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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

Supplementary Report

for the

year ended 30 June 2006

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

First Session, Fifty-First Parliament

Agency Audit Reports

By Authority: K. O'Callaghan, Government Printer, South Australia

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2006

Government of South Australia
Auditor-General's Department

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25 October 2006

The Hon R K Sneath, MLC
President
Legislative Council
Parliament House
ADELAIDE SA 5000

The Hon J J Snelling, MP
Speaker
House of Assembly
Parliament House
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Gentlemen

REPORT OF THE AUDITOR-GENERAL: SUPPLEMENTARY REPORT: AGENCY AUDIT REPORTS

Pursuant to section 36(3) of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report 'Agency Audit Reports' containing the accounts of the:

- Department for Environment and Heritage
- HomeStart Finance
- Department of Primary Industries and Resources

which are required to be reported on by me in accordance with section 36 of the *Public Finance and Audit Act 1987*.

Qualified Audit Opinions

It was found necessary to issue a qualified audit opinion in the Independent Audit Report in two instances. The agencies concerned are:

- Department for Environment and Heritage
- HomeStart Finance.

The reason for, and the extent of, the qualification in the Independent Audit Report is described in the commentary on each of those agencies in this Report.

Yours sincerely,

K I MacPherson
AUDITOR-GENERAL

Report of the Auditor-General

Supplementary Report for the year ended 30 June 2006

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DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department for Environment and Heritage (DEH) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

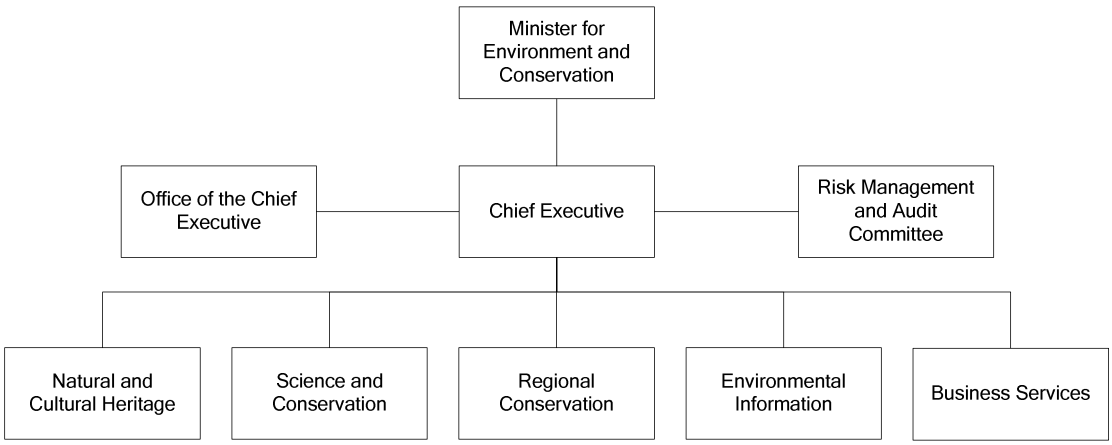
Functions

DEH's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation, environmental sustainability and animal welfare;
- managing the State's public land held in the conservation reserve system and as Crown Lands; and
- being a custodian of information and knowledge about the State's environment.

Structure

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



Changes to Functions and Structure

Effective from 1 April 2006 the Office of Sustainability was transferred from the DEH to the Department of the Premier and Cabinet. Refer to Note 16 to the Department's Financial Statements for further details of this transfer.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

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

- revenue, receipts and receivables;
- purchases, payments and payables;
- credit card expenditure;
- employee expenses and related benefits;
- fixed assets (including park management plans);
- procurement;
- financial management framework; and
- computer information systems.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of the Financial Report

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

> ***Qualification***
>
> *As disclosed in Note A1(c) to the Administered Items Financial Statements, Property, Plant and Equipment reported in the Statement of Administered Assets and Liabilities excludes Unallotted Crown Land, as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of Property, Plant and Equipment actually included in Crown Lands.*
>
> *As the integrity of Crown land holdings and values administered by the Department have not been ascertained, I am unable to form an opinion on the reasonableness of the values of property plant and equipment relating to Crown Lands, brought to account in the Statement of Administered Assets and Liabilities.*
>
> ***Qualified Audit Opinion***
>
> *In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Environment and Heritage as at 30 June 2006, the results of its operation and its cash flows for the year then ended.*

Assessment of Controls

In my opinion, the controls exercised by the Department for Environment and Heritage 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: procurement practices; legal compliance - park management plans; credit card expenditure; and commentary on Computer Information Systems (CIS) environment as outlined under 'Audit Communications with Management', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage have been conducted properly and in accordance with law.

Audit Communications with Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were considered to be satisfactory.

Procurement Practices

Previous year's Reports have included a number of observations on DEH's procurement practices.

A follow up review in 2005-06 identified that:

- policies and procedures for procurement were yet to be formalised. Updated policies and procedures are under development;

- a 'Procurement Internal Control Framework' is under development, which includes the monitoring of procurement activity. Currently procurement transactions are reviewed annually, however audit believe this review can be conducted in a more timely manner;

- as procurement delegates are also financial delegates the same officers were potentially able to incur the expenditure and authorise the goods and services to be paid.

DEH responded that outstanding policies and procedures will be finalised and approved in 2006-07, including the Procurement Internal Control Framework.

Accounting for Crown Land

Over a number of years, Audit has commented on action taken on the treatment of Crown lands for accounting purposes and the completeness and accuracy of information available on Crown lands.

DEH has advised that it anticipates being able to address this issue progressively where resources allow over a number of years. The Department further commented that its initial focus will be on assessing all coastal unallotted Crown land during 2004-05 and 2005-06. It indicated that this involves the determination of parcels of Crown land that may more appropriately be formally incorporated within the reserve system.

As a result of the aforementioned matters, the Independent Audit Reports on the Department's financial statements for past years were qualified on administered property, plant and equipment.

Due to there being no resolution of this matter, the Independent Audit Report to the financial statements has again been qualified with respect to the completeness and valuation of property, plant and equipment included in the Schedule of Administered Assets and Liabilities, which includes Crown lands.

Legal Compliance - Park Management Plans

DEH is charged with the responsibility to manage the State's public land, which includes land held in the conservation reserve system. In fulfilling its obligations, the DEH administers the *National Parks and Wildlife Act 1972*, and in the management of those reserves the DEH must have regard to, and act consistently with, the objectives of management per section 37 of the *National Parks and Wildlife Act 1972*. Further, the DEH administers the *Wilderness Protection Act 1992* and its objectives of management per the Wilderness Code of Management.

Section 38 of the *National Parks and Wildlife Act 1972* further states that management plans are required, as soon as practicable after constitution of each reserve. The management plan should set forth proposals for the management and improvement of the reserve and the methods by which it is intended to accomplish the objectives of the Acts for those reserves. The DEH is responsible for preparing management plans for each of the reserves. Section 31 of the *Wilderness Protection Act 1992* also states that management plans are required, as soon as practicable after the constitution of a wilderness protection area or zone. The management plan must as far as practicable implement the policies set out in the Wilderness Code of Management. The DEH is responsible for preparing management plans for each of the Wilderness areas or zones.

Audit review of the DEH's compliance with these requirements revealed that:

- Park Management Plans have yet to be created for over half of the reserves under the control and direction of the DEH; and

- a significant proportion of Park Management Plans which currently exist are in excess of 10 years old and there is no evidence of a formal review of these Park Management Plans to ensure they are still current and applicable. Further, the majority of these plans do not incorporate performance indicators/mechanisms to monitor the Plan's effectiveness.

The DEH responded, stating that they have allocated additional resources to accelerate the development of the Park Management Plans, resulting in a significant increase in the number of draft plans released for public consultation and adopted over the last 12 months. This current level of resources will see a significant increase in Park Management Plans produced over the next three years. Further, where a Park Management Plan is not in place, management of that park is still conducted in accordance with the management objectives set out under the *National Parks and Wildlife Act 1972.*

A process to formally review Park Management Plans is currently being developed, however, the current priority is to develop outstanding Park Management Plans, or where there are management activities required which are not prescribed in existing plans. DEH is also currently implementing a project to develop park management effectiveness measures for incorporation into Park Management Plans. This project will continue through 2006-07 for trialling on targeted parks and will, over time, be incorporated into new Park Management Plans.

Credit Card Expenditure

A review of credit card expenditure examined compliance with Treasurer's Instructions and the DEH's internal procedures. The outcomes of the review were that Credit Card Controllers did not:

- adequately monitor and act upon the splitting of transactions by cardholders to avoid exceeding established transaction limits;
- ensure that all travel, meals and accommodation purchases were accompanied by written explanations of the purpose of such expenditure and the individuals involved;
- ensure that sufficient documentation (invoices etc) was provided to support all credit card payments;
- adequately check the correctness of General Ledger account codes allocated to credit card transactions;
- provide relevant reports to the Chief Executive and DEH Authorised Signatories for confirmation that records of cardholders were current and bona fide.

The DEH's response to these findings was that:

- Credit Card Controllers review, as far as it is practicable, credit card statements for obvious breaches of transaction limits. Further, the Department has developed, and is currently delivering a training program for all cardholders aimed at improving compliance with internal procedures;
- cardholders are required to provide descriptions for meal, travel and accommodation transactions on each monthly credit card statement. This will be reinforced through the cardholder training program;
- cardholders are required to obtain and attach supporting documentation for all transactions on their monthly cardholder statement. Where documentation is not obtained at the time of purchase, in the majority of instances cardholders contact the supplier to obtain this documentation;
- Credit Card Controllers review the general ledger account codes for reasonableness, paying particular attention to entertainment expenses. Current cardholder training includes the allocation of appropriate general ledger account codes;
- credit card monitoring and usage reports are forwarded to all finance officers and business managers of Regional sites on a monthly basis. The six monthly reports for review by DEH Authorised Signatories were distributed during May 2006.

Commentary on Computer Information Systems (CIS) Environment

Audit conducted a follow up of matters outstanding from earlier audit reviews of certain DEH computer processing environments.

A 2003-04 Audit review noted that:

- the Draft IT Strategic Plan for the period 2002-05 was not finalised. Audit noted that the Information Planning and Strategy Branch was in the process of updating and finalising the Plan;
- the development of a Business Continuity Plan (BCP) was currently underway. Audit was advised that funding for the project had been approved and external consultants had been appointed to develop the BCP;
- the Service Level Agreement (SLA) between IT and the other corporate business units had not been updated. A draft SLA had been issued for comment for services provided by IT to the Environment Protection Authority (EPA);

- the DEH IT Security Policies were currently being reviewed and updated. External consultants had been appointed to assist the DEH with this task. The policies would be provided to the Departmental Information Technology Advisory Committee (DITAC) for comment and approval once they had been completed;
- there was no segregation of access authorisation and user creation tasks in the ARAMIS environment.

Audit review in 2005-06 noted that the following matters remained outstanding:

- A review of the DEH critical business systems commenced in May 2005 to ensure the Business Continuity Plan is aligned with the strategic directions of DEH. A high level Business Continuity Plan has been developed and the DEH's next phase will involve the production of ICT Business Continuity Plans and a disaster recovery plan.
- The SLA between IT and the other corporate business units had not been updated. The DEH responded that it no longer views SLAs between corporate support and business units as cost effective. However, an IT Services Catalogue is under construction which will specify performance criteria for each of the IT services.
- Impacts of the draft IT security policies were discussed at DITAC. External consultants have delivered a plan for the implementation of the revised security policies once they are endorsed by management. 18 policies have been developed in accordance with the Information Security Management Framework, and two have been endorsed by DITAC.

INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

Highlights of Financial Report

	2006 $'million	2005 $'million	Percentage Change
REVENUE			
Revenues from Government	**122.7**	116.5	5
Fees and charges	**14.4**	17.3	(17)
Grants and contributions	**14.0**	15.1	(7)
Other revenue	**10.1**	6.5	55
Total Revenue	**161.2**	155.4	4
EXPENSES			
Employment expenses	**72.1**	66.1	9
Supplies and services	**49.5**	48.0	3
Depreciation and amortisation	**18.0**	26.0	(31)
Other expenses	**18.1**	12.9	40
Total Expenses	**157.7**	153.0	3
Net Result After Restructure	**3.5**	2.4	46
Net Cash Flows from Operations	**33.9**	35.2	(4)
ASSETS			
Current assets	**135.7**	115.8	17
Non-current assets	**546.2**	178.8	205
Total Assets	**681.9**	294.6	131
LIABILITIES			
Current liabilities	**16.6**	17.6	(6)
Non-current liabilities	**55.7**	52.5	6
Total Liabilities	**72.3**	70.1	3
EQUITY	**609.6**	224.5	172

Income Statement

Income

Revenues from all activities increased by $5.8 million. Major items effecting the movement were:

- revenues from Government increased by $6.2 million (5 percent). The increase represents in the main, an increase in budgeted recurrent appropriation in 2005-06 of $5.2 million, due primarily to additional funding for enterprise bargaining and approved budget initiatives;
- fees and charges decreased by $2.9 million. This movement is due mainly to the following items:
  - decrease of $1.3 million in sale of property due to cessation of the cast metals precinct remediation project;
  - decrease of $0.8 million in support service revenue due to transfer of activities, which were previously recharged, to another Government Department;
  - decrease of $0.5 million due to a decrease in demand for spatial information services;
- other revenue increased by $3.2 million due primarily to cost recoveries associated with fitouts in leased accommodation, and increased interest revenue on cash balances.

Expenses

Employment expenses increased by $6.0 million due mainly to an Enterprise Bargaining Agreement salary rate increase of 3.5 percent in October 2005 and the full year impact of additional employees hired in the previous reporting period.

Supplies and services increased by $1.5 million due to:

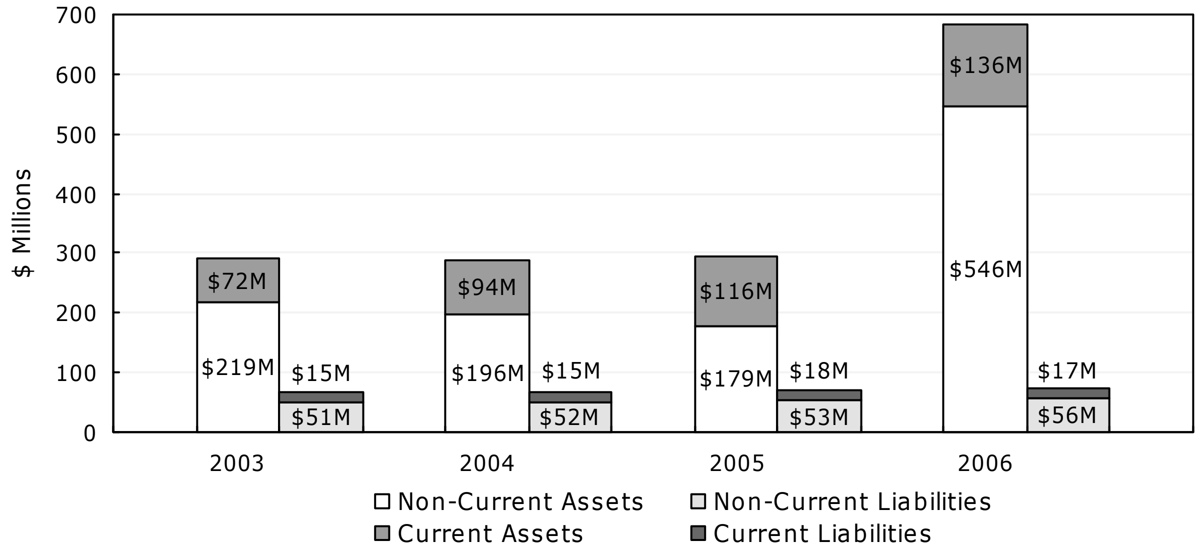
- an increase of $2.1 million in costs relating to the Sand Replenishment Project which commenced in 2003-04;
- an increase in Equipment Repairs and Maintenance of $1 million associated with restoration of damage caused by fire and flood.

These increases were offset by a reduction of $1.2 million in Legal Fees and Payments associated with the foregoing of grazing rights over the Chowilla Game Reserve.

Depreciation expense decrease is due mainly to a revision of useful life estimates.

Balance Sheet

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



The Department's assets comprise two main items: Property, Plant and Equipment and Cash.

Property, Plant and Equipment

In 2006 this item makes up 79 percent (60 percent) of total assets. Land, buildings and improvements is the dominant item of property, plant and equipment. Note 23 provides further details of items and amounts.

Property, plant and equipment increased from $176 million to $541 million due mainly to revaluations amounting to $365 million.

The increase in the asset valuation is due primarily to the revaluation of land $80 million, Buildings and Improvements $52 million, Park Infrastructure $122 million and Roads Tracks and Trails $111 million. These revaluation increments are due primarily due to increases in the underlying costs associated with the buildings and improvements and park infrastructure assets. Lands, Roads, Tracks and Trails increases reflect increases in the cost of replacement of these assets.

Cash

This item, $129 million ($108 million) represents 95 percent (93 percent) of total current assets and 19 percent (36 percent) of total assets.

Cash Flow Statement

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

	2006 $'million	2005 $'million	2004 $'million	2003 $'million
Net Cash Flows				
Operations	**33.9**	35.2	35.4	22.8
Investing	**(12.6)**	(12.8)	(13.6)	(9.6)
Financing	**(0.1)**	-	0.2	1.0
Change in Cash	**21.2**	22.4	22.0	14.2
Cash at 30 June	**129.0**	107.8	85.5	63.5

In 2005-06 the Department generated $33.9 million cash flow from operations and $12.6 million of this was used to finance investing activities (acquisition of property, plant and equipment).

Cash increased by $21.2 million in 2005-06. Of this increase, $20.1 million was in accrual appropriation for 2005-06 which is credited to the Treasury and Finance Special Deposit Account 'Accrual Appropriation Excess Funds - DEH'. Access to these funds is subject to the Treasurer's approval.

The balance of the Department's cash at 30 June 2006 comprises operating deposit accounts $16.6 million; accrual appropriation account $112.2 million; and other cash items $0.2 million.

FURTHER COMMENTARY ON OPERATIONS

Fire Management Program

The 2003-04 State Budget made available $10 million to DEH over four years to support fire management programs. DEH developed a comprehensive fire management policy and planning framework for the conservation of biodiversity and to minimise a fire's impact on life and property.

As a result of the funding, DEH has purchased additional resources to increase the operational capabilities in the event of a fire. Also, in conjunction with other Government agencies, DEH has significantly increased the prescribed burning program throughout the state and developed guidelines through the Government Agencies Fire Liaison Committee for the construction and maintenance of firebreaks and fire tracks.

The 2005-06 operating and investing expenditure is $2.5 million. The total project costs to 30 June 2006 are $7.7 million.

Administered Items

Crown Land Perpetual Leases

On 13 January 2003, Cabinet approved the implementation of an accelerated freeholding project for Crown Land perpetual leases.

Environment and Heritage

The joint project between DEH and the Department for Administrative and Information Services, which is managed by a Project Board, was to make an offer of sale to all eligible perpetual lease holders giving them the opportunity to purchase the land over which they have a lease. The number of leases offered for sale totalled approximately 15 000.

In early March 2003, the Minister for Environment and Conservation gave approval for the commencement of the freeholding program. The offer to freehold perpetual leases was distributed to all lessees, with the offer expiring on 30 September 2003. This was subsequently extended to 31 March 2006. 9555 applications to freehold were received, representing some 13 500 leases, prior to the close of the application period on 31 March 2006.

Total costs for the project are estimated at $15.4 million over 6 years. Total freeholding and application revenue is estimated as $21.4 million generating a net return of $6 million to the Consolidated Account.

The 2005-06 freeholding and application revenue is $4.8 million and 2005-06 expenditure is $2.8 million. The total project freeholding and application revenue to 30 June 2006 is $12.6 million and the total project expenditure to 30 June 2006 is $8.5 million. In 2005-06, a transfer of $4.7 million was made to the Consolidated Account.

Income Statement for the year ended 30 June 2006

	Note	**2006 $'000**	2005 $'000
EXPENSES:			
Employee benefits costs	4	**72 113**	66 092
Supplies and services	5	**49 503**	48 030
Grants and contributions	6	**4 488**	4 557
Depreciation and amortisation	7	**17 989**	26 028
Borrowing costs	8	**2 957**	2 856
Net loss from disposal of non-current assets	9	**6 739**	2 166
Other expenses	10	**3 763**	1 044
Total Expenses		**157 552**	150 773
INCOME:			
Fees and charges	11	**14 370**	17 296
Grants and contributions	12	**13 967**	15 149
Interest	13	**7 273**	5 384
Other revenue	14	**2 859**	1 087
Total Income		**38 469**	38 916
NET COST OF PROVIDING SERVICES		**119 083**	111 857
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues	15	**122 729**	116 477
Payments	15	**-**	(1 851)
Total SA Government Revenues and Payments		**122 729**	114 626
NET RESULT BEFORE RESTRUCTURE		**3 646**	2 769
Net expense from administrative restructure	16	**(118)**	(328)
NET RESULT AFTER RESTRUCTURE		**3 528**	2 441

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

Balance Sheet
as at 30 June 2006

	Note	2006 $'000	2005 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**128 985**	107 812
Receivables	18	**4 470**	5 477
Inventories	19	**1 441**	1 591
Other current assets	21	**855**	887
Total Current Assets		**135 751**	115 767
NON-CURRENT ASSETS:			
Receivables	18	**2 578**	81
Non-current assets held for sale	22	**951**	956
Financial assets	20	**8**	8
Property, plant and equipment	23	**541 056**	175 867
Intangible assets	24	**1 600**	1 955
Total Non-Current Assets		**546 193**	178 867
Total Assets		**681 944**	294 634
CURRENT LIABILITIES:			
Payables	25	**10 092**	11 347
Employee benefits	26	**6 082**	5 991
Finance leases	28	**-**	1
Other current liabilities	29	**500**	290
Total Current Liabilities		**16 674**	17 629
NON-CURRENT LIABILITIES:			
Payables	25	**1 354**	1 603
Employee benefits	26	**13 689**	12 866
Long-term borrowings	27	**38 054**	38 054
Other non-current liabilities	29	**2 581**	12
Total Non-Current Liabilities		**55 678**	52 535
Total Liabilities		**72 352**	70 164
NET ASSETS		**609 592**	224 470
EQUITY:			
Asset revaluation reserve	30	**388 231**	22 876
Retained earnings	30	**221 361**	201 594
TOTAL EQUITY		**609 592**	224 470

THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER

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

	Note	Asset Revaluation Reserve $'000	Retained Earnings $'000	**Total $'000**
Balance at 1 July 2004		23 458	198 877	**222 335**
Change in accounting policy		-	(2 775)	**(2 775)**
Restated Balance at 1 July 2004		23 458	196 102	**219 560**
First-time recognition of assets				
Buildings and improvements		-	402	**402**
Park infrastructure		-	2 857	**2 857**
Roads, tracks and trails		-	1 226	**1 226**
Plant and equipment		-	7	**7**
Other		-	37	**37**
Surplus for the year		-	2 441	**2 441**
Net increment (Decrement) related to the revaluation of:				
Buildings and improvements		(122)	-	**(122)**
Park infrastructure		(288)	-	**(288)**
Roads, tracks and trails		(172)	-	**(172)**
Asset Errors - Fixed Assets				
ARAMIS Revisions up		-	102	**102**
ARAMIS Revisions down		-	(1 698)	**(1 698)**
Correction to estimated lease incentive liability		-	118	**118**
Total Recognised Income and Expense for 2004-05		(582)	5 492	**4 910**
Restated Balance at 30 June 2005	30	22 876	201 594	**224 470**
First-time recognition of assets:				
Buildings and improvements		-	910	**910**
Park infrastructure		-	1 959	**1 959**
Roads, tracks and trails		-	8 878	**8 878**
Plant and equipment		-	142	**142**
Other		-	1	**1**
Surplus for the year		-	3 528	**3 528**
Net increment (Decrement) related to the revaluation of:				
Land		79 845	-	**79 845**
Buildings and improvements		51 859	-	**51 859**
Park infrastructure		122 381	-	**122 381**
Roads, tracks and trails		111 131	-	**111 131**
Furniture and fittings		37	-	**37**
Other		102	-	**102**
Asset errors - Fixed assets				
ARAMIS Revisions up		-	4 931	**4 931**
ARAMIS Revisions down		-	(582)	**(582)**
TOTAL RECOGNISED INCOME AND EXPENSE FOR 2005-06		365 355	19 767	**385 122**
BALANCE AT 30 JUNE 2006	30	388 231	221 361	**609 592**

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

Cash Flow Statement
for the year ended 30 June 2006

		2006	2005
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Employee benefits payments		**(71 677)**	(64 776)
Supplies and services		**(47 788)**	(47 552)
Grants and contributions		**(4 488)**	(4 557)
Interest paid		**(2 949)**	(2 856)
GST payments on purchases		**(7 745)**	(7 975)
GST remitted to the ATO		**(3 315)**	(2 801)
Other payments		**(1 738)**	-
Cash used in Operations		**(139 700)**	(130 517)
CASH INFLOWS:			
Fees and charges		**12 899**	18 922
Grant and contribution receipts		**13 967**	15 149
Interest received		**7 279**	5 348
GST received from customers		**3 132**	2 986
GST refund from ATO		**9 164**	7 611
Loan repayments		**4**	19
Other receipts		**4 403**	1 072
Cash generated from Operations		**50 848**	51 107
CASH FLOWS FROM SA GOVERNMENT:			
RECEIPTS FROM SA GOVERNMENT:			
Recurrent appropriation		**107 340**	102 091
Contingency funds		**1 156**	689
Accrual appropriation		**14 233**	13 697
Total Receipts from SA Government		**122 729**	116 477
PAYMENTS TO SA GOVERNMENT:			
Return of surplus cash		**-**	(1 851)
Total Payments to SA Government		**-**	(1 851)
Net Cash provided by Operating Activities	31	**33 877**	35 216
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(12 598)**	(12 943)
Proceeds from sale of property, plant and equipment		**13**	98
Net Cash used in Investing Activities		**(12 585)**	(12 845)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of finance lease		**(1)**	(15)
Net payments from administrative restructures		**(118)**	-
Net Cash used in Financing Activities		**(119)**	(15)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21 173**	22 356
CASH AND CASH EQUIVALENTS AT 1 JULY		**107 812**	85 456
CASH AND CASH EQUIVALENTS AT 30 JUNE		**128 985**	107 812

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

	Program 1 Attaining Sustainability		Program 2 Nature Conservation		Program 3 Public Land Management		Program 4 Coast and Marine Conservation	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits costs	**3 683**	3 584	**17 242**	14 840	**36 823**	33 827	**4 944**	4 178
Supplies and services	**2 027**	1 626	**13 609**	11 676	**22 404**	24 266	**7 598**	5 785
Grants and contributions	**254**	210	**1 501**	1 751	**1 292**	692	**209**	535
Depreciation and amortisation	**-**	-	**926**	1 340	**14 684**	20 020	**241**	348
Borrowing costs	**153**	-	**692**	538	**1 672**	1 478	**323**	250
Net loss from disposal of non-current assets	**-**	344	**347**	112	**5 501**	1 666	**90**	29
Other expenses	**-**	-	**289**	210	**3 051**	-	**28**	78
Total Expenses	**6 117**	5 764	**34 606**	30 467	**85 427**	81 949	**13 433**	11 203
INCOME:								
Fees and charges	**5**	6	**1 344**	1 618	**10 630**	12 795	**78**	93
Grants and contributions	**154**	167	**6 236**	6 763	**6 666**	7 230	**798**	866
Interest	**1 190**	881	**1 359**	1 005	**3 840**	2 843	**617**	457
Other revenue	**-**	268	**-**	-	**2 859**	765	**-**	-
Total Income	**1 349**	1 322	**8 938**	9 386	**23 995**	23 633	**1 493**	1 416
NET COST OF PROVIDING SERVICES	**4 768**	4 442	**25 668**	21 081	**61 432**	58 316	**11 940**	9 787
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Net revenues	**4 892**	4 569	**23 123**	21 575	**63 334**	59 159	**10 707**	10 007
Total SA Government Revenues and Payments	**4 892**	4 569	**23 123**	21 575	**63 334**	59 159	**10 707**	10 007
NET RESULT BEFORE RESTRUCTURE	**124**	127	**(2 545)**	494	**1 902**	843	**(1 233)**	220
Net expense from administrative restructure	**(118)**	(328)	**-**	-	**-**	-	**-**	-
NET RESULT AFTER RESTRUCTURE	**6**	(201)	**(2 545)**	494	**1 902**	843	**(1 233)**	220

Program Schedule of Expenses and Income for the year ended 30 June 2006 (continued)

	Program 5 Heritage Conservation		Program 6 Animal Welfare		Program 7 Environment Information		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits costs	**2 127**	1 852	**200**	187	**7 094**	7 624	**72 113**	66 092
Supplies and services	**1 275**	1 285	**58**	54	**2 532**	3 338	**49 503**	48 030
Grants and contributions	**648**	834	**504**	501	**80**	34	**4 488**	4 557
Depreciation and amortisation	**125**	181	**-**	-	**2 013**	4 139	**17 989**	26 028
Borrowing costs	**97**	89	**20**	18	**-**	483	**2 957**	2 856
Net loss from disposal of non-current assets	**47**	15	**-**	-	**754**	-	**6 739**	2 166
Other expenses	**145**	187	**-**	-	**250**	569	**3 763**	1 044
Total Expenses	**4 464**	4 443	**782**	760	**12 723**	16 187	**157 552**	150 773
INCOME:								
Fees and charges	**597**	719	**4**	5	**1 712**	2 060	**14 370**	17 296
Grants and contributions	**72**	78	**-**	-	**41**	45	**13 967**	15 149
Interest	**221**	164	**46**	34	**-**	-	**7 273**	5 384
Other revenue	**-**	-	**-**	-	**-**	54	**2 859**	1 087
Total Income	**891**	961	**50**	39	**1 753**	2 159	**38 469**	38 916
NET COST OF PROVIDING SERVICES	**3 573**	3 482	**732**	721	**10 970**	14 028	**119 083**	111 857
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Net revenues	**4 078**	3 812	**787**	738	**15 808**	14 766	**122 729**	114 626
Total SA Government Revenues and Payments	**4 078**	3 812	**787**	738	**15 808**	14 766	**122 729**	114 626
NET RESULT BEFORE RESTRUCTURE	**505**	330	**55**	17	**4 838**	738	**3 646**	2 769
Net expense from administrative restructure	**-**	-	**-**	-	**-**	-	**(118)**	(328)
NET RESULT AFTER RESTRUCTURE	**505**	330	**55**	17	**4 838**	738	**3 528**	2 441

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Environment and Heritage

(a) Strategic Context

The Department for Environment and Heritage (the Department) serves the South Australian community through the Government of South Australia.

The Department's objective is conserving and restoring our environment for all generations by:

- moving South Australia towards a sustainable future;
- conserving, valuing and celebrating South Australia's natural and cultural heritage;
- securing the future of South Australia's coastal and marine environment;
- fostering debate on the environment and engaging the community; and
- maximising organisational performance.

(b) Financial Arrangements

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- fees, levies and licences;
- admissions and guided tour charges;
- rents for Crown land;
- sales of spatial information.

The financial activities of the Department are primarily conducted through Deposit Accounts with the Department of Treasury and Finance (DTF) pursuant to Section 8 and Section 21 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided.

(c) Reporting Entity

The Department performs functions related to Departmental and Administered activities. Both Departmental and Administered financial statements are prepared as the administered activities are significant to the Department's overall activities.

The Departmental financial statements include the assets, liabilities, revenues, expenses, changes in equity and cash flows controlled or incurred by the Department in its own right including the General Reserves Trust, the Wildlife Conservation Fund and the State Heritage Fund. Activities related to the War Services Land Settlement Scheme were transferred to DEH as at 1 July 2005 and have been included in the DEH controlled entity this year (previously an administered entity of DEH).

The Department previously undertook a review of the structure, management and reporting of the State Heritage Fund (the Fund). As a result of the review, the nature of the activities conducted through the Fund were amended to streamline its operations, simplify management and minimise costs associated with the administration of the Fund. At the same time, the requirement to prepare a separate set of financial statements was revised such that an abridged set of financial statements for the Fund is now disclosed as a note to the Department's Financial Statements (refer Note 38).

The Administered Items' financial statements include the assets, liabilities, revenues, expenses, changes in equity and cash flows which the Department administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. Further, the Administered Items' financial statements detail the sum of the individual Administered Items' revenues, expenses, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing these financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual Administered Items have not been eliminated. The Administered Items are:

- Board of the Botanic Gardens and State Herbarium
- Coast Protection Board
- Crown Land
- Minister's Other Payments:
  - Royal Zoological Society of SA Inc.
- Special Acts Allocation:
  - Salary and Allowances – Minister
- Dog and Cat Management Board
- Murray Mallee Partnership - as of 30 June 2006 transferred to Department of Sustainability, Victoria
- Other, being comprised of:
  - Beachport Breakwater Project

The Administered Items' financial statements and associated notes follow the Department's financial statements and associated notes.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Department's Financial Statements are a general purpose financial report that has been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- Australian Equivalents to International Financial Reporting Standards (AIFRS);
- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Treasurer's Instructions and the Accounting Policy Framework (APF) issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

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

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are in Note 2(s).

In the absence of a specific Accounting Standard or other authoritative pronouncement of the AASB, consideration is given to the order of preference of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Department has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received as this is when the Department gains control of these revenues. These revenues include items such as non-perpetual leases and licence and accreditation fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at fair value, in accordance with APF guidance. Cost is based on the fair value of the consideration given in exchange for assets.

(a) Basis of Accounting (continued)

The financial statements detail the revenues, expenses, financial position changes in equity and cash flows of the Department as a single entity and accordingly all intra Departmental transactions and balances have been eliminated.

The Cash Flow Statement has been prepared on a cash basis.

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

(b) Comparative Information

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

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

The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

(c) Changes in Accounting Policies

Provisions for Employee Benefits

On 1 July 2005 the Department changed its policy for recognising provisions for employee benefits in accordance with AASB 119 *Employee Benefits*. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement for current liabilities, rather than the remuneration rate applicable at reporting date.

Property, Plant and Equipment Capitalisation Threshold Change

From 1 July 2005 the Department increased its threshold for the capitalisation of property, plant and equipment from $2 000 to $5 000. This threshold adjustment was also applied to the 2004-05 figures presented in these financial statements.

(d) Administrative Restructures

During the current and previous reporting periods a number of administrative restructures occurred which are summarised below. Additional information about administrative restructures is provided in Note 16.

Current Reporting Period

The Office of Sustainability was transferred to the Department of the Premier and Cabinet. This took effect from 1 April 2006 as noted in the Government Gazette dated 23 March 2006.

Previous Reporting Period

Additional land administration assets were transferred to the Department for Administrative and Information Services (DAIS) relating to the LOTS transfer in the 2003-04 financial year. This transfer took effect on 1 September 2003 as noted in the Government Gazette dated 24 July 2003.

(e) South Australian (SA) Government Revenues and Expenses

Revenues

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

Expenses

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

(f) Non-SA Government Revenues and Expenses Recognition

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

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

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).

Revenues

All non-SA Government revenues recorded in the Income Statement are recognised when the Department obtains control over the future economic benefits in the form of increases in assets or reductions in liabilities. With respect to licences, leases and accreditation fees revenue, where the period exceeds one reporting period, the Department obtains control upon receipt.

(f) Non-SA Government Revenues and Expenses Recognition (continued)

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III *Asset Accounting Framework* APS 3.11.

Any grant revenues have been recognised in accordance with AASB 1004 *Contributions* as the Department is a 'Not-for-Profit' Entity.

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

Expenses

Grants and Contributions are amounts provided by the Department to entities for general assistance or for a particular purpose subject to terms and conditions set out in the contract, correspondence or by legislation and may be for capital or recurrent purposes.

(g) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. DEH has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(h) Cash and Cash Equivalents

Cash in the Balance Sheet and Cash Flow Statement is comprised of cash on hand (including petty cash and cashier floats), at call accounts with banks and monies held by DTF in Deposit Accounts.

Cash equivalents are comprised of cash held in the accrual appropriation account with DTF.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. In the current reporting period the Department did not transfer cash to the DTF Consolidated Account ($1.85 million).

(i) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable whereas bad (uncollectable) debts are written off as incurred.

(j) Inventories

Inventories held for distribution for nil or nominal consideration are measured at the lower of cost and current replacement cost. Inventories (other than those held for distribution at nil or nominal consideration) are measured at the lower of cost or their net realisable value.

Cost is allocated in accordance with the first in first out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

(k) Property, Plant and Equipment

The Balance Sheet includes all Property, Plant and Equipment controlled by the Department.

Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer. Where payment for an asset is deferred, DEH measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

In accordance with APF III APSs 2.15, 2.16 and 7.2 all non-current tangible assets with a value of $5 000 or greater are capitalised.

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

Assets Disclosed at Valuation

In accordance with the requirements of APF III, independent revaluations of classes of non-current assets must be undertaken where there existed an asset within a class that satisfied the criteria specified in APF III. That is, there existed an asset within the class with an original acquisition cost of at least $1 million and a useful life greater than three years.

Assets Disclosed at Valuation (continued)
All asset classes have been subject to revaluation at 30 June 2006 other than:

- Computing equipment;
- Plant and equipment under finance lease.

From the 2002-03 financial year, the Department has elected to apply progressive revaluations to asset classes that are subject to revaluation.

In the 2005-06 financial year professional revaluations were undertaken and applied to assets in the above classes. Included in this revaluation was a revaluation of the Data Dictionary, used to value generic assets and lower value items (generally under $50 000) across all classes of assets (excluding Land). All assets within a class that have been revalued have been disclosed accordingly. Assets carried at cost (where permitted as deemed fair value) are separately disclosed.

List of valuers utilised by the Department:

- Land - Valcorp - June 2006 - performed by AJ Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.
- Unique Items - March 2006 - performed by M Burns - MBA, B App Sc (PRM), AAPI from Liquid Pacific.
- Data Dictionary - June 2006 - performed by AJ Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.

Transfers from Capital Works in Progress represent assets within that class that have been constructed by the Department through its investment program and transferred to the class upon completion. The cost of construction represents the fair value of these assets.

At Cost represents assets within that class that are yet to be revalued as part of current progressive revaluations and are carried at their cost of acquisition and/or construction.

In accordance with the provisions of AASB 116 *Property, Plant and Equipment*, any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in Net Cost of Providing Services in respect of that same class of non-current assets, in which case the revaluation increments have been credited to the Income Statement.

In accordance with the provisions of AASB 116, any revaluation decrements arising upon revaluing the abovementioned non-current asset classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited to the Income Statement.

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

Assets Deemed to be at Fair Value
For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:
- Computing Equipment;
- Plant and Equipment under Finance Lease.

Additionally, for all classes of assets, assets acquired within the last three years are reported at costs - deemed fair value.

Heritage Assets
In accordance with APF III as issued by DTF, heritage assets are recognised in the Balance Sheet as part of the aggregate value of the classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciated fair value.

Land
Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally have restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Land (continued)
The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of the value of the asset, unallotted Crown land is not included in the Administered Items activities.

The Administered Items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

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

The acquisition of or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to $5 000 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.

Intellectual Property, Databases and Information Systems
The Department controls a large number of databases, registers, information systems and other intellectual property that were developed in-house and are used to store and manage intellectual property owned and controlled by the Department. Whilst the development and maintenance of these databases involves on-going costs to the Department, in general, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure their future economic benefits to the Department.

Items of Property, Plant and Equipment with an individual value of less than $5 000 are expensed in the Income Statement at the time they are acquired.

(l) Depreciation and Amortisation of Non-Current Assets
All non-current assets with an initial cost greater than $5 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

- Computing Equipment 3-12 years
- Application Software 3-15 years
- Park Infrastructure 2-65 years
- Plant and Equipment 1-50 years
- Roads, Tracks and Trails 3-70 years
- Moveable Vehicles 3-25 years
- Furniture and Fittings 2-20 years
- Buildings and Improvements 5-100 years
- Other 3-65 years

Leasehold improvements are amortised over the useful life of the asset or the lease term, whichever is the shorter.

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

(m) Leases
The Department makes a distinction between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and operating leases under which the lessor effectively retains substantially all of the risks and benefits incidental to ownership.

Finance Leases
Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. These assets are disclosed as Plant and Equipment under Finance Lease in Note 23 and are amortised to the Income Statement over the period during which the Department is expected to benefit from the use of the leased assets.

At the same time as recognising a finance lease asset a corresponding finance lease liability is recognised for the same amount. Lease payments are allocated between the principal component (reduction in liability) and the interest expense. Details of finance lease obligations are disclosed in Note 28.

Operating Leases
Operating lease payments are charged to the Income Statement in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 33.

Lease Incentive
The Department entered into an operating lease for accommodation whereby it received an incentive, in the form of a rent free period. A liability has been recognised (refer Note 29) to reflect the deferred benefits received under the lease incentive arrangement and is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(n) Payables
Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest, are identified as payables. Accrued expenses represents 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 the date the invoice was first received, in accordance with Treasurer Instruction 11 *Payment of Creditors' Accounts*.

(o) Provisions for Employee Benefits
In accordance with AASB 119, a provision is made for the Department's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Department has a present obligation to pay to employees for services provided.

Accrued Salaries and Wages
The liability for accrued salaries and wages represents the amount earned by employees at reporting date not yet paid by the Department based on remuneration rates current at reporting date.

