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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 2007

Tabled in the House of Assembly and ordered to be published, 21 November 2007

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Agency Audit Reports

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20 November 2007

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' which reports on the 2007 World Police and Fire Games Corporation and the Land Management Corporation.

Yours sincerely,

S O'NEILL
AUDITOR-GENERAL

Report of the Auditor-General

Supplementary Report for the year ended 30 June 2007

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PCA	*Public Corporations Act 1993*
PSMAct	*Public Sector Management Act 1995*
SPA	*State Procurement Act 2004*
SPR	*State Procurement Regulations 2005*
BWCA	*Building Work Contractors Act 1995*
NRMA	*Natural Resources Management Act 2004*
OHSWA	*Occupational Health, Safety and Welfare Act 1996*
OHSAA	*Occupational Health Safety (SafeWork SA) Amendment Act 2005*
ITAA	*Income Tax Assessment Act 1997*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards[1]
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
CHRIS	Complete Human Resource Information System
CIO	Chief Information Officer
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GFS	Government Financial Statistics
GST	Goods and Services Tax
ICT	Information and Communications Technology
ISMF	Information Security Management Framework
LOTS	Land Ownership and Tenure System
Supply SA	Government Supplies Warehouse
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board and any of the following standards: AAS 25, AAS 29 and AAS 31 and associated amendments to transitional provisions (AAS 29A, AAS 31A) which are in force in relation to the reporting period to which the financial report relates.

2007 WORLD POLICE AND FIRE GAMES CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The 2007 World Police and Fire Games Corporation (the Corporation) was established on 1 October 2003 as a subsidiary of the Minister for Tourism pursuant to the Public Corporations Regulations 1993. The primary function of the Corporation was to organise and stage the 2007 World Police and Fire Games in March 2007.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(b) of the PFAA and the Schedule to the PCA provides for the Auditor-General to audit the accounts of the Corporation for each financial year.

AUDIT FINDINGS AND COMMENTS

Each financial year since its establishment, the Corporation has prepared financial statements which have been the subject of audit. In respect to the 2003-04 and 2004-05 financial years, unqualified Independent Auditor's Reports were issued for those years' financial statements.

The financial statements for the 2005-06 and 2006-07 financial years were qualified. In 2005-06 and 2006-07 financial accounting and record keeping regarding in-kind sponsorship income and associated in-kind expenditure was not satisfactory. As a result, Audit expressed a qualifying opinion in the Independent Auditor's Reports, as to the completeness of the values reflected in the financial statements for in-kind sponsorship income and the associated in-kind expenditure.

SUMMARY OF FINANCIAL REPORT ACTIVITY

The following information extracted from the audited financial reports of the Corporation, provides a summary of the annual financial activity of the Corporation, from its establishment in the 2003-04 financial year to the 2006-07 financial year.

Highlights of the Financial Reports

	2007	2006	2005	2004
	$'000	$'000	$'000	$'000
EXPENSES				
Employee benefits	**1 403**	964	587	193
Promotion expenses	**1 823**	569	220	19
Event operations	**2 510**	272	171	178
Other	**871**	519	183	58
Total Expenses	**6 607**	2 324	1 161	448
INCOME				
Sponsorship*	**1 714**	762	80	-
Registration/sport fees	**1 486**	37	-	-
Commonwealth Government grant	**650**	-	-	-
Other revenues	**519**	228	34	18
Total Income	**4 369**	1 027	114	18
Net Cost of Operations	**2 238**	1 297	1 047	430
REVENUES FROM SA GOVERNMENT	**2 160**	1 401	890	573
Net Result for year	**(78)**	104	(157)	143
NET ASSETS	**12**	90	(14)	143

* The value of in-kind sponsorship reflected in the financial statements for 2005-06 was $399 000, and for 2006-07 was $889 000.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a board whose members are appointed by the Minister.

