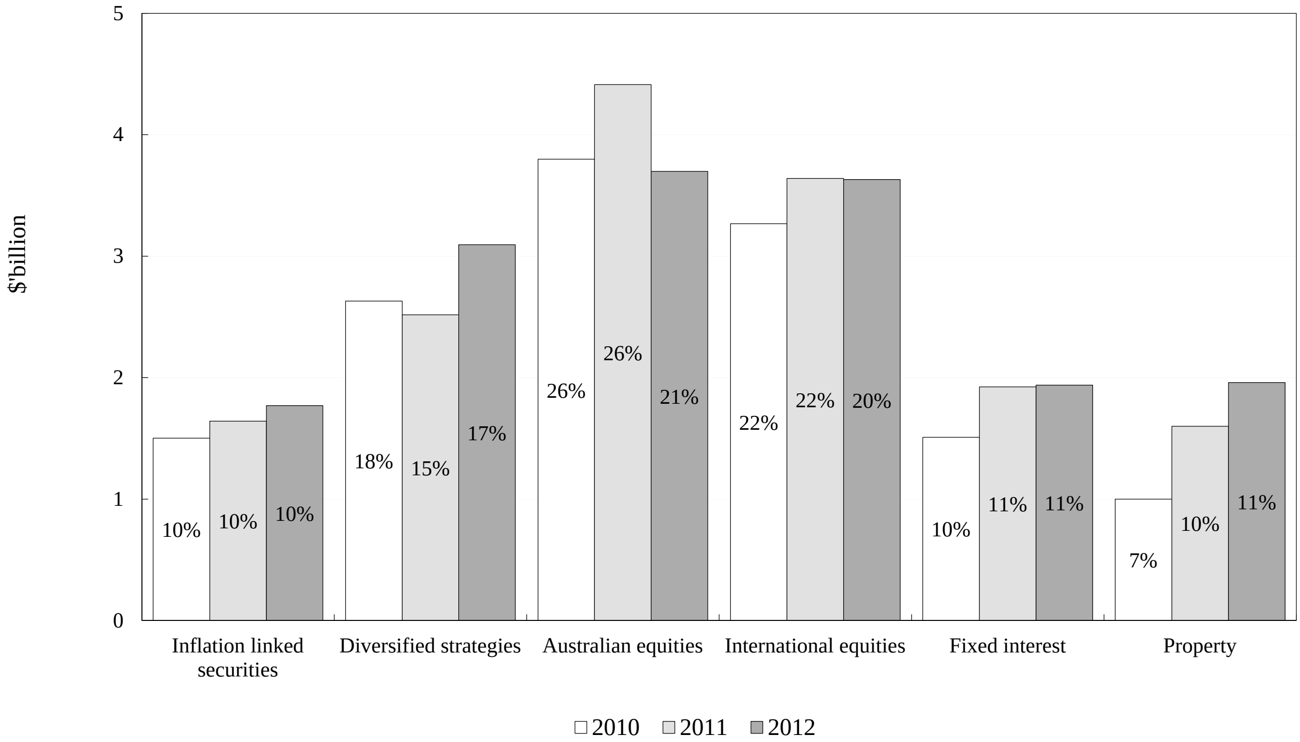
An investment policy drives decisions about how funds will be invested. Section 7 of the SFMCSA Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- 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 which 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 which 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 and socially responsible investment classes which in total only represent 9% (6%) 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 Australian equities declined during the year and the value of international equities remained steady although the percentage holdings decreased slightly. This reflects the impact that negative 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 a strategic positioning of holdings in preparation for a change in investment asset allocation to take place 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.

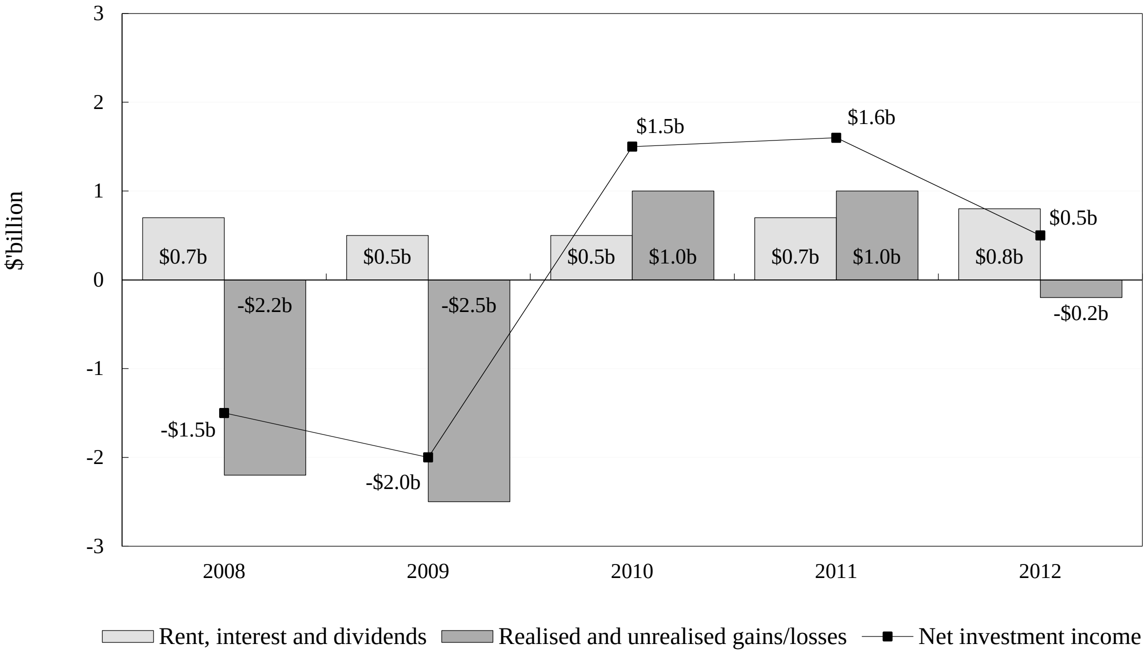
Income from investments

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 $537 million ($1.6 billion), a decrease of $1.1 billion. Income comprised rent, interest and dividends of $805 million ($707 million), realised losses of $53 million ($690 million gain) and unrealised losses of $129 million ($320 million gain).

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 2012 is shown in the following chart.



As can be seen from this chart, positive realised and unrealised gains in 2010 and 2011 contributed significantly to the net investment income result. However, in 2008 and 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 2012 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

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Inflation linked funds	236	123	168	3	87
Property	155	138	52	(394)	(294)
Australian equities	(398)	447	416	(759)	(675)
International equities	(23)	453	342	(835)	(752)
Fixed interest	224	99	145	130	47
Diversified strategies	278	315	348	(178)	86
Cash/Socially responsible	65	53	46	40	23
Total net income	537	1 628	1 517	(1 993)	(1 478)
Total value of assets invested as at 30 June	17 774	16 875	14 770	12 617	14 170

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 fall in income from these asset classes in 2012. 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 2008 and 2009 reflects the significant fall in share markets in these two years while improved market conditions are reflected in the improved returns in 2010 and 2011. Income from inflation linked funds, fixed interest and property investments increased in 2012 which reflects the solid performance of these classes of investments.

The table below shows Funds SA's percentage return for each of the past seven years for both the balanced and growth (tax exempt) funds, which together account for 74% of total funds under management. These figures were provided by Funds SA and are unaudited.

Funds SA investment return
periods ending 30 June

	7 years	2012	2011	2010	2009	2008	2007	2006
	% p.a.	%	%	%	%	%	%	%
Balanced	4.6	3.1	10.9	12.6	(15.3)	(9.3)	17.7	17.6
Growth	4.2	2.0	11.4	12.3	(17.5)	(11.2)	19.5	19.4

The performance against target benchmarks for certain asset classes for the 2011-12 year and also the three years ended 2011-12 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	4.8	4.7	4.6	4.5
Short-term fixed interest*	9.3	9.2	n/a	n/a
Long-term fixed interest	14.1	11.8	11.7	9.2
Inflation linked securities A	14.8	16.0	11.2	11.1
Diversified strategies income	11.0	11.3	12.5	11.1
Property A	8.8	9.2	8.6	8.6
Australian equities A	(9.2)	(7.0)	4.6	5.6
International equities A	(1.3)	(2.2)	8.3	7.3
Diversified strategies growth A	10.3	8.7	17.4	8.5
Inflation linked securities B	12.8	14.9	10.2	10.8
Property B	8.9	9.2	11.1	8.6
Australian equities B	(9.8)	(7.0)	4.1	5.6
International equities B	(1.7)	(2.1)	8.3	7.4
Diversified strategies growth B	9.5	8.7	15.5	8.5

* Short-term fixed interest asset class was established on 1 July 2010.

The performance of asset classes against benchmark for 2011-12 was mixed with 50% of classes exceeding benchmark. In particular the long-term fixed interest and diversified strategies growth A and B funds were the best performing asset classes with the diversified strategies growth classes benefiting from good realisations in the first half of the year in the private equity portfolio.

Investment expenses

In 2012 investment expenses amounted to $85 million, a decrease of $4 million from the previous year. The decrease is a result of lower performance fees paid to some investment managers and assets being allocated to lower cost mandates. Investment expenses remain at 0.5% of average funds under management.

Year	Investment expenses $'million	Average funds under management $'billion
2008	80.1	13.8
2009	57.4	12.7
2010	69.0	14.5
2011	88.9	16.2
2012	85.4	17.3

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Income:			
Revenues from fees and charges		5 078	4 592
Interest revenues		98	81
Total income		5 176	4 673
Expenses:			
Employee benefits costs	3	3 493	3 106
Supplies and services	4	1 323	1 049
Depreciation and amortisation expense	5	200	186
Total expenses		5 016	4 341
Net surplus (deficit)		160	332
Total comprehensive result		160	332

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	13	2 216	1 566
Receivables		533	527
Other current assets		59	70
Total current assets		2 808	2 163
Non-current assets:			
Property, plant and equipment	7	360	536
Funds SA investment trusts	15	-	-
Total non-current assets		360	536
Total assets		3 168	2 699
Current liabilities:			
Payables	8	337	241
Employee benefits liability	9	235	169
Total current liabilities		572	410
Non-current liabilities:			
Payables	8	64	50
Employee benefits liability	9	688	555
Total non-current liabilities		752	605
Total liabilities		1 324	1 015
Net assets		1 844	1 684
Equity:			
Retained earnings		1 844	1 684
Total equity		1 844	1 684

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	11
Contingent assets and liabilities	12

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

	Retained earnings $’000	Total $’000
Balance at 30 June 2010	1 352	1 352
Total comprehensive result for 2010-11	332	332
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

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $’000	2011 Inflows (Outflows) $’000
Cash flows from operating activities:			
Cash inflows:			
Receipts from fees and charges		5 685	5 093
Interest received		97	75
GST recovered from the ATO		235	103
Cash generated from operations		6 017	5 271
Cash outflows:			
Employee benefit payments		(3 259)	(3 152)
Supplies and services		(1 475)	(1 320)
GST paid to the ATO		(609)	(555)
Cash used in operations		(5 343)	(5 027)
Net cash provided by (used in) operating activities	13	674	244
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of property, plant and equipment		3	4
Cash generated from investing activities		3	4
Cash outflows:			
Purchase of property, plant and equipment		(27)	(74)
Cash used in investing activities		(27)	(74)
Net cash provided by (used in) investing activities		(24)	(70)
Net increase (decrease) in cash and cash equivalents		650	174
Cash and cash equivalents at 1 July		1 566	1 392
Cash and cash equivalents at 30 June		2 216	1 566

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 2012, 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 2012

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

Statement of Income and Expenses of Assets Under Management for the year ended 30 June 2011

Asset sector:	Rent, interest and dividends $'000	Realised gains (losses)(1) $'000	Unrealised gains (losses)(2) $'000	Expenses $'000	2011 Total $'000
Australian equities A	161 128	129 640	146 023	(13 281)	423 510
International equities A	60 401	255 124	134 289	(18 173)	431 641
Property A	42 313	-	93 545	(6 250)	129 608
Diversified strategies growth A	51 656	97 424	(4 784)	(17 710)	126 586
Inflation linked securities A	28 297	(1 367)	11 567	(543)	37 954
Long-term fixed interest	20 458	(12 643)	28 719	(2 140)	34 394
Short-term fixed interest	16 994	5 463	4 920	(926)	26 451
Diversified strategies income	159 902	199 899	(153 103)	(23 233)	183 465
Cash	52 780	-	-	(670)	52 110
Motor Accident Commission fixed interest	45 303	(4 833)	(1 637)	(909)	37 924
Australian equities B	7 790	-	16 820	(988)	23 622
International equities B	2 239	10 399	9 333	(1 026)	20 945
Property B	4 240	-	5 044	(385)	8 899
Diversified strategies growth B	1 375	3 859	584	(666)	5 152
Inflation linked securities B	51 695	7 314	27 863	(1 915)	84 957
Socially responsible investment	366	-	878	(107)	1 137
Total	706 937	690 279	320 061	(88 922)	1 628 355

(1) ***Realised gains (losses)***
Realised gains (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(2) ***Unrealised gains (losses)***
Unrealised gains (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

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
International equities A	2 554 429	876 637	-	28 047	43	(3 575)	3 455 581
Property A	77	1 826 900	97	-	10	(1 896)	1 825 188
Diversified strategies growth A	-	147 949	642 962	10 718	5	(473)	801 161
Inflation linked securities A*	-	-	427 455	-	(354)	(785)	426 316
Long-term fixed interest	605 822	-	-	-	24	(559)	605 287
Short-term fixed interest	560 371	-	-	-	17	(233)	560 155
Diversified strategies income	1 140 900	791 120	-	16 367	42	(1 585)	1 946 844
Cash	-	1 647 519	-	-	117	(91)	1 647 545
Motor Accident Commission fixed interest	768 375	-	3 950	-	57	(141)	772 241
Australian equities B	91 251	143 595	-	-	5	(82)	234 769
International equities B	-	173 607	-	1 425	2	(31)	175 003
Property B	-	133 486	-	-	2	(141)	133 347
Diversified strategies growth B	-	16 430	32 598	512	1	(7)	49 534
Inflation linked securities B	1 343 048	-	-	-	28	(532)	1 342 544
Socially responsible investment	-	12 305	-	-	1	(2)	12 304
Motor Accident Commission diversified strategies income	283 808	13 403	-	-	-	(10)	297 201
Motor Accident Commission absolute return	-	-	-	-	25 000	-	25 000
Total	10 046 082	6 550 824	1 107 062	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.

Statement of Net Assets Under Management
as at 30 June 2011

Asset sector:	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2011 Total $'000
Australian equities A	3 579 828	556 318	-	-	203	(5 016)	4 131 333
International equities A	2 429 413	980 998	-	40 027	40	(4 158)	3 446 320
Property A	83	1 562 491	97	-	994	(981)	1 562 684
Diversified strategies growth A	-	708 648	-	15 506	9	(337)	723 826
Inflation linked securities A*	-	-	386 394	-	6	(818)	385 582
Long-term fixed interest	595 221	-	-	-	22	(505)	594 738
Short-term fixed interest	512 032	-	-	-	15	(250)	511 797
Diversified strategies income	1 069 115	669 965	-	20 058	45	(4 156)	1 755 027
Cash	-	1 061 898	-	-	76	(84)	1 061 890
Motor Accident Commission fixed interest	798 753	-	3 882	-	15 494	(228)	817 901
Australian equities B	-	282 115	-	-	6	(91)	282 030
International equities B	-	191 408	-	2 250	3	(42)	193 619
Property B	-	101 802	-	-	460	(31)	102 231
Diversified strategies growth B	-	9 861	27 322	675	1	(13)	37 846
Inflation linked securities B	1 116 651	139 738	-	-	35	(457)	1 255 967
Socially responsible investment	-	12 342	-	-	2	(3)	12 341
Total	10 101 096	6 277 584	417 695	78 516	17 411	(17 170)	16 875 132

* 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 2012. 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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 2012.

Fair Value of Financial Assets and Liabilities
as at 30 June 2012

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
International equities A	2 554 452	904 682	-	(3 553)	3 455 581
Property A	79	318 740	1 508 256	(1 887)	1 825 188
Diversified strategies growth A	1	158 667	642 962	(469)	801 161
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
Diversified strategies income	114 920	1 833 469	-	(1 545)	1 946 844
Cash	1 647 621	-	-	(76)	1 647 545
Motor Accident Commission fixed interest	574 551	193 875	3 950	(135)	772 241
Motor Accident Commission diversified strategies income	57 132	240 079	-	(10)	297 201
Motor Accident Commission absolute return	25 000	-	-	-	25 000
Australian equities B	91 250	143 595	-	(76)	234 769
International equities B	1	175 032	-	(30)	175 003
Property B	1	22 056	111 430	(140)	133 347
Diversified strategies growth B	1	16 942	32 598	(7)	49 534
Socially responsible investment	1	12 305	-	(2)	12 304
Total	9 385 525	5 673 979	2 726 651	(12 496)	17 773 658

2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Other $'000	Total $'000
Financial assets and liabilities through profit or loss:					
Australian equities A	3 579 741	556 318	-	(4 726)	4 131 333
International equities A	2 428 293	1 021 026	-	(2 999)	3 446 320
Property A	1 063	287 215	1 275 373	(967)	1 562 684
Diversified strategies growth A	1	144 985	579 170	(330)	723 826
Inflation linked securities*	498 052	754 768	386 393	2 336	1 641 549
Long-term fixed interest	470 477	124 744	-	(483)	594 738
Short-term fixed interest	316 244	195 788	-	(235)	511 797
Diversified strategies income	92 852	1 666 286	-	(4 111)	1 755 027
Cash	1 061 972	-	-	(82)	1 061 890
Motor Accident Commission fixed interest	608 422	205 814	3 882	(217)	817 901
Australian equities B	1	282 115	-	(86)	282 030
International equities B	1	193 658	-	(40)	193 619
Property B	459	19 874	81 928	(30)	102 231
Diversified strategies growth B	1	10 535	27 322	(12)	37 846
Socially responsible investment	2	12 342	-	(3)	12 341
Total	9 057 582	5 475 467	2 354 068	(11 985)	16 875 132

* 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 01.07.11 $'000	Purchases $'000	Disposals $'000	Unrealised gain (loss) $'000	Closing balance 30.06.12 $'000
Property A	1 275 373	137 241	-	95 642	1 508 256
Diversified strategies growth A	579 170	135 515	(86 058)	14 335	642 962
Inflation linked securities*	386 393	-	(8 234)	49 296	427 455
Motor Accident Commission fixed interest	3 882	-	-	68	3 950
Property B	81 928	24 018	-	5 484	111 430
Diversified strategies growth B	27 322	11 619	(5 218)	(1 125)	32 598
Total	2 354 068	308 393	(99 510)	163 700	2 726 651

* 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 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 and directly held non-traded index-linked securities.

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 value depends on, or is 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 2012 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 product 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 2012, 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.

(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 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 2012.

(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:

  (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)

(b) Basis of preparation (continued)

(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 accrual 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 and all amounts rounded to the nearest thousand dollars ($'000).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

(c) Reporting entity

The financial 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 amounts have been reclassified unless reclassification is 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.

Income

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 includes 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 and annual leave.

(n) Employee benefits

Wages, salaries, annual leave and sick leave

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

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

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

LSL

The Corporation has adopted the shorthand method determined by DTF to measure the LSL liability for 2012. For 2012, the shorthand method determined that a liability for LSL would be recognised after zero years of service with a 10% premium being allocated. For 2011, the liability was recognised after five years of service.

LSL (continued)
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments. Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 9).

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.

Employee benefit on-costs
Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

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 officer 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
- receivables and 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 2011-12 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	2012 $'000	2011 $'000
Salaries and wages	2 584	2 316
Board fees	322	322
Employment on-costs	587	468
Total employee benefits costs	3 493	3 106

Remuneration of employees	2012	2011
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$130 700 - $133 999*	-	1
$134 000 - $143 999	1	-
$144 000 - $153 999	1	-
$174 000 - $183 999	1	2
$184 000 - $193 999	1	1
$194 000 - $203 999	1	-
$224 000 - $233 999*	-	1
$254 000 - $263 999	1	-
$334 000 and over	1	1
Total	7	6

* These bands have been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.49 million ($1.28 million).

4. Supplies and services	2012 $'000	2011 $'000
Computing and communication	163	132
Human resource expenses	15	18
Board expenses	210	171
Staff development	47	62
Subscriptions and publications	110	100
Internal audit fees	159	25
External audit fees	83	82
Travel and accommodation	171	115
Legal and advisory expenses	13	31
Office rent	231	219
Office supplies and printing	50	56
Website expenses	12	4
Client relationship expenses	13	11
Other	46	23
Total supplies and services[1]	1 323	1 049

[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:	2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	3	10	4	7
Between $10 000 and $50 000	-	-	1	46
Total paid/payable to the consultants engaged	3	10	5	53

5. Depreciation and amortisation expense

	2012	2011
	$'000	$'000
Depreciation:		
Computer and office equipment	121	106
Amortisation:		
Leasehold improvements	79	80
Total depreciation and amortisation	200	186

6. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	83	82
Total audit fees - SA Government entities	83	82

Other services

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

7. Property, plant and equipment

Leasehold improvements:		
Leasehold improvements at fair value	576	576
Accumulated amortisation	(390)	(311)
Total leasehold improvements	186	265
Computer and office equipment:		
Computer and office equipment at fair value	587	595
Accumulated depreciation	(413)	(324)
Total computer and office equipment	174	271
Total property, plant and equipment	360	536

Reconciliation of non-current assets

The following table shows the movement of non-current assets during the year ended 30 June 2012

	2012			2011		
	Leasehold improve-ments	Computer and office equipment	Non-current assets total	Leasehold improve-ments	Computer and office equipment	Non-current assets total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	265	271	536	345	305	650
Additions	-	27	27	-	74	74
Disposals	-	(3)	(3)	-	(2)	(2)
Depreciation and amortisation	(79)	(121)	(200)	(80)	(106)	(186)
Carrying amount at 30 June	186	174	360	265	271	536

8. Payables

	2012	2011
	$'000	$'000
Current:		
Creditors	198	114
Accrued expenses	83	82
Employment on-costs	56	45
Total current payables	337	241
Non-current:		
Employment on-costs	64	50
Total non-current payables	64	50

9. Employee benefits liability

Current:		
Annual leave	121	120
LSL*	114	49
Total current employee benefits liability	235	169
Non-current:		
LSL*	688	555
Total non-current employee benefits liability	688	555
Total employee benefits liability	923	724

9. Employee benefits liability (continued)

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

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2011 (5.25%) to 2012 (3%).

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

Based on this actuarial assessment, the LSL liability has increased significantly from 2011. This significant increase is mainly due to the decrease in the long-term discount rate, which is based on government bond rates as at reporting date. The net financial effect of the changes in the current financial year is an increase in the LSL liability of $119 000 and employee benefit expense of $119 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

	2012	2011
	$'000	$'000
Short-term employee benefits	948	867
Long-term employee benefits	13	44
Total	961	911

(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 2011-12 year were set by the Governor of South Australia. Then aggregate remuneration of directors was $322 000 ($322 000).

In 2011-12, the aggregate amount paid, or due and payable, for Directors to the Southern State Superannuation Scheme totalled $183 000 ($168 000). In 2011-12, the periodic amounts paid, or due and payable, to private superannuation funds totalled $11 000 ($12 000).

The number of governing board members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 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 2011-12 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.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2012 $'000	2011 $'000
Within one year	258	244
Later than one year but not longer than five years	357	602
Total non-cancellable operating lease commitments	615	846

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	1 388	1 299
Later than one year but not longer than five years	2 248	2 589
Total remuneration commitments	3 636	3 888

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)	160	332
Non-cash items:		
Depreciation and amortisation expense	200	186
Loss (Gain) on disposal of assets	-	(2)
Movements in assets/liabilities:		
Receivables	(6)	(77)
Other current assets	11	(14)
Payables	112	(163)
Employee benefits	197	(18)
Net cash provided by (used in) operating activities	674	244

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 the weighted average interest rate risk at balance date.

2012	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
Financial assets:	%	$'000	$'000	$'000
Cash	4.24	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
2011				
Financial assets:				
Cash	4.39	1 566	-	1 566
Receivables	-	-	527	527
Other assets	-	-	70	70
Total financial assets		1 566	597	2 163
Financial liabilities:				
Payables	-	-	37	37
Total financial liabilities		-	37	37

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 depend 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 liabilities.

	Contractual maturity			
	2012		2011	
	Carrying amount	Less than 1 year	Carrying amount	Less than 1 year
Financial assets:	$'000	$'000	$'000	$'000
Cash	2 216	2 216	1 566	1 566
Receivables	533	533	527	527
Other assets	59	59	70	70
Total financial assets	2 808	2 808	2 163	2 163
Financial liabilities:				
Payables	105	105	37	37
Total financial liabilities	105	105	37	37

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 2012, 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 was approved by the Treasurer on 19 April 2007.

Operation of investment portfolio (continued)

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

	2012 $'000	2011 $'000
Funds under management at 1 July	2 374 154	2 189 055
Receipts	373 800	355 800
Net investment income	62 964	247 649
	436 764	603 449
Payments	(507 550)	(418 350)
Funds under management at 30 June	2 303 368	2 374 154

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	2 303 368	2 374 154
Funds under management at 30 June	2 303 368	2 374 154

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	552 879	693 156
International equities A	555 452	578 351
Property A	358 663	323 462
Diversified strategies growth A	137 822	129 546
Inflation linked securities A	217 312	218 110
Long-term fixed interest	58 775	65 137
Short-term fixed interest	37 809	43 865
Diversified strategies income	299 450	235 257
Cash	85 206	87 270
Funds under management at 30 June	2 303 368	2 374 154

(b) South Australian Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2012 $'000	2011 $'000
Funds under management at 1 July	1 249 953	1 186 453
Receipts	760	13 780
Net investment income	22 805	132 590
	23 565	146 370
Payments	(72 490)	(82 870)
Funds under management at 30 June	1 201 028	1 249 953

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	1 201 028	1 249 953
Funds under management at 30 June	1 201 028	1 249 953

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	288 284	364 935
International equities A	289 625	304 492
Property A	187 015	170 297
Diversified strategies growth A	71 863	68 204
Inflation linked securities A	113 312	114 832
Long-term fixed interest	30 647	34 294
Short-term fixed interest	19 714	23 094
Diversified strategies income	156 140	123 859
Cash	44 428	45 946
Funds under management at 30 June	1 201 028	1 249 953

(c) South Australian Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	594 748	551 198
Receipts	49 991	21 283
Net investment income	12 697	60 534
	62 688	81 817
Payments	(78 213)	(38 267)
Funds under management at 30 June	579 223	594 748

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
High growth A	14 692	17 810
Growth A	439 080	498 084
Balanced A	20 244	21 640
Moderate A	7 983	6 790
Conservative A	22 041	12 134
Capital defensive A	22 497	7 207
Cash A	51 829	30 086
Socially responsible investment	857	997
Funds under management at 30 June	579 223	594 748

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	117 880	160 538
International equities A	118 742	133 994
Property A	77 359	74 704
Diversified strategies growth A	28 656	29 685
Inflation linked securities A	54 799	53 550
Long-term fixed interest	15 443	16 413
Short-term fixed interest	16 543	13 894
Diversified strategies income	69 801	56 457
Cash	79 143	54 516
Socially responsible investment	857	997
Funds under management at 30 June	579 223	594 748

(d) Southern State Superannuation Fund

Statement of Receipts and Payments

	2012 $'000	2011 $'000
Funds under management at 1 July	7 691 785	6 512 531
Receipts	622 514	552 705
Net investment income	232 887	719 958
	855 401	1 272 663
Payments	(219 613)	(93 409)
Funds under management at 30 June	8 327 573	7 691 785

Statement of Funds Under Management - by Investment Option

Investment option:	2012 $'000	2011 $'000
High growth A	575 342	603 684
Growth A	224 384	236 605
Balanced A	6 775 190	6 459 002
Moderate A	33 935	29 130
Conservative A	176 883	121 400
Capital defensive A	147 376	41 561
Cash A	387 970	194 238
Socially responsible investment	6 493	6 165
Funds under management at 30 June	8 327 573	7 691 785

Statement of Funds Under Management - by Asset Sector

Asset sector:	2012 $'000	2011 $'000
Australian equities A	1 685 451	2 000 023
International equities A	1 680 265	1 641 050
Property A	943 759	763 246
Diversified strategies growth A	465 161	411 148
Inflation linked securities A	937 480	846 915
Long-term fixed interest	400 952	385 423
Short-term fixed interest	374 541	341 607
Diversified strategies income	1 031 355	739 225
Cash	802 116	556 983
Socially responsible investment	6 493	6 165
Funds under management at 30 June	8 327 573	7 691 785

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

Statement of Receipts and Payments

	2012 $'000	2011 $'000
Funds under management at 1 July	314 975	256 596
Receipts	158 441	114 635
Net investment income	11 045	23 141
	169 486	137 776
Payments	(117 440)	(79 397)
Funds under management at 30 June	367 021	314 975

Statement of Funds Under Management - by Investment Option

Investment option:	2012 $'000	2011 $'000
High growth B	16 996	18 484
Growth B	31 241	44 535
Balanced B	109 274	123 697
Moderate B	14 477	16 678
Conservative B	36 881	30 097
Capital defensive B	51 438	19 376
Cash B	104 383	58 947
Socially responsible investment	2 331	3 161
Funds under management at 30 June	367 021	314 975

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities B	46 268	65 444
International equities B	34 607	45 022
Property B	27 015	23 473
Diversified strategies growth B	9 529	8 633
Inflation linked securities B	32 574	31 997
Long-term fixed interest	12 666	12 449
Short-term fixed interest	22 692	16 188
Diversified strategies income	38 739	27 770
Cash	140 600	80 838
Socially responsible investment	2 331	3 161
Funds under management at 30 June	367 021	314 975

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

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	500 865	316 736
Receipts	262 940	183 921
Net investment income	21 688	32 507
	284 628	216 428
Payments	(68 004)	(32 299)
Funds under management at 30 June	717 489	500 865

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
High growth B	23 484	24 725
Growth B	57 776	54 486
Balanced B	238 634	214 421
Moderate B	67 406	43 196
Conservative B	75 337	44 295
Capital defensive B	85 373	31 817
Cash B	167 068	86 096
Socially responsible investment	2 411	1 829
Funds under management at 30 June	717 489	500 865

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities B	98 944	105 527
International equities B	74 632	72 749
Property B	56 796	37 350
Diversified strategies growth B	19 129	13 500
Inflation linked securities B	69 320	53 528
Long-term fixed interest	29 199	21 712
Short-term fixed interest	45 013	27 202
Diversified strategies income	80 901	45 211
Cash	241 144	122 257
Socially responsible investment	2 411	1 829
Funds under management at 30 June	717 489	500 865

(g) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	177 800	166 911
Receipts	18 987	2 938
Net investment income	3 337	18 850
	22 324	21 788
Payments	(10 742)	(10 899)
Funds under management at 30 June	189 382	177 800

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
High growth A	1 203	1 236
Growth A	183 501	173 880
Balanced A	3 956	2 521
Cash A	536	-
Socially responsible investment	186	163
Funds under management at 30 June	189 382	177 800

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	45 252	51 870
International equities A	45 445	43 269
Property A	29 230	24 125
Diversified strategies growth A	11 313	9 718
Inflation linked securities A	17 804	16 281
Long-term fixed interest	4 901	4 914
Short-term fixed interest	3 195	3 334
Diversified strategies income	24 501	17 577
Cash	7 555	6 549
Socially responsible investment	186	163
Funds under management at 30 June	189 382	177 800

(h) Judges' Pensions Scheme

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	181 401	170 861
Receipts	5 100	4 630
Net investment income	3 484	19 340
	8 584	23 970
Payments	(7 770)	(13 430)
Funds under management at 30 June	182 215	181 401

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	182 215	181 401
Funds under management at 30 June	182 215	181 401

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	43 737	52 962
International equities A	43 941	44 190
Property A	28 373	24 715
Diversified strategies growth A	10 903	9 898
Inflation linked securities A	17 191	16 665
Long-term fixed interest	4 650	4 977
Short-term fixed interest	2 991	3 351
Diversified strategies income	23 689	17 975
Cash	6 740	6 668
Funds under management at 30 June	182 215	181 401

(i) Governors' Pensions Scheme

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	1 308	1 350
Receipts	5	-
Net investment income	20	148
	25	148
Payments	(208)	(190)
Funds under management at 30 June	1 125	1 308

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	1 125	1 308
Funds under management at 30 June	1 125	1 308

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	270	382
International equities A	271	319
Property A	175	178
Diversified strategies growth A	67	71
Inflation linked securities A	106	120
Long-term fixed interest	29	36
Short-term fixed interest	19	24
Diversified strategies income	146	130
Cash	42	48
Funds under management at 30 June	1 125	1 308

(j) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	145 551	124 057
Receipts	9 000	14 990
Net investment income	3 667	13 124
	12 667	28 114
Payments	(8 300)	(6 620)
Funds under management at 30 June	149 918	145 551

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Balanced B	149 918	145 551
Funds under management at 30 June	149 918	145 551

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities B	33 455	41 357
International equities B	25 178	28 823
Property B	16 711	12 747
Diversified strategies growth B	8 751	6 459
Inflation linked securities B	15 181	17 580
Long-term fixed interest	8 446	8 528
Short-term fixed interest	6 811	7 009
Diversified strategies income	21 267	14 840
Cash	14 118	8 208
Funds under management at 30 June	149 918	145 551

(k) Police Superannuation Scheme - Employer Contribution Account

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	511 405	420 976
Receipts	59 300	62 600
Net investment income	14 206	49 054
	73 506	111 654
Payments	(26 480)	(21 225)
Funds under management at 30 June	558 431	511 405

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	558 431	511 405
Funds under management at 30 June	558 431	511 405

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	134 041	149 309
International equities A	134 664	124 580
Property A	86 955	69 675
Diversified strategies growth A	33 414	27 905
Inflation linked securities A	52 686	46 982
Long-term fixed interest	14 249	14 031
Short-term fixed interest	9 166	9 449
Diversified strategies income	72 599	50 676
Cash	20 657	18 798
Funds under management at 30 June	558 431	511 405

(l) Police Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	343 682	312 030
Receipts	75	100
Net investment income	6 615	35 497
	6 690	35 597
Payments	(6 020)	(3 945)
Funds under management at 30 June	344 352	343 682

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	344 352	343 682
Funds under management at 30 June	344 352	343 682

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	82 655	100 341
International equities A	83 040	83 722
Property A	53 620	46 824
Diversified strategies growth A	20 604	18 753
Inflation linked securities A	32 488	31 574
Long-term fixed interest	8 787	9 429
Short-term fixed interest	5 652	6 350
Diversified strategies income	44 768	34 056
Cash	12 738	12 633
Funds under management at 30 June	344 352	343 682

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

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	327 994	256 480
Receipts	11 000	55 000
Net investment income	6 640	34 514
	17 640	89 514
Payments	-	(18 000)
Funds under management at 30 June	345 634	327 994

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Growth A	345 634	327 994
Funds under management at 30 June	345 634	327 994

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	83 019	95 694
International equities A	83 569	79 966
Property A	53 793	45 035
Diversified strategies growth A	20 664	17 867
Inflation linked securities A	32 531	30 029
Long-term fixed interest	8 797	8 968
Short-term fixed interest	5 661	6 038
Diversified strategies income	44 833	32 375
Cash	12 767	12 022
Funds under management at 30 June	345 634	327 994

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

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	52 175	14 012
Receipts	-	85 205
Net investment income	3 417	5 163
	3 417	90 368
Payments	(7 000)	(52 205)
Funds under management at 30 June	48 592	52 175

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Conservative A	48 592	52 175
Funds under management at 30 June	48 592	52 175

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	3 723	6 196
International equities A	4 701	5 422
Property A	4 178	4 038
Diversified strategies growth A	-	-
Diversified strategies income	8 703	7 776
Inflation linked securities A	10 399	11 082
Long-term fixed interest	2 686	2 479
Short-term fixed interest	6 127	6 649
Cash	8 075	8 533
Funds under management at 30 June	48 592	52 175

(o) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	3 395	4 393
Receipts	-	1 630
Net investment income	21	402
	21	2 032
Payments	(200)	(3 030)
Funds under management at 30 June	3 216	3 395

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
High growth A	2 406	2 425
Capital defensive A	22	20
Cash A	788	950
Funds under management at 30 June	3 216	3 395

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	744	870
International equities A	724	730
Property A	397	380
Diversified strategies growth A	191	179
Inflation linked securities A	5	4
Long-term fixed interest	1	1
Short-term fixed interest	5	5
Diversified strategies income	264	191
Cash	885	1 035
Funds under management at 30 June	3 216	3 395

(p) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	2 151 477	2 070 144
Receipts	63 000	48 000
Net investment income	108 535	177 333
	171 535	225 333
Payments	(108 000)	(144 000)
Funds under management at 30 June	2 215 012	2 151 477

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
Motor Accident Commission A	2 215 012	2 151 477
Funds under management at 30 June	2 215 012	2 151 477

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities A	419 441	447 355
International equities A	403 072	395 289
Inflation linked securities A	151 306	133 659
Diversified strategies income	-	331 216
Motor Accident Commission fixed interest	772 241	817 901
Motor Accident Commission diversified strategies income	297 202	-
Motor Accident Commission absolute return	25 000	-
Cash	146 750	26 057
Funds under management at 30 June	2 215 012	2 151 477

(q) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2012	2011
	$'000	$'000
Funds under management at 1 July	217 301	196 628
Receipts	28 047	17 331
Net investment income	3 115	21 187
	31 162	38 518
Payments	(26 260)	(17 845)
Funds under management at 30 June	222 203	217 301

Statement of Funds Under Management - by Investment Option

	2012	2011
Investment option:	$'000	$'000
High growth B	786	911
Growth B	207 522	210 625
Balanced B	386	1 516
Moderate B	596	425
Conservative B	3 244	634
Capital defensive B	4 420	84
Cash B	5 249	3 106
Funds under management at 30 June	222 203	217 301

Statement of Funds Under Management - by Asset Sector

	2012	2011
Asset sector:	$'000	$'000
Australian equities B	55 530	69 107
International equities B	40 102	46 474
Property B	32 484	27 258
Diversified strategies growth B	12 104	9 218
Inflation linked securities B	15 912	19 498
Diversified strategies income	31 212	21 850
Long-term fixed interest	5 689	6 260
Short-term fixed interest	4 591	4 109
Cash	24 579	13 527
Funds under management at 30 June	222 203	217 301

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
- administering shared services arrangements and reform (responsibility transferred to DPC effective from February 2012).

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

Shared Services SA

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 control and management of SSSA's activities effective from the same date.

By agreement between the Under Treasurer and the Chief Executive, DPC, net assets totalling $26.1 million were transferred to DPC to support this reassignment of responsibility.

For more information on this transfer refer note 30 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.

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

Corporate systems

- expenditure
- payroll
- revenue
- financial accounting.

RevenueSA

- financial accounting and recording systems for tax collectors
- first home owners grant application and disbursements
- compliance services for all taxes
- EFT processing.

Shared services

- service delivery revenue
- transitioned business services
- e-Procurement
- EFT processing.

Financing and insurance services

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

Superannuation services

Commentary in respect of 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 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. The main matters raised with the Department and the related responses are detailed below.

RevenueSA

RevenueSA, through the Commissioner for 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.

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

During 2011-12 Audit reviewed the controls exercised by RevenueSA in relation to these activities and identified the following issues.

Accrued revenue for State taxation

Taxation collected by RevenueSA, together with its subsequent transfer to the Consolidated Account, is recognised as income and expenditure in the Department's Statement of Administered Comprehensive Income.

In June 2012 Audit wrote to the Commissioner for State Taxation noting that State taxation revenue is recognised on a cash basis and not an accrual basis (when taxation revenue is receivable). Recognition of 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.

RevenueSA had previously advised Audit that outstanding taxation debt as at 31 December 2011 totalled $39.2 million, while debt written off by the Commissioner during 2010-11 totalled $11.3 million. RevenueSA does not estimate the value of doubtful debts.

The value of outstanding taxation debt and annual debt write-offs are significant. In Audit's opinion, recognising the value of outstanding taxation debt and debt written off would provide users of the Department's financial statements with useful information on RevenueSA's capacity to manage outstanding taxation revenue.

Audit recommended that RevenueSA review its accounting policy for the recognition of State taxation revenue.

In response RevenueSA noted that it is currently implementing a replacement revenue system (RISTEC) and that while RevenueSA has designed this system to report taxation revenue on a cash basis, it can modify the system to report on an accrual basis.

While RevenueSA notes that it is impractical to change to an accrual basis of reporting prior to the full implementation of the RISTEC system, it has resolved to investigate the feasibility of implementing accrual reporting following RISTEC's full implementation, currently scheduled for November 2013.

RevenueSA has also noted the requirement to ensure that accurate cash reporting is retained to support the accuracy of the Treasurer's Statements (Consolidated Account), which are reported on a cash basis.

Other matters

Other matters noted by Audit during the review of RevenueSA included the following.

Audit's review of controls over the FHOG identified opportunities to segregate the following functions:

- system administration and monitoring of system access within the FHOG online system
- system access to create and amend FHOG applications and system access to approve these same grant applications
- approval of FHOG applications and the compliance and debt management functions.

Audit also noted opportunities for RevenueSA to improve the monitoring of open and closed land tax exemptions and amendments to land tax assessments.

RevenueSA has accepted Audit's recommendations and outlined a range of proposed control improvements designed to improve the control environment.

Audit will review RevenueSA's implementation of these proposals in 2012-13.

Government Accounting, Reporting and Procurement Branch (GARP)

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

During 2011-12 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. These financial statements are prepared based on financial records maintained by GARP in the Treasurer's 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 agency clearing accounts representing amounts of balances 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 use of clearing accounts is a generally accepted accounting practice. It is also generally accepted that clearing accounts are reconciled on a regular basis to ensure that the accounting system is complete and accurate and that the balance of any clearing account represents legitimate timing differences.

Audit noted that GARP does not validate the balances recorded in each CGL clearing account.

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 a regular reconciliation of CGL clearing accounts increases the risk of misstatement in the CGL and therefore the Treasurer's Statements.

Audit recommended that GARP liaise with agencies to implement a regular reconciliation of balances recognised in CGL clearing accounts.

The Department has responded that it will work to implement Audit's recommendation during 2012-13.

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

The 2011-12 audit review of the Department's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

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

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

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

Information and communications technology and control - RISTEC project

RevenueSA collects in excess of $3 billion per annum in State taxes. The RISTEC project has been developing an integrated taxation system to replace the aging legacy systems for a number of years.

Last year's Report included comment that RISTEC system releases were planned in three stages:

- Release 1 – base system and payroll tax (October 2011)
- Release 2 – land tax and Emergency Services levy (July 2012)
- Release 3 – stamp duties and sundry taxes (replanning was underway).

The Report also noted that in August 2011 an external firm engaged by the Department had completed a 'project health check review' for the RISTEC project. Priority recommendations included:

- consider the appointment of a project quality assurance advisor
- develop a comprehensive overall project schedule that links to individual work-stream schedules
- employ tighter vendor management practices
- identify and document the key enablers for realisation of benefits.

Audit review in 2011-12 included a follow-up of developments with a focus on the preparations for implementation of Release 1, the base system and payroll tax module and subsequent events.

The following commentary summarises developments during the year and provides some important observations.

Developments during 2011-12

The Department implemented actions to address the priority health check recommendations. In particular, in November 2011, an external firm was appointed as the project quality assurance advisors through a formal tender process. The quality assurance advisors completed a number of reviews and identified, amongst other matters:

- a number of high priority defects remained outstanding and defect management and compliance processes required improvement
- the change control process needed improvement to ensure that there were clear accountability and integrity of change requests for the system environments
- a risk of not achieving a revised go-live date for Release 1 of March 2012 because of a large number of defects
- further delays in the completion of user acceptance testing.

Specific risks were also identified for data reconciliation and for the system vendor and system quality. These were in addition to the risks around the execution of the migration and the cleanliness of the data.

User acceptance testing for Release 1 was completed in May 2012 and formal 'go-live' approval was given in June 2012 for implementation with a number of known defects and work-arounds.

The base system and payroll tax module was implemented in mid-June 2012. The Department advised Audit that the system was operating satisfactorily and the legacy payroll tax system had been decommissioned.

System testing and defects

As mentioned previously, there were a number of significant defects at go-live for Release 1. These defects had been accepted by business as having adequate work-arounds. There were also some additional defects and data migration issues experienced after go-live.

RevenueSA acknowledged that the Release 1 testing timeframe from the system supplier was substantially underestimated. The time taken for user acceptance testing was longer than expected, because of the number of defects found in testing. Based upon the lessons learnt from the user acceptance testing for Release 1, the Department expects a reduction in the number of defects in future releases.

Project costs and timeframe delays

Revised project costs at the time of Audit's review were $48.8 million. This is $5.5 million higher than the project budget approved in 2008 and this has been absorbed by the Department. Actual costs to 30 June 2012 were $36.26 million.

The Release 2 land tax and Emergency Services levy modules go-live date has been revised to July 2013. The Release 3 stamp duties and sundry taxes modules go-live is anticipated to occur in late 2013, contingent upon confirmation from the system supplier.

In July 2012, the Minister for Finance submitted a note to Cabinet providing a current status update of the RISTEC project, including the revised project costs and timeframe changes.

Some important Audit observations

The go-live implementation of Release 1 base system and operation of the payroll tax module in June 2012 was an overdue but significant achievement for this project.

The payroll tax system module was implemented after considerable delay and with a number of management accepted known defects. Further, the existing legacy systems for the other taxation revenue components continue to operate with attendant costs.

As highlighted in the original health check report, it is considered important that the Department continues to focus on maintaining and further improving the project governance/management arrangements. It is equally important that future detailed estimates of work effort to complete the planned future releases continue to be subject to independent due diligence. These are essential matters in mitigating risks associated with system quality, costs and timeframes and management of the system vendor.

Finally, it is important that effective liaison continues to be maintained for the exchange of information with the Department of Planning Transport and Infrastructure's (DPTI) replacement land administration system also under development.

Department response

The Department responded in September 2012 and confirmed that issues from the health checks had been addressed and that use of the quality assurance advisors would continue. Effective liaison with DPTI would also continue.

Audit will continue monitoring this important project during 2012-13.

Interpretation and analysis of the financial report

Highlights of the Department's financial report

	2012 $'million	2011 $'million
Expenses		
Employee benefit expenses	106.5	126.9
Supplies and services	62.7	77.8
Other expenses	3.1	4.8
Total expenses	172.3	209.5

	2012 $'million	2011 $'million
Income		
Fees and charges	88.2	130.7
Other revenue	1.2	3.2
Total income	89.4	133.9
Net cost of providing services	82.9	75.6
Revenues from SA Government	69.6	77.3
Net result and total comprehensive result	(13.3)	1.7
Assets		
Current assets	22.9	75.1
Non-current assets	23.3	29.3
Total assets	46.2	104.4
Liabilities		
Current liabilities	11.4	21.1
Non-current liabilities	17.4	26.4
Total liabilities	28.8	47.5
Total equity	17.4	56.9

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 control and management of SSSA's activities to DPC as from that date.

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

Total expenses have decreased by $37.2 million while total income has decreased by $44.5 million. Both reductions are due mainly to the transfer of SSSA.

The Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012 highlights the financial performance of the Department's programs. Activity 4 Shared Services SA provides the financial activities of SSSA for the seven months to 31 January 2012, after which date these activities were transferred to DPC.

The decrease in financial activity for Activity 5 (as defined in note 4 to the financial statements) is also impacted by the transfer of SSSA to DPC. Activity 5 includes expenses and income attributed to the Department's Information and Communication Technology Support Services unit. As part of the SSSA transfer this program was also transferred to DPC.

Statement of Financial Position

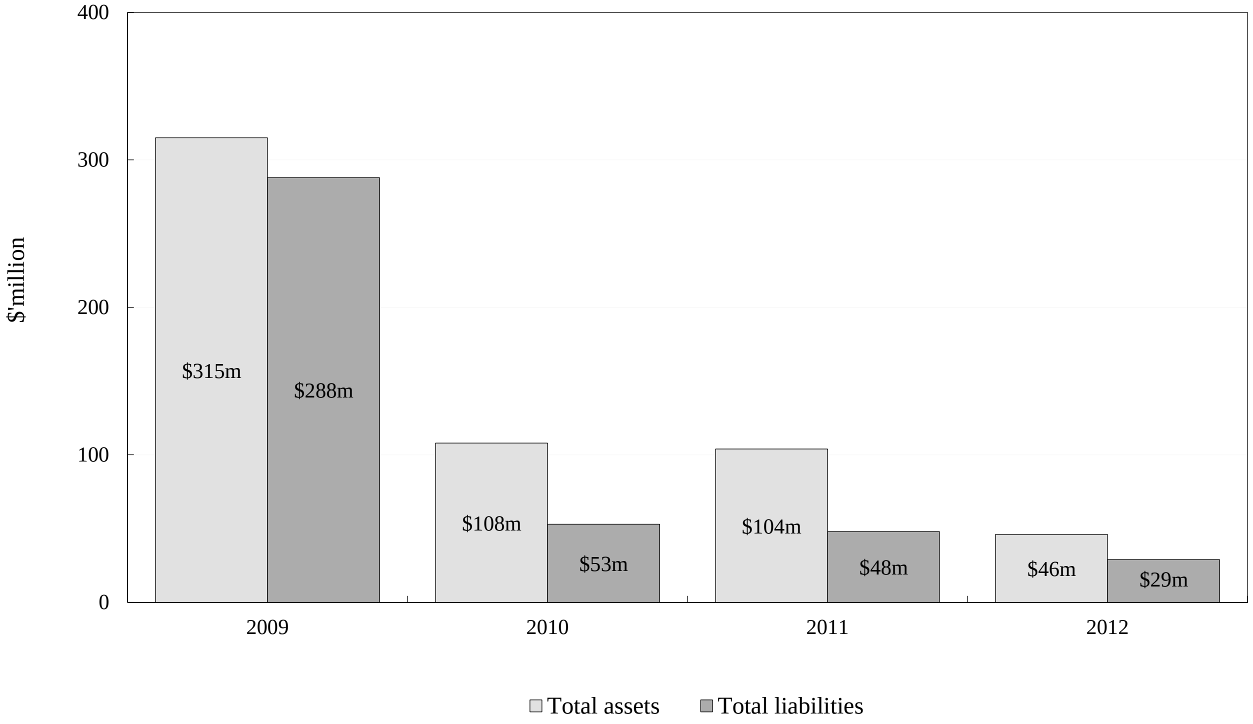
Assets and liabilities

Total assets decreased by $58.2 million to $46.2 million due mainly to the transfer of SSSA to DPC effective from 1 February 2012.

Total liabilities decreased by $18.7 million to $17.4 million. This decrease is also largely attributable to the transfer of liabilities totalling $23.8 million to SSSA, but is partially offset by an increase in employee LSL entitlements.

LSL entitlements have increased as a result of a decrease in the discount rate (yield on Commonwealth Government bonds), which is a significant input into the calculation of the Government's LSL liability. More information on the movement in LSL entitlements is included in note 21 to the financial statements.

The following chart shows the decrease in the Department's assets and liabilities since 2009.



The significant decrease in assets and liabilities from 2009 to 2010 reflected the transfer of the Government's vehicle fleet operations to SAFA from 1 July 2009.

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	(3.9)	(3.8)	37.6	53.2
Investing	(5.4)	(11.3)	(11.6)	(61.4)
Financing	(21.8)	-	(23.0)	12.4
Change in cash	(31.1)	(15.1)	3.0	4.2
Cash at 30 June	19.8	50.9	66.0	63.0

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 administered financial report

The administered financial statements mainly reflect the Department's transactions on behalf of the SA Government for the Consolidated Account.

	2012 $'million	2011 $'million
Income		
Taxation	3 456	3 458
Commonwealth revenues	8 308	7 738
Revenues from SA Government	2 136	1 780
Other revenues	1 600	1 020
Total income	15 500	13 996
Expenses		
Payments to SA Government	10 927	10 076
Grants, subsidies and transfers	3 532	2 875
Other expenses	989	917
Total expenses	15 448	13 868
Net result	52	128
Assets		
Current assets	1 433	1 437
Non-current assets	2	2
Total assets	1 435	1 439
Liabilities		
Current liabilities	1 293	941
Non-current liabilities	76	484
Total liabilities	1 369	1 425
Total equity	66	14

The Consolidated Account result for 2011-12 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

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 (NPP) 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 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 NPP purposes listed in Schedule G.

The balance of the IGA account at 30 June 2012 was $309 million ($210 million). This balance represents funds that the Department is yet to transfer to other agencies.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefit expenses	5	106 527	126 908
Supplies and services	6	62 696	77 796
Depreciation and amortisation expense	7	3 021	4 409
Other expenses	8	66	414
Total expenses		172 310	209 527
Income:			
Revenues from fees and charges	10	88 221	130 743
Interest revenues	11	778	1 317
Net gain from disposal of non-current assets	12	8	-
Other income	13	405	1 065
Commonwealth revenue	14	-	850
Total income		89 412	133 975
Net cost of providing services		(82 898)	(75 552)
Revenues from SA Government:			
Revenues from SA Government	15	69 569	77 322
Total revenues from SA Government		69 569	77 322
Net result		(13 329)	1 770
Total comprehensive result		(13 329)	1 770

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	16	19 751	50 879
Receivables	17	3 162	24 246
Total current assets		22 913	75 125
Non-current assets:			
Receivables	17	36	29
Property, plant and equipment	18	1 422	5 454
Intangible assets	19	21 821	23 824
Total non-current assets		23 279	29 307
Total assets		46 192	104 432
Current liabilities:			
Payables	20	4 236	8 906
Employee benefits	21	6 845	11 199
Provisions	22	295	284
Other current liabilities	23	49	753
Total current liabilities		11 425	21 142
Non-current liabilities:			
Payables	20	1 397	2 023
Employee benefits	21	15 065	23 056
Provisions	22	888	959
Other non-current liabilities	23	-	384
Total non-current liabilities		17 350	26 422
Total liabilities		28 775	47 564
Net assets		17 417	56 868
Equity:			
Contributed capital	24	547	547
Retained earnings	24	16 870	56 213
Revaluation surplus	24	-	108
Total equity		17 417	56 868

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	25		
Contingent assets and liabilities	26		

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

	Note	Contributed capital $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		547	108	54 443	55 098
Net result for 2010-11		-	-	1 770	1 770
Total comprehensive result for 2010-11		-	-	1 770	1 770
Balance at 30 June 2011	24	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)
Revaluation surplus taken to equity (transfer between equity components)		-	(108)	108	-
Net assets transferred as a result of an administrative restructure	30	-	-	(26 122)	(26 122)
Balance at 30 June 2012	24	547	-	16 870	17 417

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(103 209)	(131 107)
Payments for supplies and services		(58 710)	(78 607)
GST payments on purchases		(11 318)	(10 057)
GST remitted to ATO		(11 865)	(13 725)
Payments for Paid Parental Leave Scheme		(126)	-
Cash used in operations		(185 228)	(233 496)
Cash inflows:			
Fees and charges		86 889	126 225
Interest received		697	1 326
GST receipts on receivables		12 202	12 983
GST recovered from ATO		11 418	9 911
Other receipts		405	1 065
Commonwealth funding		-	850
Receipts for Paid Parental Leave Scheme		136	-
Cash generated from operations		111 747	152 360
Cash flows from SA Government:			
Receipts from SA Government		69 569	77 322
Cash generated from SA Government		69 569	77 322
Net cash provided by (used in) operating activities	28(b)	(3 912)	(3 814)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(299)	(1 239)
Purchase of intangible assets		(5 164)	(10 096)
Cash used in investing activities		(5 463)	(11 335)
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		(5 440)	(11 335)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities	30	(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		(31 128)	(15 149)
Cash and cash equivalents at 1 July		50 879	66 028
Cash and cash equivalents at 30 June	28(a)	(19 751)	50 879

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2012

(Activities - refer note 4)	1		2		3		4	
	2012	2011	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	336	344	15 881	19 818	47 690	40 088	32 321	51 742
Supplies and services	16	28	8 786	7 114	27 372	24 114	18 280	33 286
Depreciation and amortisation expense	1	3	91	352	1 055	978	1 336	2 324
Other expenses	-	-	10	22	46	4	1	384
Total expenses	353	375	24 768	27 306	76 163	65 184	51 938	87 736
Income:								
Revenues from fees and charges	11	24	993	3 130	32 733	35 287	42 639	72 319
Interest revenues	-	-	17	49	61	22	683	1 231
Net loss from disposal of non-current assets	-	-	2	-	5	-	-	-
Other income	-	3	110	393	235	285	43	293
Commonwealth revenue	-	-	-	-	-	850	-	-
Total income	11	27	1 122	3 572	33 034	36 444	43 365	73 843
Net cost of providing services	(342)	(348)	(23 646)	(23 734)	(43 129)	(28 740)	(8 573)	(13 893)
Revenues from SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Net result	(342)	(348)	(23 646)	(23 734)	(43 129)	(28 740)	(8 573)	(13 893)

(Activities - refer note 4)	5		General/ Not attributable		Total	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	10 299	14 916	-	-	106 527	126 908
Supplies and services	8 242	13 254	-	-	62 696	77 796
Depreciation and amortisation expense	538	752	-	-	3 021	4 409
Other expenses	9	4	-	-	66	414
Total expenses	19 088	28 926	-	-	172 310	209 527
Income:						
Revenues from fees and charges	11 845	19 983	-	-	88 221	130 743
Interest revenues	17	15	-	-	778	1 317
Net loss from disposal of non-current assets	1	-	-	-	8	-
Other income	17	91	-	-	405	1 065
Commonwealth revenue	-	-	-	-	-	850
Total income	11 880	20 089	-	-	89 412	133 975
Net cost of providing services	(7 208)	(8 837)	-	-	(82 898)	(75 552)
Revenues from SA Government:						
Revenues from SA Government	-	-	69 569	77 322	69 569	77 322
Net result	(7 208)	(8 837)	69 569	77 322	(13 329)	1 770

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

Activity 3 Financial Services Provision includes activity related to the Office of the Minister for Finance and the Office of Veterans' Affairs.

Activity 4 Shared Services 2012 reflects the seven months from 1 July 2011 to 31 January 2012, when SSSA transitioned to the DPC.

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2012

(Activities - refer note 4)	1		2		3		4	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-	-	22 932
Receivables	-	-	24	164	1 292	1 577	-	15 423
Property, plant and equipment	-	-	74	66	816	1 146	-	1 526
Intangible assets	-	-	-	-	21 562	17 427	-	5 360
Total assets	-	-	98	230	23 670	20 150	-	45 241
Liabilities:								
Payables	11	13	1 566	1 035	2 974	2 792	-	3 331
Employee benefits	100	89	4 736	5 141	13 999	10 399	-	14 757
Provisions	5	3	256	189	756	382	-	526
Other liabilities	-	-	-	-	-	-	-	1 004
Total liabilities	116	105	6 558	6 365	17 729	13 573	-	19 618
Net assets	(116)	(105)	(6 460)	(6 135)	5 941	6 577	-	25 623

(Activities - refer note 4)	5		General/ Not attributable		Total	
	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	19 751	27 947	19 751	50 879
Receivables	181	5 434	1 701	1 677	3 198	24 275
Property, plant and equipment	-	2 218	532	498	1 422	5 454
Intangible assets	-	607	259	430	21 821	23 824
Total assets	181	8 259	22 243	30 552	46 192	104 432
Liabilities:						
Payables	507	1 898	575	1 860	5 633	10 929
Employee benefits	3 075	3 869	-	-	21 910	34 255
Provisions	166	143	-	-	1 183	1 243
Other liabilities	-	-	49	133	49	1 137
Total liabilities	3 748	5 910	624	1 993	28 775	47 564
Net assets	(3 567)	2 349	21 619	28 559	17 417	56 868

Activity 3 Financial Services Provision includes activity related to the Office of the Minister for Finance and the Office of Veterans' Affairs.

Activity 4 Shared Services transitioned to DPC effective 1 February 2012 and has no balance sheet items at 30 June 2012.

Notes to and forming part of the financial statements

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

The Department provides policy advice and financial management services to the SA Government in order to strengthen State finances and contribute to community wellbeing through supporting the objectives of South Australia's Strategic Plan (SASP). This is achieved by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole-of-government financial processes and by providing financial services.

The Department is the lead agency supporting the Government's key economic, social and financial policy outcomes through the provision of advice and coordination of resource allocation for government programs. The Department also provides financial services to the Government and the community, covering asset and liability management, collection of state taxes, insurance and superannuation.

The Department also supports the Government's target for improved administrative efficiency within the public sector through the provision of procurement and fleet management across the SA Government.

The Department provides the Government with policy and financial advice on achieving the SASP through the following Departmental priorities:

Strengthen State finances
Related SASP objective: Growing prosperity
Target area: Credit rating; strategic infrastructure

Achieve performance improvements in the South Australian public sector
Related SASP objective: Growing prosperity
Target area: Performance in the public sector - administrative efficiency; Government decision making

Improve budget and financial management processes
Related SASP objective: Growing prosperity
Target area: Performance in the public sector - Government decision-making; strategic infrastructure

Improve service delivery
Related SASP objective: Growing prosperity
Target area: Performance in the public sector - customer and client satisfaction with government services; Government decision-making

Effective industry regulation
Related SASP objective: Growing prosperity
Target area: Performance in the public sector - Government decision-making

Corporate priorities
Related SASP objective: Growing prosperity
Target area: Performance in the public sector - productivity; Government decision-making

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

2. Summary of significant accounting policies

2.1 Statement of compliance

The 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 APS 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 2012 (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. A threshold of $100 000 for separate identification of these items applies

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

  (c) employee TVSP information

  (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 2012 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, expense, 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

The following restructures occurred during 2011-12:

Transferred out
Pursuant to the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 27 January 2012), 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 control and management of SSSA's activities from the Department to DPC, effective from the same date.

2.3 Transferred functions (continued)

By agreement between the Under Treasurer and the Chief Executive, DPC, net assets totalling $26.122 million were transferred to DPC to support this reassignment of responsibility.

The transfer of net assets is recognised in the Statement of Changes in Equity as a distribution to the State Government as owner. Refer note 30 for more details.

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.

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

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

2.7 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).

Contributions received (continued)
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.

Commonwealth funding
The Commonwealth provided a national payment under the Intergovernmental Agreement on Federal Financial Relations (IGAFFR) for the recovery of costs in undertaking work under the standard business reporting requirement. Final funding of $850 000 for this project was received in 2010-11 (refer note 14).

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.

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 the 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 34 includes GST grants, specific purpose payments and national partnership payments received from the Commonwealth pursuant to the IGAFFR. 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 and calculated at prevailing market rates.

Other revenues
Other revenue recognised in note 40 mainly represents the receipt of cash from agencies which is 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.

2.8 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 the 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.

Land is not depreciated.

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

Class of asset	*Depreciation/Amortisation method*	*Useful life (years)*
Buildings	Straight-line	20-40
Fitouts - leased buildings	Straight-line	Remaining 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 and contributions
For contributions payable, the contribution is recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

Grants, subsidies and transfers
Grants, subsidies and transfers mainly represent the transfer of Commonwealth funding received pursuant to the IGAFFR 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.

Borrowing costs
Borrowing costs include annual interest charges on the Treasurer's borrowings from SAFA and interest paid by the Treasurer on agency deposits 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.

2.9 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.

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

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

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, buildings and fitouts over $1 million. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the 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.

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.

Intangible assets (continued)
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.

2.11 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.

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

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Department has entered into finance leases and operating leases.

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

Minimum lease payments are allocated between borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

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

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

Lease incentives
All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and amortised over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

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

Salaries and wages, annual leave and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. There were no accrued salaries and wages as at 30 June 2012, as the last pay period ended on Friday 29 June 2012.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

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

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 21).

This calculation is consistent with 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 2012 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment for workers compensation claims.

2.12 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 2011-12.

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 2012. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

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

Activity 1: 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 has the role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for government programs and priorities at the whole-of-government level.

Activity 3: Financial Services Provision

The Department has a role of providing a range of whole-of-government services including liability management, collection of taxes, insurance, superannuation and fleet administration.

This activity includes the employee benefit expenses and liabilities associated with the employment of staff assigned to support the activities of Super SA and the treasury and insurance activities of SAFA. The recovery of these expenses from Super SA and SAFA are recognised by the Department as revenue from fees and charges.