Sick Leave
No provision is made for sick leave as experience indicates that on average sick leave taken each reporting period is less than or equal to the accruing sick leave entitlement in each reporting period. This experience is expected to recur in future reporting periods such that it is improbable that existing accrued sick leave entitlements will be used by employees in the reporting period.

Annual Leave
A provision has been made for the unused component of annual leave, including annual leave loading and related on-costs based on the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Department's experience of employee retention and leave taking.

Long Service Leave
In calculating long service leave benefits the Department uses a benchmark of 7 years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits and related on-costs by the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate. This calculation is consistent with the Department's experience of employee retention and leave taking.

Employee On-Costs
In general, related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 65 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions. (Refer Note 26)

Superannuation
Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit. (Refer Note 25)

Workers Compensation
The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2005-06 financial year the Department has reflected a workers compensation provision of $1.1 million ($0.68 million). (Refer Note 26)

The actuarial assessment conducted by Taylor Fry Consulting is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 4 *Insurance Contracts* and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that not all claims have to be paid out in the immediate future.

Workers Compensation (continued)
Changes to the fund took effect from 1 July 2004. Any new claims from 1 July 2004 are the responsibility of the Department and as such the Provision for Workers Compensation Liability will be reported accordingly. All claims payments currently covered by the Fund (ie claims lodged prior to 1 July 2004) continue to be covered by the Fund and as such this liability is not reflected within the Department's Financial Statements.

(p) Borrowings
Borrowings consist of an unsecured loan advanced by DTF. Interest is incurred at a rate determined by the Treasurer with interest paid quarterly in arrears. The average effective interest rate for the reporting period was 7.00 percent (6.75 percent). All borrowing costs are recognised as an expense.

(q) Tax Status
The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

(r) Accounting for Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net GST receivable from the ATO has been recognised as a receivable in the Balance Sheet.

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the ATO have, however, been classified as operating cash flows.

The Department prepares a Business Activity Statement on behalf of its Administered Items and for clients provided with business services under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Balance Sheet and the GST cash flows recorded in the Cash Flow Statement of the Department.

(s) Changes in Accounting Policy - AIFRS
The Department for Environment and Heritage has adopted AIFRS for the first time for the year ended 30 June 2006.

The adoption of AIFRS has resulted in material adjustments to the Balance Sheet and Income Statement. There have been no material adjustments to the Cash Flow Statement.

	At 01.07.2004			At 30.06.2005		
	Previous AGAAP $'000	Adjustments $'000	AIFRS $'000	Previous AGAAP $'000	Adjustments $'000	AIFRS $'000
Current Assets	93 465	-	93 465	115 767	-	115 767
Non-Current Assets	196 169	(2 775)	193 394	181 384	(2 517)	178 867
Current Liabilities	(15 374)	-	(15 374)	(17 770)	141	(17 629)
Non-Current Liabilities	(51 925)	-	(51 925)	(53 094)	559	(52 535)
NET ASSETS	222 335	(2 775)	219 560	226 287	(1 817)	224 470
Retained Earnings	198 877	(2 775)	196 102	203 411	(1 817)	201 594
Asset Revaluation Reserve	23 458	-	23 458	22 876	-	22 876
TOTAL EQUITY	222 335	(2 775)	219 560	226 287	(1 817)	224 470
Net Result After Restructure	(3 113)	-	(3 113)	4 534	(2 093)	2 441

Financial Impacts of adopting AIFRS - Opening Balance Sheet
Non-Current Assets
AASB 108 requires the retrospective adjustment of the financial report to reflect changes in accounting polices and correction of errors. The effect of changing the property, plant and equipment capitalisation threshold was:

- a reduction of $2.775 million in the value of property, plant and equipment as at 1 July 2004;
- a reduction in depreciation expense of $1.035 million ($1.264 million);
- an increase in supplies and services expenses (minor assets) of $811 000 ($1 008 000).

Current Liabilities
AASB 108 requires the retrospective adjustment of the financial report to reflect changes in accounting polices and correction of errors. There was a correction to the estimated Lease Incentive Liability as reported in the 2004-05 statements of $118 000 that is reflected as an adjustment to current liabilities and retained earnings.

Non-Current Liabilities

Employee benefits payable later than 12 months from year-end have been measured at present value rather than at nominal amounts as required by AASB 119. An adjustment of $583 000 was made to the opening balance of long service leave payable and retained earnings to reflect the effects of the application of this standard (an alternative measurement methodology was employed under AGAAP).

Retained Earnings

AASB 108 requires the retrospective adjustment of the financial report to reflect changes in accounting polices and correction of errors. The change in the DEH asset threshold policy resulted in an adjustment of $2.5 million to Non-Current Assets and Retained Earnings to reflect the effects of this standard.

Asset Revaluation Reserve

Changes in the Asset Revaluation Reserve are as a result of the revaluations undertaken that are recognised directly to equity as per AASB 116 and APF III. Asset revaluations are taken directly to the Asset Revaluation Reserve on a class basis, and decrements are reflected in the income statement unless offsetting increments exist.

Financial Impacts of Adopting AIFRS - 2005 Income Statement

	Note	2005 Previous AGAAP $'000	Adjustments $'000	2005 Current AIFRS $'000
EXPENSES:				
Employee benefits	a	66 675	(583)	66 092
Supplies and services	b	47 676	354	48 030
Grants and contributions		4 557	-	4 557
Depreciation and amortisation	c	27 293	(1 265)	26 028
Borrowing costs		2 856	-	2 856
Net loss from disposal of non-current assets		2 166	-	2 166
Other	d	2 088	(1 044)	1 044
Total Expenses from Ordinary Activities		153 311	2 538	150 773
INCOME:				
Fees and charges		17 296	-	17 296
Grants and contributions		15 149	-	15 149
Interest		5 385	(1)	5 384
Assets received free of charge	e	4 631	(4 631)	-
Other revenue		1 086	1	1 087
Total Income		43 547	(4 631)	38 916
NET COST OF PROVIDING SERVICES		109 764	2 093	111 857
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues		116 477	-	116 477
Payments		(1 851)	-	(1 851)
Total SA Government Revenues and Payments		114 626	-	114 626
NET RESULT BEFORE RESTRUCTURE		4 862	(2 093)	2 769
Net expense from administrative restructure		(328)	-	(328)
NET RESULT AFTER RESTRUCTURE		4 534	(2 093)	2 441

(a) An adjustment of $583 000 was made to long service leave expense to reflect the results of the application of AASB 119.

(b) The Department reclassified inventory movement of ($319 000) and cost of property sales of $973 000 (a net movement of $654 000) to 'Other Expenses' and increased 'Supplies and Services' expense by $1.008 million to reflect the increase in minor assets due to the asset threshold adjustment. The net effect of these two adjustments was an increase in 'Supplies and Services' expense of $354 000.

(c) An adjustment of $1.265 million was made to depreciation expense to correctly reflect the effect of the change in the Department's asset threshold policy.

(d) The Department reclassified asset write-downs of $1.698 million from 'Other Expenses' to movement in equity. This adjustment, along with the inventory and cost of property sales adjustment as outlined in Note (b), resulted in a decrease in 'Other Expenses' of $1.044 million.

(e) The Department reclassified the movement associated with 'Assets Received Free of Charge' of $4.631 million from a revenue item to a movement in equity.

Other Impacts of Adopting AIFRS

A major change is the treatment of accounting policy changes under AIFRS. These now apply retrospectively except for specific exemptions in accordance with another standard. The resulting adjustments arising from events and transactions before the date of transition to AIFRS have been recognised directly in retained earnings at the date of transition to AIFRS.

There have been no identified impacts of AIFRS Standards issued, but whose adoption date is subsequent to the preparation of these statements.

The estimates applied by the Department under AIFRS are consistent with the estimates applied under previous AGAAP, after adjustments to reflect any differences in accounting policies.

In addition, the Department will apply AASB 1 paragraph 36A which provides exemption from the requirements to restate comparative information about financial instruments (ie Application of AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*).

(t) SA Government Specific Disclosures

In accordance with APF II, APSs 4.1 and 4.2, DEH has disclosed revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government, classified according to their nature. Transactions below the $100 000 threshold have been included with the non-SA Government transactions, classified according to their nature.

(u) Rounding

All amounts have been rounded to the nearest thousand dollars ($'000) and expressed in Australian currency.

3. Programs of the Department

Information about the Department's programs and the revenues and expenses which are reliably attributable to those programs is disclosed in the following program schedule. (Refer also to Program Schedule for Expenses and Income).

Program 1: Attaining Sustainability

The promotion of sustainable and eco-efficient human endeavour with minimal impact on essential life systems.

Program 2: Nature Conservation

The management, science and education contributing to conserving the State's biodiversity.

Program 3: Public Land Management

The conservation, maintenance and stewardship of the State's public lands.

Program 4: Coast and Marine Conservation

The conservation, management and protection of the State's coast and marine environments.

Program 5: Heritage Conservation

The understanding, conservation and protection of the State's rich heritage.

Program 6: Animal Welfare

The promotion and regulation of the humane treatment of animals.

Program 7: Environmental Information

The provision and management of information to support the State's environmental needs.

4. Employee Benefits Costs	**2006**	2005
	$'000	$'000
Salaries and wages (i)	**52 444**	47 439
Annual leave	**4 746**	4 432
Long service leave	**1 746**	2 232
Employment on-costs - Superannuation	**6 339**	5 841
Employment on-costs - Other	**4 497**	3 825
Sitting fees board and committees	**91**	138
	69 863	63 907
Employment Costs - Other:		
Occupational Health Safety and Welfare	**195**	230
Other on-costs	**998**	871
Staff development	**1 057**	1 084
	2 250	2 185
Total Employee Benefits	**72 113**	66 092

(i) Targeted Voluntary Separation Packages (TVSPs)

TVSP amounts paid by the Department are included within the salaries and wages expense.

During the year a total of 2 (nil) employees of the Department accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled $161 000 ($nil). These costs were reimbursed by DTF.

In addition, accrued annual leave, leave loading and long service leave benefits amounting to $62 000 ($nil) were paid to employees who received a TVSP.

Employee Remuneration

The number of employees whose remuneration exceeded $100 000 was:	**2006 Number of Employees**	2005 Number of Employees
$100 000 - $109 999	**-**	4
$110 000 - $119 999	**2**	5
$120 000 - $129 999	**4**	1
$130 000 - $139 999	**2**	3
$140 000 - $149 999	**2**	3
$150 000 - $159 999	**2**	-
$160 000 - $169 999	**1**	1
$170 000 - $179 999	**1**	2
$180 000 - $189 999	**-**	2
$190 000 - $199 999	**1**	-
$200 000 - $209 999	**1**	-
$240 000 - $249 999	**-**	1
$330 000 - $339 999	**1**	-
Total Number of Employees	**17**	22

Employee Remuneration (continued)

	2006 $'000	2005 $'000
Total remuneration received or due and receivable by employees whose remuneration exceeded $100 000	**2 974**	3 097

Remuneration includes salary, employer's superannuation costs, use of motor vehicles in accordance with prescribed conditions and associated FBT and contract termination payments, but does not include any amounts payable due to retirement under the TVSP arrangements.

Number of Employees at Reporting Date

The Department had 1 022 employees (1 028) as at the reporting date.

Remuneration of Board Members

Under legislative requirements and co-operative management arrangements a number of boards and committees currently provide advice to the Minister and DEH management.

The number of Board members whose remuneration received or due and receivable fell within the following bands:

	2006 Number	2005 Number
$Nil	**30**	32
$1 - $10 000	**67**	60
$10 001 - $20 000	**-**	1
Total Number of Board Members	**97**	93

	2006 $'000	2005 $'000
Total Remuneration Received or Receivable by Board Members	**91**	138

Board members are not solely members of one DEH board per se, but are members of a number of Statutory Boards both controlled and administered by DEH.

In accordance with the Department of the Premier and Cabinet Circular Number 14, government employees did not receive any remuneration for Board duties during the financial year.

5. Supplies and Services

	2006 $'000	2005 $'000
Accommodation and property management services	**7 769**	7 569
Materials and consumables	**2 029**	2 127
Vehicle and aircraft	**4 302**	4 147
Travel and accommodation	**1 238**	1 308
Contractors	**4 545**	4 131
Consultant fees [(i)]	**190**	18
Computing	**4 747**	4 899
Minor plant and equipment	**1 808**	1 813
Printing and publishing	**1 003**	997
Cost of goods sold	**759**	1 059
Bank fees	**52**	67
Postage, courier and freight	**486**	420
Advertising	**305**	442
Scholarships, awards and prizes	**77**	113
Scientific and technical services	**965**	930
Telephone expenses	**1 737**	1 604
Audit fees	**216**	211
Equipment repairs and maintenance	**1 808**	1 475
Books, periodicals and newspapers	**104**	100
Commissions and selling costs	**84**	121
Document storage and preservation	**230**	275
Entertainment	**142**	113
Equipment hire	**59**	155
Monitoring fees	**236**	271
Photocopying and preservation	**60**	96
Conference and seminar presentation	**254**	192
Insurance	**486**	427
Transportation	**203**	214
Sand replenishment	**4 935**	2 884
Valuations	**36**	32
Bureau service - CHRIS Payroll	**139**	120
Fee for service	**7 840**	8 088
Heritage advisers	**365**	99
Legal fees and payments [(ii)]	**37**	1 250
Other	**257**	263
	49 503	48 030

5. Supplies and Services (continued)

(i) The number and amount of Consultant Fees fell within the following bandwidths:

	2006 Number	2006 $'000	2005 $'000
Below $10 000	**7**	**44**	8
Between $10 000 - $50 000	**2**	**35**	10
Above $50 000 (iii)	**1**	**111**	-
Total Number and Amount of Consultant Fees	**10**	**190**	18

(ii) Payments associated with renegotiations of lease contracts are included in Legal Fees and Payments. In the previous reporting period, an amount of $1.25 million was paid to lessee's for foregoing grazing rights over nominated and agreed areas of Chowilla Game Reserve. At the same time, the Department received an equivalent amount of grant revenue from the Department of Water, Land and Biodiversity Conservation which is disclosed in Note 12 'Grants and Contributions - State Government'.

(iii) During the year the Department engaged 'Insight SRC' to perform a staff climate survey consisting of four separate components. The total of all four parts amounted to $111 000.

Supplies and Services provided by entities within the SA Government:	2006 $'000	2005 $'000
Accommodation and property management services	**5 353**	4 545
Materials and consumables	**172**	129
Vehicle and aircraft	**3 461**	2 645
Computing	**1 639**	2 033
Scientific and technical services	**222**	29
Telephone expenses	**1 197**	1 064
Audit fees	**216**	211
Equipment repairs and maintenance	**117**	727
Insurance	**486**	427
Sand replenishment	**1 919**	-
Bureau service - CHRIS payroll	**139**	120
Fee for service	**1 407**	1 770
	16 328	13 700

6. Grants and Contributions Expense

	2006 $'000	2005 $'000
Community Organisations and Associations	**1 813**	2 051
State Government	**1 023**	877
Individuals - Heritage, fencing and other agreements	**180**	178
Local Government	**607**	1 000
Universities	**365**	301
Commonwealth Government	**500**	-
Other	**-**	150
	4 488	4 557

7. Depreciation and Amortisation

	2006 $'000	2005 $'000
Depreciation:		
Buildings and improvements	**2 205**	3 540
Park infrastructure	**5 875**	4 942
Roads, tracks and trails	**6 013**	13 764
Moveable vehicles	**539**	600
Computing equipment	**970**	1 084
Furniture and fittings	**367**	564
Plant and equipment	**622**	326
Finance leases	**1**	9
Other	**365**	373
Total Depreciation	**16 957**	25 202
Amortisation:		
Application software	**1 032**	826
Total Amortisation	**1 032**	826
Total Depreciation and Amortisation	**17 989**	26 028

Change in Depreciation due to Change in Accounting Policy

In 2005-06, the Department increased its asset threshold from $2 000 to $5 000 for Building and Improvements, Park Infrastructure, Moveable Vehicles, Computing Equipment, Furniture and Fittings, and Plant and Equipment and Others classes. This threshold adjustment was applied to 2004-05 and 2005-06. As a result the depreciation of these assets was decreased by $1.035 million in 2005-06 ($1.264 million). 2004-05 comparative has been restated to include this threshold change and adjustment has been made to the opening balances for 2004-05.

Change in Depreciation due to Change in Accounting Policy (continued)	**2006**	2005
	$'000	$'000
Buildings and improvements	**6**	7
Park infrastructure	**162**	190
Moveable vehicles	**25**	29
Computing equipment	**569**	721
Furniture and fittings	**28**	34
Plant and equipment	**243**	280
Other	**2**	3
Total Decrease	**1 035**	1 264

Change in Depreciation due to Useful Life Review

In 2005-06, the Department undertook a useful life review for Buildings and Improvements, Park Infrastructure, Roads, Tracks and Trails and Other classes. The effective date of these adjustments was at 1 July 2005 and resulted in a restatement of the anticipated depreciation for the 2005-06 year. The table below shows the results of these changes in estimated useful life.

	2006
	$'000
Buildings and improvements	**74**
Park infrastructure	**1 580**
Roads, tracks and trails	**2 964**
Total Increase	**4 618**

Depreciation Written Back due to Revisions to Useful Life Estimates in Prior Period

In the previous reporting period, the Department's depreciation and accumulated depreciation increased significantly for Buildings and Improvements, Park Infrastructure, Roads Tracks and Trails, and Plant and Equipment asset classes. This was due to the identification of an error in the application of the Department's data dictionary calculated useful life. The correction of the prior reporting period's misstated depreciation has been further affected by the adjustments to depreciation through asset threshold adjustments (as disclosed separately). Accordingly, the comparative depreciation data for the 2004-05 year has only been adjusted for this disclosure above and the 2004-05 useful life adjustments, while material, have remained in the comparative data for Note 23.

Change in Depreciation due to First Time Recognition of Assets

The Department has been undertaking a resurvey of Buildings and Improvements, Park Infrastructure, Roads, Tracks and Trails and Other classes of assets. As a result of these ongoing resurveys, there have been a number of assets recognised for the first time. The adjustments arising from this recognition have resulted in an increase to depreciation expense for the 2005-06 year. The table below shows the results of these changes due to the first time recognition of assets.

	2006
	$'000
Buildings and improvements	**57**
Park infrastructure	**27**
Roads, tracks and trails	**990**
Plant and equipment	**29**
Total Increase	**1 103**

8. Borrowing Costs

	2006	2005
	$'000	$'000
Interest on borrowings	**2 957**	2 854
Interest on finance leases	**-**	2
	2 957	2 856
Borrowing costs incurred with entities within the SA Government:		
Interest on borrowings	**2 957**	2 854
	2 957	2 854

9. Net Gain (Loss) from Disposal of Non-Current Assets

	2006	2005
Proceeds from disposal of non-current assets:		
Buildings and improvements	**-**	50
Moveable vehicles	**9**	44
Furniture and fittings	**6**	-
Plant and equipment	**(2)**	2
Other	**-**	2
	13	98

		2006	2005
9.	**Net Gain (Loss) from Disposal of Non-Current Assets (continued)**	**2006**	2005
	Cost of disposal:	**$'000**	$'000
	Land	**-**	540
	Buildings and improvements	**446**	375
	Park infrastructure	**1 078**	2 455
	Roads, tracks and trails	**971**	115
	Moveable vehicles	**-**	237
	Computing equipment	**995**	1 843
	Furniture and fittings	**-**	286
	Plant and equipment	**189**	568
	Other	**-**	131
		3 679	6 550
	Accumulated depreciation of disposal:		
	Buildings and improvements	**(353)**	(270)
	Park Infrastructure	**(866)**	(2 383)
	Roads, tracks and trails	**(724)**	(95)
	Moveable vehicles	**-**	(150)
	Computing equipment	**(993)**	(1 811)
	Furniture and fittings	**-**	(109)
	Plant and equipment	**(173)**	(528)
	Other	**-**	(105)
		(3 109)	(5 451)
	Cost of transfer of assets for no consideration:		
	Buildings and improvements	**1 348**	918
	Park infrastructure	**3 050**	75
	Roads, tracks and trails	**159**	21
	Moveable vehicles	**-**	23
	Computing equipment	**-**	22
	Furniture and fittings	**1 252**	-
	Plant and equipment	**352**	97
	Other	**21**	9
		6 182	1 165
	Net Gain (Loss) from Disposal of Non-Current Assets	**(6 739)**	(2 166)
10.	**Other Expenses**		
	Bad and doubtful debts	**15**	(49)
	Capital projects expenses	**1 961**	434
	Asset impairment	**-**	5
	Cost of Property Sales	**6**	973
	Inventory	**51**	(319)
	Revaluation Decrements	**1 730**	-
		3 763	1 044
11.	**Fees and Charges**		
	Rent and other related income	**3 316**	3 672
	Fees, levies and licences	**860**	819
	Admissions and guided tours	**3 414**	4 478
	Support services	**1 287**	1 512
	Sale of goods	**1 904**	2 149
	Sale of services	**1 388**	1 542
	Sale of land held for resale	**-**	1 276
	Sale of spatial information	**1 301**	1 848
		14 370	17 296
	Fees and Charges earned from entities within the SA Government:		
	Rent and other related income	**107**	37
	Support services	**741**	262
	Sale of goods	**154**	234
	Sale of services	**343**	247
	Sale of spatial information	**464**	582
		1 809	1 362
12.	**Grants and Contributions Income**		
	Commonwealth Government (i)	**540**	2 059
	State Government (ii)	**11 140**	11 858
	State Government grants refund (ii)	**(53)**	-
	Administered Entities (iii)	**1 388**	867
	Private Industry and Local Government (iv)	**881**	365
	Other	**71**	-
		13 967	15 149

		2006	2005
(i)	***Commonwealth Government Grants and Contributions***	**$'000**	$'000
	Natural Heritage Trust	**289**	1 604
	Australia's Virtual Herbarium	**178**	307
	Department for Environment and Heritage Canberra	**62**	63
	Department of Industry, Tourism and Resources	**-**	45
	Co-operative Research Centre	**-**	30
	Fisheries Research and Development Corporation	**-**	10
	Rural Industries Research and Development Corporation	**5**	-
	Tjirilya Aboriginal Corporation	**6**	-
		540	2 059
(ii)	***State Government Grants and Contributions***		
	Integrated Natural Resource Management Groups	**5 591**	5 158
	Emergency Services	**2 162**	-
	SE Natural Resource Consultative Committee	**736**	-
	Planning SA	**700**	-
	Department of Water, Land and Biodiversity Conservation	**568**	1 973
	Department of the Premier and Cabinet	**388**	311
	Department of Primary Industries and Resources	**473**	700
	Environment Protection Authority	**91**	-
	South Australian Tourism Commission	**77**	137
	SA Water	**76**	52
	Department of Transport, Energy and Infrastructure	**60**	931
	Attorney-General's Department	**50**	2 110
	Catchment Water Management Boards	**43**	260
	Zero Waste SA	**24**	-
	South Australian Government Captive Insurance Corporation	**20**	-
	Mid North Glasslands	**10**	-
	Forestry SA	**5**	-
	Environment Protection Fund	**-**	12
	Department of Treasury and Finance	**-**	7
	Other	**13**	207
		11 087	11 858
(iii)	***Administered Entities Grants and Contributions***		
	Board of Botanic Gardens and State Herbarium	**1 388**	867
		1 388	867
(iv)	***Private Industry and Local Government***		
	Royal Botanic Gardens, Kew, UK	**153**	140
	Local Councils	**153**	66
	Delfin Management Services	**50**	50
	Friends of Parks	**-**	44
	Nature Foundation SA Incorporated	**29**	16
	Waterlands International	**-**	15
	Flinders University	**18**	13
	Aust-China Council	**-**	10
	World Wild Life Fund for Nature Australia	**23**	5
	Tarong Energy	**-**	5
	Friend of Community Liaison	**-**	1
	Grand Circle Foundation Inc	**13**	-
	Native Vegetations Council	**12**	-
	Southern Flinders Development Board Incorporated	**45**	-
	S Moy	**47**	-
	OneSteel Manufacturing Pty Ltd	**14**	-
	Kimberley-Clark Australia Pty Ltd	**125**	-
	Natural Heritage Trust	**83**	-
	SE Australia Gas P/L	**65**	-
	SA Research and Development	**10**	-
	Other	**41**	-
		881	365

13. Interest

	2006	2005
Interest on funds held	**7 273**	5 384
	7 273	5 384
Interest earned from entities within the SA Government:		
Interest on funds held	**7 217**	5 328
	7 217	5 328

14. Other Revenue

	2006 $'000	2005 $'000
Salaries and wages recoveries	**909**	319
Insurance recoveries	**820**	571
Sponsorships, donations, commissions and bequests	**57**	148
Fit-out recoveries	**1 068**	-
Dividends	**2**	1
Other	**3**	48
	2 859	1 087
Other Revenue earned from entities within the SA Government:		
Salaries and wages recoveries	**671**	202
Insurance recoveries	**504**	571
Sponsorships, donations, commissions and bequests	**16**	-
Other	**2**	-
	1 193	773

15. Revenues from (Payments to) SA Government

Revenues:		
Recurrent appropriation	**107 340**	102 091
Accrual appropriation	**14 233**	13 697
Contingency funds	**1 156**	689
Total SA Government Revenues	**122 729**	116 477
Payments:		
Return of surplus cash	**-**	(1 851)
Total SA Government Payments	**-**	(1 851)

16. Net Gain (Loss) from Administrative Restructure

As a result of the Public Sector Management (Structure of Public Service) Proclamation 2006, the sustainability function of the Department's Office of Sustainability was transferred to the Department of the Premier and Cabinet. This transfer was effective as at 1 April 2006.

In the previous reporting period additional land administration plant and equipment assets were identified as having been physically transferred to the Department for Administrative and Information Services (DAIS) on 1 September 2003 that were not taken into account in determining the loss on restructure in the previous reporting period. The correction of this error resulted in an additional Net Loss of $328 000 to the Department.

The table below shows the assets and liabilities transferred in (out) of the Department as a result of the administrative restructure.

	2006 Office of Sustainability $'000	2005 Asset Transfer to DAIS $'000
Assets:		
Cash	**(578)**	-
Property, plant and equipment	**-**	(328)
Total Assets	**(578)**	(328)
Liabilities:		
Provisions for employee benefits	**460**	-
Total Liabilities	**460**	-
Net Gain (Loss) from Administrative Restructure	**(118)**	(328)

17. Cash and Cash Equivalents

	2006 $'000	2005 $'000
Cash:		
Deposit accounts	**16 622**	15 446
Advance accounts	**106**	116
Cash in transit	**25**	119
Cash on hand	**26**	27
	16 779	15 708
Cash Equivalents:		
Accrual appropriation	**112 206**	92 104
Total Cash and Cash Equivalents	**128 985**	107 812

18. Receivables

Current:		
Debtors	**2 969**	2 704
Loans	**-**	4
Interest	**94**	100
GST recoverable from ATO	**1 233**	2 465
Other	**214**	238
Less: Provision for doubtful debts	**40**	34
	4 470	5 477

18. Receivables (continued)

	2006	2005
Non-Current:	**$'000**	$'000
Debtors	**2 492**	-
Loans	**58**	58
Other	**28**	23
	2 578	81
Receivables from SA Government entities:		
Debtors	**1 936**	1 771
Interest	**94**	100
Other	**214**	238
	2 244	2 109

19. Inventories

Current:		
Inventories held for distribution	**373**	424
Non-current assets held for resale	**946**	946
Other inventories - Livestock sheep	**122**	221
	1 441	1 591

20. Financial Assets

Non-Current:		
Equity in listed entities	**8**	8
	8	8

21. Other Assets

Current:		
Prepayments	**852**	887
Other	**3**	-
	855	887
Other Assets from SA Government entities:		
Prepayments	**23**	28
	23	28

22. Non-Current Assets Held for Resale

Land held for resale	**951**	956
	951	956

23. Property, Plant and Equipment

(a) Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails

Land:		
Independent valuation	**153 653**	65 728
At cost (deemed fair value)	**2 874**	9 242
Total Land	**156 527**	74 970
Buildings and Improvements:		
Independent valuation	**81 349**	63 959
At cost (deemed fair value)	**4 945**	10 809
Less: Accumulated depreciation	**731**	40 967
Total Buildings and Improvements	**85 563**	33 801
Park Infrastructure:		
Independent valuation	**141 066**	107 733
At cost (deemed fair value)	**5 538**	10 870
Less: Accumulated depreciation	**2 100**	95 351
Total Park Infrastructure	**144 504**	23 252
Roads, Tracks and Trails:		
Independent valuation	**137 048**	101 025
At cost (deemed fair value)	**3 245**	3 150
Less: Accumulated depreciation	**1 080**	82 146
Total Roads, Tracks and Trails	**139 213**	22 029
Capital Works in Progress:		
Total Capital Works in Progress	**5 125**	8 639
Total Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails	**530 932**	162 691

(b) Plant and Equipment

Moveable Vehicles:		
Independent valuation	**-**	12
At cost (deemed fair value)	**8 171**	7 778
Less: Accumulated depreciation	**4 840**	4 301
Total Moveable Vehicles	**3 331**	3 489

(b) Plant and Equipment (continued)

	2006	2005
Computing Equipment:	**$'000**	$'000
At cost (deemed fair value)	**8 049**	8 550
Less: Accumulated depreciation	**7 284**	7 307
Total Computing Equipment	**765**	1 243
Furniture and Fittings:		
Independent valuation	**71**	-
At cost (deemed fair value)	**7 129**	6 181
Less: Accumulated depreciation	**5 337**	4 993
Total Furniture and Fittings	**1 863**	1 188
Plant and Equipment:		
Independent valuation	**674**	471
At cost (deemed fair value)	**4 296**	3 860
Less: Accumulated depreciation	**3 259**	2 692
Total Plant and Equipment	**1 711**	1 639
Plant and Equipment under Finance Lease:		
At cost (deemed fair value)	**2**	3
Less: Accumulated amortisation	**2**	2
Total Plant and Equipment under Finance Lease	**-**	1
Other:		
Independent valuation	**1 410**	7 198
At cost (deemed fair value)	**1 215**	2 536
Less: Accumulated depreciation	**171**	4 118
Total Other	**2 454**	5 616
Total Plant and Equipment	**10 124**	13 176
Total Property, Plant and Equipment	**541 056**	175 867

Reconciliation

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

	Land	Buildings and Improvements	Park Infra-structure	Roads, Tracks and Trails	Moveable Vehicles
Gross Carrying Amount:	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2005	74 970	74 769	118 603	104 175	7 790
Additions	537	-	60	-	381
Additions - Transfers from capital works in progress	-	2 142	4 347	1 402	-
Net revaluation increment (decrement)	79 845	8 910	22 062	3 349	-
Transfers within Government	-	(1 348)	(3 050)	(159)	-
Transfers between classes	1 175	-	(53)	-	-
Assets received free of charge additions - First time recognition	-	2 324	3 580	26 008	-
Disposals	-	(446)	(1 078)	(971)	-
Aramis revisions - Up	-	358	3 023	6 789	-
Aramis revisions - Down	-	(415)	(890)	(300)	-
Capital works in progress expensed in current period	-	-	-	-	-
Balance at 30 June 2006	156 527	86 294	146 604	140 293	8 171
Accumulated Depreciation/Amortisation:					
Balance at 30 June 2005	-	(40 967)	(95 351)	(82 146)	(4 301)
Depreciation expense	-	(2 205)	(5 872)	(6 012)	(539)
Net revaluation increment (decrement)	-	42 949	100 319	107 782	-
Transfers within Government	-	-	-	-	-
Transfers between classes	-	-	30	-	-
Depreciation - First time recognition	-	(1 414)	(1 621)	(17 130)	-
Disposals	-	353	866	724	-
Aramis revisions - Up	-	233	(965)	(4 507)	-
Aramis revisions - Down	-	320	494	209	-
Balance at 30 June 2006	-	(731)	(2 100)	(1 080)	(4 840)
Net Book Value:					
At 30 June 2005	74 970	33 801	23 252	22 029	3 489
At 30 June 2006	**156 527**	**85 563**	**144 504**	**139 213**	**3 331**

Reconciliation (continued)

	Computing Equipment	Furniture and Fittings	Plant and Equipment	Plant and Equipment under Finance Lease	Other
Gross Carrying Amount:	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2005	8 550	6 181	4 331	2	9 735
Additions	489	-	360	-	-
Additions - Transfers from capital works in progress	5	2 261	540	-	21
Net revaluation increment (decrement)	-	14	-	-	(5 941)
Transfers within Government	-	(1 252)	(352)	-	(21)
Transfers between classes	-	(4)	53	-	(1 171)
Assets received free of charge additions - First time recognition	-	-	227	-	2
Disposals	(995)	-	(189)	-	-
Aramis revisions - Up	-	-	-	-	-
Aramis revisions - Down	-	-	-	-	-
Capital works in progress expensed in current period	-	-	-	-	-
Balance at 30 June 2006	8 049	7 200	4 970	2	2 625
Accumulated Depreciation/Amortisation:					
Balance at 30 June 2005	(7 307)	(4 993)	(2 693)	(2)	(4 118)
Depreciation expense	(970)	(367)	(623)	-	(365)
Net revaluation increment (decrement)	-	23	-	-	4 313
Transfers within Government	-	-	-	-	-
Transfers between classes	-	-	(30)	-	-
Depreciation - First time recognition	-	-	(86)	-	(1)
Disposals	993	-	173	-	-
Aramis revisions - Up	-	-	-	-	-
Aramis revisions - Down	-	-	-	-	-
Balance at 30 June 2006	(7 284)	(5 337)	(3 259)	(2)	(171)
Net Book Value:					
At 30 June 2005	1 243	1 188	1 639	1	5 616
At 30 June 2006	**765**	**1 863**	**1 711**	**-**	**2 454**

	Capital Works in Progress	**Total**
Gross Carrying Amount:	$'000	**$'000**
Balance at 30 June 2005	8 639	**417 745**
Additions	9 842	**11 669**
Additions - Transfers from capital works in progress	(11 395)	**(677)**
Net revaluation increment (decrement)	-	**108 239**
Transfers within Government	-	**(6 182)**
Transfers between classes	-	**-**
Assets received free of charge additions - First time recognition	-	**32 141**
Disposals	-	**(3 679)**
Aramis revisions - Up	-	**10 170**
Aramis revisions - Down	-	**(1 605)**
Capital works in progress expensed in current period	(1 961)	**(1 961)**
Balance at 30 June 2006	5 125	**565 860**

	Capital Works in Progress	**Total**
Accumulated Depreciation/Amortisation:	$'000	**$'000**
Balance at 30 June 2005	-	**(241 878)**
Depreciation expense	-	**(16 953)**
Net revaluation increment (decrement)	-	**255 386**
Transfers within Government	-	**-**
Transfers between classes	-	**-**
Depreciation - First time recognition	-	**(20 252)**
Disposals	-	**3 109**
Aramis revisions - Up	-	**(5 239)**
Aramis revisions - Down	-	**1 023**
Balance at 30 June 2006	-	**(24 804)**
Net Book Value:		
At 30 June 2005	8 639	**175 867**
At 30 June 2006	**5 125**	**541 056**

24. Intangible Assets

Computer Software (Internally Generated):	**2006** **$'000**	2005 $'000
At cost (deemed fair value)	**9 084**	8 407
Less accumulated amortisation	**7 484**	6 452
Total Computer Software (Internally Generated)	**1 600**	1 955
Total Intangible Assets	**1 600**	1 955

Intangible Asset Movement Schedule

	2006 **$'000**
Gross carrying amount:	
Balance at 30 June 2005	**8 407**
Additions: Transfer from Capital Works in Progress	**677**
Balance at 30 June 2006	**9 084**
Accumulated amortisation:	
Balance at 30 June 2005	**(6 452)**
Amortisation expense	**(1 032)**
Balance at 30 June 2006	**(7 484)**
Net Book Value:	
At 30 June 2005	**1 955**
At 30 June 2006	**1 600**

25. Payables

	2006 **$'000**	2005 $'000
Current:		
Creditors	**8 101**	9 424
Accruals	**1 050**	1 005
Employee benefit on-costs (i)	**941**	918
	10 092	11 347
Non-Current:		
Employee benefit on-costs (i)	**1 354**	1 603
	1 354	1 603

(i) Employee Benefit On-Costs

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. The employee benefit on-costs associated with each type of employee benefit are as follows:

	2006 **$'000**	2005 $'000
Current:		
Accrued Payroll Tax:		
Annual leave	**266**	265
Long service leave	**38**	31
Accrued salaries and wages	**6**	32
	310	328
Superannuation:		
Annual leave	**488**	494
Long service leave	**31**	38
Accrued salaries and wages	**112**	58
	631	590
Total Current Employee Benefit On-Costs	**941**	918
Non-Current:		
Accrued Payroll Tax:		
Long service leave	**742**	881
	742	881
Superannuation:		
Long service leave	**612**	722
	612	722
Total Non-Current Employee Benefit On-Costs	**1 354**	1 603
Payables to SA Government entities:		
Creditors	**460**	-
Accruals	**2 263**	2 983
Employee benefit on-costs	**1 083**	1 211
	3 806	4 194

26. Employee Benefits

	2006	2005
Current:	**$'000**	$'000
Annual leave	**4 235**	4 328
Long service leave	**310**	536
Workers compensation	**298**	176
Accrued salaries and wages	**1 239**	951
	6 082	5 991
Non-Current:		
Long service leave	**12 879**	12 362
Workers compensation	**810**	504
	13 689	12 866

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 25 as they do not accrue to employees.

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2006 is $7.0 million and $15.0 million respectively ($6.9 million and $14.5 million respectively).

In the 2006 financial year, the LSL benchmark contained within the APF IV *Financial Asset and Liability Framework* was amended, based on an actuarial assessment.

27. Borrowings

	2006	2005
Non-Current:	**$'000**	$'000
Department of Treasury and Finance	**38 054**	38 054
	38 054	38 054
Repayable:		
Not later than one year	**-**	-
Later than one year but not later than five years	**-**	-
Later than five years	**38 054**	38 054
	38 054	38 054

28. Finance Leases

At reporting date, the Department had the following obligations under finance leases the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation. The finance leases are for office equipment such as computers, copiers and printers. In general, the leases are non-cancellable, payable either six-monthly or monthly in advance or arrears, are renewable at the Department's discretion and contain no contingent rental provisions.

	2006	2005
	$'000	$'000
Payable not later than one year	**-**	1
Payable later than one year but not later than five years	**-**	-
Minimum lease payments	**-**	1
Less: Future finance charges	**-**	-
Total Lease Liability	**-**	1
Classified as:		
Current	**-**	1
Total Lease Liability	**-**	1

29. Other Liabilities

Current:		
Unclaimed monies	**23**	27
Retention monies	**6**	40
Bonds held	**6**	2
Unearned revenue	**137**	159
Lease incentive	**328**	-
Other	**-**	62
	500	290
Non-Current:		
Unearned revenue	**28**	12
Lease incentive	**2 553**	-
	2 581	12
Other Liabilities to SA Government entities:		
Unearned revenue	**60**	60
	60	60

30. Equity

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Retained Earnings $'000	**Asset Revaluation Reserve $'000**	**2006 Total $'000**
Balance at 1 July	**201 594**	**22 876**	**224 470**
First-time recognition of assets:			
Buildings and improvements	**910**	**-**	**910**
Park infrastructure	**1 959**	**-**	**1 959**
Roads, tracks and trails	**8 878**	**-**	**8 878**
Plant and equipment	**142**	**-**	**142**
Other	**1**	**-**	**1**
Surplus for the year	**3 528**	**-**	**3 528**
Net Increment (Decrement) related to the revaluation of:		**-**	**-**
Land	**-**	**79 845**	**79 845**
Buildings and improvements	**-**	**51 859**	**51 859**
Park infrastructure	**-**	**122 381**	**122 381**
Roads, tracks and trails	**-**	**111 131**	**111 131**
Furniture and fittings	**-**	**37**	**37**
Other	**-**	**102**	**102**
Asset errors - Fixed assets:			
ARAMIS revisions up	**4 931**	**-**	**4 931**
ARAMIS revisions down	**(582)**	**-**	**(582)**
Balance at 30 June	**221 361**	**388 231**	**609 592**

	Retained Earnings $'000	Asset Revaluation Reserve $'000	2005 Total $'000
Balance at 1 July	198 877	23 458	222 335
Adjustments to opening balance per AIFRS:			
Change in accounting policy - Threshold	(2 775)	-	(2 775)
Adjusted Opening Balance	196 102	23 458	219 560
First-time recognition of assets:			
Buildings and improvements	402	-	402
Park infrastructure	2 857	-	2 857
Roads, tracks and trails	1 226	-	1 226
Plant and equipment	7	-	7
Other	37	-	37
Asset errors - Fixed assets:			
ARAMIS revisions up	102	-	102
ARAMIS revisions down	(1 698)	-	(1 698)
Surplus for the year	2 441	-	2 441
Net Increment (Decrement) related to the revaluation of:			
Buildings and improvements	-	(122)	(122)
Park infrastructure	-	(288)	(288)
Roads, tracks and trails	-	(172)	(172)
Correction to estimated lease incentive liability	118	-	118
Balance at 30 June	201 594	22 876	224 470

31. Reconciliation of Net Cash provided by Operating Activities to Net Cost of providing Services

	2006 $'000	2005 $'000
Net Cash provided by Operating Activities	**33 877**	35 216
Adjustments:		
Cash Flows from Government:		
Recurrent appropriation	**(107 340)**	(102 091)
Contingency funds	**(1 156)**	(689)
Accrual appropriation	**(14 233)**	(13 697)
Cash Flows to Government:		
Return of surplus cash	**-**	1 851
Depreciation and amortisation	**(17 989)**	(26 028)
Assets written-off	**(3 692)**	(434)
Net loss on sale of assets	**(6 739)**	(2 166)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	**1 490**	(1 360)
Decrease in inventories	**(154)**	(673)
(Decrease) Increase in other assets	**(32)**	465
Decrease (Increase) in payables	**578**	(575)
Increase in employee benefits	**(914)**	(1 712)
(Increase) Decrease in other liabilities	**(2 779)**	36
Net Cost of Providing Services	**(119 083)**	(111 857)

32. Restrictions on Contributions Received

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Department had the following outstanding funding commitments:

	2006	2005
	$'000	$'000
Resource conservation and management	**3 635**	2 331
	3 635	2 331

33. Expenditure Commitments

Operating Lease Commitment

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2006	2005
	$'000	$'000
Not later than one year	**4 369**	4 531
Later than one year but not later than five years	**16 075**	16 749
Later than five years	**10 828**	14 585
Total (including GST)	**31 272**	35 865

Included in the operating lease commitments above is $2.84 million ($3.26 million) which is the GST component of the operating lease payments.