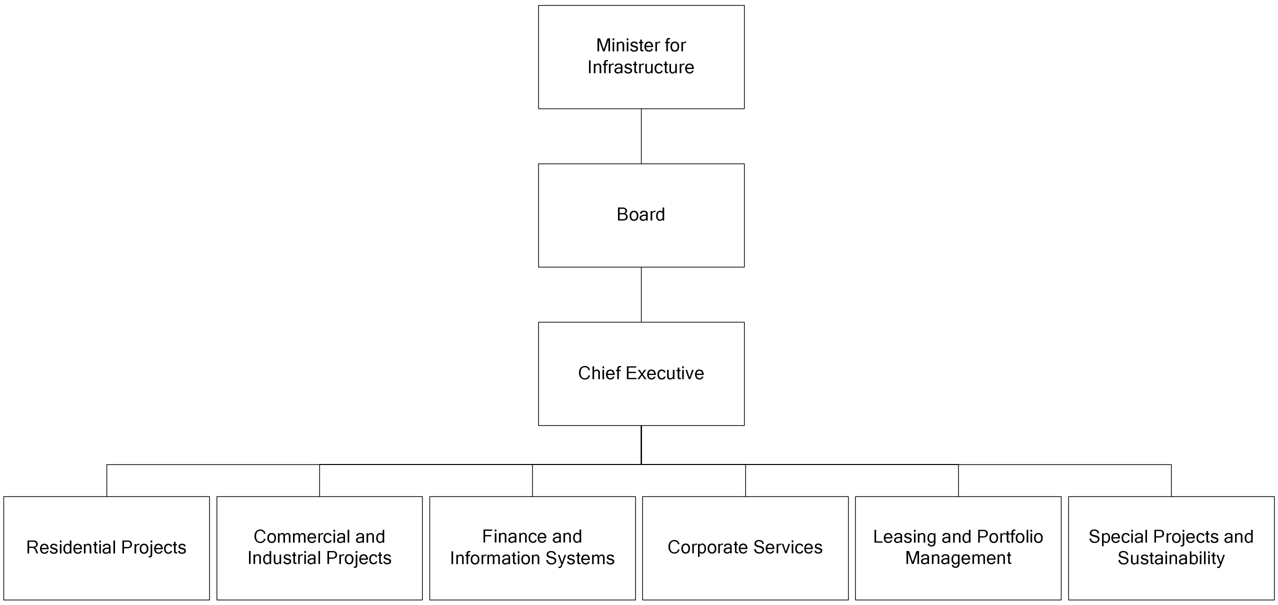
The Corporation was established on 24 December 1997 to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the then Minister for Government Enterprises.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation is required to ensure the orderly development of land.

Structure

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



Audit Committee

The Corporation has an Audit Committee comprising three members of the Board. The Audit Committee meets on a quarterly basis and reports to the Board. The Audit Committee Charter requires the Committee to assess the quality of financial reporting, the effectiveness of internal controls and to maintain an effective and efficient audit. It is also required to advise the Board on procedures and ways of working within the Corporation to align them with the organisation's strategic direction. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31 (1) (b) of the PFAA and clause 13(3) of the Schedule to the PCA requires the Auditor-General to audit the accounts and financial statements of the Corporation.

Assessment of Controls

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

Scope of Audit

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

During 2006-07, specific areas of audit attention included:

- expenditure
- payroll
- property income
- land sales
- cash at bank
- inventory
- fixed assets
- Premises SA
- policies and procedures
- financial management
- legal compliance
- joint venture arrangements.

Audit also reviewed the control environment and project status of the following Corporation projects:

- BioInnovation
- Playford North
- Port Waterfront
- Marina Adelaide.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Land Management Corporation as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to review of expenditure processing, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Land Management Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Corporation and were responded to by the Corporation. Major matters raised with the Corporation and the related responses are considered herein.

Formalising Policies and Procedures

TI 2 requires the Corporation to:

- develop, document and implement policies and procedures
- to regularly review and revise the policies and procedures where necessary
- make them readily available to all staff.