Activity 4: Shared Services SA

Design, development, implementation and delivery of shared services across government.

SSSA was transferred to DPC effective from 1 February 2012. SSSA transactions have been recognised in the profit and loss for the Department up to 31 January 2012.

Activity 4 also includes transactions relating to SSSA and SSSA reform up to 31 January 2012 (transferred to DPC).

Activity 5: State Procurement and Vehicles for Ministers, Leader of the Opposition, MPs and VIPs

The Department provides a range of services (in addition to those provided by SSSA) to other government agencies including procurement policy, vehicles for ministers, Leader of the Opposition, MPs and VIPs and ICT support services.

Activity 5 also includes transactions relating to ICT support services up to 31 January 2012 (transferred to DPC).

General/Not attributable:

Certain items of the Department are not allocated to activities.

The disaggregated disclosures schedules present expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2011 and 30 June 2012.

5. Employee benefit expenses

	2012	2011
	$'000	$'000
Salaries and wages	74 335	90 714
TVSPs (refer below)	760	2 345
LSL	6 007	3 284
Annual leave	7 630	8 775
Employment on-costs - superannuation	10 209	11 217
Employment on-costs - other	4 814	5 589
Board fees	266	265
Other employee related expenses	2 506	4 719
Total employee benefit expenses	106 527	126 908

TVSPs

Amount paid to these employees:		
TVSPs	760	2 345
Annual leave and LSL paid during the reporting period	166	632
	926	2 977
Recovery from DTF - administered items*	598	2 570
Net cost to the Department	328	407

* The recovery amount includes payroll tax, SSSA administration fees, and payments for employee assistance.

Reimbursement for expenditure incurred by government agencies for payment of TVSP is paid in arrears on an acquittal basis, and is recognised as revenue when received. The Department expects to recover a further $176 000 in 2012-13.

The number of employees who were paid TVSPs during the reporting period was 7 (21).

Remuneration of employees

The number of employees whose total remuneration received/receivable falls within the following bands:	2012 Number	2011 Number
$130 700 - $133 999*	-	2
$134 000 - $143 999	3	11
$144 000 - $153 999	4	11
$154 000 - $163 999	9	4
$164 000 - $173 999	6	8
$174 000 - $183 999	5	7
$184 000 - $193 999	2	7
$194 000 - $203 999	3	1
$204 000 - $213 999	2	1
$214 000 - $223 999	4	4
$224 000 - $233 999	-	5
$234 000 - $243 999	1	4
$244 000 - $253 999	-	2
$254 000 - $263 999	2	2
$264 000 - $273 999	2	1
$274 000 - $283 999	-	2
$284 000 - $293 999	1	1
$294 000 - $303 999	2	2
$304 000 - $313 999	-	1
$314 000 - $323 999	-	1
$324 000 - $333 999	1	1
$364 000 - $373 999	-	1
$374 000 - $383 999	-	1
$394 000 - $403 999	1	-
Total	48	80

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which 42 (62) are executive and 6 (18) 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 $9.534 million ($15.817 million).

6. Supplies and services

	2012 $'000	2011 $'000
Accommodation and telecommunications	12 049	15 390
Information technology expenses	17 083	24 366
Motor vehicle expenses	15	36
Minor works, maintenance and equipment	794	713
Legal costs	2 941	801
Consultants*	4 057	1 461
Contractors and temporary staff	10 239	18 982
Valuation fees	4 792	4 650
General administration and consumables	6 335	5 915
Other	4 391	5 482
Total supplies and services	62 696	77 796
Supplies and services provided by entities within the SA Government:		
Accommodation and telecommunications	11 884	15 227
Information technology expenses	2 785	3 669
Motor vehicle expenses	1	-
Minor works, maintenance and equipment	424	386
Legal costs	1 207	774
Valuation fees	4 792	4 650
General administration and consumables	2 527	1 556
Other	2 196	2 168
Total supplies and services provided by entities within the SA Government	25 816	28 430

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:

	2012 Number	2011 Number	2012 $'000	2011 $'000
Below $10 000	19	21	63	93
Between $10 000 and $50 000	15	13	344	308
Above $50 000	15	8	3 650	1 060
Total paid/payable to the consultants engaged	49	42	4 057	1 461

7. Depreciation and amortisation expense

	2012 $'000	2011 $'000
Depreciation:		
Plant and equipment	-	2
Furniture	31	38
Information technology equipment	708	871
Office equipment	118	262
Total depreciation	857	1 173
Amortisation:		
Intangible assets	1 654	2 412
Building fitouts	510	824
Total amortisation	2 164	3 236
Total depreciation and amortisation expense	3 021	4 409

Additional disclosure is made in the asset movement notes 18 and 19.

8. Other expenses

	2012 $'000	2011 $'000
Derecognition of assets	1	399
Bad and doubtful debts expenses	65	15
Total other expenses	66	414

9. Auditor's remuneration

	2012 $'000	2011 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	645	536
Total audit fees	645	536

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

	2012 $'000	2011 $'000
Agencies for the provision of corporate services	2 065	2 722
SAFA	14 845	14 055
South Australian Superannuation Board	13 524	13 681
Community Emergency Services Fund	1 612	5 617
Land tax certificates	259	276
Regulatory fees	52	147
SSSA	40 534	68 032
Service provision	13 885	24 817
Fleet management	442	445
Other recoveries	1 003	951
Total fees and charges	88 221	130 743
Fees and charges received/receivable from entities within the SA Government:		
Agencies for the provision of corporate services	2 065	2 722
SAFA	14 845	14 055
Community Emergency Services Fund	1 612	5 617
SSSA	40 534	68 032
Service provision	11 745	20 738
Other recoveries	350	385
Total fees and charges from entities within the SA Government	71 151	111 549

11. Interest revenues

	2012	2011
Interest from entities within the SA Government	778	1 317
Total interest revenues	778	1 317

12. Net gain (loss) from disposal of non-current assets

	2012	2011
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

	2012	2011
Commissions	165	151
Banking recoveries	95	90
Other reimbursements	19	-
Other income	126	678
Recovery of prior year doubtful debts	-	146
Total other income	405	1 065
Other income received/receivable from entities within the SA Government:		
Other reimbursements	19	-
Other income	27	417
Total other income from entities within the SA Government	46	417

14. Commonwealth revenue

	2012	2011
Council of Australian Governments funding arrangements	-	850
Total Commonwealth revenue	-	850

Funding for the Standard Business Reporting Project ceased in 2010-11.

15. Revenues from SA Government

	2012	2011
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	65 509	74 622
Transfer from contingencies	4 060	2 700
Total revenues from SA Government	69 569	77 322

15. Revenues from SA Government (continued)

The appropriation from Consolidated Account of $65.509 million is predominantly in support of operating activities and the following components can be attributable to capital: replacement of the Taxation Revenue Management System (RISTEC) $5.888 million and minor capital replacement $550 000 (annual program).

Contingencies of $4.06 million included $2.8 million for the asset divestment program, TVSP and associated reimbursements of $839 000 and National Partnerships Agreement funding of $142 000.

16. Cash and cash equivalents

	2012	2011
	$'000	$'000
Deposits with the Treasurer	19 747	50 872
Cash on hand	4	7
Total cash and cash equivalents	19 751	50 879

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is $879 894 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.

17. Receivables

	2012	2011
Current:	$'000	$'000
Receivables	844	13 534
Allowance for doubtful debts	(68)	(36)
Accrued revenues	833	7 763
Prepayments	1 230	2 985
Net GST receivables from the ATO	323	-
Total current receivables	3 162	24 246
Non-current:		
Receivables	36	29
Total non-current receivables	36	29
Total receivables	3 198	24 275
Receivables from entities within SA Government:		
Receivables	665	13 171
Accrued revenues	824	7 542
Prepayments	-	4
Total receivables from SA Government entities	1 489	20 717

There is no prepayment or accrual of salaries and wages in 2011-12 as the last pay period ended Friday 29 June 2012.

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):

	2012	2011
	$'000	$'000
Carrying amount at 1 July	36	167
Increase in allowance	65	15
Amounts recovered during the year	-	(146)
Transfer through administrative restructuring	(33)	-
Carrying amount at 30 June	68	36

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.

Interest rate and credit risk (continued)
Maturity analysis of receivables - refer note 29.3.

Categorisation of financial instruments and risk exposure information - refer note 29.

18. Property, plant and equipment

	2012	2011
Non-current:	$'000	$'000
Building fitouts:		
At cost (deemed fair value)	1 960	6 930
Accumulated amortisation	(1 420)	(4 923)
Total building fitouts	540	2 007
Plant and equipment:		
At cost (deemed fair value)	13	13
Accumulated depreciation	(13)	(13)
Total plant and equipment	-	-
Furniture:		
At cost (deemed fair value)	300	277
Accumulated depreciation	(235)	(203)
Total furniture	65	74
Information technology equipment:		
At cost (deemed fair value)	2 124	7 151
Accumulated depreciation	(1 585)	(4 753)
Total information technology equipment	539	2 398
Office equipment:		
At cost (deemed fair value)	555	1 247
Accumulated depreciation	(462)	(998)
Total office equipment	93	249
Work in progress:		
At cost (deemed fair value)	185	726
Total work in progress	185	726
Total non-current property, plant and equipment	1 422	5 454
Total property, plant and equipment	1 422	5 454

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

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 2011-12:

	Building fitouts $'000	Plant and equipment $'000	Furniture $'000	Information technology equipment $'000	Office equipment $'000	Work in progress $'000	Total $'000
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)
Disposals and derecognition of assets	-	-	-	(1)	(15)	-	(16)
Capital transfer 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

19. Intangible assets

	2012	2011
Internally developed computer software:	$'000	$'000
At cost (deemed fair value)	20 199	10 741
Accumulated amortisation	(9 398)	(10 491)
Total internally developed computer software	10 801	250
Externally acquired software:		
At cost (deemed fair value)	2 894	11 140
Accumulated amortisation	(2 612)	(4 537)
Total externally acquired software	282	6 603
Work in progress:		
At cost (deemed fair value)	10 738	16 971
Total work in progress	10 738	16 971
Total intangible assets	21 821	23 824

Reconciliation of intangible assets

The following table shows the movement of intangible assets during the period:

	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

Additions mainly relate to acquisitions associated with further development of RISTEC.

There were no indications of impairment for intangible assets as at 30 June 2012.

20. Payables

	2012	2011
Current:	$'000	$'000
Creditors and accrued expenses	3 290	6 667
Employment on-costs	936	2 230
Net GST payable	-	9
Paid Parental Leave Scheme payable	10	-
Total current payables	4 236	8 906
Non-current:		
Employment on-costs	1 397	2 023
Total non-current payables	1 397	2 023
Total payables	5 633	10 929
Payables to entities within SA Government:		
Creditors and accrued expenses	1 320	2 278
Employment on-costs	1 143	1 784
Total payables to SA Government entities	2 463	4 062

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 29.3.

Categorisation of financial instruments and risk exposure information - refer note 29.

21.	**Employee benefits**	2012	2011
	Current:	$'000	$'000
	Annual leave	4 720	8 095
	LSL	2 125	3 104
	Total current employee benefits	6 845	11 199
	Non-current:		
	LSL	15 065	23 056
	Total non-current employee benefits	15 065	23 056
	Total employee benefits	21 910	34 255

The annual leave liability is calculated at the salary rates the Department expects to pay. For 2011-12 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. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased to 3% (2012) from 5.25% (2011).

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

The net financial effect of the change in the LSL estimate for the current financial year is an increase in the LSL liability of $2.517 million and an increase in the payables - employment on-costs liability of $313 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

This increase in the estimated LSL liability is offset by the transfer of SSSA staff to DPC effective 1 February 2012.

22.	**Provisions**	2012	2011
	Current:	$'000	$'000
	Provision for workers compensation	295	284
	Total current provisions	295	284
	Non-current:		
	Provision for workers compensation	888	959
	Total non-current provisions	888	959
	Total provisions	1 183	1 243
	Reconciliation of provisions		
	Carrying amount at 1 July	1 243	893
	Payments/Other sacrifices of future economic benefits	(832)	(329)
	Additional provisions recognised	1 252	679
	Transfer through administrative restructure	(480)	-
	Carrying amount at 30 June	1 183	1 243

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.

23.	**Other liabilities**	2012	2011
	Current:	$'000	$'000
	Unearned revenue	49	83
	Lease incentives	-	670
	Total current other liabilities	49	753
	Non-current:		
	Unearned revenue	-	49
	Lease incentives	-	335
	Total non-current other liabilities	-	384
	Total other liabilities	49	1 137

Lease incentives in prior years related to the activities of SSSA.

24. Equity

	2012	2011
	$'000	$'000
Capital contribution	547	547
Revaluation surplus	-	108
Retained earnings	16 870	56 213
Total equity	17 417	56 868

The revaluation surplus is used to record increments and decrements in the value of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised, which was the case in 2011-12.

25. Unrecognised contractual commitments

(a) Remuneration commitments

	2012	2011
	$'000	$'000
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	8 309	11 672
Later than one year but not later than five years	18 944	18 991
Later that five years	464	-
Total remuneration commitments	27 717	30 663

Amounts disclosed include commitments arising from executive and other employment contracts.

(b) Operating lease commitments

The Department as lessee

At the reporting date, the Department has operating leases for office accommodation 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 Fleet SA. These leases are non-cancellable with terms of three to five years.

	2012	2011
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Not later than one year	5 119	9 835
Later than one year but not later than five years	9 777	15 777
Later than five years	-	374
Total non-cancellable operating lease commitments	14 896	25 986

(c) Other commitments

The Department's other commitments are primarily agreements for software licences and software development.

Not later than one year	11 066	10 245
Later than one year but not later than five years	3 607	8 517
Total other commitments	14 673	18 762

26. 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.

27. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during 2011-12 financial year were:

SAFA Advisory Board

Mr B Rowse (Presiding Member)*
Ms J Brown
Mr B Brownjohn (term expired 08.06.12)
Mr M Day (appointed 09.06.12)
Mr L Foster
Mr G Goddard (Deputy)*
Mr C Long
Ms Y Sneddon
Ms A Westley*

Veterans Advisory Council (from 01.12.11)

Mr M Benyk (reappointed 01.01.12)
GPCAPT R Black, AM (Retd) (appointed 01.01.12)
LTCOL G Dunlop, OAM (Retd) (term expired 31.12.11)
Mr L Eddy (appointed 01.01.12)
Mrs B Fergusson (term expired 31.12.11)
Mrs C Fittock (appointed 01.01.12)
LTCOL M Garraway (appointed 9.12.11)
Mr K J Gillman (reappointed 01.01.12)
LCDR J Godwin, RANR (reappointed 01.01.12)

SAFA Audit Committee
Ms Y Sneddon (Chair)
Mr L Foster
Mr P Mendo*

Super SA Board
Mr P Jackson (Presiding Member)
Mr K Cantley*
Dr B Griggs*
Ms V Deegan
Ms J McMahon
Ms L York (Deputy)

Super SA Member Services Committee
Ms J McMahon (Chair)
Dr B Griggs*
Ms L York
Mr S Rowe*

Super SA Audit and Finance Committee
Ms V Deegan (Chair)
Mr P Jackson
Mr J Wright*

Veterans Advisory Council (from 01.12.11) ***(continued)***
Mr G Harrison, OAM (reappointed 01.01.12)
Mrs K Harrison (appointed 01.01.12)
SQNLDR D Helman, JP (term expired 31.12.11)
Mr D Kerr JP (term expired 31.12.11)
BRIG L Lewis, AM (Retd) (reappointed 01.01.12)
Sir E Neal, AC, CVO
Mr W Schmitt, AM (reappointed 01.01.12)
MAJ I Smith (reappointed 01.01.12)
LTCOL J Spencer, OAM (Retd) (appointed 01.01.12)
Mr J Statton, OAM (appointed 01.01.12)
Mr M von Berg, MC (appointed 01.01.12)
Mrs J Wallent (reappointed 01.01.12)

DTF Audit and Risk Committee
Mr A Blaskett (Chair)*
Mr A Martin*
Mr C Fowler*
Mr A Steele*
Mr J Hill (independent member)
Mr T Smith*

The number of members whose remuneration received/receivable falls within the following bands:	2012 Number	2011 Number
$0	21	7
$1 - $9 999	16	2
$20 000 - $29 999	2	2
$30 000 - $39 999	4	5
$40 000 - $49 999	2	1
Total	45	17

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 $289 000 ($277 000).

Amounts paid to a superannuation plan for board/committee members was $23 000 ($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.

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

28. Cash flow reconciliation

	2012	2011
(a) Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Cash Flows	19 751	50 879
Statement of Financial Position	19 751	50 879

	2012	2011
(b) Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	(3 912)	(3 814)
Revenues from SA Government	(69 569)	(77 322)
Non-cash items:		
Depreciation and amortisation expense	(3 021)	(4 409)
Derecognition of assets	(1)	(399)
Bad and doubtful debt expenses	(65)	(15)
Non-current assets accrual in payables	(521)	(467)
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 operating (used in) activities to net cost of providing services (continued)***	2012 $'000	2011 $'000
Movements in assets/liabilities:		
Receivables	(21 012)	5 102
Payables	5 296	2 261
Employee benefits	12 345	3 324
Provisions	60	(350)
Other liabilities	1 088	537
Net cost of providing services	(82 898)	(75 552)

29. Financial instruments/Financial risk management

29.1 Categorisation of financial instruments

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

		2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	16,28	19 751	19 751	50 879	50 879
Loans and receivables held:					
Receivables[(1)(2)]	17	1 601	1 601	21 253	21 253
Total financial assets		21 352	21 352	72 132	72 132
Financial liabilities					
Financial liabilities - at cost:					
Payables[(1)]	20	2 645	2 645	6 131	6 131
Total financial liabilities		2 645	2 645	6 131	6 131

(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 payables, tax equivalents, Commonwealth tax, audit payables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. All amounts recorded are carried at cost.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipts 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 rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

29.2 Ageing analysis of financial assets

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

	Past due by			
	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

29.2 Ageing analysis of financial assets (continued)

	Past due by			
2011	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
Not impaired:				
Receivables[(1)]	6 369	3 970	3 159	13 498
Impaired:				
Receivables[(1)]	-	-	36	36

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

29.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturity		
2012	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
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	-	-
2011				
Financial assets:				
Cash and cash equivalents	50 879	50 879	-	-
Receivables	21 253	21 253	-	-
Total financial assets	72 132	72 132	-	-
Financial liabilities:				
Payables	6 131	6 131	-	-
Total financial liabilities	6 131	6 131	-	-

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 29.3 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.

30. Transferred functions

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 DTF 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.

31. Events after the end of the reporting period

The Department is not aware of any after the reporting period events that would impact on the financial statements.

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

	Note	2012 $'000	2011 $'000
Income:			
Taxation	33	3 455 794	3 457 562
Commonwealth revenues	34	8 308 311	7 738 040
Dividends	35	273 839	271 600
Interest revenues	36	153 993	146 578
Revenues from SA Government	37	2 136 149	1 779 663
Grants and contributions	38	152 682	145 632
Revenues from fees and charges	39	74 590	81 255
Other revenues	40	944 618	375 752
Total income		15 499 976	13 996 082
Expenses:			
Payments to SA Government	37	10 926 816	10 076 437
Employee benefit expenses	41	424 246	421 190
Supplies and services	42	58 409	72 264
Borrowing costs	43	413 130	334 847
Grants, subsidies and transfers	44	3 532 075	2 875 244
Depreciation and amortisation expense	45	140	98
Other expenses	46	93 332	88 362
Total expenses		15 448 148	13 868 442
Net result		51 828	127 640
Total comprehensive result		51 828	127 640

Statement of Administered Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	47	1 310 931	1 333 135
Receivables	48	121 506	104 544
Other financial assets	49	57	21
Total current assets		1 432 494	1 437 700
Non-current assets:			
Receivables	48	14	2
Other financial assets	49	589	962
Property, plant and equipment	50	1 617	1 024
Total non-current assets		2 220	1 988
Total assets		1 434 714	1 439 688
Current liabilities:			
Payables	51	1 291 201	938 976
Employee benefits	52	1 039	972
Provisions	53	104	18
Other current liabilities	54	351	1 390
Total current liabilities		1 292 695	941 356
Non-current liabilities:			
Payables	51	74 000	482 783
Employee benefits	52	852	467
Provisions	53	344	62
Other non-current liabilities	54	755	780
Total non-current liabilities		75 951	484 092
Total liabilities		1 368 646	1 425 448
Net assets		66 068	14 240
Equity:			
Accumulated surplus (deficit)		65 620	13 792
Revaluation surplus		448	448
Total equity	55	66 068	14 240
Unrecognised contractual commitments	56		
Contingent assets and liabilities	57		

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

	Revaluation surplus $'000	Accumulated surplus (deficit) $'000	Total $'000
Balance at 30 June 2010	448	(113 848)	(113 400)
Net result for 2010-11	-	127 640	127 640
Total comprehensive result for 2010-11	-	127 640	127 640
Balance at 30 June 2011	448	13 792	14 240
Net result for 2011-12	-	51 828	51 828
Total comprehensive result for 2011-12	-	51 828	51 828
Balance at 30 June 2012	448	65 620	66 068

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

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Taxation received		3 455 794	3 457 562
Receipts from Commonwealth		8 308 311	7 738 040
Dividends		273 839	271 600
Interest received		154 025	146 699
Receipts from SA Government		2 136 149	1 779 663
Grants and contributions		152 031	152 757
Fees and charges		55 494	81 680
GST receipts on receivables		5 863	8 124
GST recovered from ATO		2 963	8 486
Receipts for Paid Parental Leave Scheme		11	-
Other receipts		937 711	364 015
Cash generated from operations		15 482 191	14 008 626
Cash outflows:			
Payments to SA Government		(10 926 816)	(9 997 931)
Employee benefit payments		(423 379)	(421 336)
Payments for supplies and services		(112 915)	(72 366)
Interest payments		(413 130)	(390 152)
Grants, subsidies and transfers		(3 530 535)	(2 883 013)
GST payments on purchases		(4 572)	(9 363)
GST remitted to ATO		(3 727)	(7 562)
Payments for Paid Parental Leave Scheme		(9)	-
Other payments		(89 397)	(85 026)
Cash used in operations		(15 504 480)	(13 866 749)
Net cash provided by (used in) operating activities	59(b)	(22 289)	141 877
Cash flows from investing activities:			
Cash outflows			
Purchase of property, plant and equipment		(733)	(142)
Cash used in investing activities		(733)	(142)
Net cash provided by (used in) investing activities		(733)	(142)
Cash flows from financing activities:			
Cash inflows:			
Proceeds from other financial assets		1 712	4 088
Cash generated from financing activities		1 712	4 088
Cash outflows:			
Repayment of interest bearing liabilities		(894)	(560)
Cash used in financing activities		(894)	(560)
Net cash provided by (used in) financing activities		818	3 528
Net increase (decrease) in cash and cash equivalents		(22 204)	145 263
Cash and cash equivalents at 1 July		1 333 135	1 187 872
Cash and cash equivalents at 30 June	59(a)	1 310 931	1 333 135

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2012

	Admin items on behalf of the Consolidated Account		Commonwealth mirror taxes on Commonwealth Places Revenue Account		Community Development Fund	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	3 358 545	3 362 260	-	-	-	-
Commonwealth revenues	5 901 068	5 813 957	22 803	21 802	-	-
Dividends	273 839	271 600	-	-	-	-
Interest revenues	150 938	143 311	-	-	-	-
Revenues from SA Government	48 494	46 142	-	-	-	-
Grants and contributions	-	-	-	-	20 000	20 000
Revenues from fees and charges	72 138	63 601	-	-	-	-
Other revenues	767 836	203 782	-	-	-	-
Total income	10 572 858	9 904 653	22 803	21 802	20 000	20 000
Expenses:						
Payments to SA Government	10 522 290	9 856 011	-	-	-	-
Employee benefit expenses	477	281	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	50 091	48 361	-	-	20 000	20 000
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	22 803	21 802	-	-
Total expenses	10 572 858	9 904 653	22 803	21 802	20 000	20 000
Net result	-	-	-	-	-	-
Total comprehensive result	-	-	-	-	-	-

	Community Emergency Services Fund		Country Equalisation Scheme		ETSA Sales/Lease Proceeds Account	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	97 249	95 302	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	149	183	674	693	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	82 196	81 414	-	-	-	-
Revenues from fees and charges	402	403	-	-	-	-
Other revenues	-	-	-	-	4 013	3 712
Total income	179 996	177 302	674	693	4 013	3 712
Expenses:						
Payments to SA Government	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	179 905	177 415	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	179 905	177 415	-	-	-	-
Net result	91	(113)	674	693	4 013	3 712
Total comprehensive result	91	(113)	674	693	4 013	3 712

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2012 (continued)

	Hospitals Fund		Housing Loan Redemption Fund		Intergovt Agreement on Federal Relations	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	2 384 440	1 902 281
Dividends	-	-	-	-	-	-
Interest revenues	-	-	267	479	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	159 601	157 718	-	-	-	-
Total income	159 601	157 718	267	479	2 384 440	1 902 281
Expenses:						
Payments to SA Government	159 601	157 718	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	2 285 150	1 950 483
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	159 601	157 718	-	-	2 285 150	1 950 483
Net result	-	-	267	479	99 290	(48 202)
Total comprehensive result	-	-	267	479	99 290	(48 202)

	Industry Financial Assistance Account		Local government concessions		Local Government Disaster Fund	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	45	118	-	-	1 911	1 794
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	24 908	21 932	5 018	2 495	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	3 195	4 031	-	-	-	-
Total income	28 148	26 081	5 018	2 495	1 911	1 794
Expenses:						
Payments to SA Government	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	40	40
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	17 034	36 563	2 327	2 237	11 240	1 083
Depreciation expense	-	-	-	-	-	-
Other expenses	3 937	3 453	-	-	-	-
Total expenses	20 971	40 016	2 327	2 237	11 280	1 123
Net result	7 177	(13 935)	2 691	258	(9 369)	671
Total comprehensive result	7 177	(13 935)	2 691	258	(9 369)	671

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2012 (continued)

	Responsible Gambling Working Party		State Procurement Board - Gaming Machines		Support services to Parliamentarians	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	-	-	3	-	-	-
Revenues from SA Government	-	-	-	-	-	236
Grants and contributions	-	98	-	-	20 560	19 693
Revenues from fees and charges	-	-	2 050	15 731	-	1 520
Other revenues	-	-	-	-	3	8
Total income	-	98	2 053	15 731	20 563	21 457
Expenses:						
Payments to SA Government	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	15 084	14 063
Supplies and services	166	143	2 053	15 731	6 059	5 573
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	1	-
Depreciation expense	-	-	-	-	114	72
Other expenses	-	-	-	-	1	-
Total expenses	166	143	2 053	15 731	21 259	19 708
Net result	(166)	(45)	-	-	(696)	1 749
Total comprehensive result	(166)	(45)	-	-	(696)	1 749

	Market Projects Unit		Sustainable Budget Commission		Treasury and Finance Administered Items Account	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	6	-	-	-	-	-
Revenues from SA Government	-	-	-	996	2 087 655	1 732 289
Grants and contributions	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	2000	-	-	1	817	1 813
Total income	2 006	-	-	997	2 088 472	1 734 102
Expenses:						
Payments to SA Government	-	-	-	-	244 925	62 708
Employee benefit expenses	-	-	-	-	408 685	406 846
Supplies and services	-	-	-	810	50 069	49 936
Borrowing costs	-	-	-	-	413 130	334 847
Grants, subsidies and transfers	-	-	-	-	966 327	639 102
Depreciation expense	-	-	-	-	-	-
Other expenses	2 003	-	485	-	56 975	58 445
Total expenses	2 003	-	485	810	2 140 111	1 551 884
Net result	3	-	(485)	187	(51 639)	182 218
Total comprehensive result	3	-	(485)	187	(51 639)	182 218

Schedule of Income and Expenses attributable to Administered Activities for the year ended 30 June 2012 (continued)

	Treasurer's interest in the National Wine Centre Account		Treasury Working Account		Total	
	2012	2011	2012	2011	2012	2011
Income:	$'000	$'000	$'000	$'000	$'000	$'000
Taxation	-	-	-	-	3 455 794	3 457 562
Commonwealth revenues	-	-	-	-	8 308 311	7 738 040
Dividends	-	-	-	-	273 839	271 600
Interest revenues	-	-	-	-	153 993	146 578
Revenues from SA Government	-	-	-	-	2 136 149	1 779 663
Grants and contributions	-	-	-	-	152 682	145 632
Revenues from fees and charges	-	-	-	-	74 590	81 255
Other revenues	25	25	7 128	4 662	944 618	375 752
Total income	25	25	7 128	4 662	15 499 976	13 996 082
Expenses:						
Payments to SA Government	-	-	-	-	10 926 816	10 076 437
Employee benefit expenses	-	-	-	-	424 246	421 190
Supplies and services	22	31	-	-	58 409	72 264
Borrowing costs	-	-	-	-	413 130	334 847
Grants, subsidies and transfers	-	-	-	-	3 532 075	2 875 244
Depreciation expense	26	26	-	-	140	98
Other expenses	-	-	7 128	4 662	93 332	88 362
Total expenses	48	57	7 128	4 662	15 448 148	13 868 442
Net result	(23)	(32)	-	-	51 828	127 640
Total comprehensive result	(23)	(32)	-	-	51 828	127 640

Notes to and forming part of the administered financial statements

32. The administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services; grants and subsidies to public sector agencies, the private sector and the community; and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

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

32 (continued)

- 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
- State Procurement Board - Gaming Machines Account*
- Support Services to Parliamentarians
- Sustainable Budget Commission (ceased 17 December 2010)**
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account.

* The State Procurement Board (the Board) previously held the gaming machines supplier's licence under the *Gaming Machines Act 1992* (GM Act). The Board was licenced under the GM Act to purchase gaming machines and sell or supply these machines to holders of a gaming machine licence.

The State Procurement Board - Gaming Machines Account is a deposit account held with the Treasurer used to record the Board's purchase and sale of gaming machines.

Amendments to the GM Act effective from 1 July 2011 have removed the State Procurement Board's role in the supply of gaming machines. All activities of the State Procurement Board - Gaming Machines Account have now ceased and the balance of the account returned to the Consolidated Account.

** The Sustainable Budget Commission balance of $485 000 was transferred to the Consolidated Account in 2011-12.

32.1 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.

33. Taxation

	2012	2011
	$'000	$'000
Stamp duties	1 284 427	1 321 103
Commonwealth places mirror - stamp duties	262	363
Payroll tax	1 205 915	1 145 678
Commonwealth places mirror - payroll tax	21 105	20 043
Land tax	587 988	595 885
Commonwealth places mirror - land tax	1 437	1 396
Emergency Services levy	97 249	95 302
Local government rate equivalents	6 977	5 859
Income tax equivalents	130 713	161 599
Contributions from Lotteries Commission of South Australia	93 534	85 231
Save the River Murray levy	26 171	25 036
Hindmarsh Island Bridge levy	16	67
Total taxation	3 455 794	3 457 562

	2012	2011
Taxation received/receivable from entities within the SA Government:		
Stamp duties	4 908	4 332
Payroll tax	227 037	210 878
Land tax	232 252	236 365
Emergency Services levy	1 265	2 965
Local government rate equivalents	6 756	5 645
Income tax equivalents	130 713	161 599
Contributions from Lotteries Commission of South Australia	93 534	85 231
Total taxation received/receivable from entities within the SA Government	696 465	707 015

34. Commonwealth revenues

	2012	2011
Commonwealth general purpose grants:	$'000	$'000
GST revenue grants	4 279 645	4 251 512
Commonwealth places mirror taxes	22 804	21 802
Total Commonwealth general purpose grants	4 302 449	4 273 314
Commonwealth specific purpose grants:		
Concessions to pensioners and others	25 180	24 186
Council of Australian Governments funding arrangements	1 580 274	1 523 284
Intergovernmental Agreement on Federal Financial Relations - recurrent	1 312 516	1 093 112
Intergovernmental Agreement on Federal Financial Relations - capital	1 071 923	809 169
Other grants paid to the Consolidated Account	15 135	999
First Home Owners Boost	834	13 976
Total Commonwealth specific purpose grants	4 005 862	3 464 726
Total Commonwealth revenues	8 308 311	7 738 040

35. Dividends

Austraining International	-	286
ForestrySA	14 187	26 516
HomeStart Finance	6 216	7 329
Land Management Corporation	-	12 757
Public Trustee Office	684	-
SA Water Corporation	218 046	169 006
South Australian Asset Management Corporation	20 200	4 000
SA Government Employee Residential Property	1 706	1 706
SAFA	12 800	50 000
Total dividends	273 839	271 600

Total dividends are received/receivable from entities within the SA Government.

36. Interest revenues

Interest	153 993	146 578
Total interest revenues	153 993	146 578
Total interest received/receivable from entities within the SA Government	149 040	139 750

37. Revenues from/Payments to SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to *Appropriation Act*	2 087 655	1 732 289
Appropriations under other Acts	48 494	46 142
Transfer from contingencies	-	1 232
Total revenues from SA Government	2 136 149	1 779 663

Appropriations from the Consolidated Account include $1.933 billion pursuant to the *Appropriation Act 2011*, contributions from the Governor's Appropriation Fund totalling $112.948 million and $42.019 million received pursuant to section 15 of the PFAA to fund payments resulting from salary and wage determinations.

	2012	2011
Payments to SA Government:	$'000	$'000
Transfer of revenue received on behalf of Consolidated Account	10 522 290	9 856 011
Other payments to the Consolidated Account	159 601	157 718
Return of surplus cash pursuant to cash alignment policy	244 925	62 708
Total payments to SA Government	10 926 816	10 076 437

38. Grants and contributions

Grants and contributions	152 682	145 632
Total grants and contributions	152 682	145 632
SA Government entities	150 895	144 729
Total grants and contributions from entities within the SA Government	150 895	144 729

39. Revenues from fees and charges

	2012 $'000	2011 $'000
Guarantee fees	72 138	63 601
Support services to Parliamentarians	-	1 520
State Procurement Board - gaming machines	2 050	15 731
Other recoveries	402	403
Total fees and charges	74 590	81 255

Fees and charges received/receivable from entities within the SA Government:		
Guarantee fees	72 138	63 601
Support services to Parliamentarians	-	1 520
Total fees and charges from entities within the SA Government	72 138	65 121

40. Other revenues

Contributions towards public hospital costs	159 601	157 718
Discounted cash flow valuations for financial assistance loans	3 195	4 031
Repayments of advances	163 167	70 962
Return of cash to Consolidated Account - cash alignment policy	346 523	96 557
Return of capital	217 475	-
Return of deposit account balances	18 537	22 306
Essential Services Commission of SA	6 409	5 526
Support services to Parliamentarians	3	7
Other income	29 708	18 645
Total other revenues	944 618	375 752

Other revenues received/receivable from entities within the SA Government:		
Contributions towards public hospital costs	159 601	157 718
Repayment of advances	78 040	70 841
Return of cash to Consolidated Account - cash alignment policy	346 523	96 557
Return of capital	217 475	-
Return of deposit account balances	5 237	10 735
Essential Services Commission of SA	6 409	5 526
Other income	13 491	7 240
Total other revenues received/receivable from entities within the SA Government	826 776	348 617

41. Employee benefit expenses

Superannuation contributions to various schemes	408 685	406 846
Salaries and wages	11 155	11 040
LSL	728	289
Annual leave	858	891
Employment on-costs - superannuation	1 109	1 073
Employment on-costs - other	685	657
Minister's salary, electorate and expense allowance	477	281
Other employee related expenses	549	113
Total employee benefit expenses	424 246	421 190

Remuneration of employees

The number of employees whose total remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$134 000 - $143 999	2	-
$144 000 - $153 999	-	1
$174 000 - $183 999	1	-
Total	3	1

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 $461 000 ($148 000).

42. Supplies and services

	2012 $'000	2011 $'000
State's share of GST administration	49 470	49 449
Support services to Parliamentarians	5 838	5 499
Gaming machines	2 053	15 732
Unclaimed monies	597	476
Accommodation and telecommunication	20	65
Consultants	55	123
General administration and consumables	186	920
Other	190	-
Total supplies and services	58 409	72 264

	2012 $'000	2011 $'000
Supplies and services provided by entities within the SA Government:		
Support services to Parliamentarians	3 172	2 898
Accommodation and telecommunication	-	2
General administration and consumables	171	872
Other	189	-
Total supplies and services provided by entities within the SA Government	3 532	3 772

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:	2012 Number	2011 Number	2012 $'000	2011 $'000
Below $10 000	-	2	-	8
Between $10 000 and $50 000	2	4	55	115
Total paid/payable to the consultants engaged	2	6	55	123

43. Borrowing costs

	2012 $'000	2011 $'000
Interest on borrowings	370 588	289 914
Interest paid on deposit accounts and other monies	42 542	44 933
Total borrowing costs	413 130	334 847
Borrowing costs paid/payable to entities within the SA Government:		
Interest on borrowings	370 588	289 914
Interest paid on deposit accounts and other monies	38 148	40 623
Total borrowing costs paid/payable to entities within the SA Government	408 736	330 537

44. Grants, subsidies and transfers

	2012 $'000	2011 $'000
Recurrent grants, subsidies and transfers	2 492 453	1 929 207
Capital grants, subsidies and transfers	1 039 622	946 037
Total grants, subsidies and transfers	3 532 075	2 875 244
Grants, subsidies and transfers paid to entities within the SA Government:		
Recurrent grants, subsidies and transfers	2 317 869	1 804 376
Capital grants, subsidies and transfers	1 039 622	946 037
Total grants, subsidies and transfers paid to entities within the SA Government	3 357 491	2 750 413

45. Depreciation and amortisation expense

	2012 $'000	2011 $'000
Depreciation:		
Buildings	26	26
Office equipment	4	4
Total depreciation	30	30
Amortisation:		
Building fitouts	110	68
Total amortisation	110	68
Total depreciation and amortisation expense	140	98

46. Other expenses

	2012	2011
	$'000	$'000
Refunds and remissions	40 648	36 644
Payments to the South Australian Superannuation Fund	13 300	9 500
Payments to Commonwealth Government	22 804	21 802
Bad debts	466	314
Doubtful debts	150	1 517
Repayment of borrowings	2 967	12 131
Loans forgiven	3 321	1 623
Other	9 676	4 831
Total other expenses	93 332	88 362
Other expenses paid/payable to entities within the SA Government:		
Repayment of borrowings	2 967	12 131
Other	3 220	862
Doubtful debts expenses	1	-
Total other expenses paid/payable to entities within the SA Government	6 188	12 993

47. Cash and cash equivalents

	2012	2011
Deposits with the Treasurer	1 277 411	1 292 635
Promissory notes	33 520	40 500
Total cash and cash equivalents	1 310 931	1 333 135

Interest rate risk

Deposits with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value. Promissory notes have been issued by the Local Government Finance Authority of South Australia and earned a floating interest rate average of 4.6% (4.73%).

48. Receivables

	2012	2011
Current:	$'000	$'000
Receivables	123 409	94 500
Allowance for doubtful debts	(2 559)	(4 005)
Accrued revenues	409	13 595
Prepayments	1	51
GST input tax recoverable	246	403
Total current receivables	121 506	104 544
Non-current:		
Receivables	14	2
Total non-current receivables	14	2
Total receivables	121 520	104 546
Receivables from entities within SA Government:		
Receivables	120 847	89 902
Accrued revenues	406	13 592
Total receivables from SA Government entities	121 253	103 494

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):

	Note	2012	2011
		$'000	$'000
Carrying amount at 1 July		4 005	2 492
Increase in the allowance		150	1 513
Prior year provision now recognised against financial assets provision	49	(1 596)	-
Carrying amount at 30 June		2 559	4 005

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

	2012	2011
	$'000	$'000
Current:		
Loans for financial assistance	657	21
Provision for doubtful debts	(600)	-
Total current other financial assets	57	21
Non-current:		
Loans for financial assistance	1 589	966
Provision for doubtful debts	(1 000)	(4)
Total non-current other financial assets	589	962
Total other financial assets	646	983

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	2012 $'000	2011 $'000
Carrying amount at 1 July		4	-
Increase in provision reassigned from receivables provision	48	1 596	4
Carrying amount at 30 June		1 600	4

50. Property, plant and equipment

	2012	2011
Buildings:		
At valuation (30 June 2010)	874	874
Accumulated depreciation	(52)	(26)
Total buildings	822	848
Building fitouts:		
At cost	1 526	793
Accumulated amortisation	(781)	(671)
Total building fitouts	745	122
Land:		
At valuation (30 June 2010)	46	46
Total land	46	46
Office equipment:		
At cost (deemed fair value)	21	21
Accumulated depreciation	(17)	(13)
Total office equipment	4	8
Total property, plant and equipment	1 617	1 024

Valuation of non-current assets
An independent valuation of the land and buildings for the National Wine Centre was performed as at 30 June 2010. The valuation involved discounting the net financial activity associated with the 40 year lease arrangement with the University of Adelaide. A revaluation surplus of $448 000 is held for the revalued land and building. The next revaluation is scheduled for 30 June 2013.

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

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 2011-12:

	Buildings $'000	Building fitouts $'000	Land $'000	Office equipment $'000	Total $'000
Carrying amount at 1 July	848	122	46	8	1 024
Additions	-	733	-	-	733
Depreciation and amortisation expense	(26)	(110)	-	(4)	(140)
Carrying amount at 30 June	822	745	46	4	1 617

51. Payables

	2012 $'000	2011 $'000
Current:		
Creditors - electricity entities lease proceeds	408 887	4 079
Creditors - revenue on behalf of the Consolidated Account	813 186	846 574
Creditors - other	67 033	72 856
Accrued expenses	1 543	15 350
Employment on-costs	140	131
GST payable	410	(14)
Paid Parental Leave Scheme payable	2	-
Total current payables	1 291 201	938 976
Non-current:		
Creditors - electricity entities lease proceeds	73 921	482 742
Employment on-costs	79	41
Total non-current payables	74 000	482 783
Total payables	1 365 201	1 421 759
Payables to entities within SA Government:		
Creditors - electricity entities lease proceeds	482 808	486 821
Creditors - revenue on behalf of the Consolidated Account	813 186	846 574
Creditors - other	65 493	72 856
Accrued expenses	468	14 127
Employment on-costs	100	76
Total payables to SA Government entities	1 362 055	1 420 454

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

	2012 $'000	2011 $'000
Current:		
Annual leave	680	655
LSL	359	317
Total current employee benefits	1 039	972
Non-current:		
LSL	852	467
Total non-current employee benefits	852	467
Total employee benefits	1 891	1 439

52. Employee benefits (continued)

The annual leave liability is calculated at the salary rates the Department expects to pay. For 2011-12 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. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased to 3% (2012) from 5.25% (2011).

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

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $402 000 and an increase in the payables - employment on-costs liability of $42 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

53. Provisions

	2012	2011
Current:	$'000	$'000
Provision for workers compensation	104	18
Total current provisions	104	18
Non-current:		
Provision for workers compensation	344	62
Total non-current provisions	344	62
Total provisions	448	80

Reconciliation of provisions

Carrying amount at 1 July	80	67
Additional provisions recognised	368	13
Carrying amount at 30 June	448	80

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by DPC.

54. Other liabilities

Current:		
Unearned revenue	351	1 390
Total current other liabilities	351	1 390
Non-current:		
Unearned revenue	755	780
Total non-current other liabilities	755	780
Total other liabilities	1 106	2 170

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	448	448
Retained earnings	65 620	13 792
Total equity	66 068	14 240

56. Unrecognised contractual commitments

(a) Remuneration commitments

Commitments for the payment of salaries and other remuneration under employment fixed-term contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	2 236	2 078
Later than one year but not later than five years	1 348	2 582
Total remuneration commitments	3 584	4 660

Amounts disclosed include commitments arising from executive and other employment contracts.

(b) Operating lease commitments

The Department as lessee

At the reporting date, the Department has operating leases for office accommodation 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.

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

	2012	2011
	$'000	$'000
Not later than one year	1 368	1 471
Later than one year but not later than five years	1 924	3 052
Total operating lease commitments	3 292	4 523

(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.

	2012	2011
	$'000	$'000
Not later than one year	240 320	144 569
Later than one year but not later than five years	68 958	68 463
Total other commitments	309 278	213 032

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.

- 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 2012 is capped at $692 000.

- 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 guaranteed the repayment of a loan, which the South Australian Netball Association has with an external banking institution with a total exposure value of $1.134 million.

- Financial obligations with a total exposure of $43.097 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.

- During 2011-12 the Department has created intellectual property assets to assist with the sale of government assets to give commercial-in-confidence information to sale bidders. These assets are only of value to the end bidder if a sale is finalised, and have no value in use to the SA Government. As such, the value of this intellectual property is contingent on the sale of these assets.

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 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

	2012	2011
(a) Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Administered Cash Flows	1 310 931	1 333 135
Statement of Administered Financial Position	1 310 931	1 333 135

	2012	2011
(b) ***Reconciliation of net cash provided by (used in) operating activities to net result***		
Net cash provided by (used in) operating activities	(22 289)	141 877
Non-cash items:		
Depreciation and amortisation expense	(140)	(98)
Bad debts	(466)	(314)
Doubtful debts	(150)	(1 517)
Net movements in financial assistance loans	4 268	4 031
Loans forgiven	(3 321)	(1 623)
Movement in provision for doubtful debts between receivables and non-current financial assets	1 596	-
Movements in assets/liabilities:		
Receivables	15 528	3 926
Payables	56 558	(20 967)
Employee benefits	(452)	75
Provisions	(368)	(13)
Other liabilities	1 064	2 263
Total comprehensive result	51 828	127 640

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.

		2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash:					
Cash and cash equivalents	47,59	1 310 931	1 310 931	1 333 135	1 333 135
Loans and receivables:					
Receivables(1)(2)	48	121 257	121 257	104 090	104 090
Investments - held to maturity:					
Other financial assets	49	646	646	983	983
Total financial assets		1 432 834	1 432 834	1 438 208	1 438 208
Financial liabilities					
Financial liabilities - at cost:					
Payables(1)	51	1 364 570	1 364 570	1 421 601	1 421 601
Total financial liabilities		1 364 570	1 364 570	1 421 601	1 421 601

(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 payables, tax equivalents, Commonwealth tax, audit payables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. All amounts recorded are carried at cost.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 48 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 receipts 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 rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 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
2012	$'000	$'000	$'000	$'000
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
2011				
Not impaired:				
Receivables[(1)]	89 249	-	1 246	90 495
Other financial assets	-	-	983	983
Impaired:				
Receivables[(1)]	-	-	4 005	4 005
Other financial assets	-		4	4
	89 249	-	6 238	95 487

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables. In Government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables, tax equivalents, Commonwealth tax, audit receivables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. 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 maturity		
2012	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
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

60.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturity		
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:				
Cash and cash equivalents	1 333 135	1 333 135	-	-
Receivables	104 090	104 090	-	-
Other financial assets	983	450	533	-
Total financial assets	1 438 208	1 437 675	533	-
Financial liabilities:				
Payables	1 421 601	938 859	-	482 742
Total financial liabilities	1 421 601	938 859	-	482 742

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. 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 2011, specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- student fee revenue
- Commonwealth financial assistance
- research grants revenue
- cash
- fixed assets
- 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 2011 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 2011, 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 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.

Corporate governance

In previous years Audit has commented on the University's progress in implementing legal compliance and risk management frameworks. The audit in 2011 identified that the University is continuing the implementation of:

- the legal compliance framework in schools and faculties
- operational risk management in schools and divisions.

A phased approach is being implemented due to the complexity and diversity of the University's operations. Completion of these significant initiatives is considered important to ensure the overall effectiveness of the governance arrangements applying to the University's operations.

The University responded that the legal compliance framework is scheduled to be adopted by all key compliance areas by the end of 2012, with all other areas completed by the end of 2013. The risk management framework will continue to be implemented and expanded as planned.

Policies and procedures

The audit in 2010 identified that the University had either not developed or updated policies and procedures to support operational practices in a number of areas. The audit in 2011 identified that while policies and procedures for a number of areas were drafted, these were not finalised and formally approved.

The University responded that the final approval and distribution of the policies and procedures would be completed in the first quarter of 2013.

Payroll

The audit in 2010 and follow-up in 2011 identified that:

- while quarterly bona fide certificates are returned to Human Resources, there is no requirement for the return of reviewed fortnightly bona fide certificates to a central location

- not all quarterly bona fide certificates have been reviewed and returned as per the requirements of the University's Bona Fides Review Procedure

- there is no formal process to communicate errors identified through the fortnightly review of bona fide certificates.

The University responded that it maintains a comprehensive policy and procedure to check bona fide certificates which requires quarterly and annual bona fide certificates to be reviewed and returned to Human Resources and fortnightly bona fide certificates to be reviewed and retained in local areas. In addition to this procedure, the University has a range of other existing controls to ensure only bona fide employees are paid authorised amounts through the University payroll.

Student fee revenue

The audit in 2011 included follow-up of action taken by the University to address student billing and receipting internal audit recommendations.

Audit noted that the University had not addressed the majority of the medium priority issues, including:

- no independent review of changes to student residency details
- no follow-up of student debts greater than 90 days old.

The University responded that internal audit recommendations continue to be implemented in line with agreed completion dates. The internal audit follow-up report of February 2012 concluded that all agreed actions were either complete or on track with the agreed action date.

Accounts receivable

The audit in 2011 identified that segregation of duties for accounts receivable functions could be improved, given corporate accounts receivable officers had access to:

- raise invoices
- receipt revenue
- bank revenue
- raise credit notes.

Audit also noted the officer responsible for preparing the bank reconciliation had access to raise invoices and credit notes.

The University responded that the raising of credit notes and write-off functions have been segregated from banking functions. The bank reconciliation officer's access to raising invoices and credit notes has also been revoked.

Information and communications technology and control

In late 2011 the University's Internal Audit completed a comprehensive review and report of network security management of the University. The report included recommendations to address matters for enhancement of overall network and systems' security features with targeted completion timeframes by the end of 2012 or 2013. Audit has noted remedial actions are being implemented with a number of actions being targeted for completion by December 2012.

Audit will review the implementation progress of remedial activity as part of the 2012-13 external audit program.

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 36 and 37 as these notes are prepared in accordance with the Department of Education, Employment and Workplace Relations reporting guidelines and provide consistency and comparability with the other universities.

Highlights of the financial report (Consolidated)	2011 $'million	2010 $'million
Revenue		
Australian Government grants and FEE-HELP	363	339
HECS-HELP (Australian Government and student)	83	79
Fees and charges	163	149
Other	178	162
Total revenue	787	729
Expenses		
Salaries and related expenses	398	354
Other expenses	341	315
Total expenses	739	669
Operating result from continuing operations	48	60
Net cash flows provided by (used in) operating activities	113	97
Net cash flows provided by (used in) investing activities	(102)	(108)
Assets		
Current assets	165	167
Non-current assets	1 281	1 210
Total assets	1 446	1 377
Liabilities		
Current liabilities	105	103
Non-current liabilities	222	184
Total liabilities	327	287
Total equity	1 119	1 090

Statement of Comprehensive Income

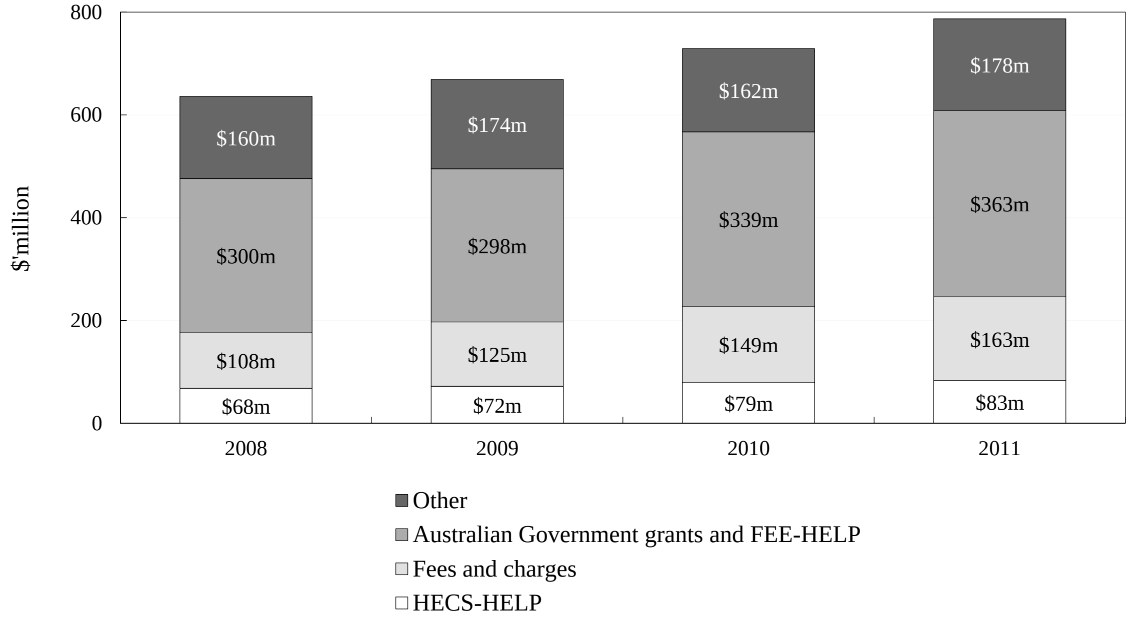
Revenue

Revenue increased by $58 million to $787 million. The main movements in the University's revenue were:

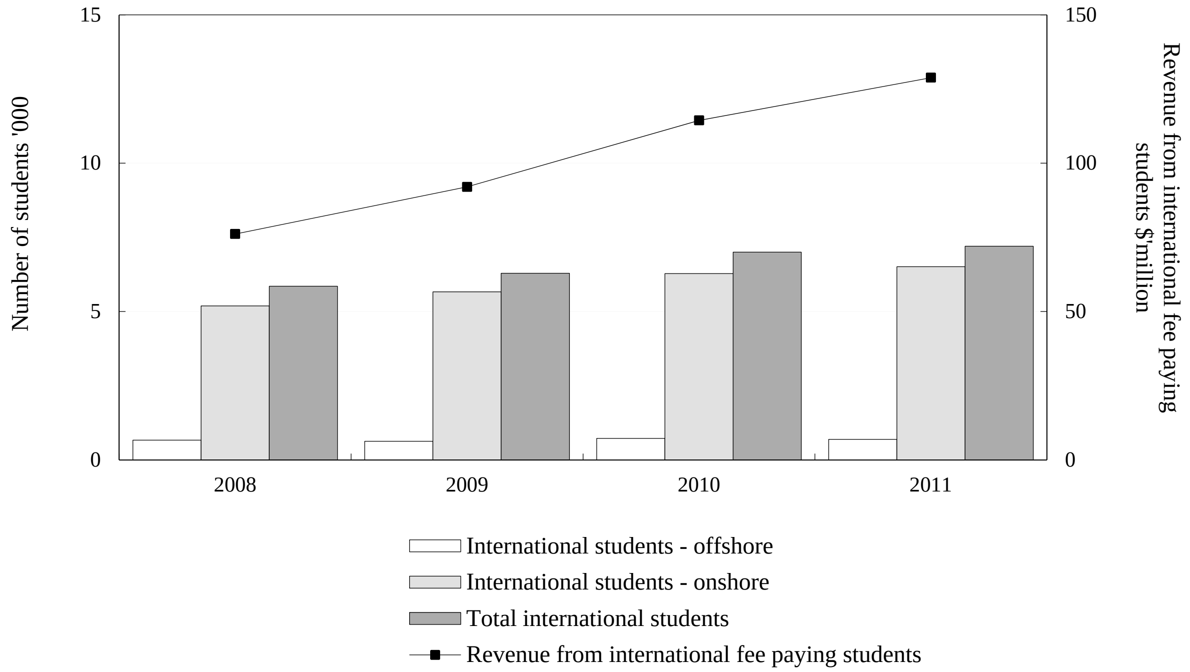
- Australian Government grants increased by $23 million, due mainly to an increase in national competitive research grants and funding for Commonwealth supported student places
- fees and charges increased by $14 million. This is due predominantly to an increase in student fee income of $13 million which mainly relates to international fee paying students
- investment income increased by $5 million, due primarily to dividend income and franking credits received from the sale and wind-up of Spire Innovations Pty Ltd, the commercialisation arm of the former Cooperative Research Centre for Sensor Signal and Information Processing

- research bequests and donations increased by $3 million.

A structural analysis of operating revenues for the University in the four years to 2011 is presented in the following chart.



The following chart highlights the general upward trend in revenue received from international fee paying students and the increase in the number of international fee paying students.



The $14 million increase in student fee income from international fee paying students between 2010 and 2011 is due to both an increase in student load ($6 million) and price increases ($8 million).

Expenses

Expenditure in 2011 totalled $739 million compared to $669 million in 2010. This increase in expenditure mainly reflects a $44 million increase in salaries and related expenses and a $26 million increase in other expenses.

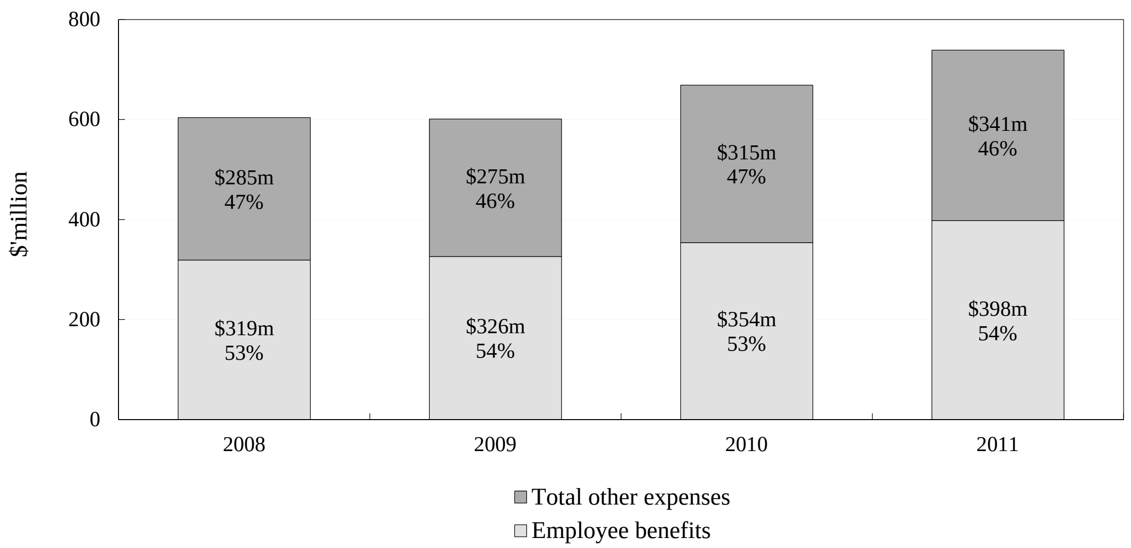
The increase in salaries and related expenses is mainly related to:

- the impact of enterprise bargaining agreement increases
- increases in LSL entitlements resulting from a change in the discount rate used by the actuary for calculation purposes
- additional positions given growth in research grant revenue.

Other expenses increased primarily due to:

- an $11 million increase in the general and composite fund investment market valuation adjustment expense, primarily due to decreases in the value of the composite fund investments arising from the downturn in global economic conditions. This reflects the market risk related to the University's investment portfolio, in particular the composite fund's susceptibility to changes in equity market prices
- a $3 million increase in software amortisation expense, due mainly to the impact of 2010 additions from works in progress
- a $6 million increase in buildings depreciation expense, due mainly to the impact of 2010 additions from works in progress and revaluation increments
- a $5 million increase in buildings and grounds expenses, mainly relating to property maintenance and building leases and rent.

The following chart shows employee expenses compared to other expenses over the four years to 2011.

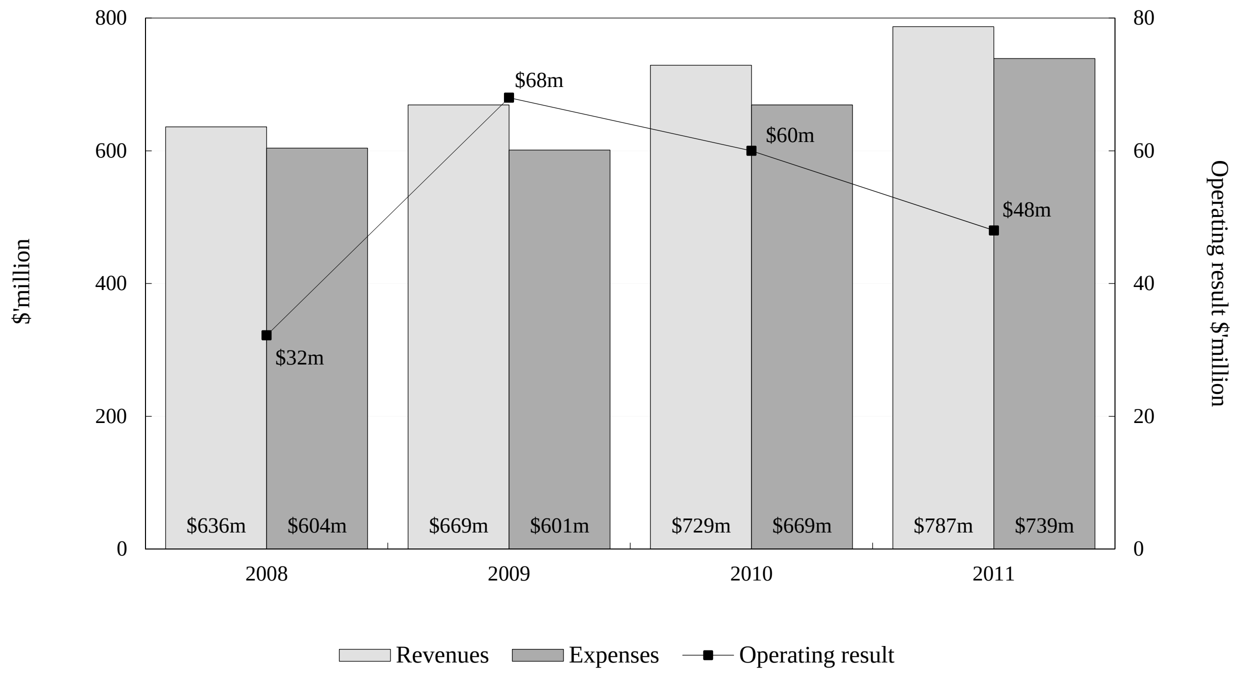


Operating result from continuing operations

The consolidated operating result for 2011 was a surplus of $48 million compared to $60 million in 2010. The decrease is due predominantly to:

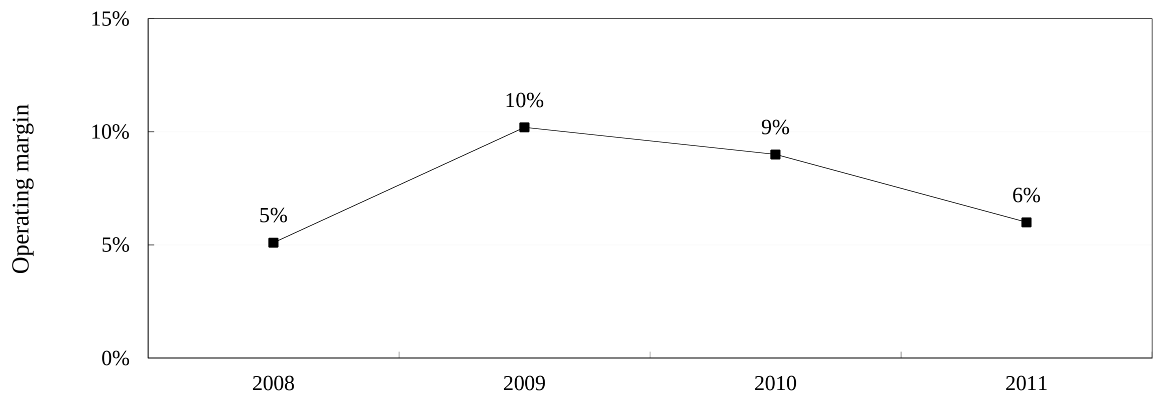
- increased salaries and wages expenses
- the impact of a composite fund investment market valuation adjustment expense.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2011.



The downward trend in the operating result over the last three years reflects the University's ongoing cost pressures. Base expenditure has been held at 2011 levels in the University's 2012 budget with the objective of controlling costs to achieve an operating margin of 5%.

The following chart shows the University's operating margin over the four years to 2011.