The Department has received lease incentives for two leased properties amounting to $3.28 million. These are being amortised at a rate of $328 000 per annum until 2015.

The weighted average interest rate implicit in non-cancellable operating leases is 3.25 percent (3.15 percent).

The operating leases held by the Department are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Department has the right of renewal. There are no existing or contingent rental provisions.

Capital Commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2006	2005
	$'000	$'000
Not later than one year	**152**	-
Total (including GST)	**152**	-

The Department's Capital Commitments are for amounts associated with capital infrastructure projects incomplete at the reporting date.

34. Contingent Assets and Liabilities

Wilpena Tourist Centre

The Minister (on behalf of the Department) extended a guarantee to a maximum value of $1.25 million to ANZ Bank on behalf of Flinders Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability was expected to reduce by an amount of $0.13 million per year effective from 1 July 2000 in line with loan repayments. The maximum exposure in relation to the guarantee as at 30 June 2006 is $0.475 million. In the previous reporting period, the loan repayments and associated guarantee were restructured such that the contingent liability is now expected to reduce by an amount of $0.08 million per year effective from November 2004. As at the reporting date, no event was known to have occurred which would crystallise the liability under the guarantee.

The Department is not aware of the existence of any contingent assets as at 30 June 2006.

35. Financial Instruments Disclosure

(a) Accounting Policies and Terms and Conditions affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the DTF 90 day bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 6.95 percent (6.70 percent).

Debtors (trade accounts receivable) are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Financial Assets (continued)
Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date with provision being made for bad and doubtful loans. That is, where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived at the discretion of the Minister. Interest is credited to revenue as it accrues in accordance with the fixed interest rate loan repayment schedule. Similarly, principal repayments also occur in accordance with the loan repayment schedules and the principal is repaid in full at maturity.

Financial Liabilities
Creditors (trade accounts payable), including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or goods and services at their nominal amounts and are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense on an effective yield basis.

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure
The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

				2006			
	Weighted Average Effective Rate	Floating Interest Rate	1 Year or Less	1 to 5 Years	More Than 5 Years	Non-Interest Bearing	**2006 Total**
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash and cash equivalents	6.95	128 828	-	-	-	157	**128 985**
Loan receivables	1.98	23	-	-	-	35	**58**
Receivables	n/a	-	-	-	-	6 990	**6 990**
Financial assets	n/a	-	-	-	-	8	**8**
		128 851	-	-	-	7 190	**136 041**
Financial Liabilities:							
Payables	n/a	-	-	-	-	11 446	**11 446**
Borrowings	7.00	-	-	-	38 054	-	**38 054**
		-	-	-	38 054	11 446	**49 500**

				2005			
	Weighted Average Effective Rate	Floating Interest Rate	1 Year or Less	1 to 5 Years	More Than 5 Years	Non-Interest Bearing	2005 Total
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6.70	107 459	-	-	-	353	107 812
Loan receivables	2.07	23	4	-	-	35	62
Receivables	n/a	-	-	-	-	5 496	5 496
Financial assets	n/a	-	-	-	-	8	8
		107 482	4	-	-	5 892	113 378
Financial Liabilities:							
Payables	n/a	-	-	-	-	13 134	13 134
Borrowings	6.75	-	-	-	38 054	-	38 054
		-	-	-	38 054	13 134	51 188

(c) Net Fair Value of Financial Assets and Liabilities
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

	2006		2005	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	**128 985**	**128 985**	107 812	107 812
Loan receivables	**58**	**58**	62	62
Receivables	**6 990**	**6 990**	5 496	5 496
Financial assets	**8**	**8**	8	8
	136 041	**136 041**	113 378	113 378
Financial Liabilities:				
Payables	**11 446**	**11 446**	13 134	13 134
Borrowings	**38 054**	**38 054**	38 054	38 054
	49 500	**49 500**	51 188	51 188

36. Auditors' Remuneration
Services provided by the Auditor-General's Department with respect to the audit of the Department totalled $216 000 ($211 000) for the reporting period. No other services were provided by the Auditor-General's Department.

37. Events subsequent to Reporting Date

No material events subsequent to reporting date exist.

38. The State Heritage Fund

The State Heritage Fund (the Fund) was established under the *Heritage Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. When incorporating these amounts into the Departmental Financial Statements transactions between the Fund and the Department have been eliminated.

Income Statement for the year ended 30 June 2006

	2006	2005
EXPENSES	**$'000**	$'000
Supplies and services	**(2)**	7
Grants and contributions	**232**	250
Other expenses	**-**	18
Total Expenses	**230**	275
INCOME:		
Interest	**-**	1
Total Income	**-**	1
NET COST OF PROVIDING SERVICES	**230**	274
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues	**250**	250
Total South Australian Government Revenues and Payments	**250**	250
NET RESULT	**20**	(24)

Balance Sheet as at 30 June 2006

	2006	2005
CURRENT ASSETS:	**$'000**	$'000
Cash	**184**	92
Receivables	**-**	4
Total Current Assets	**184**	96
NON-CURRENT ASSETS:		
Receivables	**58**	58
Total Assets	**242**	154
CURRENT LIABILITIES:		
Payables	**75**	7
Total Current Liabilities	**75**	7
Total Liabilities	**75**	7
NET ASSETS	**167**	147
EQUITY:		
Retained Earnings	**167**	147
TOTAL EQUITY	**167**	147

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

	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	171	171
Net result for 2004-05	(24)	(24)
Balance at 30 June 2005	147	147
Net result for 2005-06	20	20
Balance at 30 June 2006	**167**	**167**

38. The State Heritage Fund (continued)

Cash Flow Statement for the year ended 30 June 2006

	2006 Inflows (Outflows) $'000	2005 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Supplies and services	**2**	(27)
Grants and contributions	**(164)**	(250)
Cash used in Operations	**(162)**	(277)
CASH INFLOWS:		
Interest received	**-**	2
Loan repayments	**4**	15
Cash generated from Operations	**4**	17
CASH FLOWS FROM SA GOVERNMENT:		
RECEIPTS FROM SA GOVERNMENT:		
Recurrent appropriations	**250**	250
Total Receipts from SA Government	**250**	250
Net Cash provided by (used in) Operating Activities	**92**	(10)
NET INCREASE (DECREASE) IN CASH HELD	**92**	(10)
CASH AT 1 JULY	**92**	102
CASH AT 30 JUNE	**184**	92

Administered Income Statement
for the year ended 30 June 2006

	2006	2005
EXPENSES:	**$'000**	$'000
Employee benefits costs	**379**	537
Supplies and services	**2 403**	2 216
Grants and contributions	**5 123**	4 527
Depreciation and amortisation	**2 385**	1 833
Net loss from disposal of non-current assets	**9**	540
Other expenses	**5**	86
Total Expenses	**10 304**	9 739
INCOME:		
Fees and charges	**1 940**	1 467
Grants and contributions	**555**	226
Interest	**184**	151
Assets received free of charge	**5 294**	1 121
Net gain from disposal of non-current assets	**6 170**	8 608
Other revenue	**148**	147
Total Income	**14 291**	11 720
NET COST OF PROVIDING SERVICES	**3 987**	1 981
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues	**3 986**	3 810
Payments	**(6 045)**	(6 678)
Total SA Government Revenues and Payments	**(2 059)**	(2 868)
NET RESULT	**1 928**	(887)

Administered Balance Sheet
as at 30 June 2006

	2006	2005
CURRENT ASSETS:	**$'000**	$'000
Cash	**12 695**	9 214
Receivables	**856**	350
Inventories	**46**	51
Other current assets	**51**	-
Total Current Assets	**13 648**	9 615
NON-CURRENT ASSETS:		
Receivables	**289**	382
Property, plant and equipment	**132 886**	82 292
Total Non-Current Assets	**133 175**	82 674
Total Assets	**146 823**	92 289
CURRENT LIABILITIES:		
Payables	**482**	584
Employee benefits	**2**	-
Other current liabilities	**6 739**	3 735
Total Current Liabilities	**7 223**	4 319
NON-CURRENT LIABILITIES:		
Payables	**175**	175
Total Non-Current Liabilities	**175**	175
Total Liabilities	**7 398**	4 494
NET ASSETS	**139 425**	87 795
EQUITY:		
Asset revaluation reserve	**72 078**	22 386
Retained earnings	**67 347**	65 409
TOTAL EQUITY	**139 425**	87 795

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	17 777	66 288	84 065
Asset errors - Fixed assets - ARAMIS revisions up	-	14	14
Changes in accounting policy	-	(7)	(7)
Restated Balance at 1 July 2004	17 777	66 295	84 072
Net increment (decrement) related to the revaluation of:			
Land	4 508	-	4 508
Park infrastructure	(4)	-	(4)
Net Deficit for the year	-	(886)	(886)
Total Recognised Income and Expense for 2004-05	4 504	(886)	3 618
Balance at 30 June 2005	22 281	65 409	87 690
Error correction	105	-	105
Restated Balance at 30 June 2005	22 386	65 409	87 795
Net increment (decrement) related to the revaluation of:			
Land	(1 104)	-	(1 104)
Buildings and improvements	11 210	-	11 210
Park infrastructure	36 323	-	36 323
Roads, tracks and trails	2 415	-	2 415
Other	848	-	848
Asset errors - Fixed assets - ARAMIS revisions up	-	11	11
Net Surplus for the year	-	1 927	1 927
Total Recognised Income and Expense for 2005-06	49 692	1 938	51 630
Balance at 30 June 2006	**72 078**	**67 347**	**139 425**

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

Statement of Administered Cash Flows
for the year ended 30 June 2006

	2006 Inflows (Outflows) $'000	2005 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits payments	**(598)**	(634)
Supplies and services	**(2 357)**	(2 682)
Grants and contributions	**(5 098)**	(4 527)
GST payments on purchases	**-**	(8)
Other payments	**(6)**	-
Cash used in Operations	**(8 059)**	(7 851)
CASH INFLOWS:		
Fees and charges	**4 437**	1 727
Grants and contribution receipts	**555**	251
Interest received	**183**	149
GST refund from ATO	**-**	11
Loan repayments	**96**	105
Other receipts	**148**	194
Cash generated from Operations	**5 419**	2 437
CASH FLOWS FROM SA GOVERNMENT:		
RECEIPTS FROM SA GOVERNMENT:		
Recurrent appropriation	**3 986**	3 810
Total Receipts from SA Government	**3 986**	3 810
PAYMENTS TO SA GOVERNMENT:		
Return of surplus cash	**(6 045)**	(6 678)
Total Payments to SA Government	**(6 045)**	(6 678)
Net Cash used in Operating Activities	**(4 699)**	(8 282)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(62)**	(4)
Proceeds from sale of property, plant and equipment	**8 242**	11 477
Net Cash provided by Investing Activities	**8 180**	11 473
NET INCREASE IN CASH	**3 481**	3 191
CASH AT 1 JULY	**9 214**	6 023
CASH AT 30 JUNE	**12 695**	9 214

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered Items of the Department

(a) Reporting Entities and Strategic Context

The activities of the Administered Items are:

Board of the Botanic Gardens and State Herbarium
The Board was established under Section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

In the previous reporting period, asset surveys were completed for the gardens. This process involved a complete data capture of all Park Infrastructure assets within the gardens including condition assessments that resulted in useful life amendments. Amendments to existing asset details and descriptions resulted in a net increase to the value of assets held of \$0.49 million. New assets recognised for the first time amounted to a net increase in asset holdings of \$4.63 million.

Coast Protection Board
The Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Board.

Crown Lands
Crown Lands is comprised of an account established by the Treasurer to record receipts and payments associated with the sale of Crown land and other surplus Government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance (DTF) Consolidated Account.

Ministerial Other Payments
Payments made under Special Acts such as grant payments to the Royal Zoological Society of SA Inc.

Special Acts Allocation
Payments made under Special Acts for the salary and allowances for the Minister for Environment and Conservation.

Dog and Cat Management Board
The Dog and Cat Management Board was established under the *Dog and Cat Management Act 1995* to plan for, promote and provide advice about the effective management of dogs and cats throughout South Australia and to oversee the administration and enforcement of the provisions of the Act.

Murray Mallee Partnership
The Partnership is established under a Memorandum of Understanding to pursue cooperative management of land with a major focus on conservation within the Murray Mallee areas of New South Wales, Victoria and South Australia.

Other Comprises
Beachport Breakwater Project
The Breakwater construction commenced in the previous reporting period and is being undertaken by the Coast Protection Board, Transport SA, Wattle Range Council, Department for Administrative and Information Services and the Department for Environment and Heritage (the Department). Once completed, the asset will become the responsibility of the Wattle Range Council.

(b) Administered Items' Financial Arrangements

The financial activities of the Administered Items are conducted through a number of Deposit Accounts with DTF pursuant to the *Public Finance and Audit Act 1987*. For those Administered Items that do not have their own Deposit Account with DTF their financial activities are conducted through the Department's Deposit Account.

The Department conducts a large number of activities directed towards meeting the Administered Items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the Administered Items. Many of the Administered Items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the Administered Items and can be measured reliably are met by the Administered Items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered Items' Schedules.

In the prior period, the War Services Land Settlement Scheme was disclosed as an Administered Item. The classification was reviewed during the current reporting period and was reclassified to controlled activity of the Department as the result of the transfer of activities of the Scheme to the Department as at 1 July 2005.

(c) Administered Items' Summary of Significant Accounting Policies

The Administered Items schedules of activities detail the sum of the individual Administered Items' revenues, expenses, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing the schedules as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual Administered Items have not been eliminated.

In general, the Administered Items adopt the accounting policies of the Department, as detailed in Note 2 of the Department's financial statements, deviations from these policies are as follows:

Property, Plant and Equipment
The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of the value of the asset, unallotted Crown Land is not included in the Administered Items activities.

The Administered Items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

Provisions for Employee Benefits
In general, Administered Items' utilise the services of contractors or the Department's employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by the Department's employees are provided free of charge. If, however, the services provided by the Department's employees are directly attributable to the activities of an Administered Item and can be reliably measured the services are charged to the Administered Item on a fee for service (cost recovery) basis. These charges are included in the Statement of Administered Revenues and Expenses as Employee Benefits. Further, the provision for the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Items' financial statements as the Department is obligated to pay employees for services provided. Accordingly, the Provisions for Employee Benefits are recognised in the Department's financial statements.

Details of the Administered Items' revenues, expenses, assets, liabilities, changes in equity and cash flows are provided in the following schedules:

Schedule 1(A): Administered Revenues and Expenses for the year ended 30 June 2006
Schedule 1(B): Administered Revenues and Expenses for the year ended 30 June 2005
Schedule 2(A): Administered Assets and Liabilities as at 30 June 2006
Schedule 2(B): Administered Assets and Liabilities as at 30 June 2005
Schedule 3(A): Statement of Changes in Administered Equity for the year ended 30 June 2006
Schedule 4(A): Administered Cash Flows for the year ended 30 June 2006
Schedule 4(B): Administered Cash Flows for the year ended 30 June 2005

Schedule 1(A): Administered Expenses and Income for the year ended 30 June 2006

	Dog and Cat Management Board	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Murray Mallee Partnership
EXPENSES:	$'000	$'000	$'000	$'000	$'000
Employee benefits costs	25	142	31	4	-
Supplies and services	574	230	1 321	224	-
Grants and contributions	266	1 485	-	221	25
Depreciation and amortisation	1	2 371	13	-	-
Net loss from disposal of non-current assets	8	1	-	-	-
Other	-	5	-	-	-
Total Expenses	874	4 234	1 365	449	25
INCOME:					
Fees and charges	988	794	149	9	-
Grants and contributions	-	555	-	-	-
Interest	37	147	-	-	-
Assets received free of charge	-	5 294	-	-	-
Net gain from disposal of non-current assets	-	-	6 170	-	-
Other revenue	-	148	-	-	-
Total Income	1 025	6 938	6 319	9	-
NET SURPLUS (COST OF SERVICES)	151	2 704	4 954	(440)	(25)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues	-	-	-	459	-
Payments	-	-	(6 045)	-	-
Total SA Government Revenues and Payments	-	-	(6 045)	459	-
NET RESULT	151	2 704	(1 091)	19	(25)

	Minister's Other Payments	Special Acts Allocation	ADM Other	**Total**
EXPENSES:	$'000	$'000	$'000	**$'000**
Employee benefits costs	-	177	-	**379**
Supplies and services	4	-	50	**2 403**
Grants and contributions	3 126	-	-	**5 123**
Depreciation and amortisation	-	-	-	**2 385**
Net loss from disposal of non-current assets	-	-	-	**9**
Other	-	-	-	**5**
Total Expenses	3 130	177	50	**10 304**
INCOME:				
Fees and charges	-	-	-	**1 940**
Grants and contributions	-	-	-	**555**
Interest	-	-	-	**184**
Assets received free of charge	-	-	-	**5 294**
Net gain from disposal of non-current assets	-	-	-	**6 170**
Other revenue	-	-	-	**148**
Total Income	-	-	-	**14 291**
NET SURPLUS (COST OF SERVICES)	(3 130)	(177)	(50)	**3 987**
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues	3 130	397	-	**3 986**
Payments	-	-	-	**(6 045)**
Total SA Government Revenues and Payments	3 130	397	-	**(2 059)**
NET RESULT	-	220	(50)	**1 928**

Schedule 1(B): Administered Expenses and Income for the year ended 30 June 2005

	Dog and Cat Management Board	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Murray Mallee Partnership
EXPENSES:	$'000	$'000	$'000	$'000	$'000
Employee benefits costs	56	81	161	9	-
Supplies and services	418	329	1 371	88	2
Grants and contributions	122	867	-	412	-
Depreciation and amortisation	3	1 817	13	-	-
Net loss from disposal of non-current assets	-	435	-	105	-
Other	-	85	-	1	-
Total Expenses	599	3 614	1 545	615	2
INCOME:					
Fees and charges	538	775	144	10	-
Grants and contributions	-	122	-	104	-
Interest	21	130	-	-	-
Assets received free of charge	-	1 097	24	-	-
Net gain from disposal of non-current assets	-	-	8 608	-	-
Other revenue	-	147	-	-	-
Total Income	559	2 271	8 776	114	-
NET SURPLUS (COST OF SERVICES)	(40)	(1 343)	7 231	(501)	(2)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues	-	-	-	459	-
Payments	-	-	(6 678)	-	-
Total SA Government Revenues and Payments	-	-	(6 678)	459	-
NET RESULT	(40)	(1 343)	553	(42)	(2)

	Minister's Other Payments	Special Acts Allocation	ADM Other	Total
EXPENSES:	$'000	$'000	$'000	$'000
Employee benefits costs	-	230	-	537
Supplies and services	4	-	4	2 216
Grants and contributions	3 126	-	-	4 527
Depreciation and amortisation	-	-	-	1 833
Net loss from disposal of non-current assets	-	-	-	540
Other	-	-	-	86
Total Expenses	3 130	230	4	9 739
INCOME:				
Fees and charges	-	-	-	1 467
Grants and contributions	-	-	-	226
Interest	-	-	-	151
Assets received free of charge	-	-	-	1 121
Net gain from disposal of non-current assets	-	-	-	8 608
Other revenue	-	-	-	147
Total Income	-	-	-	11 720
NET SURPLUS (COST OF SERVICES)	(3 130)	(230)	(4)	1 981
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues	3 130	221	-	3 810
Payments	-	-	-	(6 678)
Total SA Government Revenues and Payments	3 130	221	-	(2 868)
NET RESULT	-	(9)	(4)	(887)

Schedule 2(A): Administered Assets and Liabilities as at 30 June 2006

	Dog and Cat Management Board $'000	Botanic Gardens and State Herbarium $'000	Crown Lands $'000	Coast Protection Board $'000	Murray Mallee Partnership $'000
CURRENT ASSETS:					
Cash	364	2 001	10 239	66	25
Receivables	2	79	773	2	-
Inventories	-	46	-	-	-
Other	51	-	-	-	-
Total Current Assets	417	2 126	11 012	68	25
NON-CURRENT ASSETS:					
Receivables	-	-	289	-	-
Property, plant and equipment	-	94 098	34 128	4 660	-
Total Non-Current Assets	-	94 098	34 417	4 660	-
Total Assets	417	96 224	45 429	4 728	25
CURRENT LIABILITIES:					
Payables	151	23	233	38	25
Employee benefits	-	1	1	-	-
Other	-	-	6 739	-	-
Total Current Liabilities	151	24	6 973	38	25
NON-CURRENT LIABILITIES:					
Payables	-	-	175	-	-
Total Non-Current Liabilities	-	-	175	-	-
Total Liabilities	151	24	7 148	38	25
NET ASSETS	266	96 200	38 281	4 690	-
EQUITY:					
Asset revaluation reserve	-	59 893	8 872	3 313	-
Accumulated funds	266	36 307	29 409	1 377	-
TOTAL EQUITY	266	96 200	38 281	4 690	-

	Minister's Other Payments $'000	Special Acts Allocation $'000	ADM Other $'000	**Total $'000**
CURRENT ASSETS:				
Cash	-	-	-	**12 695**
Receivables	-	-	-	**856**
Inventories	-	-	-	**46**
Other	-	-	-	**51**
Total Current Assets	-	-	-	**13 648**
NON-CURRENT ASSETS:				
Receivables	-	-	-	**289**
Property, plant and equipment	-	-	-	**132 886**
Total Non-Current Assets	-	-	-	**133 175**
Total Assets	-	-	-	**146 823**
CURRENT LIABILITIES:				
Payables	2	10	-	**482**
Employee benefits	-	-	-	**2**
Other	-	-	-	**6 739**
Total Current Liabilities	2	10	-	**7 223**
NON-CURRENT LIABILITIES:				
Payables	-	-	-	**175**
Total Non-Current Liabilities	-	-	-	**175**
Total Liabilities	2	10	-	**7 398**
NET ASSETS	(2)	(10)	-	**139 425**
EQUITY:				
Asset revaluation reserve	-	-	-	**72 078**
Accumulated funds	(2)	(10)	-	**67 347**
TOTAL EQUITY	(2)	(10)	-	**139 425**

Schedule 2(B): Administered Assets and Liabilities as at 30 June 2005

	Dog and Cat Management Board $'000	Botanic Gardens and State Herbarium $'000	Crown Lands $'000	Coast Protection Board $'000	Murray Mallee Partnership $'000
CURRENT ASSETS:					
Cash	210	2 310	6 575	44	25
Receivables	6	26	315	3	-
Inventories	-	51	-	-	-
Total Current Assets	216	2 387	6 890	47	25
NON-CURRENT ASSETS:					
Receivables	-	-	382	-	-
Property, plant and equipment	21	42 936	34 675	4 660	-
Total Non-Current Assets	21	42 936	35 057	4 660	-
Total Assets	237	45 323	41 947	4 707	25
CURRENT LIABILITIES:					
Payables	122	27	168	35	-
Other	-	-	3 735	-	-
Total Current Liabilities	122	27	3 903	35	-
NON-CURRENT LIABILITIES:					
Payables	-	-	175	-	-
Total Non-Current Liabilities	-	-	175	-	-
Total Liabilities	122	27	4 078	35	-
NET ASSETS	115	45 296	37 869	4 672	25
EQUITY:					
Asset revaluation reserve	-	11 704	7 369	3 313	-
Accumulated funds	115	33 592	30 500	1 359	25
TOTAL EQUITY	115	45 296	37 869	4 672	25

	Minister's Other Payments $'000	Special Acts Allocation $'000	ADM Other $'000	Total $'000
CURRENT ASSETS:				
Cash	-	-	50	9 214
Receivables	-	-	-	350
Inventories	-	-	-	51
Total Current Assets	-	-	50	9 615
NON-CURRENT ASSETS:				
Receivables	-	-	-	382
Property, plant and equipment	-	-	-	82 292
Total Non-Current Assets	-	-	-	82 674
Total Assets	-	-	50	92 289
CURRENT LIABILITIES:				
Payables	2	230	-	584
Other	-	-	-	3 735
Total Current Liabilities	2	230	-	4 319
NON-CURRENT LIABILITIES:				
Payables	-	-	-	175
Total Non-Current Liabilities	-	-	-	175
Total Liabilities	2	230	-	4 494
NET ASSETS	(2)	(230)	50	87 795
EQUITY:				
Asset revaluation reserve	-	-	-	22 386
Accumulated funds	(2)	(230)	50	65 409
TOTAL EQUITY	(2)	(230)	50	87 795

Schedule 3(A): Statement of Changes in Administered Equity for the year ended 30 June 2006

	Dog and Cat Management Board			Botanic Gardens and State Herbarium		
	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	-	155	155	11 708	34 927	46 635
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	14	14
Changes in accounting policy	-	-	-	-	(7)	(7)
Restated Balance at 1 July 2004	-	155	155	11 708	34 934	46 642
Net Increment (Decrement) related to revaluation of:						
Land	-	-	-	-	-	
Park infrastructure	-	-	-	(4)	-	(4)
Net surplus (deficit) for the period	-	(41)	(41)	-	(1 341)	(1 341)
Balance at 30 June 2005	-	114	114	11 704	33 593	45 297
Error correction	-	-	-	-	-	-
Restated balance at 30 June 2005	-	114	114	11 704	33 593	45 297
Net increment (decrement) related to the revaluation of:						
Land	-	-	-	(2 607)	-	(2 607)
Buildings and improvements	-	-	-	11 210	-	11 210
Park Infrastructure	-	-	-	36 323	-	36 323
Roads, tracks and trails	-	-	-	2 415	-	2 415
Other	-	-	-	848	-	848
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	11	11
Net surplus (deficit) for the period	-	151	151	-	2 703	2 703
Balance at 30 June 2006	**-**	**265**	**265**	**59 893**	**36 307**	**96 200**

	Crown Lands			Coast Protection Board		
	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	6 069	29 947	36 016	-	1 401	1 401
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Changes in accounting policy	-	-	-	-	-	-
Restated Balance at 1 July 2004	6 069	29 947	36 016	-	1 401	1 401
Net Increment (Decrement) related to revaluation of:						
Land	1 195	-	1 195	3 313	-	3 313
Park infrastructure	-	-	-	-	-	-
Net surplus (deficit) for the period	-	553	553	-	(42)	(42)
Balance at 30 June 2005	7 264	30 500	37 764	3 313	1 359	4 672
Error correction	105	-	105	-	-	-
Restated balance at 30 June 2005	7 369	30 500	37 869	3 313	1 359	4 672
Net increment (decrement) related to the revaluation of:						
Land	1 503	-	1 503	-	-	-
Buildings and improvements	-	-	-	-	-	-
Park Infrastructure	-	-	-	-	-	-
Roads, tracks and trails	-	-	-	-	-	-
Other	-	-	-	-	-	-
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Net surplus (deficit) for the period	-	(1 091)	(1 091)	-	19	19
Balance at 30 June 2006	**8 872**	**29 409**	**38 281**	**3 313**	**1 378**	**4 691**

Schedule 3(A): Statement of Changes in Administered Equity for the year ended 30 June 2006 (continued)

	Murray Mallee Payments			Minister's Other Payments		
	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	-	27	27	-	(2)	(2)
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Changes in accounting policy	-	-	-	-	-	-
Restated Balance at 1 July 2004	-	27	27		(2)	(2)
Net Increment (Decrement) related to revaluation of:						
Land	-	-	-	-	-	-
Park infrastructure	-	-	-	-	-	-
Net surplus (deficit) for the period	-	(2)	(2)	-	-	-
Balance at 30 June 2005	-	25	25	-	(2)	(2)
Error correction	-	-	-	-	-	-
Restated balance at 30 June 2005	-	25	25	-	(2)	(2)
Net increment (decrement) related to the revaluation of:						
Land	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-
Park Infrastructure	-	-	-	-	-	-
Roads, tracks and trails	-	-	-	-	-	-
Other	-	-	-	-	-	-
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Net surplus (deficit) for the period	-	(25)	(25)	-	-	-
Balance at 30 June 2006	**-**	**-**	**-**	**-**	**(2)**	**(2)**

	Special Acts Allocation			ADM Other		
	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000	Asset Revaluatn Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2004	-	(221)	(221)	-	54	54
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Changes in accounting policy	-	-	-	-	-	-
Restated Balance at 1 July 2004	-	(221)	(221)	-	54	54
Net Increment (Decrement) related to revaluation of:						
Land	-	-	-	-	-	-
Park infrastructure	-	-	-	-	-	-
Net surplus (deficit) for the period	-	(9)	(9)	-	(4)	(4)
Balance at 30 June 2005	-	(230)	(230)	-	50	50
Error correction	-	-	-	-	-	-
Restated balance at 30 June 2005	-	(230)	(230)	-	50	50
Net increment (decrement) related to the revaluation of:						
Land	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-
Park Infrastructure	-	-	-	-	-	-
Roads, tracks and trails	-	-	-	-	-	-
Other	-	-	-	-	-	-
Asset errors - Fixed assets - ARAMIS revisions up	-	-	-	-	-	-
Net surplus (deficit) for the period	-	220	220	-	(50)	(50)
Balance at 30 June 2006	**-**	**(10)**	**(10)**	**-**	**-**	**-**

Schedule 3(A): Statement of Changes in Administered Equity for the year ended 30 June 2006 (continued)

	Asset Revaluatn Reserve $'000	Total Retained Earnings $'000	Total $'000
Balance at 1 July 2004	17 777	66 288	84 065
Asset errors - Fixed assets - ARAMIS revisions up	-	14	14
Changes in accounting policy	-	(7)	(7)
Restated Balance at 1 July 2004	17 777	66 295	84 072
Net Increment (Decrement) related to revaluation of:			
Land	4 508	-	4 508
Park infrastructure	(4)	-	(4)
Net surplus (deficit) for the period	-	(886)	(886)
Balance at 30 June 2005	22 281	65 409	87 690
Error correction	105	-	105
Restated balance at 30 June 2005	22 386	65 409	87 795
Net increment (decrement) related to the revaluation of:			
Land	(1 104)	-	(1 104)
Buildings and improvements	11 210	-	11 210
Park Infrastructure	36 323	-	36 323
Roads, tracks and trails	2 415	-	2 415
Other	848	-	848
Asset errors - Fixed assets - ARAMIS revisions up	-	11	11
Net surplus (deficit) for the period	-	1 927	1 927
Balance at 30 June 2006	**72 078**	**67 347**	**139 425**

Schedule 4(A): Administered Cash Flows for the year ended 30 June 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	Dog and Cat Management Board Inflows (Outflows) $'000	Botanic Gardens and State Herbarium Inflows (Outflows) $'000	Crown Lands Inflows (Outflows) $'000	Coast Protection Board Inflows (Outflows) $'000	Murray Mallee Partnership Inflows (Outflows) $'000
CASH OUTFLOWS:					
Employee benefits payments	(25)	(142)	(30)	(4)	-
Supplies and services	(596)	(230)	(1 256)	(221)	-
Grants and contributions	(266)	(1 485)	-	(221)	-
Other payments	-	(5)	(1)	-	-
Cash used in Operations	(887)	(1 862)	(1 287)	(446)	-
CASH INFLOWS:					
Fees and charges	993	741	2 694	9	-
Grant and contribution receipts	-	555	-	-	-
Interest received	36	147	-	-	-
Loan repayments	-	-	96	-	-
Other receipts	-	148	-	-	-
Cash generated from Operations	1 029	1 591	2 790	9	-
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from SA Government:					
Recurrent appropriation	-	-	-	459	-
Total Receipts from SA Government	-	-	-	459	-
Payments to SA Government:					
Return of surplus cash	-	-	(6 045)	-	-
Total Payments to SA Government	-	-	(6 045)	-	-
Net Cash provided by (used in) Operating Activities	142	(271)	(4 542)	22	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	-	(38)	(24)	-	-
Proceeds from sale of property, plant and equipment	12	-	8 230	-	-
Net Cash provided by (used in) Investing Activities	12	(38)	8 206	-	-
NET INCREASE (DECREASE) IN CASH	154	(309)	3 664	22	-
CASH AT 1 JULY	210	2 310	6 575	44	25
CASH AT 30 JUNE	364	2 001	10 239	66	25

CASH FLOWS FROM OPERATING ACTIVITIES	Minister's Other Payments Inflows (Outflows) $'000	Special Acts Allocation Inflows (Outflows) $'000	ADM Other Inflows (Outflows) $'000	**2006 Total Inflows (Outflows) $'000**
CASH OUTFLOWS:				
Employee benefits payments	-	(397)	-	**(598)**
Supplies and services	(4)	-	(50)	**(2 357)**
Grants and contributions	(3 126)	-	-	**(5 098)**
Other payments	-	-	-	**(6)**
Cash used in Operations	(3 130)	(397)	(50)	**(8 059)**
CASH INFLOWS:				
Fees and charges	-	-	-	**4 437**
Grant and contribution receipts	-	-	-	**555**
Interest received	-	-	-	**183**
Loan repayments	-	-	-	**96**
Other receipts	-	-	-	**148**
Cash generated from Operations	-	-	-	**5 419**
CASH FLOWS FROM SA GOVERNMENT:				
Receipts from SA Government:				
Recurrent Appropriations	3 130	397	-	**3 986**
Total Receipts from SA Government	3 130	397	-	**3 986**
Payments to SA Government:				
Return of surplus cash	-	-	-	**(6 045)**
Total Payments to SA Government	-	-	-	**(6 045)**
Net Cash provided by (used in) Operating Activities	-	-	(50)	**(4 699)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	-	-	-	**(62)**
Proceeds from sale of property, plant and equipment	-	-	-	**8 242**
Net Cash provided by (used in) Investing Activities	-	-	-	**8 180**
NET INCREASE (DECREASE) IN CASH	-	-	(50)	**3 481**
CASH AT 1 JULY	-	-	50	**9 214**
CASH AT 30 JUNE	-	-	-	**12 695**

Schedule 4(B): Administered Cash Flows for the year ended 30 June 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	Dog and Cat Management Board Inflows (Outflows) $'000	Botanic Gardens and State Herbarium Inflows (Outflows) $'000	Crown Lands Inflows (Outflows) $'000	Coast Protection Board Inflows (Outflows) $'000	Murray Mallee Partnership Inflows (Outflows) $'000
CASH OUTFLOWS:					
Employee benefits payments	(64)	(59)	(161)	(9)	-
Supplies and services	(297)	(373)	(1 913)	(93)	(2)
Grants and contributions	(122)	(867)	-	(412)	-
GST payments on purchases	(8)	-	-	-	-
Cash used in Operations	(491)	(1 299)	(2 074)	(514)	(2)
CASH INFLOWS:					
Fees and charges	533	761	424	9	-
Grant and contribution receipts	-	122	-	129	-
Interest received	20	129	-	-	-
GST refund from ATO	11	-	-	-	-
Loan repayments	-	-	105	-	-
Other receipts	-	147	47	-	-
Cash generated from Operations	564	1 159	576	138	-
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from SA Government:					
Recurrent Appropriation	-	-	-	459	-
Total Receipts from SA Government	-	-	-	459	-
Payments to SA Government:					
Return of surplus cash	-	-	(6 678)	-	-
Total Payments to SA Government	-	-	(6 678)	-	-
Net cash provided by (used in) Operating Activities	73	(140)	(8 176)	83	(2)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	-	(4)	-	-	-
Proceeds from sale of property, plant and equipment	-	227	11 250	-	-
Net cash provided by (used in) Investing Activities	-	223	11 250	-	-
NET INCREASE (DECREASE) IN CASH	73	83	3 074	83	(2)
CASH AT 1 JULY	137	2 227	3 501	(39)	27
CASH AT 30 JUNE	210	2 310	6 575	44	25

CASH FLOWS FROM OPERATING ACTIVITIES:	Minister's Other Payments Inflows (Outflows) $'000	Special Acts Allocation Inflows (Outflows) $'000	ADM Other Inflows (Outflows) $'000	2005 Total Inflows (Outflows) $'000
CASH OUTFLOWS:				
Employee benefits payments	-	(221)	(120)	(634)
Supplies and services	(4)	-	-	(2 682)
Grants and contributions	(3 126)	-	-	(4 527)
GST payments on purchases	-	-	-	(8)
Cash used in Operations	(3 130)	(221)	(120)	(7 851)
CASH INFLOWS:				
Fees and charges	-	-	-	1 727
Grant and contribution receipts	-	-	-	251
Interest received	-	-	-	149
GST refund from ATO	-	-	-	11
Loan repayments	-	-	-	105
Other receipts	-	-	-	194
Cash generated from Operations	-	-	-	2 437
CASH FLOWS FROM SA GOVERNMENT:				
Receipts from SA Government:				
Recurrent Appropriation	3 130	221	-	3 810
Total Receipts from SA Government	3 130	221	-	3 810
Payments to SA Government:				
Return of surplus cash	-	-	-	(6 678)
Total Payments to SA Government	-	-	-	(6 678)
Net Cash provide by (used in) Operating Activities	-	-	(120)	(8 282)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	-	-	-	(4)
Proceeds from sale of property, plant and equipment	-	-	-	11 477
Net cash provided by (used in) Investing Activities	-	-	-	11 473
NET INCREASE (DECREASE) IN CASH HELD	-	-	(120)	3 191
CASH AT 1 JULY	-	-	170	6 023
CASH AT 30 JUNE	-	-	50	9 214

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

HomeStart Finance is a Statutory Corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia;
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

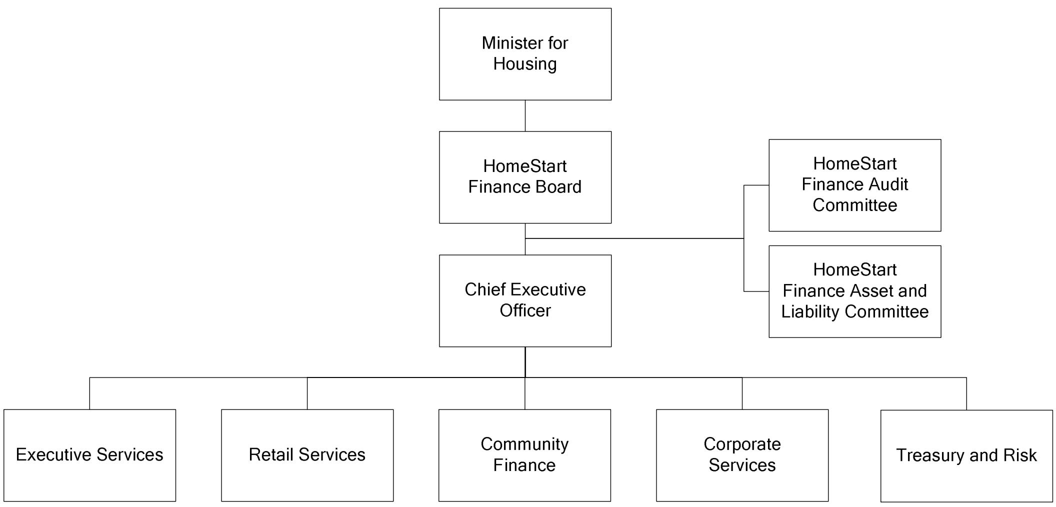
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- Advantage loans to increase the borrowing capacity of applicants on very low income levels. The loan is interest free if repaid within five years.
- EquityStart loans (introduced April 2005) to increase the borrowing capacity of current tenants of properties owned by the South Australian Housing Trust, the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority. The loan incurs interest at a subsidised rate.

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Structure

The structure of HomeStart Finance is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of HomeStart Finance for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

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

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

The work done by the internal auditor was considered in planning the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of HomeStart Finance's internal controls. Specific areas in which reliance was placed on internal audit work included:

- new lending compliance
- arrears management compliance
- information technology environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of the Financial Report

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

> ***Qualification***
>
> *The collective impairment provision for loans and advances of $12 million at 30 June 2006, as disclosed in Note 18.1 to the financial statements, has, in my opinion, been calculated as a general provision. The collective provision balance of $9.8 million at 1 July 2005 has also been calculated on this basis. The increase in the provision for the year resulted in a bad and doubtful debts expense of $2.2 million.*
>
> *In my opinion, the basis of calculation of the collective impairment provision is not in accordance with Australian Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement'. This is a difference of opinion with HomeStart Finance on the method of application of the Standard.*
>
> *Audit has noted objective data that supports the establishment of a collective provision but did not have all the necessary information to quantify the effect of the difference of opinion with HomeStart Finance.*

Qualified Audit Opinion

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

Assessment of Controls

In my opinion, the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of HomeStart Finance have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to HomeStart. The major matter raised with HomeStart related to processes for the assessment of the collective impairment provision discussed in the qualification paragraph and under the heading 'Balance Sheet'.

INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

The implementation of Australian equivalents to International Financial Report Standards (AIFRS) occurred in 2005-06. HomeStart has taken the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Reporting Standards* to apply AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. Data for both 2005-06 and 2004-05 (except for financial instruments) has been prepared using AIFRS. Earlier data has not. Notes 34 and 35 to the financial statements set out adjustments arising from the adoption of AIFRS.

Highlights of Financial Report

	2006 $'million	2005 $'million	Percentage Change
Interest revenue	**77.1**	65.4	18
Borrowing costs	**55.3**	43.8	26
Net Interest Revenue	**21.8**	21.6	1
Other revenue	**12.3**	8.8	40
Other expenses	**27.4**	24.0	14
Profit before income tax equivalents expense	**6.7**	6.4	5
Income tax equivalent expense	**2.0**	1.9	5
Profit after income tax equivalents expense	**4.7**	4.5	4
ASSETS			
Loans and advances	**1 161.1**	1 006.2	15
Other assets	**44.6**	35.5	26
Total Assets	**1 205.7**	1 041.7	16
LIABILITIES			
Borrowings	**1 058.4**	899.8	18
Other liabilities	**8.3**	5.9	41
Total Liabilities	**1 066.7**	905.7	18
EQUITY	**139.0**	136.0	2

Income Statement

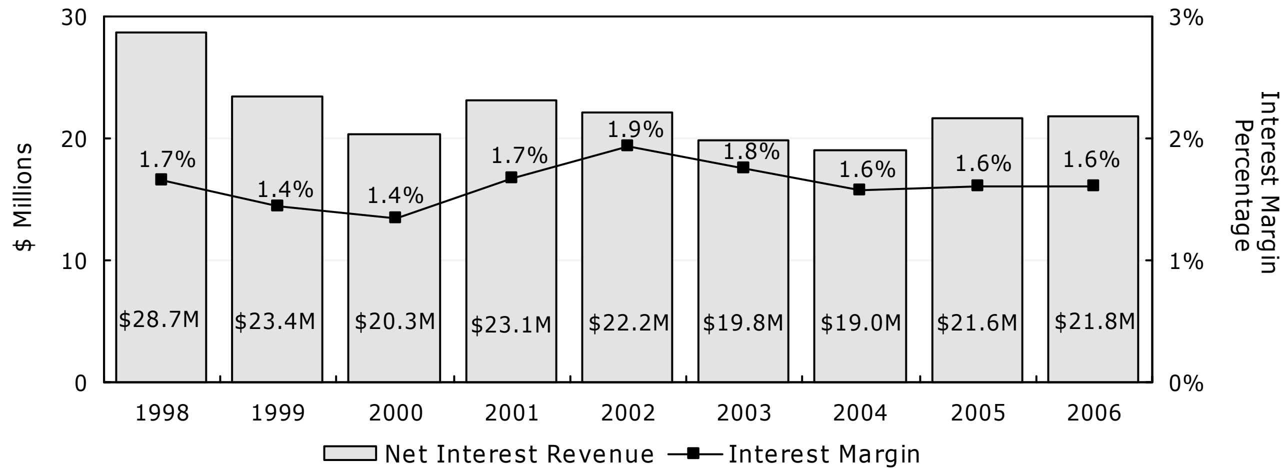
Profit for the Year

Profit after income tax equivalents increased to $4.7 million from $4.5 million in 2004-05. Primary factors contributing to this increase are outlined hereunder.

Net Interest Revenue

Net interest revenue has remained steady at $21.8 million ($21.6 million) after taking into account changes in accounting policies, the effects of which are detailed in Note 5. There was no change in interest rate margin between loans and cost of funds as demonstrated in the following chart.

Net Interest Revenue and Interest Margin



Other Revenue

Other revenue increased by $3.5 million to $12.3 million. The increase resulted mainly from:

- recognition of Grant income from the Department of Families and Communities to compensate for the cost of EquityStart loans;
- $900 000 increase in Unrealised gains in the market value of Investments;
- decrease in Fees and charges due to changed accounting for 2005-06.

Note 6 provides details of Other revenue.

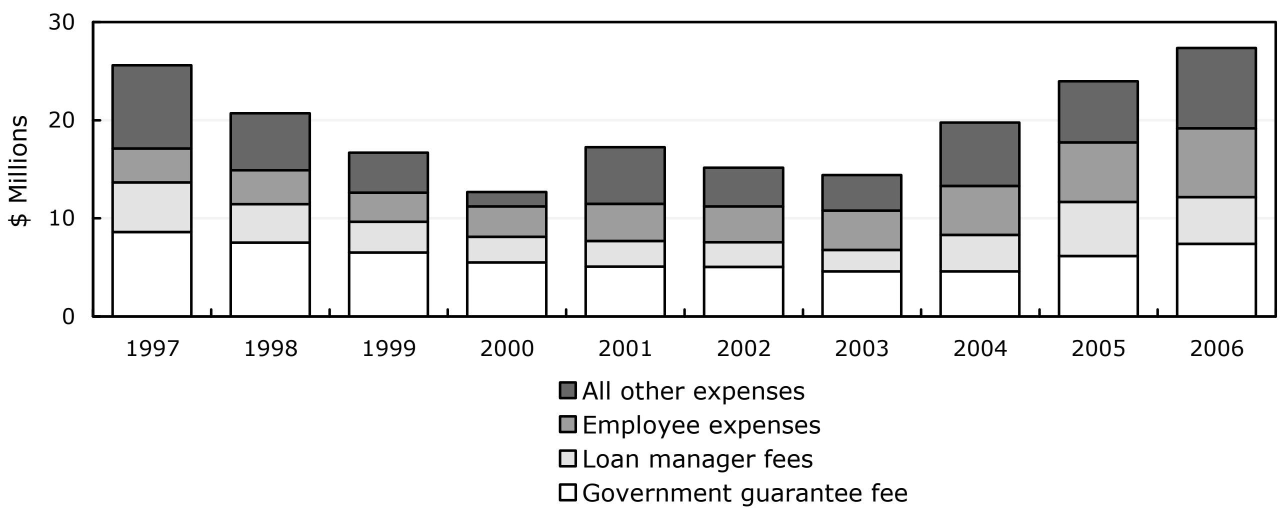
Expenses Other than Interest

Expenses other than interest increased by $3.4 million to $27.4 million. The increase resulted mainly from a:

- $1.4 million increase in Bad and doubtful debts expense (refer below);
- $1.2 million increase in Government guarantee fee (refer Note 9);
- $900 000 increase in Employee expenses (refer Note 10);
- $800 000 decrease in Loan manager fees.

The movement in Expenses other than interest is demonstrated in the following chart.

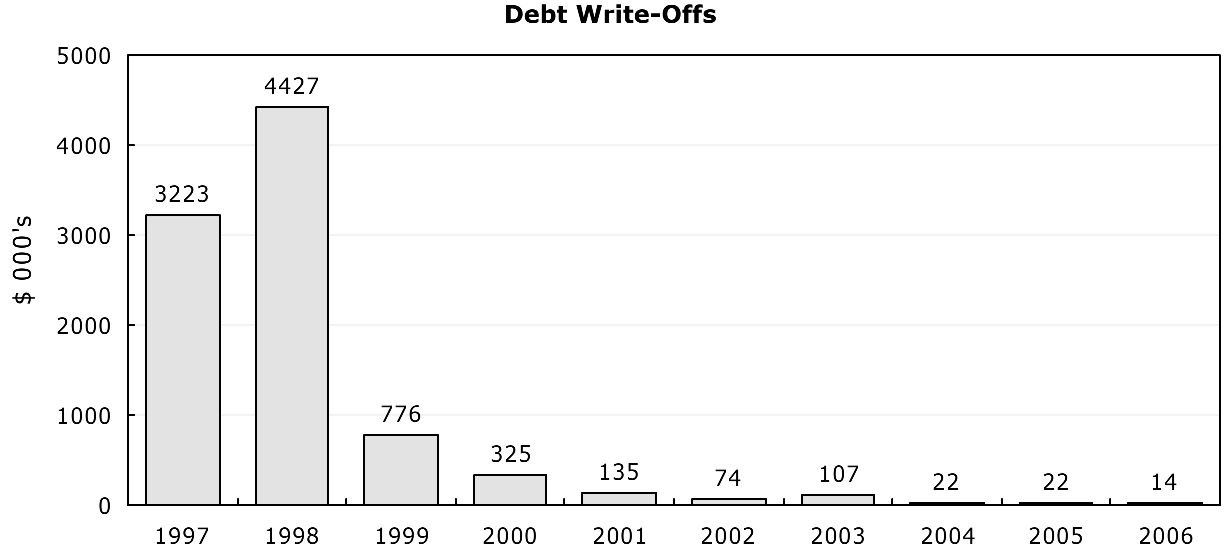
Expenses Other than Interest



Bad and Doubtful Debts Expense

The Bad and doubtful debts expense for the year was $2.8 million, an increase of $1.4 million over the previous year. The increase reflects the movement in the level of impairment provisions over the year, noting that this is the movement from 1 July 2005 to 30 June 2006 in impairment provisions calculated as discussed in the following section 'Provisions for Impairment'.

While HomeStart has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market. The low level of write-offs can be seen in the following chart.

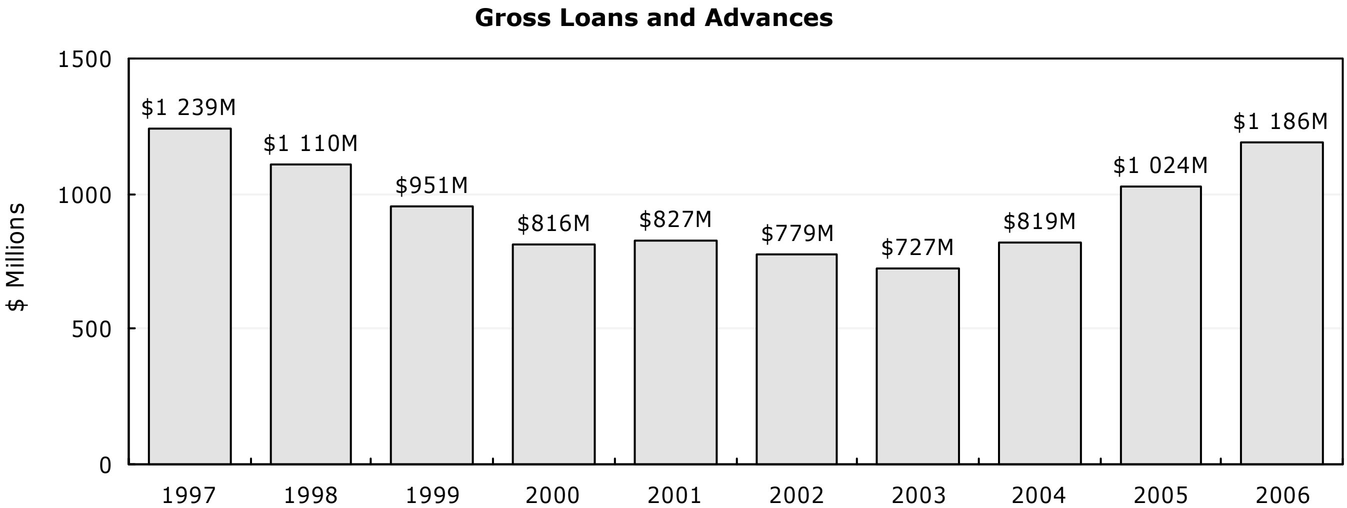


Balance Sheet

Loans and Advances

Gross loans and advances increased by $162 million to $1186 million.

The extent of the increase in lending is demonstrated in the following chart.



The increase in lending reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base;
- market acceptance of new products during the year;
- increase in the average value of loans settled.

Asset Quality - Credit Risk

Note 29.3 sets out HomeStart's credit risk exposures. For loans and receivables, it states:

> *The credit risk on financial assets has been recognised in the Balance Sheet as the carrying amount, net of any provisions for impairment. HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.*
>
> *HomeStart is not materially exposed to any individual borrower. HomeStart only lends in South Australia and is therefore only exposed to the property market in this State.*

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some of the elements that create this risk are:

- HomeStart's customers have lower incomes and on average, they borrow a greater percentage of the value of their home;
- HomeStart's lending has a high concentration in regional South Australia;
- HomeStart does not require its customers to take out mortgage insurance, due to the very high cost, such that HomeStart effectively self insures losses incurred.

In these circumstances, it is critical that HomeStart make adequate allowance (provide) where there is doubt about the recoverability of loans and that HomeStart retain adequate capital in the event of significant losses arising from loan defaults.

Provisions for Impairment

New Accounting Standard

Australia has adopted AIFRS for reporting periods commencing on or after 1 January 2005. HomeStart has adopted these standards for the first time in the financial report for the year ended 30 June 2006.

Accounting for impairment of loans and advances is addressed in AASB 139.

AASB 139 requires a different approach to assessing the effects on the value of loan assets than has been adopted previously by HomeStart under the former Australian Accounting Standards.

HomeStart formerly estimated specific and general provisions for doubtful debts on a basis that had the effect of reducing the face value of loans to an amount expected to be recovered, taking into account the likelihood of losses, including future losses, from loan failures based on past experience.

AASB 139 requires an entity to assess at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An asset is impaired if the amount the asset is carried at exceeds its recoverable amount.

Impairment is considered for individual assets and for collective assets where individual impairment is not evident.

Loans and advances for which no objective evidence of impairment exists on individual assessment are required to be placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed.

In order to raise a collective provision for impairment, AASB 139 requires that a group of financial assets is impaired and impairment losses are incurred if, and only if, three criteria are met, namely, there is:

(1) objective evidence of impairment as a result of

(2) a 'loss event' occurring after the initial recognition of the asset that

(3) has an impact on the estimated future cash flows of the financial asset or group of financial assets.

AASB 139 provides definitions of loss events including:

> *observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:*
>
> *(i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments … ; or*
>
> *(ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that effect the borrowers in the group).*

Losses expected as a result of future events, no matter how likely, are not recognised.

Difference of Opinion

There is a difference of opinion between HomeStart and Audit as to how to apply the requirements for collective provisions in AASB 139. The following summarises how HomeStart have applied AASB 139 and the Audit view.

HomeStart's Application of AASB 139

The effects of the adoption of AASB 139 and HomeStart's accounting policies are set out in Notes 2.11, 18 and 35 to the financial statements.

HomeStart have reviewed all loans to assess whether there is any objective evidence that a loss event has occurred. To facilitate the calculation of a collective provision, HomeStart have taken external advice and developed a model to incorporate HomeStart's analysis of data and information.

Impairment testing is based on historical loss data and current available information for assets with similar risk characteristics, and the appropriate collective provision is raised.

The impairment provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on objective evidence from historical impairment experience for these portfolios.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

The effect of HomeStart adopting AASB 139 is that specific and collective impairment provisions as at 30 June 2006 total $13.7 million compared to total specific and general provisions of $17.8 million as at 30 June 2005.

In view of the inherent credit risk of the loan and advances portfolio and the reduction in total provisions compared to the previous accounting treatment, HomeStart has prudently established a general reserve for credit losses as detailed later in this section.

The balances of impairment provisions as at 30 June 2006 are:

	$'million
Specific provision for impairment	**1.7**
Collective impairment provision	**12.0**
Total Provisions	**13.7**

For the purposes of AASB 139, HomeStart calculated opening balances as at 1 July 2005 for both the specific and collective provisions. Any movement in the provisions over the year equate to a corresponding movement in bad and doubtful debts expense for the year. For 2005-06, this amounted to an expense of $2.8 million comprising $648 000 for the specific provision and $2.2 million for the collective provision.

Audit of the Collective Impairment Provision

From Audit's review of HomeStart's impairment assessment process, it was not clear, for material aspects of the collective provision, that HomeStart's characterisation of loss events was consistent with the requirements of AASB 139.

As stated above, in order to raise a collective provision AASB 139 requires that there must be objective evidence of impairment. That is, there must be evidence that the credit quality has deteriorated subsequent to the origination of a loan. The existence of historical losses is, in Audit's opinion, not of itself sufficient to imply that the current portfolio has experienced 'loss events' as defined by AASB 139. Objective factors, such as an account going into arrears, is clear evidence of impairment.

Audit notes that events other than an account going into arrears can be used in estimating provision for impairment, but they are difficult to isolate and measure.

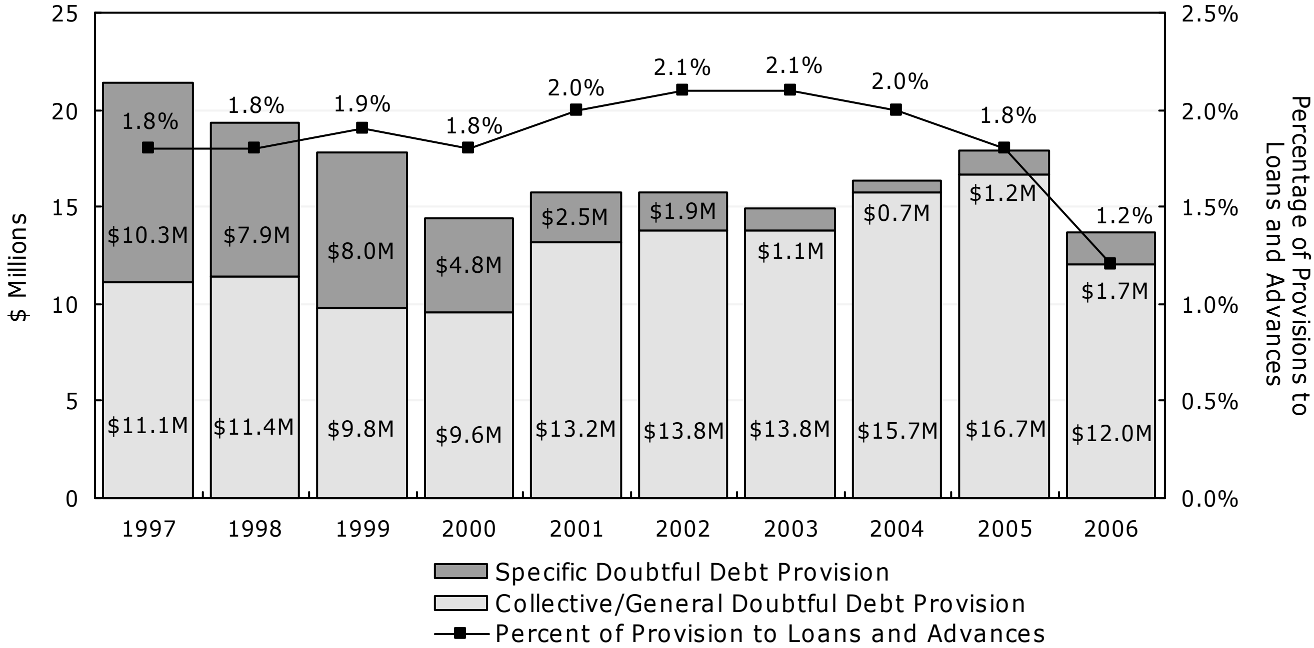
In Audit's assessment, the collective provision for impairment has been calculated as a general provision.

Audit has noted objective evidence that supports the establishment of a collective provision. Audit has been advised by HomeStart that this data results in the calculation of a materially lower collective provision than the $12 million recorded, but this calculation has not been provided to Audit. There may also be other factors that are relevant to the calculation of a collective provision. Consequently, Audit does not have all the relevant objective evidence to enable Audit to quantify the effect of the difference of opinion with HomeStart on the calculation of the collective impairment provision in accordance with the requirements of AASB 139.

This difference of opinion is accordingly set out as a qualification to the Independent Audit Report.

In response, HomeStart have confirmed that, in their opinion, the collective provision they have established on the basis of historically observed loss development factors is supportable under current accounting principles and standards.

The total provisions for impairment have decreased by $4.1 million to $13.7 million compared to the previous total provision for doubtful debts. The following chart shows the level of the total provisions and their composition over the past 10 years, and demonstrates that total provisions as a proportion of loans and advances was at a peak in 2002 and 2003 over the period. Note the chart does not include the General reserve for credit losses in 2006.



General Reserve for Credit Losses

As mentioned, following the changes to accounting arising from the adoption of AIFRS, HomeStart established a general reserve for credit losses to cover risks inherent in the loan portfolio. This reserve represents the difference between the impairment provisions as calculated by HomeStart under AIFRS and that determined under the previous accounting policy, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Establishment of the general reserve for credit losses is consistent with the Australian Prudential Regulation Authority's Guidance Note AGN 220.2 *Impairment, Provisioning and the General Reserve for Credit Losses* as a significant element in the assessment of capital adequacy and protection against potential credit losses.

The balance of the reserve at 30 June 2006 was $7.5 million.

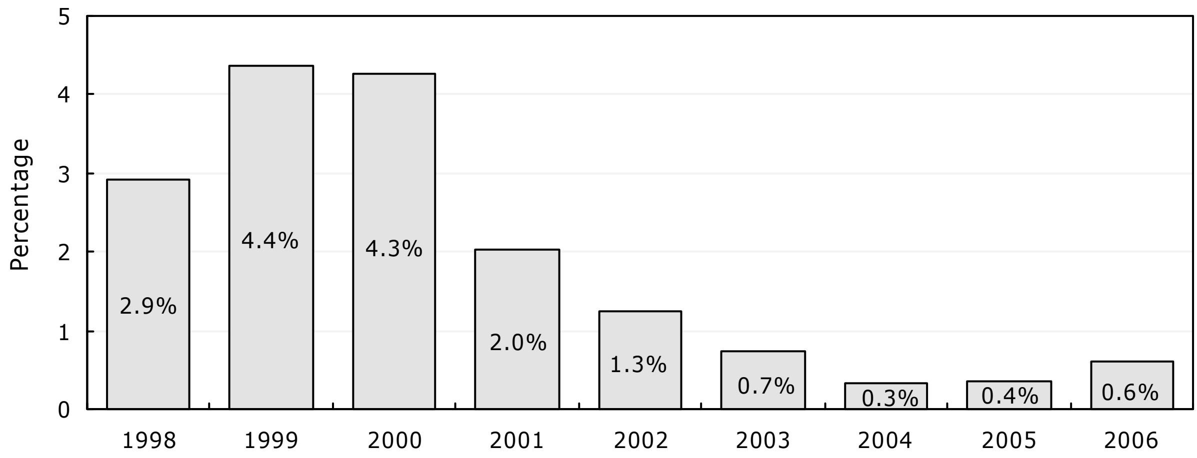
Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision as previously discussed.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total Housing Loans and Advances (net of interest foregone) remains very low as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

Net Non-Accrual Loans to Total Housing Loans and Advances



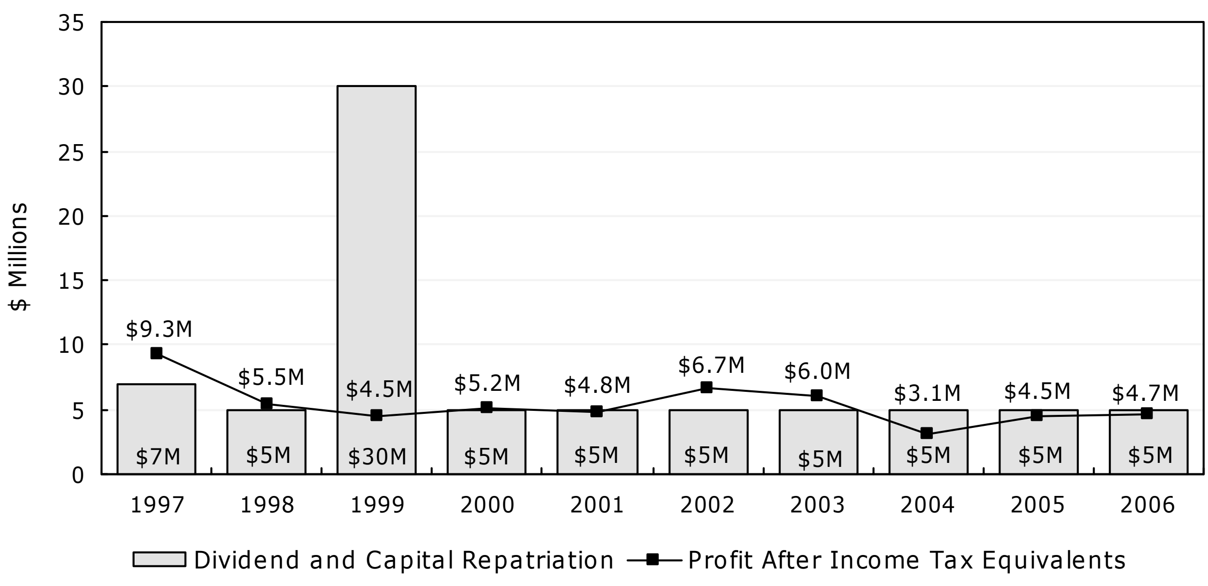
Cash Flow Statement

Distributions to Government

HomeStart has been required to maintain its distributions to the Government and in 2005-06 made a dividend payment of $1.6 million ($1.5 million) and a capital repatriation of $3.4 million ($3.5 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart Finance. It is noted, however, that the level of retained earnings at 30 June 2006 was $139 million ($136 million).

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period and the consistency of contributions to Government.

Distributions to Government



In addition to these distributions, HomeStart pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2005-06 was $7.4 million ($6.2 million).

HomeStart is also subject to an income tax equivalent regime. The income tax equivalent expense in 2005-06 was $2 million ($1.9 million).

Net Cash Flows

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

	2006	2005	2004	2003
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**6.5**	0.5	0.6	3.0
Investing	**(160.9)**	(204.9)	(93.0)	52.2
Financing	**153.1**	203.8	92.3	(54.2)
Change in Cash	**(1.3)**	(0.6)	(1.3)	1.0
Cash at 30 June	**-**	1.3	1.9	3.3

Most notable from the table is that the 2006 net cash inflows from financing decreased by $50.7 million, offset by a decrease in net cash outflows in investing of $44 million.

Income Statement
for the year ended 30 June 2006

	Note	**2006**	2005
		$'000	$'000
Interest revenue	5	**77 061**	65 418
Borrowing costs	5	**(55 305)**	(43 829)
NET INTEREST REVENUE	5	**21 756**	21 589
Other revenue	6	**12 343**	8 819
Net gain from disposal of assets	7	**2**	3
Bad and doubtful debts expense	8	**(2 825)**	(1 454)
Government guarantee fee	9	**(7 404)**	(6 155)
Loan manager fees		**(4 770)**	(5 530)
Employee expenses	10	**(6 999)**	(6 050)
Depreciation and amortisation expense	13	**(364)**	(409)
Other expenses	15	**(4 995)**	(4 384)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EQUIVALENTS EXPENSE		**6 744**	6 429
INCOME TAX EQUIVALENT EXPENSE	2.5	**(2 023)**	(1 929)
PROFIT FOR THE YEAR	28	**4 721**	4 500
PROFIT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**4 721**	4 500

Balance Sheet
as at 30 June 2006

	Note	**2006** **$'000**	2005 $'000
ASSETS:			
Cash and cash equivalents	32	**486**	1 290
Investments	17	**38 591**	32 930
Derivative financial instruments	29.2	**936**	-
Loans and advances	18	**1 161 086**	1 006 194
Property, plant and equipment	19	**2 585**	803
Intangible assets	20	**35**	54
Other assets	21	**1 987**	384
Total Assets		**1 205 706**	1 041 655
LIABILITIES:			
Payables	22	**4 060**	3 648
Short-term borrowings	23	**58 900**	154 754
Long-term borrowings	23	**999 500**	745 000
Employee benefits	24	**881**	887
Income tax payable	26	**1 119**	1 108
Other liabilities	27	**2 273**	268
Total Liabilities		**1 066 733**	905 665
NET ASSETS		**138 973**	135 990
EQUITY:			
Reserves	28	**8 419**	-
Retained earnings	28	**130 554**	135 990
TOTAL EQUITY		**138 973**	135 990
Commitments for Expenditure	30		
Contingent Liabilities	31		

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

	Note	**2006** **$'000**	2005 $'000
Total Equity at 1 July		**135 990**	136 490
Adjustment on adoption of AASB 132 and AASB 139, net of tax where applicable, to:			
Retained earnings	28, 34	**(3 306)**	-
Reserves	28, 34	**5 301**	-
Adjusted Opening Balance		**137 985**	136 490
Derivative income recognised directly in equity	28	**1 267**	-
Profit for the year		**4 721**	4 500
Transactions with State Government as owner:			
Dividend paid		**(1 558)**	(1 485)
Capital repatriation		**(3 442)**	(3 515)
TOTAL EQUITY AT 30 JUNE		**138 973**	135 990
TOTAL NET MOVEMENT IN EQUITY FOR THE YEAR		**988**	(500)

Cash Flow Statement
for the year ended 30 June 2006

	Note	2006 Inflows (Outflows) $'000	2005 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received on:			
Cash		**80**	90
Investments		**515**	714
Loans and advances		**81 558**	65 259
Fees and commissions received		**1 775**	1 041
Bad debts recovered		**127**	153
EquityStart grant received		**4 245**	-
Other		**-**	12
Cash generated from Operating Activities		**88 300**	67 269
CASH OUTFLOWS:			
Payments to employees		**(7 010)**	(5 737)
Payments to suppliers		**(4 950)**	(4 624)
Payments to loan managers		**(5 639)**	(5 494)
Borrowing costs paid		**(54 903)**	(43 781)
Government guarantee fee paid		**(7 300)**	(5 614)
Income tax equivalents paid		**(2 012)**	(1 441)
Repayment of grant		**-**	(18)
Other		**(28)**	-
Cash used in Operating Activities		**(81 842)**	(66 709)
Net Cash provided by Operating Activities	32.2	**6 458**	560
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of office and computer equipment		**24**	11
Proceeds from maturity of Bank Bills		**12 955**	485
Customer loans repaid		**216 926**	184 707
Cash generated from Investing Activities		**229 905**	185 203
CASH OUTFLOWS:			
Payments for property, plant and equipment		**(2 007)**	(634)
Payments for software		**(13)**	-
Payments for investments		**(15 231)**	(3 526)
Customer loans settled		**(373 563)**	(385 961)
Cash used in Investing Activities		**(390 814)**	(390 121)
Net Cash used in Investing Activities		**(160 909)**	(204 918)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**533 500**	1 182 800
Cash generated from Financing Activities		**533 500**	1 182 800
CASH OUTFLOWS:			
Dividends paid		**(1 558)**	(1 485)
Repayment of borrowings		**(375 371)**	(974 021)
Repayment of capital		**(3 442)**	(3 515)
Cash used in from Financing Activities		**(380 371)**	(979 021)
Net Cash provided by Financing Activities		**153 129**	203 779
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1 322)**	(579)
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 290**	1 869
CASH AND CASH EQUIVALENTS AT 30 JUNE	32.1	**(32)**	1 290

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance

The role of HomeStart Finance is to expand affordable housing options for South Australians.

HomeStart Loan

HomeStart provides home loans to lower income households and other needs groups with repayments linked to income and the Consumer Price Index (CPI). The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2006 was $1 130.6 million ($988.1 million).

Subsidies

HomeStart provides subsidised Advantage loans of up to $26 500 to lower income earners. The Advantage Loan has an interest rebate period of five years, after which the interest is indexed to the CPI. The outstanding value of Advantage Loans at 30 June 2006 was $41.0 million ($36.3 million).

In providing these loans HomeStart incurred a direct cost of subsidy estimated to be $2.2 million ($2.1 million) on the funds lent. HomeStart does not receive any funding with respect to this subsidy. Taking account of the net impact of accounting for Advantage Loans at fair value results in a cost to HomeStart of $2.7 million.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current public housing tenants. Regular repayments on the EquityStart loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2006 was $14.6 million ($0.1 million).

The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI.

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan programme.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (AASB), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987* (PFAA).

International Financial Reporting Standards (IFRS) form the basis of the Australian Accounting Standards, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS), to distinguish from previous Australian Generally Accepted Accounting Principles (AGAAP).

These financial statements are the first HomeStart financial statements to be prepared in accordance with AIFRS. AASB 1 *First–Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Reconciliations explaining the effects of the transition from previous reported AGAAP to AIFRS on HomeStart's financial position, financial performance and cash flows are detailed in Note 34.

2.2 Basis of Preparation

2.2.1 Transition to AIFRS

Financial statements of HomeStart until 30 June 2005 were prepared in accordance with previous Australian Accounting Standards and UIG Abstracts, referred to collectively as AGAAP. Previous AGAAP differs in certain respects from AIFRS. When preparing HomeStart's 2006 financial statements, HomeStart has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of the year ended 30 June 2005 were restated to reflect the application of AIFRS for that financial year. HomeStart has taken the exemption under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as available-for-sale and subsidised loans and advances.

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

2.2.2 *Issued Standards Not Early Adopted*

Australian Accounting Standards that have been amended and available for early adoption but have not been adopted by HomeStart for the year ending 30 June 2006 are detailed below. The table below outlines each of these amended standards and the expected change in accounting policy when applied, if any.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for HomeStart
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation* AASB 101 *Presentation of Financial Statements* AASB 114 *Segment Reporting* AASB 117 *Leases* AASB 133 *Earnings per share* AASB 139 *Financial Instruments: Recognition and Measurement* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of HomeStart as the standard and the amendment are concerned only with disclosures.

The following amendments are not applicable to HomeStart and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023 *General Insurance Contracts*
2005-3	AASB 119 *Employee Benefits* – allowance for taxes in defined benefit plans
2005-4	AASB 1023 *General Insurance Contracts* and AASB 1028 *Life Insurance Contracts*
2005-6	AASB 3 *Business Combinations*
2005-7	AASB 134 *Interim Financial Reporting*
2005-9	AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts*
2005-12	AASB 1038 *Life Insurance Contracts* and AASB 1023 *General Insurance Contracts*
2005-13	AAS 25 *Financial Reporting by Superannuation Plans*
2006-1	AASB 121 *The Effects of Changes in Foreign Exchange Rates*
2006-2	AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*

2.2.3 *Estimates and Assumptions*

The preparation of a financial report in conformity with Australian Accounting Standards requires HomeStart to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2.3 Estimates and Assumptions (continued)

Judgements made by HomeStart in the application of Australian Accounting Standards that have a significant effect on the financial report, and estimates with a significant risk of material adjustment in the next year, are discussed in Note 14.

With the exception of those relating to financial instruments, the accounting policies set out below have been applied consistently to all periods presented in the financial report, and in preparing an opening AIFRS Balance Sheet at 1 July 2004 for the purposes of the transition to AIFRS.

2.3 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or Australian Accounting Standard have required a change. Where permitted by a specific APS or Australian Accounting Standard comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

Note 34 provides a detailed analysis of comparative amounts that have been reclassified as a result of the adoption of AIFRS.

2.4 Rounding

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

2.5 Taxation

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, HomeStart is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

- The amount of GST incurred by HomeStart as a purchaser, that is not recoverable from the Australian Taxation Office (ATO),
- Receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Balance Sheet.

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

2.6 Revenue

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

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

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

2.6.1 Interest Income – Non-Subsidised Loans

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered (as described in Note 2.6.3).

2.6.2 Interest Income – Subsidised Loans

From 1 July 2004 to 30 June 2005

Advantage Loan interest income is rebated if the loan is repaid within five years, otherwise interest income accumulated from inception is recognised as earned after five years and then as it accrues.

From 1 July 2005 to 30 June 2006
Where HomeStart provides subsidised loans, such as Advantage loans and EquityStart loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Income Statement, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on 4 year (for Advantage loans) and 10 year (for EquityStart loans) SAFA Bonds.

2.6.3 Interest Income – Both Non-Subsidised and Subsidised Non-Accrual Loans
HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only brought to account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual basis only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.6.4 Loan Origination Fees Received or Receivable

From 1 July 2004 to 30 June 2005
Income directly attributable to the origination of loans is recognised in the Income Statement when received or receivable.

From 1 July 2005 to 30 June 2006
Income directly attributable to the origination of loans is deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

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

HomeStart receives grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart loan programme.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

2.6.6 Investment Income
Changes in fair value of investments (both realised and unrealised) are recognised in the Income Statement as they occur.

2.6.7 Disposal of Non-Financial Assets
Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as revenue or an expense.

2.6.8 Other Income
Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

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

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

2.7.1 Borrowing Costs
Interest payable is expensed in accordance with the accounting policy described at Note 2.14.

2.7.2 Government Guarantee Fee
The Government Guarantee Fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

2.7.3 Bad and Doubtful Debts Expense
Bad and doubtful debts are expensed in accordance with the accounting policy described in Note 2.11.

2.7.4 Loan Origination Fees Paid or Payable

From 1 July 2004 to 30 June 2005
Fees directly attributable to the origination of loans are recognised in the Income Statement when paid or payable.

From 1 July 2005 to 30 June 2006
Fees directly attributable to the origination of loans are deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee Expenses
Employee expenses are recognised in accordance with the accounting policy described at Note 2.17.

2.7.6 Depreciation and Amortisation Expense
Depreciation and amortisation expense is recognised in accordance with the accounting policy described at Note 2.15.4.

2.7.7 Operating Lease Expense
Operating lease payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight line basis.

2.7.8 Tax Equivalents Expense
The tax equivalents expense is recognised in accordance with the accounting policy described at Note 2.5.

2.8 Assets and Liabilities
Assets and liabilities are classified in the Balance Sheet by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and Cash Equivalents
Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

2.10 Financial Instruments
During the current and comparative financial years HomeStart had the following types of financial instruments:

- Cash and cash equivalents (refer to accounting policy Note 2.9);
- Loans and advances (refer to accounting policy Note 2.11);
- Investments (including bank bills, listed equities and properties funds, SAFA Cash Enhanced Fund and SAFA composite bond index investment – refer to accounting policy Note 2.12);
- Derivative financial instruments (refer to accounting policy Note 2.13);
- Financial liabilities (refer to accounting policy Note 2.14).

2.10.1 From 1 July 2004 to 30 June 2005
HomeStart has applied previous AGAAP in the comparative information on financial instruments. As detailed in Note 2.2, HomeStart has elected to adopt the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005.

Under AGAAP, measurement of financial instruments is as follows:

Investments
Investments in bank bills are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount.

All other investments are reflected in the financial statements at their market value each balance date, which approximates fair value.

Reference should be made to accounting policy Note 2.12 for additional information in relation to investments.

Derivative Financial Instruments
Derivative financial instruments are not recognised on the balance sheet. Reference should be made to accounting policy Note 2.13 for additional information in relation to derivative financial instruments.

Loans and Advances
Loans and advances (both non-subsidised and subsidised) are reflected in the financial statements at their face value less assessed provisions for impairment. Reference should be made to accounting policy Note 2.11 for additional information in relation to loans and advances.

Financial Liabilities
Financial liabilities are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Payables.

2.10.2 Adjustments on Transition Date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are described below. At the date of transition (1 July 2005) changes to carrying amounts were taken to retained earnings or reserves.

Subsidised Loans and Advances
Subsidised loans and advances are required to be recognised initially at their fair value. For subsidised loans this is less than their face value. On settlement of these loans an initial loss is recognised as an expense, being the difference between the face and fair value, which is then recognised as income over the expected life of the loan, using the effective interest method. For further information reference should be made to accounting policy Note 2.6.

Derivative Financial Instruments
Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. Changes in fair value are taken to an equity reserve.

For further information concerning the adjustments on transition date reference should be made to Note 35 'Changes in accounting policies'.

2.10.3 From 1 July 2005 to 30 June 2006
Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method;
- held-to-maturity financial assets – measured at amortised cost;
- financial instruments designated as at fair value through profit or loss – measured at fair value;
- available for sale financial assets – measured at fair value;
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to Maturity Investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

HomeStart has designated its investments in bank bills as held-to-maturity financial assets.

Financial Assets at Fair Value Through Profit or Loss
A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

Financial Assets at Fair Value Through Profit or Loss (continued)
Derivatives are also categorised as financial assets at fair value through profit or loss unless they are designated as hedges.

HomeStart has designated its investments in listed equities and properties funds, the SAFA Cash Enhanced Fund and the SAFA composite bond index investment as financial assets at fair value through profit or loss.

Available for Sale Financial Assets
Available for sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available for sale financial assets.

Financial Liabilities
HomeStart's short term and long term borrowings are financial liabilities.

Impairment
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to accounting policy Note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and Advances

2.11.1 From 1 July 2004 to 30 June 2005

HomeStart has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. HomeStart has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment was assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to portfolios where specific identification is impracticable. The following describes HomeStart's accounting policies in relation to specific and general provisions as well as the recognition of bad and doubtful debts.

Specific Provision
The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed $3 000; or
- repayment reductions have been negotiated; or
- in other cases where HomeStart is taking action to manage the loan; or
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision
This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- the profile of past loan losses from the portfolio;
- changes to risk levels of the portfolio – for example due to changes in new business;
- the outlook for interest rates, the housing market and other key economic trends.

HomeStart uses internal projections and external actuary assessment of loan loss history to determine its general provision requirement.

General Provision (continued)
A prudential margin has been included to provide sufficient confidence that the provision is adequate, reflecting the inherent uncertainty in assumptions made in relation to loss forecasts and loan portfolio risks. The prudential margin for 2005 averaged 27 percent (50 percent) following review during the year. The prudential margin was reduced to 20 percent for standard lending with a 50 percent allowance maintained for loans with higher risk characteristics.

Bad and Doubtful Debts
All bad and doubtful debts are written off in the period in which they are identified. The write off of debts over $20 000 requires the approval of the HomeStart Board. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

2.11.2 From 1 July 2005 to 30 June 2006
From 1 July 2005 loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair value, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective Interest Rate
The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for Impairment
All loans are continuously reviewed by HomeStart to assess whether there is any objective evidence that a loss event has occurred.