Audit identified the Corporation has documented policies and procedures for many areas of its operations, however documented policies and procedures were not prepared or were not consistent with current business practices in some areas of its activities.

Audit recommended that policies and procedures are documented or updated to reflect current organisational practice.

In response, the Corporation advised a review of policies and procedures will be performed in 2007-08.

Legal Compliance Framework

Audit review for 2006-07 considered the arrangements implemented by the Corporation to ensure it complies with all relevant legislation applicable to the operations of the Corporation. Audit's review did not identify a formal, structured and robust compliance framework. Audit found that:

- key provisions and requirements of legislation impacting on the Corporation's operations have not been documented;
- there is no systematic approach to reporting on compliance or non-compliance with legislation to the Chief Executive;
- the Corporation places reliance on institutional knowledge rather than a formal framework to manage compliance;
- legal compliance has yet to be incorporated into the Corporation's Risk Management Practices.

Audit recommended the Corporation formally review all aspects of its practices in relation to managing legal compliance risk.

In response, the Corporation indicated it will document a legal compliance framework and associated policies and procedures. The framework will be incorporated into the risk management process.

TI 8

The Department of Treasury and Finance revised TI 8 effective 1 July 2006.

Audit noted the Corporation's Delegations of Authority had not been authorised by the Minister nor does it distinguish between contract delegations and payment delegations as required by the TI.

Audit recommended the Corporation seek confirmation from the Crown Solicitor's Office that the Corporation's Delegations of Authority meet all the requirements of TI 8.

In response, the Corporation advised that approval from the Treasurer has been obtained and that the Corporation will revise the delegation structure.

Review of the Expenditure Processing

The review of controls over expenditure 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 Corporation.

Consideration was also given to the effectiveness with which the Corporation used the purchasing module of the Accpac system.

The review highlighted that the Corporation's processes are largely paper based and that significant reliance is placed on checking at the point of disbursement. Audit identified that the Corporation does not utilise the online requisitioning and approving functions within Accpac and that a high proportion of purchase orders are generated only on receipt of an invoice.

The Corporation has policies and procedures which would support an effective paper based control environment if adhered to by the Corporation. Audit identified instances where controls were not complied with, notably:

- requisitions were not raised
- all officers were able to raise purchase orders within the Accpac system
- the value of purchase orders could be amended without further approval

- purchase orders were raised and approved by the same officer
- purchase orders were raised after an invoice was received.

Along with other recommendations Audit recommended the Corporation implement the Accpac Purchase Order Module.

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

Performance of Risk Assessments

The Corporation's Risk Management Policy requires all project risks to be assessed for significance, likelihood, inherent risks and residual risks. Residual risks identified as high or extreme are referred to the General Managers Group and may be referred to the Risk Management Coordination Committee to be included in the overall corporate risk profile if warranted.

Audit review of current Corporation projects included consideration of the risk management practices for each of the projects. Audit identified instances where:

- a risk assessment was performed after the joint venture agreement was executed;
- the risk management assessment for a project had not been quantified, as a consequence monitoring of medium to high residual risks can not be performed;
- a risk assessment for the appointment of a contractor for engineering services could not be located;
- the risk assessment for the Port Adelaide Waterfront Redevelopment Project planned for February 2007 had not been performed.

Audit recommended in each instance that risk assessments be performed in accordance with Corporation policy.

In response, the Corporation advised Internal Audit has been engaged to perform a review of risk management practices against better practice. As a result a number of improvements have been identified to better align the Corporation's risk management practices with best practice.

Probity Statements and Plans

The Corporation's Procurement Policy requires a Probity Statement and Plan to be completed for all major contracts exceeding $1.1 million unless specifically exempted by the Chief Executive.

Audit review of current Corporation projects included assessment of compliance with the Procurement Policy for each of the projects. Audit identified the following:

- A Probity Statement and Plan for two contracts renewed were not completed;
- The tender evaluation panel for a project was established and operated without documented evidence of a conflict of interest statement.