Statement of Financial Position

The consolidated net assets of the University at 31 December 2011 totalled $1119 million ($1090 million), an increase of $29 million.

Assets

The value of the University's assets increased by $69 million to $1446 million. The major items causing this change were:

- an increase in other financial assets due mainly to an increase in held-to-maturity bank term investments. This is primarily due to proceeds from the sale of J S Davies Estate and J A T Mortlock Trust land being invested in bank term deposits

- an increase in the value of property, plant and equipment which mainly relates to works in progress for various capital redevelopment projects, including the Student Learning Hub and Institute for Photonics and Advanced Sensing building.

Liabilities

The value of the University's liabilities increased by $40 million to $327 million. The major items causing this change were:

- an increase in provisions, mainly due to a change in the discount rate used by the actuary in calculating LSL entitlements

- an increase in derivate financial instruments, primarily due to increases in the interest rate swap liability arising from changes in the interest rate curve

- an increase in the defined superannuation benefit obligations, mainly due to a change in the discount rate used by the actuary to calculate the obligation.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	112.6	97.2	73.7	88.3
Investing	(102.4)	(108.0)	(138.8)	(81.3)
Financing	(9.9)	21.2	58.3	(0.1)
Change in cash (including the effect of exchange rate movements)	0.4	10.5	(6.6)	6.8
Cash at 31 December	32.3	31.9	21.4	28.0

The net cash flows provided by operating activities increased by $15 million due mainly to increased receipts for Australian Government financial assistance, fee paying student revenue, interest and dividends and consultancy and contract research.

The net cash flows used in investing activities decreased by $6 million due mainly to increased receipts from the sale of J S Davies Estate and J A T Mortlock Trust land.

The change in net cash flows from financing activities in 2011 reflects reduced receipts from borrowings and increased interest repayments.

Statement of Comprehensive Income
for the year ended 31 December 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Revenue from continuing operations:					
Received under *Higher Education Support Act 2003:*					
Base operating financial assistance	4	170 229	162 525	170 229	162 525
Other operating financial assistance	4	3 425	4 090	3 425	4 090
Higher Education Contribution Scheme	4	89 129	83 734	89 129	83 734
		262 783	250 349	262 783	250 349
Learning and teaching:					
Student fees	4	148 204	135 396	148 204	135 396
Grants		48 084	54 538	46 046	48 877
		196 288	189 934	194 250	184 273
Research grants and fees:					
National competitive grants		94 888	81 263	94 888	81 263
Public sector - other		54 679	43 134	39 300	33 892
Industry and other		35 345	34 541	23 678	23 265
		184 912	158 938	157 866	138 420
Research - other:					
Cooperative Research Centre direct funding		3 154	2 963	3 154	2 963
Research Infrastructure Program		15 181	14 158	15 181	14 158
Sustainable Excellence Research funding		7 136	4 551	7 136	4 551
		25 471	21 672	25 471	21 672
Other:					
Investment revenue	4	19 744	12 585	40 654	28 806
Property revenue	4	14 006	14 356	14 189	14 716
Specialist services and trading	4	43 594	49 037	18 981	16 567
Bequests, donations and other revenue	4	39 643	32 219	35 260	26 153
		116 987	108 197	109 084	86 242
Total revenue from continuing operations		786 441	729 090	749 454	680 956
Expenses from continuing operations:					
Salaries and related expenses	5	398 238	354 259	386 007	342 828
Student services		36 973	33 277	36 973	33 277
Teaching and research	5	74 744	68 678	74 919	68 983
Buildings and grounds	5	47 203	41 755	46 350	41 005
Finance costs	5	6 888	3 659	7 424	4 079
Administration, communication and travel	5	111 780	108 124	69 171	67 617
Finance and fund administration	5	13 002	2 728	13 002	2 622
Miscellaneous equipment, depreciation and net loss on disposal of assets	5	49 840	56 664	49 580	56 453
Total expenses from continuing operations		738 668	669 144	683 426	616 864
Net operating result for the year		47 773	59 946	66 028	64 092
Other comprehensive income:					
Gain (Loss) on revaluation of land and buildings	15	-	73 554	-	73 380
Gain (Loss) on revaluation of works of art		(33)	-	(33)	-
Gain (Loss) on value of available-for-sale financial financial assets, net of tax	14	-	-	(14 892)	(5 730)
Gain (Loss) on revaluation of library	15	-	(1 810)	-	(1 810)
Gain (Loss) on swap contracts	9	(8 412)	(1 257)	(8 412)	(1 257)
Share of other comprehensive income of associates and joint ventures, net of tax	4	(454)	(136)	-	-
Net actuarial gain (loss) recognised in respect of defined benefit plans	27	(5 666)	(710)	(5 666)	(710)
Non-controlling equity interest distribution paid		(3 819)	(493)	-	-
Other adjustments recognised directly in equity		33	-	33	-
Total other comprehensive income		(18 351)	69 148	(28 970)	63 873
Total comprehensive income		29 422	129 094	37 058	127 965
Total comprehensive income attributable to non-controlling interest		1 678	109	-	-
Total comprehensive income attributable to the University of Adelaide		31 100	129 203	37 058	127 965

Statement of Financial Position
as at 31 December 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Current assets:					
Cash and cash equivalents	6	32 339	31 958	22 835	23 594
Receivables	7	31 351	31 976	27 830	26 188
Other financial assets	8	80 577	57 445	80 632	57 750
Inventories	10	3 763	10 112	1 063	1 139
Other non-financial assets	11	7 478	6 781	7 407	6 750
		155 508	138 272	139 767	115 421
Non-current assets held for sale	12	9 136	29 203	-	-
Total current assets		164 644	167 475	139 767	115 421
Non-current assets:					
Other financial assets	8	118 200	119 856	118 475	120 186
Investments accounted for using the equity method	13	1 675	2 159	683	713
Available-for-sale financial assets	14	-	-	26 831	41 723
Property, plant and equipment	15	1 054 114	991 683	1 043 515	985 183
Investment property	16	18 995	18 685	18 995	18 685
Intangible assets	17	17 239	19 064	17 239	19 064
Other non-financial assets	11	1 227	1 317	1 163	1 317
Deferred government superannuation contribution	27	69 869	57 257	69 869	57 257
Total non-current assets		1 281 319	1 210 021	1 296 770	1 244 128
Total assets		1 445 963	1 377 496	1 436 537	1 359 549
Current liabilities:					
Payables	18	52 191	54 807	38 882	37 363
Borrowings	19	5 006	5 006	5 006	5 006
Provisions	20	31 881	28 204	31 257	27 398
Defined benefit obligation	27	4 200	3 900	4 200	3 900
Other	21	11 624	10 990	17 641	20 447
Total current liabilities		104 902	102 907	96 986	94 114
Non-current liabilities:					
Payables	18	6 810	5 519	6 777	5 487
Borrowings	19	78 037	78 043	78 037	78 043
Provisions	20	58 867	43 826	58 618	43 568
Derivative financial instruments	9	12 220	3 808	12 220	3 808
Defined benefit obligation	27	65 669	53 357	65 669	53 357
Total non-current liabilities		221 603	184 553	221 321	184 263
Total liabilities		326 505	287 460	318 307	278 377
Net assets		1 119 458	1 090 036	1 118 230	1 081 172
Equity:					
Capital reserves	23	564 680	585 674	579 412	594 337
Specific purpose reserves	23	374 681	329 597	374 681	329 597
Retained surplus	23	180 099	173 089	164 137	157 238
Total University interest		1 119 460	1 088 360	1 118 230	1 081 172
Non-controlling interest		(2)	1 676	-	-
Total equity		1 119 458	1 090 036	1 118 230	1 081 172

Statement of Changes in Equity
for the year ended 31 December 2011

Consolidated	Capital reserves $'000	Specific purpose reserves $'000	Retained surplus $'000	Minority interest $'000	Total $'000
Balance at 1 January 2010	513 980	270 612	174 565	1 785	960 942
Net operating result	(50)	60 952	(1 340)	384	59 946
Other comprehensive income:					
Gain (Loss) on revaluation of land and buildings	73 554	-	-	-	73 554
Gain (Loss) on revaluation of library	(1 810)	-	-	-	(1 810)
Gain (Loss) on interest rate swap contracts	-	(1 257)	-	-	(1 257)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	(136)	-	(136)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	(710)	-	-	(710)
Non-controlling equity interest distribution paid	-	-	-	(493)	(493)
Total other comprehensive income	71 744	(1 967)	(136)	(493)	69 148
Balance at 31 December 2010	585 674	329 597	173 089	1 676	1 090 036
Balance at 1 January 2011	585 674	329 597	173 089	1 676	1 090 036
Net operating result	-	59 162	(13 530)	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 to retained surplus	(20 961)	-	20 961	-	-
Total other comprehensive income	(20 994)	(14 078)	20 540	(3 819)	(18 351)
Balance at 31 December 2011	564 680	374 681	180 099	(2)	1 119 458
University					
Balance at 1 January 2010	528 497	270 612	154 098	-	953 207
Net operating result	-	60 952	3 140	-	64 092
Other comprehensive income:					
Gain (Loss) on revaluation of land and buildings	73 380	-	-	-	73 380
Gain (Loss) on value of available-for-sale financial assets, net of tax	(5 730)	-	-	-	(5 730)
Gain (Loss) on revaluation of library	(1 810)	-	-	-	(1 810)
Gain (Loss) on interest rate swap contracts	-	(1 257)	-	-	(1 257)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	(710)	-	-	(710)
Total other comprehensive income	65 840	(1 967)	-	-	63 873
Balance at 31 December 2010	594 337	329 597	157 238	-	1 081 172
Balance at 1 January 2011	594 337	329 597	157 238	-	1 081 172
Net operating result	-	59 162	6 866	-	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)	(14 078)	33	-	(28 970)
Balance at 31 December 2011	579 412	374 681	164 137	-	1 118 230

Statement of Cash Flows
for the year ended 31 December 2011

		Consolidated		University	
		2011	2010	2011	2010
		Inflows	Inflows	Inflows	Inflows
Cash flows from operating activities:		(Outflows)	(Outflows)	(Outflows)	(Outflows)
Inflows:	Note	$'000	$'000	$'000	$'000
Australian Government financial assistance	37(h)	430 895	405 243	426 342	399 868
OS-HELP (net)	37(h)	(124)	109	(124)	109
Superannuation supplementation	37(h)	3 589	3 311	3 589	3 311
State Government financial assistance		28 856	24 011	28 515	23 684
HECS-HELP student upfront payments		13 856	13 446	13 856	13 446
Fee paying student revenue received		141 047	127 020	141 047	127 020
Fees and charges		17 077	17 094	17 077	17 094
Donations and bequests		12 118	8 972	12 118	8 972
Interest and dividends received		14 788	9 015	9 296	5 536
Consultancy and contract research		67 645	60 977	34 321	32 962
Specialist services and produce trading		20 626	15 935	4 234	3 691
GST received		26 982	26 526	25 238	24 747
Other		46 480	29 562	62 759	39 479
Total inflows		823 835	741 221	778 268	699 919
Outflows:					
Salaries and related expenses		(382 507)	(350 678)	(370 049)	(339 240)
Student services		(37 039)	(33 310)	(36 986)	(33 261)
Goods and services		(259 842)	(230 565)	(214 709)	(196 112)
Costs of finance		(755)	(859)	(755)	(859)
GST paid		(31 061)	(28 566)	(25 937)	(24 264)
Total outflows		(711 204)	(643 978)	(648 436)	(593 736)
Net cash provided by (used in) operating activities	24	112 631	97 243	129 832	106 183
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of property, plant and equipment		23 037	16 605	137	137
Proceeds from sale of financial assets		4 201	3 270	4 201	2 867
Proceeds from sale of available-for-sale financial assets		-	-	-	-
Proceeds from joint venture investments		30	-	30	-
Decrease in loans		-	38	-	6
Repayment of loans by related parties		117	117	422	172
Increase in funds held on deposit		-	-	-	1 500
Total inflows		27 385	20 030	4 790	4 682
Outflows:					
Payments for property, plant and equipment		(90 661)	(90 380)	(86 226)	(86 274)
Payments for intangible assets		(5 386)	(7 922)	(5 386)	(7 922)
Purchase of financial assets		(10 459)	(11 859)	(10 459)	(11 859)
Purchase of financial assets - held to maturity		(23 132)	(17 900)	(23 132)	(17 900)
Decrease in loans		(131)	(16)	(131)	(16)
Increase in loans to related parties		-	-	-	(250)
Decrease in funds held on deposit		-	-	(4 000)	-
Total outflows		(129 769)	(128 077)	(129 334)	(124 221)
Net cash provided by (used in) investing activities		(102 384)	(108 047)	(124 544)	(119 539)
Cash flows from financing activities:					
Inflows:					
Increase in borrowings		-	24 700	-	24 700
Total inflows		-	24 700	-	24 700
Outflows:					
Borrowings - interest repayments		(6 136)	(3 043)	(6 136)	(3 043)
Dividends paid to minority interests		(3 819)	(493)	-	-
Total outflows		(9 955)	(3 536)	(6 136)	(3 043)
Net cash provided by (used in) financing activities		(9 955)	21 164	(6 136)	21 657
Net increase (decrease) in cash and cash equivalents		292	10 360	(848)	8 301
Cash and cash equivalents at 1 January		31 958	21 428	23 594	15 123
Effects of exchange rate changes on cash and cash equivalents		89	170	89	170
Cash and cash equivalents at 31 December	6	32 339	31 958	22 835	23 594

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 (2011: $80.4 million, 2010: $57.3 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 requirements of the Department of Education, Employment and Workplace Relations (DEEWR), the South Australian TIs and the APF issued under the provisions of the PFAA (except where in conflict with DEEWR requirements).

(a) Compliance with International Financial Reporting Standards (IFRS)

The financial statements and notes of the University comply with AASs, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical accounting estimates

Preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 2011 operating results and 2010 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.

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 twelve 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.

- *Composite Fund*

  The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Composite Fund. This fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the Composite Fund represents a long term investment holding. As a consequence, these investments are reported in non-current financial assets in the 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.

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 2011 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.

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 Lachlan Hogarth, AAPI, BBus(Prop)(Val), Grad Cert App Fin, of Maloney Field Services (Australia) Pty Ltd on 31 December 2011.

(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 (IBNR), unforseen 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*:	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Base operating financial assistance:				
Commonwealth Grants Scheme (Commonwealth supported places)	126 359	119 182	126 359	119 182
Institutional Grants Scheme	15 286	15 271	15 286	15 271
Research Training Scheme	28 584	28 072	28 584	28 072
	170 229	162 525	170 229	162 525
Other operating financial assistance:				
Other operating financial assistance	3 425	4 090	3 425	4 090
	3 425	4 090	3 425	4 090
Higher Education Contribution Scheme:				
HECS-HELP student upfront payments	13 856	13 446	13 856	13 446
Australian Government financial assistance	75 273	70 288	75 273	70 288
	89 129	83 734	89 129	83 734
	262 783	250 349	262 783	250 349
Student fee income includes:				
Fee paying student revenue received				
Award courses:				
Australian fee paying undergraduate students	1 724	1 640	1 724	1 640
Australian fee paying postgraduate students	2 927	2 939	2 927	2 939
International fee paying students	128 820	114 401	128 820	114 401
	133 471	118 980	133 471	118 980

4. Revenue from continuing operations (continued)

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Non-award courses:					
Continuing education		528	553	528	553
Australian fee paying		3 575	5 510	3 575	5 510
Other teaching service fees		4 274	4 238	4 274	4 238
		8 377	10 301	8 377	10 301
		141 848	129 281	141 848	129 281
Australian Government financial assistance:					
FEE-HELP		5 471	5 309	5 471	5 309
Overseas postgraduate research scholarship		885	806	885	806
		148 204	135 396	148 204	135 396
Investment revenue:					
General fund earnings		6 949	5 239	6 481	4 792
Net realised gains on composite fund investments		3 899	3 191	3 899	3 191
Unrealised gains on investment properties		267	-	267	-
Royalty, trademarks and licences		5 084	3 203	1 788	619
Dividends received		3 545	952	3 545	952
Distributions from controlled entities		-	-	24 674	19 252
		19 744	12 585	40 654	28 806
Property revenue:					
Rental charges/accommodation fees		10 984	11 383	11 007	11 590
Parking fees		1 350	1 203	1 350	1 203
Building development and maintenance recovery		1 142	1 250	1 142	1 250
Other property revenue		530	520	690	673
		14 006	14 356	14 189	14 716
Specialist services and trading:					
Consultancy fees		11 927	15 996	7 870	7 636
Library charges and fines		854	882	854	882
Sale of services		22 253	18 129	6 835	5 047
Sale of goods		4 919	10 677	657	606
Sponsorship and conference income		1 489	1 267	1 489	1 267
Other specialist services and trading		2 152	2 086	1 276	1 129
		43 594	49 037	18 981	16 567
Bequests, donations and other revenue:					
Bequests and donations received for:					
Research		8 707	5 598	8 707	5 598
General operational purposes		3 243	3 402	3 243	3 402
		11 950	9 000	11 950	9 000
Prizes and scholarships		1 958	1 646	1 958	1 646
Recharge of costs to other organisations		470	445	470	445
Application management and late fee		922	763	922	763
Franchise fees		1 127	837	1 127	837
Insurance claim recovery		970	15	970	15
Salary recharges		1 593	1 590	1 593	1 590
AusAID scholarships and stipends		5 298	4 785	5 298	4 785
Net foreign exchange gain		89	170	89	170
Other revenue		15 266	12 968	10 883	6 902
		39 643	32 219	35 260	26 153
Share of operating results of associates and joint ventures accounted for using the equity method:					
Joint venture operations	34	(476)	(123)	-	-
Associates	33	22	(13)	-	-
		(454)	(136)	-	-

5. Expenses from continuing operations	Consolidated		University	
Salaries and related expenses	2011	2010	2011	2010
Salaries and related expensed - academic:	$'000	$'000	$'000	$'000
Salaries	156 599	139 554	156 599	139 554
Contributions to superannuation schemes	23 242	20 485	23 242	20 485
Payroll tax	9 252	8 170	9 252	8 170
Annual leave	14 437	12 325	14 437	12 325
LSL	8 244	3 724	8 244	3 724
Workers compensation	798	705	798	705
Other	4 569	4 557	4 569	4 557
Total academic salaries and related expenses	217 141	189 520	217 141	189 520
Salaries and related expenses - non-academic:				
Salaries	132 538	122 514	122 041	112 935
Contributions to superannuation schemes	18 744	16 705	17 685	15 743
Payroll tax	7 719	7 025	7 155	6 514
Annual leave	10 667	10 537	10 568	10 414
LSL	5 383	2 961	5 528	2 893
Workers compensation	752	726	624	563
Other	5 294	4 271	5 265	4 246
Total non-academic salaries and related expenses	181 097	164 739	168 866	153 308
Total salaries and related expenses	398 238	354 259	386 007	342 828
Teaching and research:				
Agriculture, animals and cropping	962	829	1 040	900
Books, subscriptions and printed material	6 931	7 647	6 931	7 647
Laboratory expenses	14 839	15 478	14 839	15 478
Research transfer to other institutions	27 746	24 056	27 746	24 056
Other teaching and research	24 266	20 668	24 363	20 902
	74 744	68 678	74 919	68 983
Buildings and grounds:				
Cleaning and security	7 818	7 281	7 764	7 222
Property maintenance	15 261	12 225	15 170	12 084
Building leases and rent	13 381	11 282	13 030	11 025
Utilities	10 743	10 967	10 386	10 674
	47 203	41 755	46 350	41 005
Finance costs:				
Interest	6 187	3 056	6 723	3 476
Finance charges	701	603	701	603
	6 888	3 659	7 424	4 079
Administration, communication and travel:				
Consultants and specialist services	19 287	17 868	15 788	15 371
Fees and licenses	10 534	11 166	10 516	11 152
Insurance	3 028	3 421	2 835	3 248
Administration and communication	54 180	53 191	15 536	15 589
Publicity and fundraising	5 042	4 198	4 845	4 074
Travel, accommodation and entertainment	19 709	18 280	19 651	18 183
	111 780	108 124	69 171	67 617
Finance and fund administration:				
Bad and doubtful debts:				
Student loans	(17)	(11)	(17)	(11)
Student tuition	68	151	68	151
Other debtors	23	227	23	121
	74	367	74	261
General and Composite Fund investment market valuation adjustment	11 652	364	11 652	364
Unrealised losses on investment properties	-	567	-	567
Management and merchant fees	516	539	516	539
FBT payments	685	850	685	850
Other	75	41	75	41
	13 002	2 728	13 002	2 622

5. *Expenses from continuing operations (continued)*

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Miscellaneous equipment, depreciation and net loss on disposal of assets includes:					
Amortisation of intangible assets:					
Software		4 512	1 388	4 512	1 388
Amortisation:	3(q)				
Leasehold improvements		4 027	3 895	4 023	3 891
		8 539	5 283	8 535	5 279
Depreciation:	3(q)				
Buildings		19 923	13 506	19 915	13 484
Plant, equipment and motor vehicles		7 948	7 269	7 700	7 084
Library collection		2 717	3 937	2 717	3 937
		30 588	24 712	30 332	24 505
		39 127	29 995	38 867	29 784
Non-capitalised equipment		9 656	12 239	9 656	12 239
Net loss on disposal of assets		1 057	3 301	1 057	3 301
Loss on revaluation of other buildings		-	11 129	-	11 129
		49 840	56 664	49 580	56 453

6. Cash and cash equivalents 3(i)

Cash at bank or on hand	19 972	16 568	10 835	8 594
Deposits at call	12 367	15 390	12 000	15 000
	32 339	31 958	22 835	23 594

The University invested its surplus working capital into bank term investments (2011: $80.4 million, 2010: $57.3 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

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Current:	3(h)				
Student tuition fees		3 795	3 543	3 795	3 543
Provision for impaired receivables		(372)	(666)	(372)	(666)
		3 423	2 877	3 423	2 877
Trade debtors		25 953	22 080	22 077	15 917
Provision for impaired receivables		(833)	(904)	(478)	(529)
		25 120	21 176	21 599	15 388
Sundry debtors and accrued income		2 729	7 826	2 729	7 826
Provision for impaired receivables		-	-	-	-
		2 729	7 826	2 729	7 826
Student loans		279	314	279	314
Provision for impaired receivables		(200)	(217)	(200)	(217)
		79	97	79	97
		31 351	31 976	27 830	26 188

(a) Impaired receivables

As at 31 December 2011 current receivables of the group with a nominal value of $1.8 million ($4.3 million) were impaired. The amount of the provision was $1.4 million ($1.8 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 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Zero to three months	71	50	71	50
Three to six months	188	708	188	702
Over six months	1 539	3 503	1 184	3 134
	1 798	4 261	1 443	3 886

(a) Impaired receivables (continued)

As at 31 December 2011 current receivables of the group of $30.9 million ($29.5 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 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Zero to three months	28 290	25 570	25 746	21 434
Three to six months	566	1 570	225	911
Over six months	2 102	2 362	1 466	1 369
	30 958	29 502	27 437	23 714

The movement in the provision for impaired receivables is as follows:

At 1 January	1 787	1 645	1 412	1 376
Net provision for impairment recognised (reversed) during the year	93	375	111	247
Receivables written off during the year as uncollectable	(475)	(233)	(473)	(211)
	1 405	1 787	1 050	1 412

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 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Current:					
Other loans		117	117	172	422
Held to maturity - bank term investments		80 460	57 328	80 460	57 328
		80 577	57 445	80 632	57 750
Non-current:					
Fair value through profit or loss (held for trading)					
Composite Fund at fair value:	3(j)				
Australian fixed interest securities		7 080	6 385	7 080	6 385
Overseas fixed interest securities		7 285	6 098	7 285	6 098
Australian equities		46 017	49 505	46 017	49 505
Overseas equities		33 930	34 884	33 930	34 884
Property trusts		8 880	8 720	8 880	8 720
Cash and liquid assets		5 480	4 907	5 480	4 907
Alternative strategies		7 752	7 463	7 752	7 463
		116 424	117 962	116 424	117 962
Other shares		1 225	1 226	1 225	1 226
Total fair value through profit or loss (held for trading)		117 649	119 188	117 649	119 188
Other loans		551	668	826	988
Total non-current other financial assets		118 200	119 856	118 475	120 186

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 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Non-current liabilities:				
Interest rate swap contracts - cash flow hedges	12 220	3 808	12 220	3 808
Total derivative financial instruments	12 220	3 808	12 220	3 808

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)	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Consumable materials and trading stock		2 938	8 407	1 113	1 189
Livestock		875	1 755	-	-
Provision for obsolescence		(50)	(50)	(50)	(50)
		3 763	10 112	1 063	1 139

The University has not written down inventories during the year ended 31 December 2010 or the year ended 31 December 2011.

	Note	Consolidated 2011	Consolidated 2010	University 2011	University 2010
11. Other non-financial assets					
Current:					
Prepayments		6 517	6 368	6 468	6 337
Accrued income		961	413	939	413
		7 478	6 781	7 407	6 750
Non-current:					
Prepayments		1 227	1 317	1 163	1 317
Total other non-financial assets		8 705	8 098	8 570	8 067
12. Non-current assets held for sale	3(o)				
Current:					
Controlled entities		9 136	29 203	-	-
		9 136	29 203	-	-
13. Investments accounted for using the equity method	3(l)				
Investments in associates:	33				
At cost		-	-	298	298
Equity accounted		236	214	-	-
Interests in joint ventures:	34				
At cost		-	-	385	415
Equity accounted		1 439	1 945	-	-
		1 675	2 159	683	713
14. Available-for-sale financial assets					
Non-current:					
Investments in controlled entities	32	-	-	26 831	41 723

15. Property, plant and equipment

Consolidated	Trust land $'000	Other land $'000	Trust buildings $'000	Other buildings $'000	WIP $'000
As at 1 January 2010:					
Cost	4	2 879	69 217	45 616	149 395
Valuation	135 590	49 030	334 936	27 650	-
Accumulated depreciation/amortisation	-	-	(19 642)	(3 605)	-
Net book amount	135 594	51 909	384 511	69 661	149 395
Year ended 31 December 2010:					
Opening net book amount	135 594	51 909	384 511	69 661	149 395
Revaluation increments (decrements)	9 735	20 496	46 893	(14 699)	-
Additions	-	57	-	-	91 061
Disposals	-	-	(2 209)	-	-
Transfers	-	-	170 442	(936)	(195 794)
Depreciation/Amortisation	-	-	(11 355)	(2 151)	-
Closing net book amount	145 329	72 462	588 282	51 875	44 662

15. Property, plant and equipment (continued)

Consolidated (continued)

	Trust land $'000	Other land $'000	Trust buildings $'000	Other buildings $'000	WIP $'000
At 31 December 2010:					
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
At 31 December 2011:					
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

	Leasehold improvements $'000	Library collections $'000	Works of art $'000	Plant and equipment $'000	Total $'000
As at 1 January 2010:					
Cost	20 824	2 303	33	110 656	400 927
Valuation	-	37 013	7 534	-	591 753
Accumulated depreciation/amortisation	(8 298)	(7 175)	-	(76 407)	(115 127)
Net book amount	12 526	32 141	7 567	34 249	877 553
Year ended 31 December 2010:					
Opening net book amount	12 526	32 141	7 567	34 249	877 553
Revaluation increments (decrements)	-	(1 810)	-	-	60 615
Additions	-	2 178	47	10 537	103 880
Disposals	(3)	(1 406)	(3)	(340)	(3 961)
Transfers	2 657	-	-	5 834	(17 797)
Depreciation/Amortisation	(3 895)	(3 937)	-	(7 269)	(28 607)
Closing net book amount	11 285	27 166	7 611	43 011	991 683
At 31 December 2010:					
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
At 31 December 2011:					
Cost	25 720	2 151	-	131 616	287 302
Valuation	-	26 179	7 653	-	889 546
Accumulated depreciation/amortisation	(16 271)	(2 717)	-	(83 562)	(122 734)
Net book amount	9 449	25 513	7 653	48 054	1 054 114

15. Property, plant and equipment (continued)

University	Trust land $'000	Other land $'000	Trust buildings $'000	Other buildings $'000	WIP $'000
As at 1 January 2010:					
Cost	4	2 512	69 217	45 616	149 251
Valuation	135 590	48 500	334 936	26 730	-
Accumulated depreciation/amortisation	-	-	(19 642)	(3 558)	-
Net book amount	135 594	51 012	384 511	68 788	149 251
Year ended 31 December 2010:					
Opening net book amount	135 594	51 012	384 511	68 788	149 251
Revaluation increments (decrements)	9 735	20 481	46 893	(14 858)	-
Additions	-	-	-	-	87 881
Disposals	-	-	(2 209)	-	-
Transfers	-	-	170 442	(936)	(195 794)
Depreciation/Amortisation	-	-	(11 355)	(2 129)	-
Closing net book amount	145 329	71 493	588 282	50 865	41 338
At 31 December 2010:					
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
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

	Leasehold improvements $'000	Library collections $'000	Works of art $'000	Plant and equipment $'000	Total $'000
As at 1 January 2010:					
Cost	20 744	2 303	33	108 947	398 627
Valuation	-	37 013	7 534	-	590 303
Accumulated depreciation/amortisation	(8 290)	(7 175)	-	(75 569)	(114 234)
Net book amount	12 454	32 141	7 567	33 378	874 696
Year ended 31 December 2010:					
Opening net book amount	12 454	32 141	7 567	33 378	874 696
Revaluation increments (decrements)	-	(1 810)	-	-	60 441
Additions	-	2 178	47	10 094	100 200
Disposals	(3)	(1 406)	(3)	(340)	(3 961)
Transfers	2 657	-	-	5 834	(17 797)
Depreciation/Amortisation	(3 891)	(3 937)	-	(7 084)	(28 396)
Closing net book amount	11 217	27 166	7 611	41 882	985 183
At 31 December 2010:					
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

15. Property, plant and equipment (continued)

University (continued)	Leasehold improvements	Library collections	Works of art	Plant and equipment	Total
Year ended 31 December 2011:	$'000	$'000	$'000	$'000	$'000
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
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

16. Investment property

	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at 1 January	18 685	19 252	18 685	19 252
Transfer from WIP	43	-	43	-
Net gain (loss) from fair value adjustments	267	(567)	267	(567)
Balance at 31 December	18 995	18 685	18 995	18 685

(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 Lachlan Hogarth, AAPI, BBus(Prop)(Val) Grad Cert App Fin of Maloney Field Services on 31 December 2011.

(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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	1 549	1 494	1 549	1 494
Later than one year but not later than five years	1 362	2 101	1 362	2 101
Later than five years	-	-	-	-
	2 911	3 595	2 911	3 595

17. Intangible assets

	Note	Consolidated	University
		$'000	$'000
Non-current:	3(f)		
As at 1 January 2010:			
Cost		12 926	12 926
Accumulated amortisation and impairment		(11 262)	(11 262)
Net book amount		1 664	1 664

17. Intangible assets (continued)

	Consolidated	University
Year ended 31 December 2010:	$'000	$'000
Opening net book amount	1 664	1 664
Additions - internal development	991	991
Transfer from WIP	17 797	17 797
Amortisation charge	(1 388)	(1 388)
Closing net book amount	19 064	19 064
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	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 31 December 2011:		
Cost	34 271	34 271
Accumulated amortisation and impairment	(17 032)	(17 032)
Net book amount	17 239	17 239

18. Payables

	Consolidated		University	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Accounts payable	32 135	37 106	24 574	24 245
Annual and LSL on-costs	4 599	4 104	4 634	4 043
Accruals	6 976	5 857	1 295	1 339
Salary and wage deductions	8 496	7 631	8 494	7 627
OS-HELP liability to Australian Government	(15)	109	(15)	109
	52 191	54 807	38 882	37 363
Non-current:				
Annual and LSL on-costs	6 810	5 519	6 777	5 487
Total payables	59 001	60 326	45 659	42 850

19. Borrowings

Current:				
Other - unsecured	5 006	5 006	5 006	5 006
Non-current:				
Other - unsecured	78 037	78 043	78 037	78 043
Total borrowings	83 043	83 049	83 043	83 049

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 2011 the standby working capital facility has not been drawn down. As at 31 December 2011 the multi-option facility has been drawn down to the value of $83 million to fund the Major Capital Works Program.

20. Provisions

	Consolidated		University	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Workers compensation provision	821	354	821	354
Annual and LSL	28 303	25 513	27 679	24 707
Insurance provision	2 757	2 337	2 757	2 337
	31 881	28 204	31 257	27 398

20. Provisions (continued)

		Consolidated		University	
		2011	2010	2011	2010
Non-current:	Note	$'000	$'000	$'000	$'000
Workers compensation provision		705	527	705	527
Annual and LSL		49 149	38 975	48 900	38 717
Defined benefit fund net liability	27(c)	9 013	4 324	9 013	4 324
		58 867	43 826	58 618	43 568
Total provisions		90 748	72 030	89 875	70 966

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	354	25 513	2 337	-
Additional (Reductions in) provisions recognised	467	2 790	420	-
Carrying amount at 31 December	821	28 303	2 757	-
Consolidated - non-current:				
Carrying amount at 1 January	527	38 975	-	4 324
Additional (Reductions in) provisions recognised	178	10 174	-	4 689
Carrying amount at 31 December	705	49 149	-	9 013

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 2011 that were expected to be paid subsequent to 1 January 2012 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	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Outside funded positions	140	98	140	98
Income in advance	1 370	1 092	1 370	614
Student tuition fees received in advance	8 853	8 677	8 853	8 677
Residential bonds	288	334	288	334
Employee benefits - redundancy	509	182	509	182
Funds held on deposit for controlled entities	-	-	6 495	9 959
Other	464	607	459	583
	11 624	10 990	17 641	20 447

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 2011 relating to employee benefits:

		Consolidated		University	
		2011	2010	2011	2010
Annual leave:	Note	$'000	$'000	$'000	$'000
On-costs included in payables - current	18	3 362	2 898	3 332	2 868
Employee benefits - current	20	18 870	16 315	18 533	15 956
		22 232	19 213	21 865	18 824

22. Employee benefits and related on-cost liabilities (continued)

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
On-costs included in payables - non-current	18	1 316	1 150	1 310	1 146
Employee benefits - non-current	20	7 335	6 409	7 285	6 376
		8 651	7 559	8 595	7 522
LSL:					
On-costs included in payables - current	18	1 237	1 206	1 202	1 175
Employee benefits - current	20	9 433	9 198	9 146	8 751
		10 670	10 404	10 348	9 926
On-costs included in payables - non-current	18	5 494	4 369	5 467	4 341
Employee benefits - non-current	20	41 814	32 565	41 615	32 340
		47 308	36 934	47 082	36 681
		88 861	74 110	87 890	72 953

23. Retained surplus and reserves

(a) Summary

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Capital reserves:				
Capital reserve	2 971	2 971	-	-
Capital profits reserve	1 481	1 481	-	-
Asset revaluation surplus	281 104	300 695	273 457	273 490
Initial asset recognition reserve	279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve	-	1 403	26 831	41 723
	564 680	585 674	579 412	594 337
Specific purpose reserves:				
Special reserve	209 749	181 055	209 749	181 055
Bequests/Donations unspent income reserve	36 601	23 071	36 601	23 071
Restricted purpose bequest capital reserve	107 345	96 976	107 345	96 976
Composite Fund revaluation reserve	20 986	28 495	20 986	28 495
	374 681	329 597	374 681	329 597
Retained surplus	180 099	173 089	164 137	157 238

(b) Movements in reserves

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
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	-	-
Asset revaluation surplus:				
Opening balance	300 695	228 951	273 490	201 920
Revaluation increment on property, plant and equipment	(33)	71 744	(33)	71 570
Transfer from (to) retained surplus	(19 558)	-	-	-
Closing balance	281 104	300 695	273 457	273 490
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	1 403	41 723	47 453
Transfer from (to) retained surplus	(1 403)	-	-	-
Current year movement	-	-	(14 892)	(5 730)
Closing balance	-	1 403	26 831	41 723

(b) Movements in reserves (continued)

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Special reserve:					
Opening balance		18 055	149 158	181 055	149 158
Transfer from (to) retained surplus		28 694	31 897	28 694	31 897
Closing balance		209 749	181 055	209 749	181 055
Bequests/donations unspent income reserve:					
Opening balance		23 071	10 734	23 071	10 734
Transfer from (to) retained surplus		13 530	12 337	13 530	12 337
Closing balance		36 601	23 071	36 601	23 071
Restricted purpose bequest capital reserve:					
Opening balance		96 976	84 935	96 976	84 935
Transfer from (to) retained surplus		10 369	12 041	10 369	12 041
Closing balance		107 345	96 976	107 345	96 976
Composite Fund revaluation reserve:					
Opening balance		28 495	25 785	28 495	25 785
Transfer from (to) retained surplus		(7 509)	2 710	(7 509)	2 710
Closing balance		20 986	28 495	20 986	28 495

(c) Nature and purpose of reserves

Capital reserve
Represents capital accounts held within controlled entities of the University.

Capital profits reserve
Represents the accumulation of realised revalued increments of assets sold.

Asset revaluation 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 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Net operating result		47 773	59 946	66 028	64 092
Non-cash items:					
Amortisation	5	8 539	5 283	8 535	5 279
Depreciation	5	30 588	24 712	30 332	24 505
Write-down (Write-up) of investments		7 527	(2 155)	7 527	(2 155)
Other revenue/expenses		(4 776)	(563)	(4 811)	(951)
Loss on revaluation of other buildings		-	11 129	-	11 129
Funds held on deposit		-	-	4 000	(1 500)
Loss (Profit) on sale of property, plant and equipment		(1 414)	(6 369)	1 378	(54)

24. Reconciliation of net cash provided by (used in) operating activities to net operating result (continued)	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Movements in assets/liabilities:					
Inventories		6 349	(1 937)	76	33
Receivables		625	(3 248)	(1 642)	(302)
Other assets		(607)	442	(503)	371
Payables		(1 325)	6 302	2 809	287
Other current liabilities		634	(464)	(2 806)	1 347
Provisions		18 718	4 165	18 909	4 102
Net cash provided by operating activities		112 631	97 243	129 832	106 183

25. Commitments

	Consolidated 2011	Consolidated 2010	University 2011	University 2010
Operating expenditure				
Contracted but not provided for and payable:				
Not later than one year	24 098	15 892	23 659	15 350
Later than one year, but not later than five years	12 831	22 168	11 072	20 123
Later than five years	536	724	536	724
	37 465	38 784	35 267	36 197
Capital expenditure				
Property, plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	69 534	95 887	66 392	94 359
Later than one year, but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	69 534	95 887	66 392	94 359
Operating lease commitments				
Future operating base rental not provided for and payable:				
Not later than one year	10 865	10 431	10 865	10 431
Later than one year, but not later than five years	18 135	20 471	18 135	20 471
Later than five years	14	224	14	224
	29 014	31 126	29 014	31 126
Representing:				
Cancellable operating leases	29 014	31 126	29 014	31 126
Non-cancellable operating leases	-	-	-	-
	29 014	31 126	29 014	31 126

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

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 $1.7 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 programme. Refer note 20.

27. Superannuation schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) Those operative and open to membership:
- UniSuper Defined Benefit Plan or Accumulation Super 2 (formerly Investment Choice Plan)
- Accumulation Super 1 (formerly UniSuper Award Plus Plan)

(ii) Those operative but closed to future membership:
- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

(iii) State Government schemes closed to future membership by University employees:
- State Pension Scheme
- State Lump Sum Scheme

(b) UniSuper Limited superannuation schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2011 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 2011 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 2011 the assets of the Defined Benefit Division in aggregate were estimated to be $906.5 million ($1217 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 2011 the assets of the Defined Benefit Division in aggregate were estimated to be $426.7 million ($312 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, using the actuarial demographic assumptions outlined in their report dated 9 November 2011 on the actuarial investigation of the Defined Benefit Division as at 30 June 2011. The financial assumptions used were:

		Vested benefits	Accrued benefits
(b)	***UniSuper Limited superannuation schemes (continued)***		
	Gross of tax investment return	7.25% p.a.	8.50% p.a.
	Net of tax investment return	6.75% p.a.	8.00% p.a.
	CPI	2.75% p.a.	2.75% p.a.
	Inflationary salary increases short-term (2 years)	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

The University of Adelaide Superannuation Scheme A 1985 (the Scheme) 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 the Scheme is Tidswell Financial Services Ltd. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). The Scheme is closed to new members.

Reconciliation of the present value of the defined benefit obligation	Note	2011 $'000	2010 $'000
Present value of defined benefit obligations at 1 January		16 465	15 817
Current service costs		423	452
Interest costs		817	808
Contributions by scheme participants		50	47
Actuarial losses (gains)		4 568	365
Benefits paid		(775)	(708)
Taxes, premiums and expenses paid		(364)	(316)
Present value of defined benefit obligations at 31 December		21 184	16 465
Reconciliation of the fair value of scheme assets			
Fair value of scheme assets at 1 January		12 141	11 471
Expected return on scheme assets		912	866
Actuarial gains (losses)		(1 098)	(345)
Employer contributions		1 305	1 126
Contributions by scheme participants		50	47
Benefits paid		(775)	(708)
Taxes, premiums and expenses paid		(364)	(316)
Fair value of scheme assets at 31 December		12 171	12 141
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position			
Defined benefit obligation including contributions tax provision		21 184	16 465
Fair value of scheme assets		(12 171)	(12 141)
Defined benefit fund net liability	20	9 013	4 324
Expense recognised in the Statement of Comprehensive Income			
Service cost		423	452
Interest cost		817	808
Expected return on assets		(912)	(866)
Superannuation expense		328	394
Amounts recognised in total comprehensive income			
Actuarial losses (gains)		5 666	710
Cumulative amount recognised in total comprehensive income			
Cumulative amount of actuarial losses (gains)		4 417	(1 249)

Scheme assets	2011	2010
The percentage invested in each asset class at the reporting date:	%	%
Australian equity	30	25
International equity	24	27
Fixed income	31	25
Property	10	10
Cash	5	14

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.

	2011	2010
	$'000	$'000
Actual return on scheme assets	(186)	521

Principal actuarial assumptions at the balance date	2011	2010
	%	%
Discount rate (active members)	3.30	5.00
Discount rate (pensioners)	3.70	5.50
Expected rate of return on plan assets (active members)	6.75	6.75
Expected rate of return on plan assets (pensioners)	8.00	8.00
Expected salary increase rate (for the first year)	7.50	
Expected salary increase rate (thereafter)	4.50	4.00
Expected pension increase rate	2.50	2.50

Historical information	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	21 184	16 465	15 817	19 662	15 362
Fair value of scheme assets at 1 January	12 171	12 141	11 471	9 710	12 075
Deficit (Surplus) in scheme	9 013	4 324	4 346	9 912	3 287
Experience adjustments loss (gain) - scheme assets	1 098	345	(989)	3 636	(210)
Experience adjustments loss (gain) - scheme liabilities	(25)	(110)	(25)	1 138	798

Expected contributions

The expected employer contributions for the year ended 31 December 2012 are $300 000 (2011: $400 000).

(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 2011 were 3% of salaries, and remaining benefits are met on an emerging cost basis.

Super SA estimate that, as at 31 December 2011, using AASB 119 assumptions there is an unfunded liability of $69.9 million ($57.2 million). This represents an increase in liability of $12.7 million since 31 December 2010. 2009 was the first year the unfunded liability was calculated using AASB 119 assumptions. Previously the unfunded liability was determined using long term economic assumptions used in the triennial actuarial assessment.

(d) State Government superannuation schemes (continued)

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 2011 Reporting Period' provided by DEEWR. The accounting treatment employed is also consistent with the approach taken by other Australian universities. Accordingly, total assets of $69.9 million have been recorded as a 'deferred government superannuation contribution' which offsets the current and non-current liability for the State Government superannuation schemes recorded as 'defined benefit obligation'.

Summary	Consolidated		University	
Deferred Government superannuation contribution:	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Non-current asset	69 869	57 257	69 869	57 257
Defined benefit obligation:				
Current liability	4 200	3 900	4 200	3 900
Non-current liability	65 669	53 357	65 669	53 357
	69 869	57 257	69 869	57 257

(e) Contributions

	2011	2010
The total employer contributions were:	$'000	$'000
UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2 (formerly Investment Choice Plan)	29 634	28 274
Accumulation Super 1 (formerly UniSuper Award Plus Plan)	13 612	12 701
Super SA	88	-
State Government superannuation schemes (3%)	7	13
The University of Adelaide Superannuation Scheme A 1985	96	95
Self-managed funds	55	37
	43 492	41 120

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

	Consolidated		University	
	2011	2010	2011	2010
Amounts paid or payable for assurance services were:	$'000	$'000	$'000	$'000
South Australian Auditor-General	253	248	253	248
Other auditors of controlled entities	85	80	-	-
	338	328	253	248
Amounts paid or payable for other services were:				
Other auditors of controlled entities	32	20	-	-
	370	348	253	248

Amounts paid or payable for advisory 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, The Hon Robert Murray	
	McWha, Professor James Alexander	
	Findlay, AM, Professor Christopher	leave of absence from 02.11.2011
	Macintyre, Professor Clement	commenced 02.11.2011
Co-opted	vacant	
Appointed	Bagot, Mr Charles	
	Castine, Ms Kathryn	
	Davidson, Ms Dianne	
	Kowalick, Mr Ian John	
	Martin, Ms Pamela June	
	Steel, Ms Loewn	
	Young, Mr Stephen Elliott	
Elected staff	Buttfield, Mr Gerald	commenced 06.03.2011
	Crewther, Dr Rodney	ceased 05.03.2011
	Kwan, Mr Jeremy	ceased 05.03.2011
	Patrikeeff, Associate Professor Felix	commenced 06.03.2011
	Soteriou, Mr Christakis	ceased 05.03.2011
	Sumner, Ms Gloria	commenced 06.03.2011 resigned 21.10.2011
	Thomas, Professor Anthony	
	Yam, Ms Geraldine	commenced 05.11.2011
Elected graduates	Maddocks, Professor Simon	
	Radcliffe, AM, Dr John Clive	
	Robinson, Dr Susan	
Student	Emmett-Grey, Ms Lavinia	ceased 05.03.2011
	Shepherd, Mr Andrew	commenced 06.03.2011
	Ting, Mr Xu	
	Wong, Mr Christopher	ceased 05.03.2011
	Yang, Mr Eric Fan	commenced 06.03.2011

University senior management

McWha, Professor James	
Brooks, Professor Mike	
Duldig, Mr Paul	
McDougall, Professor Fred	ceased 31.05.2011
Beilby, Professor Justin	
Dowd, Professor Peter	
Harvey, Professor Nicholas	
Hill, Professor Robert	
Quester, Professor Pascale	
Lohmann, Professor Birgit	ceased 12.02.2011
Russell, AM, Professor Richard	
Taplin, Professor John	
Findlay AM, Professor Christopher	commenced 01.06.2011
Williams, Professor John	commenced 02.09.2011

(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	2011	2010
	$'000	$'000
Amounts paid or payable to University senior management	4 249	4 034

	2011 Number	2010 Number
$130 000 - $144 999	1	-
$220 000 - $234 999	3	4
$265 000 - $279 999	1	1
$280 000 - $294 999	-	2
$295 000 - $309 999	2	-
$325 000 - $339 999	-	1
$340 000 - $354 999	1	-
$355 000 - $369 999	-	2
$370 000 - $384 999	1	1
$385 000 - $399 999	1	-
$400 000 - $414 999	1	-
$820 000 - $834 999	-	1
$880 000 - $894 999	1	-
	12	12

The DEEWR 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.

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.

				Fixed maturity dates			
2011	Note	Weighted average effective rate %	Floating interest rate $'000	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%
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%

(a) Interest rate risk (continued)

2011 (continued)		Fixed maturity dates 4 to 5 years	5+ years	Non-interest bearing	Total
Financial assets:	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	6	-	-	484	32 339
Receivables	7	-	-	31 351	31 351
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	-	151 159	264 142
Weighted average interest rate		7.00%	-		
Financial liabilities:					
Derivative financial instruments	9	-	-	12 220	12 220
Payables	18	-	-	59 001	59 001
Borrowings	19	5 000	58 000	43	83 043
		5 000	58 000	71 264	154 264
Weighted average interest rate		5.66%	5.66%		

2010		Weighted average effective rate	Floating interest rate	Fixed maturity dates Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years
Financial assets:		%	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6	5.79	31 431	-	-	-	-
Receivables	7	-	-	-	-	-	-
Financial assets held for trading	8	-	-	-	-	-	-
Financial assets held to maturity	8	5.93	-	57 328	-	-	-
Other financial assets	8,13	1.74	-	117	117	117	117
			31 431	57 445	117	117	117
Weighted average interest rate			5.88%	5.93%	6.29%	6.29%	6.29%
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			-	5.60%	5.60%	5.60%	5.60%

		Fixed maturity dates 4 to 5 years	5+ years	Non-interest bearing	Total
Financial assets:		$'000	$'000	$'000	$'000
Cash and cash equivalents	6	-	-	527	31 958
Receivables	7	-	-	31 976	31 976
Financial assets held for trading	8	-	-	119 188	119 188
Financial assets held to maturity	8	-	-	-	57 328
Other financial assets	8,13	103	214	2 159	2 944
		103	214	153 850	243 394
Weighted average interest rate		6.60%	7.00%		
Financial liabilities:					
Derivative financial instruments	9	-	-	3 808	3 808
Payables	18	-	-	60 326	60 326
Borrowings	19	5 000	58 000	49	83 049
		5 000	58 000	64 183	147 183
Weighted average interest rate		5.60%	5.60%		

(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. Further details are contained in note 9.

(c) ***Credit risk exposures***

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) *On 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:

32. Investments in controlled entities (continued)

Controlled Entity	Holding 2011 %	Holding 2010 %	Investment at fair value 2011 $'000	Investment at fair value 2010 $'000	Investment at cost 2011 $'000	Investment at cost 2010 $'000	Contribution to operating result 2011 $'000	Contribution to operating result 2010 $'000
The Adelaide Research and Innovation Investment Trust	100	100	1 556	1 310	-	-	1 714	916
Adelaide Unicare Pty Ltd	100	100	10 032	4 472	-	-	3 681	3 232
Martindale Holdings Pty Ltd as trustee for:								
J S Davies Estate	83	83	-	17 436	-	-	1 648	1 927
J A T Mortlock Trust	100	100	12 692	16 493	-	-	667	7 592
Roseworthy Farm	100	100	1 269	1 211	-	-	211	620
National Wine Centre Pty Ltd	100	100	1 066	463	-	-	603	378
Roseworthy Piggery Pty Ltd	100	100	216	338	100	100	(122)	(27)
			26 831	41 723	100	100	8 402	14 638

All of the above controlled entities are incorporated in Australia.

J S Davies Estate

The University holds a 5/6th interest in a joint venture named J S Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated Entity. The remaining 1/6th is recognised as an outside equity interest.

33. Investments in associates

(a) Equity and contribution to operating result

Associated entity	Principal activity	Holding 2011 %	Holding 2010 %	Consolidated carrying amount 2011 $'000	Consolidated carrying amount 2010 $'000	Investment at cost 2011 $'000	Investment at cost 2010 $'000
Held by the University							
Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore.	50	50	236	205	298	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.	44	43	-	9	-	-
Muradel Pty Ltd	Developing an approach to using salt water tolerant algae for 'second generation' biofuel production.	28	-	-	-	-	-
SNAP Network Surveillance Pty Ltd	Production of software to simplify operation of large-scale video surveillance.	38	-	-	-	-	-
				236	214	298	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.

(b) Movements in carrying amounts of investments in associates

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
At 1 January	214	227	-	-
Additional investment in associates	-	-	-	-
Share of operating result	22	(13)	-	-
	236	214	-	-

(c) Results attributed to associates

	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Operating result	22	(13)	-	-
Additional investment in associates	-	-	-	-
Retained surplus attributable to associates at 1 January	214	227	-	-
Retained surplus attributable to associates at 31 December	236	214	-	-

(d) Accounting for associates

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to associated entities.

(ii) Contingent liabilities

There are no material contingent liabilities relating to associated entities.

(iii) Post balance date events

There are no material post balance date events to report for associated entities.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off 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 three 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 2011 in accordance with the 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)	4
Energy Pipelines CRC	(I)	-	43
Deep Exploration Technologies CRC	(I)	(C)	10
CRC for Beef Genetic Technologies	(I)	(C)	8
CRC for an Internationally Competitive Pork Industry	(I)	-	24
eWater CRC	(I)	(C)	3
Future Farm Industries CRC	(I)	(C)	0

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The University was a supporting participant for the Australian Seafood CRC and the Poultry CRC.

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 million in cash ($500 000) and $19.3 million in-kind ($23.4 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 programmes.	(U)	33
Professional Certificate in Arbitration (previously - National Course in General Arbitration & Dispute Resolution)	To develop and deliver tertiary courses in arbitration.	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia.	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U)	25
South Australian Consortium for Information Technology & Telecommunications	Represents the three South Australian Universities by providing a focal point for the State in pursuing and winning major research funding in IT&T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three SA Universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the SA community.	(U)	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 (APC)	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
eResearchSA	To provide expertise, facilities and advice to the South Australian research community for research collaboration, data management, high performance computing and visualisation technologies.	(U)	33

(I) Incorporated (U) Unincorporated

(ii) *Joint ventures accounted for using the equity method (continued)*

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 $1.5 million ($1.9 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

			Carrying amount		Investment at cost	
	2011	2010	2011	2010	2011	2010
Joint venture entity	%	%	$'000	$'000	$'000	$'000
Held by the University						
Middleback Field Centre	33	33	14	16	-	-
Professional Certificate in Arbitration	50	50	23	66	35	65
South Australian Centre for Economic Studies	50	50	272	227	-	-
South Australian Tertiary Admissions Centre	25	25	498	519	-	-
South Australian Consortium for Information Technology & Telecommunications	33	33	59	72	-	-
Ethics Centre of South Australia	25	33	16	40	-	-
Water Ed Australia Pty Ltd	20	20	372	599	350	350
Adelaide Proteomics Centre (APC)	50	50	10	59	-	-
Adelaide MicroArray Centre	50	50	71	143	-	-
Defence Systems Innovation Centre	33	50	-	-	-	-
eResearch SA	33	50	104	204	-	-
			1 439	1 945	385	415

(c) Movements in carrying amounts of joint ventures

	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At 1 January	1 945	2 068	-	-
Share of operating result	(476)	(123)	-	-
Additional investment in joint ventures	(30)	-	-	-
	1 439	1 945	-	-

(d) Results attributed to joint ventures

Operating result	(476)	(123)	-	-
Additional investment in joint ventures	(30)	-	-	-
Retained surplus attributable at 1 January	1 945	2 068	-	-
Retained surplus attributable at 31 December	1 439	1 945	-	-

(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 normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

36. Income Statement for the year ended 31 December 2011

		Consolidated		University	
		2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations:					
Australian Government financial assistance	37	431 392	404 858	429 354	399 197
State and Local Government financial assistance	39	27 464	26 201	27 123	25 874
HECS-HELP - student payments	4	13 856	13 446	13 856	13 446
Fees and charges	40	162 917	149 165	162 940	149 372
Investment income		14 659	9 382	38 866	28 187
Royalties, trademarks and licenses	4	5 084	3 203	1 788	619
Consultancy and contracts	41	65 423	62 566	34 661	34 015
Other revenue		65 646	60 269	40 866	30 246
Total revenue from continuing operations		786 441	729 090	749 454	680 956
Expenses from continuing operations					
Salaries and related expenses	5	398 238	354 259	386 007	342 828
Depreciation and amortisation	5	39 127	29 995	38 867	29 784
Buildings and grounds	5	47 203	41 755	46 350	41 005
Bad and doubtful debts	5	74	367	74	261
Finance costs	5	6 888	3 659	7 424	4 079
General and Composite Fund investment market valuation adjustment	5	11 652	364	11 652	364
Scholarships, grants and prizes		34 595	31 309	34 595	31 309
Non-capitalised equipment	5	9 656	12 239	9 656	12 239
Advertising, marketing and promotional expenses	5	5 042	4 074	4 845	4 074
Net losses on disposal of assets		1 057	3 301	1 057	3 301
Other expenses		185 136	187 822	142 899	147 620
Total expenses from continuing operations		738 668	669 144	683 426	616 864
Net operating result for the year		47 773	59 946	66 028	64 092

		Consolidated		University	
37.	**Australian Government financial assistance**	2011	2010	2011	2010
(a)	***DEEWR - Commonwealth Grants Scheme and other DEEWR grants***	$'000	$'000	$'000	$'000
	Commonwealth Grants Scheme	126 359	119 182	126 359	119 182
	Teaching hospitals grant	786	759	786	759
	Indigenous Support Programme	666	578	666	578
	Partnership & Participation Program	1 973	1 168	1 973	1 168
	Workplace Productivity Programme	-	1 392	-	1 392
	Transitional Cost Program	6 374	4 666	6 374	4 666
		136 158	127 745	136 158	127 745
(b)	***Higher Education Loan Programmes***				
	HECS-HELP	68 899	65 622	68 899	65 622
	FEE-HELP	5 471	5 309	5 471	5 309
		74 370	70 931	74 370	70 931
(c)	***Learning scholarships***				
	Australian postgraduate awards	8 807	7 079	8 807	7 079
	International postgraduate research scholarships	885	806	885	806
	Commonwealth education costs scholarships	2 035	153	2 035	153
	Commonwealth accommodation scholarships	(57)	120	(57)	120
	Indigenous access scholarships	210	179	210	179
		11 880	8 337	11 880	8 337
(d)	***DIISR research***				
	Joint Research Engagement Program	15 286	15 271	15 286	15 271
	Research Training Scheme	28 584	28 072	28 584	28 072
	Research infrastructure block grants	13 231	12 838	13 231	12 838
	Sustainable research excellence in universities	7 136	4 551	7 136	4 551
	Implementation Assistance Programme	-	97	-	97
	Commercialisation Training Scheme	-	123	-	123
		64 237	60 952	64 237	60 952
(e)	***Other capital funding***				
	Education Investment Fund	6 234	22 935	6 234	22 935
		6 234	22 935	6 234	22 935
(f)	***Australian Research Council (ARC)***				
	(i) *Discovery*				
	Projects	11 007	11 678	11 007	11 678
	Fellowships	5 189	2 152	5 189	2 152
	Indigenous researchers development	54	-	54	-
		16 250	13 830	16 250	13 830
	(ii) *Linkages*				
	Infrastructure	1 950	1 320	1 950	1 320
	International	-	12	-	12
	Projects	6 072	6 194	6 072	6 194
		8 022	7 526	8 022	7 526
	(iii) *Networks and Centres*				
	Networks	-	-	-	-
	Centres	6 396	2 316	6 396	2 316
		6 396	2 316	6 396	2 316
	Total ARC	30 668	23 672	30 668	23 672
(g)	***Other Australian Government financial assistance received***				
	AusAID	1 306	580	1 306	580
	Australian Centre for International Agricultural Research	1 497	2 023	1 497	2 023
	Australian Institute of Health and Welfare	726	827	726	827
	Civil Aviation Authority	115	-	115	-
	CSIRO	405	1 274	405	1 274
	Defence, Science and Technology Organisation	2 774	1 250	2 774	1 250
	Department of Agriculture, Fisheries and Forestry	18 112	13 173	18 112	13 173
	Department of Climate Change and Energy Efficiency	883	416	883	416

(g) ***Other Australian Government financial assistance received (continued)***	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Department of Defence	3 577	761	3 577	761
Department of Education, Employment and Workplace Relations	720	483	720	483
Department of Sustainability, Environment, Water, Population and Communities	965	1 063	965	1 063
Department of Families, Housing, Community Services and Indigenous Affairs	166	37	166	37
Department of Health and Ageing	56 698	58 684	54 660	53 023
Department of Immigration and Citizenship	107	45	107	45
Department of the Prime Minister and Cabinet	172	50	172	50
Department of Innovation, Industry, Science and Research	13 939	9 327	13 939	9 327
Department of Veterans' Affairs	537	219	537	219
Health Workforce Australia	4 678	-	4 678	-
Other	468	74	468	74
	107 845	90 286	105 807	84 625
Reconciliation:				
Australian Government grants	357 022	333 927	354 984	328 266
HECS-HELP	68 899	65 622	68 899	65 622
FEE-HELP	5 471	5 309	5 471	5 309
	431 392	404 858	429 354	399 197

(h) ***Australian Government grants received - cash basis***	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
CGS and other DEEWR grants	124 161	127 788	124 161	127 788
Higher education loan programmes	74 572	71 595	74 572	71 595
Scholarships	11 880	8 337	11 880	8 337
DIISR research	64 237	60 952	64 237	60 952
Other capital funding	6 234	22 935	6 234	22 935
ARC grants - Discovery	15 456	13 858	15 456	13 858
ARC grants - Linkages	7 740	7 244	7 740	7 244
ARC grants - Networks and Centres	6 396	2 316	6 396	2 316
Other Australian Government grants	120 219	90 218	115 666	84 843
	430 895	405 243	426 342	399 868
OS-HELP (net)	(124)	109	(124)	109
Superannuation Supplementation	3 589	3 311	3 589	3 311
	434 360	408 663	429 807	403 288

38. Acquittal of Australian Government financial assistance

(a) ***DEEWR - Commonwealth Grants Scheme and other DEEWR grants***	Note	Parent Entity (University) only: Commonwealth Grants Scheme 2011 $'000	Commonwealth Grants Scheme 2010 $'000	Teaching Hospitals Grant 2011 $'000	Teaching Hospitals Grant 2010 $'000
Financial assistance received in cash during the reporting period		114 458	118 980	786	759
Net accrual adjustments		11 901	202	-	-
Revenue for the period	37(a)	126 359	119 182	786	759
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		126 359	119 182	786	759
Expenses including accrued expenses		(126 359)	(119 182)	(786)	(759)
Surplus (Deficit) for the reporting period		-	-	-	-

(a) ***DEEWR - Commonwealth Grants Scheme and other DEEWR grants (continued)***

	Note	Indigenous Support Programme 2011 $'000	Indigenous Support Programme 2010 $'000	Partnership & Participation Program 2011 $'000	Partnership & Participation Program 2010 $'000
Financial assistance received in cash during the reporting period		666	578	1 973	1 168
Net accrual adjustments		-	-	-	-
Revenue for the period	37(a)	666	578	1 973	1 168
Surplus (Deficit) from the previous year		-	-	851	-
Total revenue including accrued revenue		666	578	2 824	1 168
Expenses including accrued expenses		(666)	(578)	(1 275)	(317)
Surplus (Deficit) for the reporting period		-	-	1 549	851

	Note	Workplace Productivity Programme 2011 $'000	Workplace Productivity Programme 2010 $'000	Capital Development Pool 2011 $'000	Capital Development Pool 2010 $'000
Financial assistance received in cash during the reporting period		-	1 392	-	-
Net accrual adjustments		-	-	-	-
Revenue for the period	37(a)	-	1 392	-	-
Surplus (Deficit) from the previous year		-	-	-	1 263
Total revenue including accrued revenue		-	1 392	-	1 263
Expenses including accrued expenses		-	(1 392)	-	(1 263)
Surplus (Deficit) for the reporting period		-	-	-	-

	Note	Transitional Cost Program 2011 $'000	Transitional Cost Program 2010 $'000	Total 2011 $'000	Total 2010 $'000
Financial assistance received in cash during the reporting period		6 278	4 911	124 161	127 788
Net accrual adjustments		96	(245)	11 997	(43)
Revenue for the period	37(a)	6 374	4 666	136 158	127 745
Surplus (Deficit) from the previous year		-	-	851	1 263
Total revenue including accrued revenue		6 374	4 666	137 009	129 008
Expenses including accrued expenses		(6 374)	(4 666)	(135 460)	(128 157)
Surplus (Deficit) for the reporting period		-	-	1 549	851

(b) ***Higher Education Loan Programmes***

	Note	Parent Entity (University) only			
		HECS-HELP (Australian Government payments only) 2011 $'000	HECS-HELP (Australian Government payments only) 2010 $'000	FEE-HELP 2011 $'000	FEE-HELP 2010 $'000
Financial assistance received in cash during the reporting period		69 261	65 068	5 311	5 422
Net accrual adjustments		(362)	554	160	(113)
Revenue for the period	37(b)	68 899	65 622	5 471	5 309
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		68 899	65 622	5 471	5 309
Expenses including accrued expenses		(68 899)	(65 622)	(5 471)	(5 309)
Surplus (Deficit) for the reporting period		-	-	-	-

(b) Higher Education Loan Programmes (continued)