Loans and advances are individually assessed for impairment.

Loans and advances for which no objective evidence of impairment exists on individual assessment are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Impairment testing is based on historical loss data and current available information for assets with similar risk characteristics, and the appropriate collective provision is raised.

The impairment provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on objective evidence from historical impairment experience for these portfolios.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

Impairment losses are recognised in the Income Statement.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AIFRS and that determined under the previous accounting policy, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad Debts
All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

2.11.3 Collective Provision for Impairment - First Time Adoption Issues
The most significant financial stand adopted by HomeStart under AIFRS is AASB 139. The implementation of AASB 139 has been a challenge for the finance industry, with much debate as to how to practically implement its requirements.

Over the past 18 months HomeStart has dedicated resources to establish a basis for determining a collective provision which complies with AASB 139 and has been assisted in the process by an external expert accounting adviser.

The expert conducted a high level assessment of HomeStart's compliance with AASB 139, and concluded that HomeStart's collective provision is generally consistent with the requirements of the Australian Accounting Standards Board's requirement in relation to Collective Provisioning for Impairment Losses of financial assets in HomeStart's lending portfolio.

2.11.3 Collective Provision for Impairment - First Time Adoption Issues (continued)

The expert advised that their high level assessment did not constitute either an audit in accordance with Australian Accounting Standards or a review in accordance with Australian Auditing Standards applicable to review engagements. Further, the expert did not express any assurance regarding the approach adopted by HomeStart to perform its collective provisioning of impaired loans.

To determine collective provision balances at the AIFRS transition date and at reporting date, HomeStart has developed a model that projects losses using historical loss experience as determined by independent actuarial analysis.

Loans are grouped by year of origination and expected loss rates are adjusted for the varying risk characteristics of the loan groups based on original loan to valuation ratio (LVR) and region (metropolitan or country).

Expected losses are then determined using the condition of the residential property market. Projected loss incidence is adjusted by a factor to reflect the past loss experience at similar points in the property cycle. Projected cash flows are discounted at the weighted average effective interest rate in accordance with AASB 139 to determine the collective provision.

HomeStart has collectively evaluated its loans for impairment by estimating the future discounted cash flows from these assets based on objective historical loss experience for assets with similar credit risk characteristics.

Objective Evidence

Actuarially-determined loss rates which have been adjusted for actual experience and increases in risk within the portfolio are objective evidence that HomeStart’s portfolio is impaired. There are specific demographic and loan risk factors that historically provide evidence of impairment within the portfolio.

HomeStart has utilised a significant amount of data and experience to analyse its loss history over time in different economic conditions. This is our objective evidence.

Losses Incurred but not Identified

The nature of lending involves some degree of uncertainty about collectability of loans. Based on available information, it is probable that HomeStart will be unable to collect all amounts due and, therefore, it is probable that an asset has been impaired.

HomeStart uses actuarial advice based on actual loss history to determine that it is probable that an asset is impaired. AASB 139 supports the recognition of losses which have been incurred but not identified.

2.12 Investments

2.12.1 From 1 July 2004 to 30 June 2005

HomeStart has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. HomeStart has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Investments in bank bills are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.

All other investments are reflected in the financial statements at their market value each balance date, which approximates fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Income Statement.

2.12.2 From 1 July 2005 to 30 June 2006

Held-to-maturity Investments

HomeStart has designated its investments in bank bills as held-to-maturity financial assets.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held to maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Income Statement when the investments are derecognised or impaired.

Investments at Fair Value through Profit or Loss

HomeStart has designated its investments in listed equities and properties funds, the SAFA Cash Enhanced Fund and the SAFA composite bond index investment as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

2.13 Derivative Financial Instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk. Derivative financial instruments are not held for speculative purposes.

2.13.1 From 1 July 2004 to 30 June 2005

HomeStart has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. HomeStart has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The net amount receivable or payable under interest rate swap agreements, and realised losses and gains on forward rate agreements and futures contracts, are recognised on an accrual basis in the Income Statement as an adjustment to interest expense during the period.

2.13.2 From 1 July 2005 to 30 June 2006

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments (refer below).

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that HomeStart would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

HomeStart designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges) (refer below).

For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 29.2. Movements in the derivatives valuation reserve in equity are shown in Note 28.

2.13.3 Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Income Statement with all subsequent gains or losses recognised through the Income Statement.

2.14 Interest-Bearing Borrowings

2.14.1 From 1 July 2004 to 30 June 2005

HomeStart has taken the exemption under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. HomeStart has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Interest-bearing liabilities are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Payables.

2.14.2 From 1 July 2005 to 30 June 2006

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Income Statement over the period of the borrowings on the effective interest rate basis.

2.15 Non-Financial Assets

2.15.1 Property, Plant and Equipment

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (refer Note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

2.15.1 Property, Plant and Equipment (continued)

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition (make good). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of $500 or greater in accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.16 and 7.2.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer to Note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to $500, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.16.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to web site development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a web site to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and Revaluation

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

- all 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.

If at any time HomeStart 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.

All 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 impairment loss is recognised whenever 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of Impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and Amortisation of Non-Financial Assets

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

2.15.4 Depreciation and Amortisation of Non-Financial Assets (continued)

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

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

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Leasehold improvements	Straight line	10
Other office and computer equipment	Straight line	5 - 10

2.16 Payables

Payables include creditors, accrued expenses, interest, guarantee fee and loan manager fees.

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 HomeStart.

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 the invoice is first received in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

2.17 Employee Benefits

2.17.1 Long-Term Service Benefits

Long term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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

2.17.2 Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for salaries, annual leave and sick 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 salary rates that HomeStart expects to pay as at reporting date including related on-costs.

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

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

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

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

2.18 Insurance

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

2.19 Accounting Judgements, Estimates and Assumptions

In the process of applying HomeStart's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

2.19 Accounting Judgements, Estimates and Assumptions (continued)

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are discussed below:

2.19.1 Impairment of Loans and Advances

HomeStart determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of loan impairment is disclosed in Note 2.11.

2.19.2 Fair Value of Subsidised Loans and Advances

From 1 July 2005, when HomeStart provides subsidised loans, such as the Advantage loans and EquityStart loans, at rates lower than market interest rates, the initial recognition of these loans at fair value results in an initial loss being generated in the Income Statement. This treatment resulted in an initial loss of $4.8 million being charged to retained earnings at 1 July 2005, being the difference between the amount advanced and the fair value (refer to Note 34). Fair value is measured by discounting the expected cash flows using a market interest rate. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of the fair value of subsidised loans is disclosed in Note 2.6.

3. Government/Non-Government Disclosures

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting,* APS 4.1 'Notes to the General Purpose Financial Report', HomeStart has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the Notes to the accounts.

4. Segment Reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net Interest Revenue

	2006	2005
Interest received/receivable from entities external to the SA Government:	**$'000**	$'000
Loans and advances	**80 391**	65 345
Subsidised loans effective interest income[(1)]	**2 110**	-
Subsidised loans fair value expense[(1)]	**(5 486)**	-
Deposits with banks	**46**	73
Total Interest Received/Receivable from Entities external to the SA Government	**77 061**	65 418
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	**55 305**	43 829
Total Interest Paid/Payable to Entities within the SA Government	**55 305**	43 829
Net Interest Revenue	**21 756**	21 589

(1) *Subsidised Loans Fair Value Adjustment*

Loans and advances are required to be recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition of the asset, which for subsidised loans is less than their face value. On settlement of these loans, an initial loss is recognised as an expense, being the difference between the face and fair value, which is then recognised as income over the expected loan life, using the effective interest rate method described in Note 2.6.

6. Other Revenue

	2006	2005
Other Revenue received/receivable from entities external to the SA Government:	**$'000**	$'000
Fees and charges	**2 916**	5 366
Loan origination revenue amortisation	**1 327**	-
Bad debts recovered	**127**	153
Unrealised change in market value of investments	**1 506**	590
Managed funds distribution	**1 412**	1 518
Interest income from investments	**515**	714
Other	**189**	32
Total Other Revenues Received/Receivable from Entities external to the SA Government	**7 992**	8 373
Other Revenue received/receivable from entities within the SA Government:		
EquityStart grant[(1)]	**3 918**	-
Realised change in market value of investments - SA Government	**443**	446
Total Other Revenue Received/Receivable from Entities within the SA Government	**4 351**	446
Total Other Revenue	**12 343**	8 819

(1) *EquityStart Grant Funds Received*

During the financial year, HomeStart received $4.2 million ($nil) in grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart loan programme. These grant funds are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate (refer to Note 2.6).

7. Net Gain from Disposal of Assets

	2006 $'000	2005 $'000
Proceeds from disposal of assets	**24**	11
Less: Net book value of assets disposed	**22**	8
Total Gain from Disposal of Assets	**2**	3

8. Bad and Doubtful Debts Expense

Bad and doubtful debts expensed	**14**	22
Increase in provision for impairment	**2 811**	1 432
Total Bad and Doubtful Debts Expense	**2 825**	1 454

9. Government Guarantee Fee

Government guarantee fee paid or payable to entity within the SA Government	**7 404**	6 155
Total Government Guarantee Fee Paid or Payable to Entity within the SA Government	**7 404**	6 155

HomeStart paid a guarantee fee of 0.75 percent (0.75 percent) of outstanding borrowings to the Department of Treasury and Finance in 2005-06.

10. Employee Expenses, Remuneration and Number of Employees

Salaries and wages	**6 066**	5 023
Long service leave	**(45)**	86
Annual leave	**10**	61
Employment on-costs - Superannuation	**492**	470
Employment on-costs - Other	**344**	288
Board fees	**132**	122
Total Employee Expenses	**6 999**	6 050

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2006 Number of Employees**	2005 Number of Employees
$100 000 - $109 999	**3**	2
$110 000 - $119 999	**1**	-
$130 000 - $139 999	**1**	-
$140 000 - $149 999	**1**	1
$150 000 - $159 999	**-**	1
$160 000 - $169 999	**1**	-
$180 000 - $189 999	**-**	1
$190 000 - $199 999	**1**	-
$200 000 - $209 999	*** 1**	-
$220 000 - $229 999	**-**	1
$280 000 - $289 999	*** 2**	-
Total Number of Employees	**11**	6

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.8 million ($0.9 million).

* Includes payment of redundancies and long service leave.

Number of Employees at the End of the Reporting Period

HomeStart employed 88 (88) people at the end of the reporting period.

11. Key Management Personnel Disclosures

The following were key management personnel of HomeStart at any time during the reporting period, and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Board Members

- Samuel Walters (Member until 11 July 2005)
- Jay Hogan (Member until 14 July 2005, re-appointed 15 December 2005)
- Claude Long (Chairperson)
- Stephen Mann (Member until 11 July 2005)
- Ann Darwin (Member until 25 August 2005)
- Jim Kouts (appointed 1 November 2005)
- Estelle Bowman
- Sandra De Poi
- Paula Capaldo (appointed 15 December 2005)
- Lindsay Smith (appointed 15 December 2005)

11. Key Management Personnel Disclosures (continued)

Executives

- Gary Storkey (Chief Executive Officer)
- John Comley (General Manager Corporate Services and Chief Finance Officer)
- Kathryn Murray (General Manager Retail Services)
- Jay Walker (General Manager Community Finance from 1 June 2006)
- Ian Wheaton (General Manager Treasury and Risk)
- Desiree Holland (Director Retail Mortgage Division until 16 February 2006)
- Michael Owen (Director Information Technology until 7 April 2006)

Key Management Personnel Compensation

The key management personnel compensation included in 'employee expenses' (refer Note 10) is as follows:

	2006	2005
	$	$
Short-term benefits	**987 134**	779 987
Other long-term benefits	**118 447**	178 723
Post-employment benefits	**87 717**	68 793
Termination benefits	**276 818**	-
Total Key Management Personnel Compensation	**1 470 116**	1 027 503

Apart from the details disclosed in this Note, no Board member has entered into a material contract with HomeStart since the end of the previous financial year and there were no material contracts involving Board members' interests existing at year-end.

All transactions between HomeStart and related parties are on arm's length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report:

- Department for Families and Communities;
- Department of Treasury and Finance;
- Key management personnel;
- South Australian Government Financing Authority.

Board Members' Remuneration

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

	2006 Number of Members	2005 Number of Members
$0 - $9 999	**3**	-
$10 000 - $19 999	**4**	1
$20 000 - $29 999	**2**	3
$30 000 - $39 999	**1**	1
Total Number of Board Members	**10**	5

	2006	2005
	$'000	$'000
Total income paid or payable or otherwise made available to all Board members of HomeStart	**140**	130

12. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

Loan Management Services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

13. Depreciation and Amortisation Expense

	2006	2005
Depreciation:	**$'000**	$'000
Office and computer equipment	**229**	342
Total Depreciation	**229**	342
Amortisation:		
Leasehold improvements	**107**	67
Intangible assets	**28**	-
Total Amortisation	**135**	67
Total Depreciation and Amortisation	**364**	409

14. Revision in Accounting Estimates

During the year the estimated total useful lives of certain items of office and computer equipment and intangible assets were reassessed and revised as follows:

Class	**2006 Years**	2005 Years
Computer hardware	**5**	3
Computer software	**4**	3
Furniture and equipment	**10**	5
Leasehold improvements	**10**	5
Printers and scanners	**7**	3

The net effect of the changes in the current financial year was a decrease in depreciation and amortisation expense of HomeStart of $194 800.

Assuming the assets are held until the end of their estimated useful lives, it is estimated that depreciation and amortisation in future years will be decreased by the following amounts:

Year ending 30 June:	$'000
2007	307
2008	219
2009	119
2010	69

15. Other Expenses

	2006	2005
Other Expenses paid to entities within the SA Government:	**$'000**	$'000
External auditor's remuneration	**129**	92
Insurance	**49**	29
Total Other Expenses Paid to Entities within the SA Government	**178**	121
Other Expenses paid to entities external to the SA Government:		
Office accommodation (minimum lease payments)	**647**	363
Marketing, product development and advertising	**1 292**	1 456
Internal audit fees	**164**	154
Loan administration	**146**	174
Information technology - Loan management systems	**68**	68
Information technology - Support and maintenance	**251**	285
Consultant's fees	**234**	251
Human resources and staff development	**400**	319
Other	**1 615**	1 193
Total Other Expenses Paid to Entities external to the SA Government	**4 817**	4 263
Total Other Expenses	**4 995**	4 384

The number and dollar amount of consultancies paid/payable that fell within the following bands:	**2006 Number**	**2006 $'000**	2005 Number	2005 $'000
Below $10 000	**3**	**5**	7	35
Between $10 000 and $50 000	**8**	**172**	6	142
Above $50 000	**1**	**57**	1	74
Total Paid/Payable to the Consultants Engaged	**12**	**234**	14	251

16. Auditor's Remuneration

	2006 $'000	2005 $'000
Audit fees paid/payable to the Auditor-General's Department	**129**	92
Total Audit Fees - SA Government Entities	**129**	92

Other Services

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

17. Investments

17.1 Investments

Investments at Fair Value through Profit or Loss

Investments at fair value through profit or loss with entity within the SA Government:		
SAFA composite bond index investment	**6 993**	6 431
SAFA Cash Enhanced Fund	**15 234**	-
Total Investments at Fair Value through Profit or Loss with Entity within the SA Government	**22 227**	6 431
Investments at fair value through profit or loss with entities external to the SA Government:		
Listed equities and properties funds	**16 364**	13 544
Total Investments at Fair Value through Profit or Loss with entities external to the SA Government	**16 364**	13 544
Total Investments at Fair Value through Profit or Loss	**38 591**	19 975

		2006	2005
17.1	***Investments (continued)***		
	Held-to-Maturity Investments	**$'000**	$'000
	Held-to-maturity investments with entities external to the SA Government:		
	Bank bills	**-**	12 955
	Total Held-to-maturity Investments with Entities external to the SA Government	**-**	12 955
	Total Investments	**38 591**	32 930
17.2	***Maturity Profile of HomeStart's Investments***		
	At call	**31 598**	13 544
	Not longer than 3 months	**-**	12 955
	Longer than 3 months and not longer than 12 months	**6 993**	6 431
	Total Investments	**38 591**	32 930

18. Loans and Advances

18.1	***Loans and Advances***		
	Primary loans	**1 128 460**	988 074
	Subsidised loans	**55 601**	36 274
	Control accounts	**2 170**	(82)
	Gross Loans and Advances	**1 186 231**	1 024 266
	Fair value adjustment	**(9 109)**	-
	Deferred loan fee income	**(4 179)**	-
	Deferred loan fee expense	**2 377**	-
	Specific provisions for impairment	**(1 726)**	(1 172)
	Unearned income	**(488)**	(242)
	General provision for impairment	**-**	(16 658)
	Collective provision for impairment	**(12 020)**	-
	Net Loans and Advances	**1 161 086**	1 006 194
	Specific Provision for Doubtful Debts:		
	Opening balance	**1 172**	661
	Bad debts written off	**(94)**	(14)
	Doubtful debts expense	**648**	525
	Closing Balance	**1 726**	1 172
	General Provision for Doubtful Debts:		
	Opening balance	**16 658**	15 751
	Doubtful debts expense	**-**	907
	Transfer to collective impairment provision on adoption of AIFRS at 1 July 2005	**(16 658)**	-
	Closing Balance	**-**	16 658
	Collective impairment provision:		
	Opening balance	**-**	-
	Transfer from general provision for doubtful debts on adoption of AIFRS at 1 July 2005	**16 658**	-
	Transfer to general reserve for credit losses on adoption of AIFRS at 1 July 2005	**(5 633)**	-
	Adjustment to retained earnings on adoption of AIFRS at 1 July 2005	**(1 168)**	-
	Doubtful debts expense	**2 163**	-
	Closing Balance	**12 020**	-
	Total Provision for Impairment	**13 746**	17 830
18.2	***Asset Quality Disclosures***		
	Non-Accrual Loans:		
	With provision	**8 738**	4 977
	Without provision	**653**	87
	Total Non-Accrual Loans	**9 391**	5 064
	Specific provision	**1 664**	1 137
	Interest foregone on non-accrual loans	**488**	242
	Real Estate Acquired:		
	Balance of loans at 30 June	**462**	458
	Specific provision	**62**	35
	Past Due Loans:		
	Balance of loans at 30 June	**2 563**	2 281
	Specific provision	**-**	-

The balance of loans and advances is shown after deducting the provision for impairment, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for impairment is disclosed at Note 2.11.

18.3 Maturity Profile of HomeStart's Housing Loans and Advances

	2006	2005
	$'000	$'000
Longer than one year and not longer than five years	**128**	107
Longer than five years	**1 186 103**	1 024 159
Total Gross Loans and Advances	**1 186 231**	1 024 266

The maturity distribution of loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period (around 60 percent of current customers are expected to repay their loans in under 20 years).

As at 30 June total loans either approved but not settled or settled but not fully drawn amounted to $27.1 million ($35.4 million).

19. Property, Plant and Equipment

	2006	2005
Leasehold Improvements:	**$'000**	$'000
Leasehold improvements at cost	**1 819**	273
Accumulated amortisation	**(97)**	(131)
Total Leasehold Improvements	**1 722**	142
Other Office and Computer Equipment:		
Other office and computer equipment at cost	**2 801**	3 142
Accumulated depreciation	**(1 938)**	(2 481)
Total Other Office and Computer Equipment	**863**	661
Total Property, Plant and Equipment	**2 585**	803

	Leasehold Improve-ments $'000	Other Office and Computer Equipment $'000	**2006 Total $'000**
Carrying amount at 1 July	142	661	**803**
Estimated 'make good' costs	129	-	**129**
Additions	1 574	433	**2 007**
Disposals	(16)	(2)	**(18)**
Depreciation and amortisation	(107)	(229)	**(336)**
Carrying Amount at 30 June	1 722	863	**2 585**

20. Intangible Assets

	2006	2005
	$'000	$'000
Software at cost	**549**	540
Accumulated amortisation	**(514)**	(486)
Total Software	**35**	54
Carrying amount at 1 July	**54**	78
Additions	**13**	19
Disposals	**(4)**	-
Amortisation	**(28)**	(43)
Carrying Amount at 30 June	**35**	54

21. Other Assets

Other Assets - Entities within the SA Government:		
Accrued interest on derivatives (SAFA)	**3**	(1)
EquityStart grant receivable	**1 392**	-
Other	**120**	25
Total Other Assets - Entities within the SA Government	**1 515**	24
Other Assets - Entities external to the SA Government:		
Accrued interest on housing loans and advances	**239**	202
Accrued interest on cash at bank	**3**	37
GST recoverable	**40**	40
Prepayments	**89**	81
Other	**101**	-
Total Other Assets - Entities external to the SA Government	**472**	360
Total Other Assets	**1 987**	384

22. Payables

	2006	2005
Payables to entities within the SA Government:	**$'000**	$'000
Creditors	**3**	-
Accrued administration expenses	**130**	100
Employment on-costs	**132**	137
Accrued interest payable	**2 472**	2 066
Accrued guarantee fee payable	**645**	541
Total Payables to Entities within the SA Government	**3 382**	2 844
Payables to entities external to the SA Government:		
Creditors	**215**	341
Accrued administration expenses	**148**	171
Accrued loan manager fees	**315**	292
Total Payables to Entities external to the SA Government	**678**	804
Total Payables	**4 060**	3 648

23. Borrowings

23.1 Interest Bearing Liabilities

Short-term Borrowings		
Short-term borrowings payable to entity within the SA Government:		
Short term borrowings	**58 382**	154 754
Total Short-term Borrowings payable to entity within the SA Government	**58 382**	154 754
Short-term borrowings payable to entity external to the SA Government:		
Short-term borrowings (bank overdraft)	**518**	-
Total Short-term Borrowings payable to entity external to the SA Government	**518**	-
Total Short-term Borrowings	**58 900**	154 754
Long-term Borrowings		
Long-term borrowings payable to entity within the SA Government:		
Long-term borrowings	**999 500**	745 000
Total Long-term Borrowings payable to entity within the SA Government	**999 500**	745 000
Total Long-term Borrowings	**999 500**	745 000
Total Interest Bearing Liabilities	**1 058 400**	899 754

23.2 Maturity Profile of HomeStart's Interest Bearing Liabilities

At call	**1 400**	5 334
Not longer than three months	**44 500**	104 000
Longer than three months but not longer than one year	**13 000**	45 420
Longer than one year and not longer than five years	**999 500**	534 000
Longer than five years	**-**	211 000
Total Interest Bearing Liabilities	**1 058 400**	899 754

HomeStart sources its borrowings from SAFA and is subject to a gross borrowing limit of $1 350 million ($925 million).

24. Employee Benefits

	Note	2006 $'000	2005 $'000
Annual leave		**291**	281
Long service leave		**477**	522
Accrued salaries		**113**	84
Total Employee Benefits		**881**	887

25. Employee Benefits and Related On-Costs

Accrued Salaries:			
On-costs included in payables	22	**21**	21
Provision for employee benefits	24	**113**	84
Total Accrued Salaries		**134**	105
Annual Leave:			
On-costs included in payables	22	**42**	39
Provision for employee benefits	24	**291**	281
Total Annual Leave		**333**	320
Long Service Leave:			
On-costs included in payables	22	**69**	77
Provision for employee benefits	24	**477**	522
Total Long Service Leave		**546**	599
Aggregate Employee Benefits and Related On-Costs		**1 013**	1 024

26. Income Tax Payable

	2006	2005
	$'000	$'000
Income tax payable to entity within the SA Government	**1 119**	1 108
Total Tax Liability Payable to Entity within the SA Government	**1 119**	1 108

27. Other Liabilities

Other Liabilities payable to or arising from transactions with entities within the SA Government:		
Aboriginal loan security deposit	**250**	250
Unearned revenue (EquityStart grant)	**1 719**	-
Total Other Liabilities Payable to or arising from transactions with Entities within the SA Government	**1 969**	250
Other Liabilities payable to or arising from transactions with entities external to the SA Government:		
Make good provision	**158**	-
Operating lease incentive	**140**	-
Adelaide New Owners Grant	**6**	18
Total Other Liabilities Payable to or arising from Transactions with Entities external to the SA Government	**304**	18
Total Other Liabilities	**2 273**	268

28. Equity

Reserves:		
General reserve for credit losses	**7 484**	-
Derivatives valuation reserve	**935**	-
Total Reserves	**8 419**	-
Retained earnings	**130 554**	135 990
Total Equity at 30 June	**138 973**	135 990

Movements in equity were as follows:

General reserve for credit losses:		
General reserve for credit losses at 1 July	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	**5 633**	-
General Reserve for Credit Losses at 1 July Restated	**5 633**	-
Transfer from retained earnings	**1 851**	-
General Reserve for Credit Losses at 30 June	**7 484**	-
Derivatives valuation reserve:		
Derivatives valuation reserve at 1 July	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	**(332)**	-
Balance at 1 July Restated	**(332)**	-
Changes in the fair value of cash flow hedges	**1 267**	-
Balance at 30 June	**935**	-
Retained earnings:		
Retained earnings at 1 July	**135 990**	136 490
Adjustments on adoption of AASB 132 and AASB 139:		
Recognition of investments at fair value	**33**	-
Recognition of deferred loan fees	**1 486**	-
Recognition of deferred loan income	**(2 599)**	-
Recognition of subsidised loan assets at fair vale	**(4 827)**	-
Recognition of previously unearned income on subsidised loans	**1 433**	-
Adjustment to collective provision	**1 168**	-
Total Adjustments on Adoption of AASB 132 and AASB 139	**(3 306)**	-
Retained Earnings at 1 July Restated	**132 684**	136 490
Transfer to credit losses reserve	**(1 851)**	-
Profit for the year	**4 721**	4 500
Dividend paid	**(1 558)**	(1 485)
Capital distribution	**(3 442)**	(3 515)
Total Retained Earnings at 30 June	**130 554**	135 990

Dividend Payment
Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

During 2005-06, HomeStart recommended and paid a dividend of $5.0 million ($5.0 million) which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

General Reserve for Credit Losses
A general reserve for credit losses was created as at 1 July 2005, on adoption of AASB 132 and AASB 139 to set aside retained earnings being the equivalent of the excess of the loans impairment provision determined under the previous accounting policy over that determined under AIFRS. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives Valuation Reserve
The derivatives valuation reserve was created at 1 July 2005 on adoption of AASB 132 and AASB 139 to recognise the effective gain or loss on derivatives that are designated hedging instruments.

29. Financial Instruments

HomeStart's principal financial instruments comprise home loans and advances, investments, borrowings from SAFA and derivatives, being mainly interest rate swaps.

HomeStart's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. HomeStart's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of HomeStart.

HomeStart enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from HomeStart's operations and its sources of finance. It is, and has been throughout the period under review, HomeStart's policy that no trading in financial instruments shall be undertaken.

Risk management is overseen by the Finance Sub-Committee and the Asset and Liability Committee under policies approved by the Board. The Finance Sub-Committee identifies, evaluates and hedges financial risks.

The Board and Asset and Liability Committee review and approve policies for managing financial risks and they are summarised below.

29.1 Interest Rate Risk

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured daily and monitored by the Finance Sub-Committee on a weekly basis and the Asset and Liability Committee on a monthly basis.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, bank bill futures and forward rate agreements (FRAs).

Fixed interest rate loan assets have been valued at fair value at 1 July 2005, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Income Statement when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

29.2 Interest Rate Swap Contracts – Cash Flow Hedges

Interest rate swap contracts are used to assist HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings from SAFA, HomeStart has entered into interest rate swap contracts under which it is obliged to receive interest at floating rates and pay interest at fixed rates.

As at 30 June 2006, HomeStart had floating/fixed swaps with a notional value of $168 million ($154 million) with the fixed rates varying between 4.92 percent and 6.1 percent (4.84 percent and 6.1 percent).

29.2 Interest Rate Swap Contracts – Cash Flow Hedges (continued)

The notional principal amounts and periods of maturity of the interest rate swap contracts are as follows:

	2006	2005
	$'000	$'000
Less than 1 year	**64 000**	48 000
1 - 2 years	**59 000**	62 000
2 - 3 years	**38 000**	35 000
3 - 4 years	**3 500**	5 000
4 - 5 years	**3 500**	4 000
Total Notional Principal Amounts	**168 000**	154 000

The contracts are settled on a net basis. The average reset days and average rates are as follows:

	2006	2005
Receive (floating):		
Average reset days	**26**	26
Average rate (percent)	**5.89**	5.64
Pay (fixed):		
Average reset days	**526**	562
Average rate (percent)	**5.7**	5.68

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2006, there were no amounts recognised in the Income Statement.

At balance date these contracts were assets with fair value of $935 555 (liability of $331 493).

In the year ended 30 June 2006 there was:

- on the date of transition to AASB 132 and AASB 139 on 1 July 2005 a reduction in equity of $331 493 on re-measurement to fair value; and
- an increase in fair value of $1 267 047 during the year which was recognised directly in the derivative valuation reserve within equity.

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).

	2006			2005		
	Average Balance	**Interest**	**Average Interest Rate**	Average Balance	Interest	Average Interest Rate
Interest Revenue:	**$'000**	**$'000**	**Percent**	$'000	$'000	Percent
Cash used for operating activities	**695**	**14**	**2.01**	481	20	4.16
Cash used for investing activities	**575**	**32**	**5.57**	937	53	5.66
Loans and advances	**1 130 058**	**80 391**	**7.11**	934 765	65 345	6.99
	1 131 328	**80 437**	**7.11**	936 183	65 418	6.99
Interest Expense:						
Interest on borrowings	**1 000 984**	**55 305**	**5.53**	805 426	43 829	5.44

The average balance of loans and advances has been calculated using their face value and does not include any fair value adjustment.

The interest revenue for 2005-06 excludes the subsidised loans fair value adjustment (refer to Note 5).

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

2006	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in		Non-Interest Bearing	**2006 Total**
			1 Year or Less	1 Year to 5 Years		
Financial Assets:	Percent	$'000	$'000	$'000	$'000	**$'000**
Cash used for operating activities	0.01	116	-	-	-	**116**
Cash used for investing activities	5.78	370	-	-	-	**370**
Cash Enhanced Fund	5.82	15 234	-	-	-	**15 234**
Composite Bond Index Investment	-	-	-	-	6 993	**6 993**
Investment - Property and Equity	-	-	-	-	16 364	**16 364**
Derivative financial instruments	5.89	3	-	-	-	**3**
Derivative financial instruments	5.70	-	106	827	-	**933**
Loans and advances	7.30	1 025 340	59 415	101 459	17	**1 186 231**
Other assets	-	-	-	-	1 987	**1 987**
		1 041 063	59 521	102 286	25 361	**1 228 231**
Financial Liabilities:						
Borrowings	5.81	1 058 400	-	-	-	**1 058 400**
Interest rate swaps (notional principal amounts)	-	(168 000)	64 000	104 000	-	**-**

29.2 Interest Rate Swap Contracts – Cash Flow Hedges (continued)

2005	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Fixed Interest Maturing in 1 Year to 5 Years	Non-Interest Bearing	2005 Total
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000
Cash used for operating activities	5.24	744	-	-	-	744
Cash used for investing activities	5.45	546	-	-	-	546
Composite Bond Index Investment	-	-	-	-	6 431	6 431
Investment - Property and Equity	-	-	-	-	13 544	13 544
Bank Bills	5.03	-	12 955	-	-	12 955
Loans and advances	7.25	890 990	35 629	97 644	3	1 024 266
Other assets	-	-	-	-	384	384
		892 280	48 584	97 644	20 362	1 058 870
Financial Liabilities:						
Borrowings	5.58	899 754	-	-	-	899 754
Interest rate swaps (notional principal amounts)	-	(154 000)	48 000	106 000	-	-

The weighted average interest rate is calculated on the balances outstanding as at 30 June. The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

29.3 Credit Risk Exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

Derivative Financial Assets

Credit risk arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date the following amounts are receivable and payable from interest rate swap contracts:

	Note	**2006 $'000**	2005 $'000
Swap income receivable		**356**	413
Swap expense payable		**(353)**	(414)
Net Receivable	21	**3**	(1)

The only derivative counterparty with whom HomeStart is permitted by the Department of Treasury and Finance to transact is SAFA.

Loans and Receivables

The credit risk on financial assets has been recognised in the Balance Sheet as the carrying amount, net of any provisions for impairment. HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower. HomeStart only lends in South Australia and is therefore only exposed to the property market in this State.

Investments

HomeStart's composite bond index investment and investments in listed property and equity funds represent exposure to the broader Australian bond, property and equities markets.

30. Commitments for Expenditure

30.1 Capital Commitments

Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:

	2006 $'000	2005 $'000
Not later than one year	**-**	1 700
Total Capital Commitments	**-**	1 700

30.2 Operating Lease Commitments

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in Note 15.

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

	2006 $'000	2005 $'000
Not later than one year	**729**	704
Later than one year but not later than five years	**2 344**	3 678
Total Operating Lease Commitments	**3 073**	4 382

31. Contingent Liabilities

HomeStart has no material contingent liabilities as at 30 June 2006.

32. Cash Flow Reconciliation

32.1 Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2006	2005
	$'000	$'000
Deposits at call	**116**	744
Money market deposits	**370**	546
Cash as Recorded in the Balance Sheet	**486**	1 290
Bank overdraft at call	**(518)**	-
Cash as Recorded in the Cash Flow Statement	**(32)**	1 290

32.2 Reconciliation of Profit after Income Tax to Net Cash provided by Operating Activities

Profit after income tax	**4 721**	4 500
Gain on sale of fixed assets	**(2)**	(3)
Depreciation and amortisation expense	**364**	409
Estimated 'make good' costs	**(129)**	-
Unrealised change in market value of investments	**(1 506)**	(590)
Reinvestment of investment income	**(1 845)**	(1 964)
Bad debts written off against profit	**14**	-
Bad debts written off against provision	**94**	36
Unearned income on bad debts written off	**52**	12
Grant monies transferred to loans and advances	**12**	-
Fees applied directly to loan accounts	**(4 068)**	(4 325)

32.2 Reconciliation of Profit after Income Tax to Net Cash provided by Operating Activities (continued)

Adjustments to opening balances of assets and liabilities:		
Fair value adjustment to loans and advances	**(4 827)**	-
Recognition of deferred loan fee income	**(2 599)**	-
Recognition of deferred loan fee expense	**1 486**	-
Adjustment to provision for doubtful debts	**6 801**	-
Changes in assets and liabilities:		
(Decrease) Increase in provision for doubtful debts	**(4 084)**	1 418
Increase in deferred loan fee income	**4 179**	-
Increase in deferred loan fee expense	**(2 378)**	-
Increase in fair value adjustment	**9 109**	-
Increase in payables	**412**	198
(Decrease) Increase in provision for employee benefits	**(6)**	164
Increase (Decrease) in other liabilities	**2 005**	(30)
Increase (Decrease) in unearned interest income	**246**	(39)
Increase in tax liability	**11**	488
Decrease (Increase) in other assets	**(1 603)**	286
Net Cash provided by Operating Activities	**6 458**	560

33. Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart Finance, the results of those operations, or the state of affairs of HomeStart in subsequent years.

34. Explanation of Transition to AIFRS

As stated in the Summary of significant accounting policies Note 2, these are HomeStart's first financial statements prepared in accordance with AIFRS.

The policies set out in the Summary of significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of an opening AIFRS Balance Sheet at 1 July 2004 (HomeStart's date of transition).

34. Explanation of Transition to AIFRS (continued)

In preparing its opening AIFRS balance sheet, HomeStart has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous AGAAP). An explanation of how the transition from previous AGAAP to AIFRS has affected HomeStart's financial position, financial performance and cash flows is set out in the following tables and the Notes that accompany the tables.

This Note explains the principal adjustments made by HomeStart in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Explanation of Material Adjustments to the Cash Flow Statement

There are no material differences between the Cash Flow Statement presented under AIFRS and the Cash Flow Statement presented under previous AGAAP.

Reconciliation of Balance Sheet reported under previous AGAAP to Balance Sheet under AIFRS at the Date of Transition to AIFRS: 1 July 2004

	Reference	AGAAP as at 30.06.04 $'000	Effect of transition to AIFRS $'000	AIFRS as at 01.07.04 $'000
ASSETS:				
Cash and cash equivalents		1 869	-	1 869
Investments		27 335	-	27 335
Loans and advances		802 042	-	802 042
Property, plant and equipment	1	640	(78)	562
Intangible assets	1	-	78	78
Other assets		670	-	670
Total Assets		832 556	-	832 556
LIABILITIES:				
Payables		3 450	-	3 450
Short-term borrowings		80 700	-	80 700
Long-term borrowings		610 725	-	610 725
Employee benefits		723	-	723
Income tax payable		620	-	620
Derivative financial instruments		-	-	-
Other liabilities		298	-	298
Total Liabilities		696 066	-	696 066
NET ASSETS		136 490	-	136 490
EQUITY:				
Reserves		-	-	-
Retained earnings		136 490	-	136 490
TOTAL EQUITY		136 490	-	136 490

Notes to the Reconciliation of Balance Sheet Reported under Previous AGAAP to Balance Sheet under AIFRS at the Date of Transition to AIFRS: 1 July 2004

Reference	**Item**	**AGAAP**	**AIFRS**	**Impact**
1	Property, plant and equipment	Computer software was classified as Property, plant and equipment	Under AASB 138, computer software is classified as an intangible asset. Therefore, computer software has been reclassified from Property, plant and equipment to Intangible assets.	Decrease to Property, plant and equipment, and increase to Intangible assets of $78 499.

Reconciliation of Balance Sheet reported under previous AGAAP to Balance Sheet under AIFRS at the End of the Last Reporting Period under Previous AGAAP: 30 June 2005

	Reference	AGAAP as at 30.06.05 $'000	Effect of transition to AIFRS $'000	AIFRS as at 30.06.05 $'000
ASSETS:				
Cash and cash equivalents		1 290	-	1 290
Investments		32 930	-	32 930
Loans and advances		1 006 194	-	1 006 194
Property, plant and equipment	1	857	(54)	803
Intangible assets	1	-	54	54
Other assets		384	-	384
Total Assets		1 041 655	-	1 041 665
LIABILITIES:				
Payables		3 648	-	3 648
Short-term borrowings		154 754	-	154 754
Long-term borrowings		745 000	-	745 000
Employee benefits		887	-	887
Income tax payable		1 108	-	1 108
Derivative financial instruments		-	-	-
Other liabilities		268	-	268
Total Liabilities		905 665	-	905 665
NET ASSETS		135 990	-	135 990
EQUITY:				
Reserves		-	-	-
Retained earnings		135 990	-	135 990
TOTAL EQUITY		135 990	-	135 990

Notes to the Reconciliation of Balance Sheet Reported under Previous AGAAP to Balance Sheet under AIFRS at the End of the Last Reporting Period under Previous AGAAP: 30 June 2005

Reference	Item	AGAAP	AIFRS	Impact
1	Property, plant and equipment	Computer software was classified as Property, plant and equipment	Under AASB 138, computer software is classified as an intangible asset. Therefore, computer software has been reclassified from Property, plant and equipment to Intangible assets.	Decrease to Property, plant and equipment, and increase to Intangible assets of $54 403.

Reconciliation of Profit for 2004-05

	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Interest revenue	65 418	-	65 418
Borrowing costs	(43 829)	-	(43 829)
Net interest revenue	21 589	-	21 589
Other revenue	8 822	-	8 822
Bad and doubtful debts	(1 454)	-	(1 454)
Government guarantee fee	(6 155)	-	(6 155)
Loan manager fees	(5 530)	-	(5 530)
Employee expenses	(5 928)	-	(5 928)
Depreciation and amortisation	(409)	-	(409)
Other expenses	(4 506)		(4 506)
PROFIT BEFORE TAX	6 429	-	6 429
INCOME TAX EQUIVALENT EXPENSE	(1 929)	-	(1 929)
PROFIT FOR THE YEAR	4 500	-	4 500
PROFIT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER	4 500	-	4 500

35. Changes in Accounting Policies

In the current financial year HomeStart adopted AASB 132 and AASB 139. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS on HomeStart's equity at 1 July 2005 are detailed below.

The impact on the Balance Sheet in the comparative period is set out below as an adjustment to the opening Balance Sheet at 1 July 2005.

Reconciliation of Balance Sheet reported under AIFRS as at 30 June 2005 to changes under AIFRS effective 1 July 2005

ASSETS:	Reference	AIFRS as at 30.06.05 $'000	Effect of AASB 132/139 on transition to AIFRS $'000	AIFRS as at 01.07.05 $'000
Cash and cash equivalents		1 290	-	1 290
Investments	1	32 930	33	32 963
Loans and advances	2, 3, 4, 6	1 006 194	2 294	1 008 488
Property, plant and equipment		803	-	803
Intangible assets		54	-	54
Other assets		384	-	384
Total Assets		1 041 655	2 327	1 043 982
LIABILITIES:				
Payables		3 648	-	3 648
Short-term borrowings		154 754	-	154 754
Long-term borrowings		745 000	-	745 000
Employee benefits		887	-	887
Income tax payable		1 108	-	1 108
Derivative financial instruments	5	-	332	332
Other liabilities		268	-	268
Total Liabilities		905 665	332	905 997
NET ASSETS		135 990	1 995	137 985
EQUITY:				
Reserves	5,6	-	5 301	5 301
Retained earnings		135 990	(3 306)	132 684
TOTAL EQUITY		135 990	(1 995)	137 985

Notes to the Reconciliation of Balance Sheet

Impact of Adopting AASB 132 and AASB 139

HomeStart elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the areas impacted upon adoption of AASB 132 and AASB 139, including the financial impact to equity and profit.