Audit recommended the Corporation prepare Probity Statements and Plans in accordance with Corporation policies and procedures. The Corporation agreed to Audit's findings.

The importance of this matter is demonstrated in the following specific commentary on probity and contracting issues regarding a procurement arrangement undertaken by the Corporation.

Appointment of a Remediation Project Manager

As part of a review of Corporation Projects, Audit recently examined the arrangements for engaging a Remediation Project Manager for the Port Adelaide Waterfront Redevelopment Project to oversee the remediation of land associated with that project.

The focus of this review was the decision of the Corporation to terminate the open tender process it had conducted for the selection of a Remediation Project Manager in favour of the appointment of Newport Quays Project Management Pty. Ltd.

Port Adelaide Waterfront Redevelopment Project Development Agreement - Remediation

In 2004, the Corporation entered into the Port Adelaide Waterfront Redevelopment Project Development Agreement (PDA) with Newport Quays Pty Ltd (Developer) and Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd (Consortium). The PDA established a number of elements of the framework for the project.

As part of the detailed design stage for the project, the Corporation, in consultation with the Developer/Consortium is obliged to procure the preparation of a remediation plan for relevant project land. This plan is designed to identify:

- the specified intended use of the relevant land by the Developer/Consortium
- the standard of remediation
- the proposed remediation process and methodology
- the proposed sampling and testing process
- the nature, extent and proposed costs of remediation
- the protocol and process for dealing with artefacts.

Irrespective of whether remediation works are carried out either pre or post-transfer of the relevant land to the Developer/Consortium, the Corporation is responsible for the engagement of a remediation works contractor to carry out these works.

The Developer/Consortium is required to assist the Corporation with the facilitation of the process of recommending to the Corporation the remediation works contractor and negotiating the specific terms of the proposed remediation works contract. The Developer/Consortium is also entitled to propose that the remediation works contractor be either the Consortium or a member of the Consortium or an entity related to a member of the Consortium.

Invitation to Submit a Proposal for Project Management Services

On 18 April 2006 the Corporation issued to the market an open Invitation to Submit a Proposal for Project Management Services (Invitation).

The Project Manager's role was described to include the design and documentation of the remediation plan, obtaining development approval and, the implementation of the site remediation works. In the implementation phase of the project, the role of the Project Manager includes the coordination and project management of the activities of all consultants. The Invitation noted that the Corporation intended to appoint, subject to satisfactory and commercial arrangements, the same remediation works contractor who had worked on previous Precincts as remediation works contractor for Precinct 2A .

An entity lodged a proposal in response to this Invitation and was subsequently assessed as the preferred tenderer with whom contract negotiations would be undertaken.

Appointment of Newport Quays Project Management Pty Ltd (NQPM)

In finalising negotiations with the preferred bidder but before contract award the Corporation decided to accept a proposal from the Developer/Consortium to project manage and superintend the undertaking of the required remediation works.

On 2 December 2006, the Minister for Infrastructure agreed to waive the requirement for the Corporation to seek three competitive offers from consultants to act in the capacity of Project Manager and Works Superintendent for the remediation of project land within Precincts 2 and 8 for the Port Adelaide Waterfront Redevelopment and to allow the direct engagement of the Developer/Consortium (or an entity related to the Consortium) to undertake these works on the terms proposed and approved by the Board of the Corporation.

Relevant Audit Matters Raised with the Corporation

Termination of the tender process for the appointment of a Remediation Project Manager

Audit raised concern with the basis of the termination of the tender process for the appointment of a Remediation Project Manager. On 27 August 2007, the Corporation advised that the engagement of NQPM as remediation project manager for Precinct 2A occurred as a result of the Developer/Consortium exercising their contractual rights under clause 20.7.5 of the PDA. The Corporation further advised, that it had sought oral legal advice at the time of its decision to engage NQPM to confirm the nature of these contractual rights and that it had now obtained written legal advice which confirmed this initial oral advice.