	Note	Total 2011 $'000	Total 2010 $'000
Financial assistance received in cash during the reporting period		74 572	70 490
Net accrual adjustments		(202)	441
Revenue for the period	37(b)	74 370	70 931
Surplus (Deficit) from the previous year		-	-
Total revenue including accrued revenue		74 370	70 931
Expenses including accrued expenses		(74 370)	(70 931)
Surplus (Deficit) for the reporting period		-	-

(c) Learning scholarships

Parent Entity (University) only

	Note	Australian Postgraduate Awards 2011 $'000	Australian Postgraduate Awards 2010 $'000	International Postgraduate Research Scholarships 2011 $'000	International Postgraduate Research Scholarships 2010 $'000
Financial assistance received in cash during the reporting period		8 807	7 079	885	806
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	8 807	7 079	885	806
Surplus (Deficit) from the previous year		1 197	999	-	-
Total revenue including accrued revenue		10 004	8 078	885	806
Expenses including accrued expenses		(9 109)	(6 881)	(885)	(806)
Surplus (Deficit) for the reporting period		895	1 197	-	-

	Note	Commonwealth Education Costs Scholarships 2011 $'000	Commonwealth Education Costs Scholarships 2010 $'000	Commonwealth Accommodation Scholarships 2011 $'000	Commonwealth Accommodation Scholarships 2010 $'000
Financial assistance received in cash during the reporting period		2 035	153	(57)	120
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	2 035	153	(57)	120
Surplus (Deficit) from the previous year		342	862	362	1 186
Total revenue including accrued revenue		2 377	1 015	305	1 306
Expenses including accrued expenses		(430)	(673)	(595)	(944)
Surplus (Deficit) for the reporting period		1 947	342	(290)	362

	Note	Indigenous Access Scholarships 2011 $'000	Indigenous Access Scholarships 2010 $'000	Total 2011 $'000	Total 2010 $'000
Financial assistance received in cash during the reporting period		210	179	11 880	8 337
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	210	179	11 880	8 337
Surplus (Deficit) from the previous year		19	2	1 920	3 049
Total revenue including accrued revenue		229	181	13 800	11 386
Expenses including accrued expenses		(225)	(162)	(11 244)	(9 466)
Surplus (Deficit) for the reporting period		4	19	2 556	1 920

(d) DIISR Research

		Parent Entity (University) only			
		Joint Research Engagement		Research Training Scheme	
	Note	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		15 286	15 271	28 584	28 072
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	15 286	15 271	28 584	28 072
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		15 286	15 271	28 584	28 072
Expenses including accrued expenses		(15 286)	(15 271)	(28 584)	(28 072)
Surplus (Deficit) for the reporting period		-	-	-	-

		Research Infrastructure Block Grants		Sustainable Research Excellence	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		13 231	12 838	7 136	4 551
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	13 231	12 838	7 136	4 551
Surplus (Deficit) from the previous year		-	-	915	-
Total revenue including accrued revenue		13 231	12 838	8 051	4 551
Expenses including accrued expenses		(13 231)	(12 838)	(8 051)	(3 636)
Surplus (Deficit) for the reporting period		-	-	-	915

		Implementation Assistance Programme		Commercialisation Training Scheme	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		-	97	-	123
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	-	97	-	123
Surplus (Deficit) from the previous year		-	-	243	255
Total revenue including accrued revenue		-	97	243	378
Expenses including accrued expenses		-	(97)	(112)	(135)
Surplus (Deficit) for the reporting period		-	-	131	243

		Total	
		2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		64 237	60 952
Net accrual adjustments		-	-
Revenue for the period	37(d)	64 237	60 952
Surplus (Deficit) from the previous year		1 158	255
Total revenue including accrued revenue		65 395	61 207
Expenses including accrued expenses		(65 264)	(60 049)
Surplus (Deficit) for the reporting period		131	1 158

(e) *Other capital funding*

		Parent Entity (University) only			
		Better Universities Renewal Funding		Teaching and Learning Capital Fund	
	Note	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		-	-	-	-
Net accrual adjustments		-	-	-	-
Revenue for the period	37(e)		-		-
Surplus (Deficit) from the previous year		-	13 726	-	7 303
Total revenue including accrued revenue		-	13 726	1 840	7 303
Expenses including accrued expenses		-	(13 726)	(1 493)	(5 463)
Surplus (Deficit) for the reporting period		-	-	347	1 840

		Education Investment Fund		Total	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		6 234	22 935	6 234	22 935
Net accrual adjustments		-	-	-	-
Revenue for the period	37(e)	6 234	22 935	6 234	22 935
Surplus (Deficit) from the previous year		19 517	1 810	21 357	22 839
Total revenue including accrued revenue		25 751	24 745	27 591	45 774
Expenses including accrued expenses		(23 631)	(5 228)	(25 124)	(24 417)
Surplus (Deficit) for the reporting period		2 120	19 517	2 467	21 357

(f) *Australian Research Council grants - Discovery*

		Parent Entity (University) only			
		Projects		Fellowships	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		11 706	11 706	4 326	2 152
Net accrual adjustments		(69)	(28)	863	-
Revenue for the period	37(f)	11 007	11 678	5 189	2 152
Surplus (Deficit) from the previous year		6 061	5 471	1 383	613
Total revenue including accrued revenue		17 068	17 149	6 572	2 765
Expenses including accrued expenses		(10 791)	(11 088)	(3 234)	(1 382)
Surplus (Deficit) for the reporting period		6 277	6 061	3 338	1 383

		Indigenous Researchers Development		Total	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		54	-	15 456	13 858
Net accrual adjustments		-	-	794	(28)
Revenue for the period	37(f)	54	-	16 250	13 830
Surplus (Deficit) from the previous year		9	12	7 453	6 096
Total revenue including accrued revenue		63	12	23 703	19 926
Expenses including accrued expenses		(7)	(3)	(14 032)	(12 473)
Surplus (Deficit) for the reporting period		56	9	9 671	7 453

Australian Research Council grants - Linkages

		Parent Entity (University) only			
		Infrastructure		International	
		2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		1 950	1 320	-	12
Net accrual adjustments		-	-	-	-
Revenue for the period	37(f)	1 950	1 320	-	12
Surplus (Deficit) from the previous year		-	591	54	87
Total revenue including accrued revenue		1 950	1 911	54	99
Expenses including accrued expenses		(1 455)	(1 911)	(29)	(45)
Surplus (Deficit) for the reporting period		495	-	25	54

		Projects		Total	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		5 790	5 912	7 740	7 244
Net accrual adjustments		282	282	282	282
Revenue for the period	37(f)	6 072	6 194	8 022	7 526
Surplus (Deficit) from the previous year		2 917	2 891	2 971	3 569
Total revenue including accrued revenue		8 989	9 085	10 993	11 095
Expenses including accrued expenses		(5 323)	(6 168)	(6 807)	(8 124)
Surplus (Deficit) for the reporting period		3 666	2 917	4 186	2 971

Australian Research Council grants - Networks and Centres

		Parent Entity (University) only			
		Networks		Centres	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Financial assistance received in cash during the reporting period		-	-	6 396	2 316
Net accrual adjustments		-	-	-	-
Revenue for the period	37(f)	-	-	6 396	2 316
Surplus (Deficit) from the previous year		-	278	-	-
Total revenue including accrued revenue		-	278	6 396	2 316
Expenses including accrued expenses		-	(278)	(2 270)	(2 316)
Surplus (Deficit) for the reporting period		-	-	4 126	-

		Total	
		2011	2010
		$'000	$'000
Financial assistance received in cash during the reporting period		6 396	2 316
Net accrual adjustments		-	-
Revenue for the period	37(f)	6 396	2 316
Surplus (Deficit) from the previous year		-	278
Total revenue including accrued revenue		6 396	2 594
Expenses including accrued expenses		(2 270)	(2 594)
Surplus (Deficit) for the reporting period		4 126	-

OS-HELP and Superannuation - Supplementation		Parent Entity (University) only			
		OS-HELP		Superannuation Supplementation	
	Note	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period		879	11 105	3 589	3 311
Net accrual adjustments		-	-	-	-
Revenue for the period	37(h)	879	11 105	3 589	3 311
Surplus (Deficit) from the previous year		109	-	176	-
Total revenue including accrued revenue		988	1 105	3 765	3 311
Expenses including accrued expenses		(1 003)	(996)	(3 498)	(3 135)
Surplus (Deficit) for the reporting period		(15)	109	267	176

39. State and Local Government financial assistance

(a) SA Government and Local Government financial assistance	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Arts SA	28	28	28	28
Bio Innovation SA	1 868	1 788	1 868	1 788
Central Northern Adelaide Health Service	3 043	3 438	3 043	3 438
Children, Youth and Women's Health Service	300	367	300	367
Defence SA	164	-	164	-
Department of Environment and Natural Resources	839	451	839	451
Department for Families and Communities	393	275	393	275
Department of Further Education, Employment, Science and Technology	5 463	3 490	5 463	3 490
Department of Health	2 263	1 436	2 263	1 436
DPC	379	1 398	379	1 398
Department of Primary Industries and Resources	791	1 062	791	1 062
Department of Education and Children's Services	181	175	181	175
Department for Trade and Economic Development	495	105	495	105
Department for Transport, Energy and Infrastructure	667	755	667	755
Department for Water	615	941	615	941
Institute of Medical and Veterinary Science	17	39	17	39
Motor Accident Commission	667	515	667	515
Police Department SA	-	223	-	223
Public Trustee Office	-	35	-	35
Royal Adelaide Hospital	5 288	5 233	5 288	5 233
SA Murray-Darling Basin NRM Board	45	322	45	322
SafeWork SA	283	159	283	159
South Australian Dental Service	240	426	240	426
SAFA	30	750	30	750
South Australian Museum	364	659	364	659
Southern Adelaide Health Service	341	327	-	-
WorkCover Corporation of South Australia	83	284	83	284
Other	1 070	442	1 070	442
Total SA Government and Local Government financial assistance	25 917	25 123	25 576	24 796
(b) Other State Government and Local Government financial assistance	1 547	1 078	1 547	1 078
Total State and Local Government financial assistance	27 464	26 201	27 123	25 874

40. Fees and charges

Fees and charges were collected from the following sources during the reporting period:	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Student fee income	4	141 848	129 281	141 848	129 281
Library charges and fines	4	854	882	854	882
Application management and late fees	4	922	763	922	763
Parking fees	4	1 350	1 203	1 350	1 203
Rental charges/accommodation fees	4	10 984	11 383	11 007	11 590
Recharge of costs to other organisations	4	470	445	470	445
Franchise fees	4	1 127	837	1 127	837
Other		5 362	4 371	5 362	4 371
		162 917	149 165	162 940	149 372

41. Consultancy and contract revenue

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Consultancy	11927	15 995	7870	7 636
Contract research	53496	46 571	26791	26 379
	65 423	62 566	34 661	34 015

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 year of operation.

Assessment of controls

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

Scope of 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 2011 areas reviewed included:

- payroll
- expenditure
- revenue including government assistance, student fees, research revenue and other revenue
- receipting and banking
- general ledger and financial accounting
- cash and term deposits
- fixed assets (including major 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 2011 Independent Auditor's Report, which details the qualification to the University's financial report.

> ***Basis for Qualified Opinion***
>
> *The University has recognised $44.9 million of unspent funding as a liability for the year ended 31 December 2011 ($33.7 million in 2010). This amount has been accounted for as income received in advance and included in 'Other liabilities - Commonwealth and State Government Grants' and 'Other liabilities - Income in advance on incomplete projects' in Note 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 2011 financial report:*
>
> - *the revenue recognised as Australian Government grants is understated by $10.9 million ($1.8 million understated in 2010)*
> - *the revenue recognised as State and Local Government financial assistance is overstated by $0.5 million ($4.1 million understated in 2010)*
> - *the revenue recognised as Consultancy and contract research is understated by $0.8 million ($2.2 million understated in 2010)*
> - *Operating result attributable to members of University of South Australia is understated by $11.2 million ($8.1 million understated in 2010)*
> - *Retained earnings is understated by $33.7 million ($25.6 million understated in 2010)*
> - *Other liabilities is overstated by $44.9 million ($33.7 million overstated in 2010).*
>
> ***Qualified Opinion***
>
> *In my opinion, except for the effects 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 subsidiaries as at 31 December 2011, 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, *guidelines issued under 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 raised 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 2011.

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 2011 (and 2010) 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'.

Expenditure

Independent review and authorisation of expenditure

The audit of the University's accounts payable system considered whether financial controls provide assurance that all payments were authorised by University staff with delegated authority. Consistent with previous years' findings the review of controls for 2011 found the University does not check that every payment transaction was authorised. Instead the University checks a sample of transactions.

Whilst the test checking performed by the University provides an understanding of the characteristics of the population of payment transactions it provides only limited and indirect assurance that any unauthorised transactions will be prevented or detected. When the University was first advised of this finding in 2006 it responded that it would implement a workflow authorisation system. Audit follow-up in 2011 confirmed that this had not occurred. In August 2012 the University advised its intention to implement a web-based transaction approval system in 2013.

Procurement

The audit included a review of the University's procurement practices and considered the University's initiative to centralise procurement processes for two major categories of expenditure, travel and office supplies. The review noted the University had centralised and standardised controls over these procurement activities providing increased assurance that the University's policies are observed, including the use of preferred suppliers. The audit found that the extent of the changes was limited and that most procurement activities remain decentralised. Audit recommended the University review major categories of expense to identify further opportunities to implement centrally controlled purchasing.

The University noted the audit recommendation and advised that it had reviewed major categories of expenditure when it developed its centre-led procurement model in 2009.

Access to financial systems

The audit assessed whether systems' access restrictions prevent staff from performing incompatible tasks with specific focus on staff who perform system administration functions. Audit review in 2011 followed up concerns raised in the prior year that the Financial System Administration team had access to processing and payment functions in the Finance One accounts payable system. In response, the University advised that although it would maintain the full access for the system administrators, it would implement monitoring controls. Audit review in 2011 noted that:

- the University had not implemented its intended control processes to address these concerns
- high levels of systems access may compromise controls designed to prevent inappropriately authorised or invalid transactions.

In response to the 2011 findings the University advised that a monitoring process would be implemented in August 2012.

Fortnightly scholarship payments

The University processes fortnightly payments to scholarship holders through its accounts payable system. The audit of the University's expenditure considered controls that prevent invalid changes to records which, in turn, support the disbursement of the fortnightly scholarship payments.

The review found that system controls did not prevent unauthorised or invalid changes to payment details or provide assurance that authorised changes were correctly processed. The University responded that it had begun a project to assess the feasibility of system changes to address the concerns. Further, the University responded that it would, in the interim, restrict access to fortnightly scholarship files and check the legitimacy and accuracy of all changes to the files.

Major capital works

The review of property, plant and equipment considered the University's contracting and management of major infrastructure projects. The following findings and recommendations arose from this review:

- The University appointed certain consultants based on benchmarking evaluations but without competitive tender. Audit recommended the University regularly test the market when engaging consultants and contractors to ensure it receives value for money. In response the University advised it is entering into a new phase of substantial capital investment and agreed that it would test the market for these consultants.
- Audit identified instances where the University's standard project management checklist was not used by project managers. The audit concluded the checklist provides a sound basis for best practice project management and recommended its use. In response the University advised that it did not consider that the checklists were mandatory for their senior project managers given their experience and qualifications.
- An instance was identified where a building contract was signed after the contractor commenced work. In response the University advised that it provided the contractor with a letter of acceptance together with the full contract document that it considered constituted a formal agreement prior to the contractor commencing and that at no point was the University exposed to the potential for dispute.

- Audit identified instances where ethical clearance forms (requiring procurement panel members to consider potential conflicts) were not completed in a timely manner. The University advised that it intends to modify the project management checklist to require their completion during the first panel meeting.

Revenue

Approval of tuition fee waivers

The audit of tuition fee revenue considered the University's controls which provide assurance that appropriate authority was provided for waivers of tuition fees. The review found the University had not established:

- formal policies that describe the circumstances in which tuition fees may be waived (with the exception of those relating to scholarships)
- delegations of authority to approve the waiver of tuition fees.

Without documented criteria and delegations of authority there is a risk that improper factors may influence the waiver of fees. Audit recommended the University document criteria and establish delegations of authority for approving fee waivers. The University responded that it would develop and implement criteria for waiving fees and relevant delegations of authority by 31 December 2012.

General ledger

Journal processing

As part of the review of the general ledger the audit considered controls over general journals. While University policy requires the independent approval of general journals, consistent with the reported findings for 2010, the 2011 audit found that there was no preventative or monitoring controls to ensure this occurred. Independent approval provides assurance that journals are valid and correct and also prevents manipulation of accounting records.

Audit recommended that the University develop a control to ensure all journals are independently reviewed. In response the University advised its intention to implement a workflow approval system for journals in December 2012.

Payroll

Leave reporting for academic employees

Consistent with past years, the audit found the University has not implemented controls that ensure leave taken by individual academic employees is correctly recorded in the payroll system and consequently there is a risk that some leave taken by University staff will not be recorded. Audit recommended the University review policies, practices and industrial arrangements to seek to develop arrangements that provide assurance that employees take leave when due and that all leave taken is recorded.

The University acknowledged Audit's views and recommendations but responded that it believes risks are being managed appropriately given the nature of academics' duties.

Review of casual payroll reports

The audit of the University's payroll procedures considered the effectiveness of management review to ensure payments were valid and accurately processed. In previous years Audit has recommended improvements to the level and consistency of the review of casual payroll reports.

The audit for 2011 again concluded that management review of the reports was inadequate and the inadequate controls:

- limited the University's capacity to prevent payroll processing errors
- provided limited assurance all casual payments were valid and accurate.

The University responded that it would introduce electronic reminders for managers to review the reports.

Testing of payroll transactions

Audit testing of a sample of payroll transactions identified instances where:

- employment contracts were created, authorised and activated after casual staff had commenced their duties
- hours paid did not agree to the employee's hours recorded on timesheets.

The University responded that the Human Resource Unit would communicate the audit findings to responsible officers and reinforce the requirement that contracts are created and authorised prior to commencement and also implement electronic reminders to review 'claims this pay' reports.

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

During the year the University's internal audit completed a follow-up review of management action taken to address previously reported findings in disaster recovery planning, including matters relating to documentation, disaster plan development, disaster recovery testing and data centre physical security. Further, internal audit included a security test of certain IT infrastructure.

The disaster recovery follow-up confirmed satisfactory remedial action taken. The security test indicated it was time for the University to revisit its overall existing information security framework to ensure the minimum standards set by the University were being applied and maintained for University-wide infrastructure. This matter is proposed to be addressed by the end of December 2012 and will be reviewed as part of the 2012-13 external audit program.

Interpretation and analysis of the financial report

Highlights of the financial report (Consolidated)

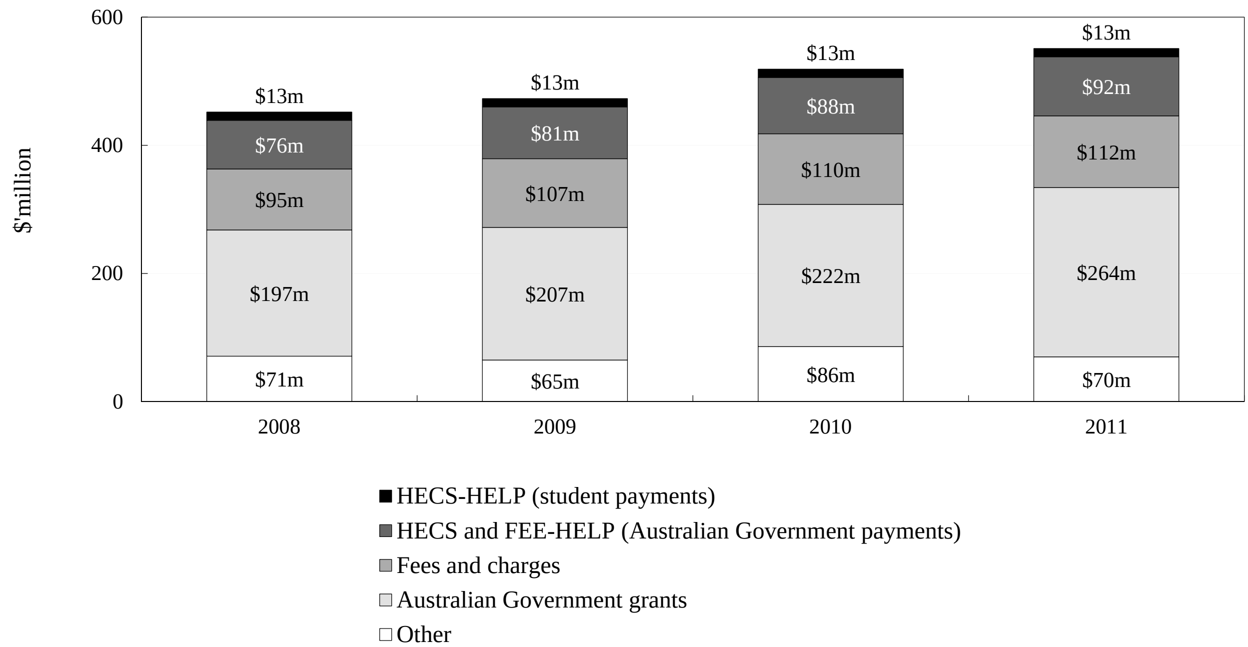
	2011 $'million	2010 $'million
Income		
Australian Government grants	264	222
HECS-HELP and FEE-HELP (Australian Government payments)	92	88
HECS-HELP (student payments)	13	13
Fees and charges	112	110
Other	70	86
Total income	551	519

	2011 $'million	2010 $'million
Expenses		
Employee related expenses	304	283
Other expenses	175	165
Total expenses	479	448
Operating result before income tax	72	71
Net cash provided by (used in) operating activities	132	99
Net cash provided by (used in) investing activities	(84)	(30)
Assets		
Current assets	338	291
Non-current assets	1 166	1 033
Total assets	1 504	1 324
Liabilities		
Current liabilities	166	142
Non-current liabilities	482	397
Total liabilities	648	539
Total equity	856	785

Statement of Comprehensive Income

Income

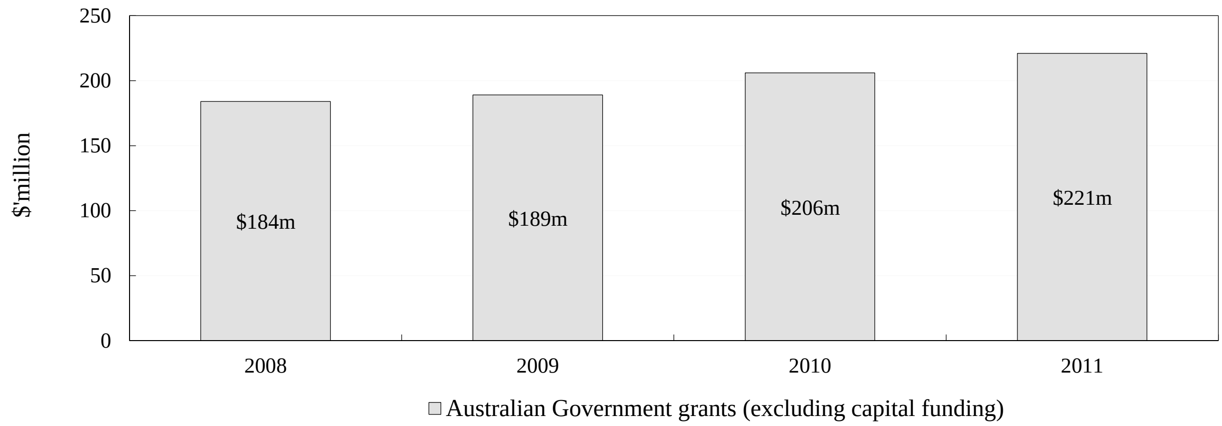
A structural analysis of the University's income for the four years to 2011 is presented in the following chart.



The chart shows sustained growth in income over the four years to 2011. The following discusses changes in major revenue components.

Australian Government grants

Australian Government grants, including capital grants, increased by $42 million to $264 million. Capital funding is not necessarily comparable from year to year and has been excluded from the following chart which shows non-capital Australian Government grants in recent years.



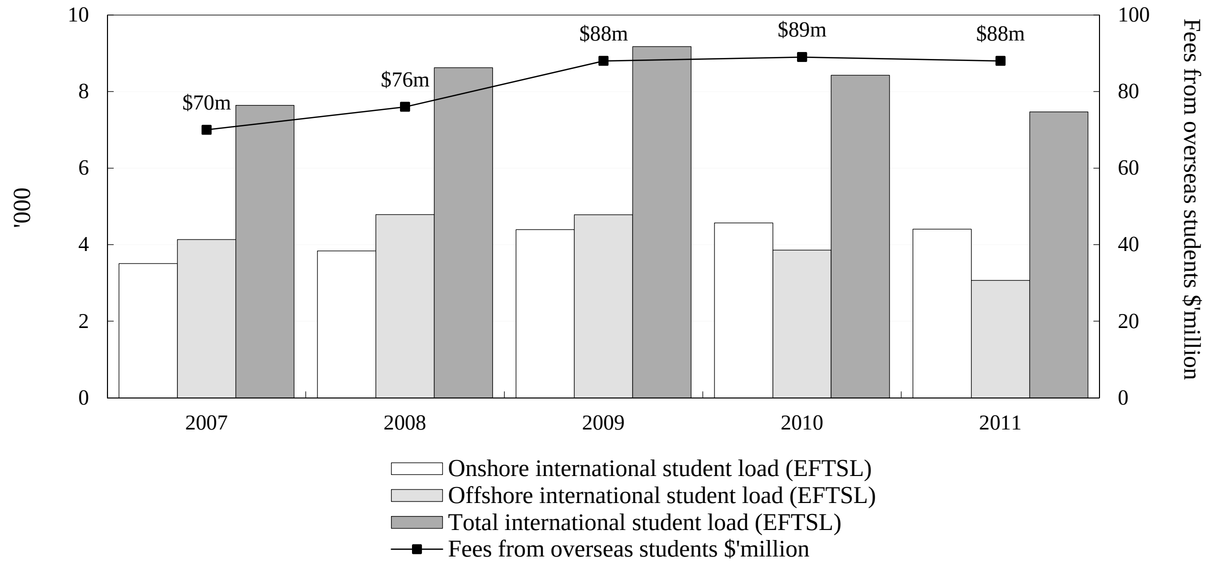
While the chart shows continued growth, the proportion of non-capital Australian Government grants to total income has remained relatively constant over the four years.

Of note in total Australian Government grants were the following changes in 2010:

- a $9 million increase in the base operating grant (Commonwealth Grants Scheme) up 6% reflecting a 2% increase in the number of Commonwealth supported students together with price indexing and changes in the value of funding for specific programs
- a $5.6 million increase in Commonwealth Government research grants
- a $28.5 million increase in Education Investment Fund grants supporting major capital infrastructure projects

Fees and charges - overseas students

The following chart shows that fees from overseas students have remained relatively consistent over the last three years.



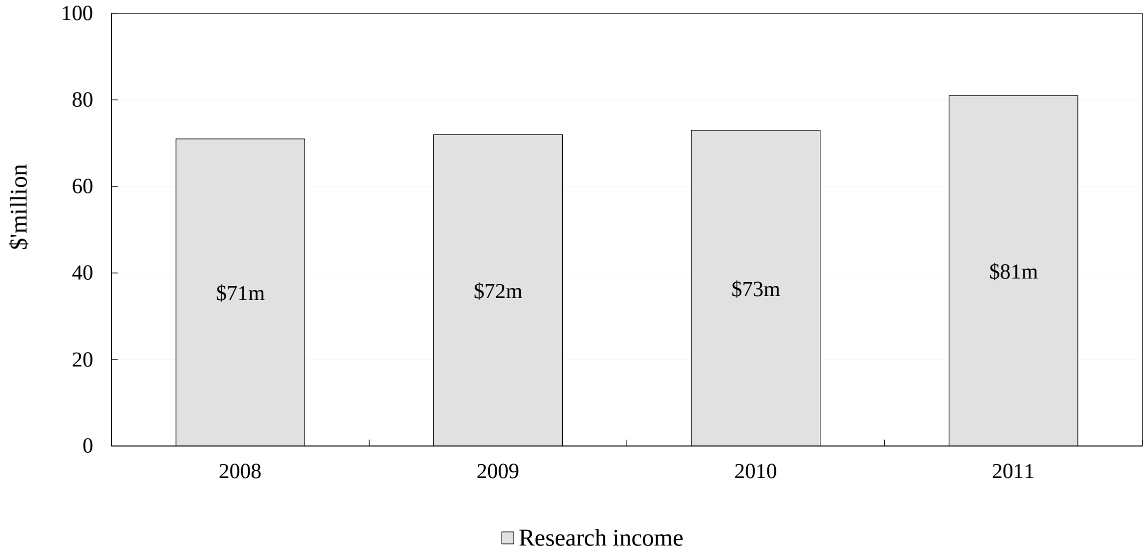
Source: Student numbers, which are based on equivalent full time student load (EFTSL), were obtained from the University's annual reports and are unaudited figures.

International student load reduced 11% in 2011. This comprised a fall of 165 in the onshore international student load and a fall of 792 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 11% to $81 million in 2011. Research income is disclosed in the notes to the financial statements as DIISR 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

Expenses increased by $31 million, totalling $479 million. The main expense of the University is employee related expenses which increased by $21 million to $304 million.

Other expenses increased by $10 million to $175 million.

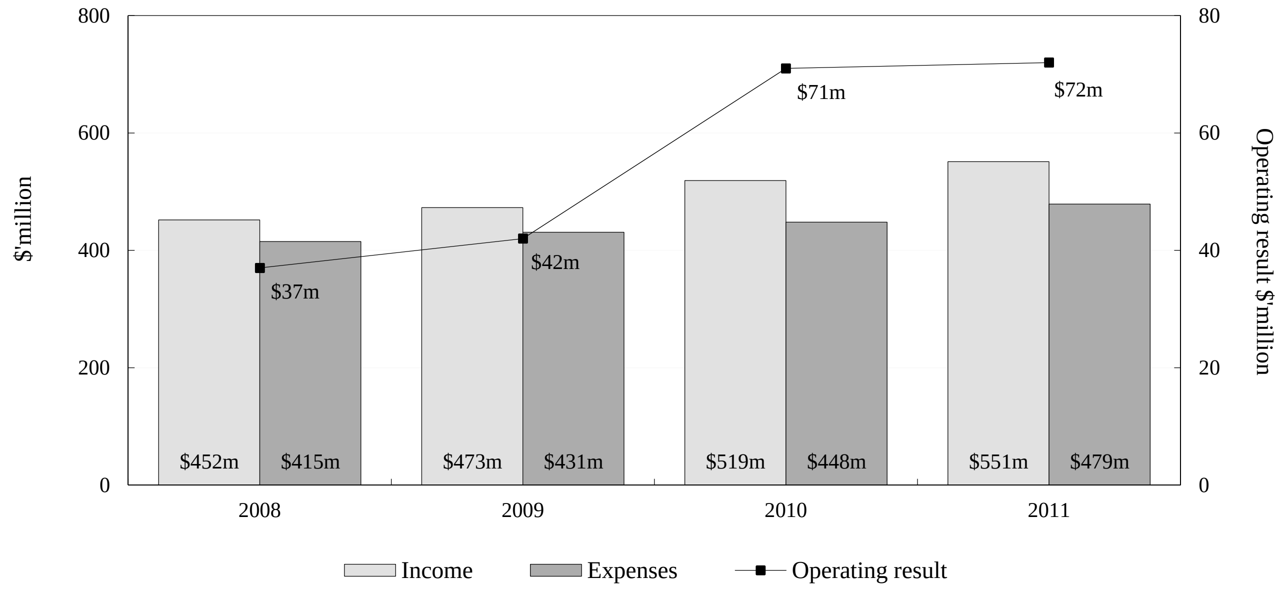
Operating result

The result of operations for the year was a surplus of $72 million ($71 million).

Contributing to the result were:

- $41.7 million capital funding from the Education Investment Fund
- $15 million interest revenue resulting from significant cash balances.

The following chart shows the movement in income, expenses and the operating result before income tax for the last four years.



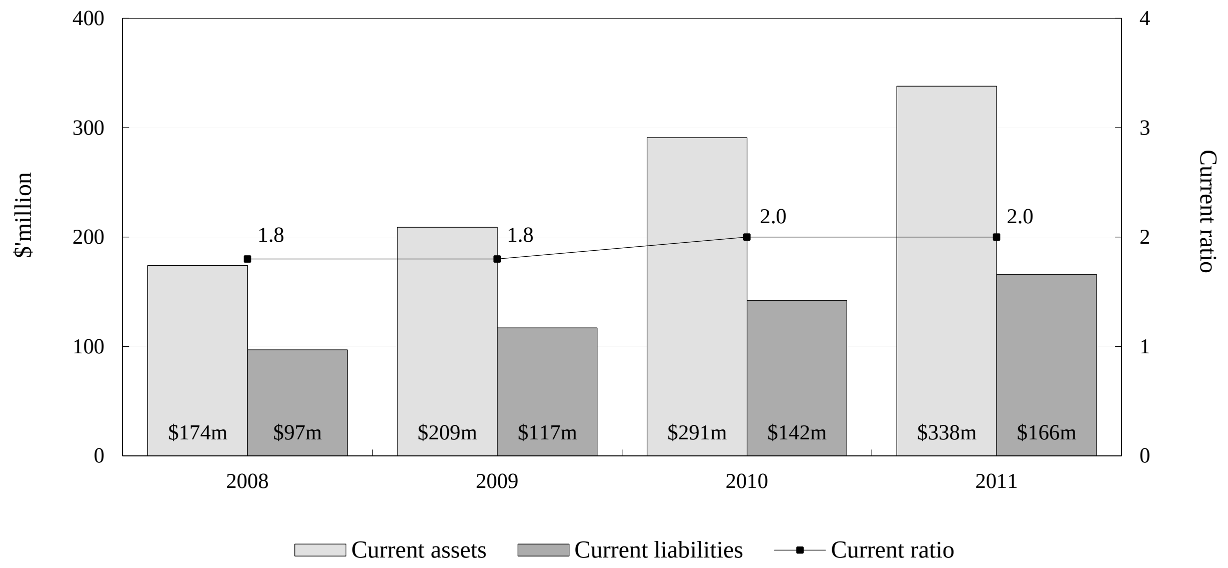
Statement of Financial Position

The main item of the University's Statement of Financial Position is property, plant and equipment, representing 48% of total assets. The carrying value of property, plant and equipment increased by $55 million to $717 million due mainly to:

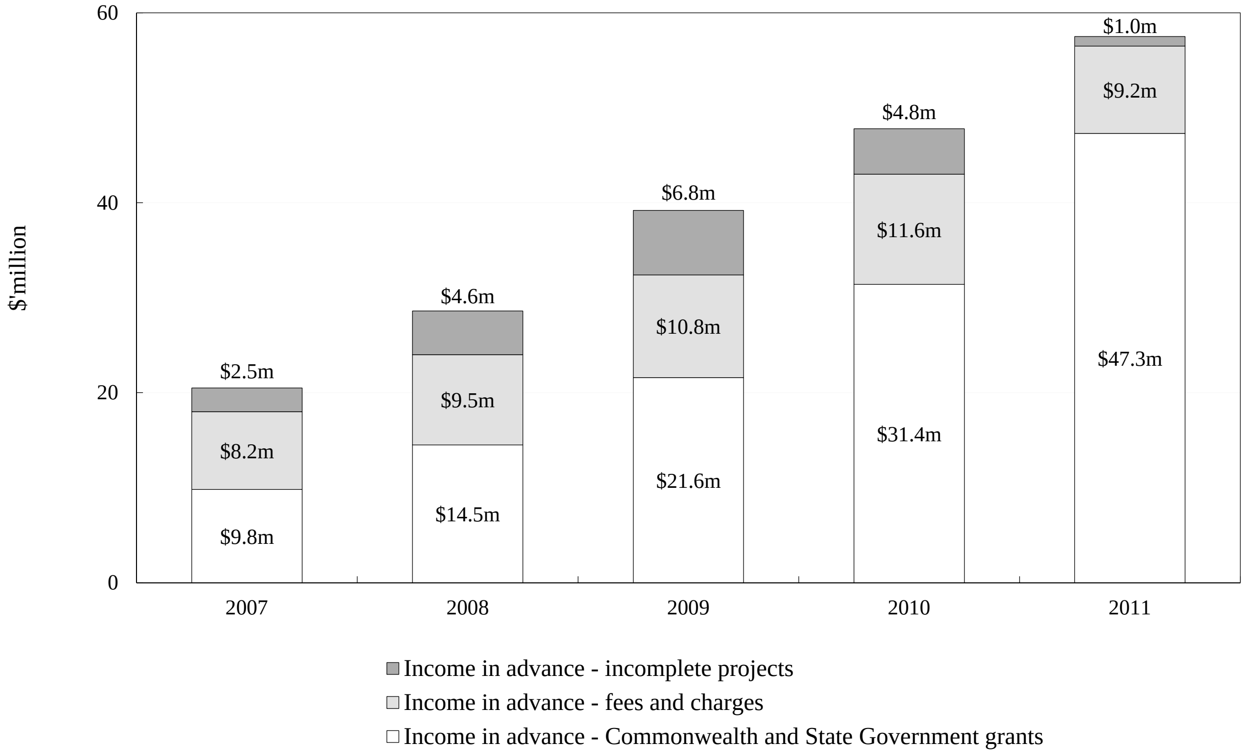
- expenditure on major capital infrastructure projects of $54 million
- other asset additions of $30 million, including the purchase of property of $13 million.

These increases were offset by depreciation charges of $28.1 million.

The following chart shows the University's current assets and liabilities. As at 31 December 2011 current assets, $338 million, exceeded current liabilities, $166 million, by $172 million.



The following chart shows the growth 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 2011 and illustrates the continued growth in the University's cash balance.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	132	98	87	77
Investing	(84)	(30)	(52)	(44)
Financing	-	-	-	-
Change in cash	48	68	35	33
Cash at 31 December	262	214	146	111

Operating cash inflows include capital grants that are used for investing purposes, primarily payments for property, plant and equipment.

Statement of Comprehensive Income
for the year ended 31 December 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Revenue from continuing operations:					
Australian Government financial assistance:	3				
Australian Government grants		264 395	222 120	264 395	222 120
HECS-HELP - Australian Government payments		84 225	82 787	84 225	82 787
FEE-HELP		7 438	5 525	7 438	5 525
State and Local Government financial assistance	4	8 805	8 501	8 729	8 501
HECS-HELP - student payments		12 994	13 389	12 994	13 389
Fees and charges	5	111 952	109 751	111 952	109 751
Investment revenue	6	20 995	11 647	19 994	24 247
Royalties		470	566	368	606
Consultancy and contract research	7	29 224	25 690	29 309	25 851
Other revenue	8	11 028	23 693	10 982	16 386
Total revenue from continuing operations		551 526	503 669	550 386	509 163
Gains (losses) on disposal of assets	9	(192)	14 910	(253)	560
Total income from continuing operations		551 334	518 579	550 133	509 723
Expenses from continuing operations:					
Employee related expenses	10	304 037	282 585	302 731	277 669
Depreciation and amortisation	11	29 275	27 608	29 261	27 548
Repairs and maintenance	12	9 303	8 709	9 302	8 708
Other expenses	13	136 422	128 446	135 562	125 359
Bad and doubtful debts	14	86	354	86	354
Total expenses from continuing operations		479 123	447 702	476 942	439 638
Operating result before income tax		72 211	70 877	73 191	70 085
Income tax expense		49	539	89	119
Operating result attributable to the members of the University of South Australia	26(b)	72 162	70 338	73 102	69 966
Property, plant and equipment revaluation surplus:	26(a)				
Gain (Loss) on revaluation of land and buildings		-	34 345	-	34 345
Gain (Loss) on revaluation of available-for-sale financial assets		(1 051)	(357)	(1 051)	(357)
Gain (Loss) on revaluation of art collection		-	130	-	130
Total comprehensive income attributable to the members of the University of South Australia		71 111	104 456	72 051	104 084

Statement of Financial Position
as at 31 December 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Current assets:					
Cash and cash equivalents	15	261 616	214 268	255 887	197 935
Receivables	16	35 422	31 071	35 453	30 942
Deferred government superannuation contribution	31	28 600	29 000	28 600	29 000
Other non-financial assets	19	12 557	16 804	12 557	29 903
Total current assets		338 195	291 143	332 497	287 780
Non-current assets:					
Other financial assets	18	6 232	6 560	10 488	7 267
Property, plant and equipment	20	716 943	662 011	716 911	661 984
Deferred tax assets		60	-	-	-
Intangible assets	21	6 980	6 251	6 980	6 251
Deferred government superannuation contribution	31	435 900	358 300	435 900	358 300
Total non-current assets		1 166 115	1 033 122	1 170 279	1 033 802
Total assets		1 504 310	1 324 265	1 502 776	1 321 582
Current liabilities:					
Trade and other payables	22	29 048	27 903	28 831	27 471
Provisions	24	17 629	16 952	17 490	16 757
Current tax liabilities		739	663	718	663
Other liabilities	25	89 651	67 222	89 705	67 317
Provision for superannuation	31	28 600	29 000	28 600	29 000
Total current liabilities		165 667	141 740	165 344	141 208
Non-current liabilities:					
Trade and other payables	22	5 365	4 575	5 365	4 575
Provisions	24	41 051	34 434	41 051	34 434
Provision for superannuation	31	435 900	358 300	435 900	358 300
Total non-current liabilities		482 316	397 309	482 316	397 309
Total liabilities		647 983	539 049	647 660	538 517
Net assets		856 327	785 216	855 116	783 065
Equity:					
Reserves	26(a)	159 710	160 761	159 710	160 761
Retained earnings	26(b)	696 617	624 455	695 406	622 304
Total equity		856 327	785 216	855 116	783 065

Statement of Changes in Equity
for the year ended 31 December 2011

	Reserves $'000	Retained earnings $'000	Total $'000
Consolidated			
Balance at 1 January 2010	126 643	554 117	680 760
Profit (Loss)	-	70 338	70 338
Gain (Loss) on revaluation of land and buildings	34 345	-	34 345
Gain (Loss) on available-for-sale financial assets	(357)	-	(357)
Gain (Loss) on revaluation of art collection	130	-	130
Balance at 31 December 2010	160 761	624 455	785 216
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)
Balance at 31 December 2011	159 710	696 617	856 327
University			
Balance at 1 January 2010	126 643	552 338	678 981
Profit (Loss)	-	69 966	69 966
Gain (Loss) of revaluation of land and buildings	34 345	-	34 345
Gain (Loss) on available-for-sale financial assets	(357)	-	(357)
Gain (Loss) on revaluation of art collection	130	-	130
Balance at 31 December 2010	160 761	622 304	783 065
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)
Balance at 31 December 2011	159 710	695 406	855 116

Statement of Cash Flows
for the year ended 31 December 2011

		Consolidated		University	
		2011	2010	2011	2010
		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)	373 489	307 804	373 489	307 804
OS-HELP (net)	3(h)	(71)	4	(71)	4
Superannuation supplementation	3(h)	25 617	23 845	25 617	23 845
State and local government grants		7 858	12 222	7 782	12 222
HECS-HELP - student payments		12 994	13 389	12 994	13 389
Receipts from student fees and other customers		119 673	118 332	119 371	118 136
Dividends received		5 013	1 371	18 024	1 755
Interest received		14 297	7 673	13 400	7 584
Royalties		469	566	368	606
Consultancy and contract research		25 492	32 323	25 679	31 409
Other receipts		30 841	33 368	30 734	26 130
GST recovered/paid		9 913	5 524	9 844	5 541
Outflows:					
Payments to suppliers and employees (GST inclusive)		(493 833)	(457 517)	(491 345)	(448 898)
Net cash provided by (used in) operating activities	36	131 752	98 904	145 886	99 527
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of property, plant and equipment		8	1 450	8	904
Proceeds from sale of investments		163	15 254	163	585
Outflows:					
Payments for property, plant and equipment		(83 816)	(46 174)	(83 797)	(45 895)
Payments for investments		(759)	(798)	(4 308)	(645)
Net cash provided by (used in) investing activities		(84 404)	(30 268)	(87 934)	(45 051)
Net increase (decrease) in cash and cash equivalents		47 348	68 636	57 952	54 476
Cash and cash equivalents at 1 January		214 268	145 632	197 935	143 459
Cash and cash equivalents at 31 December	15	261 616	214 268	255 887	197 935
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 Education, Employment and Workplace Relations (DEEWR) and other State/Australian Government legislative requirements.

(a) Basis of preparation (continued)

Except where in conflict with the DEEWR 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 2011 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.

(iii) *Joint venture operations (continued)*

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*

- *DEEWR financial assistance (including Commonwealth Grant Scheme, Higher Education Loan programs, scholarships and DIISR Research)*

  The University recognises DEEWR financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other financial assistance (including ARC, NHMRC, Australian Government and State Government)*

  Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

  Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) *Fees and charges*

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) *Investment income*

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) *Consultancy and contract research*

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) *Other revenue*

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/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). 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 are 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).

(i) Property, plant and equipment (continued)

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.

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 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 revalued 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 2011 valuation resulted in an increase of $662 000 (decrease of $1.363 million). The full amount of the revaluation has been recognised as a gain in the Statement of Comprehensive Income recorded within other expenses, as it partly reverses the 2010 revaluation decrease which was previously recognised 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.

(vi) *Leased assets (continued)*

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the 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 2011 (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 $21.720 million ($21.720 million) of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990* section 6(3).

(l) Intangible assets 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

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs, now DEEWR, the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Statement of Comprehensive Income and the Statement of Financial Position for the first time in 1998.

(m) Unfunded superannuation (continued)

In 2009, the DEEWR guidelines for defined benefit obligations (superannuation) were rewritten to align with AASs. Superannuation Supplementation Program funding is not to be recognised as a revenue as the payment is in respect of an existing liability. The recognition of the expense in the face statements should be offset by the revenue received in respect of the receivable from the Australian Government. This has resulted in the removal of the deferred government superannuation revenue (Commonwealth Supplementation) from the Statement of Comprehensive Income and moving the expense item (which is a net amount) to 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.

An arrangement exists between the Australian Government and the South Australian State 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).

(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 2011 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 dependents upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University are expensed in the Statement of Comprehensive Income. Note 31 provides details in respect 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 2011 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 income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

(t) Changes in accounting policy note

AASs and 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 2011. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be insignificant.

2. Disaggregated information (Consolidated)

	Revenue		Results		Total assets	
	2011	2010	2011	2010	2011	2010
Geographical	$'000	$'000	$'000	$'000	$'000	$'000
Australia	542 794	490 332	71 769	69 738	1 504 250	1 324 110
Asia	8 726	13 271	393	597	60	155
Other	6	66	-	3	-	-
Total	551 526	503 669	72 162	70 338	1 504 310	1 324 265

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

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
(a) Commonwealth Grants Scheme and other grants	40.1				
Commonwealth Grants Scheme		152 688	143 668	152 688	143 668
Indigenous Support Program		1 008	1 096	1 008	1 096
Partnership & Participation Program		4 852	2 845	4 852	2 845
Disability Support Program		131	155	131	155
Workplace Productivity Program		-	1 581	-	1 581
Capital Development Pool		2 051	2 849	2 051	2 849
Transitional Cost Program		650	461	650	461
Diversity & Structural Adjustment Fund		1 984	2 595	1 984	2 595
Chair in Child Protection		655	1 102	655	1 102
Total Commonwealth Grants Scheme and other grants		164 019	156 352	164 019	156 352
(b) Higher Education Loan programs	40.2				
HECS-HELP		84 225	82 787	84 225	82 787
FEE-HELP		7 438	5 525	7 438	5 525
Total Higher Education Loan programs		91 663	88 312	91 663	88 312
(c) Scholarships	40.3				
Australian Postgraduate Awards		4 058	3 273	4 058	3 273
International Postgraduate Research Scholarship		419	368	419	368
Commonwealth Education Cost Scholarships		854	3 045	854	3 045
Commonwealth Accommodation Scholarships		499	23	499	23
Indigenous Access Scholarships		(8)	81	(8)	81
Total scholarships		5 822	6 790	5 822	6 790
(d) DIISR Research	40.4				
Joint Research Engagement Scheme		7 284	6 631	7 284	6 631
Research Training Scheme		11 700	11 277	11 700	11 277
Research Infrastructure Block Grants		2 712	2 383	2 712	2 383
Implementation Assistance Program		-	71	-	71
Commercialisation Training Scheme		144	114	144	114
Sustainable Research Excellence in Universities		1 694	1 062	1 694	1 062
Total DIISR Research grants		23 534	21 538	23 534	21 538
(e) Other capital funding	40.5				
Education Investment Fund		41 704	13 210	41 704	13 210
Total other capital funding		41 704	13 210	41 704	13 210
(f) Australian Research Council	40.6				
(i) Discovery	40.6(a)				
Projects		3 989	3 549	3 989	3 549
Fellowships		1 248	307	1 248	307
Indigenous Researchers Development		4	-	4	-
Total discovery		5 241	3 856	5 241	3 856
(ii) Linkages	40.6(b)				
Infrastructure		259	100	259	100
International		15	16	15	16
Projects		2 712	4 160	2 712	4 160
Total linkages		2 986	4 276	2 986	4 276

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
(f) Australian Research Council (continued)					
(iii) Networks and centres	40.6(c)				
Research networks		9	230	9	230
Centres		70	69	70	69
Total networks and centres		79	299	79	299
Total Australian Research Council		8 306	8 431	8 306	8 431
(g) Other Australian Government financial assistance					
Indigenous Tutorial Assistance Scheme grant		227	143	227	143
Other Commonwealth grants		2 923	1 539	2 923	1 539
Other Australian Government research grants		17 860	14 117	17 860	14 117
Total other Australian Government financial assistance		21 010	15 799	21 010	15 799
Total Australian Government financial assistance		356 058	310 432	356 058	310 432
Reconciliation:					
Australian Government grants		264 395	222 120	264 395	222 120
HECS-HELP payments		84 225	82 787	84 225	82 787
FEE-HELP payments		7 438	5 525	7 438	5 525
Total Australian Government financial assistance		356 058	310 432	356 058	310 432
(h) Australian Government grants received - cash basis					
CGS and other DEEWR grants		167 370	157 538	167 370	157 538
Higher Education Loan programs		96 827	89 218	96 827	89 218
Scholarships		7 071	6 790	7 071	6 790
DIISR Research		23 534	21 568	23 534	21 568
Other capital funding		37 978	6 470	37 978	6 470
ARC grants - discovery		5 498	3 825	5 498	3 825
ARC grants - linkages		3 782	5 678	3 782	5 678
Other Australian Government grants		31 429	16 717	31 429	16 717
Total Australian Government grants received - cash basis		373 489	307 804	373 489	307 804
OS-HELP (net)		(71)	4	(71)	4
Superannuation supplementation		25 617	23 845	25 617	23 845
Total Australian Government funding received - cash basis		399 035	331 653	399 035	331 653

4. State and Local Government financial assistance

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Research grants	7 703	7 429	7 703	7 429
Other	1 102	1 072	1 026	1 072
Total State and Local Government financial assistance	8 805	8 501	8 729	8 501

5. Fees and charges

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Course fees and charges:				
Continuing education	1 053	1 745	1 053	1 745
Fee-paying overseas students	88 451	89 379	88 451	89 379
Fee-paying domestic postgraduate students	5 678	2 852	5 678	2 852
Total course fees and charges	95 182	93 976	95 182	93 976
Other fees and charges:				
Other fees and charges	8 896	7 799	8 896	7 799
Miscellaneous enrolment fees	6 824	7 366	6 824	7 366
Seminar/workshops	1 050	610	1 050	610
Total other fees and charges	16 770	15 775	16 770	15 775
Total fees and charges	111 952	109 751	111 952	109 751

		Consolidated		University	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
6.	**Investment revenue**				
	Dividends and distributions	6 002	1 949	5 898	14 643
	Interest	14 993	9 698	14 096	9 604
	Total investment revenue	20 995	11 647	19 994	24 247
7.	**Consultancy and contract research**				
	Consultancy	5 166	4 103	5 067	4 114
	Contracts	24 058	21 587	24 242	21 737
	Total consultancy and contract research	29 224	25 690	29 309	25 851
8.	**Other revenue**				
	Donations and bequests	1 944	1 627	1 944	1 627
	Scholarships and prizes	1 152	1 448	1 152	1 448
	Other fees and charges	5 290	13 098	5 260	5 787
	Other	2 642	7 520	2 626	7 524
	Total other revenue	11 028	23 693	10 982	16 386
9.	**Gains (Losses) on disposal of assets**				
	(a) Disposal of property, plant and equipment				
	Proceeds from sale	8	1 450	8	904
	Carrying amount of assets sold	(385)	(1 010)	(385)	(395)
	Net gain (loss) on disposal of property, plant and equipment	(377)	440	(377)	509
	(b) Sale of shares				
	Realised gain (loss) on disposal of investments	185	14 470	124	51
	Total of net gain (loss) on disposal of assets	(192)	14 910	(253)	560
10.	**Employee related expenses**				
	(a) Employee related expenses				
	Academic:				
	Salaries	128 940	119 911	128 940	119 911
	Contribution to funded superannuation and pension schemes:				
	Emerging cost	856	635	856	635
	Funded	18 601	17 190	18 601	17 190
	Payroll tax	7 696	7 134	7 696	7 134
	Workers compensation	70	(52)	70	(52)
	LSL	6 851	3 702	6 851	3 702
	Annual leave	8 169	9 132	8 169	9 132
	Total academic	171 183	157 652	171 183	157 652
	Non-academic:				
	Salaries	98 031	93 354	96 906	89 109
	Contribution to superannuation and pension schemes:				
	Emerging cost	258	815	157	445
	Funded	14 949	13 678	14 949	13 678
	Payroll tax	6 323	6 095	6 258	5 839
	Workers compensation	551	(21)	551	(39)
	LSL	5 260	3 068	5 239	3 049
	Annual leave	7 300	7 750	7 306	7 742
	Total non-academic	132 672	124 739	131 366	119 823
	Total academic and non-academic employee benefits and on-costs	303 855	282 391	302 549	277 475
	Council member remuneration	182	194	182	194
	Total employee related expenses	304 037	282 585	302 731	277 669

(b) Voluntary separation packages

Employee related expenses include voluntary separation packages paid during the year as follows:

	Consolidated 2011 Number	Consolidated 2010 Number	University 2011 Number	University 2010 Number
Number of voluntary separation packages	15	20	15	20

	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Voluntary separation package expenses	1 034	1 333	1 034	1 333
Annual leave and LSL entitlements paid	340	506	340	506
Total amount associated with separations	1 374	1 839	1 374	1 839

There is no entitlement to recover separation payments from DPC.

(c) Aggregate employee benefits liability

In accordance with AASB 119, employee on-costs are required to be reported as payable whilst leave liability amounts are reported separately as employee benefits. Below is a composite note showing the total liabilities the University has at 31 December relating to employee benefits:

	Consolidated 2011 $'000	Consolidated 2010 $'000	University 2011 $'000	University 2010 $'000
Annual leave:				
On-costs included in payables - current	2 772	2 760	2 772	2 760
On-costs included in payables - non-current	1 530	1 399	1 530	1 399
Employee benefits - current	11 733	11 731	11 680	11 662
Employee benefits - non-current	6 380	5 842	6 380	5 842
	22 415	21 732	22 362	21 663
LSL:				
On-costs included in payables - current	543	499	543	499
On-costs included in payables - non-current	3 835	3 176	3 835	3 176
Employee benefits - current	5 025	4 678	4 939	4 552
Employee benefits - non-current	34 068	28 023	34 068	28 023
	43 471	36 376	43 385	36 250
Separations scheme:				
Employee benefits - current	445	210	445	210
Total aggregate employee benefits liability	66 331	58 318	66 192	58 123

11. Depreciation and amortisation

Depreciation:				
Buildings	17 285	16 115	17 285	16 115
Leasehold improvements	627	549	627	549
Library collection	2 175	2 374	2 175	2 374
Plant and equipment	7 986	7 528	7 972	7 468
Total depreciation	28 073	26 566	28 059	26 506
Amortisation				
Intangibles	1 202	1 042	1 202	1 042
Total amortisation	1 202	1 042	1 202	1 042
Total depreciation and amortisation	29 275	27 608	29 261	27 548

12. Repairs and maintenance

Buildings	8 184	7 668	8 183	7 668
Grounds	1 119	1 041	1 119	1 040
Total repairs and maintenance	9 303	8 709	9 302	8 708

13. Other expenses

	Consolidated		University	
	2011	2010	2011	2010
	$’000	$’000	$’000	$’000
Scholarships, grants and prizes	21 216	19 688	21 216	19 688
Non-capitalised equipment	5 417	4 207	5 417	4 198
Advertising, marketing and promotional expenses	6 454	6 778	6 377	6 712
Telecommunications	4 513	4 464	4 500	4 396
Travel, staff development and entertainment	19 289	18 806	19 199	18 628
External services*	39 921	36 225	39 613	35 135
IT hardware and software	10 841	7 940	10 820	7 912
Library subscriptions	3 241	3 473	3 241	3 473
Printing	1 364	1 620	1 364	1 607
Operating lease rental expenses	2 510	2 774	2 510	2 756
Bank charges, legal costs, insurance and taxes	5 442	4 354	5 109	4 327
General consumables	6 585	6 229	6 569	5 560
Other**	9 629	11 888	9 627	10 967
Total other expenses	136 422	128 446	135 562	125 359

* Included within external services for 2011 is an amount for consultants of $1.778 million University ($2.169 million Consolidated) exclusive of GST ($2.279 million University, $2.621 million Consolidated). This amount excludes consultant payments for the capital works program.

** Net foreign exchange losses included in other expenses for 2011 were $130 000 University ($131 000 Consolidated) ($409 000 University and Consolidated). Impairment loss in respect of available-for-sale assets included in other expenses for 2011 was $nil University and Consolidated ($nil University, $414 000 Consolidated).

14. Bad and doubtful debts

	Consolidated		University	
	2011	2010	2011	2010
	$’000	$’000	$’000	$’000
Bad and doubtful debts	86	354	86	354
Total bad and doubtful debts	86	354	86	354

15. Cash and cash equivalents

Cash at bank and on hand	13 681	6 145	9 626	6 174
Deposits	247 935	208 123	246 261	191 761
Total cash and cash equivalents	261 616	214 268	255 887	197 935

(a) Reconciliation to cash at the end of the year

Balances per Statement of Financial Position	261 616	214 268	255 887	197 935
Balances per Statement of Cash Flows	261 616	214 268	255 887	197 935

(b) Cash at bank and on hand

During the year cash earned an average of 3.75% interest (4.25%) and the interest is credited to the University on a monthly basis.

(c) Deposits

During the year the cash deposits earned interest at a fixed rate which ranged between 5.60% and 6.34% (range of 3.25% and 6.34%). These deposits had an average maturity of 172 days (140 days).

16. Receivables

	Consolidated		University	
	2011	2010	2011	2010
	$’000	$’000	$’000	$’000
Trade debtors	14 747	12 195	14 785	12 066
Provision for impairment receivables	(213)	(368)	(213)	(368)
	14 534	11 827	14 572	11 698
Student fees	4 007	4 035	4 007	4 035
Provision for impaired receivables	(517)	(533)	(517)	(533)
	3 490	3 502	3 490	3 502
Commonwealth receivables	15 283	13 658	15 283	13 658
Other	2 115	2 084	2 108	2 084
Total receivables	35 422	31 071	35 453	30 942

(a) Impaired receivables

As at 31 December 2011 current trade receivables of the Group with a nominal value of $191 000 ($351 000) 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 $22 000 ($17 000). The total amount of the provision for impaired trade receivables was $213 000 ($368 000).