Reference	Item	AGAAP	AIFRS	Impact
1	Investments	Investment in bank bills recognised at face value at date of purchase.	Investments recognised at fair value.	Increase in assets, increase in equity of $33 465.
2	Loans and advances	Loan assets recognised at face value.	Under AASB 139, loan assets have been classified as loans and receivables, and were initially recognised at 1 July 2005 at fair value being face value plus net transaction costs.	
		Loan origination costs recognised as expenses when paid/payable.		Loan fees origination expenses for 2004-05 were reversed, and will be amortised over the average loan life of five years on an effective yield basis. Increase to assets and equity of $1 485 789.
		Loan fees income recognised when received/receivable.		Loan fees income for 2004-05 was reversed and will be amortised over the average loan life of five years on an effective yield basis. Decrease to assets and equity of $2 599 442.
3	Subsidised loan assets	Subsidised loan assets recognised on balance sheet at face value.	Subsidised loan assets at 30 June 2005 were initially recognised on balance sheet at fair value on 1 July 2005, being measured by discounting the expected cash flows using a risk-free rate of interest, based on 4 year (for Advantage loans) and 10 year (for EquityStart loans) SAFA Bonds.	The initial recognition of subsidised loans at fair value resulted in an initial loss of $4 827 420 being generated, being the difference between the amount disbursed (face value) and the fair value. This amount was taken to retained earnings at 1 July 2005, and will be amortised over the average loan life of four years on an effective yield basis. Decrease to assets and equity of $4 827 420.
			Subsidised loan assets were increased by an amount of unearned income, previously not accounted for, being the interest that would be recognised once loans exceed a term of five years and become ineligible for an interest rebate.	Increase in assets, increase in equity of $1 433 353.
4	Collective provision for impairment	General provision created for losses inherent in the portfolio which have not yet been identified.	Impairment provision created where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.	Adjustment to collective provision. Increase in equity and decrease in impairment provision of $1 168 000.

Reference	Item	AGAAP	AIFRS	Impact
5	Interest rate swaps	Interest rate swaps were not recognised on balance sheet. Net receipts and payments were recognised as an adjustment to interest expense.	Interest rate swaps were recognised on balance sheet at fair value. The interest rate swap held at 30 June 2005 was designated as a hedge and has been accounted for as a derivative.	Recognition of a derivative asset and creation of a derivatives valuation reserve of $332 000.
			Fixed interest rate loan assets have been valued at fair value at 1 July 2005, being face value plus net transaction costs, and are hedged by interest rate swaps, which are being designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.	Decrease in equity and an increase in liabilities of $332 000.
			Under AASB 139, fair value and cash flow hedge accounting can only be used where effectiveness tests have been satisfied. HomeStart has established that hedge accounting criteria will be met.	
6	Loans credit losses reserve	General provisions were recognised where impairment was considered probable.	A requirement for objective evidence of impairment incurred as a result of one or more events after initial recognition of a loan either on an individual or collective basis.	A write-back of provisioning and the creation of a general reserve for credit losses on 1 July 2005 of $5 633 000.
		The full face value of the estimated loss was allocated to the provision.	Under AASB 139, provisions are raised for losses that have already been incurred for loans that are not yet known to be impaired.	Creation of a general reserve for credit losses to maintain a prudent coverage for potential losses, to ensure that sufficient capital is maintained.
		Provisions for doubtful debts included both a specific and general provision, with the latter covering all losses inherent in a loan portfolio.	The estimated impairment loss is to be determined by discounting the estimated future cash flows using the effective interest rate under AASB 139 to determine a present value.	Increase in equity and decrease in impairment provision of $5 633 000.
			Loans that are not impaired are grouped together according to their risk characteristics and are then assessed for impairment. Based on the historical loss data and current available information for assets with similar risk characteristics, the appropriate provision is raised.	

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

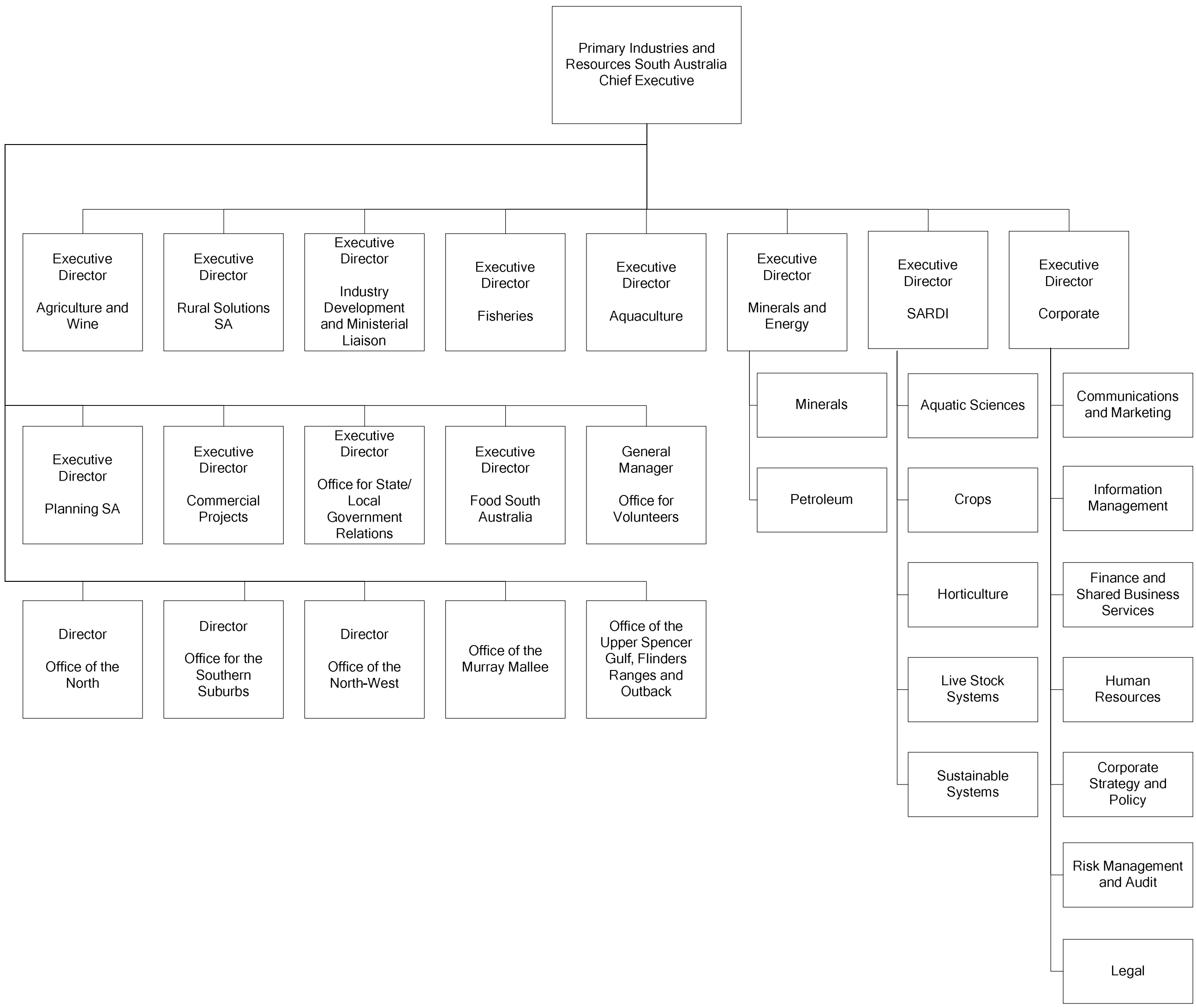
The Department of Primary Industries and Resources is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The Department of Primary Industries and Resources is responsible for delivering services that increase the prosperity of South Australians, improve their quality of life and ensure the sustainable economic development of the State's resource base for future generations. It also guides and administers the South Australian planning and development system.

Structure

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



Changes to Functions and Structure

Pursuant to a proclamation in the South Australian Government Gazette on 30 June 2005 and effective from 1 July 2005, the employees and functions of Energy SA and the Office of the Technical Regulator were transferred to the Department for Transport, Energy and Infrastructure.

In addition, pursuant to the same proclamation, the employees and functions of Planning SA, the Office of Local Government, the Office of the North, the Office for the Southern Suburbs, the Office of the North West and the Regional Ministerial Offices were transferred to the Department.

Pursuant to a proclamation in the South Australian Government Gazette on 23 March 2006 and effective from the 1 April 2006, the employees and functions of the Office for Volunteers were transferred to the Department.

The financial administration of the office of the Minister for Mineral Resources Development, for Police and for Urban Development and Planning was transferred to the Department from 1 April 2006.

The effects of these transfers are reported in the Note 31 of the Department's financial statements for the year ended 30 June 2006.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

During 2005-06 specific areas of audit attention included:

- consultancy and service fee income
- expenditure
- payroll and related payments
- cash at bank
- Masterpiece and Reculvar accounts receivable
- mining and petroleum revenue
- grants and advances revenue
- fish licensing
- grants expenditure
- trust funds and administered items
- fixed assets
- financial accounting
- Planning SA revenue
- Planning and Development Fund grant expenditure
- follow up of the 2004-05 outcomes from the Information Technology Review - Payments Plus system.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of the Financial Report

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

Assessment of Controls

In my opinion, the controls exercised by the Department of Primary Industries and Resources 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:

- development of policies and procedures
- legal compliance
- payroll
- review of accounts payable processing,

as outlined under 'Audit Communications with Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Primary Industries and Resources have been conducted properly and in accordance with law.

Audit Communications with Management

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

Cash at Bank Reconciliation Methodology

The audit of the Department for the year ended 30 June 2004 identified that the Department's General Ledger cash at bank balance was not reconciled to the Westpac bank account. As a consequence of this finding the Independent Audit Report was qualified.

In the following year Audit reviewed measures implemented by the Department in response to the audit findings and verified that the General Ledger cash at bank reconciled to the Westpac closing cash at bank balance as at 30 June 2004 and as at 30 June 2005.

The 2005-06 audit reviewed the implementation of the methodology for preparing cash at bank reconciliations which was developed in response to the 30 June 2004 audit findings. Specific areas for audit testing included:

- assessing whether reconciliations were independently reviewed;
- confirming reconciling items were cleared in a timely manner;
- evaluating the policies and procedures surrounding the bank reconciliation.

The review identified that bank reconciliations were not always prepared and reviewed within required timeframes and reconciliations were not independently reviewed in all instances. The audit also noted that there were a number of outstanding reconciling items in the reconciliation of the Planning SA clearing account.

The Department responded to the audit findings advising of action taken or proposed to address the matters arising from the audit for the 2005-06 financial year.

Financial Accounting Review

The scope of the 2005-06 audit included a review of the:

- initiation, approval and recording of General Ledger journals;
- roll-over of 2004-05 opening balances;
- implementation of a new chart of accounts .

The audit identified areas for improvements in controls which ensure General Ledger journals are independently reviewed, the Journal Authoriser's List is current and that journals are appropriately authorised.

In response the Department advised of proposed action to address these matters in the 2006-07 financial year.

Business Continuity Planning

The 2004-05 Report communicated that the Department had commenced development of a Business Continuity Plan.

In July 2006, in response to a request by Audit for an update, the Department advised that the Risk Management and Audit Branch completed a Business Continuity Planning process across all PIRSA Business Divisions in early 2006.

The Department further advised that a detailed ICT risk assessment was conducted in preparation for the transition to the Future ICT contract arrangements of Government, and that a Business Continuity Plan was being finalised to address risks associated with the loss of processing facilities. The Plan is scheduled for completion by December 2006.

The completion of the Business Continuity Plan will be confirmed during 2006-07.

Payroll

The Department operates in locations throughout the State and in a number of Divisions. The review of controls over payroll processing focussed on the effectiveness of the review of Bona Fide Reports and Leave Returns by managers at work sites. Audit concluded that the Department had not developed documented policies and procedures which made it clear to managers what checking of Bona Fide Reports and Leave Returns should be performed by managers and how identified errors should be addressed. Testing of the operation of the controls noted delays in returning reviewed Bona Fide Certificates and Leave Returns by divisions.

The audit of payroll processing also considered the integrity of processing data related to the transfer of staff between PIRSA and the Department for Transport, Energy and Infrastructure and noted problems with the reliability of data provided by transferring Departments and the completeness and accuracy of processing information into the Department's payroll system.

In response the Department advised of proposed action to address these matters in the 2006-07 financial year.

Review of Accounts Payable Processing

The review of controls over accounts payable processing gave specific focus to evaluating the controls implemented:

- to ensure all payments were authorised by officers with appropriate delegated authority;
- were for goods or services which were ordered and received by the Department.

The 2005-06 audit found a number of issues raised following the 2004-05 audit were not effectively addressed by the Department. These matters include:

- the Accounts Payable process documentation is yet to be finalised;
- requisitions and purchase orders were not used in accordance with Departmental policies;
- the Department did not implement a signature register to enable verification of delegate's signatures.

The audit for 2005-06 also identified:

- a number of transactions with a value greater than $2000 where no requisition or purchase order were raised as required by the Department's policies and procedures;

- requisitions and orders were raised upon the receipt of an invoice, that is, after the goods/services were delivered/performed;

- the segregation of responsibility for approving requisitions and purchase, as required by the Department's policies and procedures did not occur.

The Department responded that they have developed revised guidelines and delegations in response to recent changes to Treasurer's Instructions for financial delegations. The Department will monitor and review compliance with this revised policy. The Department also responded that they would pursue the implementation of an electronic stamp at each point of the approval process.

Accounts Receivable and Reculver Review

The scope of the 2005-06 audit included the review of:

- policies and procedures
- invoicing and credit notes
- cash receipting
- debtor management and follow-up
- reconciliation of the General Ledger to the accounts receivable system.

The audit identified weaknesses in controls which ensure:

- appropriate authorisation of invoices and credit notes;
- segregation of duties for revenue receipting;
- compliance with debtor management policies and follow-up of outstanding debts.

The review also identified formal documented policies and procedures were not developed and implemented for cash receipting and key revenue reconciliations.

In response to the findings the Department indicated it was developing new invoicing software and processes for implementation across the Department which it anticipated would be implemented in the second quarter of 2006-07. The Department advised the new software and processes would support more effective control over invoice and credit note authorisation and would be supported by new business rules.

In relation to debtor management the Department acknowledged that there was inconsistency across Divisions in implementing the Debt Management and Recovery Policy. It indicated the new software and processes, along with other initiatives, would support improved compliance with Departmental policy.

Fixed Asset Review

The audit of the Department's arrangements for managing and accounting for fixed assets noted a number of areas in which controls could be improved and instances where established controls were not complied with throughout the year. The review noted the Department had prepared draft policies and procedures for fixed asset management and accounting but they were not formally approved until July 2006. It was also established that:

- the Fixed Asset register was not reconciled to the General Ledger on a regular and timely basis;

- documentation to support asset purchases, disposals and movements were not provided to relevant staff on a timely basis;

- checking procedures to confirm all asset purchases were identified were not performed;

- asset purchases were not always authorised in accordance with the Department's delegations of authority.

In response, the Department identified action which had been, or would be implemented to address the matters raised by Audit. It also identified reasons which had contributed to the instances of non-compliance with established controls.

Grants Expenditure – Planning SA

Planning SA administer payment of grants from the Planning and Development Fund which support acquiring and developing open space and developing and implementing other initiatives to improve the urban environment. The audit of arrangements for administering grants identified areas for improving documented policies and procedures and instances where expenditure of grant funds was not acquitted with appropriate documentation.

Planning SA responded that a review of the Planning and Development Fund has been presented to the Minister for consideration and approval. Following approval by the Minister, Planning SA in consultation with the Prudential and Rural Financial Services group will develop and document policies and procedures relating to the administration of the Planning and Development Fund.

Grants Revenue

The Audit of the Department included consideration of arrangements for management and control of grant revenue by Divisions. The focus of the review was on gaining assurance that all grants due to the Department were received and that the Department applied grant funding for the purpose intended by the grantor. The review noted responsibility for administration of grants is devolved and there is some variation in practices across divisions. Audit recommended improvement in arrangements within SARDI for monitoring and reporting against activities to which the grants relate and follow up of outstanding debts.

The Department response outlined proposed measures, to be implemented in 2006-07, to address the audit findings.

Financial Management Framework Review

The 2005-06 audit considered the adequacy of aspects of corporate governance within the Department. The review included risk management processes and practices and arrangements for strategic planning and analysis and for monitoring and reporting on Departmental operations.

The review noted that the Department's risk management systems and practices were well developed and generally were effectively implemented by Divisions of the Department. Audit recommended that the Department enhance these arrangements by developing regular and timely reporting on the status of Risk Action Plans to the Risk Management and Audit Committee and by requiring regular and timely review and update of plans.

Audit also identified instances where risk management practices were not adopted by new Divisions and where existing plans were not reviewed and updated or specific details were not complete.

Review of the Department's Monitoring and Reporting functions identified some divisions had not regularly submitted Group Monthly Reports to the Executive Team.

The review of the Department's Planning and Analysis functions established that the Department was developing a Strategic Planning Framework which links the elements of PIRSA's strategic planning process. The Framework also incorporates reporting by Divisions of achievements against key performance indicators to the PIRSA Executive Team on a monthly basis. At the time of the audit the framework was not finalised or endorsed by PIRSA Executive.

The Department responded that:

- all new Divisions would be integrated into the Department's Risk Management Framework (PIRRISK) and that Risk Profiles for other Divisions would be updated in accordance with the 16 to 18 month review process. In addition the Follow-Up Reporting System is currently being upgraded and tested before presentation to the PIRSA Risk and Audit Committee;
- they had developed a streamlined reporting process that will be considered by PIRSA Executive during the first quarter of 2006-07;
- the Strategic Planning Framework had been endorsed by PIRSA Executive and a reporting process would be developed during the first quarter of 2006-07.

Internal Audit Function

Audit reviewed the effectiveness of the Department's Internal Audit function and noted that significant initiatives were implemented during the year. The 2004-05 review identified that PIRSA were seeking to establish a panel of contract service providers. The panel arrangements were finalised during 2005-06 and the Internal Audit Plan for 2006-07 was approved at the Risk and Audit Committee meeting in July 2006.

Legal Compliance

In 2004-05 Audit's review of arrangements to ensure the Department's compliance with relevant legislation identified that:

- the Department places reliance on institutional knowledge rather than formal structures and processes;
- key provisions and requirements of legislation have not been documented;

- there is no systematic approach to reporting to the Chief Executive or Ministers on compliance or non-compliance;
- legal compliance has yet to be incorporated into the Department's Risk Management Practices.

In response to the Audit finding the Department advised that it would review aspects of its practices in relation to legal compliance risk and develop a framework to support compliance driven requirements and ensure Divisions respond effectively to legal compliance.

Audit follow up during 2005-06 noted that the Department had prepared a Draft Legal Framework including a Legal Compliance Policy, Legal Compliance Procedures and a Register of Key Legislation. At the time of the audit, this framework was yet to be endorsed by the Department's Executive.

Approval of Consultancy Fee Arrangements

Provision of consulting services to external clients is a significant component of the Department's operations. Review of arrangements identified the following matters:

- The Department's Delegations of Authority do not provide for authorisation of consulting services or specify who is authorised to enter into contracts on behalf of the Minister to provide services.
- A number of consultancy and Service Level Agreements were not formally executed by both parties before the Department commenced work under the agreements.
- The Department has not established a central contract database to record all contract details for the provision of service by Rural Solutions SA.
- Credit checks for customers seeking consultancy services were not performed.

The need for the Department's Delegations of Authority to provide for authorising consultancy service and Service Level Agreements and credit checking was identified by the 2004-05 audit and communicated to the Department.

The Department's response outlined measures which have been implemented or will be implemented in 2006-07, to address the audit findings.

Fisheries Strategic Plans

Fisheries Management Committees have been established for the major commercial fisheries within South Australia pursuant to the Fisheries (Management Committees) Regulations 1995. The Regulations require preparation of 5-year strategic plans by each Management Committee and requires regular reporting of achievement against the plan.

Audit review in 2004-05 of the strategic plans identified the plans in place are out of date as they relate to the period 1997-2002.

Audit follow-up in 2005-06 identified that strategic plans were prepared for all Fisheries Management Committees except for the Marine Scale fish fishery, however, the plans were for a period of a year rather than five year plans as required by the regulations. Audit is aware that new Fisheries legislation is to be introduced to Parliament, but notes that until new legislation is enacted the current legislation requirements should be complied with.

The Department advised that the new Fisheries legislation is scheduled for implementation from 1 July 2007. However, the current Fisheries Management Committees will be replaced from 31 March 2007, therefore, all Fisheries Management Committee strategic plans have been updated until 30 June 2007. The new Fisheries Council will prepare an annual strategic plan which will replace the seven strategic plans prepared by the current Committees.

Marine Scalefish Industry Fund

The Fund is established pursuant to the *Primary Industry Funding Schemes Act 1998* and the Primary Industry (Marine Scalefish Industry Fund) Regulations 2003 to receive contributions from marine scalefish licence holders and to fund programs to develop the industry. The Fund is administered by the Department.

The audit of the fund for the year ended 30 June 2005 identified that licence holders had not paid contributions to the fund as required by the Regulations. Follow up by Audit with the Department established that the Minister for Agriculture, Food and Fisheries had agreed to suspend the fund's operations pending a review of the Regulations. This review responded to licence holders concerns with the basis of determining contributions.

In May 2006 Audit wrote to the Department advising that the suspension of the scheme and the failure to raise contributions was inconsistent with the Act and Regulations and recommended the Department obtain legal advice on how this matter could be resolved. The Chief Executive responded to the audit findings with the outcome of advice received by the Department from the Crown Solicitor. The Chief Executive indicated, in summary that:

- licence holders were obliged to make contributions but neither the Act or Regulations provide for powers to recover unpaid contributions;
- the Regulations provided for the refund of contributions paid by licence holders which meant contributions were effectively voluntary;
- the Department had sought and received the Treasurer's approval, pursuant to Treasurer's Instruction 5 *Debt Recovery and Write Offs*, to waive amounts due.

INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

The following interpretation and analysis has been prepared using the reported information and should be read in conjunction with the financial statements.

Highlights of Financial Report

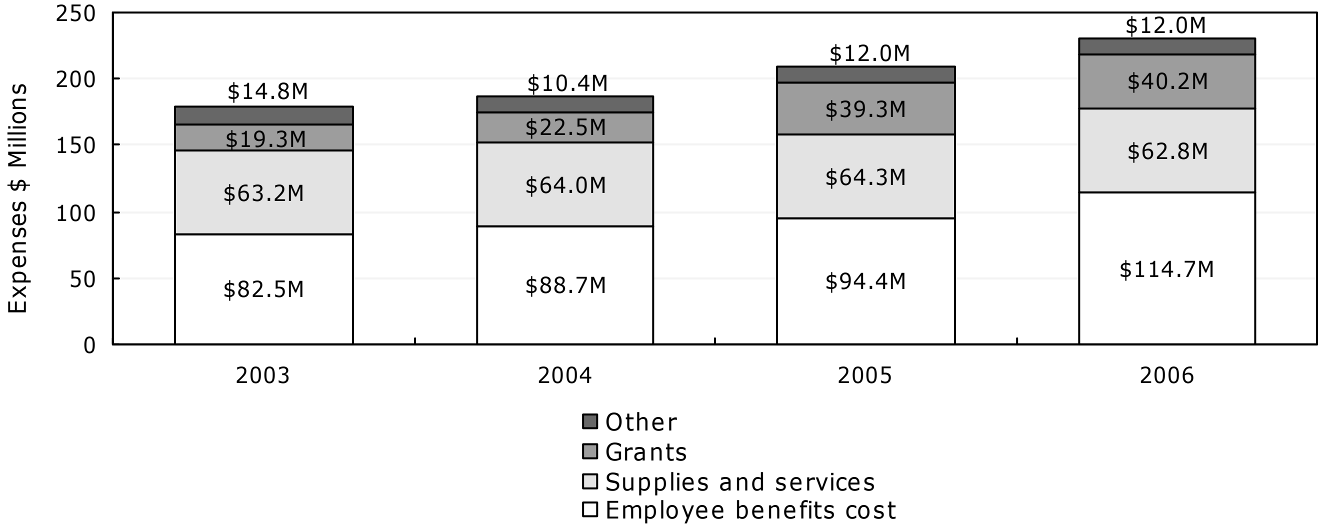
	2006 $'million	2005 $'million	Percentage Change
INCOME			
Revenue from fees and charges	**43.3**	37.0	17.0
Advances and grants	**33.7**	31.4	7.3
Other	**16.0**	10.8	48.1
Total Income	**93.0**	79.2	17.4
EXPENSES			
Employee benefits cost	**114.7**	94.4	21.5
Grants and subsidies	**40.2**	39.3	2.3
Supplies and services	**62.8**	64.3	(2.3)
Other	**12.0**	12.0	n/a
Total Expenses	**229.7**	210.0	9.4
Cost of providing services	**(136.7)**	(130.8)	4.5
Net expense from an administrative restructure	**(2.1)**	-	n/a
Net Result after Restructuring	**(138.8)**	(130.8)	6.1
REVENUES FROM PAYMENTS TO SA GOVERNMENT			
Revenues from SA Government	**139.1**	128.8	8.0
Net Results before Restructuring	**0.3**	(2.0)	n/a
ASSETS			
Current assets	**97.9**	81.6	20.0
Non-current assets	**144.3**	123.6	16.7
Total Assets	**242.2**	205.2	18.0
LIABILITIES			
Current liabilities	**39.2**	26.3	49.0
Non-current liabilities	**28.2**	26.1	8.0
Total Liabilities	**67.4**	52.4	28.6
EQUITY	**174.8**	152.8	14.4

Income Statement

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

Expenses

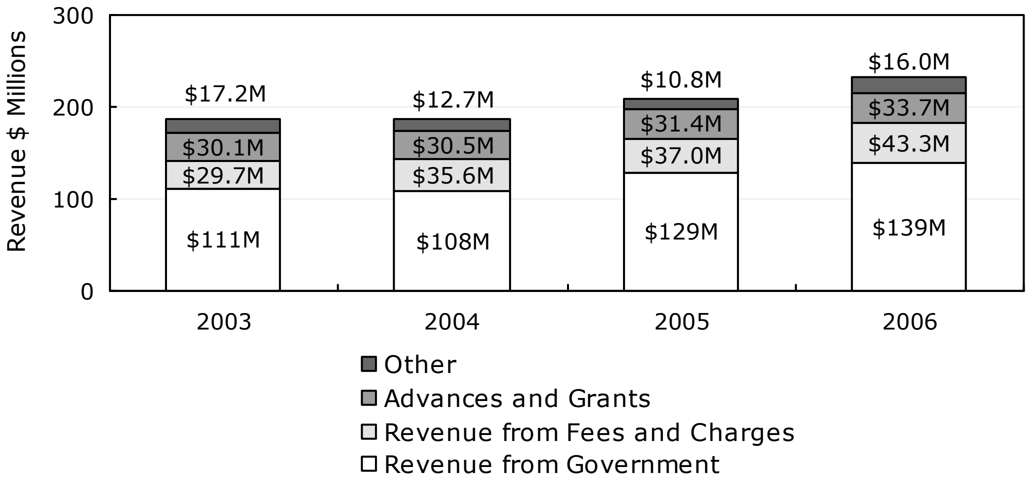
The following chart shows that total expenses have increased by $19.7 million. Factors contributing to this includes an increase in employee costs of $20.3 million following the transfer of employees from the Department for Transport, Energy and Infrastructure.



Income

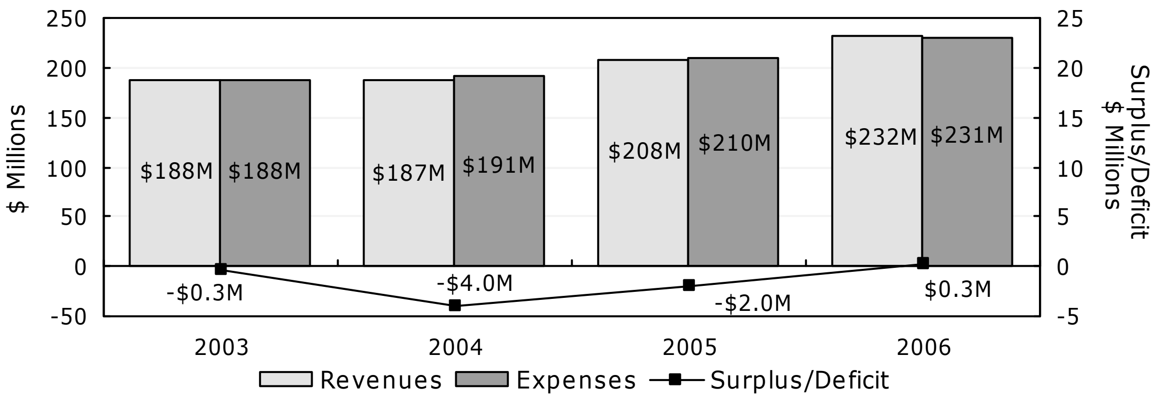
The analysis of the Department's Income incorporated in the following chart reflects an increase in all categories of Income in 2005-06 including:

- a $10 million increase in appropriations;
- an increase of $6.2 million in Revenue from Fees and Charges.



Net Cost of Providing Services

The following chart shows the operating income, expenses and surplus/deficit for the four years to 2006.

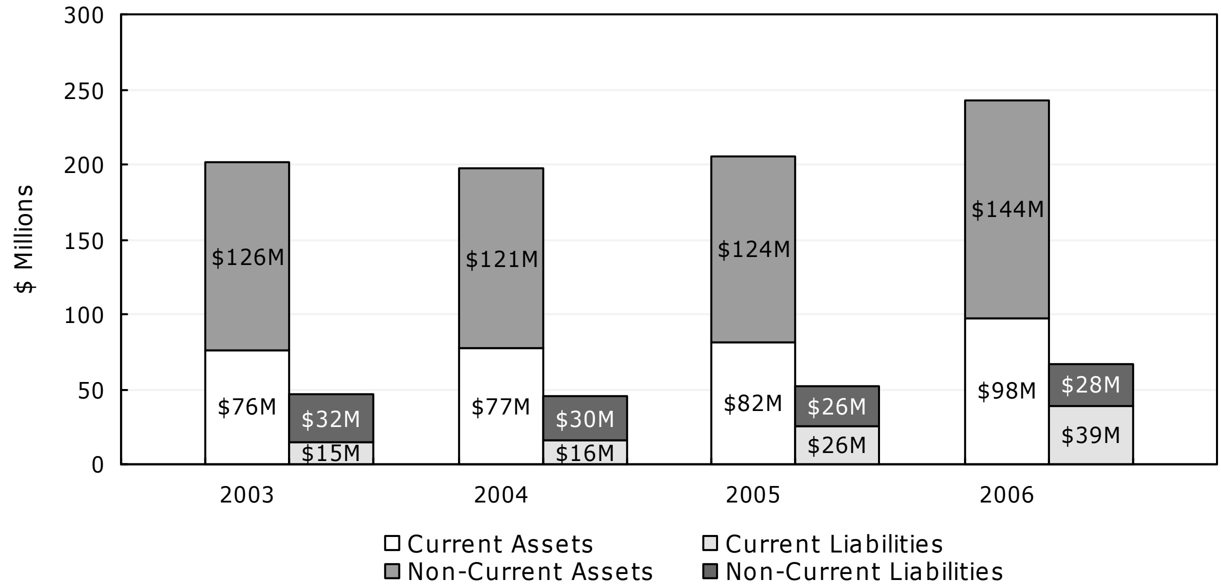


Balance Sheet

The Department's assets increased by $37 million largely attributable to increases in cash of $14 million and property, plant and equipment which increased by $21 million due to the revaluation of land and buildings.

Liabilities increased by $15 million reflecting increased payables which rose by $9 million and a $5.5 million increase in employee benefits.

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



Cash Flow Statement

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

	2006 **$'million**	2005 $'million	2004 $'million	2003 $'million
Net Cash Flows				
Operations	**22.5**	5.3	6.6	22.6
Investing	**(7.3)**	(8.9)	(0.4)	(2.7)
Financing	**(0.9)**	(2.4)	(2.8)	(3.8)
Change in Cash	**14.3**	(6.0)	3.4	16.1
Cash at 30 June	**75.1**	60.8	67.9	64.5

The analysis of cash flows shows that the Department increased its cash holdings during 2005-06. The increase is largely due to the higher level of accounts payable for which the cash payments occurred after 30 June 2006.

Administered Items

	2006 **$'million**	2005 $'million	Percentage Change
INCOME			
Natural Gas Revenue	**-**	150.2	n/a
Fisheries Licences	**12.3**	13.0	(5.4)
Royalties	**122.6**	101.0	21.4
SA Water Corporation Appropriation	**213.2**	92.0	n/a
Local Government Grants Commission	**128.7**	-	n/a
Planning and Development Fund	**10.5**	-	n/a
Other	**14.5**	14.0	3.6
Total Income	**501.8**	370.2	35.5

	2006 $'million	2005 $'million	Percentage Change
EXPENSES			
Payment to Cooper Basin Producers	**-**	150.2	n/a
Fisheries Licenses	**12.1**	10.7	13.1
SA Water Corporation Subsidy	**214.1**	92.0	n/a
Royalties Transferred to Consolidated Account	**122.6**	101.0	21.4
Local Government Grants Commission	**124.9**	-	n/a
Planning and Development Fund	**6.4**	-	n/a
Other	**14.9**	12.5	19.2
Total Expenses	**495**	366.4	35.1
Operating surplus	**6.8**	3.8	n/a
Net result from restructuring	**6.9**	-	n/a
Administered Surplus	**13.7**	3.8	n/a
ASSETS			
Current Assets	**48.4**	30.4	59.2
Non-Current Assets	**4.1**	-	n/a
Total Assets	**52.5**	30.4	72.7
LIABILITIES			
Current Liabilities	**20.1**	12.1	66.1
Non-Current Liabilities	**0.1**	0.6	n/a
Total Liabilities	**20.2**	12.7	59.1
NET ASSETS	**32.3**	17.7	n/a

Administered Income and Expenses

The Program Schedule of Administered Income and Expenses provides details of the financial operations of the Department's administered programs.

Administered Assets and Liabilities

Administered assets increased by $22 million mainly reflecting a $19 million increase in cash and increased property plant and equipment of $4 million due principally to the transfer of assets from Department for Transport, Energy and Infrastructure.

Liabilities administered by the Department increased by $7 million due mainly to increased payables.

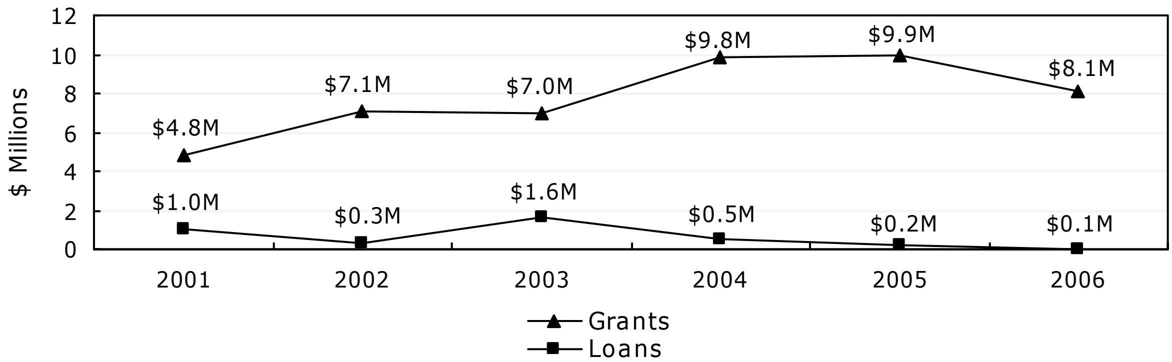
Commentary on the more material administered items is included under 'Further Commentary on Operations'.

FURTHER COMMENTARY ON OPERATIONS

Rural Finance and Development

Assistance to Primary Producers

The following chart presents the level of assistance provided to the rural sector over the last six years.



For the last two years assistance to the rural sector was $8.2 million ($10.0 million) comprising:

	2006	2005
	$'000	$'000
Grants(1)	**8 121**	9 879
Loans(2)	**51**	158
	8 172	10 037

(1) Rural Finance and Development Grants paid during 2005-06 include the:

- *FarmBis Program $2.8 million ($4.7 million)*
  The Program, which is part of the Commonwealth Government's Agriculture - Advancing Australia package, is a $38.5 million initiative which includes grants and support costs for farmers to improve their business management skills;

- *Exceptional Circumstances Drought $2.5 million ($0.55 million)*
  The program was established to provide relief to farmers in the Upper North Cropping district and Central North East, Far North and Central North districts for interest payments due to the loss of income experienced as a result of drought.

Refer to Note 9 to the financial statements for a complete listing of all major grants paid.

(2) Loans Outstanding by the Rural Sector

As at 30 June 2006 the rural sector had balances of loans outstanding totalling $7.3 million ($9.0 million).

These loans have been made under various schemes and conditions.

The reduction in the loan portfolio can be attributed to the decision to cease providing new loans under the Commercial Rural Loans and the Rural Assistance schemes. The existing loans are being managed to completion. New loans were provided under the loans for the South East Wells project. This project provides funds to property owners to improve aqua wells in the Robe/Kingston district due to salinity problems.

Administered Funds

South Australian Water Corporation

Appropriation to fund subsidies to the South Australian Water Corporation for the Corporation's supply of water to country and rural areas increased by $121.2 million to $213.2 million during 2005-06. The increase in SA Water Corporation payments reflects the implementation of the new non-financial corporations ownership framework and the payment of arrears of $74 million dollars for 2004-05.

Royalties

Royalties received from mineral and petroleum production and gas licences increased by $21.6 million to $122.6 million during 2005-06. The increase in royalty receipts is due mainly to:

- an increase in the world copper price due to international demand;
- an increase in crude oil prices and production levels resulting in higher royalties collected for the Cooper Basin;
- higher royalty income at Beverly due to an increase in uranium contract and spot market prices;
- increase in production of iron ore.