Audit's analysis of clause 20.7.5 of the PDA indicates this clause provides both the Developer/Consortium with a right to propose that the Consortium or a member of the Consortium or an entity related to a member of the Consortium be appointed as the Remediation Works Contractor if the terms of the proposed contract are acceptable to the Corporation.

This clause refers only to the appointment of a 'Remediation Works Contractor'. The PDA defines 'Remediation Works Contractor' to be 'the person(s) engaged (pursuant to the Remediation Works Contract) to procure the undertaking and completion of Remediation of that Relevant Land in accordance with the terms of the Remediation Works Contract'.

Although the above definition is fairly broad, Audit notes that NQPM has been engaged by the Corporation to fulfil the role of Remediation Project Manager. This role is clearly distinguished by the Corporation from that of a Remediation Works Contractor in the agreement between the Corporation and NQPM. NQPM is required by its contract with the Corporation to coordinate, manage, monitor, superintend and report on the activities of a range of consultants including the Remediation Works Contractor. NQPM has been engaged to undertake an oversight management function. It has not been engaged by the Corporation to itself directly undertake the required remediation works.

The written legal advice provided to the Corporation which deals with the Corporation's ability to appoint the Consortium (or a related entity) as Remediation Project Manager notes that the PDA is silent on the issue of the Corporation engaging the Developer/Consortium (or a related entity) to act as the Corporation's Remediation Project Manager. This advice also notes that the Developer/Consortium (or a related entity) had previously advised the Corporation that it was not prepared to be engaged as the 'Remediation Works Contractor' as contemplated by clause 20.7 of the PDA.

The Invitation process undertaken by the Corporation which led to the identification of the preferred tenderer, was for the provision of remediation project management services and not for the engagement of a remediation works contractor.

Audit Comment

In my opinion, the Corporation's view that the PDA provided a legal obligation on the Corporation to engage the Developer/Consortium or related entity as the Remediation Project Manager (and as a result terminating the open tender process) is not sustainable. Having considered the concern raised by Audit, the Corporation has advised that it has now sought advice from the Crown Solicitor's Office as to the appropriate interpretation of clause 20.7 of the PDA, for the purposes of dealing with the engagement of remediation project managers by the Corporation for the remediation of future precincts within the Project.

The Corporation's Evaluation of NQPM as Remediation Project Manager

The Corporation's Invitation to Submit a Proposal for Project Management Services for the Port Adelaide Waterfront Redevelopment Precinct 2A placed specific emphasis on the technical capacity of the Project Manager to be appointed.

The Corporation has advised Audit that in it's view the technical and commercial criteria that were adopted for the Invitation process were irrelevant to an assessment of NQPM's capacity to undertake the required services as they were inconsistent with the overriding requirement of the PDA which obliged the Corporation to appoint NQPM subject only to being satisfied with the terms of the proposed contract proposed by NQPM. For the reasons set out above, Audit is of the opinion that the PDA is not relevant to this issue.

The Corporation has also advised Audit that notwithstanding the Corporation's interpretation of the PDA it nevertheless did satisfy itself as to the ability of NQPM to undertake the required services through detailed discussions and presentations.

The Corporation has not been able to provide Audit with any documented records of these discussions and presentations. Further, the Corporation has acknowledged that documentation of these discussions and assessments was inadequate and as a result, measures have been put in place to ensure the documenting of all substantive remediation discussions in future.

NQPM was not registered as a company until 7 March 2007. This was several months after the Corporation's decision to abandon the open Invitation process and appoint NQPM. It was not possible for the Corporation to form an assessment of NQPM's capacity to provide the required services when that company did not exist at the time the assessment was initially made. Any assessment must accordingly have been based on representations which were made to the Corporation by the intended shareholders of NQPM. Audit notes that the parent companies of these shareholders are the Consortium members for the Port Adelaide Waterfront Redevelopment Project.