Trade receivables

The ageing analysis of trade receivables is as follows:	Consolidated 2011 $'000	Consolidated 2010 $'000
Less than three months	-	-
Three to six months	140	37
Over six months	73	331
	213	368

As at 31 December 2011, trade receivables of $6.103 million ($6.554 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of past due but not impaired receivables is as follows:	Consolidated 2011 $'000	Consolidated 2010 $'000
Less than three months	4 586	5 410
Three to six months	1 364	590
Over six months	153	554
	6 103	6 554

Movements in the trade debtors provision for impaired receivables are as follows:

At 1 January	368	505
Provision for impairment recognised during the year	192	143
Receivables written off during the year as uncollectable	(91)	(107)
Unused amount reversed and debts collected	(256)	(173)
At 31 December	213	368

Student receivables

As at 31 December 2011, student receivables of $3.204 million ($3.171 million) were past due but not impaired:

The ageing analysis of these receivables is as follows:

Less than three months	215	504
Three to six months	2 522	2 205
Over six months	467	462
	3 204	3 171

Movements in the student fees provision for impaired receivables are as follows:

At 1 January	533	576
Provision for impairment recognised during the year	353	314
Receivables written off during the year as uncollectable	(363)	(288)
Unused amount reversed and debts collected	(6)	(69)
At 31 December	517	533

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	
		2011	2010	2011	2010
Non-current:	Note	$'000	$'000	$'000	$'000
Shares in subsidiaries	32	-	-	5 730	1 730
Available-for-sale financial assets		6 232	6 560	4 758	5 537
Total other financial assets		6 232	6 560	10 488	7 267

19. Other non-financial assets

	2011	2010	2011	2010
Current:				
Prepayments	8 564	8 136	8 564	8 120
Accrued income	3 993	8 668	3 993	21 783
Total other non-financial assets	12 557	16 804	12 557	29 903

20. Property, plant and equipment

Consolidated	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
At 1 January 2010:	$'000	$'000	$'000	$'000	$'000
Cost	19 086	6 147	48 424	61 564	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(397 374)	(30 943)	-
Net book amount	19 086	93 887	448 828	30 621	-
Year ended 31 December 2010:					
Opening net book amount	19 086	93 887	448 828	30 621	-
Revaluation	-	19 455	14 890	-	-
Additions	30 012	1 558	706	6 244	4 513
Disposals	-	-	(341)	(615)	-
Reclassifications	(27 632)	-	24 908	551	-
Depreciation charge	-	-	(16 115)	(7 528)	-
Closing net book amount	21 466	114 900	472 876	29 273	4 513
At 31 December 2010:					
Cost	21 466	-	-	63 016	4 513
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(436 288)	(33 743)	-
Net book amount	21 466	114 900	472 876	29 273	4 513
Year ended 31 December 2011:					
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 charge	-	-	(17 285)	(7 986)	-
Closing net book amount	11 450	126 296	520 603	36 935	1 745
At 31 December 2011:					
Cost	11 450	11 396	65 012	73 353	1 745
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(453 573)	(36 418)	-
Net book amount	11 450	126 296	520 603	36 935	1 745

20. Property, plant and equipment (continued)

Consolidated (continued)

	Leasehold Improvements $'000	Library $'000	Art collection $'000	Total $'000
At 1 January 2010:				
Cost	3 375	-	-	138 596
Valuation	-	28 202	1 361	915 081
Accumulated depreciation	(1 837)	(12 548)	-	(442 702)
Net book amount	1 538	15 654	1 361	610 975
Year ended 31 December 2010:				
Opening net book amount	1 538	15 654	1 361	610 975
Revaluation	-	(1 363)	130	33 112
Additions	-	2 424	44	45 501
Disposals	(5)	(50)	-	(1 011)
Reclassifications	2 173	-	-	-
Depreciation charge	(549)	(2 374)	-	(26 566)
Closing net book amount	3 157	14 291	1 535	662 011
At 31 December 2010:				
Cost	5 525	-	-	94 520
Valuation	-	25 211	1 535	1 050 810
Accumulated depreciation	(2 368)	(10 920)	-	(483 319)
Net book amount	3 157	14 291	1 535	662 011
Year ended 31 December 2011:				
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 charge	(627)	(2 175)	-	(28 073)
Closing net book amount	2 569	15 779	1 566	716 943
At 31 December 2011:				
Cost	5 564	-	31	168 551
Valuation	-	27 060	1 535	1 052 659
Accumulated depreciation	(2 995)	(11 281)	-	(504 267)
Net book amount	2 569	15 779	1 566	716 943

University	Construction in progress $'000	Land $'000	Freehold buildings $'000	Plant and equipment $'000	Plant and equipment in progress $'000
At 1 January 2010:					
Cost	19 086	6 147	47 952	59 985	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(396 975)	(29 715)	-
Net book amount	19 086	93 887	448 755	30 270	-
Year ended 31 December 2010:					
Opening net book amount	19 086	93 887	448 755	30 270	-
Revaluation	-	19 455	14 890	-	-
Additions	30 012	1 558	438	6 233	4 513
Disposals	-	-	-	(340)	-
Reclassifications	(27 632)	-	24 908	551	-
Depreciation charge	-	-	(16 115)	(7 468)	-
Closing net book amount	21 466	114 900	472 876	29 246	4 513
At 31 December 2010:					
Cost	21 466	-	-	62 672	4 513
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(436 288)	(33 426)	-
Net book amount	21 466	114 900	472 876	29 246	4 513
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

20. Property, plant and equipment (continued)

University (continued)	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
At 31 December 2011:	$'000	$'000	$'000	$'000	$'000
Cost	11 450	11 396	65 012	72 989	1 745
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(453 573)	(36 086)	-
Net book amount	11 450	126 296	520 603	36 903	1 745

	Leasehold Improvements	Library	Art collection	Total
At 1 January 2010:	$'000	$'000	$'000	$'000
Cost	3 375	-	-	136 545
Valuation	-	28 202	1 361	915 081
Accumulated depreciation	(1 837)	(12 548)	-	(441 075)
Net book amount	1 538	15 654	1 361	610 551
Year ended 31 December 2010:				
Opening net book amount	1 538	15 654	1 361	610 551
Revaluation	-	(1 363)	130	33 112
Additions	-	2 424	44	45 222
Disposals	(5)	(50)	-	(395)
Reclassifications	2 173	-	-	-
Depreciation charge	(549)	(2 374)	-	(26 506)
Closing net book amount	3 157	14 291	1 535	661 984
At 31 December 2010:				
Cost	5 525	-	-	94 176
Valuation	-	25 211	1 535	1 050 810
Accumulated depreciation	(2 368)	(10 920)	-	(483 002)
Net book amount	3 157	14 291	1 535	661 984
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
At 31 December 2011:				
Cost	55 64	-	31	168 187
Valuation	-	27 060	1 535	1 052 659
Accumulated depreciation	(2 995)	(11 281)	-	(503 935)
Net book amount	2 569	15 779	1 566	716 911

21. Intangible assets

Consolidated	Intangibles in progress $'000	Intangibles $'000	Total $'000
At 1 January 2010:			
Cost	891	5 983	6 874
Accumulated amortisation	-	(1 321)	(1 321)
Net book amount	891	4 662	5 553
Year ended 31 December 2010:			
Opening net book amount	891	4 662	5 553
Additions	1 740	-	1 740
Reclassifications	(809)	809	-
Amortisation charge	-	(1 042)	(1 042)
Closing net book amount	1 822	4 429	6 251
At 31 December 2010:			
Cost	1 822	6 792	8 614
Accumulated amortisation	-	(2 363)	(2 363)
Net book amount	1 822	4 429	6 251

21. Intangible assets (continued)

Consolidated (continued)

	Intangibles in progress	Intangibles	Total
Year ended 31 December 2011:	$'000	$'000	$'000
Opening net book amount	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 net book amount	395	6 585	6 980
At 31 December 2011:			
Cost	395	10 114	10 509
Accumulated amortisation	-	(3 529)	(3 529)
Net book amount	395	6 585	6 980

University

	Intangibles in progress	Intangibles	Total
At 1 January 2010:			
Cost	891	5 983	6 874
Accumulated amortisation	-	(1 321)	(1 321)
Net book amount	891	4 662	5 553
Year ended 31 December 2010:			
Opening net book amount	891	4 662	5 553
Additions	1 740	-	1 740
Reclassifications	(809)	809	-
Amortisation charge	-	(1 042)	(1 042)
Closing net book amount	1 822	4 429	6 251
At 31 December 2010:			
Cost	1 822	6 792	8 614
Accumulated amortisation	-	(2 363)	(2 363)
Net book amount	1 822	4 429	6 251
Year ended 31 December 2011:			
Opening net book amount	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 net book amount	395	6 585	6 980
At 31 December 2011:			
Cost	395	10 114	10 509
Accumulated amortisation	-	(3 529)	(3 529)
Net book amount	395	6 585	6 980

22. Payables

	Consolidated		University	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Trade creditors	18 324	17 951	18 107	17 519
Accrued salaries	7 409	6 693	7 409	6 693
Annual leave on-costs	2 772	2 760	2 772	2 760
LSL on-costs	543	499	543	499
Total current payables	29 048	27 903	28 831	27 471
Non-current:				
Annual leave on-costs	1 530	1 399	1 530	1 399
LSL on-costs	3 835	3 176	3 835	3 176
Total non-current payables	5 365	4 575	5 365	4 575
Total payables	34 413	32 478	34 196	32 046

(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 balance date to the following lines of credit:

	Consolidated		University	
Credit standby arrangements:	2011	2010	2011	2010
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)	1 380	1 530	1 380	1 530
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
	20 180	20 330	20 180	20 330
Used at balance date:				
Credit card facility NAB	7	1 052	7	1 052
Credit card facility with Amex	453	323	453	323
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	-	-	-	-
Bank guarantee	3 677	1 423	3 677	1 423
	4 137	2 798	4 137	2 798
Unused at balance date:				
Credit card facility NAB	7 993	6 948	7 993	6 948
Credit card facility with Amex	927	1 207	927	1 207
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	1 423	3 677	1 423	3 677
	16 043	17 532	16 043	17 532
Bank loan facilities:				
NAB facilities	-	35 000	-	35 000
Total facilities	-	35 000	-	35 000
Used at balance date	-	-	-	-
Unused at balance date	-	35 000	-	35 000

24. Provisions

Current:				
Annual leave	11 733	11 731	11 680	11 662
LSL	5 025	4 678	4 939	4 552
Separation Scheme	445	210	445	210
Workers compensation liability	426	333	426	333
Total current provisions	17 629	16 952	17 490	16 757
Non-current:				
Annual leave	6 380	5 842	6 380	5 842
LSL	34 068	28 023	34 068	28 023
Workers compensation liability	603	569	603	569
Total non-current provisions	41 051	34 434	41 051	34 434
Total provisions	58 680	51 386	58 541	51 191

Movements in the workers compensation liability are set out below:

Carrying amount 1 January	902	1 679	902	1 679
Additional provisions recognised	403	412	403	412
Amounts used	(259)	(711)	(259)	(711)
Unused amounts reversed	(40)	(401)	(40)	(401)
Increase (Decrease) in discounted amount	23	(77)	23	(77)
Carrying amount 31 December	1 029	902	1 029	902

25. Other liabilities

	Consolidated		University	
Current:	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Funds held on behalf of external entities	29 332	17 676	29 332	17 676
Income in advance on incomplete projects	956	4 827	956	4 827
Fees and charges	9 286	11 598	9 286	11 598
Commonwealth and State Government grants	47 315	31 421	47 315	31 421
Other	2 762	1 700	2 816	1 795
Total other liabilities	89 651	67 222	89 705	67 317

26. Reserves and retained earnings

(a) Reserves

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	447	1 498	447	1 498
	159 710	160 761	159 710	160 761

Movements in reserves

Property, plant and equipment revaluation surplus:				
Land and buildings:				
Balance 1 January	158 839	124 494	158 839	124 494
Asset revaluation increment	-	34 345	-	34 345
Balance 31 December	158 839	158 839	158 839	158 839
Art collection:				
Balance 1 January	424	294	424	294
Asset revaluation increment	-	130	-	130
Balance 31 December	424	424	424	424
Available-for-sale investments revaluation surplus:				
Balance 1 January	1 498	1 855	1 498	1 855
Asset revaluation decrement	(1 051)	(357)	(1 051)	(357)
Total available-for-sale investments revaluation surplus	447	1 498	447	1 498

(b) Retained earnings

Retained earnings at 1 January	624 455	554 117	622 304	552 338
Operating result for the period	72 162	70 338	73 102	69 966
Retained earnings at 31 December	696 617	624 455	695 406	622 304

(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 2011 year. Council members include University employees who may be ex officio members or elected staff members.

2011 Council members

Dr Ian Gould, AM, Chancellor
Professor Peter Høj, Vice-Chancellor and President
Dr Wendy Craik, AM, Deputy Chancellor
Mr Terry Evans, Pro Chancellor
Ms Pauline Carr
Mr William Cossey, AM

2011 Council members (continued)
Ms Melissa Davies (term commenced 1 January 2011, term completed 31 December 2011)
Professor Drew Dawson
Ms Tanya Hosch
Mr Bruce Linn
Mr Jim McDowell (resigned 31 August 2011)
Mr Ian McLachlan (leave of absence 17 March 2011 to 13 April 2011) (resigned 14 April 2011)
Ms Paula Nagel
Professor Leanna Read (term commenced 15 December 2011)
Professor Rick Sarre (term commenced 1 January 2011)
Mr John Anthony Sy (term commenced 1 January 2011, term completed 31 December 2011)
Ms Bronwen Webb (term completed on 31 December 2011)

Directorships held by Council members during the 2011 year in subsidiaries and associates of the University
Mr Bruce Linn, ITEK Pty Ltd, ITEK Ventures Pty Ltd (1 December 2011 to 31 December 2011) and SABRENet Ltd.
Mr Ian McLachlan, ITEK Pty Ltd (1 January 2011 to 13 April 2011)

(b) Remuneration of University Council members, directors of subsidiary companies and executive officers

	Consolidated		University	
	2011	2010	2011	2010
Remuneration of Council members	Number	Number	Number	Number
$nil	5	7	5	7
$1 - $9 999	3	-	3	-
$10 000 - $19 999	7	8	7	8
$20 000 - $29 999	-	-	1	2
$40 000 - $49 999	1	1	-	-
$50 000 - $59 999	1	2	1	1
	17	18	17	18

The remuneration received and receivable by Council members for their services as Council members was $181 984 ($194 400). The total remuneration received and receivable by Council members in their position as Council members and as directors of subsidiary companies was $206 984 ($255 067).

	Consolidated		University	
	2011	2010	2011	2010
Remuneration of executive officers	Number	Number	Number	Number
$100 000 - $109 999	1	-	1	-
$150 000 - $159 999*	-	1	-	1
$180 000 - $189 999	-	1	-	1
$240 000 - $249 999	1	-	1	-
$270 000 - $279 999	1	1	1	1
$290 000 - $299 999	-	2	-	2
$310 000 - $319 999	1	1	1	1
$320 000 - $329 999	2	-	2	-
$340 000 - $349 999*	-	2	-	2
$350 000 - $359 999	1	1	1	1
$370 000 - $379 999	1	-	1	-
$410 000 - $419 999	-	1	-	1
$420 000 - $429 999	1	-	1	-
$690 000 - $699 999	-	1	-	1
$940 000 - $949 999#	1	-	1	-
	10	11	10	11

* 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 period. 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Short-term employee benefits	3 300	3 061	3 300	3 061
Post-employment benefits	474	485	474	485
Other long-term benefits	-	104	-	104
Termination benefits	-	124	-	124
	3 774	3 774	3 774	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 or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Assurance services	Consolidated		University	
Audit services:	2011	2010	2011	2010
Fees paid to Auditor-General's Department:	$'000	$'000	$'000	$'000
Audit of financial reports and other audit work	254	248	254	248
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the Consolidated Entity	18	10	-	-
Total remuneration for audit services	272	258	254	248

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 2011 this contingent liability reduced to $334 000.

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 2011 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	
	2011	2010	2011	2010
Property, plant and equipment:	$'000	$'000	$'000	$'000
Within one year	9 232	30 066	9 232	30 066
Later than one year but not later than five years	3 670	3 850	3 670	3 850
Total capital commitments	12 902	33 916	12 902	33 916

(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:

(b) ***Lease commitments - operating leases (continued)***

	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	3 127	2 602	3 127	2 602
Later than one year but not later than five years	4 240	4 296	4 240	4 296
Later than five years	86	86	86	86
Total lease commitments - operating leases	7 453	6 984	7 453	6 984

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	3 591	6 148	3 591	6 148
Later than one year but not later than five years	6 160	5 293	6 160	5 293
Later than five years	2 193	1 635	2 193	1 635
Total other expenditure commitments	11 944	13 076	11 944	13 076

31. Superannuation plans

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 2011. The actuarial valuation was based on 30 June 2011 membership data which was projected to 31 December 2011. The University's present value of the defined benefit obligations was assessed to be $491.1 million ($413.8 million).

The University's liability under the scheme has been partly funded by an amount of $26.6 million ($26.5 million) arising from 3% productivity employer contributions. This results in an unfunded liability of $464.5 million ($387.3 million).

	2011	2010
Defined benefit obligations:	$'000	$'000
Present value obligations	491 100	413 800
Present value of plan assets	26 600	26 500
Total liability	464 500	387 300

(a) Superannuation plan (continued)

The net unfunded amount of $464.5 million ($387.3 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 DEEWR Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by Brett and Watson Pty Ltd in determining the University's liability were:

	2011 % per annum	2010 % per annum
Long-term rate of increase in the CPI	2.5	2.5
Short-term rate of increase in the CPI		
4.0% in the first year, 3.0% in the second year		
Rate of salary increases	4.0	4.0
Discount rate	4.1	5.7
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 $26.229 million ($24.693 million) are offset by $26.229 million ($24.693 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.

	2011	2010
Defined benefit obligations:	$'000	$'000
Current provision for superannuation	28 600	29 000
Non-current provision for superannuation	435 900	358 300
Total liability	464 500	387 300
Reimbursement rights:		
Current deferred Government superannuation contribution	28 600	29 000
Non-current deferred Government superannuation contribution	435 900	358 300
Total asset	464 500	387 300
Total net liability/asset in the Statement of Financial Position	-	-

(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.

(i) UniSuper Defined Benefit Division (continued)

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 required to also 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 2011 the assets of the DBD aggregate (ie entire multi-employer DBD plan) were estimated to be:

- $906.5 million ($1217 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.
- $426.7 million in excess ($312 million 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 Pty Ltd using the actuarial demographic assumptions outlined in their report dated 9 November 2011 on the actuarial investigation of the DBD as at 30 June 2011. The financial assumptions used were:

	Vested benefits % per annum	Accrued benefits % per annum
Gross of tax investment return	7.25	8.50
Net of tax investment return	6.75	8.00
CPI	2.75	2.75
Inflationary salary increases short-term (two years)	5.00	5.00
Inflationary salary increases long-term	3.75	3.75

Assets have been included at their net market value, ie allowing for realisation costs.

At 30 June 2011 the vested benefit index (VBI) was 92.2% and the accrued benefit index was 104.2%. As the VBI was below 100%, the DBD as at 30 June 2011 is therefore 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 actuarial review of the DBD as at 30 June 2011 indicated that the financial health of the DBD has deteriorated since the previous review in 2008. Consequently the Trustee Board has now triggered a new four year monitoring period ending 30 June 2015. This means that benefit reductions could be considered at the end of either or both the 31 December 2012 and the 30 June 2015 monitoring periods if the funding level of the DBD continues to be insufficient.

(i) *UniSuper Defined Benefit Division (continued)*

The actuary currently believes, in respect of the long-term financial condition of the Fund, that assets as at 30 June 2011, together with current contribution rates, are expected to be sufficient to provide for the current benefit levels for both existing members and anticipated new members if experience follows the 'best estimate' assumptions.

(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 the Accum 2. Contributions made by both the employee and employer remain unchanged.

(iii) *UniSuper Accumulation Super 1 (Accum 1)*

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee 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 $22.36 million ($20.543 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of $11.152 million ($10.292 million) in respect of 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):

			Ownership interest	
		Country of	2011	2010
Name of entity		incorporation	%	%
(a)	ITEK Pty Ltd	Australia	100	100
(b)	University of South Australia Foundation Incorporated	Australia	100	100
(c)	ITEK Ventures Pty Ltd	Australia	100	-
(d)	UniSA Health Pty Ltd	Australia	100	-

(a) ITEK Pty Ltd (ITEK)

ITEK 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.

ITEK had a 100% interest in GTA Pty Ltd as trustee for the GTA Trust. During 2010 the business previously conducted through the GTA Trust was sold.

In October 2011, the University's Council approved moving the Trust's 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 2011 and no transactions over the reporting period. 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.

(c) ITEK Ventures Pty Ltd (continued)

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 UniSA staff and students.

No material transactions have occurred in UniSA Health Pty Ltd.

33. Investments in associates

The University has an interest in SABRENet Ltd as described below:

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 South Australian Government, while the 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.

34. Interests in joint ventures

(a) Joint venture operations

The University's interests in joint venture operations are as follows:

			Ownership interest	
			2011	2010
Entity		Reporting date	%	%
(i)	Mawson Centre Building	31 December	63	63
(ii)	e-Research SA	31 December	33	33
(iii)	SA node of the Australia 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 2011 is $7.160 million ($7.328 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 Australia National Fabrication Facility (ANFF)

Established in 2007, under the National Collaborative Research Infrastructure Strategy, the ANFF links seven university based nodes to provide researchers and industry with access to state of the art fabrication facilities. Each node offers a specific area of expertise including advanced materials, 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 the Australian Accounting Standard AASB 131.

			Ownership interest	
			2011	2010
Entity		Reporting date	%	%
(i)	Australian Centre for Community Ageing	30 June	25.00	25.00
(ii)	Cooperative Research Centre for Integrated Engineering Asset Management	30 June	12.27	12.27
(iii)	Cooperative Research Centre for Irrigation Futures	30 June	-	-
(iv)	Cooperative Research Centre for Sustainable Tourism Pty Ltd	30 June	-	-
(v)	Desert Knowledge Cooperative Research Centre	30 June	-	-
(vi)	South Australian Consortium for Information Technology and Telecommunications	31 December	33.33	33.33
(vii)	Spencer Gulf Rural Health School	31 December	-	50.00
(viii)	South Australian Tertiary Admissions Centre	30 June	25.00	25.00
(ix)	Cooperative Research Centre for Advanced Automotive Technologies	30 June	8.90	5.00
(x)	Cooperative Research Centre for Contamination Assessment and Remediation of the Environment	30 June	22.76	22.76
(xi)	Cooperative Research Centre for Polymers	30 June	1.67	1.97
(xii)	Cooperative Research Centre for Rail Innovation	30 June	9.66	10.60
(xiii)	Australian Seafood Cooperative Research Centre	30 June	1.06	1.06
(xiv)	Australian Synchrotron	30 June	1.00	1.00
(xv)	Defence Systems Innovation Centre	30 June	33.33	50.00
(xvi)	The Cooperative Research Centre for Remote Economic Participation	30 June	7.82	8.74
(xvii)	Australian Centre for Plant Functional Genomics	31 December	1.10	1.10
(xviii)	The Cooperative Research Centre for Wound Management	30 June	8.61	-

(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 Integrated 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) Cooperative Research Centre for Irrigation Futures (CRCIF)

The CRCIF was a national cooperative research centre. Its goals were to double profitability and halve water use of Australian irrigation and also intended to define and promote sustainable irrigation areas and practices. This joint venture came to an end as at 30 June 2010.

(iv) *Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST)*
The CRCST was a national cooperative research centre which focused on delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism. This joint venture came to an end as at 30 June 2010.

(v) *Desert Knowledge Cooperative Research Centre (DK-CRC)*
The DK-CRC was a national cooperative research centre and brokerage institution that linked researchers with 27 partners. Its purpose was to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on desert knowledge, and creating the networks to market this knowledge in other desert lands. Funding received by DK-CRC came to an end on 30 June 2010.

(vi) *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.

(vii) *Spencer Gulf Rural Health School (SGRHS)*
The SGRHS is a regional multi-disciplinary school of health science created as a joint initiative of the University of Adelaide and the University of South Australia, supported by the Commonwealth Government. It is located at the University of South Australia, Whyalla campus. The objective of the centre was to improve access to appropriate health care services for rural and remote communities. The term of the joint venture agreement came to an end in June 2011.

(viii) *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 the TAFE SA, Charles Darwin University and the three universities in South Australia.

(ix) *Cooperative Research Centre for Advanced Automotive Technologies (Auto CRC)*
The Auto CRC was created in December 2005 as part of a national strategy to secure Australia's position in the global automotive industry. The Auto CRC aims to deliver outcomes that will directly enhance the viability and sustainability of the Australian automotive industry, its capability to export and its productivity. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.

(x) *Cooperative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE)*
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.

(xi) *Cooperative Research Centre for Polymers (CRC Polymers)*
The CRC Polymers conducts leading edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design. The centre is an incorporated joint venture between organisations that include companies, universities and government research laboratories.

(xii) *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.

(xiii) 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.

(xiv) 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.

(xv) Defence Systems Innovation Centre (DSIC)
The DSIC is an unincorporated joint venture between the University of South Australia and the University of Adelaide. Its purpose is to deliver joint projects, contractual based studies, consultancies, post graduate courses, and an in-house research program focused on collaborative projects of direct relevance to the defence community. During 2011 The University of New South Wales joined DSIC which saw the University's ownership interest decrease from 50% to 33.33%.

(xvi) The 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.

(xvii) 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.

(xviii) The Cooperative Research Centre (CRC) for Wound Management
The CRC for Wound Management 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.

35. Events occurring after the balance 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 result after income tax to net cash inflows from operating activities

	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Operating result for the period	72 162	70 338	73 102	69 966
Items classified as investing activities:				
Net loss (gain) on sale of non-current assets	377	(440)	377	(509)
Non-cash items:				
Depreciation and amortisation	29 275	27 608	29 261	27 548
Non-cash donations	(629)	(306)	(629)	(306)
Capital assets accrual	28	(765)	(32)	(765)
Library collection revaluation	(662)	1 363	(662)	1 363
Net loss (gain) on sale of available-for-sale financial assets	(185)	(14 470)	(124)	(51)
Fair value gains on other financial assets at fair value through profit or loss	(185)	414	(185)	-
Movements in operating assets and liabilities:				
Receivables	(4 351)	(3 803)	(4 511)	(4 879)
Other assets	4 187	(6 831)	17 346	(19 192)
Payables	1 936	(2 366)	2 150	(2 175)
Other liabilities	22 505	25 956	22 443	25 978
Provisions	7 294	2 206	7 350	2 549
Net cash provided by (used in) operating activities	131 752	98 904	145 886	99 527

37. Non-cash investing and financing activities	Consolidated		University	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Donations of works of art and library materials	629	306	629	306
Total non-cash investing and financing activities	629	306	629	306

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 currently does not hold any derivative instruments.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analysis and seeking professional advice with respect to managing the market risk of its investments.

Risk management is coordinated by the University under policies approved by Council. The University identifies 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 2011 the University held nil reportable US$ (US$2.018 million (A$1.986 million)) in an Australian bank account and RM194 000 (A$60 000) (RM$486 000 (A$155 000)) in an offshore bank account.

During 2011 the University entered into two hedging contracts totalling US$3.5 million (A$3.188 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 receivable amount of A$56 000.

(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 hold fixed rate assets and liabilities to maturity.

(iii) Risk associated with available-for-sale assets

Investments mainly comprise investments in listed entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time; however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long-term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are rarely used. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

(b) Credit risk

Credit risk represents the loss that would be recognised if 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:

(c) Liquidity risk (continued)

	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	5+ years $'000	Non-interest bearing $'000	Total $'000
Cash assets	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		-	-	-	34 414	34 414
Other		-	-	-	2 762	2 762
Funds held on behalf of external entities		-	-	-	29 332	29 332
Total financial liabilities		-	-	-	66 508	66 508
2010						
Financial assets:						
Cash assets	5.14	214 268	-	-	-	214 268
Receivables		-	-	-	31 071	31 071
Other financial assets		-	-	-	6 560	6 560
Accrued income		-	-	-	8 668	8 668
Total financial assets		214 268	-	-	46 299	260 567
Financial liabilities:						
Payables		-	-	-	32 478	32 478
Other		-	-	-	1 700	1 700
Funds held on behalf of external entities		-	-	-	17 676	17 676
Total financial liabilities		-	-	-	51 854	51 854

(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 Grants Scheme and other grants

	Commonwealth Grants Scheme 2011 $'000	Commonwealth Grants Scheme 2010 $'000	Indigenous Support Program 2011 $'000	Indigenous Support Program 2010 $'000	Partnership & Participation Program 2011 $'000	Partnership & Participation Program 2010 $'000	Disability Support Program 2011 $'000	Disability Support Program 2010 $'000
Financial assistance received in cash during the reporting period	156 126	146 751	1 008	1 096	4 852	2 845	131	155
Net accrual adjustments	(3 438)	(3 083)	-	-	-	-	-	-
Revenue for the period	152 688	143 668	1 008	1 096	4 852	2 845	131	155
Movement in deferred income	-	-	-	-	-	-	-	-
Surplus (Deficit) from the previous year	-	-	-	-	602	-	462	494
Total revenue including accrued revenue	152 688	143 668	1 008	1 096	5 454	2 845	593	649
Expenses including accrued expenses	(152 688)	(143 668)	(1 008)	(1 096)	(4 778)	(2 243)	(199)	(187)
Surplus (Deficit) for reporting period	-	-	-	-	676	602	394	462

	Workplace Productivity Program 2011 $'000	Workplace Productivity Program 2010 $'000	Learning & Teaching Performance Fund 2011 $'000	Learning & Teaching Performance Fund 2010 $'000	Capital Development Pool 2011 $'000	Capital Development Pool 2010 $'000	Transitional Cost Program 2011 $'000	Transitional Cost Program 2010 $'000
Financial assistance received in cash during the reporting period	-	1 581	-	-	2 051	2 849	535	557
Net accrual adjustments	-	-	-	-	-	-	115	(96)
Revenue for the period	-	1 581	-	-	2 051	2 849	650	461
Movement in deferred income	-	-	-	-	-	-	-	-
Surplus (Deficit) from the previous year	-	-	-	432	2 868	19	-	-
Total revenue including accrued revenue	-	1 581	-	432	4 919	2 868	650	461
Expenses including accrued expenses	-	(1 581)	-	(432)	(19)	-	(650)	(461)
Surplus (Deficit) for reporting period	-	-	-	-	4 900	2 868	-	-

40.1 Commonwealth Grants Scheme and other grants (continued)

	Diversity & Structural Adjustment Fund 2011 $'000	2010 $'000	Chair in Child Protection 2011 $'000	2010 $'000	Total 2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period	1 520	575	1 147	1 129	167 370	157 538
Net accrual adjustments	464	2 020	(492)	(27)	(3 351)	(1 186)
Revenue for the period	1 984	2 595	655	1 102	164 019	156 352
Movement in deferred income	(464)	(2 020)	492	27	28	(1 993)
Surplus (Deficit) from the previous year	8 685	10 768	717	687	13 334	12 400
Total revenue including accrued revenue	10 205	11 343	1 864	1 816	177 381	166 759
Expenses including accrued expenses	(1 921)	(2 658)	(658)	(1 099)	(161 921)	(153 425)
Surplus (Deficit) for reporting period	8 284	8 685	1 206	717	15 460	13 334

40.2 Higher Education Loan programs (excluding OS-HELP)

	HECS-HELP (Aust. Govt payments only) 2011 $'000	2010 $'000	FEE-HELP 2011 $'000	2010 $'000	Total 2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period	89 382	81 798	7 445	7 420	96 827	89 218
Net accrual adjustments	(5 157)	989	-	(1 895)	(5 157)	(906)
Revenue for the period	84 225	82 787	7 445	5 525	91 670	88 312
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total revenue including accrued revenue	84 225	82 787	7 445	5 525	91 670	88 312
Expenses including accrued expenses	(84 225)	(82 787)	(7 445)	(5 525)	(91 670)	(88 312)
Surplus (Deficit) for reporting period	-	-	-	-	-	-

40.3 Scholarships

	Australian Postgraduate Awards 2011 $'000	2010 $'000	International Postgraduate Research Scholarship 2011 $'000	2010 $'000	Commonwealth Education Cost Scholarships 2011 $'000	2010 $'000	Commonwealth Accommodation Scholarships 2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period	4 058	3 273	419	368	1 665	3 045	937	23
Net accrual adjustments	-	-	-	-	(811)	-	(438)	-
Revenue for the period	4 058	3 273	419	368	854	3 045	499	23
Movement in deferred income	-	-	-	-	811	-	438	-
Surplus (Deficit) from the previous year	738	441	-	-	43	35	329	35
Total revenue including accrued revenue	4 796	3 714	419	368	1 708	3 080	1 266	58
Expenses including accrued expenses	(3 945)	(2 976)	(419)	(368)	(730)	(3 037)	(874)	271
Surplus (Deficit) for reporting period	851	738	-	-	978	43	392	329

	Indigenous Access Scholarships 2011 $'000	2010 $'000	Indigenous Staff Scholarships 2011 $'000	2010 $'000	Total 2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period	(8)	81	-	-	7 071	6 790
Net accrual adjustments	-	-	-	-	(1 249)	-
Revenue for the period	(8)	81	-	-	5 822	6 790
Movement in deferred income	-	-	-	-	1 249	-
Surplus (Deficit) from the previous year	29	12	12	16	1 151	539
Total revenue including accrued revenue	21	93	12	16	8 222	7 329
Expenses including accrued expenses	(21)	(64)	-	(4)	(5 989)	(6 178)
Surplus (Deficit) for reporting period	-	29	12	12	2 233	1 151

40.4 DIISR Research

	Joint Research Engagement Scheme 2011 $'000	2010 $'000	Research Training Scheme 2011 $'000	2010 $'000	Research Infrastructure Block Grants 2011 $'000	2010 $'000	Implementation Assistance Program 2011 $'000	2010 $'000
Financial assistance received in cash during the reporting period	7 284	6 631	11 700	11 277	2 712	2 383	-	71
Net accrual adjustments	-	-	-	-	-	-	-	-
Revenue for the period	7 284	6 631	11 700	11 277	2 712	2 383	-	71
Surplus (Deficit) from the previous year	-	-	-	-	-	-	-	5
Total revenue including accrued revenue	7 284	6 631	11 700	11 277	2 712	2 383	-	76
Expenses including accrued expenses	(7 284)	(6 631)	(11 700)	(11 277)	(2 712)	(2 383)	-	(76)
Surplus (Deficit) for reporting period	-	-	-	-	-	-	-	-

40.4 DIISR Research (continued)

	Commercialisation Training Scheme		Sustainable Research Excellence in Universities		Total	
	2011	2010	2011	2010	2011	2010
Financial assistance received in cash	$'000	$'000	$'000	$'000	$'000	$'000
during the reporting period	144	114	1 694	1 092	23 534	21 568
Net accrual adjustments	-	-	-	-	-	-
Revenue for the period	144	114	1 694	1 092	23 534	21 568
Surplus (Deficit) from the previous year	150	74	-	-	150	79
Total revenue including accrued revenue	294	188	1 694	1 092	23 684	21 647
Expenses including accrued expenses	-	(38)	(1 694)	(1 092)	(23 390)	(21 497)
Surplus (Deficit) for reporting period	294	150	-	-	294	150

40.5 Other capital funding

	Better Universities Renewal Funding		Teaching & Learning Capital Fund		Education Investment Fund		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial assistance received in cash	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
during the reporting period	-	-	-	-	37 978	6 470	37 978	6 470
Net accrual adjustments	-	-	-	-	3 726	6 740	3 726	6 740
Revenue for the period	-	-	-	-	41 704	13 210	41 704	13 210
Surplus (Deficit) from the previous year	-	1 881	11 228	14 551	666	496	11 894	16 928
Total revenue including accrued revenue	-	1 881	11 228	14 551	42 370	13 706	53 598	30 138
Expenses including accrued expenses	-	(1 881)	(8 740)	(3 323)	(30 382)	(13 040)	(39 122)	(18 244)
Surplus (Deficit) for reporting period	-	-	2 488	11 228	11 988	666	14 476	11 894

40.6 Australian Research Council grants

(a) Discovery

	Project		Fellowships		Indigenous Researchers Development		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial assistance received in cash	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
during the reporting period	3 584	3 516	1 847	309	67	-	5 498	3 825
Net accrual adjustments	405	33	(599)	(2)	(63)	-	(257)	31
Revenue for the period	3 989	3 549	1 248	307	4	-	5 241	3 856
Movement in deferred income	(200)	212	599	2	63	-	462	214
Surplus (Deficit) from the previous year	2 239	2 027	265	263	-	-	2 504	2 290
Total revenue including accrued revenue	6 028	5 788	2 112	572	67	-	8 207	6 360
Expenses including accrued expenses	(3 989)	(3 549)	(1 248)	(307)	(4)	-	(5 241)	(3 856)
Surplus (Deficit) for reporting period	2 039	2 239	864	265	63	-	2 966	2 504

(b) Linkages

	Infrastructure		International		Projects		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial assistance received in cash	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
during the reporting period	-	500	-	18	3 782	5 160	3 782	5 678
Net accrual adjustments	259	(400)	15	(2)	(1 070)	(1 000)	(796)	(1 402)
Revenue for the period	259	100	15	16	2 712	4 160	2 986	4 276
Movement in deferred income	(400)	400	(15)	2	881	(80)	466	322
Surplus (Deficit) from the previous year	400	-	18	16	3 020	3 100	3 438	3 116
Total revenue including accrued revenue	259	500	18	34	6 613	7 180	6 890	7 714
Expenses including accrued expenses	(259)	(100)	(15)	(16)	(2 712)	(4 160)	(2 986)	(4 276)
Surplus (Deficit) for reporting period	-	400	3	18	3 901	3 020	3 904	3 438

(c) Networks and Centres

	Research Networks		Centres		Total	
	2011	2010	2011	2010	2011	2010
Financial assistance received in cash	$'000	$'000	$'000	$'000	$'000	$'000
during the reporting period	-	-	-	-	-	-
Net accrual adjustments	9	230	70	69	79	299
Revenue for the period	9	230	70	69	79	299
Movement in deferred income	(9)	(205)	79	-	70	(205)
Surplus (Deficit) from the previous year	9	214	-	-	9	214
Total revenue including accrued revenue	9	239	149	69	158	308
Expenses including accrued expenses	(9)	(230)	(70)	(69)	(79)	(299)
Surplus (Deficit) for reporting period	-	9	79	-	79	9

40.7 OS-HELP

	2011	2010
	$'000	$'000
Cash received during the reporting period	460	365
Cash spent during the reporting period	(531)	(361)
Net cash received	(71)	4
Net accrual adjustments	67	-
Cash surplus (deficit) from the previous period	4	-
Cash surplus (deficit) for reporting period	-	4

40.8 Superannuation supplementation

Cash received during the reporting period	25 617	23 845
Cash surplus (deficit) from the previous period	891	1 693
Cash available for current period	26 508	25 538
Contributions to specified defined benefit funds	(27 088)	(24 647)
Cash surplus (deficit) for this period	(580)	891

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 URA's governing body is a board whose members are appointed by the Governor.

The assets, rights and liabilities of the former Land Management Corporation, immediately before its dissolution on 1 March 2012, were vested in and attached to the URA. The URA has also assumed certain land assets, employees and functions from Defence SA and the South Australian Housing Trust during the reporting period 1 March 2012 to 30 June 2012.

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.

Status of the financial report

The draft financial report for the URA for the period ended 30 June 2012 was received by 11 August 2012 as required by the PFAA.

Matters have arisen during the course of the audit of the URA's financial report that have required further work by the URA and Audit. These matters relate to:

- incomplete note disclosures for remuneration of employees, key management personnel compensation and remuneration of governing board members
- outstanding issues and changes associated with several account balances and note disclosures, including the net gain from restructure, provision for development expenditure, inventories, LSL entitlements and the Statement of Cash Flows
- outstanding supporting documentation and explanations in a number of areas, including land asset register reconciliations and the net gain from restructure, provision for development expenditure, employee benefits and commitments notes.

As a consequence of these matters the audit was not able to be completed at the time of preparing this Report.

The audited financial report of the URA for the period ended 30 June 2012 will be included in a Supplementary Report to Parliament.

Department for Water

Functional responsibility

Establishment

The Department for Water (the Department) came into operation on 1 July 2010 following the restructure of the former Department of Water, Land and Biodiversity Conservation which involved the transfer of a number of functions to other agencies.

On 28 June 2012, the employees and functions of the Department were transferred to the Department of Environment, Water and Natural Resources (DEWNR) with effect from 1 July 2012.

Functions

The Department's objective was to ensure that there are always sufficient and sustainable water resources in South Australia for our health, our economy, our environment and our lifestyle.

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 audit

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

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

- general ledger
- cash
- expenditure
- revenue
- payroll
- fixed assets
- financial management compliance program (FMCP).

Internal audit activities were reviewed to assess the risk of material misstatement of the financial statements and to design and perform audit procedures. The external audit considered the internal audit of:

- the water information licensing management information application (WILMA) and corporate accounts receivable system (CARS) finance transition project – post-implementation
- a follow-up review of bona fide reporting processes and requirements, specifically relating to the taking of leave across the Department, to assess the adequacy of the design of the processes and controls relating to bona fide reporting and leave recording.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2011-12 Independent Auditor's Report, which details the qualification to the Department's financial report.

> ***Basis for Qualified Opinion***
>
> *The recorded value of groundwater monitoring assets forming part of the property, plant and equipment balance in the Statement of Financial Position as at 30 June 2011 did not reflect fair value, resulting in a qualification to the independent auditor's report for 30 June 2011.*
>
> *The Department for Water was required to conduct an independent valuation appraisal of its groundwater monitoring assets for the year ended 30 June 2011 by Accounting Policy Framework III 'Asset Accounting Framework' issued pursuant to the Treasurer's Instructions.*
>
> *The Department for Water deferred the completion of the independent valuation appraisal of the groundwater monitoring assets until the year ended 30 June 2012.*
>
> *The Department for Water completed the independent valuation appraisal of the groundwater monitoring assets during the year ended 30 June 2012 and required revaluation adjustments have been recognised in the reported value for this class of assets within the property, plant and equipment balance in the Statement of Financial Position as at 30 June 2012.*
>
> *As the actions taken by the Department for Water address the reasons for the qualification of the 30 June 2011 balances the value of property, plant and equipment as at 30 June 2012 is unqualified.*
>
> *The Department for Water did not restate the value of groundwater monitoring assets at 30 June 2011 to the revalued amount and accordingly the reported value of property, plant and equipment at 30 June 2011 is qualified.*
>
> ***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 Department for Water as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*

Assessment of controls

In my opinion, the controls exercised by the Department for Water in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to water licensing, payroll and SSSA control environments as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Water have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. Internal audit reviews have also identified certain matters of an internal control nature that required addressing. The main matters and actions taken by the Department are described below.

WILMA and corporate accounts receivable systems

Previous reviews have highlighted the effect of the WILMA system limitations on the Department's ability to comply with aspects of the NRMA. The system limitations impacted on the Department's capacity to effectively manage outstanding debtors, provide complete and accurate data for the Department's financial statements (revenue and receivables) and provide accurate water levy data to the Natural Resources Management (NRM) Boards for inclusion in the Boards' financial statements.

To address these issues in October 2010 the Department implemented CARS, which directly interfaces with WILMA. Following its implementation internal audit reviewed CARS and found:

- data control activities were not performed as planned during system implementation which resulted in errors
- the customer relationship management system (CRM) did not provide reports that detail the balances of accounts receivable and payment receipts, and consequently the CRM and Masterpiece could not be reconciled
- the system did not meet user requirements for debtor management, control of adjustments and reconciliations.

A CARS remediation project was established in February 2011 to address the issues arising from the internal audit review. Following completion of the project in May 2012 Audit sought an update on the status of matters previously identified by internal audit. In response the Department advised:

- additional business reports were implemented to enable reconciliation between all systems in the CARS suite
- data adjustments were now processed in CARS within the relevant period and now flow through the system to Masterpiece
- all previously outstanding adjustments and refunds have been verified and processed within the 2011-12 financial year
- all transactions that transitioned from WILMA into CARS/CRM have been fully reconciled and verified

- each month WILMA, CARS/CRM and Masterpiece, as well as the cash balance are reconciled and verified by a senior officer and timely processing and management of relevant refunds and debtors are now being undertaken.

The effectiveness of the measures implemented by the Department in May 2012 will be reviewed early in the 2012-13 audit of DEWNR.

Payroll

The external and internal audit reviews in previous years of controls implemented by the Department to provide assurance that only valid employees are paid, that payments are at correct pay rates and that all leave taken by employees have found:

- payroll policies and procedures were out-of-date

- bona fide and leave taken reports were not reviewed and certified in a timely manner

- discrepancies were not appropriately followed up

- leave forms were not approved promptly and leave taken by employees was not always recorded in leave records.

The Department has previously advised that it would reinforce existing policies and procedures and continue with training and a program of Human Resources monitoring and remediating gaps in the implementation of policies.

During 2011-12 internal audit reviewed processes and requirements specifically relating to the taking of leave across the Department. The internal audit review concluded:

- current arrangements require employees to request and obtain approval for leave using two separate systems (Timewise and electronic leave forms)

- there was a lack of clear and consistent documentation of written procedures in regard to leave booked

- there was a belief that the leave recording process was unimportant and an administrative burden

- there was a lack of consequences for failure to fulfil responsibilities.

The Department presented a response to the internal audit findings to the Department's Audit and Risk Committee and subsequently provided Audit with an update on the status of its response. The proposed action and the Department's status update are summarised below:

- The Department proposed communicating to employees the audit findings, why it was important to record leave in both systems, the respective responsibilities of managers and employees, and the Department's requirement that leave must be applied for in both systems at the same time. It subsequently advised the proposed communication was substantially implemented.

- A Managers Handbook outlining the responsibilities and the supporting procedures would be developed and provision of further training sessions was proposed. The Department advised that the Handbook has been developed.

- It was proposed that Human Resources would develop a bona fide checklist and leave taken checklist and work with divisions to customise checklists to meet divisional requirements whilst meeting departmental procedures. Human Resources would also follow up employees/managers who repeatedly fail to apply for/approve leave in both systems and provide explicit instructions to these staff.

- The Department implemented action to address specific non-compliance with leave approval and recording policies and procedures.

- The Department would develop a capacity to automatically match items across both Timewise and CHRIS output and produce a report of discrepancies, and would seek to ensure future versions of Timewise are fully integrated with CHRIS.

Implementation of TIs 2 and 28

The Department developed and implemented an FMCP in 2008-09 which provided for departmental executives to review financial management arrangements in their areas of responsibility and provide documented assurance with respect to the adequacy of the arrangements.

Previous Audit reviews of the Department's response to the FMCP identified a lack of understanding by some executives of the accounting related questions included in the questionnaires and inconsistent methods of assessing controls across the Department. The review of the FMCP process in 2010-11 confirmed previous audit findings were still valid and noted:

- the questionnaires prepared by some executives were incomplete

- self-assessment indicated a lack of understanding of internal controls

- the assessment of controls reflected in the FMCP documentation across the Department was inconsistent with internal and external audit findings.

The Department's response to the 2010-11 audit findings indicated it would review the FMCP process and provide further training for staff to improve their understanding of the questionnaires and consistency of approach in their assessments of controls.

Audit follow-up in 2011-12 of the Department's response to the previous findings with respect to the FMCP process noted:

- a contractor was employed to review and amend the FMCP and the internal controls questionnaires were reviewed to ensure compliance with the DTF Financial Management Toolkit

- training was provided to senior management, including directors and business managers, prior to distributing the questionnaires

- divisions were required to provide evidence to support statements made about control effectiveness when submitting completed questionnaires. Where no evidence was provided by divisions this was followed up

- the results from each division were collated and analysed to provide an assessment of internal control compliance

- a test program was developed and completed by business managers, independent of their division

- a report of the 2011-12 FMCP results was finalised, including the identification of improvements to the process.

The Department advised that it would action outcomes identified and undertake further testing of controls and compliance during 2012-13. It further advised that the FMCP has been earmarked as a specific item for discussion as part of the transition to working with DEWNR.

Purchase cards

The Department uses purchase cards to support efficient processing of low value transactions.

The Audit review of controls over purchase cards identified instances where cards were not returned by terminated employees and identified inconsistency between the Department's purchase card policy and SSSA procedures in the timing of the return of the purchase card reconciliations.

In response to the Audit findings the Department advised that, in merging the operations of the Department and DEWNR, the procedure for advising the purchase card administrator of employee terminations will be reviewed and reinforced as part of the exit interview process.

The Department would also consider using the DEWNR electronic on-line review purchase card system as a more efficient way of managing purchase card acquittals and would liaise with SSSA as to the final process and policy adopted.

Accounts receivable

The Audit review of the accounts receivable control environment noted:

- the Department had not established authorisations for the approval of income recognition and derecognition as is required by TIs
- the debtors reconciliation was not performed in a timely manner
- debt recovery action for debts greater than 90 days was not reported to the Finance Committee as required by the Department's accounts receivable recovery policy
- instances where unpaid invoices were not effectively followed up
- the Department's accounts receivable policy was not reviewed by the review date.

The Department's response acknowledged these matters and advised action to address the control environment, which include the implementation of income authorisation for 2012-13 and the review of all accounting policies as part of the transition to DEWNR.

Expenditure

The Audit review of the Department's processing of accounts payable transactions identified areas in which established policies and procedures were not complied with and where controls could be improved.

Audit identified that the Department had not reviewed a number of expenditure related polices in a timely manner. In response to this finding the Department indicated all procurement policies and procedures would be reviewed in merging the operations of the Department and DEWNR in 2012-13.

Review by Audit of Basware delegations identified that one officer had system capacity to approve, process and pay invoices but was not listed in the Department's 2011-12 payment authorisation schedule. The Department advised that it will implement more regular review of Basware delegations and payment authorisation schedules in 2012-13.

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

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

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

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

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

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	35	35
Supplies and services	29	39
Grants and subsidies	89	63
Water recovery/acquisition expenses	5	3
Depreciation and amortisation expense	6	7
Other	1	9
Total expenses	165	156
Income		
Fees and charges	23	7
Grants	61	49
Other	1	1
Total income	85	57
Net cost of providing services	80	99
Revenues from SA Government	89	103
Payments to SA Government	5	11
Net result	4	(7)
Other comprehensive income	12	-
Total comprehensive result	16	(7)
Net cash provided by (used in) operating activities	11	5
Assets		
Current assets	50	39
Non-current assets	131	98
Total assets	181	137

	2012 $'million	2011 $'million
Liabilities		
Current liabilities	18	15
Non-current liabilities	8	8
Total liabilities	26	23
Total equity	155	114

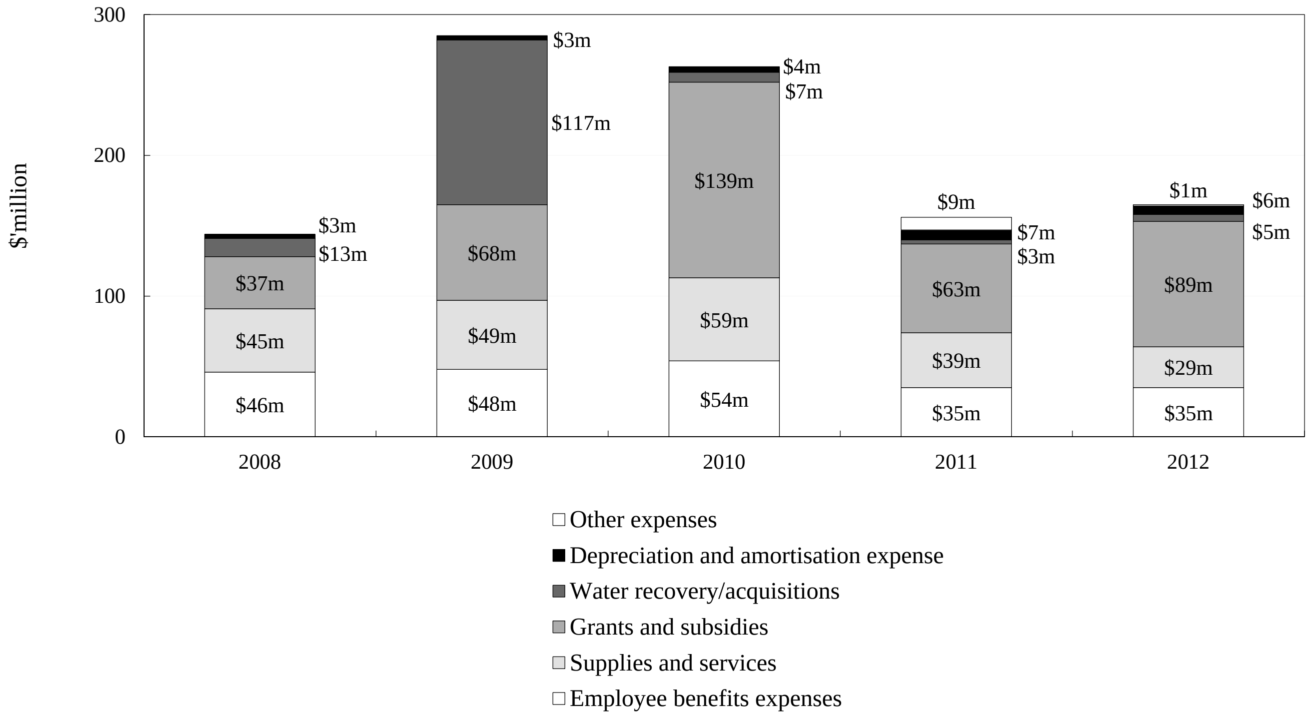
Statement of Comprehensive Income

Expenses

Total expenses for the year increased by $9 million to $165 million reflecting increased grants and subsidies expenses of $26 million and increased water recovery/acquisition expense of $2 million. These increases were offset by decreases in supplies and services expenses of $10 million and impairment losses of $8 million.

The increase in grants and subsidies expenses related to the increase in expenditure for stormwater projects and other new programs as detailed in note 8 to the financial statements. The increase in water recovery/acquisition expenses reflects the increase in water purchases from the South Australian Water Corporation (SA Water). The decrease in supplies and services is due mainly to an $8 million decrease in contractor costs principally for Upper South East infrastructure development.

For the five years to 2012, a structural analysis of the Department's expenses is shown in the following chart.



Income

Income increased by $28 million to $85 million due to:

- an increase in grant revenues of $12 million due mainly to a $23 million increase in Commonwealth funding for stormwater projects. This increase was offset by a $10 million decrease in Commonwealth funding for Murray Futures projects

- an increase in revenues from fees and charges of $16 million following the implementation of cost recoveries arrangements with SA Water for water planning and management.

Revenues from SA Government

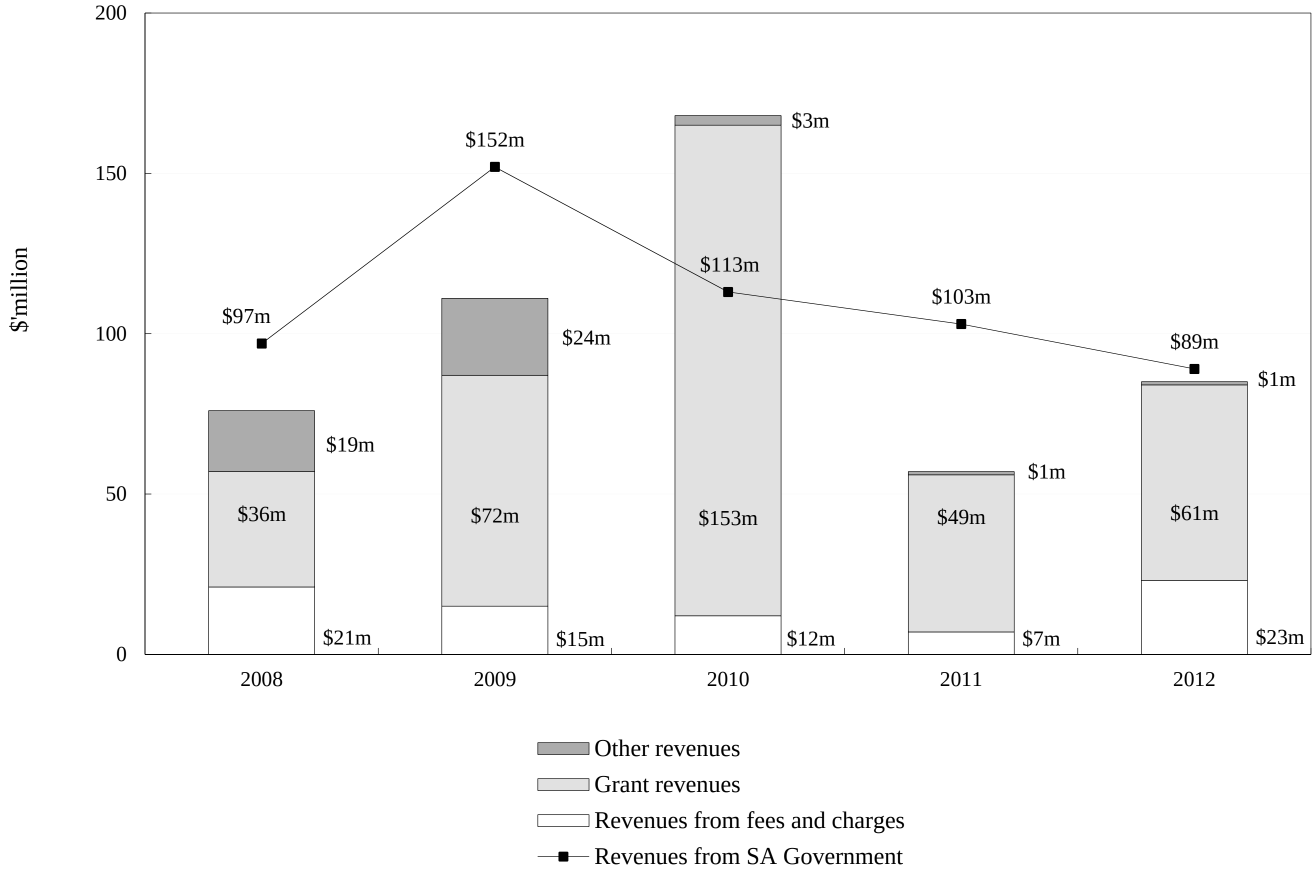
Revenues from SA Government decreased by $14 million to $89 million due to a decrease in State funding for water planning and management which is now funded through the cost recovery arrangements with SA Water referred to above.

Revenues from SA Government includes an appropriation of $26.2 million ($25 million) to the Save the River Murray Fund. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray levy which was collected and paid to the Consolidated Account by SA Water.

Payments to SA Government

The payments to SA Government relate to the return of $4.5 million from the Save the River Murray Fund to the Consolidated Account for funding received in 2008-09 for the purchase of 50 gigalitres of water.

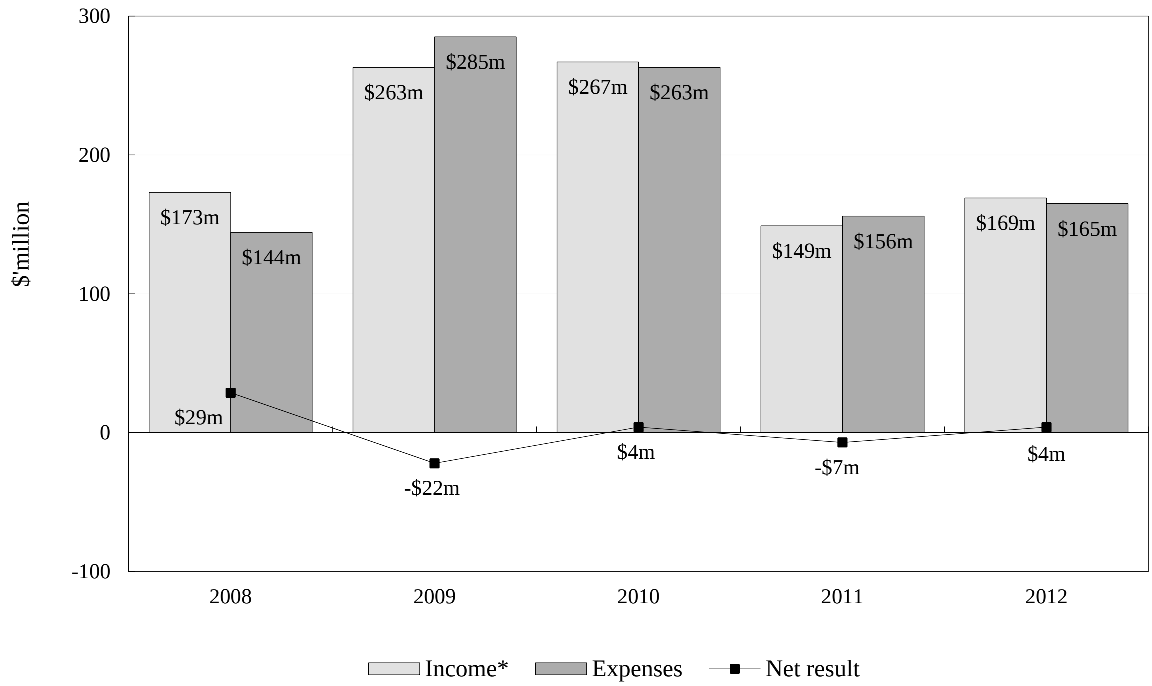
A structural analysis of income and revenues from SA Government in the five years to 2012 is presented in the following chart.



Net result

The net result for the year was a surplus of $4 million compared to a loss of $7 million for the previous year.

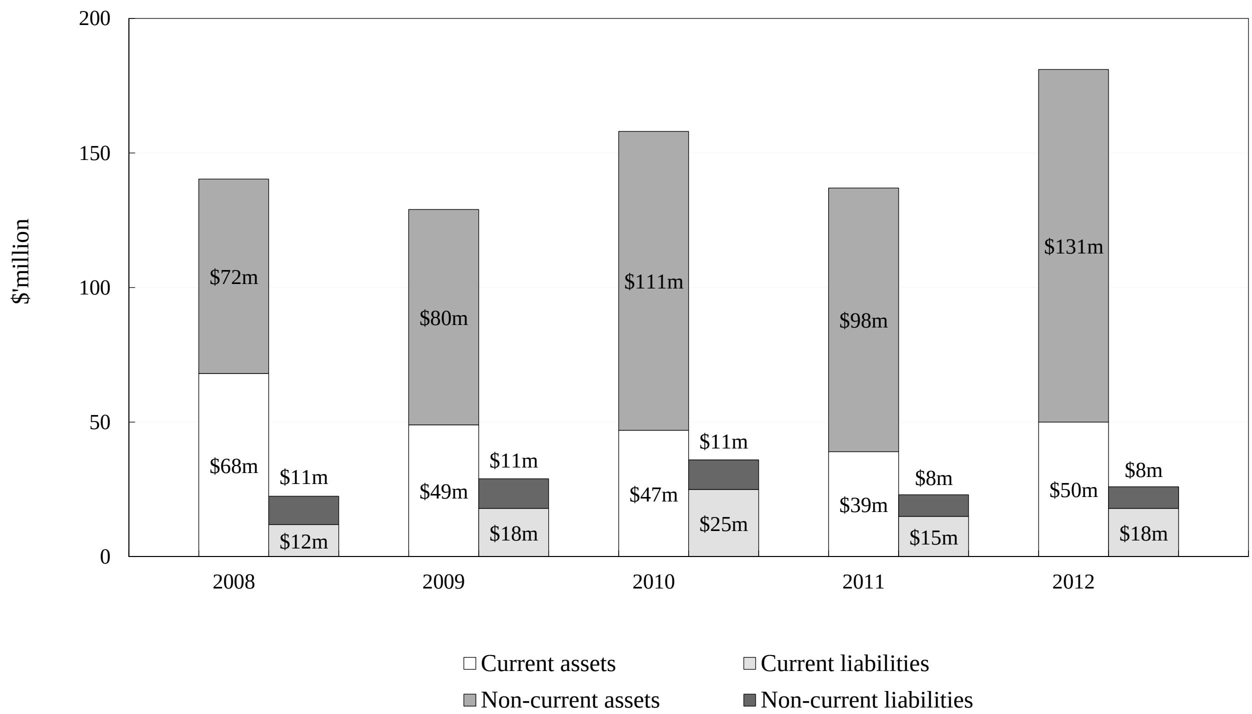
The following chart shows the income, expenses and net result for the five years to 2012.



* Income includes net revenues from SA Government

Statement of Financial Position

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



Non-current assets

The Department's non-current assets, which comprise property, plant and equipment of $122 million ($86 million) and intangible assets of $9 million ($12 million), increased by $33 million in 2011-12.

The increase is due mainly to:

- net revaluation increment of $12 million due to the revaluation of groundwater monitoring wells and the surface monitoring network. In addition the Department recognised for the first time $25 million of assets recognised for groundwater monitoring wells and surface monitoring network assets

- intangible assets decreased by $3 million due to amortisation of internally developed software.

Current liabilities

Payables increased by $3 million to $15 million principally due to outstanding invoices as at 30 June 2012.

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	11	5	20	(27)
Investing	(2)	(7)	(20)	(5)
Financing	-	-	3	-
Change in cash	9	(2)	3	(32)
Cash at 30 June	36	27	29	26

The increase in net cash flows from operating activities and cash on hand at 30 June 2012 is due to the increase in grant revenues received in 2011-12.

Administered items

Water levies

Water levies are collected by the Department for prescribed water resources within specific natural resource management regions under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to section 116(1)(a)(ii)(A).

Levies raised by the Department during 2011-12 were $10 million ($8 million). Unpaid levies at the end of the reporting period of $1.7 million ($1.6 million) have also been recognised in the administered financial statements.

Murray-Darling Basin Authority (MDBA or the Authority)

The MDBA is established under the *Water Act 2007* (Cwlth). It replaces the Murray-Darling Basin Commission (MDBC) (refer note A9 to the administered financial statements). The MDBA assumed all functions of the former MDBC in December 2008.

The MDBA's functions are to:

- prepare, implement, monitor and enforce the Basin Plan
- implement the decisions of the Ministerial Council and Basin Officials Committee.

The memorandum of understanding requires the MDBA to provide a Basin Plan by 2011. The Commonwealth Minister is the final decision maker for the Basin Plan.

The Department has recognised the State's joint interest in the MDBA infrastructure assets and water rights as an interest in a joint venture in accordance with AASB 131 within the administered financial statements.

The recognition of MDBA infrastructure assets and water rights is in accordance with the following agreements which were signed by the Commonwealth, the States of NSW, Vic and SA, ACT and the MDBA on 12 June 2009:

- asset agreement for River Murray operations assets
- further agreement on addressing water overallocation and achieving environmental objectives in the Murray-Darling Basin - control and management of living Murray assets.

The Department has recognised the value of South Australia's interest in the Authority as an administered asset with a value at 30 June 2012 of $791 million ($695 million). This reflects an equity interest of 26.67% in the Authority's net assets in accordance with a determination by the former MDBC Finance Committee.

NRM Fund

The Minister for Sustainability, Environment and Conservation administers the NRM Fund and may apply any part of the NRM Fund in making payments to regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

The Department's administered financial statements include activities administered for the NRM Boards including:

- collecting fees and charges of $10.3 million ($8.9 million) consisting of water levies and penalty charges
- payments to the NRM Boards of $10.1 million ($9.2 million) of which $9.7 million relates to water levies collected by the Department.

Further commentary on operations

Save the River Murray Fund

The Department's financial statements incorporate the financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932*. *The Water Works Act 1932* provides for the South Australian Water Corporation to collect the Save the River Murray levy and pay the proceeds into the Consolidated Account. These monies are then to be paid into the Fund and may be applied by the Minister for Water and the River Murray toward programs and measures to improve and promote the environmental health of the River Murray or ensure the adequacy, security and quality of the State's water supply from the River Murray.

Receipts paid into the Fund in 2011-12 amounted to $26 million ($25 million), payments were $29 million ($26 million) and the balance of the Fund as at 30 June 2012 was $1.9 million.

The activities of the Fund are considered to be controlled activities of the Department and consequently the financial activities are included in the Department's general purpose financial statements.

Murray Futures

The Murray Futures is a 10 year, $610 million program funded by the Commonwealth Government.

The key elements of the program include:

- the $120 million Lower Lakes pipelines to secure a quality water supply from the Lower Lakes
- commitment of $200 million to Lower Lakes and Coorong recovery to undertake a series of long-term projects around the Lower Lakes
- $110 million committed to river industry renewal to reinvigorate irrigation communities including the implementation of newer and smarter irrigation technology
- committing $100 million to riverine recovery by improving the management of wetlands and floodplains from the South Australian border to Wellington
- an $80 million water buy-back to purchase water entitlements from willing sellers.

Since the inception of the program in 2008-09, the Department has received $167.9 million in revenue from the Commonwealth Government and a further $10 million from the State Government/other sources. Expenditure on the various projects over the past three years has totalled $156.3 million. The balance of the Murray Futures fund, which includes interest earned, at 30 June 2012 is $21.6 million.