Income Statement
for the year ended 30 June 2006

	Note	2006	2005
EXPENSES:	Note	**$'000**	$'000
Employee benefits costs	6	**114 663**	94 413
Supplies and services	7	**62 796**	64 294
Depreciation and amortisation expense	8	**8 265**	7 359
Grants and subsidies	9	**40 243**	39 333
Borrowing costs		**381**	500
Net loss from disposal of assets	16	**27**	314
Other expenses	10	**3 323**	3 804
Total Expenses		**229 698**	210 017
INCOME:			
Revenue from fees and charges	12	**43 287**	37 075
Advances and grants	13	**33 704**	31 391
Interest revenue	14	**4 631**	4 247
Sale of goods	15	**3 440**	3 633
Other income	17	**7 902**	2 874
Total Income		**92 964**	79 220
NET COST OF PROVIDING SERVICES		**136 734**	130 797
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	18	**139 111**	128 814
NET RESULT BEFORE RESTRUCTURE		**2 377**	(1 983)
Net expense from an administrative restructure	31	**(2 048)**	-
NET RESULT AFTER RESTRUCTURE		**329**	(1 983)
THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**329**	(1 983)

Balance Sheet
as at 30 June 2006

	Note	**2006** **$'000**	2005 $'000
CURRENT ASSETS:			
Cash	19	**75 070**	60 792
Receivables	20	**19 725**	18 117
Inventories	21	**3 153**	2 689
Total Current Assets		**97 948**	81 598
NON-CURRENT ASSETS:			
Receivables	20	**3 217**	4 861
Financial assets	22	**4 004**	3 330
Property, plant and equipment	23	**132 481**	111 134
Intangible assets	24	**4 237**	3 892
Inventories	21	**376**	376
Total Non-Current Assets		**144 315**	123 593
Total Assets		**242 263**	205 191
CURRENT LIABILITIES:			
Payables	25	**19 583**	10 339
Employee benefits	26	**9 673**	7 715
Borrowings	27	**3 689**	3 676
Provisions	28	**434**	318
Other current liabilities	29	**5 789**	4 242
Total Current Liabilities		**39 168**	26 290
NON-CURRENT LIABILITIES:			
Payables	25	**2 151**	2 137
Employee benefits	26	**22 493**	18 909
Borrowings	27	**2 000**	3 413
Provisions	28	**1 156**	814
Other non-current liabilities	29	**435**	828
Total Non-Current Liabilities		**28 235**	26 101
Total Liabilities		**67 403**	52 391
NET ASSETS		**174 860**	152 800
EQUITY:			
Retained earnings		**129 409**	130 826
Asset revaluation reserve		**42 017**	20 286
Committed grants reserve		**3 434**	1 688
TOTAL EQUITY		**174 860**	152 800
THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER			
Commitments	30		
Contingent Assets and Liabilities	32		

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

	Note	Assets Revaluation Reserve $'000	Retained Earnings $'000	Committed Grants Reserve $'000	General Reserve $'000	Total $'000
Balance at 30 June 2004	4	20 286	122 898	5 961	2 000	151 145
Change in accounting policy	4	-	3 226	-	-	3 226
Restated balance at 30 June 2004		20 286	126 124	5 961	2 000	154 371
Transfer from reserve		-	6 273	(4 273)	(2 000)	-
Net income (expense) recognised directly in Equity for 2004-05		-	6 273	(4 273)	(2 000)	-
Net result after restructure for 2004-05		-	(1 983)	-	-	(1 983)
Total Recognised Income and Expense for 2004-05		-	4 290	(4 273)	(2 000)	(1 983)
Balance at 30 June 2005	4	20 286	130 414	1 688	-	152 388
Change in accounting policy	4	-	376	-	-	376
Prior period correction	4	-	36	-	-	36
Restated balance at 30 June 2005	4	20 286	130 826	1 688	-	152 800
Gain on revaluation of property during 2005-06	23	21 731	-	-	-	21 731
Transfer to reserve		-	(1 746)	1 746	-	-
Net Result after Restructure for 2005-06		-	329	-	-	329
TOTAL RECOGNISED INCOME AND EXPENSE FOR 2005-06		21 731	(1 417)	1 746	-	22 060
BALANCE AT 30 JUNE 2006		**42 017**	**129 409**	**3 434**	**-**	**174 860**

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

Cash Flows Statement
for the year ended 30 June 2006

	Note	2006 Inflows (Outflows) $'000	2005 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(111 100)**	(91 551)
Supplies and services		**(62 431)**	(61 382)
Grants and subsidies		**(30 743)**	(39 333)
Interest paid		**(412)**	(500)
GST payments on purchases		**(11 707)**	(25 741)
GST remitted to ATO		**(342)**	(77)
Other payments		**(698)**	(3 851)
Cash used in Operations		**(217 433)**	(222 435)
CASH INFLOWS:			
Fees and charges		**43 105**	31 274
Sale of goods		**3 440**	3 633
Advances and grants		**33 151**	32 248
Interest received		**4 739**	4 370
GST receipts on receivables		**6 362**	21 344
GST input tax credits		**5 647**	3 142
Other receipts		**4 345**	2 899
Cash generated from Operations		**100 789**	98 910
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**139 111**	128 814
Cash generated from SA Government		**139 111**	128 814
Net Cash provided by Operating Activities	34	**22 467**	5 289
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(7 908)**	(10 783)
Loans advanced to the rural sector and industry		**(214)**	(233)
Payment of lease liability		**(397)**	(397)
Purchase of intangibles		**(788)**	(1 042)
Purchase of investments		**(610)**	(610)
Cash used in Investing Activities		**(9 917)**	(13 065)
CASH INFLOWS:			
Loans repaid by the rural sector and industry		**2 432**	3 508
Proceeds from the sale of property, plant and equipment		**144**	706
Cash generated from Investing Activities		**2 576**	4 214
Net Cash used in Investing Activities		**(7 341)**	(8 851)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(1 398)**	(2 578)
Cash used in Financing Activities		**(1 398)**	(2 578)
CASH INFLOWS:			
Proceeds from borrowings		**-**	130
Proceeds from restructuring activities		**550**	-
Cash generated from Financing Activities		**550**	130
Net Cash used in Financing Activities		**(848)**	(2 448)
NET INCREASE (DECREASE) IN CASH		**14 278**	(6 010)
CASH AT 1 JULY		**60 792**	66 802
CASH AT 30 JUNE	19	**75 070**	60 792

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

	Program 1 Mineral Resources Development		Program 2 Urban Development and Planning		Program 3 Office for the Southern Suburbs		Program 4 Agriculture, Food and Fisheries	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits costs	**14 541**	12 552	**14 124**	-	**369**	-	**83 228**	76 699
Supplies and services	**8 290**	8 894	**6 164**	-	**116**	-	**46 976**	50 117
Depreciation and amortisation	**946**	978	**1 498**	-	**26**	-	**5 627**	6 381
Grants and subsidies	**7 401**	4 607	**3 292**	-	**294**	-	**28 445**	29 083
Borrowing costs	**-**	-	**-**	-	**-**	-	**381**	500
Net loss from disposal of assets	**10**	41	**11**	-	**-**	-	**4**	273
Other expenses	**2**	467	**33**	-	**-**	-	**3 288**	3 313
Total Expenses	**31 190**	27 539	**25 122**	-	**805**	-	**167 949**	166 366
INCOME:								
Revenue from fees and charges	**5802**	5 691	**2 015**	-	**4**	-	**35 409**	30 262
Advances and grants	**196**	153	**123**	-	**-**	-	**33 043**	27 994
Interest revenue	**184**	-	**337**	-	**5**	-	**4 049**	4 234
Sale of goods	**62**	57	**116**	-	**-**	-	**3 260**	3 545
Other income	**256**	261	**572**	-	**24**	-	**6 688**	2 509
Total Income	**6 500**	6 162	**3 163**	-	**33**	-	**82 449**	68 544
NET COST OF PROVIDING SERVICES	**24 690**	21 377	**21 959**	-	**772**	-	**85 500**	97 822
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**24 690**	21 377	**21 959**	-	**772**	-	**87 877**	95 839
NET RESULT BEFORE RESTRUCTURE	**-**	-	**-**	-	**-**	-	**2 377**	(1 983)

	Program 5 State/Local Government Relations		Program 6 Volunteers		Previous Program Energy		Total Program Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits costs	**2 201**	-	**200**	-	**-**	5 162	**114 663**	94 413
Supplies and services	**1 081**	-	**169**	-	**-**	5 283	**62 796**	64 294
Depreciation and amortisation	**154**	-	**14**	-	**-**	-	**8 265**	7 359
Grants and subsidies	**682**	-	**129**	-	**-**	5 643	**40 243**	39 333
Borrowing costs	**-**	-	**-**	-	**-**	-	**381**	500
Net loss from disposal of assets	**2**	-	**-**	-	**-**	-	**27**	314
Other expenses	**-**	-	**-**	-	**-**	24	**3 323**	3 804
Total Expenses	**4 120**	-	**512**	-	**-**	16 112	**229 698**	210 017
INCOME:								
Revenue from fees and charges	**21**	-	**36**	-	**-**	1 122	**43 287**	37 075
Advances and grants	**4**	-	**338**	-	**-**	3 244	**33 704**	31 391
Interest revenue	**53**	-	**3**	-	**-**	13	**4 631**	4 247
Sale of goods	**2**	-	**-**	-	**-**	31	**3 440**	3 633
Other income	**361**	-	**1**	-	**-**	104	**7 902**	2 874
Total Income	**441**	-	**378**	-	**-**	4 514	**92 964**	79 220
NET COST OF PROVIDING SERVICES	**3 679**	-	**134**	-	**-**	11 598	**136 734**	130 797
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**3 679**	-	**134**	-	**-**	11 598	**139 111**	128 814
NET RESULT BEFORE RESTRUCTURE	**-**	-	**-**	-	**-**	-	**2 377**	(1 983)

Note: Programs 2, 3, 5 and 6 were transferred to the Department during the year, so it has not reported any comparative figures.

Previous program (Energy) was transferred to Department for Transport, Energy and Infrastructure from 1 July 2005 and so the Department has received no income and has incurred no expenses

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Primary Industries and Resources

The Department of Primary Industries and Resources (the Department) is a key government agency within the South Australian Government.

The Department plays a key role in contributing to the sustainable planning and development of South Australia's natural, industrial and community assets. PIRSA works with industry to manage resources sustainably and enhance value chains. PIRSA also works with communities to enhance the amenity and sustainability of built environments.

The Department's aim of fostering environmentally sustainable and internationally competitive industries is set in target in *South Australia's Strategic Plan.* These targets include increasing exports to $25 billion by 2013, lifting mining exploration investment to $100 million a year by 2007, and boosting annual mineral production and processing to $4 billion by 2020. Other targets include the alignment of State and Local Government strategic plans, sustainable communities and increasing the level of volunteerism.

To assist in achieving *South Australia's Strategic Plan*, PIRSA has the following additional objectives:

- facilitating development and policy for the agriculture, forests and food industries;
- delivering fisheries and aquaculture management and industry development;
- identifying opportunities for mineral and petroleum exploration and development;
- providing sustainable resource management, including soil, landcare and productive use of water;
- streamlining development planning;
- delivering rural and remote community support services;
- improving State/Local Government relations;
- facilitating priorities for the use of land and planning optimal community development;
- facilitating the application of innovative new technologies, services, products and knowledge through its strong partnerships with industry sectors, market intelligence, science and regional communities; and
- providing research and development capability and delivering innovation to enhance the food, fibre and bioscience industries and ecosystem sector.

The principal sources of funds for the Department's programs consists of monies appropriated by Parliament, research grants from Industry Research Corporations, licence receipts, Commonwealth grants, land division fees and trading operations.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at Note 4.

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

The Cash Flow Statement has been prepared on a cash basis.

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

2.2 Reporting Entity

The Department produces both Departmental and Administered financial statements. The Departmental financial statements include income, expenses, assets and liabilities, controlled or incurred by the Department in its own right. The Administered financial statements include the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

2.3 Transferred Functions

The Government Gazette dated 30 June 2005 reported that the Energy SA Division and the Office of the Technical Regulator were transferred from the Department to the Department for Transport, Energy and Infrastructure. The same Gazette also reported that the Planning SA Division, the Office of Local Government (now known as the Office for State/Local Government Relations), the Office of the North, the Office for the Southern Suburbs, the Office of the North West and the Regional Ministerial Offices were transferred from the Department for Transport, Energy and Infrastructure to this Department.

2.3 Transferred Functions (continued)

The Government Gazette dated 23 March 2006 reported the transfer on 1 April 2006 of the Office for Volunteers from the Department of the Premier and Cabinet to this Department.

The financial administration of Minister Holloway's office was transferred to the Department from 1 April 2006.

The amounts of assets, liabilities, income and expenditures relating to all transferred functions are set out in Note 31.

2.4 Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 33. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

2.5 Comparative Information

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

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. Comparative figures have been restated to reflect the impact of the prior period adjustments recognised in the previous financial report.

The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 4 provides a detailed analysis of the comparative amounts that have been reclassified as a result of adopting AIFRS.

2.6 Rounding

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

2.7 Taxation

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

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

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

2.8 Income and Expenses

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

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

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

Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

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.

Advances and grants have been recognised as revenue when received.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.

2.8 Income and Expenses (continued)

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

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

All borrowing costs are recognised as an expense.

2.9 Revenues from (Payments to) SA Government

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

Where money has been appropriated in the form of a loan, the Department has recorded a loan payable.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not available to the Department for use in achieving its objectives and therefore are not recognised as revenues, but are reported as revenues in the Administered Financial Statements Schedule. Similarly, the amounts transferred are not recognised as expenses, but are reported as administered expenses in the Administered Financial Statements Schedule.

2.10 Current and Non-Current Classification

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

2.11 Cash

Cash includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

2.12 Receivables

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

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public. The Department determines a provision for doubtful debts based on a review of receivable and loan balances that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.13 Inventories

Inventories (other than biological assets and agricultural produce) are measured at the lower of cost or their net realisable value. Biological assets are livestock, vines and fruit trees and are valued at fair value less estimated point-of-sale costs. Agricultural produce, including wool, fruit and harvested crops, is valued at fair value less estimated point-of-sale costs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Income Statement.

Cost is allocated in accordance with the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

2.14 Other Financial Assets

In accordance with Accounting Policy Statements contained in the Accounting Policy Framework IV *Financial Asset and Liability Framework*, the Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.15 Non-Current Asset Acquisition and Recognition

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

2.15 Non-Current Asset Acquisition and Recognition (continued)

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

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

2.16 Revaluation of Non-Current Assets

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

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

Every five years the Department revalues its land, buildings and leasehold improvements. 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.

(i) *Land and Buildings*

Land and buildings were independently reviewed by Valcorp Australia Pty Ltd as at 30 June 2006, on the basis of fair value as defined in AASB 116 *Property, Plant and Equipment*. Valuation increments were recorded where applicable for land holdings, and for buildings with values exceeding $1 million - refer to Note 23. Buildings include 'infrastructure' which represents roads, fencing, signage etc.

(ii) *Leasehold Improvements*

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) *Core Trays*

Core Trays were independently valued by Valcorp Australia Pty Ltd at 30 June 2003.

(iv) *Plant and Equipment*

In accordance with Accounting Policy Statement 3 *Revaluation of Non-Current Assets* all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

2.17 Impairment

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

For revalued assets an impairment loss is first offset against the asset revaluation reserve for that class of asset.

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

2.18 Depreciation and Amortisation of Non-Current Assets

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

The 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.

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

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Buildings and Infrastructure	Straight Line	20-70
Leasehold improvements	Straight Line	10
Plant and equipment	Straight Line	3-20
Intangibles	Straight Line	1-4

2.19 Operating Leases

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

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

2.20 *Works in Progress*

Works in progress relate to costs associated with the systems development, purchases of plant and equipment and other developments.

2.21 *Intangible Assets*

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

The acquisition of or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to $10 000, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.15.

All research and development costs that do not meet the capitalisation criteria in AASB 138 are expensed.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

2.22 *Payables*

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

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

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

2.23 *Employee Benefits*

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

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

Liability for 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 twelve 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.

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

2.24 *Reserves*

The General Reserve previously established by The Rural Finance and Development Steering Committee to cover unforeseen losses from the loan portfolio is no longer required, and the balance of $2 million was transferred to accumulated surplus in the 2004-05 financial year.

The Committed Grants Reserve for Prudential and Rural Financial Services was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

3. Financial Risk Management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure transactions occur with customers with appropriate credit history.

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

4. Changes in Accounting Policies

4.1 Explanation of transition to AIFRS

As stated in Note 2, these are the Department's first financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in preparation of an opening AIFRS balance sheet at 1 July 2004 (the Department's date of transition).

In preparing its opening AIFRS balance sheet the Department has adjusted amounts reported previously in financial statements prepared in accordance with previous AGAAP. An explanation of how the transition from previous AGAAP to AIFRS has affected the Department's financial position is set out in the following tables and the notes accompanying the tables.

4.2 Reconciliation of Equity - 30 June 2004

			1 July 2004	
		Previous AGAAP	Effect of Transition to AIFRS	AIFRS
Current Assets:	Note	$'000	$'000	$'000
Cash	(a)	67 910	(1 108)	66 802
Receivables	(a)	5 913	(9)	5 904
Inventories		3 234	-	3 234
		77 057	(1 117)	75 940
Non-Current Assets:				
Receivables		10 916	-	10 916
Financial assets		2 657	-	2 657
Property, plant and equipment	(a)	106 551	1 440	107 991
Intangible assets	(a)	746	2 833	3 579
		120 870	4 273	125 143
Total Assets		197 927	3 156	201 083
Current Liabilities:				
Payables	(a)	6 231	(70)	6 161
Employee benefits		6 854	-	6 854
Borrowings		443	-	443
Provisions		316	-	316
Other current liabilities		2 444	-	2 444
		16 288	(70)	16 218
Non-Current Liabilities				
Payables		1 962	-	1 962
Employee benefits		17 084	-	17 084
Borrowings		9 094	-	9 094
Provisions		732	-	732
Other non-current liabilities		1 622	-	1 622
		30 494	-	30 494
Total Liabilities		46 782	(70)	46 712
Net Assets		151 145	3 226	154 371
Equity:				
Retained earnings	(a)	122 898	3 226	126 124
Asset revaluation reserve		20 286	-	20 286
Committed grants reserve		5 961	-	5 961
General reserve		2 000	-	2 000
Total Equity		151 145	3 226	154 371

Notes to the Reconciliation of Equity 30 June 2004

(a) Adjustments to prior periods' financial statements were identified in the 2004-05 financial year and included in the Income Statement for that year. AASB 108 *Accounting Policies*, *Changes in Accounting Estimates and Errors* requires prior period adjustments to be corrected by restating prior period information. The effect is a net increase in various assets and in retained earnings of $3.226 million at 1 July 2004.

4.3 Reconciliation of Equity 30 June 2005

	Note	Previous AGAAP $'000	30 June 2005 Effect of Transition to AIFRS $'000	AIFRS $'000
Current Assets:				
Cash	(c)	60 767	25	60 792
Receivables	(b), (c)	13 111	5 006	18 117
Inventories		2 689	-	2 689
		76 567	5 031	81 598
Non-Current Assets:				
Receivables	(c)	7 569	(2 708)	4 861
Financial assets		3 330	-	3 330
Property, plant and equipment	(c)	111 123	11	111 134
Intangible assets		3 892	-	3 892
Inventories	(a)	-	376	376
		125 914	(2 321)	123 593
Total Assets		202 481	2 710	205 191
Current Liabilities:				
Payables	(b)	8 009	2 330	10 339
Employee benefits	(c)	7 747	(32)	7 715
Borrowings	(c)	466	3 210	3 676
Provisions		318	-	318
Other current liabilities	(c)	3 845	397	4 242
		20 385	5 905	26 290
Non-Current Liabilities:				
Payables		2 137	-	2 137
Employee benefits		18 909	-	18 909
Borrowings	(c)	6 623	(3 210)	3 413
Provisions		814	-	814
Other non-current liabilities	(c)	1 225	(397)	828
		29 708	(3 607)	26 101
Total Liabilities		50 093	2 298	52 391
Net Assets		152 388	412	152 800
Equity:				
Retained earnings	(a), (c)	130 414	412	130 826
Asset revaluation reserve		20 286	-	20 286
Committed grants reserve		1 688	-	1 688
General reserve		-	-	-
Total Equity		152 388	412	152 800

Notes to the Reconciliation of Equity 30 June 2005

(a) AASB 141 *Agriculture* requires biological assets to be measured at fair value less estimated point of sale costs. The Department has not previously recognised fruit tree orchards and grape vines valued at $0.376 million at 30 June 2005, (the estimated impact reported in the 2005 Financial Report was $0.374 million).

(b) GST collected from supplies to customers and payable to the ATO has previously been off set against input credits recoverable from the ATO in respect of purchases made. Under AIFRS the amounts payable and recoverable are shown respectively as a payable and a receivable.

(c) A number of adjustments to previous years' financial statements, amounting to a $36 000 reduction in cost of providing services, were identified during the year. As required by AASB 1008 adjustments were made to previous balances of Cash and cash equivalents ($25 000 increase), Current receivables ($32 000 decrease), Property, plant and equipment ($11 000 increase) and Current employee benefits ($32 000 decrease). Other increases to Current receivables were $2 330 000 of GST - see (b) above and $2 708 000 from the charge in Current/Non-Current classification of loan receivables.

4.4 Reconciliation of Profit Year Ended 30 June 2005

	Note	Previous AGAAP $'000	30 June 2005 Effect of Transition to AIFRS $'000	AIFRS $'000
Expenses:				
Employee benefits costs	(b)	94 129	284	94 413
Supplies and services	(b)	68 110	(3 816)	64 294
Depreciation and amortisation	(c)	7 370	(11)	7 359
Grants and subsidies	(b)	35 704	3 629	39 333
Borrowing costs		500	-	500
Net loss from disposal of assets	(b)	-	314	314
Expenses from prior period adjustments	(a)	(1 214)	1 214	-
Other	(b)	3 756	48	3 804
Total Expenses		208 355	1 662	210 017

4.4 Reconciliation of Profit Year Ended 30 June 2005 (continued)

	Note	Previous AGAAP $'000	30 June 2005 Effect of Transition to AIFRS $'000	AIFRS $'000
Income:				
Revenue from fees and charges	(b)	36 218	857	37 075
Advances and grants	(b)	32 248	(857)	31 391
Interest revenue		4 247	-	4 247
Sale of goods		3 633	-	3 633
Net loss from disposal of assets	(b)	(314)	314	-
Revenue from prior period adjustments	(a)	1 878	(1 878)	-
Other income		2 874	-	2 874
Total Income		80 784	(1 564)	79 220
Net cost of providing services		127 571	3 226	130 797
Revenues from SA Government		128 814	-	128 814
Net Result		1 243	(3 226)	(1 983)
Retained Earnings:				
Opening balance	(c)	122 898	3 638	126 536
Net result	(a)	1 243	(3 226)	(1 983)
Transfers from reserves		6 273	-	6 273
Closing Balance		130 414	412	130 826

Notes to the Reconciliation of Profit Year Ended 30 June 2005

(a) In 2004-05 $3.092 million of prior period adjustments was recognised in the Income Statement. AASB 108 *Accounting Policies*, *Changes in Accounting Estimates and Errors* requires that these be recognised retrospectively by restating opening balances.

(b) Some expense classifications have been adjusted to maintain comparability with the current period.

(c) Prior period adjustments recognised in the previous period's financial report ($3.226 million), prior period adjustments recognised this period ($0.036 million) and biological assets recognised for the first time ($0.376 million) all increased the retained earnings balance at the beginning of the period.

5. Programs of the Department

The Program Schedule provides details of expenses and revenues applicable to the programs of the Department. Information about the Department's programs is set out below and in the Program Schedule.

Program 1 – Mineral Resources Development

The vision of the Mineral Resources program is to make South Australia a favoured mineral investment destination for private investment with exploration expenditure targeted to reach $100 million per annum by 2007 and mineral production and processing to reach $4 billion by 2020. The program also aims to uncover the petroleum prospectivity and potential of South Australia.

Program 2 – Urban Development and Planning

Guiding and administering the South Australian Planning and Development system. Facilitating a whole of government approach to the realisation of the Government's policy commitments to improve economic development, social and environmental outcomes for communities in specified regions.

Program 3 - Office for the Southern Suburbs

To assist in the realisation of the Government's policy commitments to improve economic development, social and environmental outcomes for the communities identified as being of high need in the Southern suburbs.

Program 4 – Agriculture, Food and Fisheries

To deliver specialist services and advice across the State, fostering growth and development, increasing the prosperity of South Australians, improving the quality of life, while supporting environmentally sustainable development of the State's resources.

Program 5 - State/Local Government Relations

Provide policy and other advice to the Government on the constitution and operations of the local government system, including the statutory authorities for which the Minister For State/Local Government Relations is responsible; whole of government policy and legislative Frameworks as they affect local government; and relationships between the State and Local Government, including the provision of support to the Minister's Local Government Forum.

Program 6 - Volunteers

Provision of services that facilitate the implementation of the Volunteer Partnership Advancing the Community Together in order to build stronger communities and increase volunteer rates in accordance with South Australia's Strategic Plan; provision of policy and strategic advice that enhances the Government's capacity to identify, prioritise and respond appropriately to the needs of the volunteer community in South Australia; and initiate programs that support and promote volunteering.

6. Employee Benefits Costs

	2006	2005
	$'000	$'000
Salaries and wages	**84 907**	72 695
TVSP (refer below)	**336**	-
Annual leave	**8 128**	4 671
Long service leave	**3 971**	2 703
Employment on-costs - Superannuation	**10 718**	8968
Employment on-costs - Other	**5 940**	4910
Workers compensation	**317**	284
Board fees	**346**	182
Total Employee Benefits Cost	**114 663**	94 413

Targeted Voluntary Separation Packages (TVSPs)

Amount Paid to these Employees:		
TVSPs	**336**	-
Annual leave and long service paid during the reporting period	**131**	-
	467	-
Recovery from the Department of Treasury and Finance	**336**	-

Number of employees that were paid TVSPs during the reporting period 3 (nil).

Remuneration of Employees

The number of employees whose total remuneration received or receivable falls within the following bands:	**2006 Number of Employees**	2005 Number of Employees
$100 000 - $109 999	**31**	13
$110 000 - $119 999	**8**	11
$120 000 - $129 999	**10**	4
$130 000 - $139 999	**6**	2
$140 000 - $149 999	**5**	4
$150 000 - $159 999	**2**	3
$160 000 - $169 999	**4**	-
$170 000 - $179 999	**1**	3
$180 000 - $189 999	**3**	1
$190 000 - $199 999	**1**	-
$200 000 - $209 999	**2**	1
$210 000 - $219 999	**1**	-
$230 000 - $239 999	**2**	-
$250 000 - $259 999	**1**	-
$260 000 - $269 999	**-**	1
Total Number of Employees	**77**	43

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by the above employees for the year was $10.143 million ($5.619 million).

The above table of Remuneration of Employees categorised by the number of Executive and non-Executive employees is provided:

	2006 Number of Employees	2005 Number of Employees
Executives	**38**	25
Non-Executive	**39**	18
	77	43

The number of Executives receiving remuneration of $100 000 or more has increased by 13 in 2006 compared to 2005, of which 10 transferred to PIRSA from other agencies as part of the functional transfers across government during 2005-06.

The number of non-Executives receiving remuneration of $100 000 or more has increased by 21 in 2006 compared to 2005, of which 4 transferred to PIRSA from other agencies as part of the functional transfers across government during 2005-06. The majority of the remaining increase is due to government enterprise bargaining outcomes which have resulted in the inclusion of employees previously beneath the $100 000 remuneration level.

7. Supplies and Services

	2006	2005
Supplies and Services provided by entities within SA Government:	**$'000**	$'000
Professional and technical services (1)	**860**	829
Administrative and operating costs (2)	**617**	290
Utility and property costs	**883**	3 085
Computing and communication costs	**4 914**	2 482
Vehicle and equipment operating costs	**82**	95
Operating lease costs	**9 827**	9 036
Total Supplies and Services - SA Government Entities	**17 183**	15 817

7. Supplies and Services (continued)

	2006	2005
Supplies and Services provided by entities external to the SA Government:	**$'000**	$'000
Professional and technical services (1)	**17 464**	16 970
Administrative and operating costs	**11 588**	11 299
Utilities and property costs	**4 952**	6 132
Computing and communications costs	**3 661**	4 718
Travel (3)	**4 581**	4 556
Vehicle and equipment operating costs	**1 155**	2 555
Staff development and safety (3)	**2 147**	2 116
Operating lease costs	**65**	131
Total Supplies and Services - Non-SA Government Entities	**45 613**	48 477
Total Supplies and Services	**62 796**	64 294

(1) Includes consultancies costs which are further broken down below.
(2) Includes audit fees paid/payable to the Auditor-General (refer Note 11).
(3) Includes payments to SA Government entities totalling less than $100 000.

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	**2006 Number**	**2006 $'000**	2005 Number	2005 $'000
Below $10 000	**47**	**108**	32	101
Between $10 000 and $50 000	**22**	**484**	14	311
Above $50 000	**3**	**239**	-	-
Total Paid/Payable to the Consultants Engaged	**72**	**831**	46	412

8. Depreciation and Amortisation

	2006	2005
Depreciation:	**$'000**	$'000
Plant and equipment	**4 277**	3 581
Buildings and infrastructure	**1 968**	2 018
Core trays	**635**	634
Total Depreciation	**6 880**	6 233
Amortisation:		
Leasehold improvements	**398**	397
Intangibles	**987**	729
Total Amortisation	**1 385**	1 126
Total Depreciation and Amortisation	**8 265**	7 359

9. Grants and Subsidies

Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	**4 709**	1 739
Total Grants and Subsidies - SA Government Entities	**4 709**	1 739
The major grant programs paid to entities within the SA Government:		
DFEEST - AMSRI	**2 500**	-
Other	**2 209**	1 739
Total Grants and Subsidies - SA Government Entities	**4 709**	1 739
Grants and subsides paid/payable to entities external to the SA Government:		
Recurrent grant	**35 534**	37 594
Total Grants and Subsidies - Non-SA Government Entities	**35 534**	37 594
The major grant programs paid to entities external to the SA Government:		
University of Adelaide	**10 011**	1 040
Collaborative programs	**4 680**	1 920
North Terrace redevelopment	**3 247**	-
FarmBis	**2 779**	4 669
Plan for Accelerated Exploration	**2 025**	1 347
Exceptional Circumstances Drought 2003	**1 376**	545
Citrus Canker	**1 147**	1 317
Roxby Downs Council	**1 062**	1 225
Exceptional Circumstances Drought 2004	**177**	-
Exceptional Circumstances Drought 2005	**925**	-
Food Industry Development Funding	**861**	516
SA Flood Relief Program	**854**	-
Branched Broomrape	**623**	561
Aquafin Cooperative Research Centre Contributions	**500**	500
Marine Scalefish Fishery - Commercial Net Restructure	**100**	10 852

9. Grants and Subsidies (continued)

	2006 $'000	2005 $'000
Eyre Peninsula Bushfire Relief	**26**	2 494
Eyre Peninsular Bushfire Re-establishment	**228**	-
Lower Murray Reclaimed Irrigation Areas	**65**	888
Remote Areas Energy Scheme (1)	**-**	3 781
Solar Hot Water Systems Rebates (1)	**-**	1 791
Other	**4 848**	4 148
Total Grants and Subsidies - Non-SA Government Entities	**35 534**	37 594
Total Grants and Subsidies	**40 243**	39 333

(1) Both programs were transferred to DTEI on 1 July 2005 as part of restructuring.

10. Other Expenses

Other Expenses paid/payable to entities within SA Government:		
Contributions to external bodies	**-**	494
Total Other - SA Government Entities	**-**	494
Other Expenses paid/payable to entities external to the SA Government:		
Guarantee Fees	**20**	26
Contributions to external bodies	**2**	1 621
Deemed cost of produce sold	**2 602**	881
Other (1)	**699**	782
Total Other - Non-SA Government Entities	**3 323**	3 310
Total Other	**3 323**	3 804

(1) Includes payments to SA Government entities totalling less than $100 000.

11. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**276**	229
Total Audit Fees	**276**	229

Other Services

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

12. Revenue from Fees and Charges

User Charges and Fees received/receivable from entities within SA Government:		
Mining and petroleum rentals	**-**	113
Consultancy and service	**6 087**	6 864
Total Fees and Charges - SA Government Entities	**6 087**	6 977
User Charges and Fees received/receivable from entities external to SA Government:		
Fishing and aquaculture licences(1)	**12 777**	10 162
Planning and development fees (2)	**1 851**	-
Consultancy and service	**13 992**	10 352
Mining and petroleum application fees	**1 079**	458
Remote Areas Energy Scheme electricity sales (2)	**-**	1 027
Mining and petroleum rentals	**4 831**	5 805
Other licences	**687**	665
Seed analysis and certification	**1 096**	923
Inspection and registration	**511**	533
Other	**376**	173
Total Fees and Charges - Non-SA Government Entities	**37 200**	30 098
Total Fees and Charges	**43 287**	37 075

(1) Represents costs recovered from Fisheries Research and Development Fund and Aquaculture Resource Management Fund for the administration of licences.

(2) Variation between years arises from functional transfers between Agencies effective 1 July 2005.

13. Advances and Grants

	2006 $'000	2005 $'000
State grants	**4 771**	8 193
Commonwealth grants	**4 561**	4 132
Industry grants	**24 372**	19 066
Total Advances and Grants Revenue	**33 704**	31 391

13. Advances and Grants (continued)

The above contributions are allocated to a large range of projects involving the Commonwealth, other state departments and industry groups. In 2006, the larger advances and grants were as follows:

	2006	2005
Advances and Grants received/receivable from entities within SA Government:	**$'000**	$'000
Office of the Technical Regulator [2]	**-**	2 758
Irrigation Research	**800**	650
Branched Broomrape	**699**	506
Sheep Industry	**630**	666
Lower Murray Reclaimed Irrigation Areas	**65**	1 134
All other projects	**2 577**	2 479
Total Advances and Grants - SA Government Entities	**4 771**	8 193
Advances and Grants received/receivable from entities external to SA Government:		
Grains Industry	**7 392**	5 702
Fisheries Industry[1]	**2 169**	2 451
Exceptional Circumstances/Drought Assistance	**1 927**	525
FarmBis	**1 893**	600
Saline Groundwater Interception	**1 320**	-
Aquafin CRC	**1 307**	880
Horticulture Industry	**1 093**	1 194
Field Crop Oat Breeding	**988**	1 087
International Wool Secretariat[1]	**854**	1 071
Meat Research Corporation	**658**	-
Agricultural Development Northern Adelaide Plains [1]	**-**	614
Australian Fisheries Management Authority	**-**	582
Chowilla Fish Plant	**542**	-
Australian Centre for International Agricultural Research	**529**	-
Dryland Salinity CRC	**522**	-
All other projects	**7 739**	8 492
Total Advances and Grants - Non-SA Government Entities	**28 933**	23 198
Total Advances and Grants	**33 704**	31 391

(1) Includes revenues from SA Government entities totalling less than $100 000.
(2) Variation between years arises from functional transfers between Agencies effective from 1 July 2005.

14. Interest Revenue

	2006	2005
Interest from entities with the SA Government	**4 057**	3 385
Loans to the rural sector	**574**	816
Other	**-**	46
Total Interest	**4 631**	4 247

15. Sale of Goods

	2006	2005
Sale of Goods received/receivable from entities external to SA Government:		
Publications, books, maps and compact discs [1]	**557**	431
Livestock	**1 025**	1 357
Agriculture produce	**1 577**	1 565
Other [1]	**281**	280
Total Sale of Goods - Non-SA Government Entities	**3 440**	3 633
Total Sale of Goods	**3 440**	3 633

(1) Includes revenues from SA Government entities totalling less than $100 000.

The deemed cost of livestock and agricultural produce sold was $2.602 million - see Note 10. The gain during the year from changes in fair values of livestock, fruit trees and vines and agricultural produce ($2.855 million) is shown in Note 17.

16. Net Gain (Loss) from Disposal of Non-current Assets

	2006	2005
Land and Buildings:	**$'000**	$'000
Proceeds from disposal	**-**	376
Less: Net book value of assets disposed	**-**	280
Net Gain (Loss) from Disposal of Land and Buildings	**-**	96
Plant and Equipment:		
Proceeds from disposal	**144**	330
Less: Nett book value of assets disposed	**171**	740
Net (Loss) Gain from Disposal of Plant and Equipment	**(27)**	(410)
Total Assets:		
Total proceeds from disposal	**144**	706
Less: Total value of assets disposed	**171**	1 020
Total Net (Loss) Gain from Disposal of Assets	**(27)**	(314)

17. Other Income

	2006	2005
Other Income received/receivable from Entities within SA Government:	**$'000**	$'000
Reimbursements/recoveries	**268**	-
Core client access licenses contributed from Department Administrative and Information Services	**-**	491
Total Other Income - SA Government Entities	**268**	491
Other Income received/receivable from Entities External to SA Government:		
Seed and other royalties	**707**	572
Reimbursements/Recoveries	**2 687**	1 195
Gains and losses from changes in fair value of biological assets	**2 855**	-
Reduction in provision for doubtful debts	**737**	35
Other	**648**	581
Total Other Income - Non-SA Government Entities(1)	**7 634**	2 383
Total Other Income	**7 902**	2 874

(1) Includes revenues from SA Government entities totalling less than $100 000.

18. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the Appropriation Act	**139 111**	128 814
Total Revenues from SA Government	**139 111**	128 814

19. Cash

Deposits with the Treasurer	**75 045**	60 771
Imprest Account and cash on hand	**25**	21
Total Cash	**75 070**	60 792

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account and Surplus Cash Working Account. The balances of these funds are not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 5.35 percent and 5.43 percent. The carrying amount of cash and cash equivalents approximates to fair value.

20. Receivables

	2006	2005
Current:	**$'000**	$'000
Receivables	**10 374**	8 253
Less: Provision for Doubtful debts	**143**	459
	10 231	7 794
Loans receivable	**4 090**	4 045
Less: Provision for Doubtful debts	**5**	-
	4 085	4 045
Worker's compensation recoveries	**12**	11
Accrued interest on loans and deposits	**442**	550
Other accrued revenue	**1 461**	908
GST receivable	**3 345**	4 725
Prepayments	**149**	84
	5 409	6 278
Total Current Receivables	**19 725**	18 117
Non-Current:		
Loans receivable	**3 182**	5 445
Less: Provision for doubtful debts	**-**	621
	3 182	4 824
Non-current Worker's Compensation recoveries	**35**	37
Total Non-Current Receivables	**3 217**	4 861
Total Receivables	**22 942**	22 978

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**1 656**	1 966
Accrued interest revenues	**262**	273
Other accrued revenue	**453**	-
Total Receivables from SA Government Entities	**2 371**	2 239

Government/Non-Government Receivables (continued)	**2006**	2005
Receivables from Non-SA Government Entities:	**$'000**	$'000
Receivables	**8 577**	5 828
GST receivables	**3 345**	4 725
Other accrued revenues	**1 008**	908
Accrued interest revenues	**180**	277
Loan receivables	**7 267**	8 869
Other	**194**	132
Total Receivables from Non-SA Government Entities	**20 571**	20 739
Total Receivables	**22 942**	22 978

Interest Rate and Credit Risk

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

In accordance with the Accounting Policy Statements contained in the Accounting Policy Framework IV *Financial Asset and Liability Framework,* the Department measures loans at historical cost, except for interest free loans (measured at the present value of expected repayments). Where there is objective evidence that a loan is impaired, provision equal to the difference between the carrying value and the present value of expected future repayments is made.

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of $148 000 in the Income Statement. The Department has written off debts of $195 000 during the year, mainly against provisions created in previous years. AASB 139 *Financial Instruments: Recognition and Measurement* requires that there be objective evidence of impairment before a provision for loss can be recognised. General and non-specific provisions are no longer recognised and this has resulted in net bad and doubtful debt reductions of $737 000 recorded in the Income Statement - refer Note 17.

21. Inventories

Inventories	**2006**	2005
Current Inventories:	**$'000**	$'000
Biological Assets:		
Livestock (at fair value less estimated point of sale costs)	**2 317**	1 859
Agricultural produce (at fair value less estimated point of sale costs)	**245**	-
	2 562	1 859
Other inventories:		
Publications and maps (at the lower of cost and realisable value)	**549**	672
Plants and related items (at the lower of cost and realisable value)	**42**	158
	591	830
Total Current Inventories	**3 153**	2 689
Non-Current Inventories:		
Orchards and vineyards (at fair value less estimated point of sale costs)	**376**	376
Total Non-Current Inventories	**376**	376
Total Inventories	**3 529**	3 065

	Orchards and Vineyards $'000	Livestock $'000
Balance at 1 July 2005	376	1 859
Increase due to acquisitions	-	350
Decrease due to sales	-	(1 025)
Harvests transferred to inventories	(123)	(932)
Increase due to births	-	294
Change in fair value less estimated point of sale costs	123	1 771
Balance at 30 June 2006	376	2 317
Current	-	2 317
Non-current	376	-
	376	2 317

AASB 141 *Agriculture* applies for the first time for the year ended 30 June 2006.

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2006 inventory included 10 000 sheep, 2 000 cattle, 1 150 tonnes of crops and grain and 50 hectares of vines and fruit trees.

Production for the year included 2.6 million litres of milk, 200 tonnes of grapes and fruit, 5 000 lambs, 860 calves, 100 bales of wool and 2 500 tonnes of other crops.

22. **Financial Assets**	**2006**	2005
Non-Current:	**$'000**	$'000
Investments in Shares	**4 004**	3 330
Total Financial Assets	**4 004**	3 330

During 2005-06 the Department purchased 673 786 (673 784) ordinary shares in Australian Grain Technologies Pty Ltd (AGT), a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities.

Following a merger between AGT Pty Ltd and SunPrime Pty Ltd on 30 June 2005, the Department's shareholding of the merged entity's issued capital was reduced from 25 percent to 18 percent. The Department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and SunPrime. The Department's shareholding has been recognised at cost and equity accounts have not been prepared previously due to materiality of the balance.

Other investments includes shares in Provisor Pty Ltd, purchased in 2003-04 ($189 800), a grape and wine research company. The Department's shareholding in Provisor does not give it a controlling interest in the company. This investment is also recorded at cost.

	2006	2005
Movement in financial assets:	**$'000**	$'000
Carrying amount at 1 July	**3 330**	2 657
Cash contribution	**610**	610
Leased facilities	**64**	63
Carrying Amount at 30 June	**4 004**	3 330

23. **Property, Plant and Equipment**		
Land and Buildings:		
Land at fair value	**25 557**	17 104
Buildings and infrastructure at fair value	**79 225**	68 768
Accumulated depreciation	**(3 725)**	(5 847)
Total Land and Buildings	**101 057**	80 025
Leasehold Improvements:		
Leasehold improvements at fair value	**3 971**	3 971
Accumulated amortisation	**(3 144)**	(2 746)
Total Leasehold Improvements	**827**	1 225
Plant and Equipment:		
Core trays at fair value	**10 827**	10 801
Accumulated depreciation - Core trays	**(1 903)**	(1 267)
Plant and equipment at fair value	**47 729**	46 691
Accumulated depreciation - Plant and equipment	**(29 394)**	(30 042)
Work in progress	**3 338**	3 701
Total Plant and Equipment	**30 597**	29 884
Total Property, Plant and Equipment	**132 481**	111 134

Reconciliation of Property, Plant and Equipment The following table shows the movement of property, plant and equipment during 2005-06:	Land $'000	Buildings and Infra-structure $'000	Leasehold Improve-ments $'000	Core Trays $'000	Plant and Equipment including WIP $'000	**2006 Total $'000**
Carrying amount at 1 July 2005	17 104	62 921	1 225	9 534	20 350	**111 134**
Additions	-	1 652	-	25	6 226	**7 903**
Disposals	-	-	-	-	(171)	**(171)**
Depreciation/amortisation expense	-	(1 968)	(398)	(635)	(4 277)	**(7 278)**
Acquisition through restructuring	-	-	-	-	724	**724**
Disposal through restructuring	-	(383)	-	-	(1 179)	**(1 562)**
Revaluation increment (decrement)	8 453	13 278	-	-	-	**21 731**
Carrying Amount at 30 June 2006	25 557	75 500	827	8 924	21 673	**132 481**

24. **Intangibles**	**2006**	2005
Software:	**$'000**	$'000
Computer software	**7 273**	5 676
Accumulated amortisation	**(3 036)**	(1 784)
Total Computer Software	**4 237**	3 892

Reconciliation of Intangibles	**2006**	2005
The following table shows the movement of Intangibles during 2005-06:	**$'000**	$'000
Carrying amount at 1 July 2005	**3 892**	746
Additions	**788**	1 042
Amortisation Expenses	**(987)**	(729)
Acquisition through restructuring	**544**	-
Other movements (1)	**-**	2 833
Carrying Amount at 30 June 2006	**4237**	3 892

(1) Recognition of internally developed software that had been expensed in previous financial years.