Audit Comment

In my opinion the Corporation should have fully documented its consideration of the decision to appoint NQPM to provide the Remediation Project Manager and Works Superintendent services.

Preparation of Acquisition Plan, Evaluation Plan and Probity Policy and Statement

No Acquisition and Evaluation Plans or Probity Policy and Statements were prepared by the Corporation in respect of the open Invitation process. The development of an Acquisition Plan before going to tender would have assisted the Corporation by defining the service to be procured, the timing of the process, a risk analysis of the procurement process and, importantly, identified any need to negotiate with the Developer/Consortium for the provision of the required services.

The development of a Tender Evaluation Plan provides assurance that the evaluation process is undertaken in a structured, methodical and defensible framework, and in an unbiased and impartial manner in accordance with the criteria advised to tenderers.

The Corporation's Procurement Policy 04/20 requires the completion of a Probity Statement and Plan for procurements exceeding $1.1 million unless a specific exemption is granted by the Corporation's Chief Executive.

Audit Comment

I am of the opinion, that the Corporation should have prepared an Acquisition Plan, Tender Evaluation Plan and Probity Statement and Plan for the Invitation process. I am also of the opinion that when assessing the application of Procurement Policies the maximum contract value should have been used.

Conflict of Interest

Audit has been advised by the Corporation that a director of the Developer and an employee of the Consortium for the Port Adelaide Waterfront redevelopment Project participated in the Corporation's Remediation Sub-Committee which considered proposals lodged in response to the Corporation's Invitation to submit a Proposal for Project Management Services.

The Corporation has advised that it was required by the PDA to involve representatives of the Developer/Consortium in this Committee.

The Corporation should have considered the possibility of conflict of interest arising from the involvement of the Consortium's representatives on the Remediation Sub-Committee which evaluated the tenders. This should have been done before proceeding to appoint the Consortium as the Remediation Project Manager.

Audit Comment

I am of the opinion that the Corporation should have confirmed whether the Developer/Consortium would seek to be appointed as the Remediation Project Manager prior to the initiation of any tender process. The Corporation advises that it ideally should have obtained written clarification from the Developer/Consortium prior to commencing the tender process. The Corporation has also advised, that it intends to clarify this issue with the Developer/Consortium, prior to undertaking any future procurement process for the engagement of any function that could reasonably be defined within the PDA, to be a class of the Remediation Works Contractor for the remediation of future precincts in the Project.

Legal Advice

The Corporation sought oral legal advice to confirm the legal position in relation to the Developer/Consortium's purported contractual rights under the PDA to undertake the role of Remediation Project Manager. The Corporation has not provided copies of any notes taken of this advice

On 17 April 2007, the Corporation obtained written advice from its legal adviser seeking confirmation of the earlier oral advice. This written advice noted, that the PDA was silent in respect of the issue of the Corporation appointing the Developer/Consortium (or related entity) as Remediation Project Manager and observed that the issue arose as a result of Newport Quays Pty Ltd not being prepared to take on the role of Remediation Works Contractor.

The Corporation did not seek legal advice on the lawfulness or propriety of its decision to cancel the open Invitation tender process after the selection of a preferred tenderer.

Audit Comment

I am of the opinion, that the Corporation should have documented the oral legal advice it first obtained and ensured that this legal advice dealt with the Corporation's right to cancel the open Invitation tender process and to instead appoint NQPM. I am also of the opinion that the legal advice, when provided to the Corporation in writing, did not provide any confirmation of the Developer/Consortium's purported contractual right under the PDA to be appointed to undertake the role of Remediation Project Manager.

Ministerial and Board Approval

The Corporation submitted a Minute to the Minister requesting his consent to waive the requirement to seek three competitive quotes. The Minute notes that the proposal to engage NQPM as Remediation Project Manager is not inconsistent with the intent of the PDA with respect to the Developer/Consortium's entitlement to nominate to act as Remediation Works Contractor. The Minute also observes that legal advice to the Corporation has indicated that the appointment of NQPM in this capacity was not precluded under the PDA.