Stormwater harvesting and reuse projects

In November 2009, the Commonwealth announced the outcome of the first funding round ($86 million) for stormwater harvesting and reuse projects. South Australia will receive a total of $66 million of which the Department will receive $63.3 million to coordinate delivery of a range of projects to improve reuse of stormwater across the Adelaide metropolitan area.

During the year the Department received grant revenues of $33 million from the Commonwealth Government and $12 million from the State. The Department's total expenditure on stormwater related projects totalled $45 million which was funded from both Commonwealth and State sources.

Goolwa Channel Water Level Management Project

The Goolwa Channel project was funded by the Commonwealth Government and the MDBA to establish regulators to protect the Goolwa Channel and associated wetlands from acidification resulting from falling water levels.

The construction of two regulators, at a capital cost of $10.2 million, was completed in 2009-10 and the regulators were recognised as assets of the Department.

Due to increased water levels in 2010-11 the regulators are no longer required and work began in late 2011, with funding committed by the Commonwealth and MDBA, to remove the Clayton Bay regulator. The remaining regulator is planned for removal by June 2013.

Fixed assets – control and recognition

Constructed River Murray structures

Over recent years, the Department has been involved in construction projects as part of the River Murray Salt Interception Infrastructure Program. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the National Action Plan for Salinity and Water Quality (NAP) and MDBA funding.

The Department has previously advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBA and, consequently, the assets have not been directly recognised as controlled assets in the Department's financial statements. Payments in relation to these programs are recognised as expenses in the Department's Statement of Comprehensive Income in the form of employee expenditure, operating costs and grant payments. As discussed under administered items, the Department has recognised an interest in the net assets of the MDBA.

Constructed Upper South East drainage assets

The Department is involved in the construction of the Upper South East Drainage Scheme. These constructed infrastructure assets and associated work in progress have been funded through the NAP. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002* the resulting assets are maintained by the South Eastern Water Conservation and Drainage Board on completion.

As discussed further in note 20 of the Department's financial statements, Scheme assets are not recognised by the Department and amounts expended in relation to the Scheme are recognised as expenses in the Department's Statement of Comprehensive Income.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefits expenses	5	35 308	35 060
Supplies and services	6	29 422	38 882
Depreciation and amortisation expense	7	5 916	6 715
Grants and subsidies	8	88 979	63 338
Water recovery/acquisition expenses	9	4 772	2 650
Impairment loss	20,21	482	8 619
Other expenses	10	276	306
Net loss from disposal of non-current assets	12	190	157
Total expenses		165 345	155 727
Income:			
Revenues from fees and charges	13	23 353	6 694
Interest revenues	14	1 067	542
Grant revenues	15	61 281	49 119
Other revenues	16	80	75
Total income		85 781	56 430
Net cost of providing services		79 564	99 297
Revenues from (Payments to) SA Government:			
Revenues from SA Government	17	88 544	103 116
Payments to SA Government	17	4 500	10 536
Total net revenues from SA Government		84 044	92 580
Net result		4 480	(6 717)
Other comprehensive income:			
Changes in property, plant and equipment revaluation surplus	20	12 006	-
Total other comprehensive income		12 006	-
Total comprehensive result		16 486	(6 717)

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	18	36 323	27 341
Receivables	19	13 753	11 637
Total current assets		50 076	38 978
Non-current assets:			
Property, plant and equipment	20	122 361	85 511
Intangible assets	21	8 681	12 297
Total non-current assets		131 042	97 808
Total assets		181 118	136 786
Current liabilities:			
Payables	22	14 648	12 015
Employee benefits	23	3 524	2 668
Provisions	24	71	113
Total current liabilities		18 243	14 796
Non-current liabilities:			
Payables	22	663	703
Employee benefits	23	6 642	7 322
Provisions	24	285	381
Total non-current liabilities		7 590	8 406
Total liabilities		25 833	23 202
Net assets		155 285	113 584
Equity:			
Contributed capital	25	10 893	10 893
Retained earnings	25	82 399	52 598
Revaluation surplus	25	61 993	50 093
Total equity		155 285	113 584

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

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

	Note	Contributed capital $'000	Retained earnings $'000	Revaluation surplus $'000	Total $'000
Balance at 30 June 2010		10 893	61 213	50 196	122 302
Change in accounting policy	20	-	(91)	-	(91)
Error correction	20	-	(1 835)	-	(1 835)
Restated balance at 30 June 2010		10 893	59 287	50 196	120 376
Net result for 2010-11		-	(6 717)	-	(6 717)
Equity transfer on asset disposal		-	103	(103)	-
Total comprehensive result for 2010-11		-	(6 614)	(103)	(6 717)
Transactions with SA Government as owner:					
Net assets transferred as a result of an administrative restructure		-	(75)	-	(75)
Balance at 30 June 2011		10 893	52 598	50 093	113 584
Net result for 2011-12		-	4 480	-	4 480
Gain on revaluation of property, plant and equipment during 2011-12	20	-	-	12 006	12 006
Equity transfer on asset disposal		-	106	(106)	-
Total comprehensive result for 2011-12		-	4 586	11 900	16 486
Assets adjustments - first time recognition of assets	20	-	25 215	-	25 215
Balance at 30 June 2012		10 893	82 399	61 993	155 285

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(35 533)	(36 298)
Payments for supplies and services		(34 334)	(47 508)
Payments of grants and subsidies		(96 389)	(69 169)
Water recovery/acquisition expenses		(4 772)	(2 650)
GST paid to the ATO		(86)	-
Payments for Paid Parental Leave Scheme		(32)	-
Other payments		(328)	(279)
Cash used in operations		(171 474)	(155 904)
Cash inflows:			
Fees and charges		24 403	5 975
Grant receipts		63 530	55 745
Interest received		1 028	569
GST recovered from the ATO		5 252	6 069
Payments for Paid Parental Leave Scheme		38	-
Other receipts		90	83
Cash generated from operations		94 341	68 441
Cash flows from SA Government:			
Receipts from SA Government		88 544	103 116
Payments to SA Government		-	(10 536)
Cash generated from SA Government		88 544	92 580
Net cash provided by (used in) operating activities	29	11 411	5 117
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(2 424)	(5 723)
Purchase of intangibles		(5)	(723)
Cash used in investing activities		(2 429)	(6 446)
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	-
Cash generated from investing activities		-	-
Net cash provided by (used in) investing activities		(2 429)	(6 446)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities		-	(229)
Cash used in financing activities		-	(229)
Net cash provided by (used in) financing activities		-	(229)
Net increase (decrease) in cash and cash equivalents		8 982	(1 558)
Cash and cash equivalents at 1 July		27 341	28 899
Cash and cash equivalents at 30 June	18,31	36 323	27 341

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2012

(Activities - refer note 4)	1		2		3	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	8 858	9 713	7 462	7 360	6 445	6 960
Supplies and services	4 886	5 281	11 960	21 411	4 247	3 345
Depreciation and amortisation	1 132	1 211	1 465	2 540	230	192
Grants and subsidies	36	17	5 190	1 524	78 357	56 259
Water recovery/acquisition expenses	-	-	-	-	4 772	2 650
Impairment loss	-	-	482	8 619	-	-
Other expenses	83	108	93	76	37	52
Net loss from disposal of non-current assets	-	-	45	157	-	-
Total expenses	14 995	16 330	26 697	41 687	94 088	69 458
Income:						
Revenues from fees and charges	8 609	1 207	1 960	2 031	513	312
Interest revenues	6	3	6	14	1 047	505
Grant revenues	2 918	1 093	6 607	11 683	47 464	32 325
Other revenues	11	28	62	23	3	6
Total income	11 544	2 331	8 635	13 751	49 027	33 148
Net cost of providing services	3 451	13 999	18 062	27 936	45 061	36 310
Revenues from (Payments to) SA Government:						
Revenues from SA Government	4 561	14 653	8 046	7 045	63 559	58 243
Payments to SA Government	-	-	-	-	4 500	10 536
Net revenues from SA Government	4 561	14 653	8 046	7 045	59 059	47 707
Net result	1 110	654	(10 016)	(20 891)	13 998	11 397

(Activities - refer note 4)	4		Total	
	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	12 543	11 027	35 308	35 060
Supplies and services	8 329	8 845	29 422	38 882
Depreciation and amortisation	3 089	2 772	5 916	6 715
Grants and subsidies	5 396	5 538	88 979	63 338
Water recovery/acquisition expenses	-	-	4 772	2 650
Impairment loss	-	-	482	8 619
Other expenses	63	70	276	306
Net loss from disposal of non-current assets	145	-	190	157
Total expenses	29 565	28 252	165 345	155 727
Income:				
Revenues from fees and charges	12 271	3 144	23 353	6 694
Interest revenues	8	20	1 067	542
Grant revenues	4 292	4 018	61 281	49 119
Other revenues	4	18	80	75
Total income	16 575	7 200	85 781	56 430
Net cost of providing services	12 990	21 052	79 564	99 297
Revenues from (Payments to) SA Government:				
Revenues from SA Government	12 378	23 175	88 544	103 116
Payments to SA Government	-	-	4 500	10 536
Net revenues from SA Government	12 378	23 175	84 044	92 580
Net result	(612)	2 123	4 480	(6 717)

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2012

(Activities - refer note 4)	1		2		3	
	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	2 274	2 243	2 629	1 303	28 194	21 231
Receivables	459	65	5 695	2 173	433	7 489
Property, plant and equipment	742	-	61 573	69 764	178	-
Intangible assets	3 899	4 593	595	532	200	673
Total assets	7 374	6 901	70 492	73 772	29 005	29 393
Liabilities:						
Payables	3 056	2 203	2 920	1 763	5 006	6 238
Employee benefits	2 403	2 629	2 601	2 217	1 752	2 144
Provisions	84	132	92	104	61	108
Total liabilities	5 543	4 964	5 613	4 084	6 819	8 490

(Activities - refer note 4)	4		Total	
	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	3 226	2 564	36 323	27 341
Receivables	7 166	1 910	13 753	11 637
Property, plant and equipment	59 868	15 747	122 361	85 511
Intangible assets	3 987	6 499	8 681	12 297
Total assets	74 247	26 720	181 118	136 786
Liabilities:				
Payables	4 329	2 514	15 311	12 718
Employee benefits	3 410	3 000	10 166	9 990
Provisions	119	150	356	494
Total liabilities	7 858	5 664	25 833	23 202

Notes to and forming part of the financial statements

1. Objectives of the Department for Water (the Department)

The Department's objective is to ensure that there are always sufficient and sustainable water resources in South Australia for our health, our economy, our environment and our lifestyle.

2. Summary of significant accounting policies

(a) 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 provisions 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 reporting period ending 30 June 2012. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the 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 are 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 historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

(c) Reporting entity

The 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 and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Transactions in relation to the Murray-Darling Basin Authority (MDBA) are reflected in both the Department's controlled activities and also administered items.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

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

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

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

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

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

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

(g) Events after the end of the reporting period

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

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

(h) Income

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

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

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

The Department has identified all relevant transactions with SA Government entities/non-SA Government entities.

The following are specific recognition criteria:

Fees and charges

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

Grants received

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

Grants received (continued)
Generally, the Department has obtained control or the right to receive for:

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

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

Resources received free of charge
Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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 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.

Any gain on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the cost of the asset from the proceeds at that time.

Other revenues
Other income includes revenues received from donated assets and recouped operating expenses.

(i) Expenses

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

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

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

The Department has identified all relevant transactions with SA Government entities/non-SA Government entities.

The following are specific recognition criteria:

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plans in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

Depreciation and amortisation

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

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

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

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

Land is not depreciated as the item is considered to have a non-diminishing unlimited useful life.

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

Class of asset	*Useful life (years)*
Buildings	10-60
Leasehold improvements	Life of lease
Groundwater monitoring wells	10-50
Patawalonga seawater circulation and Barcoo outlet	7-97
Surface water monitoring network	40-80
Waste disposal stations	22
Salinity disposal schemes	28-86
Lower Murray embankments	200
Plant and equipment	3-42
Intangibles	3-12

Grants and subsidies

For grants and subsidies payable, the grant/subsidy will be recognised as a liability and expense when the Department has a present obligation to pay the grant/subsidy and the expense recognition criteria are met.

All grants and subsidies paid by the Department have been grants/subsidies with unconditional stipulations attached.

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value; and in the expense line items to which they relate.

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the government and paid directly to the Consolidated Account.

Payments of $4.5 million were accrued to the Consolidated Account in 2011-12 ($10.536 million).

(j) Current and non-current classification

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

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

(k) Assets

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

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

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

The Department has identified all relevant transactions with SA Government entities/non-SA Government entities.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, and other accruals.

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

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

Non-current assets

- *Acquisition and recognition*

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

  Where assets are acquired at no cost, or minimal cost, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

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

  Minor assets with an individual value of less than $10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of groundwater monitoring wells due to the significant number and long useful lives of the assets contained within these classes. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

  Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of $5 million for infrastructure assets and $1 million for other assets.

- *Revaluation of non-current assets*

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

- *Revaluation of non-current assets (continued)*
  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, when they are revalued to fair value. Pursuant to APF III, issued pursuant to the PFAA, and pursuant to the Department's own accounting policies, an independent valuation appraisal must be performed at least every five years.

  Revaluations were recognised for the Department's groundwater monitoring wells and the surface water monitoring stations in 2012. The accounting for these revaluations is recognised in note 20.

  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.

  For all property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis. This includes the Department's groundwater monitoring wells and surface water monitoring network, both of which were independently revalued in the current reporting period. Prior to the current reporting period these two asset classes were disclosed on a net basis, ie the accumulated depreciation was eliminated against the asset's gross carrying amount.

  This represents a voluntary change in existing accounting policy by the Department.

  In accordance with the provisions of AASB 108 this has resulted in the restatement of $33.385 million to the 2010-11 gross replacement value to $48.104 million and accumulated depreciation to $34.618 million for the groundwater monitoring wells. This has also resulted in a restatement of $2.4 million to the 2010-11 gross replacement value to $4.402 million and accumulated depreciation to $2.579 million for the surface water monitoring network. These changes are reflected in note 20. The carrying amounts as at 30 June 2011 have not been impacted.

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

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

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

  Impairment was recognised for one of the Department's waste disposal stations in the current reporting period. In 2010-11 impairments were recognised for the Department's regulators. The accounting for these impairments is recognised in note 20. An impairment was also recognised for the Department's water licences in 2010-11. The accounting for this impairment is recognised in note 21.

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

  The useful lives of intangible assets are assessed to be either finite or infinite. The Department has intangible assets with finite and infinite lives.

  No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an infinite term of future economic benefits.

  The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Intangible assets (continued)

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

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

(l) Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

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

The Department has identified all relevant transactions with SA Government entities/non-SA Government entities.

Payables

Payables include creditors, accrued expenses, GST payable, 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 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 onto 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 the date the invoice is first received.

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

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

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Department has not entered into any finance leases, but has entered into non-cancellable operating lease arrangements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease.

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

(n) Financial guarantees
The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at reporting date (there was no material liability recognised for financial guarantee contracts in the previous reporting period).

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

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

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

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

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

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 23).

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

The unconditional portion of the LSL provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of the LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(p) Unrecognised contractual commitments and contingent assets and liabilities

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

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.

(q) Interests in joint ventures

Cooperative Research Centres (CRCs)

The Department participates in a number of joint ventures through its interests in CRCs.

While CRCs have the characteristics of joint ventures, they are not material to the Department and no separate disclosure for 2012 has been made in accordance with the AASB 131.

A CRC is a research initiative of the Commonwealth Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. There are usually a number of participants involved with CRCs, which also often have a significant research focus (eg Commonwealth Scientific and Industrial Research Organisation (CSIRO), universities and private sector bodies).

The funding of a CRC is usually coordinated through a centre agent who is appointed generally from one of the participating entities.

Transactions between the CRCs and the Department are accounted for in terms of general revenue and expenditure.

In 2011-12, the Department contributed $455 000 ($659 000) in both cash and in-kind support to the CRC for e-Water.

MDBA

The Department administers the State’s interest in the MDBA. These transactions are reflected in the administered statements. Note A10 of the administered statements refers to changes in accounting for the MDBA, which came into being on 15 December 2008.

3. New and revised accounting standards and policies

The Department did not voluntarily change any of its accounting policies during 2011-12, as a result of new or revised accounting standards and practices.

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 2012. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

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

Activity 1: Water Planning and Management

To assist the minister and the natural resources management boards in managing the 29 prescribed water resources areas in South Australia through the provision of planning and management advice and regulatory services.

Activity 2: Operations and Major Programs

To develop and implement plans and programs to manage the operations of the River Murray, initiate and deliver major infrastructure programs, and fulfil the requirements of the State hazard leader for flood and riverbank collapse.

Activity 3: Policy and Strategy

To provide coordinated policy direction for the planning and management of the State’s water resources to support communities, industry and ecosystems. This enables a healthy, functioning River Murray, as well as a consistent policy framework for the management of water resources. To provide policy capacity in economics and urban water and contribute to the development of water reform activities.

Activity 4: ***Science and Monitoring and Information***

To provide scientific expertise and the application of knowledge for effective management of the State's water resources. To provide leadership in science with a primary focus on analysing water resource data, supporting sustainable economic development, undertaking scientific investigations to expand the Government's knowledge base, promoting collaborative research alliances, improving policy and providing input to strategies aimed at sustainable management and use of the State's water resources.

The disaggregated disclosures schedules present expenses and income as well as assets and liabilities information attributable to each of the activities for the years ended 30 June 2011 and 30 June 2012.

5. Employee benefit expenses

	2012	2011
	$'000	$'000
Salaries and wages	23 761	26 839
Superannuation	2 719	3 091
Annual leave	2 288	2 409
LSL	1 861	998
Workers compensation	(49)	(38)
TVSPs (refer below)	3 117	-
Board and committee fees	43	114
Payroll tax	1 568	1 647
Total employee benefit expenses	35 308	35 060

TVSPs

Amount paid during the reporting period to separated employees:		
TVSPs	3 117	-
Annual leave and LSL paid to those employees	1 087	-
	4 204	-
Recovery from DTF	3 179	-
Net cost to the Department	1 025	-

Number of employees who received a TVSP during the reporting period was 23 (0).

Remuneration of employees

The table below 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 or receivable by these employees for the year was $3.028 million ($3.24 million).

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$130 700 - $133 999*	n/a	1
$134 000 - $143 999	-	1
$144 000 - $153 999	2	3
$154 000 - $163 999	1	2
$164 000 - $173 999	3	3
$174 000 - $183 999	1	1
$184 000 - $193 999	3	-
$204 000 - $213 999	1	2
$224 000 - $233 999	1	-
$234 000 - $243 999	-	1
$244 000 - $253 999	-	1
$254 000 - $263 999	1	-
$284 000 - $293 999	-	1
$294 000 - $303 999	1	-
$324 000 - $333 999	1	1
Total	15	17

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

6. Supplies and services

	2012	2011
	$'000	$'000
Contractors	15 697	23 314
Service level determination	2 092	2 112
Accommodation	3 433	4 043
Vehicles	1 226	1 554
Computing	1 463	1 774
Travel and accommodation	674	812
Printing, publishing and stationery	170	290
Telephones	308	483
Chemical analysis	195	66
Minor plant and equipment purchases	754	702
Consultancies	365	738
Materials and consumables	158	147
Equipment repairs and maintenance	529	316
Advertising, exhibition and promotion	83	170
Legal fees	720	473
Staff development	545	630
Other supplies and services	1 010	1 258
Total supplies and services	29 422	38 882

Consultants

	2012		2011	
The number and dollar amount of consultancies paid/payable (included in consultancies expense shown above) that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	8	15	7	15
Between $10 000 and $50 000	2	72	9	269
Above $50 000	2	278	3	454
Total	12	365	19	738

Supplies and services provided by entities within the SA Government

	2012	2011
The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:	$'000	$'000
Contractors	2 044	3 396
Service level determination	2 026	2 090
Accommodation	3 131	3 443
Vehicles	997	1 279
Computing	34	229
Travel and accommodation	2	2
Printing, publishing and stationery	12	13
Telephones	185	313
Chemical analysis	2	6
Minor plant and equipment purchases	14	3
Materials and consumables	2	-
Equipment repairs and maintenance	7	9
Advertising, exhibition and promotion	3	24
Legal fees	714	449
Staff development	33	23
Other supplies and services	135	300
Total supplies and services provided by entities within the SA Government	9 341	11 579

7. Depreciation and amortisation expense

	2012	2011
Patawalonga seawater circulation and Barcoo outlet	495	495
Groundwater monitoring wells	631	595
Plant and equipment	359	363
Salinity disposal schemes	544	544
Surface water monitoring network	61	58
Waste disposal stations	132	130
Buildings	35	29
Lower Murray embankments	50	50
Regulators	-	1 017
Intangible assets	3 609	3 434
Total depreciation and amortisation expense	5 916	6 715

8. Grants and subsidies

	2012 $'000	2011 $'000
MDBA	29 059	27 667
River Murray Improvement Program	1 730	1 232
Murray Futures - Coorong, Lower Lakes and Murray Mouth Early Works	-	13 956
Stormwater projects	44 838	12 882
Goyder Institute	5 000	5 000
South East infrastructure operations and maintenance	3 300	-
Port Pirie Council stormwater feasibility study	427	-
Riverine recovery	515	-
Other grants	4 110	2 601
Total grants and subsidies	88 979	63 338

Grants and subsidies paid/payable to entities within the SA Government

The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:

	2012 $'000	2011 $'000
River Murray Improvement Program	1 505	1 232
Murray Futures - Coorong, Lower Lakes and Murray Mouth Early Works	-	13 956
Stormwater projects	12 651	3 253
South East infrastructure operations and maintenance	3 300	-
Riverine recovery	515	-
Other grants	2 903	339
Total grants and subsidies paid/payable to entities within SA Government	20 874	18 780

9. Water recovery/acquisition expenses

	2012 $'000	2011 $'000
The Living Murray water acquisition	-	2 650
Environmental water purchase	4 772	-
Total water recovery/acquisition expenses	4 772	2 650

All payments were to entities within SA Government.

10. Other expenses

	2012 $'000	2011 $'000
Bad and doubtful debts	11	52
Audit fees	204	192
Sundry	61	62
Total other expenses	276	306

Other expenses paid/payable to entities within the SA Government

The following other expenses (included in the other expenses amount shown above) were paid/payable to entities within the SA Government:

	2012 $'000	2011 $'000
Audit fees	153	154
Sundry	19	12
Total other expenses paid/payable to entities within SA Government	172	166

11. Auditors remuneration

	2012 $'000	2011 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	153	154
Total audit fees	153	154

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

12. Net gain (loss) from disposal of non-current assets

	2012 $'000	2011 $'000
Waste disposal stations:		
Proceeds from disposal	-	-
Net book value of assets disposed	71	157
Net loss from disposal	(71)	(157)
Salinity disposal schemes:		
Proceeds from disposal	23	-
Net book value of assets disposed	80	-
Net loss from disposal	(57)	-

		2012	2011
12.	**Net gain (loss) from disposal of non-current assets (continued)**		
	Plant and equipment:	$'000	$'000
	Proceeds from disposal	-	-
	Net book value of assets disposed	55	-
	Net loss from disposal	(55)	-
	Externally acquired intangible assets:		
	Proceeds from disposal	-	-
	Net book value of assets disposed	7	-
	Net loss from disposal	(7)	-
	Total assets:		
	Proceeds from disposal	23	-
	Net book value of assets disposed	213	157
	Total net gain (loss) from disposal of non-current assets	(190)	(157)
13.	**Revenues from fees and charges**		
	Sale of goods and services	5 435	4 709
	Taxation revenue	520	734
	Fees, levies and licences	1 098	1 144
	Service recoveries	16 300	107
	Total revenues from fees and charges	23 353	6 694
	Fees and charges received/receivable from entities within the SA Government		
	The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
	Sale of goods and services	4 210	2 792
	Fees, levies and licences	18	21
	Service recoveries	16 300	101
	Total fees and charges received/receivable from entities within the SA Government	20 528	2 914
14.	**Interest revenues**		
	Interest revenue from entities within the SA Government	1 046	530
	Other interest	21	12
	Total interest revenues	1 067	542
15.	**Grant revenues**		
	(a) Grant revenues from the Commonwealth		
	National Water Commission - National Water Initiative:		
	Mount Lofty Ranges	1 000	-
	South East	-	30
	Fractured Rock	-	30
	Restoring flows to the wetlands in the Upper South East of SA	568	232
	Murray Futures:		
	Lower Lakes, Coorong adaptive management	2 257	-
	Riverine recovery	6 615	8 706
	Coorong, Lower Lakes and Murray Mouth early works	2 455	12 560
	Stormwater projects	33 343	10 068
	National framework for compliance and enforcement systems	1 351	577
	The Living Murray:		
	Chowilla	2 188	1 646
	Lower Lakes, Coorong and Murray Mouth	416	852
	Water and wastewater in remote communities	3 410	-
	Goolwa Channel water level management	925	-
	Basin monitoring and assessment	2 000	-
	Other	2 999	3 728
	Total grant revenues from the Commonwealth	59 527	38 429

(b) **_Grant revenues from SA Government_**	2012 $'000	2011 $'000
Lower Murray and Murray Mouth	-	546
Coorong and Lower Lakes early works	-	453
South East Confined Aquifer Well Rehabilitation Scheme	-	278
Riverbank collapse hazard	-	200
Environmental Works and Measures project	-	153
National Water Initiative - Great Artesian Basin program	-	609
South East management agreement	196	-
South East flows	983	-
Other	557	529
Total grant revenues from SA Government	1 736	2 768

(c) **_Grant revenues from National Action Plan Joint Commonwealth and State funding_**		
Salt Interception Scheme - Noora Basin	-	2 736
Salt Interception Scheme - Murtho	-	213
Salt Interception Scheme - Pike	-	2 075
Upper South East Program	-	2 361
Total grant revenues from National Action Plan joint Commonwealth and State funding	-	7 385

The funding arrangements for the above initiatives ceased by 30 June 2012.

(d) **_Grant revenues from other entities_**		
Sundry grants and contribution	18	537
Total grant revenues from other entities	18	537
Total grant revenues	61 281	49 119

16. Other revenues

Operating expenses recouped	-	8
Other revenue	80	67
Total other revenue	80	75

Other revenues received/receivable from entities within the SA Government

The following other revenues (included in the other revenues shown above) were received/receivable from entities within the SA Government:

Other revenue	8	-
Total other revenue received/receivable from entities within the SA Government	8	-

17. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	83 425	97 744
Appropriations under contingencies	5 119	5 372
Total revenues from SA Government	88 544	103 116
Payments to SA Government:		
Other payments to the Consolidated Account	4 500	10 536
Total payments to SA Government	4 500	10 536

The revenues from SA Government include $26.2 million ($25 million) which was paid into the Save The River Murray Fund (the Fund), from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The Fund was established under section 100 of the *Waterworks Act 1932* and monies credited to the Fund may only be applied to purposes set out in the *Waterworks Act 1932*. The total monies applied from the Fund were $29.059 million ($26.458 million). A special purpose financial report is prepared for the Fund.

18. Cash and cash equivalents	2012 $'000	2011 $'000
Deposits with the Treasurer	36 296	27 312
Cash on hand and imprest accounts	25	26
Other	2	3
Total cash and cash equivalents	36 323	27 341

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

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

19. Receivables

	2012	2011
Current:	$'000	$'000
Receivables	9 525	8 732
Allowance for doubtful debts	(73)	(95)
	9 452	8 637
Accrued revenues	703	452
Accrued interest	107	68
GST input tax recoverable	3 481	2 354
Workers compensation recoveries	10	21
Prepayments	-	105
Total current receivables	13 753	11 637

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were received/receivable from entities within SA Government:		
Receivables	4 701	1 738
Allowance for doubtful debts	(19)	-
	4 682	1 738
Accrued revenues	299	759
Accrued interest	107	68
Workers compensation recoveries	10	21
Total receivables from entities within the SA Government	5 098	2 586

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists. The allowance for doubtful debts was decreased by $22 000 in 2011-12.

Interest rate risk and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

20. Property, plant and equipment

	2012	2011
Land:	$'000	$'000
Independent valuation(ii)	919	919
At cost(i)	1 504	1 504
Total land	2 423	2 423
Buildings and improvements:		
Independent valuation(ii)	1 022	1 022
At cost(i)	360	380
Accumulated depreciation	(404)	(389)
Total buildings and improvements	978	1 013
Groundwater monitoring wells:		
Independent valuation(ii)	130 256	48 104
At cost(i)	932	1 241
Accumulated depreciation	(81 762)	(34 618)
Total groundwater monitoring wells	49 426	14 727

20. **Property, plant and equipment (continued)**	2012	2011
Surface water monitoring network:	$'000	$'000
Independent valuation(ii)	8 469	4 402
At cost(i)	72	-
Accumulated depreciation	(3 472)	(2 579)
Total surface water monitoring network	5 069	1 823
Waste disposal stations:		
Independent valuation(ii)	5 033	5 210
At cost(i)	808	884
Accumulated depreciation	(2 730)	(2 780)
Impairment loss	(482)	-
Total waste disposal stations	2 629	3 314
Patawalonga seawater circulation and Barcoo outlet:		
Independent valuation(ii)	30 774	30 774
At cost(i)	546	546
Accumulated depreciation	(7 671)	(7 176)
Total Patawalonga seawater circulation and Barcoo outlet	23 649	24 144
Salinity disposal schemes:		
Independent valuation(ii)	44 751	44 972
Accumulated depreciation	(17 510)	(17 205)
Total salinity disposal schemes	27 241	27 767
Lower Murray embankments:		
Independent valuation(ii)	10 062	10 062
Accumulated depreciation	(4 829)	(4 779)
Total Lower Murray embankments	5 233	5 283
Regulators:		
At cost(i)	4 057	10 167
Accumulated depreciation	(710)	(1 830)
Impairment loss	(3 347)	(8 337)
Total regulators	-	-
Plant and equipment:		
At cost(i)	2 382	5 253
Accumulated depreciation	(1 295)	(3 798)
Total plant and equipment	1 087	1 455
Capital works in progress:		
Capital works in progress(i)	4 626	3 562
Total capital works in progress	4 626	3 562
Total property, plant and equipment	122 361	85 511

Carrying amounts of property, plant and equipment

Classes of property, plant and equipment are valued as follows:

(i) *At cost (acquisition cost)*
This class includes one or more items that have an acquisition cost. All assets within this class are temporarily held at cost pending revaluation that occurs no later than five years from acquisition date.

(ii) *Independent valuation*
These assets are valued separately by independent professional valuers.

Impairment

The Walker Flat waste disposal station was impaired as at 30 June 2012, as the site was unsafe for public use. As a result of this assessment the asset's written down value ($482 000) was considered to be impaired. The impairment is reflected in the Statement of Comprehensive Income.

Impairment (continued)

The regulators were impaired as at 30 June 2011 as the assets were partially submerged and no longer meeting their required functions. The accounting and consultancy firm Deloitte provided an independent assessment and expert opinion on the accounting treatment of the impairment. As a result of this assessment the written down value as at 30 June 2011 ($8.337 million) was considered to be impaired. The impairment is reflected in the Statement of Comprehensive Income. In 2011-12 one of the two regulators was removed, resulting in a reduction $6.11 million in the 'at cost' amount disclosed above. The remaining regulator continued to be reflected in the accounts as an impaired asset.

Asset revaluations

The Department's groundwater monitoring wells were revalued in 2011-12. The revaluation for the groundwater monitoring wells was originally scheduled to be undertaken in 2010-11 but could not be finalised at the time due to limitations in the records of the recorded groundwater monitoring assets. Improvements were made in 2011-12 to the procedures and processes surrounding the Department's asset register. The subsequent revaluation identified instances of previously unrecorded assets, potential redundant or impaired assets.

The effective date of the independent revaluation of the Department's groundwater monitoring wells was 10 May 2012. With a short timeframe through to year end, the Department elected to adopt the independent revaluation report as at 30 June 2012. The chief valuer was Mr Daniel Mollison of Sinclair Knight Merz.

The independent valuation also included a review of the asset's useful lives.

As there is no active market for groundwater monitoring wells the asset's fair value was determined by assessing the optimised replacement cost, by gathering and applying market evidence of material supply and construction costs for mobilisation and drilling, well construction, lithological and geophysical logging, tender and contract administration, supervision and inspection.

Significant assumptions underpinning the valuation are:

- the valuation is based on available asset information only, as provided by the Department
- valuation estimates are based on current practices in design and construction. Future asset replacements may vary in their application of design and construction techniques
- valuation estimates treat replacement of each asset as a distinct exercise
- all assets are adequately maintained as per relevant operation and maintenance standards.

An error correction for 2011-12 has been retrospectively restated to retained earnings in accordance with the provisions of AASB 108, in relation to findings from the groundwater monitoring wells revaluation. The error correction of $1.418 million for 2011-12, disclosed in the Statement of Changes in Equity, comprises a net reduction in the carrying values of the assets on account of asset derecognitions. A net asset revaluation increment of $11.301 million as well as a net first-time recognition of $23.096 million were recognised in 2011-12 for the groundwater monitoring wells.

The Department's surface water monitoring network was also revalued in 2011-12. The revaluation identified instances of previously unrecorded assets and of redundant assets. The impact of the completed asset revaluation has resulted in a prior period error being recognised in the statements and is further disclosed in the Statement of Comprehensive Income and the Statement of Changes in Equity.

The effective date of the independent revaluation of the Department's surface water monitoring network was 30 June 2012. The chief valuer was Mr Fred Taormina, BAppSc (Val), AAPI, of Valcorp Australia Pty Ltd.

The independent valuation also included a review of the asset's useful lives.

As there is no active market for surface water monitoring stations, the asset's fair value was determined by assessing the optimised replacement cost, and gathering and applying market evidence of material supply and construction costs for the major component relevant to each asset (eg control structure, float well, instrument housing and instrumentation), tender and contract administration, supervision and inspection.

Significant assumptions underpinning the valuation are:

- the valuation is based on physical inspection of a sample of assets, as well as available asset information as provided by the Department

Asset revaluations (continued)

- valuation estimates are based on current practices in design and construction. Future asset replacements may vary in their application of design and construction techniques
- valuation estimates treat replacement of each asset as a distinct exercise
- all assets are adequately maintained as per relevant operation and maintenance standards.

An error correction for 2011-12 has been retrospectively restated to retained earnings in accordance with the provisions of AASB 108, in relation to findings from the surface water monitoring stations revaluation. The error correction of $417 000 for 2011-12, disclosed in the Statement of Changes in Equity, comprises a net reduction in the carrying values of the assets. A net asset revaluation increment of $705 000, as well as a net first-time recognition of $2.119 million were recognised in 2011-12 for the surface water monitoring stations.

The following table details all revaluations undertaken in recent years for each class of asset:

Class of asset	*Date of last independent valuation*	*Name of valuer*
Land and buildings	30 June 2009	Southwick Goodyear Pty Ltd
Groundwater monitoring wells	30 June 2012	Sinclair Knight Merz
Surface water monitoring network	30 June 2012	Valcorp Pty Ltd
Waste disposal stations	30 June 2009	Valcorp Pty Ltd
Patawalonga seawater circulation and Barcoo outlet	30 June 2010	Currie and Brown Pty Ltd
Salinity disposal schemes	30 June 2010	Currie and Brown Pty Ltd
Lower Murray embankments	30 June 2009	Valcorp Pty Ltd
Plant and equipment*	-	-

* Plant and equipment have been brought to account at cost or at officers' valuation for initial recognition purposes.

Movement/reconciliation of property, plant and equipment

2012	Land $'000	Buildings $'000	Groundwater monitoring wells $'000	Surface water monitoring network $'000	Waste disposal stations $'000	Patawalonga seawater circulation $'000
Carrying amount:						
Carrying amount at 1 July	2 423	1 013	14 727	1 823	3 314	24 144
Additions	-	-	880	-	-	-
Transfers to (from) capital work in progress	-	-	53	483	-	-
Depreciation expense	-	(35)	(631)	(61)	(132)	(495)
Net revaluation increment (decrement)	-	-	11 301	705	-	-
Assets - first time recognition	-	-	23 096	2 119	-	-
Disposals	-	-	-	-	(71)	-
Impairment loss	-	-	-	-	(482)	-
Carrying amount at 30 June	2 423	978	49 426	5 069	2 629	23 649

Carrying amount:	Salinity disposal schemes $'000	Lower Murray embankments $'000	Regulators $'000	Plant and equipment $'000	Capital work in progress $'000	2012 Total $'000
Carrying amount at 1 July	27 767	5 283	-	1 455	3 562	85 511
Additions	98	-	-	46	1 600	2 624
Transfers to (from) capital work in progress	-	-	-	-	(536)	-
Depreciation expense	(544)	(50)	-	(359)	-	(2 307)
Net revaluation increment (decrement)	-	-	-	-	-	12 006
Assets - first time recognition	-	-	-	-	-	25 215
Disposals	(80)	-	-	(55)	-	(206)
Impairment loss	-	-	-	-	-	(482)
Carrying amount at 30 June	27 241	5 233	-	1 087	4 626	122 361

Movement/reconciliation of property, plant and equipment (continued)

2011	Land $'000	Buildings $'000	Groundwater monitoring wells $'000	Surface water monitoring network $'000	Waste disposal stations $'000	Patawalonga seawater circulation $'000
Carrying amount:						
Carrying amount at 1 July	2 281	1 420	15 720	2 298	2 727	24 621
Change of accounting policy	-	-	-	-	-	-
Error correction	-	-	(1 418)	(417)	-	-
Adjusted opening balance	2 281	1 420	14 302	1 881	2 727	24 621
Additions	1 338	258	783	-	656	-
Transfers to (from) capital work in progress	-	-	237	-	218	18
Transfers to intangible assets	-	-	-	-	-	-
Depreciation expense	-	(29)	(595)	(58)	(130)	(495)
Disposals	-	-	-	-	(157)	-
Disposals through administrative restructuring	(1 196)	(636)	-	-	-	-
Impairment loss	-	-	-	-	-	-
Carrying amount at 30 June	2 423	1 013	14 727	1 823	3 314	24 144

Carrying amount:	Salinity disposal schemes $'000	Lower Murray embankments $'000	Regulators $'000	Plant and equipment $'000	Capital work in progress $'000	2011 Total $'000
Carrying amount at 1 July	28 311	5 333	9 354	1 546	3 742	97 353
Change of accounting policy	-	-	-	(91)	-	(91)
Error correction	-	-	-	-	-	(1 835)
Adjusted opening balance	28 311	5 333	9 354	1 455	3 742	95 427
Additions	-	-	-	320	1 408	4 763
Transfers to (from) capital work in progress	-	-	-	189	(662)	-
Transfers to intangible assets	-	-	-	-	(926)	(926)
Depreciation expense	(544)	(50)	(1 017)	(363)	-	(3 281)
Disposals	-	-	-	-	-	(157)
Disposal through administrative restructuring	-	-	-	(146)	-	(1 978)
Impairment loss	-	-	(8 337)	-	-	(8 337)
Carrying amount at 30 June	27 767	5 283	-	1 455	3 562	85 511

Assets not recognised

- *Upper South East Drainage Scheme*

  The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

  The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments and are not capitalised.

- *Salt Interception Schemes*

  The Department receives funding from the National Action Plan for Salinity and Water Quality, and contributes to the construction of the salt interception assets for the Bookpurnong and Loxton schemes. Upon completion these assets are managed and maintained by the MDBA, and the Department funds its share of these costs.

  The future economic benefits that will be derived from these assets are expected to be received by the MDBA and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments.

21. Intangible assets

	2012	2011
Internally developed intangible assets:	$'000	$'000
Internally developed computer software - at cost (deemed fair value)	15 622	15 780
Accumulated amortisation	(9 410)	(6 103)
Total internally developed intangible assets	6 212	9 677
Externally acquired intangible assets:		
Computer and water licences	2 836	3 341
Accumulated amortisation	(367)	(439)
Impairment loss	-	(282)
Total externally acquired intangible assets	2 469	2 620
Total intangible assets	8 681	12 297

Intangible assets
The Department recognises the following intangible assets:

- *Water licences - acquired at no cost*
  An intangible asset for water licences has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.

- *Intangible assets (computer software)*
  The internal development of software is capitalised by the Department when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to $10 000, in accordance with APF III, APS 2.15. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised. The Department has capitalised the internal development of software for the Water Information and Licensing and Management Application System. In addition, certain costs have been capitalised in respect of the Natural Resources Management Information System and other software specific to the Department's core activities. Some intangibles are currently included in work in progress.

Impairment
The water licences (acquired at no cost) and originally recognised at fair value ($2.61 million) as at 30 June 2006 were found to be partially impaired as at 30 June 2011 - hence an impairment of $282 000 was recognised in the statements in 2010-11. No further impairment was recognised in 2011-12 based on consistent market prices during the reporting period.

Intangible asset movement/reconciliation schedule

	Internally developed	Externally acquired	Total
2012	$'000	$'000	$'000
Carrying amount at 1 July	9 677	2 620	12 297
Amortisation expense	(3 465)	(144)	(3 609)
Disposals	-	(7)	(7)
Carrying amount as at 30 June	6 212	2 469	8 681
2011			
Carrying amount at 1 July	11 357	3 002	14 359
Additions - acquisitions	681	47	728
Additions - transfers from capital work in progress	926	-	926
Amortisation expense	(3 287)	(147)	(3 434)
Impairment loss	-	(282)	(282)
Carrying amount as at 30 June	9 677	2 620	12 297

Assets not recognised
Acquisition of water licences for environmental flows
While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2010, the acquisition and/or transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred.

The decision not to capitalise these expenditures is linked to the provisions of two intergovernmental agreements to which the State of South Australia is a party, as follows:

Acquisition of water licences for environmental flows (continued)

(i) The Intergovernmental Agreement (the Agreement) on Addressing Water Over-allocation and Achieving Environmental Objectives in the Murray-Darling Basin (June 2004) gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit $500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray Business Plan is provided for under clause 13 of the Agreement describes how the actions and milestones in the Agreement in relation to the acquisition and transfer of water licences are to be achieved.

(ii) The Agreement on Murray-Darling Basin Reform (July 2008) gives affect that a Commonwealth-State National Management Partnership will be in a form of a bilateral agreement between the Commonwealth and each Basin jurisdiction known as the National Partnership Agreement on Water for the Future (Partnership Agreement). The Implementation Plan for Augmentation of the Adelaide Desalination Plant is created subject to the provisions of the Partnership Agreement.

The Implementation Plan describes the actions and milestones in relation to the acquisition of water licences and the establishment of an environmental provision for environmental purposes.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences have been expensed on the basis that the future economic benefits attaching to these transactions are not expected to flow directly to the Department.

22. Payables

	2012	2011
Current:	$'000	$'000
Creditors and accrued expenses	13 957	11 096
Employee benefit on-costs	685	919
Paid Parental Leave Scheme payable	6	-
Total current payables	14 648	12 015

Current payables to entities within the SA Government

	2012	2011
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Creditors and accrued expenses	10 174	7 581
Employee benefit on-costs	357	326
Total current payables to entities within the SA Government	10 531	7 907
Non-current:		
Employee benefit on-costs	663	703
Total non-current payables	663	703

Non-current payables to entities within the SA Government

	2012	2011
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Employee benefit on-costs	344	379
Total non-current payables to entities within the SA Government	344	379

As a result of an actuarial assessment performed by DTF, the percentage of the LSL taken as leave has changed from the 2011 rate (35%) to 40%. This rate is used in the employee benefit on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employee benefit on-cost of $52 000 and employee benefit expense of $52 000.

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.

23. Employee benefits

	2012	2011
Current:	$'000	$'000
Annual leave	1 915	2 100
LSL	1 609	568
Total current employee benefits	3 524	2 668

23. Employee benefits (continued)

	2012	2011
Non-current:	$'000	$'000
LSL	6 642	7 322
Total non-current employee benefits	6 642	7 322

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

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2011 (5.25%) to 2012 (3%).

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

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $1.24 million and employee benefit expense of $1.24 million. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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

24. Provisions

	2012	2011
Current:	$'000	$'000
Provision for workers compensation	71	113
Total current provisions	71	113
Non-current:		
Provision for workers compensation	285	381
Total non-current provisions	285	381
Provision movement		
Carrying amount at 1 July	494	619
Recognitions	(59)	(39)
Transfer due to administrative restructure	-	(21)
Amounts used	(79)	(65)
Carrying amount at 30 June	356	494

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 Division of DPC. These claims are expected to be settled within the next financial year.

25. Equity

	2012	2011
	$'000	$'000
Contributed capital	10 893	10 893
Retained earnings	82 399	52 598
Revaluation surplus	61 993	50 093
Total equity	155 285	113 584

26. Unrecognised contractual commitments

Operating lease commitments

	2012	2011
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2 241	3 034
Later than one year but not later than five years	4 592	12 114
Total operating lease commitments	6 833	15 148

The Department's operating leases are non-cancellable and relate to office accommodation with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

Expenditure commitments - remuneration	2012	2011
Commitments include those for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	7 927	8 551
Later than one year but not later than five years	5 824	7 464
Total remuneration commitments	13 751	16 015

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

Expenditure commitments - other		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	29 940	30 810
Later than one year but not later than five years	86 451	89 009
Total other commitments	116 391	119 819

The Department's other commitments are for contributions to the MDBA, agreements for projects under the Save The River Murray Fund where funds are payable to other agencies undertaking work on behalf of the Department, and management of biodiversity assets under the *Upper South East Dryland Salinity and Flood Management Act 2002*.

27. Contingent assets and liabilities

The Department is not aware of the existence of any contingent assets or liabilities.

28. Remuneration of board and committee members

The following members served on the boards and committees as listed below during the 2011-12 financial year:

Environmental Management Advisory Group(1)

Aldersey A#
Bachmann M R#
Breen R P*
DeJong M C#
England C R
Ganf G G*
Geddes MC*
Hutson J L*
Herpich M#
Merry R H*
Meyer W S*
Mustafa S A#
Schilling J C#
Milne T*
White J W*

Water Security Council

Ashby S W#
Bursill D B (appointed 21.11.11)#
Caica P##
Chessell C I*
Gago G E (appointed 21.11.11)##
Hallion J V#
Holmes A N#
Hook R G (appointed 21.11.11)#
Knight G R#
Nightingale I#
O'Brien M F (retired 30.10.11)##
Ringham J F#
Rowse B G#

Upper South East Program Board(2)

Bolster M C
Collins T#
Hedges S*
Johnson C C
Longstaff B#
Power N#
Rasenberg P L
Stopp G W
Wickes R B
Osborne J L

Border Groundwater Review Committee (South Australian and Victorian members)(3)

Hopton H J (deputy)#
Johnson A W#
Mensforth L J#
Nott R (Victorian Govt)
Cooke J (Victorian Govt)

Water Planning Taskforce

Braes M E (appointed 26.08.11)
Good K (retired 31.12.11)#
Goodes W T M (appointed 01.01.12)#
Hopton H J (appointed 01.01.12)#
O'Connell K M (appointed 01.01.12)#
Osborne J L (retired 31.12.11)
Paterson W (retired 31.12.11)
Smith S P#
Starick S R (appointed 26.08.11)

# Denotes government employees.

Denotes government Minister.

* Denotes nil remuneration.

28. Remuneration of board and committee members (continued)

(1) The reference group disbanded on 19 December 2011 as all work was completed. No meetings were held thereafter and therefore no remuneration was paid to eligible members from this date.

(2) The reference group disbanded on 19 December 2011 as all work was completed. No meetings were held thereafter and therefore no remuneration was paid to eligible members from this date.

(3) The reference group is transferred every two years between the Department for Water and the Department of Sustainability and Environment in Victoria. Therefore from 2012 to 2013 the Border Groundwater Review committee falls under the responsibility of the Department of Sustainability and Environment in Victoria and will return to the Department for Water in 2014 for a further two years.

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$1 - $9 999	8	17
$20 000 - $29 999	-	1
$30 000 - $39 999	-	1
Total	8	19

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was $9000 ($93 000).

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

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by the relevant members.

29. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	36 323	27 341
Balance as per Statement of Cash Flows	36 323	27 341

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

	2012	2011
Net cash provided by (used in) operating activities	11 411	5 117
Revenues from SA Government	(88 544)	(103 116)
Payments to SA Government	-	10 536
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(5 916)	(6 715)
Impairment of non-current assets	(482)	(8 619)
Bad debts expense	22	(52)
Gain (Loss) on disposal of non-current assets	(190)	(157)
Movements in assets/liabilities:		
Receivables	2 094	(4 659)
Payables	2 079	6 968
Employee benefits	(176)	1 296
Provisions	138	104
Net cost of providing services	(79 564)	(99 297)

30. Financial instruments/financial risk management

Categorisation of financial instruments

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

Categorisation of financial instruments (continued)	Note	2012 Carrying amount $'000	2012 Fair value $'000	2011 Carrying amount $'000	2011 Fair value $'000
Financial assets					
Cash and cash equivalents	18	36 323	36 323	27 341	27 341
Receivables	19	10 262	10 262	9 157	9 157
Financial liabilities					
Payables	22	13 779	13 779	10 913	10 913

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 requirement will not apply. Where rights or obligations have their source in legislation such as levy receivables/ payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee liability to which they relate.

Market risk

The Department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

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.

Ageing analysis of financial assets

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

	Past due by			
2012	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	74	254	1 267	1 595
Impaired:				
Receivables	-	-	(73)	(73)
2011				
Not impaired:				
Receivables	387	13	207	607
Impaired:				
Receivables	-	-	(95)	(95)

Maturity analysis of financial assets and liabilities

All of the Department's contracts for financial assets and financial liabilities mature within one year.

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations by the SA Government as well as from grant payments received principally from the Commonwealth Government. The Department works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The 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.

31. Events after the reporting period

The Department was abolished on 1 July 2012. Notification of this fact was announced in the 2012-13 budget papers released on 31 May 2012 and also published in The South Australian Government Gazette on 28 June 2012.

Administrative responsibilities previously undertaken by the Department, including all staff, have been transferred to the Department of Environment, Water and Natural Resources. The financial effect of this restructure has not been reflected in the financial statements.

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

	Note	2012 $'000	2011 $'000
Expenses:			
Supplies and services		-	6
Grants and subsidies	A2	6 594	9 201
Payments to Consolidated Account		305	265
Natural resources management payments	A3	10 061	9 186
Bad debt expenses		1 029	-
Total expenses		17 989	18 658
Income:			
Revenues from SA Government	A4	6 844	7 569
Revenues from fees and charges	A5	10 282	8 914
Grant revenues	A6	-	1 931
Total income		17 126	18 414
Net result		(863)	(244)
Other comprehensive income:			
Gain (Loss) on revaluation of interest in joint venture	A9	95 361	(7 946)
Total other comprehensive income		95 361	(7 946)
Total comprehensive result		94 498	(8 190)

Statement of Administered Financial Position as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	A7	4 963	5 245
Receivables	A8	4 164	5 078
Total current assets		9 127	10 323
Non-current assets:			
Interest in joint venture	A9	790 589	695 228
Total non-current assets		790 589	695 228
Total assets		799 716	705 551
Current liabilities:			
Payables	A10	3 540	3 872
Total current liabilities		3 540	3 872
Total liabilities		3 540	3 872
Net assets		796 176	701 679
Equity:			
Revaluation surplus		333 913	238 552
Retained earnings		462 263	463 127
Total equity		796 176	701 679
Contingent assets and liabilities	A11		

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

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		255 852	512 769	768 621
Net result for 2010-11		-	(244)	(244)
Revaluation adjustment - interest in joint venture	A9	(7 946)	-	(7 946)
Total comprehensive result for 2010-11		(7 946)	(244)	(8 190)
Transactions with SA Government as owner:				
Net assets transferred as a result of an administrative restructure		(9 354)	(34 513)	(43 867)
Balance at 30 June 2011		238 552	478 012	716 564
Error correction	A9	-	(14 886)	(14 886)
Restated balance at 30 June 2011		238 552	463 126	701 678
Net result for 2011-12		-	(863)	(863)
Revaluation adjustment - interest in joint venture	A9	95 361	-	95 361
Total comprehensive result for 2011-12		95 361	(863)	94 498
Balance at 30 June 2012		333 913	462 263	796 176

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

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Payments for supplies and services		-	(6)
Payments of grants and subsidies		(6 594)	(9 201)
Payments to Consolidated Account		(250)	(250)
Payments for Natural Resources Management Boards		(10 448)	(9 243)
Cash used in operations		(17 292)	(18 700)
Cash inflows:			
Receipts from Government		6 844	7 569
Fees and charges		10 166	9 153
Grant receipts		-	1 931
Cash generated from operations		17 010	18 653
Net cash provided by (used in) operating activities	A7	(282)	(47)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities		-	(11 290)
Cash used in financing activities		-	(11 290)
Net increase (decrease) in cash and cash equivalents		(282)	(11 337)
Cash and cash equivalents at 1 July		5 245	16 582
Cash and cash equivalents at 30 June	A7	4 963	5 245

All GST receipts and payments are recognised in the Department's Statement of Cash Flows.

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2012

(Activities - refer below)	1		2		3	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	837	-	-	4 525	6 346
Payments to Consolidated Account	-	-	250	250	-	-
Natural resources management payments	10 061	9 186	-	-	-	-
Bad debt expenses	607	-	-	-	-	-
Total expenses	10 668	10 023	250	250	4 525	6 346
Income:						
Revenues from SA Government	-	-	250	250	4 525	4 415
Revenues from fees and charges	10 282	8 914	-	-	-	-
Grant revenues	-	837	-	-	-	1931
Total income	10 282	9 751	250	250	4 525	6 346
Net result	(386)	(272)	-	-	-	-

(Activities - refer below)	4		5		Total	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Supplies and services	-	6	-	-	-	6
Grants and subsidies	2 069	2 855	-	(837)	6 594	9 201
Payments to Consolidated Account	55	15	-	-	305	265
Natural resources management payments	-	-	-	-	10 061	9 186
Bad debt expenses	422	-	-	-	1 029	-
Total expenses	2 546	2 876	-	(837)	17 989	18 658
Income:						
Revenues from SA Government	2 069	2 904	-	-	6 844	7 569
Revenues from fees and charges	-	-	-	-	10 282	8 914
Grant revenues	-	-	-	(837)	-	1 931
Total income	2 069	2 904	-	(837)	17 126	18 414
Net result	(477)	28	-	-	(863)	(244)

1. Natural Resources Management
2. Qualco Sunlands
3. Stormwater Management Authority
4. Department for Water corporate administered items
5. Eliminations

Schedule of Assets and Liabilities attributable to Administered Activities as at 30 June 2012

(Activities - refer below)	1		2		3		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	2 647	2 986	250	250	2 066	2 009	4 963	5 245
Receivables	4 191	4 621	-	-	(27)	457	4 164	5 078
Interest in joint ventures	-	-	-	-	790 589	695 228	790 589	695 228
Total assets	6 838	7 607	250	250	792 628	697 694	799 716	705 551
Liabilities:								
Payables	2 677	3 064	250	250	613	558	3 540	3 872
Total liabilities	2 677	3 064	250	250	613	558	3 540	3 872
Net assets	4 161	4 543	-	-	792 015	697 136	796 176	701 679

1. Natural Resources Management
2. Qualco Sunlands
3. Department for Water corporate administered items

Notes to and forming part of the administered financial statements

A1. Summary of significant accounting policies

The Department for Water's (the Department's) accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department's controlled and administered items, unless otherwise noted below.

The administered items reflect an accumulation of the balances of each activity, furthermore transactions between individual activities have been eliminated in the administered financial statements.

Some activities have been restructured to assist in the interpretation of the financial transactions relating to the Natural Resources Management (NRM) Fund.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

Further commentary regarding these requirements under the NRMA is provided hereunder.

(a) NRM

The NRM Fund was established pursuant to section 117(1) of the NRMA. The Minister for Environment and Conservation administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

(i) Water levies

Water levies are collected by the Department for prescribed water resources in regional NRM Boards under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to section 116(1)(a)(ii)(A) of the NRMA.

Levies raised by the Department during 2011-12 were $9.858 million ($8.038 million). Unpaid levies at the end of the reporting period of $1.703 million ($1.551 million) have been recognised as current receivables. Receivables factor in adjustments in respect of financial relief provided to River Murray licensees to offset their liability to pay the NRM water levies was 0% (38%).

(i) *Water levies (continued)*

Levies received, but not yet paid to the Department of Environment and Natural Resources (DENR) at the end of the reporting period were $283 000 ($943 000, to the regional NRM Boards). During the reporting period the following levies were raised in respect of the regions for which the levies were declared:

*Regional NRM Board**	2012 $'000	2011 $'000
South Australian Murray-Darling Basin NRM Board	6 302	4 734
South East NRM Board	2 251	2 129
Adelaide and Mount Lofty Ranges NRM Board	310	305
Eyre Peninsula NRM Board	441	387
South Australian Arid Lands NRM Board	483	412
Northern and Yorke NRM Board	71	71
	9 858	8 038

* Does not include penalties and other payments made or payable to regional NRM Boards (refer note A5).

(ii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

In addition, to the penalties raised and received in respect of the NRMA, penalties were also received during 2011-12 under section 133(1)(a) of the *Water Resources Act 1997* (WR Act).

Section 115(5) of the NRMA and Regulation 9(d) of the Natural Resources Management (Financial Provisions) Regulations 2005 provide that section 116 of the NRMA applies to, and in relation to, a penalty declared under section 115 as if it were a water levy. The effect is that the penalty (and including any interest) so declared must be paid to the regional NRM Board for the region in respect of which the penalty was declared.

The levies pursuant to section 115(5) were paid to the regional NRM Boards (via DENR), with the exception of unpaid penalty charges at the end of the reporting period of $3.49 million ($3.523 million). Of this amount, $398 000 ($457 000) related to penalties raised under the WR Act and $3.092 million ($3.066 million) under the NRMA.

Penalties received under the NRMA are payable to the regional NRM Boards (via DENR) and at 30 June 2012 the amount payable was $2.057 million ($1.666 million).

Penalties declared under section 133(1)(a) of the WR Act continued to be received during 2010-11, although no new penalties were raised. Penalties received under the WR Act and payable to the Treasurer's Consolidated Account at 30 June 2012 were $613 000 ($558 000).

(iii) *Expiation fees and other penalties under the NRMA*

Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards. Fees and/or penalties of $4000 were collected during 2011-12 ($16 000).

(b) ***Qualco Sunlands***

The *Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. The Department collects levies and pays instalments in accordance with the provisions of the *Ground Water (Qualco-Sunlands) Control Act 2000*.

(c) ***South Eastern Water Conservation and Drainage Board (SEWCDB)***

The SEWCDB was established pursuant to Division 1 of the *South Eastern Water Conservation and Drainage Act 1992*. The Department supplies funding to the SEWCDB on a quarterly basis; the funding is sourced from appropriations provided by DTF.

A2. Grants and subsidies

	2012 $'000	2011 $'000
The Department's corporate administration items	-	837
NRM	-	837
Transfer to Stormwater Management Authority	4 525	6 346
Payments to SEWCDB	2 069	2 018
Elimination of intra-program transactions	-	(837)
Total grants and subsidies	6 594	9 201

Grants and subsidies paid/payable to entities within the SA Government

The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:

NRM	-	837
Payments to SEWCDB	2 069	2 018
Elimination of intra-program transactions	-	(837)
Total grants and subsidies paid/payable to entities within the SA Government	2 069	2 018

A3. NRM payments

Water levies paid to DENR	9 666	8 893
Penalties payable	395	293
Total NRM payments	10 061	9 186

Note that all NRM payments are paid to entities within the SA Government.

A4. Revenues from SA Government

Recurrent appropriations	6 844	7 569
Total revenues from SA Government	6 844	7 569

A5. Revenues from fees and charges

Water levies received from licence holders	9 858	8 038
Penalties	424	876
Total revenues from fees and charges	10 282	8 914

A6. Grant revenues

NRM	-	837
Stormwater Management Authority	-	1 931
Elimination of intra-program transactions	-	(837)
Total grant revenues	-	1 931

Grant revenues received/receivable from entities within the SA Government

The following grant revenues (included in the grant revenues shown above) were received/receivable from entities within the SA Government:

NRM	-	837
Elimination of intra-program transactions	-	(837)
Total grant revenues received/receivable from entities within the SA Government	-	-

A7. Administered cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period:

NRM	2 647	2 986
Qualco-Sunlands	250	250
The Department's corporate administrative items	2 066	2 009
	4 963	5 245
Balance as per Statement of Administered Cash Flows	4 963	5 245

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

Net cash provided by (used in) operating activities	(282)	(47)
Non-cash items:		
Bad debts expense	(1 013)	-
Movements in assets/liabilities:		
Receivables	100	(240)
Payables	332	43
Net result	(863)	(244)

A8. Receivables

Receivables reflected as current assets as at 30 June comprised the following:	2012 $'000	2011 $'000
Water levies	1 703	1 551
Penalties	3 490	3 523
Other	4	24
Allowance for doubtful debts	(1 033)	(20)
Total receivables	4 164	5 078

A9. Interest in joint venture

During the year ended 30 June 2009, the agreements for the management of the assets and resources (the water) within the Murray-Darling Basin Commission were restructured. The transition date to the new arrangements was 14 December 2008, ie the date from which the Murray-Darling Basin Authority (MDBA) was established, replacing the Murray-Darling Basin Commission.

Following the restructure, under the revised arrangements, the venturers no longer have a joint interest in net assets, but instead, they have a joint interest specifically in the infrastructure assets and water rights (as opposed to an interest in an entity controlling/holding the assets). The MDBA assets are held in two separate reporting entities: the River Murray Operations and the Living Murray Initiative. The River Murray Operations' primary assets include physical infrastructure, the Living Murray Initiative's primary assets include intangibles/water licences. The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.67%; South Australia 26.67%; Victoria 26.67%; the Commonwealth Government 20%.

In accordance with the provisions of AASB 108 an error correction of $14.886 million has been adjusted against retained earnings for 2010-11, disclosed in the Statement of Changes in Equity. This comprises a reduction in the carrying value of the joint venture net assets. The revised joint venture interest in MDBA assets has been restated to $695.228 million as at 30 June 2011. The error correction was required as a result of the Department receiving final audited advice regarding the Living Murray Initiative net equity from the MDBA. This advice was received after management and the Auditor-General had signed off on the Department's 2010-11 financial statements. The impact of the change is further disclosed in the Statement of Changes in Equity.

For the year ended 30 June 2012 the Department recognised an increase in its joint interest in MDBA assets of $95.361 million (decrease of $22.831 million), bringing the Department's total recognition in the MDBA assets to $790.6 million.

A10. Payables

Payables reflected as current liabilities as at 30 June comprised the following:	2012 $'000	2011 $'000
Penalties - Treasurer's Consolidated Account	613	558
Penalties - regional NRM Boards	2 057	1 666
Qualco - Treasurer's Consolidated Account	250	250
Water levies	620	1 372
Other	-	26
Total payables	3 540	3 872

Note that all of the above payables are from entities within the SA Government.

A11. Contingent assets and liabilities

A contingent asset is acknowledged whereby the Minister for Water has an exclusive right to access 40 megalitres per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. The Department is not aware of the existence of any other contingent liabilities.

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 levy to the Corporation based on remuneration provided to their workers. The Corporation invests the levy revenue until it is needed to compensate and rehabilitate injured workers. The levy revenue is also used to pay administration expenses and claim management fees. The claim management fees are paid to Employers Mutual Limited (EML) who was engaged in January 2006 as the Corporation's sole agent in managing and providing workers compensation and rehabilitation. From 2012-13 EML will no longer be the Corporation's sole agent. This responsibility will be split between EML and Gallagher Basset Services Pty Ltd.

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 amendments made changes to both the WRCA and the *WorkCover Corporation Act 1994*. Many of the changes to the WorkCover 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 levies 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.

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.

Review of WorkCover Scheme in 2011

In 2007 the Government commissioned an independent review of the WorkCover Scheme which led to certain aspects of the Scheme being changed by the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* (the Amendment Act).

The Amendment Act required the responsible Minister to initiate a further independent review in early 2011 to assess the impact of the amendments on:

- injured workers
- levies paid by employers
- the sufficiency of the Compensation Fund to meet the liabilities of the Corporation.

The review commenced in January 2011. In June 2011 the responsible Minister tabled a report in Parliament on the outcomes of the review.

The 2010-11 Report listed some salient review observations obtained from that report. Those observations are repeated below as the information explains the uncertainty associated with the legislative reform program that has been implemented to improve the WorkCover Scheme's performance and the extent of outstanding claims liabilities. The observations included in last year's Report were as follows:

- Over 90% of injured workers incur low medical costs or are not long away from the workplace. The amendments to the Act were not designed to impact on these injured workers and, by and large, have had no impact. Rather, the amendments dealt with more seriously injured workers.