25. Payables

Current:		
Creditors	**12 803**	1 183
Accrued expenses	**3 679**	5 466
Accrued interest on borrowings	**104**	135
GST Payable	**890**	2 330
Employee on-costs	**2 107**	1 225
Total Current Payables	**19 583**	10 339
Non-Current:		
Employee on-costs	**2 151**	2 137
Total Non-Current Payables	**2 151**	2 137
Total Payables	**21 734**	12 476

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	**1 390**	-
Accrued expenses	**1 213**	1 015
Accrued interest on borrowings	**104**	135
Employment on-costs	**4 239**	3 320
Total Payables to Other SA Government Entities	**6 946**	4 470
Payables to Non-SA Government Entities:		
Creditors	**11 413**	1 183
Accrued expenses	**2 466**	4 451
Employee on-costs	**19**	42
GST payable	**890**	2 330
Total Payables to Non-SA Government Entities	**14 788**	8 006
Total Payables	**21 734**	12 476

Interest Rate Risk

Creditors are normally settled within 30 days and employment on-costs are settled when the related employee benefit is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value.

26. Employee Benefits

	2006	2005
Current:	**$'000**	$'000
Annual leave	**7 040**	6 027
Long service leave	**1 031**	465
Accrued salaries and wages	**1 602**	1 223
Total Current Employee Benefits	**9 673**	7 715
Non-Current:		
Long service leave	**22 493**	18 909
Total Non-Current Employee Benefits	**22 493**	18 909
Total Employee Benefits	**32 166**	26 624

The total current and non-current employee expense (ie aggregate employee benefit in Note 26 plus related on-costs in Note 25) for 2006 is $36.424 million ($29 986 million).

Accounting Policy Framework IV *Financial Asset and Liability Framework* contains a long service leave benchmark based on an actuarial assessment. The benchmark for the measurement of the long service leave liability in 2006 is seven years.

27. Borrowings

	2006	2005
(a) Borrowings consists of:	**$'000**	$'000
Indebtedness to South Australian Government Financing Authority	**4 401**	5 581
Indebtedness to the Treasurer	**1 260**	1 461
Indebtedness to Department of Trade and Economic Development	**28**	47
Total Borrowings	**5 689**	7 089

	2006	2005
(b) Balance of Borrowings Outstanding Classifications:		
Current	**3 689**	3 676
Non-Current	**2 000**	3 413
Total Borrowings	**5 689**	7 089

Borrowings having no maturity date are recognised at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1. The interest rate is determined by the Treasurer. The rate was 5.43 percent in 2006 (5.43 percent in 2005).

28. Provisions

	2006	2005
Current:	**$'000**	$'000
Provision for Workers Compensation	**434**	318
Total Current Provisions	**434**	318
Non-Current:		
Provision for Workers Compensation	**1 156**	814
Total Non-Current Provisions	**1 156**	814
Total Provisions	**1 590**	1 132
Carrying amount at 1 July	**1 132**	1 048
Increase in the provision	**458**	84
Carrying Amount at 30 June	**1 590**	1 132

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

29. Other Liabilities

	2006	2005
Current:	**$'000**	$'000
Lease incentive	**397**	397
Unearned Revenue	**5 392**	3 845
Total Current Other Liabilities	**5 789**	4 242
Non-Current:		
Other liabilities	**4**	-
Lease incentive	**431**	828
Total Non-Current Other Liabilities	**435**	828
Total Other Liabilities	**6 224**	5 070

30. Commitments

Operating Lease Commitments

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

	2006	2005
Within one year	**5 310**	4 041
Later than one year and not later than five years	**12 542**	7 059
Later than five years	**10 938**	149
Total Operating Lease Commitments	**28 790**	11 249

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Capital Commitments

	2006	2005
Capital expenditure contracted for at the reporting date but are not yet recognised as liabilities in the financial report, are payable as follows:	**$'000**	$'000
Within one year	**-**	441
Total Capital Commitments	**-**	441

Capital commitments related to the purchase of a replacement offshore fishing patrol vessel.

Committed Grants	**2006**	2005
	$'000	$'000
Grants committed but not advanced at the end of the year	**3 434**	1 688
Total Committed Grants	**3 434**	1 688

Grants committed in support of rural projects contain conditions to be met before payments are made.

31. Restructuring of Administrative Arrangements

Net Expenses from Restructuring of Administrative Arrangements

The net revenues (expenses) relating to the restructuring of Administrative arrangements recognised in the Income Statement are shown below.

	2006	2005
	$'000	$'000
To the Department for Transport, Energy and Infrastructure (DTEI)	**(475)**	-
From the Department for Transport, Energy and Infrastructure (DTEI)	**(1 384)**	-
From the Department of the Premier and Cabinet (DPC)	**(195)**	-
Department of Trade and Economic Development (DTED)	**6**	-
Total Net Expenses from Restructuring of Administrative Arrangements	**(2 048)**	-

During the reporting period ending 30 June 2006, assets and liabilities amounting to $0.904 million and $2.952 million respectively were transferred to (from) the Department as summarised below.

	Transferred to DTEI 01.07.05	Transferred from DTEI 01.07.05	Transferred from DPC 01.04.06	Transferred from DTED 01.04.06	**Total**
Assets:					
Current Assets:	$'000	$'000	$'000	$'000	**$'000**
Cash	(592)	1 068	74	-	**550**
Receivables	(464)	978	-	-	**514**
Other	-	135	-	-	**135**
	(1 056)	2 181	74	-	**1 199**
Non-Current Assets:					
Receivables	(1)	-	-	-	**(1)**
Property, plant and equipment	(1 562)	503	-	6	**(1 053)**
Intangibles	-	544	-	-	**544**
Capital works in progress	-	215	-	-	**215**
	(1 563)	1 262	-	6	**(295)**
Total Assets	(2 619)	3 443	74	6	**904**
Liabilities:					
Current Liabilities:					
Payables	(1 225)	818	8	-	**(399)**
Employee benefits	(388)	1 328	52	-	**992**
Provisions	(12)	28	2	-	**18**
Other	-	127	-	-	**127**
	(1 625)	2 301	62	-	**738**
Non-Current Liabilities:					
Payables	(50)	256	21	-	**227**
Employee benefits	(438)	2 197	182	-	**1 941**
Provisions	(31)	73	4	-	**46**
	(519)	2 526	207	-	**2 214**
Total Liabilities	(2 144)	4 827	269	-	**2 952**
Net Assets Transferred	(475)	(1 384)	(195)	6	**(2 048)**

Summary of Total Revenues and Expenses from Ordinary Activities for the period of 1 July 2005 to 30 June 2006 for the Activities Transferred to the Department subsequent to 1 July 2005.

	DTED 01.07.05 to 31.03.06	PIRSA 01.04.06 to 30.06.06	DPC 01.07.05 to 31.03.06	PIRSA 01.04.06 to 30.06.06	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Revenue	1 301	296	1 085	373	**3 055**
Expenditure	1 079	254	1 011	422	**2 766**
Result	222	42	74	(49)	**289**

32. Contingent Liabilities and Contingent Assets

Contingent Assets

The Department owns intangible assets consisting of intellectual property which includes core samples provided by the mineral and petroleum industries, which are stored by the Department. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

Contingent Liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and mining matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas, specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to Government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

33. Trust Funds

The Trust Funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

This Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	Pleuro Pneumonia Fund	Extractive Areas Rehabilitation Fund	Total 2006	Total 2005
Operations:	$'000	$'000	**$'000**	$'000
Revenue	4	1 183	**1 187**	1 128
Less: Expenditure	-	565	**565**	946
Net Operating Surplus	4	618	**622**	182
Net Assets:				
Cash at bank	79	5 290	**5 369**	4 755
Add: Receivables	-	9	**9**	1
Less: Payables	-	-	**-**	-
Net Assets	79	5 299	**5 378**	4 756
Funds:				
Balance of funds at 1 July	75	4 681	**4 756**	4 574
Add: Net receipts	4	618	**622**	182
Fund Balance at 30 June	79	5 299	**5 378**	4 756
Commitments in Place at 30 June	-	1 191	**1 191**	1 311

34. Cash Flow Reconciliation

	2006	2005
Reconciliation of Cash - Cash at year end as per:	**$'000**	$'000
Cash Flow Statement	**75 070**	60 792
Balance Sheet	**75 070**	60 792

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

Net cash provided by operating activities	**22 467**	5 289
Less: Revenue from SA Government	**(139 111)**	(128 814)
Add (Less): Non-Cash Items:		
Depreciation and amortisation	**(8 265)**	(7 359)
Loss on disposal of assets	**(27)**	(314)
Prior period adjustment	**-**	(25)
Doubtful debts expense reduction	**932**	47
Other non-cash items	**-**	63
Changes in Assets/Liabilities (net of restructure transfer):		
Increase in receivables	**661**	5 692
Increase (decrease)in inventories	**464**	(545)
Increase in payables and provisions	**(9 822)**	(775)
Increase in employee benefits	**(2 609)**	(2 654)
Increase in other liabilities	**(1 424)**	(1 402)
Net Cost of Providing Services from Ordinary Activities	**(136 734)**	130 797

35. Events after Balance Date

From 1 July 2006 Forestry policy and industry development functions are transferring from the South Australian Forestry Corporation (Forestry SA) to the Department. The effect of this transfer will be reported in the financial statements for the year ending 30 June 2007.

Statement of Administered Income and Expenses for the year ended 30 June 2006

	Note	**2006**	2005
INCOME:		**$'000**	$'000
Revenues from SA Government	A4	**214 944**	92 214
Revenue from charges and fees	A5	**28 766**	17 966
Advances and grants	A6	**130 731**	3 049
Interest		**1 174**	399
Levies collection	A7	**1 319**	921
Commonwealth rebates	A8	**-**	3 021
Natural Gas revenue		**-**	150 167
Royalties		**122 575**	101 002
Other revenues	A9	**2 285**	1 423
Total Income		**501 794**	370 162
EXPENSES:			
Employee benefits cost	A10	**1 640**	312
Supplies and services	A11	**18 352**	17 746
Grants and subsidies	A13	**349 612**	93 675
Depreciation and amortisation expense	A14	**129**	-
Commonwealth rebates	A15	**-**	2 091
Levies payments	A16	**1 350**	1 351
Payment to Cooper Basin Gas Producers		**-**	150 167
Payment of royalties to Consolidated Account		**122 575**	101 002
Net loss from disposal of assets	A17	**432**	-
Other expenses		**907**	29
Total Expenses		**494 997**	366 373
OPERATING SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE		**6 797**	3 789
Net revenue from an administrative restructure	A18	**6 858**	-
OPERATING SURPLUS AFTER ADMINISTRATIVE RESTRUCTURE		**13 655**	3 789

THE OPERATING SURPLUS IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER

Statement of Administered Assets and Liabilities as at 30 June 2006

	Note	**2006**	2005
CURRENT ASSETS:		**$'000**	$'000
Cash	A19	**48 035**	28 733
Receivables	A20	**361**	1 001
Non-current assets held for sale	A21	**-**	632
Total Current Assets		**48 396**	30 366
NON-CURRENT ASSETS:			
Property, plant and equipment	A21	**4 058**	-
Total Non-Current Assets		**4 058**	-
Total Assets		**52 454**	30 366
CURRENT LIABILITIES:			
Payables	A22	**19 332**	10 761
Short-term employee benefits	A23	**72**	-
Advances	A24	**650**	650
Other current liabilities		**-**	671
Total Current Liabilities		**20 054**	12 082
NON-CURRENT LIABILITIES:			
Payables	A22	**7**	-
Long-term employee benefits	A23	**69**	-
Advances	A24	**37**	637
Total Non-Current Liabilities		**113**	637
Total Liabilities		**20 167**	12 719
NET ASSETS		**32 287**	17 647
EQUITY:			
Accumulated surplus		**31 302**	17 175
Asset revaluation reserve		**985**	472
TOTAL EQUITY		**32 287**	17 647

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

	Note	Assets Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2004		-	14 769	14 769
Change in accounting policy	A2	-	(1 383)	(1 383)
Restated Balance at 30 June 2004		-	13 386	13 386
Gain on revaluation of plant during 2004-05		472	-	472
Net Income/Expense recognised directly in equity for 2004-05		472	-	472
Net result after restructure for 2004-05		-	3 789	3 789
Total Recognised Income and Expense for 2004-05		472	3 789	4 261
Balance at 30 June 2005	A2	472	17 175	17 647
Transfer from DTEI	A18	1 050	-	1 050
Loss on revaluation of land during 2005-06	A21	(65)	-	(65)
Transfer from reserve		(472)	472	-
Net Result after Restructure for 2005-06		-	13 655	13 655
TOTAL RECOGNISED INCOME AND EXPENSE FOR 2005-06		513	14 127	14 640
Equity contribution from SA Government		-	-	-
BALANCE AT 30 JUNE 2006		**985**	**31 302**	**32 287**

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

Statement of Administered Cash Flows for the year ended 30 June 2006

		2006	2005
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH INFLOWS:	Note	**$'000**	$'000
Receipts from SA Government		**215 870**	92 214
User charges and fees		**28 915**	19 438
Advances and grants		**130 731**	2 949
Interest		**1 158**	393
Levies collection		**1 319**	921
Commonwealth rebates		**-**	3 021
Natural Gas revenue		**-**	150 167
Royalties		**121 908**	101 670
Other revenues		**2 056**	1 327
Total Cash Inflows		**501 957**	372 100
CASH OUTFLOWS:			
Employee benefit payments		**(1 602)**	(312)
Supplies and services		**(18 881)**	(17 845)
Grants and subsidies		**(349 249)**	(94 697)
Commonwealth rebates		**-**	(2 091)
Payment of royalties to Consolidated Account		**(114 257)**	(102 459)
Levies payments		**(1 350)**	(1 351)
Payments to SA Government		**(926)**	-
Payment to Cooper Basin Gas Producers		**-**	(150 167)
Other expenses		**(907)**	(14)
Total Cash Outflows		**(487 172)**	(368 936)
Net Cash Inflows from Operating Activities	A25	**14 785**	3 164
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		**200**	-
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(685)**	-
Net Cash Outflows from Investing Activities		**(485)**	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from restructuring activities		**5 602**	-
Proceeds from advances		**-**	50
Total Cash Inflows		**5 602**	50
CASH OUTFLOWS:			
Repayment of borrowings		**(600)**	(600)
Total Cash Outflows		**(600)**	(600)
Net Cash Inflows (Outflows) from Financing Activities		**5 002**	(550)
NET INCREASE IN CASH		**19 302**	2 614
CASH AT 1 JULY		**28 733**	26 119
CASH AT 30 JUNE	A19	**48 035**	28 733

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2006

	2006				
(refer Note A3)	SA Sheep Industry Levy Fund	Grains Industry Levy Fund	SA Cattle Industry Fund	Gulf St Vincent Prawn Fishery Fund	SA Pig Industry Fund
ADMINISTERED REVENUES:	$'000	$'000	$'000	$'000	$'000
Revenues from SA Government	-	-	-	-	-
Revenue from charges and fees	2 467	-	171	-	228
Advances and grants	-	-	-	-	-
Interest	120	18	128	1	96
Levies collection	-	1 177	-	-	-
Royalties	-	-	-	-	-
Other revenues	137	-	208	-	-
Total Administered Revenues	2 724	1 195	507	1	324
ADMINISTERED EXPENSES:					
Employee benefits costs	25	-	4	-	7
Supplies and services	619	-	16	-	5
Grants and subsidies	378	3	890	-	98
Levies payments	-	1 178	-	-	-
Depreciation and amortisation expense	-	-	-	-	-
Payment of royalties to Consolidated Account	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	432
Other expenses	-	-	-	-	-
Total Administered Expenses	1 022	1 181	910	-	542
Operating Surplus (Deficit)	1 702	14	(403)	1	(218)
Net Revenue (Expense) from Restructuring	-	-	-	-	-
ADMINISTERED SURPLUS (DEFICIT)	1 702	14	(403)	1	(218)

(refer Note A3)	Fisheries Research & Dvlpmnt Fund	Langhorne Creek Wine Industry Fund	Riverland Wine Industry Fund	McLaren Vale Wine Industry Fund	Adelaide Hills Wine Industry Fund
ADMINISTERED REVENUES:	$'000	$'000	$'000	$'000	$'000
Revenues from SA Government	-	-	-	-	-
Revenue from charges and fees	12 160	139	645	303	155
Advances and grants	-	-	-	-	-
Interest	-	6	19	11	6
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other revenues	120	-	-	-	-
Total Administered Revenues	12 280	145	664	314	161
ADMINISTERED EXPENSES:					
Employee benefits costs	95	-	-	-	-
Supplies and services	11 999	4	12	20	4
Grants and subsidies	-	111	611	321	161
Levies payments	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-
Payment of royalties to Consolidated Account	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Administered Expenses	12 094	115	623	341	165
Operating Surplus (Deficit)	186	30	41	(27)	(4)
Net Revenue (Expense) from Restructuring	-	-	-	-	-
ADMINISTERED SURPLUS (DEFICIT)	186	30	41	(27)	(4)

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2006 (continued)

2006 (refer Note A3)	SA Apiary Industry Fund $'000	Marine Scalefish Industry Fund $'000	SA Water Corp CSO Subsidy $'000	Royalties $'000	Aqua-culture Resource Mgmt $'000
ADMINISTERED REVENUES:					
Revenues from SA Government	-	-	213 191	-	-
Revenue from charges and fees	22	-	-	-	1 523
Advances and grants	-	-	-	-	-
Interest	10	1	-	-	46
Levies collection	-	-	-	-	-
Royalties	-	-	-	122 575	-
Other revenues	-	-	-	-	-
Total Administered Revenues	32	1	213 191	122 575	1 569
ADMINISTERED EXPENSES:					
Employee benefits costs	-	-	-	-	-
Supplies and services	2	2	-	-	2 121
Grants and subsidies	34	-	214 117	-	-
Levies payments	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-
Payment of royalties to consolidated account	-	-	-	122 575	-
Net loss from disposal of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Administered Expenses	36	2	214 117	122 575	2 121
Operating Surplus (Deficit)	(4)	(1)	(926)	-	(552)
Net Revenue (Expense) from Restructuring	-	-	-	-	-
ADMINISTERED SURPLUS (DEFICIT)	(4)	(1)	(926)	-	(552)

(refer Note A3)	Petroleum Products Subsidy $'000	Citrus Growers $'000	Deer Industry Fund $'000	Planning Fees $'000	West Beach Trust $'000
ADMINISTERED REVENUES:					
Revenues from SA Government	-	-	-	-	634
Revenue from charges and fees	-	75	1	897	-
Advances and grants	249	-	-	-	-
Interest	-	-	7	-	-
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other revenues	-	-	-	-	-
Total Administered Revenues	249	75	8	897	634
ADMINISTERED EXPENSES:					
Employee benefits costs	-	-	1	-	-
Supplies and services	-	2	2	-	-
Grants and subsidies	249	67	3	-	915
Levies payments	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-
Payment of royalties to Consolidated Account	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	-
Other expenses	-	-	-	897	-
Total Administered Expenses	249	69	6	897	915
Operating Surplus (Deficit)	-	6	2	-	(281)
Net Revenue (Expense) from Restructuring	-	-	-	-	-
ADMINISTERED SURPLUS (DEFICIT)	-	6	2	-	(281)

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2006 (continued)

(refer Note A3)	Office Local Government	Outback Areas Comm Dev Trust	2006 Local Government Grants Commission	Planning and Development Fund	Other Funds	**Total**
ADMINISTERED REVENUES:	$'000	$'000	$'000	$'000	$'000	**$'000**
Revenues from SA Government	-	459	377	-	283	**214 944**
Revenue from charges and fees	-	6	20	9 954	-	**28 766**
Advances and grants	1 034	1 222	128 226	-	-	**130 731**
Interest	34	42	51	578	-	**1 174**
Levies collection	-	-	-	-	142	**1 319**
Royalties	-	-	-	-	-	**122 575**
Other revenues	-	295	54	17	1 454	**2 285**
Total Administered Revenues	1 068	2 024	128 728	10 549	1 879	**501 794**
ADMINISTERED EXPENSES:						
Employee benefits costs	-	416	263	478	351	**1 640**
Supplies and services	-	970	127	922	1 525	**18 352**
Grants and subsidies	1 500	730	124 473	4 951	-	**349 612**
Levies payments	-	-	-	-	172	**1 350**
Depreciation and amortisation expense	-	129	-	-	-	**129**
Payment of royalties to consolidated account	-	-	-	-	-	**122 575**
Net loss from disposal of assets	-	-	-	-	-	**432**
Other expenses	-	5	-	5	-	**907**
Total Administered Expenses	1 500	2 250	124 863	6 356	2 048	**494 997**
Operating Surplus (Deficit)	(432)	(226)	3 865	4 193	(169)	**6 797**
Net Revenue (Expense) from Restructuring	1 218	1 795	60	8 985	(5 200)	**6 858**
ADMINISTERED SURPLUS (DEFICIT)	786	1 569	3 925	13 178	(5 369)	**13 655**

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Summary of Significant Accounting Policies

Department of Primary Industries and Resources SA accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The Policies in Note 2 apply to both the Department and Administered Financial Statements.

A2. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

In preparing its opening AIFRS Balance Sheet the Department has adjusted amounts reported previously in financial statements prepared in accordance with previous AGAAP. An explanation of how the transition from previous AGAAP to AIFRS has affected the Department's financial position is set out in the following tables and the notes accompanying the tables.

	Previous AGAAP $'000	1 July 2004 Effect of transition to AIFRS $'000	AIFRS Adjusted $'000	30 June 2005 Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS Adjusted $'000
ASSETS:						
Current Assets:						
Cash and cash equivalents	28 428	(2 309)	26 119	28 733	-	28 733
Receivables	2 448	-	2 448	1 001	-	1 001
Assets held for sale	-	-	-	-	632	632
Total Current Assets	30 876	(2 309)	28 567	29 734	632	30 366
Non-Current Assets:						
Property, plant and equipment	-	-	-	632	(632)	-
Total Non-Current Assets	-	-	-	632	(632)	-
Total Assets	30 876	(2 309)	28 567	30 366	-	30 366

A2. Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

	Previous AGAAP $'000	1 July 2004 Effect of transition to AIFRS $'000	AIFRS Adjusted $'000	30 June 2005 Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS Adjusted $'000
LIABILITIES:						
Current Liabilities:						
Payables	14 167	(926)	13 241	11 687	(926)	10 761
Advances	600	-	600	650	-	650
Other current liabilities	103	-	103	671	-	671
Total Current Liabilities	14 870	(926)	13 944	13 008	(926)	12 082
Non-Current Liabilities:						
Advances	1 237	-	1 237	637	-	637
Total Non-Current Liabilities	1 237	-	1 237	637	-	637
Total Liabilities	16 107	(926)	15 181	13 645	(926)	12 719
NET ASSETS	14 769	(1 383)	13 386	16 721	926	17 647
EQUITY:						
Retained earnings	14 769	(1 383)	13 386	16 249	926	17 175
Asset revaluation reserve	-	-	-	472	-	472
TOTAL EQUITY	14 769	(1 383)	13 386	16 721	926	17 647

Reconciliation of Profit		30.06.05	Adjustment	AIFRS
INCOME:	Note	$'000	$'000	$'000
Revenue from SA Government		92 214	-	92 214
User charges and fees	(a)	18 044	(78)	17 966
Advances and grants		3 049	-	3 049
Interest revenue		399	-	399
Levies collection		921	-	921
Commonwealth rebates		3 021	-	3 021
Natural Gas revenue		150 167	-	150 167
Royalties		101 002	-	101 002
Assets received free of charge		160	-	160
Other revenues		1 263	-	1 263
Prior year revenue adjustment	(a)	(2 387)	2387	-
Total Revenues		367 853	2 309	370 162
EXPENSES:				
Employee benefits costs		312	-	312
Supplies and services		17 746	-	17 746
Grants and subsidies		93 675	-	93 675
Commonwealth rebates		2 091	-	2 091
Levies payments		1 351	-	1 351
Payment to Cooper Basin Gas producer		150 167	-	150 167
Payment of royalties to consolidated account		101 002	-	101 002
Other expenses		29	-	29
Total Expenses		366 373	-	366 373
OPERATING SURPLUS		1 480	2 309	3 789
Retained earnings:				
Opening balance		13 386	-	13 386
Net result	(a)	1 480	2 309	3 789
CLOSING BALANCE		14 866	2 309	17 175

Notes to the Reconciliation of Profit

(a) In 2004-05 $2.387 million of prior period adjustments was recognised in the Income Statement. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires that these be recognised retrospectively by restating opening balances.

A3. Administered Funds of the Department

The Program Schedule provides details of expenses and revenues applicable to the administered funds of the Department. Information about the Department's administered funds is set out below.

SA Sheep Industry Fund

The South Australian Sheep Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998*. The purposes of the Fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake projects as recommended by the South Australian Sheep Advisory Group (SASAG) and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog-proof fence.

Grains Industry Levy Fund
Two voluntary levies are collected from grain producers under the *Commonwealth Wheat Marketing Act 1989*. A three-cent levy is collected and returned quarterly to the South Australian Farmers Federation. A thirteen-cent levy is collected and returned quarterly to the South Australian Grains Industry Trust Fund.

SA Cattle Industry Fund
The South Australian Cattle Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

Gulf of St Vincent Prawn Fishery Levy
The fund was established for the purpose of facilitating transactions associated with the voluntary buy back of Prawn Fishery licences in the Gulf St Vincent under the *Gulf St Vincent Prawn Fishery Rationalisation Act 1987*.

SA Pig Industry Fund
The South Australian Pig Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001. The primary purposes of the fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

Fisheries Research & Development Fund
Under the Fisheries Act 1982, all commercial licence fees received by the Department are required to be paid into this fund. The primary purposes of the fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Fisheries Act applies or promotion of any fishing, fish farming or fish processing activity.

Langhorne Creek Wine Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and co-operation between participants in the Langhorne Creek wine industry.

Riverland Wine Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the fund are to promote the Riverland wine industry, undertake research and development and encourage communication and co-operation between participants in the Riverland wine industry.

McLaren Vale Wine Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and co-operation between participants in the McLaren Vale wine industry.

Adelaide Hills Wine Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and co-operation between participants in the Adelaide Hills wine industry.

SA Apiary Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001. The primary purpose of the fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry recommended by the Apiary Industry Advisory Group.

Marine Scalefish Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 16 January 2003. The primary purposes of the fund are to make payments to organisations which represent the marine scalefish industry in relation to the promotion, development and environmental management of the industry and make payments for other purposes to benefit the marine scale fish industry.

SA Water CSO Subsidy
The Department receives appropriation to make payment to SA Water representing Community Service Obligations for the provision of country water and wastewater services, administration of the River Murray levy and water conservation initiatives.

Royalties
The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account.

Aquaculture Resource Management Fund
The fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

Petroleum Products Subsidy
The scheme operates under the *Petroleum Products Subsidy Act 1965* and provides subsidies to registered distributors of eligible petroleum products. The scheme is fully funded by the Commonwealth under the *States Grants Petroleum Products Act 1965* and applies to all States. In South Australia, PIRSA is responsible for administering the scheme.

Citrus Growers Fund
The Fund has been established under the *Primary Industry Funding Schemes Act 1998*, and is known as the Primary Industry funding Schemes Regulations 2005. The primary purposes of the fund are to collect industry funds for use by industry organisations to progress their industry and contribute to the State Food Plan and the economic, social and environmental progress of South Australia.

Planning Fees
In accordance with Schedule 6 of the Development Control Regulations 1993, the Development Assessment Commission (Planning SA) is required to transfer the relevant amount of land division application fees received, on a quarterly basis, to appropriate councils and State Agencies, pursuant to the directions set out in Schedule 7 of the Regulations.

West Beach Trust
Planning SA reimburses West Beach Trust for payments it makes under the Tax Equivalent Regime. Conversely, Planning SA receives government appropriation to fund these payments

Outback Areas Community Development Trust
The fund was established under the *Outback Areas Community Development Trust Act 1978*. The Trust is recognised as a local government authority by the South Australian Local Government Grants Commission and, as such, receives an annual grant allocation from the commission.

SA Local Government Grants Commission
The fund was established by the *South Australian Local Government Grants Commission Act 1992*. The primary purposes of the fund are to distribute untied Commonwealth Local Government Financial Assistance Grants to South Australian Local Government Authorities. The commission's operating costs are predominantly funded by Appropriations.

Planning and Development Fund
The Planning and Development Fund was established under section 79 of the *Development Act 1993*. The key objective of the Fund is to provide the Government with the means to implement a State-wide open space program. The fund is applied towards the purchase, development and management of open space and the servicing of capital costs associated with the provision of the open space.

The primary source of funding is from developers who are required, pursuant to Section 50 of the *Development Act 1993*, to contribute to the Planning and Development Fund in lieu of the provision of 12.5 percent of the development as open space, in accordance with a prescribed formula and rate, where the number of allotments in land sub-division are 20 or less. A contribution into the Planning and Development Fund is also required where developers create Community titles.

Other Funds
This is the total of all other administered funds including the payment of the Minister's salary and allowances, and production receipts from companies for forwarding to native title claimants.

A4. Revenues from (Payments to) Government

	2006	2005
Revenues:	**$'000**	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**215 587**	91 998
Appropriations under other Acts	**283**	216
Total Revenues	**215 870**	92 214
Payment:		
Return of surplus cash pursuant to cash alignment policy	**(926)**	-
Total Payments	**(926)**	-
Total Revenue from (Payments to) SA Government	**214 944**	92 214

A5. Revenue from Charges and Fees

	2006	2005
User charges and fees received/receivable from entities within SA Government:		
Planning related fees	**270**	-
Total Fees and Charges - SA Government entities	**270**	-
User charges and fees received/receivable from entities external to the SA Government:		
Industry contribution	**3 353**	3 378
Fishing licences	**11 123**	13 004
Planning related fees	**9 954**	-
Other fees and levies	**4 066**	1 584
Total Fees and Charges - Non-SA Government Entities	**28 496**	17 966
Total Fees and Charges	**28 766**	17 966

A6. Advances and Grants

	2006 $'000	2005 $'000
State grants	**238**	-
Commonwealth grants	**128 475**	1 569
Non-SA Government grants	**1 988**	1 480
Intra government transfer	**30**	-
Total Advances and Grants	**130 731**	3 049

A7. Levies Collection

Commonwealth levy collection	**1 177**	849
Organisation for Economic Cooperation and Development Report Levy collection	**142**	72
Total Levies Collection	**1 319**	921

A8. Commonwealth Rebates

Renewable remote power generation	**-**	830
Photovoltaic rebate claims	**-**	2 191
Total Commonwealth Rebates[(1)]	**-**	3 021

(1) Both programs were transferred to DTEI in 2005-06.

A9. Other Revenues

Reimbursements of salaries and project costs	**208**	285
Sale of goods	**243**	354
Other	**1 834**	784
Total Other Revenues	**2 285**	1 423

A10. Employee Benefits Costs

Salaries and wages	**1 154**	216
Long service leave	**19**	-
Annual leave	**74**	-
Employment on-costs - Superannuation	**108**	7
Employment on-costs - Other	**136**	5
Board fees	**149**	84
Total Employee Benefits Costs	**1 640**	312

A11. Supplies and Services

Supplies and Services provided by entities within the SA Government:		
Professional services	**20**	310
Distribution of licence and lease fees [(2)]	**12 315**	9 474
Audit fees	**45**	12
Other	**323**	-
Total Supplies and Services - SA Government Entities	**12 703**	9 796
Supplies and services provided by entities external to the SA Government:		
Professional services [(1)]	**1 622**	2 486
Distribution of licence and lease fees [(2)]	**856**	1 194
Operational and administrative costs	**2 593**	4 124
Other	**578**	146
Total Supplies and Services - Non-SA Government Entities [(1)]	**5 649**	7 950
Total Supplies and Services	**18 352**	17 746

(1) Includes consultancies costs which are further broken down below.
(2) Represents the distribution of licence and lease fees from the Fisheries Research and Development Fund and Aquaculture Resource Management fund to the Fishing Industry and the Department.

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following band:	2006 Number	2006 $'000	2005 Number	2005 $'000
Below $10 000	**10**	**27**	37	169
Between $10 000 and $50 000	**5**	**97**	21	444
Above $50 000	**1**	**68**	6	1 296
Total Paid/Payable to the Consultants Engaged	**16**	**192**	64	1 909

A12. Auditor's Remuneration

	2006 $'000	2005 $'000
Audit fees paid/payable to the Auditor-General's Department	**45**	12
Total Audit Fees	**45**	12

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

A13. Grants and Subsidies

	2006 $'000	2005 $'000
Grants and Subsidies paid to entities within the SA Government:		
Intra-Government transfers:		
SA Water Corporation CSO Subsidy	**214 117**	91 998
Admin Items - West Beach Trust	**915**	-
SA Local Government Grants Commission	**954**	-
Cattle Industry Fund	**641**	-
Sheep Industry Fund	**371**	168
Outback Areas Commission Development Trust	**101**	-
Other Industry Funds	**139**	-
Planning and Development Fund	**710**	-
Total Grants and Subsidies - SA Government Entities	**217 948**	92 166
Grants and Subsidies paid to entities external to the SA Government:		
SA Local Government Grants Commission	**123 519**	-
Office Of Local Government Administered Items	**1 500**	-
Outback Areas Commission Development Trust	**629**	-
Riverland Wine Industry Fund	**610**	590
Other Industry Funds	**324**	-
McLaren Vale Wine Industry Fund	**320**	280
Petroleum Products Subsidy	**249**	266
Adelaide Hills Wine Industry Fund	**160**	160
Langhorne Creek Wine Industry Fund	**110**	111
Pig Industry Fund	**2**	102
Planning and Development Fund	**4 241**	-
Total Grants and Subsidies - Non-SA Government Entities	**131 664**	1 509
Total Grants and Subsidies	**349 612**	93 675

A14. Depreciation Expense

Plant and equipment	**2**	-
Buildings and infrastructure	**51**	-
Wastewater units	**76**	-
Total Depreciation	**129**	-

A15. Commonwealth Rebates

Renewable Remote Power Generation Program	**-**	1 274
Photovoltaic rebate claims	**-**	817
Total Commonwealth Rebates (1)	**-**	2 091

(1) Both programs were transferred to DTEI on July 1 2005 as part of restructuring.

A16. Levies Payments

Commonwealth levy payments	**1 178**	1 279
Organisation for Economic Cooperation and Development Report Levy	**172**	72
Total Levies Payments	**1 350**	1 351

A17. Net Loss from Disposal of Assets

Land and buildings:		
Proceeds from disposal	**200**	-
Net book value of assets disposed	**(632)**	-
Net Loss from Disposal of Land and Buildings	**(432)**	-

A18. Restructuring of Administrative Arrangements

Net Revenue from Restructuring of Administrative Arrangements

The income and (expenses) relating to the restructuring of administrative arrangements recognised in the Statement of Income and Expenses are shown below:

Transfer to Department for Transport Energy Infrastructure (DTEI)	**(5 200)**	-
Transfer from Department for Transport Energy Infrastructure (DTEI)	**12 058**	-
Total Net Revenue from Restructuring of Administrative Arrangements	**6 858**	-

	Transferred to DTEI $'000	Transferred from DTEI $'000	**Total $'000**
Assets:			
Cash	(4 439)	10 042	**5 603**
Receivables	(761)	337	**(424)**
Property, Plant and equipment	-	3 566	**3 566**
Other	-	4	**4**
Total Assets	(5 200)	13 949	**8 749**

Net Revenue from Restructuring of Administrative Arrangements (continued)

	Transferred to DTEI $'000	Transferred from DTEI $'000	**Total $'000**
Liabilities:			
Payables	-	650	**650**
Employee Entitlements	-	108	**108**
Other	-	83	**83**
Total Liabilities	-	841	**841**
Equity:			
Asset revaluation reserve	-	1050	**1 050**
Net Assets Transferred	(5 200)	12 058	**6 858**

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 5.2(a) asset revaluation reserves directly attributable to assets transferred have been recognised in these financial statements. AAS 29 *Financial Reporting by Government Departments* does not require this treatment in relation to assets transferring.

If AAS 29 had been applied the asset revaluation reserve would not be recognised and the net assets transferred would increase by $1.05 million to $7.908 million. The loss of $65 000 on revaluation of land (recognised as a charge against the assets revaluation reserve in the Statement of Changes in Administered Equity) would have become a current period expense. The operating surplus after restructure would be as follows:

	$'000
Total income	501 794
Total expenses	(494 997)
Loss on revaluation of land	(65)
Operating surplus before restructure	6 732
Net revenue from an administrative restructure	7 908
Operating Surplus after Restructure	14 640

Total equity would remain unchanged at $32.287 million, made up of:

	Retained Earnings $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July	17 175	472	17 647
Transfer from reserve	472	(472)	-
Operating surplus after restructure	14 640	-	14 640
Balance at 30 June	32 287	-	32 287

A19. Cash

	2006 $'000	2005 $'000
Deposits with the Treasurer	**48 035**	28 733
Total Cash	**48 035**	28 733

Interest Rate Risk

Cash on hand is non-interest bearing. Deposit at call with the Bank are bearing a floating interest rate between 5.35 percent and 4.43 percent. The carrying amount of cash approximates net fair value.

A20. Receivables

	2006 $'000	2005 $'000
Current:		
Trade accounts receivable	**254**	764
Accrued interest on loans and deposits	**107**	31
Other accrued revenue	**-**	206
Total Receivables (1)	**361**	1 001

(1) Includes receivables from other SA Government entities less than $100 000.

Interest Rate and Credit Risk

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

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

Bad and Doubtful Debts

The Administered Items had no bad and doubtful debt expense at 30 June 2006.

A21. Property, Plant and Equipment

	2006	2005
	$'000	$'000
Land and buildings:		
Land	**2 202**	-
Buildings	**53**	-
Accumulated depreciation	**(24)**	-
Total Land and Buildings	**2 231**	-
Plant and equipment:		
Plant and Equipment	**196**	-
Accumulated depreciation	**(71)**	-
Works in Progress	**393**	-
Total Plant and Equipment	**518**	-
Water, sewerage and drainage:		
Water, sewerage and drainage	**1 721**	-
Accumulated depreciation	**(412)**	-
Total Water, Sewerage and Drainage	**1 309**	-
Non-current assets held for sale:		
Land	**-**	282
Buildings	**-**	350
Total Non-Current Assets held for Sale	**-**	632
Total Property, Plant and Equipment	**4 058**	632

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2005-06:

	Land $'000	Buildings and Infra-structure $'000	Plant and Equipment $'000	Work In Progress $'000	Water Sewerage and Drainage $'000	**2006 Total $'000**
Carrying amount 1 July	-	-	-	-	-	**-**
Additions	590	-	-	95	-	**685**
Revaluation increment (decrement)	(65)	-	-	-	-	**(65)**
Depreciation/amortisation expense	-	(2)	(51)	-	(76)	**(129)**
Acquisition through restructuring	1 677	31	176	298	1 385	**3 567**
Carry Amount at 30 June	2 202	29	125	393	1 309	**4 058**

A22. Payables

	2006	2005
Current:	**$'000**	$'000
Creditors	**-**	67
Royalties payable to the Consolidated Account	**17 826**	9 508
Accrued expenses	**1 264**	1 186
Employment on-costs	**12**	-
Other	**230**	-
Total Current Payables	**19 332**	10 761
Non-Current:		
Employment on-costs	**7**	-
Total Non-Current Payables	**7**	-
Total Payables	**19 339**	10 761

Government/Non-Government Payables

	2006	2005
Payables to SA Government Entities:		
Royalties	**17 826**	9 508
Accrued expenses	**517**	1 157
Total Payables to SA Government Entities	**18 343**	10 665
Payables to Non-SA Government Entities:		
Creditors	**-**	67
Accrued expenses	**747**	29
Employment on-costs	**19**	-
Other	**230**	-
Total Payables to Non-SA Government Entities	**996**	96
Total Payables	**19 339**	10 761

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-cots 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.

A23. Employee Benefits

	2006	2005
Current:	**$'000**	$'000
Annual leave	**50**	-
Long service leave	**3**	-
Accrued salaries and wages	**19**	-
Total Current Employee Benefits	**72**	-
Non-Current:		
Long service leave	**69**	-
Total Non-Current Employee Benefits	**69**	-
Total Employee Benefits	**141**	-

A24. Advances

	2006	2005
Current:		
Advances	**650**	650
Total Current Advances	**650**	650
Non-Current:		
Advances	**37**	637
Total Non-Current Advances	**37**	637
Total Advances	**687**	1 287

Government/Non-Government Advances

	2006	2005
Advances paid/payable to SA Government Entities:		
Advances	**637**	1 237
Total Advances Payable to SA Government Entities	**637**	1 237
Advances paid/payable to Non-SA Government Entities:		
Advances	**50**	50
Total Advances Payable to Non-SA Government Entities	**50**	50
Total Advances	**687**	1 287

A25. Cash Flow Reconciliation

	2006	2005
Reconciliation of Cash - Cash at 30 June as per:		
Statement of Administered Cash Flows	**48 035**	28 733
Statement of Administered Assets and Liabilities	**48 035**	28 733

Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of providing Services

	2006	2005
Net cash provided by operating activities	**14 785**	3 164
Add (Less): Non-cash items:		
Depreciation and amortisation	**(129)**	-
Loss on disposal of assets	**(432)**	-
Change in Assets/Liabilities (net of restructure transfer):		
Recognition of assets	**-**	160
Decrease in receivables	**(220)**	(1 447)
(Increase) Decrease in payables and provisions	**(7 927)**	2 480
Increase in employee benefits	**(33)**	-
Decrease (Increase) in other liabilities	**753**	(568)
Operating Surplus before Administrative Restructure	**6 797**	3 789