The Minute does not however contain any discussion of any risks (legal or probity) associated with the decision to cancel the open Invitation tender process in favour of a decision to appoint NQPM.

The Agenda paper presented to the Board of the Corporation in favour of the appointment of NQPM and the abandonment of the open Invitation tender process is drafted in similar terms.

Audit Comment

I am of the opinion, that the Corporation's Minute to the Minister for Infrastructure and the Corporation's Board paper were incomplete in not fully explaining the legal and probity risks associated with the cancellation of the open Invitation tender process in favour of a decision to directly appoint NQPM.

Conclusion

The review of the appointment of the Remediation Project Manager has identified specific instances of non-compliance with the Corporation's own policies and procedures which, when considered together, highlight the need for the Corporation to review its own compliance review arrangements. The Corporation has advised remedial actions in response to audit findings. Of overriding concern is that the Corporation did not document the matters they considered in deciding to terminate the tender process in favour of appointing NQPM. The matters which were not appropriately documented included whether the Developer/Consortium (or related entity) had a right to require its appointment as Remediation Project Manager and the Corporation's capacity to cancel the procurement process in the circumstances.

The Corporation's ongoing relationship with the Developer/Consortium, including the complexity of arrangements for sharing project risks and rewards, increase the need for the Corporation to ensure its decision making processes, and the matters considered in those processes, are transparent and accountable. Compliance with the Corporation's policies and the preparation of appropriate documentation will also enable the Corporation to demonstrate that its interaction with the Developer/Consortium, is at all times consistent with appropriate public sector procurement and probity standards.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

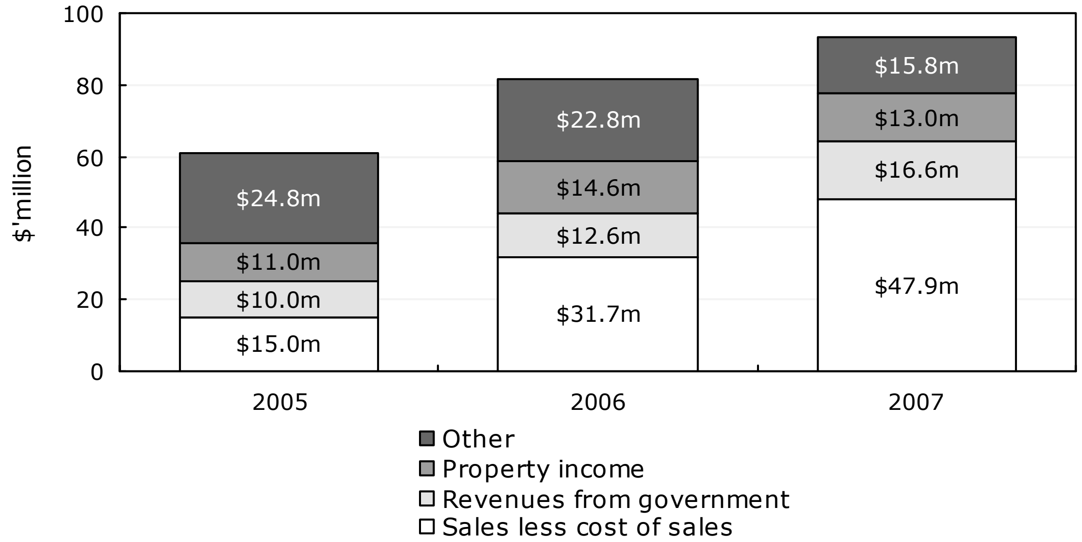
	2007 $'million	2006 $'million	Percentage Change
INCOME			
Sales less cost of sales	**47.9**	31.7	51
Revenues from Government	**16.6**	12.6	32
Property income	**13.0**	14.6	(11)
Other income	**15.8**	22.8	(31)
Total Income	**93.3**	81.7	14
EXPENSES			
Employee benefits expense	**7.7**	6.8	13
Finance costs	**5.0**	5.7	(12)
Contractors and consultants	**4.5**	2.3	96
Write down of inventory held-for-sale	**0.3**	3.7	(92)
Other expenses	**19.0**	17.8	7
Total Expenses	**36.5**	36.3	1
Profit before Income Tax Equivalent	**56.8**	45.4	25
Income tax equivalent expense	**17.0**	13.6	25
Net profit after Income Tax Equivalent	**39.8**	31.8	25
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(26.8)**	30.5	(12)
ASSETS			
Current assets	**42.5**	28.0	52
Non-current assets	**224.1**	175.9	27
Total Assets	**266.6**	203.9	31