- Legal challenges to the amendments (particularly the authority of medical panels) have created considerable uncertainty. Therefore, it would be unwise to conclude that implementation of the 2008 amendments is complete. As a result it is not possible to draw any firm conclusions on the long-term impact of the amendments.

- The uncertainty and complexity of the law and other factors seem to be impacting on the speed with which disputes are completed by the Workers Compensation Tribunal. There is a slight trend towards faster resolution of disputes at the conciliation stage but no overall trend towards earlier resolutions is yet apparent. Over time the WorkCover Ombudsman's influence in identifying systemic issues may lead to further reductions in dispute levels.

- About half of injured workers who had their income maintenance payments ceased because of a work capacity review at 130 weeks have either lodged an objection to the assessment and/or made application for weekly payments to continue.

- The provisional liability and rebates for employers lodging claims more quickly have laid the foundation for the system to operate with a sense of urgency in assisting injured workers to return to work. This had moderate success although it is not yet apparent that the sense of urgency has flowed beyond the initial notification stages.

- In respect of levies paid by employers, the Corporation's actuaries have assessed there is no material difference yet between the hindsight levy rates before and after the implementation of the amendments. The actuaries consider that not all amendments have been fully implemented and therefore their sustainability has not yet been clearly demonstrated.

- Regarding the overall impacts on the Compensation Fund, there has been a short-term positive impact on the financial health of the Compensation Fund. The longer term impact is difficult to forecast because:

  — redemptions are no longer available

— continuing positive impacts on the Compensation Fund will largely depend on the extent that work capacity reviews at 130 weeks result in ceasing of weekly payments of income maintenance. The outcome of legal challenges to the authority of medical panels will be crucial in this regard.

Last year's Report also conveyed that the responsible Minister in September 2011 made a ministerial statement in the House of Assembly that he is working on a response to the review. The ministerial statement indicated that any response to the review and other matters will be contingent on actuarial assessment to uphold the Government's commitment to give support for injured workers to work while creating a more affordable and sustainable scheme for employers. The Minister further stated that this will be balanced against the potential impact of any changes in the average levy rate and the unfunded liability and any consequential impact on the State's financial position.

The audited financial report for the Corporation for the year ended 30 June 2012 shows a significant deterioration in the WorkCover Scheme's performance. This is due in most part to the significant increase in the outstanding claims liability for the Compensation Fund. Further commentary on the Corporation's financial report and WorkCover Scheme arrangements and performance is provided throughout this section of this Report.

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 2011-12, specific areas of audit attention included:

- levies
- investments
- workers compensation such as income maintenance and medical costs
- claim management fees paid or payable to EML
- actuarial estimates of outstanding claim liabilities
- general operating expenses such as payroll and other administrative expenses
- ICT infrastructure and systems.

The Corporation has a comprehensive internal audit program. Planned and actual internal audit activities for 2011-12 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 WorkCover 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. The nature of the comment included in the previous years' unmodified IARs remain most relevant for the 2011-12 IAR in view of the reported performance of the WorkCover Scheme for 2011-12.

The following is an extract from the 2011-12 IAR on the Corporation's 2011-12 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*
>
> ***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 was progressively implemented in 2008-09 and 2009-10 its impact will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in notes 18 and 19 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 28 and the future average levy rate. The Board of 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 raised under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Corporation have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Corporation. The main matters raised with the Corporation and the related responses are provided below.

Levies

Outstanding levy reconciliations

Levy revenue from registered employers in 2011-12 was $634 million.

Employers must submit to the Corporation an estimate of the remuneration payable to their workers in the next financial year. The estimate along with the employer's levy rate is used by the Corporation to determine each employer's levy payable during the year. At the end of the year the employers must submit a reconciliation of actual against estimated remuneration. The Corporation uses the reconciliation to recalculate the employers' levies based on the actual remuneration paid and recovers any underpaid levies or refunds any overpaid levies.

In 2010-11, Audit reported weaknesses in the controls over the levy reconciliation process. These weaknesses could result in employers avoiding payment of their underpaid levies.

Audit based its view on the lack of reporting on outstanding reconciliations and deficiencies in the process for penalising employers for submitting late levy reconciliations.

In response the Corporation advised Audit that it was developing reports to monitor and measure the employers' reconciliation process more effectively and, with respect to penalising employers for submitting late levy reconciliations, was seeking changes to the WRCA.

Audit's follow-up of these matters in 2011-12 indicated that improved reports have been introduced and amendments to the WRCA effective 1 July 2012 will enable more effective strategies to be implemented to obtain late levy reconciliations from employers.

Levy audits

Employers can understate their estimated or actual workers' remuneration to lower their levy or increase their refund. The Corporation audits employers perceived as being at high risk of misstating their remuneration. The Corporation does not audit a representative sample of all employers to evaluate whether employers are generally paying the correct levies.

Audit advised the Corporation in 2008-09 that the adoption of representative audit sampling of all employers would enable the audit results to be projected across all employers to determine the potential under/over payment of levies. In response, the Corporation indicated a substantial number of employers were audited over the three year period ending 30 June 2008 but did not indicate whether the sample was representative of all employers. Therefore, in 2009-10, Audit analysed these old levy audits. The analysis indicated that they were a reasonable representation of all industries/employers.

Audit noted that the levy audits in 2010-11 and 2011-12 were still based on a targeted sampling approach rather than representative sampling of all employers. The Corporation's senior management is still not given quantitative data assuring them that employers are generally paying the correct levies.

In 2010-11 the Corporation advised Audit that it intended to continue with targeted sampling rather than representative sampling.

Audit again recommended in 2011-12 that representative sampling be undertaken.

The Corporation has now advised that it will implement representative sampling.

Comparison of data with other government agencies

Under the WRCA most employers operating in South Australia must register with the Corporation and pay a levy calculated on their declared worker remuneration. Audit consider comparisons of data between the Corporation and other government agencies will help detect employers who are unregistered or misstating their declared worker remuneration.

In 2008-09 Audit recommended 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 worker remuneration used to calculate their levy. Audit also recommended the total of declared worker remuneration be compared to data kept by the Australian Bureau of Statistics (ABS), which Audit uses to check the reasonableness of the Corporation's levy revenue. The ABS data includes worker remuneration obtained from sources independent of the Corporation and is therefore a useful comparator.

The Corporation's response indicated it:

- would expand its comparison of data with RevenueSA to not only detect unregistered employers but also identify employers misstating their worker 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 worker remuneration.

The Corporation provided no response in 2008-09 to Audit's recommendation about undertaking comparisons to ABS data.

Audit's ongoing monitoring of the Corporation's progress in addressing the recommendations indicated:

- the expansion of the comparison of data with RevenueSA to not only detect unregistered employers but also identify employers misstating their worker remuneration never eventuated
- 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 investigation process very time consuming
- the Corporation indicated in August 2012 that it had recently begun relating with the ATO to obtain data that can be used to identify employers significantly misstating their worker remuneration
- the Corporation is not undertaking comparisons to ABS data as a means of independently verifying the reasonableness of declared worker remuneration.

The Corporation has advised Audit that it will continue data matching with RevenueSA and will commence data matching with the ATO upon receiving data from the ATO. The Corporation also advised it will investigate data matching with ABS data.

Workers compensation

Internal audits

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 EML. In addition, EML's 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 two business 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 also recommended the quarterly results of EML's quality assurance audits be passed onto the Corporation's audit subcommittee of the Board. Some of these quarterly results indicated high levels of non-compliance with certain procedures causing possible under and over payments. The subcommittee relies on EML's control certification at the end of the year for notification of these sorts of control issues arising at EML but this is somewhat untimely and may omit some issues.

Furthermore, Audit recommended that the internal auditors and quality assurance auditors should project the value of detected errors across the whole Scheme to estimate the value of undetected errors. This will improve the quantitative data needed by senior management to make decisions about whether controls or processes need changing.

In response, the Corporation advised Audit that it has introduced a self-audit process for use by claim agents and is a key performance indicator, with financial incentives in new Claim agent contracts effective from 1 January 2013. The Corporation will continually assess the results of the self-audits and request additional controls if issues emerge.

The Corporation also advised Audit that it will:

- cover income maintenance annually in its internal audits
- reiterate the requirements for waivers and ensure relevant documents are updated
- provide the results of claim agent quality assurance audits to the Corporation's Executive Management Team meetings on a quarterly basis to ensure actions are appropriate to the findings
- ask claim agents to project the potential cost of errors in their audit reports.

Acceptance of claims

The value of outstanding claims at 30 June 2012 was $3.3 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.

A case manager's decision to reject a claim is 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, is 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.

In response, the Corporation advised Audit that it has considered the burden and potential complacent behaviour that can result from a requirement to check all claims but agreed that there is a risk. As such, the Corporation indicated it will initially request the claim agents to assess using the self-audit tool and, subject to the results, consider whether any additional controls are required.

Checking average weekly earnings (AWE) calculations

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.

In 2009-10 Audit reported that errors were found in a sample of audited AWE calculations 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.

In 2010-11 Audit reported 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.

In 2011-12 Audit noted that:

- according to EML a worksheet was not introduced until midway through 2011-12 to evidence AWE calculation checks
- two of EML's three divisions had nobody checking all AWE calculations until midway through 2011-12
- for the December 2011 quarter, EML's quality assurance audit indicated 20% of sampled AWE calculations did not agree to supporting evidence and 4% had no proof of earnings on file. At the completion of the audit, EML could not readily confirm whether all wrong AWEs detected during the quality assurance audit had been corrected by case managers. Uncorrected AWEs may result in ongoing under or overpayments of income maintenance.

Audit recommended that:

- the officers checking AWE calculations confirm that calculations agree to supporting evidence including proof of earnings
- a control be introduced that confirms all wrong AWEs detected during quality assurance audits are corrected by case managers.

In response, the Corporation advised Audit that it had identified room for improvement in the area of checking AWE calculations and as a result included the 'accuracy and timeliness of weekly benefits' as a key performance indicator, with financial incentives in new contracts.

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).

Apart from internal audits of a sample of claims there is no check to ensure case managers have accurately calculated the WPI or award increase and then correctly entered the increase and effective date into the Curam workers compensation system.

Audit recommended that a control be introduced that ensures all increases to AWEs are valid and correctly calculated.

In response, the Corporation advised Audit that increases to AWEs will be included in the 'accuracy and timeliness of weekly benefits' as a key performance indicator, with financial incentives in new contracts and, additionally, will ensure the claim agents have adequate processes and procedures over increases.

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.

On the 10th and 22nd week of the worker's incapacity the Curam workers compensation system automatically notifies an entitlement officer to investigate the potential step down. According to the Corporation this notification (task) is created by Curam based on calendar weeks which may not always reflect the entitlement weeks elapsed, thus EML supplements this process outside Curam using a report created from the WIRE database system.

EML's quality assurance audits indicated step downs were applied late for 40% of the sample they tested for the June 2011 quarter, 23% for the September 2011 quarter, 4% for the December 2011 quarter and 10% for the March 2012 quarter. Late application of step downs is a breach of the WRCA and results in overpayments.

The Corporation indicated at the completion of the audit that enhanced task functionality in Curam and an entitlement weeks screen will be released before 1 January 2013, which will help ensure step downs occur on time.

Stopping income maintenance – normal retirement age

Under section 35 of the WRCA income maintenance must be stopped when the worker reaches the lesser of 65 or normal retirement age for workers in employment of the kind from which the disability arose.

Audit noted that workers' income maintenance is not being stopped when they are below 65 but have reached 'normal retirement age'.

Audit recommended that the Corporation review the 'normal retirement age' concept and discuss it with Victoria which has a similar provision in its scheme.

In response, the Corporation advised Audit that it would be difficult to establish and/or enforce different retirement ages for different industries given the number of different awards and individual arrangements that exist. However, the Corporation advised Audit that it will still review the Victorian approach.

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 (ie 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 previously commented to the Corporation on how easily certain source documents could be fabricated by employers and workers to get larger reimbursements.

In 2011-12 Audit recommended 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.

Recoveries

Actual recoveries were $19 million in 2011-12. The Corporation's actuary estimated outstanding recoveries at 30 June 2012 to be $89 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. Although the Corporation's guidance manuals provide a checklist to help case managers identify potential recoveries, the checklist is not mandated and so is not used. There is no alternative process that case managers follow to identify all potential recoveries.

A number of reports are created from Curam by both the Corporation and EML to identify potential recoveries overlooked by case managers. However, these reports will 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 the Recoveries Unit for assessment.

In response, the Corporation advised Audit that it will work with the claim agents to ensure they have appropriate processes around recovery identification.

GST – reimbursement of workers

Workers who have paid service providers are reimbursed by EML upon providing a copy of a receipt or invoice. EML was not separately identifying in Curam the GST component on these invoices thus these amounts were not being recovered from the ATO.

In response, the Corporation advised Audit that it had previously sought advice as to the recoverability of GST on worker reimbursements which indicated the Corporation was unable to recover GST on payments where the Corporation was reimbursing the worker for services provided directly to the worker. Subsequently in late 2011, a legal precedent was set enabling the Corporation to claim these GST amounts. The Corporation indicated it will ensure instructions to claim agents are consistent with the Corporation's ability to claim GST and will recover GST wherever possible from the ATO. It is of note that many medical services are exempt from GST and the Corporation has always recovered GST from a number of other provider groups.

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's follow-up in 2011-12 indicated reports now exist to identify case managers creating the same service plan item multiple times but the Corporation has not yet determined who should review the report and how often.

In response, the Corporation advised Audit that it will document in procedures what reports should be produced to detect duplicate service plan items, who should review the reports and how they should document evidence of their review as part of establishing new Claim agent arrangements effective 1 January 2013.

Information and communications technology and control

The Corporation maintains major computer systems and facilities to support its day to day workers compensation and financial reporting operations. Key systems include the Curam workers compensation and Data Warehouse systems implemented in mid-2010, the CHRIS Human Resource Management System (HRMS) implemented in June 2011 and its longer standing Finance One system.

During the year the Corporation continued to undergo organisational change which had commenced in 2010-11. It has maintained a strong level of internal audit coverage of its ICT systems and facilities. The work program mainly addressed selected aspects of management, access and security control for Curam and the Data Warehouse systems and their supporting infrastructure, and the integrity and completeness of financial reporting from its Data Warehouse and Finance One systems.

Audit's reviews in 2011-12 included a follow-up of remediation activities for ICT related audit issues raised last year. As in past years the audit coverage took into account the work undertaken by the Corporation's internal auditors. 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 majority of the ICT related issues identified by Audit and the internal auditors in 2010-11 had been satisfactorily remedied.

As a result of the organisational change mentioned earlier, the Corporation has made certain changes to the Curam system during the year. These primarily related to user access arrangements, segregation of duties and delegations of authority.

In particular, the Corporation has adopted a six monthly review process of user access and delegation privileges within Curam which strengthens access controls for this system. Audit considered however, that the Curam user review process could be further strengthened by conducting more frequent system access reviews for users with high level access privileges. In addition the Corporation has improved its level of reporting in relation to the remediation activities for the Curam and Data Warehouse systems.

Notwithstanding the remediation action taken, Audit identified some issues it considered warranted further attention by the Corporation.

For instance, the Corporation had planned to complete information security classification assessments for its Finance One and CHRIS HRMS systems by June 2012. Audit found that this was yet to be actioned. The information security classification process has been completed for the Curam system.

In regard to information classification, the Corporation advised that it had developed Statements of Applicability for Information Security Management Systems (ISMS) that covered certain information and systems. ISMS implementation is a requirement in the Government Information Security Management Framework for critical systems. Other key issues identified included:

- some ICT documentation was incomplete or required updating, including for changes in the Corporation's environment
- there did not appear to be a robust process for the business to proactively notify ICT of any staff moves or terminations that may require system access modifications
- in performing a sample review of change requests it was noted that a particular change request was not actioned within an appropriate period. This resulted in a required data fix not being implemented for the end of year 2011 rollover.

Although there was progress on the remediation of ICT issues raised by internal audit, at the time of the review Audit noted some issues that had not been resolved and some issues listed as closed that required additional remediation work. In some cases the original estimated completion dates listed by the Corporation had not been achieved.

Audit noted that the Corporation had accepted a risk of not having a back-up power system in the Corporation's Head Office. The main computer facilities and systems are not housed in the Head Office and the Corporation believes it can operate from a number of alternative locations.

Corporation's response

The Corporation's response advised it was addressing the matters raised. In particular, it would continue to update its policies and procedures and the planned information classification for Finance One and the CHRIS HRMS was expected to be completed by September 2012. Further, additional reporting on high priority changes would be provided to its change advisory board.

Options to automate increased monitoring of access to Curam by users with high levels of access would be reviewed. This matter was targeted for completion by March 2013.

Interpretation and analysis of the financial report

Highlights of the financial report (WorkCoverSA)

	2012 $'million	2011 $'million
Underwriting result		
Registered employer levy revenue	639	590
Claims paid	(394)	(429)
Claim recoveries	19	11
(Increase) Decrease in net outstanding claims liability	(676)	(184)
Claim management fees	(42)	(31)
Other underwriting expenses	(12)	(11)
Underwriting result	(466)	(54)
Net investment and other income		
Investment profit (loss) and investment expenses	92	139
Other income	20	17
Net investment profit (loss) and other income	112	156
Operating expenses		
Employee benefit expenses	(39)	(30)
Other expenses	(44)	(42)
Total operating expenses	(83)	(72)
Total comprehensive result	(437)	30
Net cash provided by (used in) operating activities	229	151
Assets		
Investments	1 867	1 618
Other assets	147	136
Total assets	2 014	1 754
Liabilities		
Outstanding claims	3 345	2 664
Other liabilities	58	42
Total liabilities	3 403	2 706
Total equity	(1 389)	(952)

Statement of Comprehensive Income

Total comprehensive result

The comprehensive result of the Corporation depends significantly on:

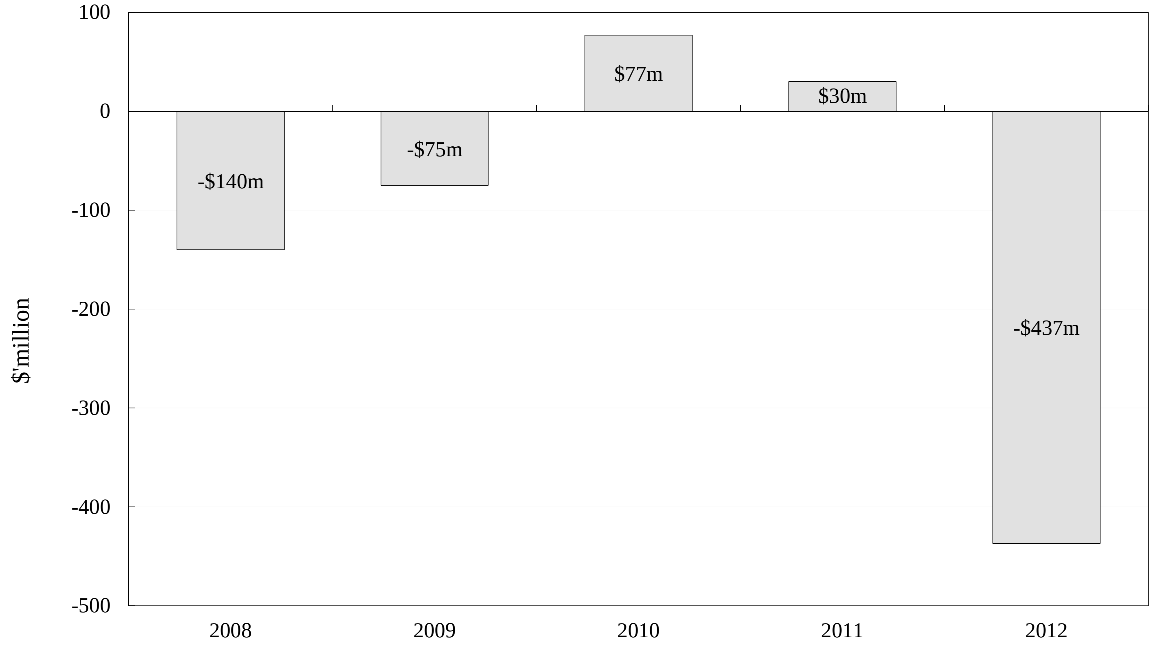
- levy rates being set before the start of the financial year with the aim of ensuring levy revenue and investment income will at least cover the cost of new claims received during the financial year and administrative costs. The levy setting process depends significantly on the actuarial estimate of the cost of new claims likely to be received during the forthcoming year

- actuarial estimate of the outstanding claims provision

- the market value of its investments.

The total comprehensive result for the year was a loss of $437 million ($30 million profit). The $467 million drop in the total comprehensive result was due mainly to a decrease in net investment profit of $47 million coupled with a $412 million deterioration in the underwriting result caused mainly by an increase in the net outstanding claims liability.

The following chart shows the total comprehensive result of the Corporation for the five years to 2012.



Underwriting result

The underwriting result is essentially registered employer levy revenue less claims expense. Investment income does not form part of the underwriting result. AASB 1023 requires the underwriting result to be shown separately in the Statement of Comprehensive Income to help show the extent to which underwriting activities rely on investment income for the payment of claims.

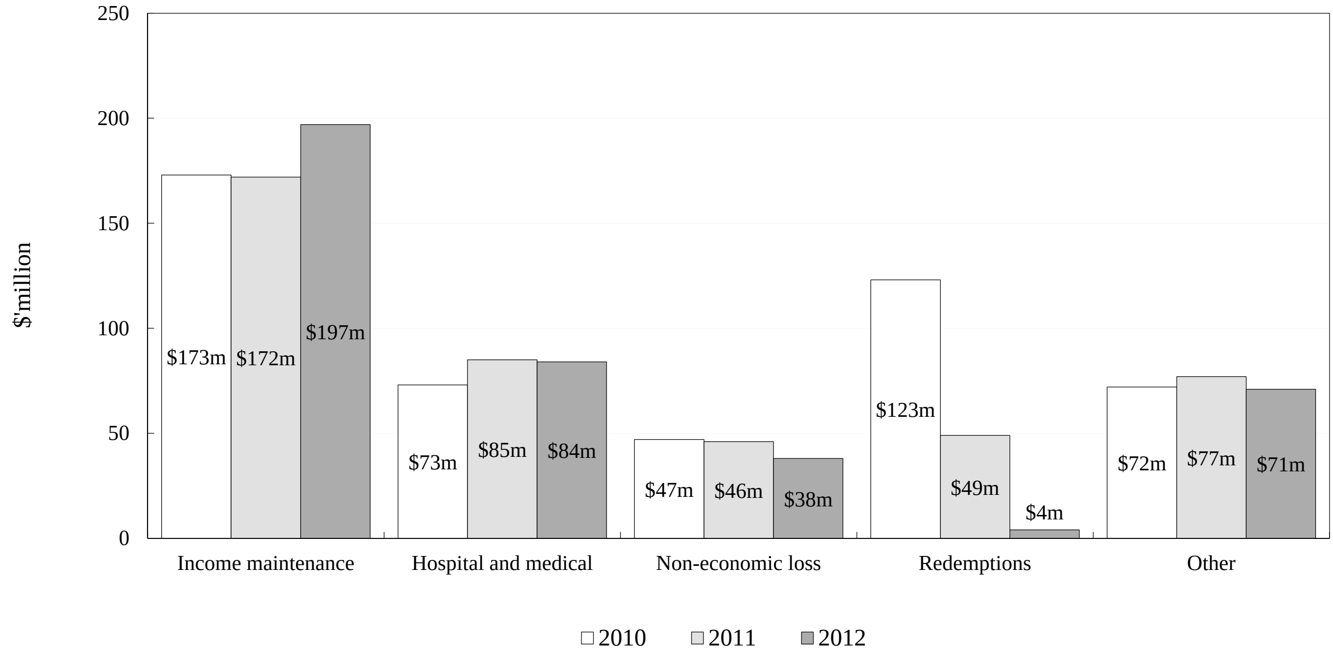
There was a $412 million deterioration in the underwriting result reflecting:

- a $376 million drop in the underwriting result of the Compensation Fund due mainly to the actuarial estimate of the net outstanding claims liability moving from a $207 million increase at 30 June 2011 to a $662 million increase at 30 June 2012. This means the increase grew by $455 million. Consistent with 2010-11 the increase in the actuarial estimate of this liability at 30 June 2012 reflected: changes to inflation and discount rate assumptions; the high rate of injured workers disputing decisions arising from work capacity reviews; and the Corporation's lower than expected degree of success on matters disputed by injured workers. The $455 million was offset by: a $35 million drop in claim payments due mainly to less redemptions and a $49 million increase in registered employer levy revenue reflecting the growth in worker remuneration across the State, net of a $11 million increase in claim management fees resulting from a change in the method of determining performance fees

- a $36 million drop in the underwriting result of the other funds due mainly to the net outstanding claims liability moving from a decrease of $22 million in 2010-11 to an increase of $14 million in 2011-12. The reduction in the actuarial estimate of the liability at 30 June 2011 reflected a reduction in the assumed average size of asbestos claims incurred but not yet reported, and lower than expected exposure to insolvent and uninsured employers. The increase in the actuarial estimate of this liability at 30 June 2012 reflected the reduction in discount rates.

Claim payments

The following chart analyses claim payments for the three years to 2012.

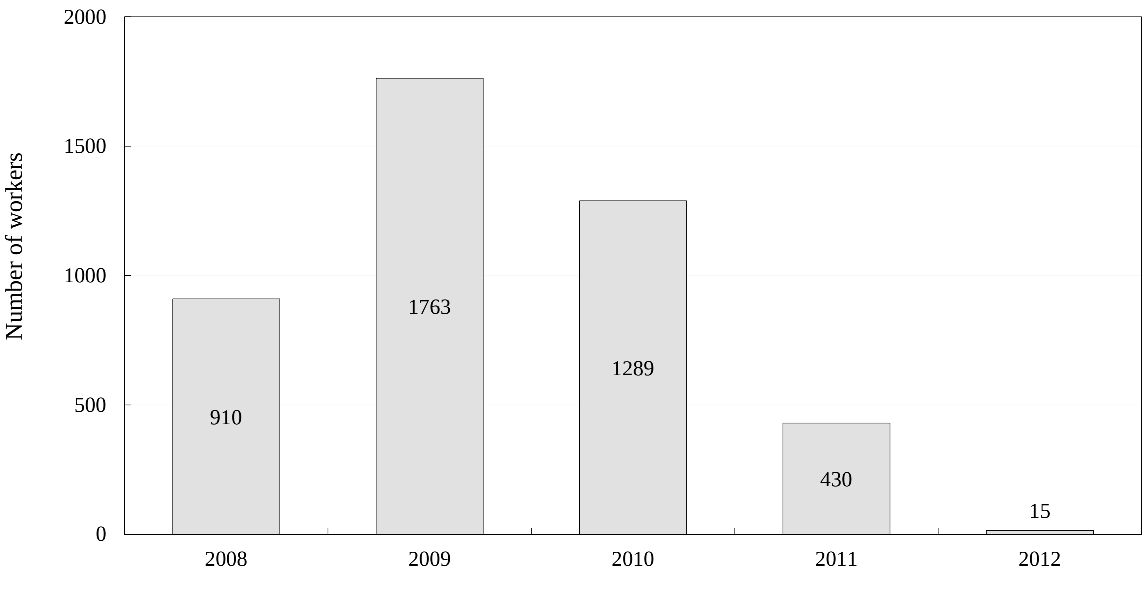


The above chart shows how income maintenance grew in 2012 due mainly to less workers being paid redemptions to exit the scheme. This caused a growth in workers on the scheme.

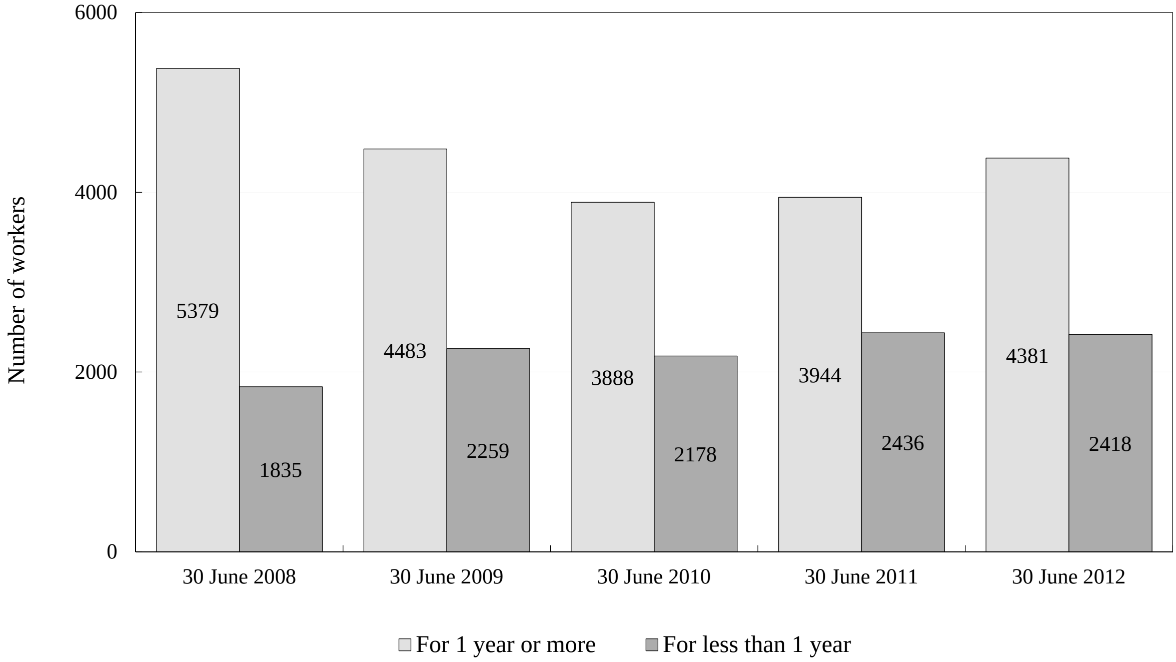
The decrease in hospital and medical expenses in 2010 was due to the temporary backlog of unprocessed invoices caused by the introduction of the new Curam workers compensation system.

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 2012. 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. The change in the number of workers receiving income maintenance as a result of the redemptions is reflected in the following chart.

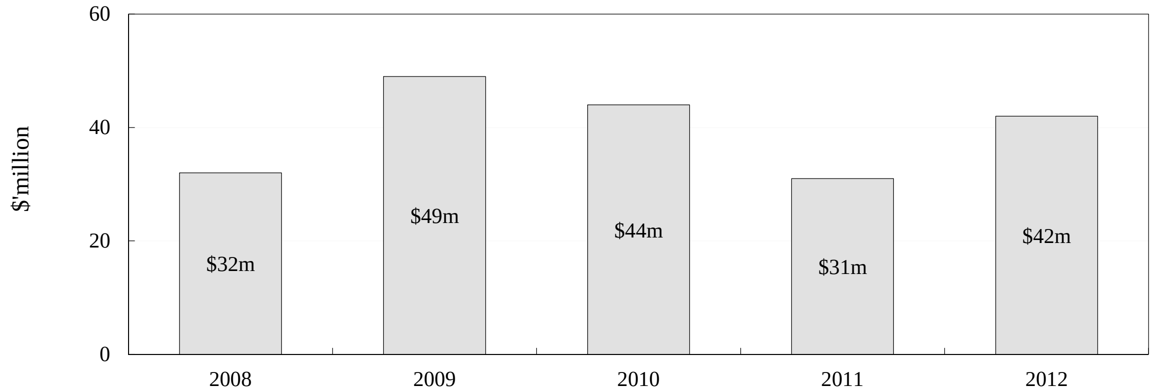


The numbers shown in the above chart were provided by the Corporation and are unaudited.

The above chart shows the number of workers receiving income maintenance as at 30 June was reducing up to 2010 but increased in 2011 and 2012. The effect of redemptions is more pronounced for those workers receiving income maintenance for one year or more. Fewer redemptions after September 2010 caused an increase in workers receiving income maintenance for one year or more as at 30 June 2012.

Claim management fees

The following chart shows claim management fees for the five years to 2012.

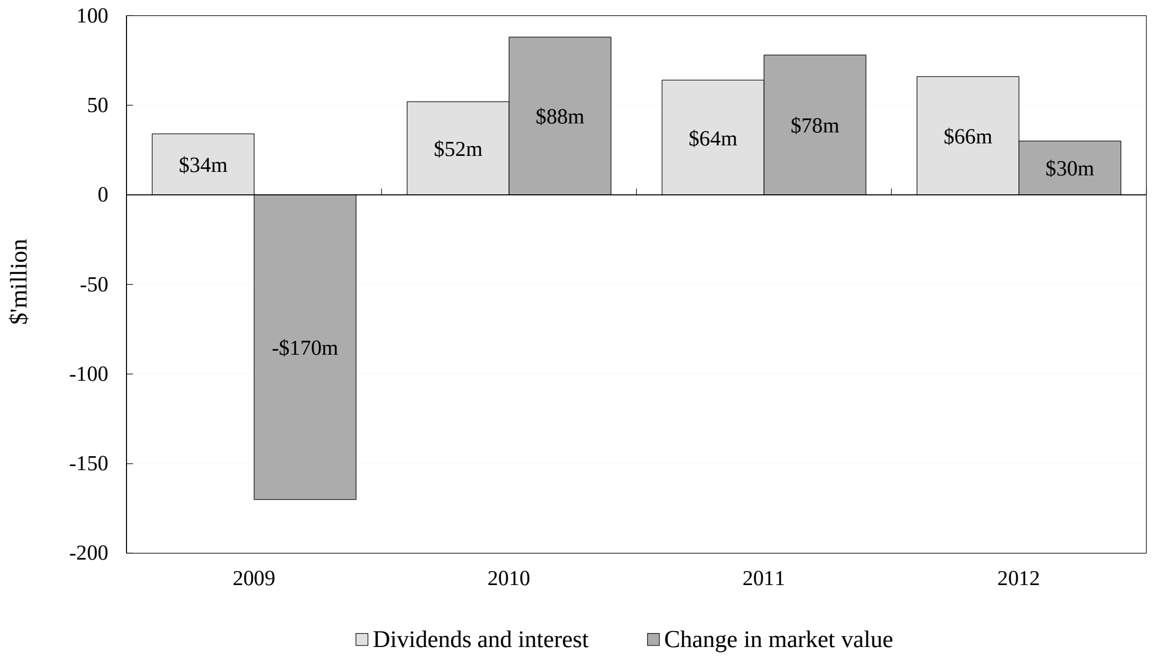


The Corporation has engaged EML since January 2006 to manage workers compensation claims and rehabilitation. The claim management fees payable to EML were higher in 2009 and 2010 mainly due to higher performance fees for reducing the number of long-term injured workers receiving income maintenance. In 2012 the method for determining the performance fees was amended resulting in higher fees.

Investment profit/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 were significantly depressed in 2009.

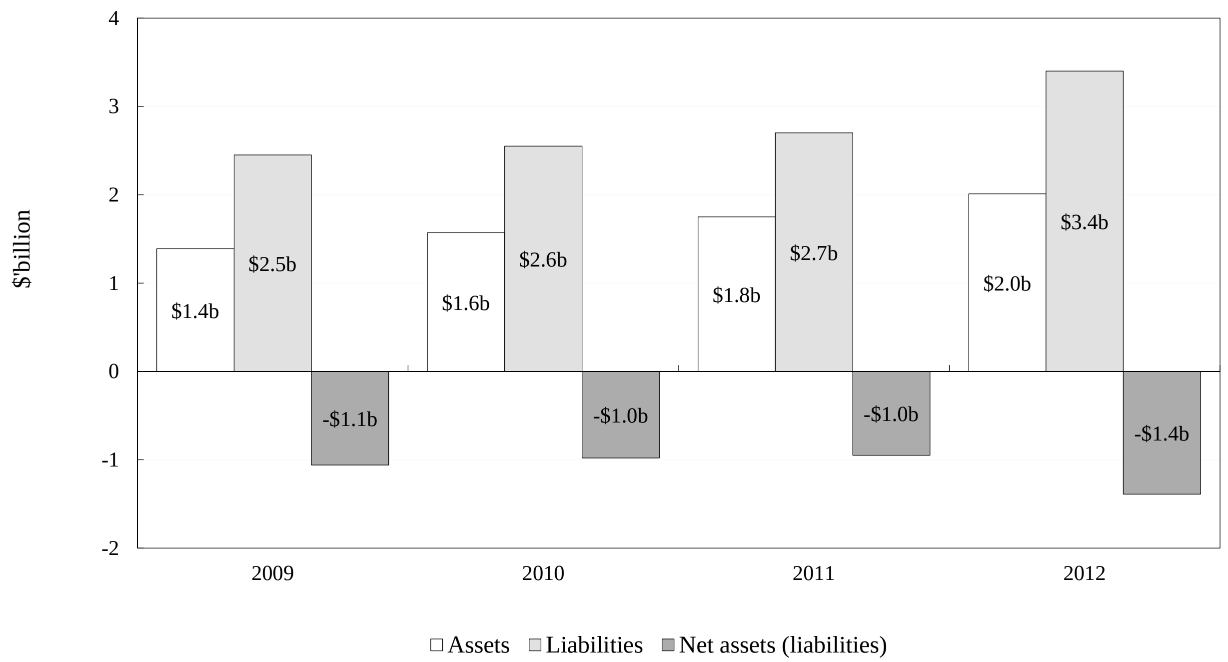
The following chart shows the main categories of investment income of the Corporation for the four years to 2012.



Statement of Financial Position

The net liabilities of the Corporation grew by $437 million in 2012 due mainly to an increase of $249 million in investments offset by an increase of $681 million in the outstanding claims liability.

The following chart analyses the assets and liabilities of the Corporation for the four years to 2012.



Outstanding claims - Compensation Fund

Outstanding claims comprised 98% (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 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 grown from 7.8 years in 2011 to 9.1 years in 2012.

The actuarial estimate of the net outstanding claims liability moved from a $207 million increase at 30 June 2011 to a $662 million increase at 30 June 2012. This means the increase grew by $455 million. Consistent with 2010-11 the increase in the actuarial estimate of this liability at 30 June 2012 reflected: changes to inflation and discount rate assumptions; the high rate of injured workers disputing decisions arising from work capacity reviews; and the Corporation's lower than expected degree of success on matters disputed by injured workers.

Changes to discount and inflation rate assumptions

Of the $662 million increase in the estimate of the net outstanding claims liability there was $343 million due to changes in discount and inflation rates. Although discount and inflation rates are impacted by events outside of the Corporation's control the actuary determines the rates. The smaller the gap between the discount rate and inflation rate the larger the impact on the liability. This gap narrowed significantly in 2012 mainly due to a drop in the discount rate from 5.5% in 2011 to 3.8% in 2012. A drop in the discount rate by 1% results in an increase in the liability of $255 million. Meanwhile the inflation rate fell by 0.3%. A 1% drop in inflation rates increases the liability by $294 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 levies paid by employers and ensuring the achievement of full funding.

However, there remains uncertainty around the effectiveness of these legislative reforms. This is evident through the challenges to work capacity review determinations, the apparent diminishing impact of medical panels from legal decisions, and the continued flow of legal matters.

Work capacity reviews

A notable change to the WRCA in 2008 was the introduction of 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.

The actuary's report to the Corporation noted that up to 30 June 2012 the introduction of work capacity reviews had resulted in determinations to cease income maintenance on 1357 claims. However, 53% of the claimants had challenged the determination. Upon finalising the dispute approximately 56% of determinations are overturned resulting in the claimant having their income maintenance reinstated. The actuary noted that on average disputes continue to take a considerable time to resolve. No explicit allowance was made by the actuary in respect of claims (with challenged determinations) being reinstated. Instead the actuary indicated this was incorporated into the 30 June 2011 allowance of $51 million for legal precedents associated with the continued flow of legal matters.

Legal uncertainty

The actuary continues to contend with ongoing legal uncertainty. There has been a continued flow of legal matters. From an actuarial perspective, this delays the resolution of claims and adds uncertainty around the ultimate cost outcomes.

A new legal uncertainty has emerged in respect of the Mericka decision. In the case of Mericka the Workers Compensation Tribunal determined that Mr Mericka had not received competent financial advice or competent professional advice in relation to a past redemption entitling him to recommence benefit payments from the date of his redemption. The Corporation has appealed the decision. Given the number of redemptions the Corporation has undertaken, such a decision presents a significant financial risk to the Corporation. The actuary made no allowance for this decision in the 30 June 2012 estimate of outstanding claims (ie assumes the appeal will be successful).

Employer premium changes

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 compulsory experience rating for medium and large employers who form only around 10% of all employers but account for approximately 75% of the Corporation's total claims costs. The intention of the new system is to increase the engagement of employers in the prevention and management of workplace injuries. The actuary has made no allowance in the 30 June 2012 estimate of outstanding claims in anticipation of any improvement in claim outcomes from the new employer premium system.

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 310. Public sector entities are not bound by this requirement. It is noted that the Motor Accident Commission uses 80% and most 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 a decrease in the funding ratio from 64.8% as at 30 June 2011 to 59.2% as at 30 June 2012.

Investments

The Corporation's investment portfolio of $1.9 billion mainly comprises investments in pooled funds and discrete mandate funds.

Pooled funds

The Corporation instructs investment management firms (fund managers) to trade unit holdings in pooled funds that have characteristics consistent with the Corporation's investment guidelines. Other organisations besides the Corporation also hold units in the pooled funds.

Discrete mandate funds

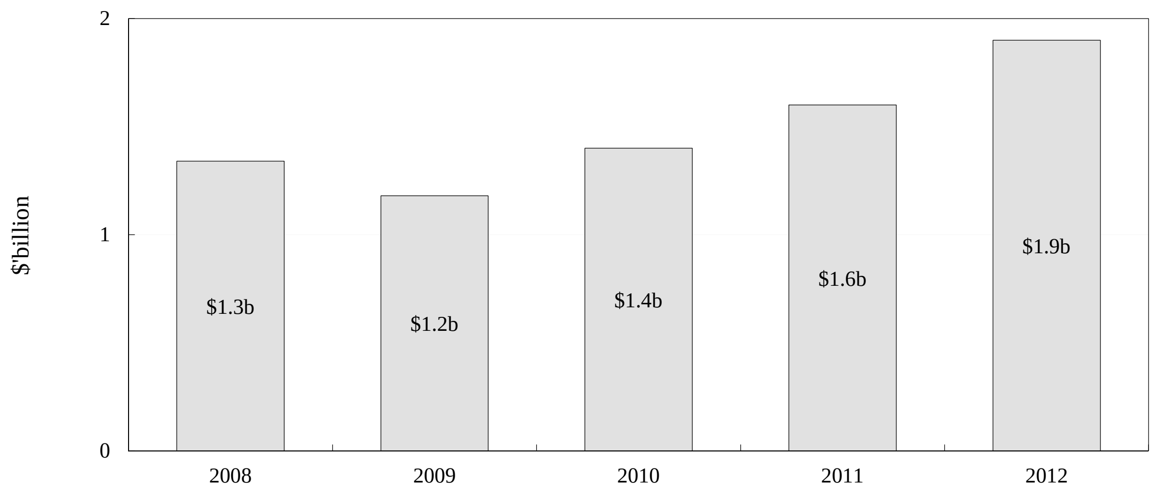
The Corporation has agreements with firms (fund managers) to manage investment portfolios according to rules that ensure compliance with the Corporation's investments guidelines.

The Corporation has appointed the National Australia Bank to be national custodian of the investment activities of the discrete mandate fund managers.

Investment decisions

Investment officers of the Corporation implement the Corporation's investment strategy which involves moving funds between investments held in pooled funds and discreet mandate funds to minimise risk and achieve target returns. The investment officers also receive expert advice on investment matters from an external consultant.

The following chart shows the market value of the Corporation's investments for the five years to 2012.



Statement of Comprehensive Income for the year ended 30 June 2012

		Compensation		WorkCoverSA	
		Fund	Other funds	2012	2011
	Note	$'000	$'000	$'000	$'000
Registered employer levy revenue	5	639 212	-	639 212	590 622
Cost of claims	6	(1 038 779)	(15 814)	(1 054 593)	(601 738)
Claims management fees		(42 225)	-	(42 225)	(30 935)
Workers Compensation Tribunal		(4 710)	-	(4 710)	(4 456)
WorkCover Ombudsman		(718)	-	(718)	(664)
Medical Panels SA		(3 153)	-	(3 153)	(6 205)
Underwriting result		(450 373)	(15 814)	(466 187)	(53 376)
Investment profit (loss)	7	89 132	6 799	95 931	141 688
Investment expenses		(3 284)	(259)	(3 543)	(2 837)
Self-insured employer levy revenue	5	15 882	-	15 882	14 754
Net profit (loss) from disposal of non-current assets		(95)	-	(95)	(9)
Other income	8	3 753	-	3 753	2 153
Net investment profit (loss) and other income		105 388	6 540	111 928	155 749
Employee benefit expenses	9	(39 295)	(136)	(39 431)	(29 646)
Depreciation and amortisation expenses	10	(5 090)	-	(5 090)	(5 241)
SafeWork SA		(11 160)	-	(11 160)	(10 979)
Return to Work Fund		(786)	-	(786)	(976)
Other general operating expenses	10	(25 839)	(828)	(26 667)	(25 286)
Total operating expenses		(82 170)	(964)	(83 134)	(72 128)
Total comprehensive result		(427 155)	(10 238)	(437 393)	30 245

Statement of Financial Position
as at 30 June 2012

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Assets:					
Cash	12	5	-	5	3
Trade and other receivables	13	103 100	25	103 125	96 655
Investments	3,14	1 735 443	131 357	1 866 800	1 617 624
Property, plant and equipment	15	9 667	-	9 667	1 213
Intangible assets	16	34 323	-	34 323	38 711
Total assets		1 882 538	131 382	2 013 920	1 754 206
Liabilities:					
Unearned levies		1 704	-	1 704	1 970
Trade and other payables	17	32 325	98	32 423	25 235
Outstanding claims	18,19	3 251 233	94 159	3 345 392	2 663 521
Employee benefits	20	21 271	-	21 271	14 338
Provisions	21	2 251	-	2 251	870
Total liabilities		3 308 784	94 257	3 403 041	2 705 934
Net assets (liabilities)		(1 426 246)	37 125	(1 389 121)	(951 728)
Equity:					
Retained earnings		(1 426 246)	37 125	(1 389 121)	(951 728)
Total equity		(1 426 246)	37 125	(1 389 121)	(951 728)
Commitments	25				
Self-insured employer financial guarantees	26				
Contingent liabilities	27				

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

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Total equity at 1 July	(999 091)	47 363	(951 728)	(981 973)
Total comprehensive result	(427 155)	(10 238)	(437 393)	30 245
Total equity at 30 June 2012	(1 426 246)	37 125	(1 389 121)	(951 728)

Statement of Cash Flows
for the year ended 30 June 2012

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Cash flows from operating activities:					
Levy receipts		653 997	-	653 997	626 476
Claim recoveries		18 542	598	19 140	11 518
Other receipts		3 939	-	3 939	3 016
Claim and other related payments		(415 057)	(1 946)	(417 003)	(451 377)
Interest received		32 956	2 514	35 470	29 305
Dividends received		28 599	2 182	30 781	34 856
Other payments to suppliers and employees		(93 080)	(955)	(94 035)	(99 782)
Investment expenses		(3 284)	(259)	(3 543)	(2 837)
Net cash provided by (used in) operating activities	22	226 612	2 134	228 746	151 175
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment		3	-	3	4
Proceeds from the sale of investments		738 624	-	738 624	691 380
Acquisition of property, plant and equipment		(9 254)	-	(9 254)	(444)
Acquisition of investments		(957 179)	(2 134)	(959 313)	(847 966)
Net cash provided by (used in) investing activities		(227 806)	(2 134)	(229 940)	(157 026)
Net increase (decrease) in cash and cash equivalents		(1 194)	-	(1 194)	(5 851)
Cash and cash equivalents at 1 July	12	62 491	-	62 491	68 342
Cash and cash equivalents at 30 June	12	61 297	-	61 297	62 491

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 provision 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 2012. 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 2014 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 dollars and have been rounded to the nearest thousand dollars ($'000).

(b) Basis of preparation (continued)

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, these 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
  - (b) expenses incurred as a result of engaging consultants
  - (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 accruals basis and are in accordance with the historical cost basis except for financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 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* (the repealed Act) and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The fund was re-established under the First Schedule, clause 5 of the 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 the First Schedule, 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 118g of 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 entitled '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 the WorkCoverSA. Transactions and balances relating to administered resources are not recognised as corporation income, expense, 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.

(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 2012.

(g) Cash and cash equivalents
Cash and cash equivalents comprises cash balances, cash at call and short-term deposits and negotiable securities with a maturity of three months or less.

(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:

(i) Investments (continued)

- 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, 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 levies recorded in the Statement of Financial Position. As WorkCoverSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, WorkCoverSA considers that substantially all of its assets, excluding property, plant and equipment 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)).

(n) Property, plant and equipment (continued)

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)* 2012	2011
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications	4-5	4
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 licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where WorkCoverSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is 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.

Levy revenue

Levies are payable by all registered South Australian employers under the WRCA.

Levies are calculated on the total remuneration paid by employers for the financial year and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for levies relating to the current financial year which are payable following the reporting period.

Levy revenue (continued)
Levies attributable to future years and received in the current financial year have been classified as unearned levies.

Investment income
Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date WorkCoverSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Claims recoveries
Claims recoveries are made from a range of parties in accordance with the 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 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 and annual leave
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid as at reporting date including related on costs.

Employee benefits - defined contribution superannuation plan
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

Employee benefits - defined benefits superannuation plan
WorkCoverSA contributes to two defined benefit superannuation plans.

WorkCoverSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the 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.

Employee benefits - defined benefits superannuation plan (continued)
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
A liability for LSL is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on costs have been included in trade and other payables.

(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 where 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 levies receivable balance.

Outstanding claims liability
WorkCoverSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability is set out in notes 18 and 19.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the 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.

Outstanding claims liability (continued)
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 incurred but not yet reported (IBNR) to WorkCoverSA. The IBNR relates principally to claims for asbestos related diseases and affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Levies receivable
The levies receivable balance is the balance of levy debtors as at 30 June plus an estimate of levies 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.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with WorkCoverSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WorkCoverSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by WorkCoverSA. WorkCoverSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in WorkCoverSA's activities. WorkCoverSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by WorkCoverSA are:

- insurance risk
- operational and other risk
- financial risk.

(b) Insurance risk

As set out in note 1, WorkCoverSA provides workers compensation coverage, in accordance with the 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 levies 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 levy rate applicable to each employer is determined annually based on the industry in which the employer operates and the average levy rate.

(b) Insurance risk (continued)

The average levy rate is set annually by the Board in accordance with its funding policy based on an actuarial assessment of the overall funding requirement of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay levies under the WRCA. The average levy rate is then used as a basis for determining an individual levy rate for individual industry groups according to their South Australian WorkCover Industrial Classification (SAWIC). Under the WRCA, WorkCoverSA has the power to set levy rates to recover any shortfalls in levy collections. The funding policy is for WorkCoverSA to become fully funded as soon as practicable. Full funding is defined by the Board as having a ratio of assets to liabilities of between 90% and 110%.

The risk of setting incorrect levy rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models to translate the average levy rate into individual SAWIC levy rates. The number of registered (non-self-insured) employers for the 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
  - 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:

Investments - risk management framework (continued)

- assist in minimising employer levies 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
- investment guidelines and credit limits - this document outlines the detailed operating controls and limitations applying to each investment portfolio. This document is reviewed at least annually
- risk management statement and derivatives policy – this Board Investment, Levies and WorkCover Finance Committee approved document specifies WorkCoverSA's policies for the use of derivatives within the Compensation Fund. This document is reviewed annually.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

In meeting the investment objectives, WorkCoverSA's investment strategy currently maintains exposure to a range of assets. The management of these assets are 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 Investment Guidelines. Fund manager and each asset group performance are monitored monthly and comprehensively reviewed at least annually. The investment 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, Levies and WorkCover Finance Committee review investment program risk and compliance activity for individual portfolios and the overall Compensation Fund.

Individual assets are held either directly by WorkCoverSA or through a variety of investment structures.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements.

The composition of each asset group at 30 June 2012 was:

Investments - risk management framework (continued)

2012	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	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

2011	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	62 488	-	-	-	-	-	-	62 488
Fixed interest	6 608	124 777	58 968	-	-	-	42	190 395
Inflation linked securities	102 096	201 706	-	-	-	-	-	303 802
Australian equities	6 577	-	-	247 354	-	-	2 734	256 665
Overseas equities - hedged	-	-	-	-	145 167	-	-	145 167
Overseas equities - unhedged	-	-	-	-	153 413	-	-	153 413
Property	959	-	-	-	61 683	51 258	213	114 113
Real return growth assets	16 579	-	40 985	37 031	63 867	157 329	766	316 557
Alternative income	73 263	-	1 761	-	-	-	-	75 024
	268 570	326 483	101 714	284 385	424 130	208 587	3 755	1 617 624

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 managers individual derivative risk statement Part B and WorkCoverSA's derivative risk statement and derivatives policy. Where there is inconsistency, the investment guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which WorkCoverSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the unit trusts in which WorkCoverSA invests is approved and monitored by the responsible entity or trustee for the respective unit trust.

No single instrument is individually material to the future cash flows of WorkCoverSA. WorkCoverSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. WorkCoverSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- WorkCoverSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for 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 levy 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, Levies 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 and Poor's (or equivalent Moody's) ratings
- maturity restraints 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.

The alternative income portfolio has been included for 2012 with comparative figures provided for 2011.

	Short-term issue ratings*			Long-term issue ratings**			Derivatives***	
						Less than	Not	
	A1+	A1	A2	AAA	AA	AA-	rated	Total
2012	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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

	Short-term issue ratings*			Long-term issue ratings**			Derivatives***	
						Less than	Not	
	A1+	A1	A2	AAA	AA	AA-	rated	Total
2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	30 489	31 999	-	-	-	-	-	62 488
Fixed interest	6 608	-	-	140 167	33 968	9 610	42	190 395
Inflation linked securities	102 096	-	-	201 706	-	-	-	303 802
Alternative income	73 263	-	-	-	758	1 003	-	75 024
	212 456	31 999	-	341 873	34 726	10 613	42	631 709

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to levies due and payable from registered and self-insured employers and sundry debtors. WorkCoverSA is able to enforce the collection of any debt due under the 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.

Credit risk - other financial assets (continued)
14.6% of WorkCoverSA's levy receivables and sundry debtors were past due greater than 30 days (15.0%). The ageing of WorkCoverSA's levy receivables and sundry debtors at the reporting date was:

	2012 $'000	2011 $'000
Not past due	9 200	8 730
Past due 1 to 30 days	354	68
Past due 31 to 60 days	31	96
Past due 61 days to 1 year	1 495	1 355
More than 1 year	102	102
	11 182	10 351

There were no significant concentrations of credit risk. None of the above amounts are considered impaired.

Liquidity risk
Liquidity risk is the risk that WorkCoverSA will not be able to meet its financial obligations as they fall due. WorkCoverSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to WorkCoverSA's reputation. At least 50% 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. 86.3% (83.9%) of WorkCoverSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. WorkCoverSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly WorkCoverSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. Outstanding claims are covered in notes 18 and 19.

	2012 $'000	2011 $'000
1 year or less	32 297	24 907
1-3 years	126	328
3-5 years	-	-
Over 5 years	-	-
No term	-	-
Total trade and other payables	32 423	25 235

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 one half 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.

Currency risk (continued)

	Residual exposure 2012 $'000	Residual exposure 2011 $'000	Movement in variable against A$ %	Profit (Loss) 2012 $'000	Profit (Loss) 2011 $'000	Equity 2012 $'000	Equity 2011 $'000
US dollar	75 922	57 828	+10	(7 592)	(5 783)	(7 592)	(5 783)
			-10	7 592	5 783	7 592	5 783
Euro	14 150	14 603	+10	(1 415)	(1 460)	(1 415)	(1 460)
			-10	1 415	1 460	1 415	1 460
Sterling	13 176	11 339	+10	(1 318)	(1 134)	(1 318)	(1 134)
			-10	1 318	1 134	1 318	1 134

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.

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.

	Movement in interest rate %	Financial impact: Profit (Loss) 2012 $'000	Financial impact: Profit (Loss) 2011 $'000	Financial impact: Equity 2012 $'000	Financial impact: Equity 2011 $'000
Interest rate movement -	+1	27 845	22 915	27 845	22 915
interest bearing investments	-1	(27 845)	(22 915)	(27 845)	(22 915)

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 its domestic and overseas equity asset groups. 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.

Market price risk (continued)

	Exposure 2012 $'000	Exposure 2011 $'000	Movement in variable %	Profit (Loss) 2012 $'000	Profit (Loss) 2011 $'000	Equity 2012 $'000	Equity 2011 $'000
Domestic equities	244 669	247 354	+20	48 934	49 471	48 934	49 471
			-20	(48 934)	(49 471)	(48 934)	(49 471)
International equities	359 459	298 580	+20	71 892	59 716	71 892	59 716
			-20	(71 892)	(59 716)	(71 892)	(59 716)

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)

The following tables present WorkCoverSA's investments measured and recognised at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
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
2011				
Deposits with financial institutions	268 570	-	-	268 570
Government/Semi-government securities	326 483	-	-	326 483
Non-government debt instruments	101 714	-	-	101 714
Securities listed on the Australian Stock Exchange	284 385	-	-	284 385
Securities listed on overseas stock exchanges	424 130	-	-	424 130
Unit trusts - unlisted property and debt security assets	-	158 784	49 803	208 587
Derivatives	-	3 755	-	3 755
Total investments at fair value through profit and loss	1 405 282	162 539	49 803	1 617 624

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.

Fair value measurements (continued)

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, a contingent consideration receivable and certain forward exchange contracts explained below.

The following table presents the changes in Level 3 instruments for the years ended 30 June 2012 and 30 June 2011:

	Unit trusts - unlisted property and debt security $'000
Opening balance at 1 July 2010	61 321
Contributions	1 195
Withdrawals	(9 868)
Gains (Losses) recognised in investment profit	(2 845)
Closing balance at 30 June 2011	49 803
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
Total gains (losses) for the period included in investment profit that relate to assets held at the end of the reporting period:	
2012	334
2011	(2 845)

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 2012

	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 2012 $'000	Total other funds 2011 $'000
Claims paid	6	(1 946)	-	-	-	(1 946)	(1 680)
Claim recoveries	6	598	-	-	-	598	181
Decrease (Increase) in outstanding claims liability	19	(14 410)	(56)	-	-	(14 466)	22 388
Underwriting result		(15 758)	(56)	-	-	(15 814)	20 889
Investment profit	7	5 262	833	10	694	6 799	12 271
Investment expense		(200)	(32)	-	(27)	(259)	(247)
Net investment profit		5 062	801	10	667	6 540	12 024
Total operating expenses		(142)	-	-	(822)	(964)	(911)
Total comprehensive result		(10 838)	745	10	(155)	(10 238)	32 002

Statement of Financial Position
for the year ended 30 June 2012

	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 2012 $'000	Total other funds 2011 $'000
Assets:							
Trade and other receivables		-	-	-	25	25	38
Investments		101 804	16 191	188	13 174	131 357	127 121
Total assets		101 804	16 191	188	13 199	131 382	127 159
Liabilities:							
Payables		-	-	-	98	98	103
Outstanding claims	19	93 554	505	100	-	94 159	79 693
Total liabilities		93 554	505	100	98	94 257	79 796
Net assets (liabilities)		8 250	15 686	88	13 101	37 125	47 363
Equity:							
Retained earnings		8 250	15 686	88	13 101	37 125	47 363
Total equity		8 250	15 686	88	13 101	37 125	47 363

5. Total income

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Registered employer levy		633 960	-	633 960	588 302
Fines and penalties		5 252	-	5 252	2 320
Registered employer levy revenue		639 212	-	639 212	590 622
Self-insured employer levy - SA Government		7 667	-	7 667	7 011
Self-insured employer levy - non-SA Government		8 215	-	8215	7 743
Self-insured levy revenue		15 882	-	15 882	14 754
Total levy revenue		655 094	-	655 094	605 376
Claim recoveries	6	18 542	598	19 140	11 518
Investment profit (loss)	7	89 132	6 799	95 931	141 688
Other income	8	3 753	-	3 753	2 153
Total income		766 521	7 397	773 918	760 735

6. Cost of claims

(a) Cost of claims

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Claims paid		392 406	1 946	394 352	428 908
Claim recoveries	5	(18 542)	(598)	(19 140)	(11 518)
Net claims paid		373 864	1 348	375 212	417 390
Increase (Decrease) in net outstanding claims liability	18,19	662 005	14 466	676 471	184 184
Net self-insurer settlements		2 910	-	2 910	164
Cost of claims		1 038 779	15 814	1 054 593	601 738

(b) Net claims paid

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Income maintenance		197 003	-	197 003	171 828
Redemption payments under Division 4A of the WRCA		3 560	-	3 560	48 547
Non-economic loss - payments under Division 5 and Division 6 of the WRCA		37 678	-	37 678	45 865
Hospital treatment		13 223	-	13 223	13 527
Medical treatment		70 571	-	70 571	71 071
Vocational rehabilitation		26 247	-	26 247	30 198
Physiotherapy		12 404	-	12 404	13 357
Legal costs		13 234	318	13 552	15 373
Other		18 486	1 628	20 114	19 142
Claims paid		392 406	1 946	394 352	428 908
Recoveries from other parties	5	(18 542)	(598)	(19 140)	(11 518)
Net claims paid		373 864	1 348	375 212	417 390

7. Investment profit (loss)

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Dividends		28 599	2 182	30 781	34 856
Interest received		32 956	2 514	35 470	29 305
Change in net market values:					
Investments held at 30 June		17 620	1 344	18 964	41 811
Investments realised during the financial year		9 957	759	10 716	35 716
Investment profit		89 132	6 799	95 931	141 688

8. Other income

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Defined benefit fund	20(d)	914	-	914	886
Sundry income		2 839	-	2 839	1 267
Total other income		3 753	-	3 753	2 153

9. Employee benefit expenses

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Salaries and wages		26 336	113	26 449	23 222
LSL		607	3	610	734
Annual leave		2 207	10	2 217	2 062
Expenses relating to defined benefit plans	20(d)	8 112	-	8 112	1 629
Contributions to defined contribution plans		2 033	10	2 043	1 999
Total employee benefit expenses		39 295	136	39 431	29 646

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$130 700 - $133 999*	n/a	4
$134 000 - $143 999	1	5
$144 000 - $153 999	10	7
$154 000 - $163 999	7	2
$164 000 - $173 999	2	-
$174 000 - $183 999	1	1
$184 000 - $193 999	1	-
$194 000 - $203 999	1	-
$204 000 - $213 999	-	1
$214 000 - $223 999	2	1
$224 000 - $233 999	2	1
$234 000 - $243 999	1	1
$244 000 - $253 999	2	1
$274 000 - $283 999	1	-
$284 000 - $293 999	-	1
$304 000 - $313 999	-	1
$344 000 - $353 999	1	-
$404 000 - $413 999	-	1
$414 000 - $423 999	1	-
$434 000 - $443 999	-	1
$674 000 - $683 999	-	1
Total	33	29

* This band has been included for the purposes of reporting comparative figures for 2010-11.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, and fringe benefits, any FBT paid or 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 $6.3 million ($6 million).

10. Depreciation, amortisation and other general operating expenses

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Depreciation - property, plant and equipment	702	-	702	803
Amortisation - intangible assets	4 388	-	4 388	4 438
Depreciation and amortisation expenses	5 090	-	5 090	5 241
Net rental expenses relating to operating leases	3 707	-	3 707	3 409
Motor vehicle expenses relating to operating leases	236	-	236	256
Consultants	4 439	-	4 439	3 093
Other operating costs	17 457	828	18 285	18 528
Other general operating expenses	25 839	828	26 667	25 286

The number and dollar amount of consultancies paid/payable (included in general operating expenses) that fell within the following bands:	2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	7	37	8	37
$10 000 - $50 000	21	538	11	347
Above $50 000	17	3 864	14	2 709
Total paid/payable to the consultants engaged	45	4 439	33	3 093

11. Auditor's remuneration

	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	468	522

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

12. Cash and cash equivalents

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Cash		5	-	5	3
Cash equivalents	3	61 292	-	61 292	62 488
Cash and cash equivalents in the Statement of Cash Flows		61 297	-	61 297	62 491

13. Trade and other receivables

	Note	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Current receivables:					
Levies, fines and penalty interest		11 080	-	11 080	10 249
Recoverable claim payments	18	17 256	-	17 256	17 579
Trade debtors		976	25	1 001	1 201
Sundry debtors and prepayments		2 399	-	2 399	1 960
Total current receivables		31 711	25	31 736	30 989
Non-current receivables:					
Recoverable claim payments	18	71 389	-	71 389	65 666
Total non-current receivables		71 389	-	71 389	65 666
Total trade and other receivables		103 100	25	103 125	96 655

14. Investments

	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Deposits with financial institutions	241 109	268 570
Government/Semi-government securities	383 693	326 483
Non-government debt instruments	193 780	101 714
Securities listed on the Australian Stock Exchange	286 573	284 385
Securities listed on overseas stock exchanges	533 935	424 130
Unit trusts - unlisted property and debt security assets	223 194	208 587
Derivatives	4 516	3 755
Total investments at fair value through profit and loss	1 866 800	1 617 624

14. Investments (continued)

	WorkCoverSA 2012 $'000	2011 $'000
Current	245 625	272 329
Non-current	1 621 175	1 345 295
Total	1 866 800	1 617 624

15. Property, plant and equipment

	Leasehold improvements including office furniture and fittings $'000	Computer and communications equipment $'000	General office equipment $'000	Total $'000
Fair value:				
Balance at 1 July 2010	14 949	6 447	1 269	22 665
Additions	114	329	1	444
Disposals	-	(3 178)	-	(3 178)
Balance at 30 June 2011	15 063	3 598	1 270	19 931
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
Depreciation:				
Balance at 1 July 2010	(14 931)	(5 016)	(1 133)	(21 080)
Depreciation charge	(6)	(727)	(70)	(803)
Disposals	-	3 165	-	3 165
Balance at 30 June 2011	(14 937)	(2 578)	(1 203)	(18 718)
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)
Carrying amounts:				
At 1 July 2010	18	1 431	136	1 585
At 30 June 2011	126	1 020	67	1 213
At 1 July 2011	126	1 020	67	1 213
At 30 June 2012	7 958	1 505	204	9 667

16. Intangible assets

	IT development and software $'000
Cost:	
Balance at 1 July 2010	43 880
Additions - internal development	-
Additions - external costs	-
Balance at 30 June 2011	43 880
Balance at 1 July 2011	43 880
Additions - internal development	-
Additions - external costs	-
Balance at 30 June 2012	43 880
Amortisation:	
Balance at 1 July 2010	(731)
Amortisation charge	(4 438)
Balance at 30 June 2011	(5 169)
Balance at 1 July 2011	(5 169)
Amortisation charge	(4 388)
Balance at 30 June 2012	(9 557)

16. Intangible assets (continued)

	IT development and software
Carrying amounts:	$'000
At 1 July 2010	43 149
At 30 June 2011	38 711
At 1 July 2011	38 711
At 30 June 2012	34 323

17. Trade and other payables

	Compensation Fund	Other funds	WorkCoverSA 2012	WorkCoverSA 2011
Current:	$'000	$'000	$'000	$'000
Creditors	31 808	98	31 906	24 560
Employment on-costs	391	-	391	347
Non-current:				
Creditors	89	-	89	288
Employment on-costs	37	-	37	40
Total trade and other payables	32 325	98	32 423	25 235

18. Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Note	2012 $'000	2011 $'000
Expected future gross claims payments (undiscounted)		4 711 965	4 122 708
Discount to present value		(1 630 228)	(1 673 582)
Central estimate		3 081 737	2 449 126
Risk margin		169 496	134 702
Liability for outstanding claims		3 251 233	2 583 828
Recoveries	13	(88 645)	(83 245)
Net liability for outstanding claims		3 162 588	2 500 583
Current liability for outstanding claims		421 442	402 851
Non-current liability for outstanding claims		2 829 791	2 180 977
Total liability for outstanding claims		3 251 233	2 583 828
Change in liability for outstanding claims		667 405	188 168
Change in claim recoveries receivable		(5 400)	18 404
Movement in net outstanding claims liability		662 005	206 572

	2012 Years	2011 Years
Weighted average expected term to settlement	9.1	7.8

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 below 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.

(a) Outstanding claims (continued)

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.

Important recent developments which affect the Scheme's operating environment and uncertainty of the liability estimate include:

- employer premium changes with the intention of increasing the engagement of employers in the prevention and management of workplace injuries. No allowance had been made in the valuation basis in anticipation of any improvement in claim outcomes arising from this change
- claims agent and legal services provider tenders. No allowance has been made in the valuation for any potential impacts from these tenders, whether through the claims outcomes obtained or the cost of providing services
- how representative the work capacity review experience to date is of future outcomes in relation to work capacity review claims
- the impact of recent legal precedents, particularly in relation to medical panels, where the response of the tribunal will determine the impact on scheme outcomes
- the impact of changes to the dispute resolution framework as well as current claims with pending disputes on claim outcomes
- the impact of any changes in the overall economic environment noting that changes in economic conditions have had a significant impact on the current valuation with government bond yields being abnormally low at June 2012.

The increase in the outstanding claims liability includes the net impact of the decrease in the average discount rate from 5.5% at 30 June 2011 to 3.8% at 30 June 2012.

Note 18(e) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year	Prior years	2012 Total	Current year	Prior years	2011 Total
Undiscounted:	$'000	$'000	$'000	$'000	$'000	$'000
Gross incurred	1 091 421	(44 564)	1 046 857	991 649	(92 792)	898 857
Recoveries	(18 007)	(1 123)	(19 130)	(18 116)	25 558	7 442
Net incurred - undiscounted	1 073 414	(45 687)	1 027 727	973 533	(67 234)	906 299
Discounted:						
Gross incurred	758 121	334 474	1 092 595	642 383	11 765	654 148
Recoveries	(15 699)	(9 674)	(25 373)	(14 193)	18 803	4 610
Net incurred - discounted	742 422	324 800	1 067 222	628 190	30 568	658 758
Discounted and discount movement:						
Gross incurred - discounted	(333 300)	379 038	45 738	(349 266)	104 557	(244 709)
Recoveries - discounted	2 308	(8 551)	(6 243)	3 923	(6 755)	(2 832)
Net incurred - undiscounted	(330 992)	370 487	39 495	(345 343)	97 802	(247 541)

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* $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000
At end of year		238 867	325 617	332 168	395 377	396 059	422 794	445 035	471 917	506 902	527 850	625 012
One year later	573 536	307 822	314 439	368 048	382 259	419 758	435 848	447 935	480 472	487 196	586 296	
Two years later	737 743	303 688	333 644	375 409	408 008	452 514	460 605	461 964	489 652	521 047		
Three years later	801 335	316 880	343 547	387 244	406 101	437 354	475 519	457 878	517 650			
Four years later	845 969	325 279	354 287	375 531	368 271	417 646	484 162	492 947				
Five years later	905 348	326 954	339 116	361 281	383 879	417 524	496 736					
Six years later	968 055	317 367	329 228	357 003	368 005	420 017						
Seven years later	968 711	323 710	328 029	354 917	369 695							
Eight years later	961 616	317 739	325 554	354 263								
Nine years later	921 246	316 679	324 268									
10 years later	919 203	316 977										
11 years later	926 199											
Current estimate of cumulative claims costs**	926 199	316 977	324 268	354 263	369 695	420 017	496 736	492 947	517 650	521 047	586 296	625 012
Cumulative payments**	819 758	301 094	309 243	331 469	335 612	328 818	300 089	267 906	240 671	195 007	147 506	62 944
Outstanding payments**	106 441	15 883	15 025	22 794	34 083	91 199	196 647	225 041	276 979	326 040	438 790	562 068
Discount adjustment***	68 678	11 427	9 694	13 007	16 870	38 240	67 804	60 088	51 555	43 112	40 413	24 410
Net outstanding claims	175 119	27 310	24 719	35 801	50 953	129 439	264 451	285 129	328 534	369 152	479 203	586 478

* Development of outstanding claim estimate as at 30 June 2002 for accidents prior to 30 June 2001.

** 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.

	2012 $'000	2011 $'000
Prior years	175 119	176 742
Year ended 30 June 2002	27 310	27 648
Year ended 30 June 2003	24 719	28 643
Year ended 30 June 2004	35 801	37 744
Year ended 30 June 2005	50 953	49 976
Year ended 30 June 2006	129 439	130 459
Year ended 30 June 2007	264 451	258 716
Year ended 30 June 2008	285 129	263 144
Year ended 30 June 2009	328 534	335 185
Year ended 30 June 2010	369 152	382 039
Year ended 30 June 2011	479 203	488 058
Year ended 30 June 2012	586 478	-
Net outstanding claims	2 756 288	2 178 354
Claims handling expenses	241 426	191 867
Risk margin	164 874	130 362
Net liability for outstanding claims	3 162 588	2 500 583

(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:

	2012 %	2011 %
Economic assumptions:		
Inflation rate - income maintenance	3.45	3.75
Inflation - medical, legal and other costs	3.70	4.00
Superimposed inflation rate - medical payments	2.00-6.00	2.00-6.00
Superimposed inflation rate - other	Refer below	
Discount rate	3.80	5.50
Duration and severity of claims	Refer below	
Claims handling expenses	8.50	8.50
Risk margin	5.50	5.50

(d) Key assumptions (continued)

Superimposed inflation of between 1% and 6% per annum 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 assets $'million	Percentage of net liability
Economic and modelling assumptions:		
Increase in inflation rates by 1%	294	9.3
Increase in discount rate by 1%	(255)	(8.1)
Duration and severity of claims:		
Increase in assumed average lump sum payment for claimants entitled to such payments by 10%	17	0.6
Increase in assumed lifetime income maintenance payments by 10% for claims less than three years old	97	3.3
Increase in assumed other payments by 10% for claims less than three years old	48	1.7
Increase in assumed income maintenance payments by 10% for claims more than three years old	89	3.1
Increase in assumed other payments by 10% for claims more than three years old	47	1.6

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 $115 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:

	2012 $'million	2011 $'million
Increase in net outstanding claims liability at 75% probability of sufficiency	143.9	113.8

19. Outstanding claims liability - other funds

(a) Outstanding claims - SRF and IAF

	SRF $'000	IAF $'000	Combined 2012 $'000	Combined 2011 $'000
Open claims	1 695	-	1 695	1 169
Total incurred but not yet reported (IBNR)	67 869	374	68 243	57 970
Claims handling expenses	5 565	30	5 595	4 732
Central estimate	75 129	404	75 533	63 871
Risk margin	18 425	101	18 526	15 722
Total outstanding claims liability	93 554	505	94 059	79 593

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.

(a) Outstanding claims - SRF and IAF (continued)

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 2012 due to exposure prior to 30 June 2012. 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			IAF		
	2012	2011	Change	2012	2011	Change
Asbestos related:	$'000	$'000	$'000	$'000	$'000	$'000
Reported	1 038	543	495	-	-	-
IBNR/Re-opened claims	67 486	57 218	10 268	374	332	42
	68 524	57 761	10 763	374	332	42
Non-asbestos related:						
Reported	657	626	31	-	-	-
IBNR/Re-opened claims	383	420	(37)	-	-	-
	1 040	1 046	(6)	-	-	-
Central estimate	69 564	58 807	10 757	374	332	42
Claims handling expenses	5 565	4 705	860	30	27	3
Risk margin	18 425	15 632	2 793	101	90	11
Total outstanding claims liability	93 554	79 144	14 410	505	449	56

(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 2012 shown together with those used at 30 June 2011 for comparison:

	2012	2011
Inflation rate:	%	%
Asbestos claims	5.5	6.0
Non-asbestos claims	3.5	4.0
Discount rate:		
Asbestos IBNR	4.0	5.6
Other	4.0	5.6
Claims 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 2010 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	2012	2011
	$'000	$'000
Statutory Reserve Fund	93 554	79 144
Insurance Assistance Fund	505	449
Mining and Quarrying Industries Fund	100	100
Liability for outstanding claims	94 159	79 693
Current	2 278	1 895
Non-current	91 881	77 798
Liability for outstanding claims	94 159	79 693
Change in liability for outstanding claims	14 466	(22 388)

20. Employee benefits

(a) Liability for employee benefits	Note	Compensation Fund	Other funds	WorkCoverSA 2012	WorkCoverSA 2011
Current:		$'000	$'000	$'000	$'000
Annual leave		2 107	-	2 107	1 994
LSL		2 899	-	2 899	2 525
		5 006	-	5 006	4 519
Non-current:					
Recognised liability for defined benefit obligations	20(b)	15 594	-	15 594	9 099
LSL		671	-	671	720
		16 265	-	16 265	9 819
Total employee benefits		21 271	-	21 271	14 338

(b) Liability for defined benefit obligations

Net liability for defined benefit obligations at 1 July	(9 099)	-	(9 099)	(9 069)
Contributions received	703	-	703	713
Expenses recognised in the Statement of Comprehensive Income	(7 198)	-	(7 198)	(743)
Net liability for defined benefit obligations at 30 June	(15 594)	-	(15 594)	(9 099)
Amounts reflected in the Statement of Financial Position:				
Assets	12 916	-	12 916	13 462
Liabilities	(28 510)	-	(28 510)	(22 561)
Net liability	(15 594)	-	(15 594)	(9 099)

(c) Changes in the present value of the defined benefit obligation are as follows:

Opening fair value of fund assets	13 462	-	13 462	13 343
Expected return	914	-	914	886
Actuarial gains (losses)	(646)	-	(646)	592
Contributions by employer	703	-	703	713
Transfers in	265	-	265	-
Benefits paid	(1 782)	-	(1 782)	(2 072)
Closing fair value of fund assets	12 916	-	12 916	13 462

(c) Changes in the present value of the defined benefit obligation are as follows: (continued)

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Opening liabilities	22 561	-	22 561	22 412
Service cost	185	-	185	255
Interest cost	1 182	-	1 182	1 152
Actuarial gains (losses)	6 099	-	6 099	814
Transfers in	265	-	265	-
Expected benefits	(1 782)	-	(1 782)	(2 072)
Closing liabilities	28 510	-	28 510	22 561

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's) management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

(d) Expenses recognised in the Statement of Comprehensive Income

	Note	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Current service costs		185	255
Interest cost		1 182	1 152
Expected return on plan assets		(914)	(886)
Actuarial losses		6 745	222
		7 198	743
The expense is recognised in the following lines of the Statement of Comprehensive Income:			
Employee benefit expenses	9	8 112	1 629
Other income	8	(914)	(886)
		7 198	743

WorkCoverSA expects to contribute $719 000 to the Defined Benefit Superannuation Fund in the 2012-13 financial year.

(e) Defined contributions plans

WorkCoverSA makes contributions to the various superannuation schemes as defined contributions. The amount recognised as an expense was $2.043 million for the year ended 30 June 2012 ($2 million).

(f) Actuarial assumptions

	2012 %	2011 %
Discount rate at 30 June	3.4	5.3
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 2012 $'000	WorkCoverSA 2011 $'000
Actual return on scheme assets	269	1 478

(h) Historical information

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of defined benefit obligation	(28 510)	(22 561)	(22 412)	(20 845)	(20 037)
Fair value of plan assets	12 916	13 462	13 343	12 157	15 567
Deficit in the plan	(15 594)	(9 099)	(9 069)	(8 688)	(4 470)

21. Provisions

	Redundancies	Surplus leased space	WorkCoverSA 2012	2011
	$'000	$'000	$'000	$'000
Balance at 1 July	807	63	870	782
Provisions made during the year	2 251	-	2 251	807
Provisions used during the year	(807)	(63)	(870)	(432)
Provisions reversed during the year	-	-	-	(287)
Balance at 30 June	2 251	-	2 251	870

(a) Redundancies

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2012. The redundancy provision is calculated in accordance with the WorkCoverSA Award and Certified Agreement. WorkCoverSA expects to extinguish the liability within the next 12 months.

(b) Surplus leased space

The provision relates to the present value of future payments for surplus leased space under a non-cancellable operating lease.

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

	Compensation Fund	Other funds	WorkCoverSA 2012	2011
	$'000	$'000	$'000	$'000
Comprehensive result	(427 155)	(10 238)	(437 393)	30 245
Depreciation	702	-	702	803
Amortisation	4 388	-	4 388	4 438
Net loss (profit) on disposal of non-current assets	95	-	95	9
Investment loss (profit)	(89 132)	(6 799)	(95 931)	(141 688)
Interest received	32 956	2 514	35 470	29 786
Dividends received	28 599	2 182	30 781	34 376
Increase (Decrease) in creditors	7 189	(4)	7 185	(13 556)
Decrease (Increase) in receivables	(6 483)	13	(6 470)	40 567
Increase (Decrease) in unearned levies	(266)	-	(266)	249
Increase (Decrease) in outstanding claims liability	667 405	14 466	681 871	165 780
Increase (Decrease) in provisions	1 381	-	1 381	88
Increase (Decrease) in employee benefits	6 933	-	6 933	78
Net cash provided by (used in) operating activities	226 612	2 134	228 746	151 175

23. Related parties transactions

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 year ended 30 June 2012 was $8 618 125 including GST, of which $6 412 720 was for rehabilitation services and $2 205 405 was for medical expert services, ($8 513 653). At 30 June 2012 the balance outstanding to De Poi Consulting Pty Ltd was $147 852 ($160 961). 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 Mr P Vaughan, the Chief Executive of Business SA up to 30 June 2012, WorkCoverSA has a current contract with Business SA for the provision of representative services. WorkCoverSA employees also attend Business SA training courses. WorkCoverSA funds Return to Work Fund projects run by Business SA. The expenditure incurred during the year ended 30 June 2012 was $344 609 including GST ($415 893). No amounts were outstanding at the end of the current or prior year end. Mr Vaughan is also a State Councillor on the Council for Economic Development of Australia of which WorkCoverSA is a member. The expenditure incurred, being WorkCoverSA's membership fees during the year ended 30 June 2012 was $6030 ($4400) including GST. No amounts were outstanding at the end of the current or prior year end. The terms and conditions of the above 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.

23. Related parties transactions (continued)

In relation to 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 2012 was $10 298 ($450) including GST. Shop Distributive and Allied Employees Association provides sponsorship of the WorkCoverSA Return to Work Awards. The sponsorship income during the year ended 30 June 2012 was $2750 ($2750) including GST. 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.

Board member related entities pay levies 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 2011-12 financial year were:

Member	*Appointed/ Resigned*	*Board*	*Workplace Injury & Scheme Performance Committee*	*Investments, Levies and WorkCover Finance Committee*	*Audit and Risk Committee*	*Human Resources Committee*
Mr P Bentley		Chair	Chair	Member	-	Member*
Ms S De Poi		Member	Member	Member	-	-
Mr P Malinauskas		Member	-	Member	-	Member
Mr P Vaughan		Member	Member	-	-	Chair
Mr J Watson	Resigned 7 February 2012	Member	Member	-	Member	-
Ms J Yuile		Member	-	-	Chair	-
Ms N Buddle		Member	-	Chair	Member**	Member**
Ms J Denley		Member	Member	-	Member	Member
Mr D White		Member	-	Member	Member	-

* Mr P Bentley was appointed to the Human Resources Committee on 24 February 2012.

** Ms N Buddle was appointed to the Audit and Risk Committee on 16 March 2012 and resigned from the Human Resources Committee on 24 February 2012.

The number of members whose remuneration received and receivable falls within the following bands:	2012 Number	2011 Number
$1 - $9 999	-	2
$10 000 - $19 999	-	1
$20 000 - $29 999	-	1
$30 000 - $39 999	1	-
$40 000 - $49 999	-	4
$50 000 - $59 999	7	3
$90 000 - $99 999	1	1

The total remuneration received and receivable by board members was $497 720 ($488 659) 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 $21 677 ($26 872) in total for the year ending 30 June 2012. Members during the 2012 financial year were: J Watson (resigned 7 February 2012), D Black, A Costa, T Earls, D Frith, V Lecky, N Morris (resigned 17 July 2012), S Myatt and J Szakacs. J Camillo was appointed as Presiding Member on 26 July 2012. 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:

25. Commitments (continued)

	Other $'000	Office leases $'000	Motor vehicles $'000	2012 Total $'000	Other $'000	Office leases $'000	Motor vehicles $'000	2011 Total $'000
Within one year	325	1 995	174	2 494	964	3 832	305	5 101
Later than one year but not longer than five years	-	8 810	202	9 012	-	7 735	465	8 200
Later than five years	-	12 004	5	12 009	-	14 135	-	14 135
	325	22 809	381	23 515	964	25 702	770	27 436

A memorandum of understanding is in place between Building Management Accommodation and Property Services, Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure.

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. Self-insured employer financial guarantees

Under section 60 of the WRCA, WorkCoverSA administers financial guarantees lodged by self-insured employers. As at 30 June 2012, WorkCoverSA held security to the value of $348.9 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.

27. Contingent liabilities

The SRF and the IAF have exposure to claims in failed insurance companies and uninsured insolvent employers. No specific allowance is made in the claims provision for future new insolvencies. The SRF and the IAF have exposures to claims for asbestos related injuries incurred until 30 September 1987. The outstanding claims liabilities for the SRF and IAF funds were estimated, including an IBNR component, on the basis of claims reported to date. There are inherent uncertainties associated with estimating the outstanding claims liability for asbestos related diseases as set out in note 19. If at any time the SRF and IAF are unable to meet their liabilities, 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 2012 with prior year comparative figures is provided below:

	Compensation Fund $'000	Other funds $'000	WorkCoverSA 2012 $'000	WorkCoverSA 2011 $'000
Funded (unfunded) position	(1 426 246)	37 125	(1 389 121)	(951 728)
Funding percentage	56.9%	139.4%	59.2%	64.8%

The mechanism for managing the funding position is the average levy rate. Each year the average levy rate is reviewed and future projections of scheme liability and cost are analysed to determine the most appropriate average levy rate to achieve WorkCoverSA's desired long-term funding policy. A component of average levy rate is an allowance to recoup the unfunded position.

The Board has considered the following matters in preparing the financial statements on a going concern basis:

- the long-term view of the funding position
- WorkCoverSA retains sufficient funds to meet current expenditure for both claim payments and operating costs
- WorkCoverSA continues to manage its funding position through the average levy rate by setting that rate at a level which includes a contribution to the recovery of the unfunded position and this rate is assessed each year.

29. Transactions with SA Government

The table below details the transactions with SA Government departments and agencies for the financial years ending 30 June 2012 and 2011.

	Revenue	Expenses	Assets	Liabilities
2012	$'000	$'000	$'000	$'000
Government	8 527	36 634	52	23 849
Non-government	765 391	1 174 677	2 013 868	3 379 192
	773 918	1 211 311	2 013 920	3 403 041
2011				
Government	7 701	33 178	31	15 708
Non-government	753 034	697 312	1 754 175	2 690 226
	760 735	730 490	1 754 206	2 705 934

Capital payments for leasehold improvements with SA Government departments amounted to $5.896 million in the year ending 30 June 2012 ($106 000).

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 2012.

2012	Revenue	Expenses	Assets	Liabilities
	$'000	$'000	$'000	$'000
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 2012.

APPENDIX TO

AUDITOR-GENERAL'S

ANNUAL REPORT

TREASURER'S

FINANCIAL STATEMENTS

(Pursuant to section 22 of the *Public Finance and Audit Act 1987*)

2011-12

STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget $	Actual $
RECEIPTS		
Taxation	3 754 828 000	3 541 232 925
Commonwealth general purpose grants	4 492 600 000	4 279 645 395
Commonwealth specific purpose grants	1 556 957 000	1 548 926 686
Commonwealth National Partnership payments	44 176 000	72 496 097
Contributions from state undertakings	401 839 000	411 529 689
Fees and charges	443 865 000	337 071 106
Recoveries	52 708 000	409 643 045
Royalties	202 748 000	203 686 515
Other receipts	603 448 000	578 160 445
Total Receipts	11 553 169 000	11 382 391 903
PAYMENTS		
Appropriation Act	12 740 353 000	12 739 562 183
Specific appropriation authorised in various Acts	119 420 000	117 538 231
Total Payments	12 859 773 000	12 857 100 414
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT	1 306 604 000	1 474 708 511

The deficit for 2011-12 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. J. SNELLING, 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 2012
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2011-12	Actual 2011-12
RECEIPTS	$	$
TAXATION		
Payroll Tax	1 236 500 000	1 205 914 820
Commonwealth Places Mirror Payroll Tax[(a)]	21 600 000	21 104 797
Stamp Duties	1 448 735 000	1 284 427 180
Commonwealth Places Mirror Stamp Duties[(a)]	300 000	262 333
Land Tax	598 407 000	587 987 952
Commonwealth Places Mirror Land Tax[(a)]	1 700 000	1 436 601
Other Taxes on Property	10 000	15 928
Save the River Murray Levy	25 900 000	26 171 193
Gaming Machines Tax	312 113 000	289 889 329
Contribution from Lotteries Commission of South Australia	80 181 000	93 534 178
Contribution from Casino Operations	21 900 000	23 256 812
Contribution from South Australian Totalizator Agency Board	4 300 000	4 387 317
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	3 182 000	2 844 485
Total Taxation Receipts	3 754 828 000	3 541 232 925
COMMONWEALTH GENERAL PURPOSE PAYMENTS		
GST Revenue Grants	4 492 600 000	4 279 645 395
Total Commonwealth General Purpose Payments	4 492 600 000	4 279 645 395
COMMONWEALTH SPECIFIC PURPOSE PAYMENTS [(b)]		
Council of Australian Governments funding arrangements	1 556 944 000	1 548 926 686
Natural disaster relief and recovery arrangements	13 000	—
Total Commonwealth Specific Purpose Payments	1 556 957 000	1 548 926 686
COMMONWEALTH NATIONAL PARTNERSHIP PAYMENTS [(c)]		
Council of Australian Governments funding arrangements	44 176 000	72 496 097
Total Commonwealth National Partnership Payments	44 176 000	72 496 097

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2011-12 — *continued*

	Budget 2011-12	Actual 2011-12
RECEIPTS - *continued*	$	$
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Arrangements with private electricity entities —		
Local Government Rate Equivalent	220 000	221 394
Austraining Pty Ltd		
Income Tax Equivalent	—	462 080
Defence SA —		
Local Government Rate Equivalent	213 000	—
Department of Planning, Transport and Infrastructure (d) —		
Income Tax Equivalent	3 002 000	336 311
Local Government Rate Equivalent	972 000	1 159 766
Flinders Ports		
Payment In Lieu	—	2 320 216
ForestrySA —		
Dividend	28 431 000	14 186 812
Income Tax Equivalent	13 116 000	8 822 465
Funds SA —		
Local Government Rate Equivalent	191 000	206 371
HomeStart Finance —		
Dividend	4 786 000	6 216 595
Income Tax Equivalent	2 564 000	5 153 961
Land Management Corporation (e) —		
Dividend	58 685 000	—
Income Tax Equivalent	14 169 000	1 272 500
Local Government Rate Equivalent	657 000	761 285
Lotteries Commission of South Australia —		
Income Tax Equivalent	7 060 000	9 788 263
Local Government Rate Equivalent	5 000	5 475
Public Trustee Office —		
Dividend	1 363 000	683 800
Income Tax Equivalent	721 000	1 041 265
SA Water Corporation —		
Dividend	138 189 000	218 046 000
Income Tax Equivalent	91 220 000	100 237 392
Local Government Rate Equivalent	1 437 000	1 506 438
South Australian Asset Management Corporation —		
Dividend	20 100 000	20 200 000
South Australian Government Employee Residential Properties —		
Dividend	1 706 000	1 706 000
Income Tax Equivalent	295 000	1 931
South Australian Government Financing Authority —		
Dividend	8 200 000	12 800 000
Income Tax Equivalent	4 100 000	3 430 000
Urban Renewal Authority (e) —		
Local Government Rate Equivalent	—	796 232
West Beach Trust —		
Income Tax Equivalent	437 000	167 137
Total Contributions from State Undertakings	401 839 000	411 529 689

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2011-12 — *continued*

	Budget 2011-12	Actual 2011-12
RECEIPTS - *continued*	$	$
FEES AND CHARGES [f]		
Auditor-General's Department — Fees for audit and other sundry receipts	12 843 000	13 258 740
Court fines	36 417 000	20 197 915
Court regulatory fees	30 385 000	29 456 394
EPA excess water charges	—	43 398
Guarantee fees	89 238 000	72 138 367
Infringement Notice Schemes — Expiation fees	100 904 000	77 199 463
Land and business regulations	2 956 000	1 792 000
Land Services regulatory fees	169 350 000	122 942 104
Small lotteries	1 740 000	—
Sundry fees	32 000	42 726
Total fees and charges	443 865 000	337 071 107
RECOVERIES		
Automotive Assistance Package	900 000	—
Child Abuse Protection program — Intrasector grants received	200 000	—
Contribution to the cost of private plated vehicles	10 000	—
Department for Planning, Transport and Infrastructure — Indentured Ports [d]	4 175 000	30 273 611
Department for Water — Qualco Sunlands	250 000	250 000
Essential Services Commission of South Australia	6 408 000	6 409 000
Helicopter service — Recovery of costs and sponsorships	1 020 000	1 124 500
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	2 000 000	2 000 000
Industry Financial Assistance Deposit Account	616 000	—
Metropolitan Drainage Fund	7 000	—
National Tax Equivalent Program	50 000	—
Return of cash to Consolidated Account — Cash Alignment Policy	—	346 523 000
Return of deposit account balances	4 750 000	5 236 503
Return of deposit account balances — Superannuation	30 000 000	13 300 000
Sale of government publications and subscriptions	178 000	130 051
Sundry recoupments	138 000	—
Unclaimed monies and personal property	2 006 000	4 396 380
Total recoveries	52 708 000	409 643 045

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2011-12 — *continued*

	Budget 2011-12	Actual 2011-12
RECEIPTS - *continued*	$	$
ROYALTIES [g]		
Department of Manufacturing, Innovation, Trade, Resources and Energy [d]	—	120 819 261
Department of Primary Industries and Regions	202 748 000	82 867 254
Total Royalties	202 748 000	203 686 515
OTHER RECEIPTS		
Interest —		
Interest on investments	116 281 000	116 343 776
Interest recoveries from general government entities	2 054 000	2 212 548
Interest recoveries from non-commercial public trading enterprises	15 896 000	32 332 811
Interest recoveries from the private sector	236 000	49 187
Repayment of advances —		
Administered items for the Department for Transport, Energy and Infrastructure [d]	209 000	212 627
Department for Health and Ageing [d]	1 140 000	1 140 055
Department of Primary Industries and Regions [d]	1 694 000	703 875
Renmark Irrigation Trust	—	121 308
South Australian Cricket Association	85 000 000	85 000 000
South Australia Housing Trust	295 498 000	75 982 968
Other repayments	6 000	6 041
Repayment of equity capital contributions —		
Adelaide Convention Centre	—	22 328 000
Defence SA	6 593 000	184 668 000
Department of Planning, Transport and Infrastructure [d]	—	9 762 513
South Australian Asset Management Corporation	716 000	716 006
Other —		
Other recoveries	264 000	2 545 389
Sale of land and buildings	77 861 000	44 035 341
Total other receipts	603 448 000	578 160 445
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	11 553 169 000	11 382 391 904

(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.

(d) In October 2011, Cabinet approved Section 5 *Public Finance and Audit Act 1987* Machinery of Government transfers which resulted in a number of functions being transferred between agencies.

(e) In February 2012, Cabinet approved the dissolution of the Land Management Corporation (LMC) and transfer of all functions, assets, and staff and operations of the LMC to the Urban Renewal Authority (URA).

(f) Refers to only those fees and charges paid to the Consolidated Account.

(g) Royalties previously received by the Department of Primary Industries and Regions, are now received by the Department for Manufacturing, Innovation, Trade, Resources and Energy.

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 2012
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2011-12	Actual 2011-12
PAYMENTS - AUTHORISED BY VARIOUS ACTS	$	$
SALARIES AND ALLOWANCES		
Agent-General - *Pursuant to Agent-General Act 1901*	325 000	132 748
Auditor-General - *Pursuant to Public Finance and Audit Act 1987*	287 000	288 911
Commissioners of Environment, Resource and Development Court - *Pursuant to Remuneration Act 1990*	1 077 000	1 113 625
Commissioner of Police - *Pursuant to Police Act 1988*	408 000	277 596
State Coroner and Deputy Coroner - *Pursuant to Remuneration Act 1990*	793 000	810 319
Electoral Commissioner and Deputy Electoral Commissioner - *Pursuant to Electoral Act 1985*	356 000	358 062
Employee Ombudsman - *Pursuant to Fair Work Act 1994*	137 000	130 777
Governor - *Pursuant to Constitution Act 1934*	281 000	302 084
Judges - *Pursuant to Remuneration Act 1990* —		
Chief Justice	629 000	731 501
Judges and Masters	22 115 000	24 448 875
Magistrates - *Pursuant to Remuneration Act 1990*	13 916 000	14 261 733
Members of various standing committees - *Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991*	785 000	795 339
Ombudsman - *Pursuant to Ombudsman Act 1972*	346 000	326 559
Parliamentary salaries and electorate other allowances - *Pursuant to Parliamentary Remuneration Act 1990*		
Ministers, officers and members of parliament	13 346 000	13 510 427
Senior Judge and judges of the Industrial Relations Court and Commission - *Pursuant to Remuneration Act 1990*	2 842 000	3 526 793
Solicitor-General - *Pursuant to Solicitor-General Act 1972*	561 000	548 893
Valuer-General - *Pursuant to Valuation of Land Act 1971*	129 000	11 624
Total Salaries and Allowances	58 333 000	61 575 866
OTHER		
Compensation for injuries resulting from criminal acts - *Pursuant to Victims of Crime Act 2001*	7 425 000	7 425 000
Electoral Districts Boundaries Commission - *Pursuant to Constitution Act 1934*	—	520 000
First Home Owner Grant - *Pursuant to First Home Owner Grant Act 2000*	53 662 000	48 017 365
Total Other	61 087 000	55 962 365
TOTAL PAYMENTS FOR WHICH SPECIFIC APPROPRIATION IS AUTHORISED IN VARIOUS ACTS	119 420 000	117 538 231

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2011-12 — *continued*

	Budget (Appropriation Act 2011)			Actual [j]
	Initial Section 4(1)	Transfers Section 5	Balance	2011-12
PAYMENTS	$	$	$	$
Arts SA	122 144 000	—	122 144 000	125 380 000
Attorney-General's Department	137 204 000	-42 176 000	95 028 000	95 028 000
Administered items for the Attorney-General's Department	42 833 000	—	42 833 000	38 240 000
Auditor-General's Department	13 770 000	—	13 770 000	15 094 000
Courts Administration Authority	88 314 000	—	88 314 000	87 623 000
Defence SA	36 205 000	—	36 205 000	25 618 000
Department for Communities and Social Inclusion [h]	1 233 555 000	-142 605 000	1 090 950 000	1 095 666 000
Administered items for the Department for Communities and Social Inclusion [h]	164 141 000	—	164 141 000	160 000 000
Department for Correctional Services	207 114 000	—	207 114 000	193 495 000
Department of Education and Child Development [h]	2 304 056 000	145 476 000	2 449 532 000	2 457 436 000
Administered items of the Department for Education and Child Development [h]	213 862 000	—	213 862 000	214 144 000
Department for Health and Ageing [h]	3 750 111 000	6 734 000	3 756 845 000	3 756 845 000
Department of Manufacturing, Innovation, Trade, Resources and Energy [h]	51 390 000	26 568 000	77 958 000	71 735 000
Administered items for the Department of Manufacturing, Innovation, Trade, Resources and Energy [h]	—	56 000	56 000	56 000
Department for Water	79 488 000	—	79 488 000	83 425 000
Administered items for the Department for Water	6 844 000	—	6 844 000	6 844 000
Department of Environment and Natural Resources	126 491 000	1 713 000	128 204 000	120 628 000
Administered items for the Department of Environment and Natural Resources	10 837 000	—	10 837 000	14 231 000
Department of Further Education, Employment, Science and Technology	409 791 000	—	409 791 000	384 005 000
Department of Planning and Local Government [i]	14 692 000	6 056 000	20 748 000	22 603 000
Administered items for the Department of Planning and Local Government [b]	2 313 000	- 392 000	1 921 000	2 081 000
Department of Planning, Transport and Infrastructure [h]	692 780 000	5 815 000	698 595 000	632 067 000
Administered items for the Department of Planning, Transport and Infrastructure [h]	13 704 000	-4 803 000	8 901 000	8 901 000
Department of Primary Industries and Regions [h]	113 648 000	-6 234 000	107 414 000	106 934 000
Administered items for the Department of Primary Industries and Regions [h]	3 589 000	- 56 000	3 533 000	3 353 000
Department of the Premier and Cabinet	124 559 000	5 825 000	130 384 000	113 079 000
Administered items for the Department of the Premier and Cabinet	9 733 000	5 195 000	14 928 000	14 928 000
Department of Treasury and Finance	78 634 000	-7 172 000	71 462 000	65 509 000
Administered items for the Department of Treasury and Finance	1 932 688 000	—	1 932 688 000	2 087 655 000
Electoral Commission of South Australia	3 129 000	—	3 129 000	3 637 000
Environment Protection Authority	6 301 000	—	6 301 000	5 611 000
House of Assembly	8 026 000	—	8 026 000	7 362 655
Independent Gambling Authority	1 623 000	—	1 623 000	1 623 000
Joint Parliamentary Services	14 462 000	—	14 462 000	7 639 584
Legislative Council	5 245 000	—	5 245 000	4 538 944

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2011-12 — *continued*

	Budget (Appropriation Act 2011)			Actual [c]
	Initial Section 4(1)	Transfers Section 5	Balance	2011-12
PAYMENTS - *continued*	$	$	$	$
Minister for Tourism	4 454 000	—	4 454 000	4 454 000
South Australia Police	656 320 000	—	656 320 000	645 037 000
Administered items for South Australia Police	168 000	—	168 000	168 000
South Australian Tourism Commission	53 238 000	—	53 238 000	53 937 000
State Governor's Establishment	2 897 000	—	2 897 000	2 951 000
Total Payments Appropriated for Public Authorities and Ministers	12 740 353 000	—	12 740 353 000	12 739 562 183
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	12 859 773 000	—	12 859 773 000	12 857 100 414

(h) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

(i) As a result of machinery of government changes during 2011-12, the functions of the Department of Planning and Local Government were transferred to a number of other agencies, and the department ceased to exist.

(j) Actual payments includes those authorised under other provisions of the *Public and Finance Audit Act 1987* (refer to Statement K)

J. J. SNELLING, Treasurer

STATEMENT B

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2012
(Section 22 (a) (ii) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	2011-12	2010-11
	$'000	$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	3 541 233	3 515 761
Commonwealth General Purpose Grants	4 279 645	4 251 512
Commonwealth Specific Purpose Grants	1 548 927	1 523 285
Commonwealth National Partnership Payments	72 496	39 160
Contributions from State Undertakings	411 530	439 059
Fees and Charges	337 071	352 296
Recoveries	409 643	133 528
Royalties	203 687	155 972
Other Receipts	578 160	240 563
Total Receipts	11 382 392	10 651 136
Increase in balance of Special Deposit Accounts	362 119	173 203
Increase in balance of Deposits lodged with the Treasurer	90 225	—
Increase in borrowings from the South Australian Government Financing Authority [(a)]	1 474 709	1 779 419
Decrease in cash at bank	—	88 641
Decrease in deposits by the Treasurer with LGFA	6 981	1 600
Increase in the value of cheques drawn but not presented / Deposits not credited	—	9 828
Decrease in Treasurer's loans to SAFA — payments to be settled [(b)]	9 944	45 157
	13 326 370	12 748 984
APPLICATION OF FUNDS		
Consolidated Account Payments	12 857 101	12 430 556
Decrease in balance of Deposits lodged with the Treasurer	—	21 009
Increase in cash at bank	28 016	—
Increase in deposits by the Treasurer with SAFA	365 709	297 419
Decrease in the value of cheques drawn but no presented/Deposits not credited	75 544	—
	13 326 370	12 748 984

(a) As reported in Statement A and Statement J, the Consolidated Account deficit for 2011-12 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. J. SNELLING, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2012
(Section 22 (a)(xiv) *Public Finance and Audit Act 1987*)

	2011-12 $'000	2010-11 $'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT — see Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES — see Statement F	2 686 702	2 324 582
DEPOSITS LODGED WITH THE TREASURER — see Statement G	684 056	593 831
CHEQUES DRAWN BUT NOT PRESENTED/DEPOSITS NOT CREDITED	- 47 169	28 375
TREASURER'S LOANS TO BE SETTLED [(a)]	- 205	- 10 149
	3 323 384	2 936 639
REPRESENTED BY		
CASH AT BANK	155 652	127 636
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY — see Statement J	3 133 756	2 768 047
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA — see Statement E	33 520	40 500
DEPARTMENTAL IMPREST ACCOUNTS — see Statement H	456	456
	3 323 384	2 936 639

(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. J. SNELLING, Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2012 [(a)]
(Section 22 (a) (iii) *Public Finance and Audit Act 1987*)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	$'000	$'000	$'000	$'000
	Payments	Recoveries	Cost	
Department of the Premier and Cabinet	128 007	375	127 632	
State Governor's Establishment	2 951	—	2 951	
Arts SA	125 380	—	125 380	
South Australian Tourism Commission	53 937	—	53 937	
Minister for Tourism	4 454	—	4 454	
Auditor-General's Department	15 094	13 259	1 835	
Department of Treasury and Finance	1 906 692	2 636 237	- 729 545	
Independent Gambling Authority	1 623	—	1 623	
Department of Manufacturing, Innovation, Trade, Resources and Energy [(b)]	71 791	—	71 791	
Defence SA	21 142	240	20 902	
Department of Primary Industries and Regions [(b)]	110 287	—	110 287	
Attorney-General's Department	133 268	1 177	132 091	
Courts Administration Authority	87 623	60 531	27 092	
Department for Correctional Services	186 964	—	186 964	
South Australia Police	633 469	65 824	567 645	
Electoral Commission of South Australia	3 637	9	3 628	
Department for Health and Ageing [(b)]	3 542 129	—	3 542 129	
Department for Communities and Social Inclusion [(b)]	1 255 666	—	1 255 666	
Department of Education and Child Development [(b)]	2 671 580	—	2 671 580	
Department of Further Education, Employment, Science & Technology	384 005	—	384 005	
Department of Environment and Natural Resources	134 859	4 021	130 838	
Department for Planning and Local Government	24 684	—	24 684	
Department for Water	90 269	293	89 976	
Environment Protection Authority	372	—	372	
Department of Planning, Transport and Infrastructure	156 953	195 218	- 38 265	
Legislature	19 541	—	19 541	
Payments authorised under various acts	117 538	—	117 538	
Total	11 883 915	2 977 184	8 906 731	
TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES				8 906 731

STATEMENT D - *continued*

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2012 [(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	1 205 915		
Stamp duties	1 284 427		
Land tax	587 988		
Commonwealth places mirror tax	22 804		
Save the River Murray Levy	26 172		
Other taxes on property	16		
Gaming machines tax	289 889		
Contribution from Lotteries Commission	93 534		
Contribution from casino operations	23 257		
Contribution from Totalizator Agency Board	4 387		
Contribution from on-course totalizators, bookmakers and small lotteries	2 844		
Total Receipts from State Taxation		3 541 233	
Commonwealth government general purpose grants		4 279 645	
Royalties		203 687	
Total Direct Receipts			8 024 565
LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			- 882 166
THIS WAS INCREASED BY THE NET OF —			
Payments for investing activities		- 970 218	
Payments for financing activities		- 2 967	
Receipts from investing activities		380 643	
			- 592 542
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF			-1 474 708

(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) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

J. J. SNELLING, 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 2012

(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 2012 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was $33.5 million.

J. J. SNELLING, Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2012
(Section 22 (a) (v) (c) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—	
Adelaide Convention Centre Future Asset Replacement Account	17 842 481
Adelaide Convention Centre Operating Account	22 458 388
Adelaide Dolphin Sanctuary Fund	1 269
Adelaide Stormwater Project	18 009 259
ANZAC Day Commemoration Fund	40 438
AusLink Advance for Specific Projects Account	198 756 984
Barossa Wine Industry Fund	762 363
Building the Education Revolution	24 896 770
Caring for our Country	4 382 857
Citrus Growers Fund	13 536
Clare Valley Wine Industry Fund	87 849
Community Emergency Services Fund	734 419
Community Road Safety Fund	5 604 891
Coorong, Lower Lakes and Murray Mouth Recovery Project	—
Country Equalisation Scheme	16 358 310
Dog Fence Fund	13 850
Electricity Sale/Lease Proceeds Account	—
Eyre Peninsula Grain Growers Rail Fund	527 203
Gamblers Rehabilitation Fund	811 720
Governors' Pensions Account	7 880
Grain Industry Fund	57 113
Health, Community and Disability Services Ministerial Council	15 933 893
HIH Builders' Indemnity Assistance Account	2 147 146
Homes for Incurables Trust	237 791
HomeStart Finance Account	2 581 715
Housing Loans Redemption Fund	9 992 254
Indigenous Program for Specific Projects	40 583 475
Judges' Pensions Account	120 517
Local Government Disaster Fund	313 766
Murray Futures Fund	24 182 524
National Rail Safety Reform Account	1 917 121
National Water Initiative Fund	6 096
Olive Industry Fund	24 369
Parliamentary Superannuation Scheme Account	417 676
Peter Stephens Trust	63 715
Playford Centre Operating Account	1 558 007
Police Superannuation Scheme Contribution Account	861 951
Public Trustee Office Operating Account	1 612 264
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	842 771
Rock Lobster Fishing Industry Fund	282 061
Rural Finance Account	33 898 658
Rural Industry Adjustment and Development Fund	21 926 413
SA Grape Growers Industry Fund	547 545
School Loans Scheme	—
Shared Services SA	26 454 990
South Australian Aboriginal Heritage Fund	851 374
South Australian Ambulance Superannuation Scheme	993 102
South Australian Local Government Grants Commission Account	983 301
South Australian Lower Lakes Bioremediation and Revegetation	69 952
South Australian Superannuation Fund Account	10 295 463

STATEMENT F — *continued*

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2012
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—*continued*	
Southern State Superannuation Fund Account	17 929 651
Supported Residential Facilities Indemnity Fund	37 047
Victims of Crime Fund	102 731 122
Sub-Total	631 765 310
Non-interest bearing—	
Accrual Appropriation Excess Funds	413 188 848
Adelaide Oval Redevelopment	20 640 755
Administrative and Information Services Administered Items Account	—
Administrative and Information Services Operating Account	—
Attorney-General's Administered Items Account	60 248 790
Attorney-General's Operating Account	14 723 455
Auditor-General's Administered Items Account	811 260
Auditor-General's Operating Account	1 394 350
Charitable and Social Welfare Fund	3 395 717
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Communities and Social Inclusion Administered Items Account	38 316 382
Communities and Social Inclusion Operating Account	21 853 628
Community Development Fund	—
Complementary State Natural Resource Management Program	283 629
Correctional Services Operating Account	7 312 917
Defence SA	7 890 328
Education and Child Development Administered Items Account	20 332 821
Education and Child Development Operating Account	102 585 429
Egg Industry Deregulation Account	464 709
Electoral Commission of South Australia Operating Account	2 397 792
Environment and Natural Resources Administered Items Account	320 400
Environment and Natural Resources Operating Account	6 351 551
Environment Protection Authority Operating Account	12 328 540
Essential Services Commission of SA	10 127 086
Further Education, Employment, Science and Technology Operating Account	38 927 311
Government Workers Rehabilitation and Compensation Fund	2 527 223
Health and Ageing Administered Items Account	—
Health and Ageing Operating Account	39 222 907
Health and Medical Research Fund	34 170 875
Highways Fund	349 331 407
Hospitals Fund	—
Industry Financial Assistance Account	40 281 610
Living Murray Fund, The	—
Local Government Concessions – Seniors Cardholders	1 766 360
Local Government Disaster Fund	33 519 617
Manufacturing, Innovation, Trade, Resources and Energy Operating Account	22 066 880
Minister for Gambling's Responsible Gambling Working Party	155 078
Motor Vehicles – Clearing Account	46 425 245
NRAH Operating Account	—
NRM Alliance Fund	—
Office of Public Employment Operating Account	—
Office of the Venture Capital Board Operating Account	—
Planning and Local Government Operating Account	2 021 167
Planning and Local Government Administered Items Account	871 824

STATEMENT F — *continued*

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2012
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance $
Non-interest bearing—***continued***	
Planning, Transport and Infrastructure Administered Items Account	5 069 116
Planning, Transport and Infrastructure Operating Account	47 747 166
Police and Emergency Services Administered Items Account	8 877 099
Police Operating Account	44 868 290
Premier and Cabinet Administered Items Account	2 624 201
Premier and Cabinet Operating Account	23 962 915
Primary Industries and Regions Administered Items Account	115 968
Primary Industries and Regions Operating Account	13 055 624
Professional Standards Council Fund	—
Sale of Government Land and Property	491 388
Save the River Murray Fund	1 954 993
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	55 306
Sport and Recreation Fund	3 321 998
State Governor's Establishment Operating Account	187 285
State Procurement Board Account	802 644
Support Services to Parliamentarians	5 947 894
Surplus Cash Working Account	—
Targeted/Voluntary Separation Package Schemes	3 456
Treasurer's Interest in the National Wine Centre	734 886
Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations	309 277 624
Treasury and Finance Administered Items Account	196 091 023
Treasury and Finance Operating Account	18 867 268
Treasury – Working Account	1 488 228
Water Administered Items Account	4 124 410
Water Operating Account	9 007 194
Sub-Total	2 054 936 282
TOTAL SPECIAL DEPOSIT ACCOUNTS	2 686 701 592

J. J. SNELLING, Treasurer

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *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.
Auslink Advance for Specific Projects Account	To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program.
Barossa Wine Industry Fund	To record receipts and payments relating to the Barossa wine industry in accordance with the *Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations.*

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *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 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.
Coorong, Lower Lakes and Murray Mouth (CLLMM) Recovery Project	To record and identify all funds received and expended for the CLLMM Recovery Project.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 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 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.
Essential Services Commission of SA	To record the financial transactions of the Essential Services Commission of South Australia.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.
Homes for Incurables Trust	To record receipts and payments incurred within the terms of the Home for Incurables Trust

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.
Minister for Gambling's Responsible Gambling Working Party	To record the financial transactions related to the operation of the Minister for Gambling's Responsible Gambling Working Party.
Motor Vehicles – Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
Murray Futures Fund	To record the activities in relation to the projects funded from the Commonwealth Government's Water for the Future initiative.
National Rail Safety Reform Account	To receive revenue associated with the National Rail Safety Reform initiative and to disburse associated payments.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.
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.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.*
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*.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 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.*
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.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.
Targeted/Voluntary Separation Package Schemes	To administer the costs associated with the Targeted/Voluntary Separation Package Schemes.
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 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.

STATEMENT F (1) — *continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2012 — *continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Treasury – Working Account	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Victims of Crime Fund	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Water 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. J. SNELLING, Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2012
(Section 22 (a) (v) (A) *Public Finance and Audit Act 1987*)

Account	Purpose
Adelaide Oval Redevelopment	To record and identify all money made available and expended for the Adelaide Oval redevelopment.
Coorong, Lower Lakes and Murray Mouth (CLLMM) Recovery Project	To record and identify all funds received and expended for the CLLMM Recovery Project.
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.
Peter Stephens Trust	To record receipts and disbursements incurred within the terms of Peter Stephens Trust.

J. J. SNELLING, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2012
(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	9 746 851
Adelaide Festival Centre Trust	11 483 117
Adelaide Hills Wine Industry Fund	47 197
Agents Indemnity Fund	53 935 807
Alinytjara Wilurara Natural Resources Management Board	1 559 451
Aquaculture Resource Management Fund	207 157
Art Gallery Board Bequests Account	881 829
Bank of Tokyo-Mitsubishi Account	76 105
Bio Innovation SA	109 031
Boating Administration — Working Account	5 434 730
Botanic Gardens Board Endowment and Commercial Fund	3 068 262
Carrick Hill Trust	530 262
Cattle Compensation Fund	1 478 370
Cooperative Research Centre for Sustainable Aquaculture of Finfish	—
Crown Solicitor's Trust Account	1 057 627
Daniel Livingston Scholarship	34 361
Deer Keepers' Compensation Fund	138 427
Distribution Lessor Corporation Account	22 374
District Court Suitors' Fund	2 824 166
Dog and Cat Management Fund	955 557
Education Department — Scholarships and Prizes	176 654
Employment and Technical and Further Education — College Council Funds	276 641
Environment Protection Fund	6 697 973
Eyre Peninsula Natural Resources Management Board	1 308 012
Fleet SA	—
Generation Lessor Corporation Account	27 861
Grains Industry Levy Fund	376 720
History Trust of South Australia	1 929 700
Independent Gambling Authority	2 956 104
Industrial Court Commission	—
Institute of Medical and Veterinary Science	6 887 532
Langhorne Creek Wine Industry Fund	58 721
Legal Practitioners Act	292 131
Libraries Board of South Australia	7 980 685
Local Government Taxation Equivalents Fund	18 841
Market Projects Unit	2 937
McLaren Vale Wine Industry Fund	29 600
Medical Research Trust Funds	274 357
Motor Accident Commission Account	606 231
Museum Board — Bequests Account	1 943 459

STATEMENT G — *continued*

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2012
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—*continued*	
National Action Plan for Salinity and Water Quality	2 342 037
National Parks General Reserves Account	1 872 608
National Sirex Fund	—
Native Vegetation Fund	6 628 464
Natural Heritage Trust Extension (NHT2)	—
Natural Resources Management Fund	345 783
Outback Areas Community Development Fund	2 280 517
Passenger Transport Research and Development Fund	11 272
Phylloxera and Grape Industry Fund	1 505 329
Planning and Development Fund	15 751 843
Pleuro Pneumonia Fund	89 534
Police Superannuation Fund	177 151
Rail Commissioner	2 863 919
Rail Transport Facilitation Fund	44 961 707
Real Property Act Assurance Fund	7 082 999
Real Property Act Trust Account	65 410
Recreational Boating Facilities Fund	12 267 387
RESI Corporation Account	104 836
Residential Tenancies Fund	14 656 523
Retail Shop Leases Fund	519 153
Returned and Services League of Australia Care SA	—
Returned and Services League of Australia (South Australian Branch) Incorporated	722 529
Riverland Wine Industry Fund	219 454
SA BITS Funds Pty Ltd — Playford Centre Capital	1 169 064
SAFECOM Operating Account	39 218 967
Second-Hand Vehicles Compensation Fund	2 494 225
South Australian Apiary Industry Fund	204 694
South Australian Arid Lands Natural Resources Management Board	3 312 094
South Australian Country Arts Trust	3 681 035
South Australian Forestry Corporation	6 025 268
South Australian Government Financing Authority	39 439 461
South Australian Housing Trust	137 551 440
South Australian Murray Darling Basin Natural Resources Management Board	7 994 619
South Australian Pig Industry Fund	3 390 813
South Australian Sheep Industry Fund	8 159 189
South East Natural Resources Management Board	4 737 577
State Emergency Relief Fund	67 872
State Procurement Board — Gaming Machine Operations	—
Superannuation Funds Management Corporation Operating Account	2 915 957
Super SA Board	12 291 570
Super SA Retirement Fund	18 332 823
Supreme Court Suitors Fund	38 388 953

STATEMENT G — *continued*

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2012
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

Account	Balance $
Interest bearing—*continued*	
Teachers' Registration Board	7 406 336
Transmission Lessor Corporation Account	13 352
Upper South East Dryland Salinity Project	816 750
Urban Renewal Authority	15 381 673
Urban Renewal Authority — Cheltenham Trust Account	4 647 214
Waste to Resources Fund	33 887 424
Wildlife Conservation Fund	429 187
Woods, Bagot, Jory and Laybourne-Smith — National War Memorial Account	1 899
Sub-Total	631 862 751
Non-interest bearing—	
Adelaide Children's Court	3 514
Agriculture — Research and Services Grants	11 044 435
Children's Services Office — Capital Assistance Fund	192 235
Coast Protection Fund	281 887
Companies Liquidation Account	94 244
Contractors' Deposits	32 565
Co-operatives Liquidation Account	64 993
Correctional Services — Prisoners' Monies	518 921
Courts Administration Authority	10 245 823
Extractive Areas Rehabilitation Fund	17 156 386
Fisheries — Research and Development Fund	5 257 897
Metropolitan Drainage Maintenance Fund	39 455
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	1 595 620
Sheriff's Office Account	2 949
South Australian Film Corporation Investors Returns Account	375 804
South Australian Tourism Commission	3 700 576
South Eastern Water Conservation and Drainage Board	358 917
State Heritage Fund	437 488
Unclaimed Salaries and Wages Account	505 097
Workmen's Liens	284 475
Sub-Total	52 193 281
TOTAL DEPOSITS LODGED WITH THE TREASURER	684 056 032

J. J. SNELLING, 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 [(a)]	121 000
Electoral Commissioner	Electoral Commission of South Australia	200
Chief Executive	Department for Communities and Social Inclusion [(a)]	285 000
Chief Executive	Department for Manufacturing, Innovation, Trade, Resources and Energy [(a)]	3 000
TOTAL		456 320

(a) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

J. J. SNELLING, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2012
(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 2012 was $8 290 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 2011-12 the Consolidated Account deficit was $1 474.7 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 Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

	2011-12 $'000	2010-11 $'000
Loans to State Government Departments		
Department of Primary Industries and Resources—Rural Loans	17 757	4 494
	17 757	4 494
Loans to Statutory Authorities and Other Bodies		
Flinders Medical Centre	21 432	22 572
Flinders Medical Centre Foundation	5 000	5 000
Lyrup Village Association	13	19
Renmark Irrigation Trust	843	965
Royal Adelaide Zoo	2 600	—
South Australian Cricket Association	—	30 000
South Australian Housing Trust	480 350	556 333
South Western Suburbs Drainage	1 758	1 956
Woodville, Henley and Grange Drainage	187	201
	512 183	617 046

STATEMENT I — *continued*

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2012 — *continued*
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

	2011-12	2010-11
	$'000	$'000
Equity Contributions		
Adelaide Convention Centre	125 966	83 294
Adelaide Entertainments Corporation	55 536	55 536
Arts SA	45 221	45 221
Department for Correctional Services	19 664	13 133
Courts Administration Authority	3 140	3 140
Defence SA	101 888	376 632
Distribution Lessor Corporation	28 273	28 273
Electoral Commission of South Australia	1 363	1 363
Environment Protection Authority	8 434	3 195
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Department for Communities and Social Inclusion	74 325	74 325
Department for Health and Ageing [(a)]	1 046 161	831 445
Land Management Corporation	—	35 000
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Department for Planning and Local Government	—	2 983
Department of Primary Industries and Regions [(a)]	1 059	1 059
SA Water Corporation	173 610	173 610
South Australian Asset Management Corporation	—	716
South Australian Film Corporation	8 460	8 460
South Australia Police	85 220	73 484
South Australian Tourism Commission	64	64
State Governor's Establishment	160	160
Urban Renewal Authority	107 938	—
Department of Treasury and Finance	547	547
Department of Planning, Transport and Infrastructure [(a)]	1 472 788	998 535
Department for Water	10 893	10 893
	3 400 816	2 851 174
Other Indebtedness		
Debt associated with prior operations of the Consolidated Account	4 359 312	3 338 112
TOTAL TREASURER'S INDEBTEDNESS TO SAFA	8 290 068	6 810 826

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) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

STATEMENT I — *continued*

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2012 — *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 2012 was $482.7 million. This amount will reduce over the terms of the leases, (up to 200 years), as lease rental revenue is brought to account. No cash payments are anticipated.

J. J. SNELLING, 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 2011-12 is summarised as follows—

	$million
Balance at 30 June 2011	6 811
Add — Consolidated Account borrowings in 2011-12	1 475
Add — Realised loss (net)	6
Less — Repayment of borrowings	2
Balance at 30 June 2012	8 290
Market value at 30 June 2012 [(a)]	8 525

(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 2012 the Treasurer's deposit with SAFA was $3 134 million (SAFA's market valuation $3 144 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2012 and the form in which those balances were held.

SAFA's 2011-12 operating profit before income tax was $14.9 million. SAFA operates within the Tax Equivalent Regime (TER) and under this arrangement the amount paid to Consolidated Account in 2011-12, as reported in Statement A, was $3.4 million.

After taking account of the retained surplus carried forward from previous years and the net loss after tax in 2011-12, the amount of SAFA's surplus potentially available for distribution at 30 June 2012 was $246.7 million. The Treasurer determined that the distribution for 2011-12 would be $12.8 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 $1.0 million in 2011-12. The Treasurer has a net liability to the Fund of $8.2 million representing the outstanding liability of $16.3 million as at 2010-11, less an indemnity payment made by the Treasurer of $7.0 million in 2011-12, and less the Treasurer's receivable of $1.0 million for 2011-12.

J. J. SNELLING, 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 2011-12	374 469 000

Purpose of Appropriation	Amounts Issued and Applied
	$
Department of Environment and Natural Resources	3 394 000
Department for Water	3 937 000
Department of Treasury and Finance	112 948 000
Attorney-General's Department	10 150 000
Department of Planning and Local Government	1 855 000
Auditor - General's Department	1 324 000
Department of Education and Child Development [(a)]	7 904 000
Administered Items for Department of Education and Child Development [(a)]	282 000
Arts SA	3 236 000
State Governor's Establishment	54 000
Electoral Commisison of South Australia	508 000
South Australia Tourism Commission	699 000
Department for Communities and Social Inclusion [(a)]	4 716 000
Administered Items for Department of Planning and Local Government	160 000
TOTAL	151 167 000

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 2011-12.

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 2011-12.

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	42 019 000
TOTAL	42 019 000

APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2011-12
(Section 22 (a) (xiii) *Public Finance and Audit Act 1987*)

	Appropriation Authority	Actual Payments
	$	$
Appropriation Act 2011 , Section 4	12 740 353 000	12 546 376 183
Public Finance and Audit Act 1987 , Section 15	42 019 000	42 019 000
	12 782 372 000	12 588 395 183
The Governor's Appropriation Fund — *Public Finance and Audit Act 1987,* Section 12	374 469 000	151 167 000
	13 156 841 000	12 739 562 183
Specific appropriation authorised by various Acts	119 420 000	117 538 231
TOTAL	13 276 261 000	12 857 100 414

(a) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

J. J. SNELLING, Treasurer

STATEMENT L

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2012
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

Transfers were made to the following agencies:	$
Arts SA	452 069
Attorney-Generals Department	3 796 893
Administered Items for Attorney-Generals Department	24 618 000
Auditor Generals Department	5 000
Courts Administration Authority	13 000
Defence SA	14 000
Department for Communities and Social Inclusion [(a)]	14 987 097
Department for Correctional Services	5 873 118
Department of Education and Child Development [(a)]	21 807 276
Administered items for Education and Child Development [(a)]	31 000
Department for Environment and Natural Resources	6 389 970
Department for Health & Ageing [(a)]	72 293 061
Department for Manufacturing, Innovation, Trade, Resources and Energy [(a)]	871 956
Administered Items for Department for Manufacturing, Innovation, Trade, Resources and Energy	764 000
Department for Water	4 979 560
Department of Further Education, Employment, Science and Technology	6 827 263
Department of Planning, Transport and Infrastructure [(a)]	161 756 560
Department of Primary Industries and Regions [(a)]	5 579 126
Department of the Premier and Cabinet	4 768 909
Department of Treasury and Finance	9 059 524
Environment Protection Authority	352 243
House of Assembly	45 000
Joint Parliamentary Services	185 000
Legislative Council	26 000
South Australia Police	26 341 000
South Australian Fire and Emergency Services Commission	1 443 583
South Australian Metropolitan Fire Service	1 058 000
South Australian Tourism Commission	1 740 320
State Governor's Establishment	1 000
TOTAL	376 079 528

(a) During 2011-12, a machinery of government restructure resulted in changes to the names of a number of agencies. Unless otherwise indicated, their statements reflect the title of the agency as at 30th June 2012.

J. J. SNELLING, Treasurer

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

Australian Accounting Standards - AASB – continued

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

Treasurer's Instructions – TIs – continued

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Acronyms – continued

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer’s Instruction
TVSP	Targeted voluntary separation package

Part B

General index

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