	2007 **$'million**	2006 $'million	Percentage Change
LIABILITIES			
Current liabilities	**117.0**	55.5	111
Non-current liabilities	**46.3**	48.4	(4)
Total Liabilities	**163.3**	103.9	57
EQUITY	**103.3**	100.0	3

Income Statement

Income

The following chart shows the changing composition of the Corporation's income over the past three years.



The chart shows that income from Sales less cost of sales has increased significantly by $32.9 million (219 percent) compared to 2004-05 reflecting the impact of the Corporation's total land sales.

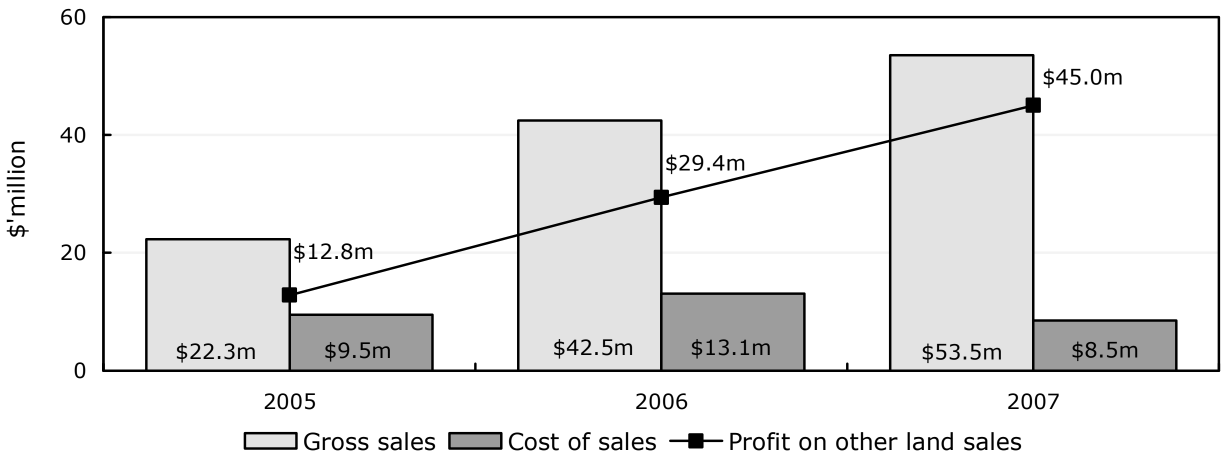
The Corporation's total land sales resulting from the following two areas of operation are analysed below.

Joint Venture Land Sales

Gross Sales of land through Joint Venture entities, to which the Corporation is party, increased slightly by $70 000 to $3.5 million in 2006-07. Cost of sales amounted to $600 000 resulting in an increase in Profit in land sales to $2.9 million.

Other Land Sales

The following chart shows the value of other land sales by the Corporation over the last three years.



Analysis of the composition of other land sales identified that the:

- material land sales in 2006-07 occurred in LeFevre, Port Adelaide Waterfront, Edinburgh Parks and Seaford and totalled $47.0 million;

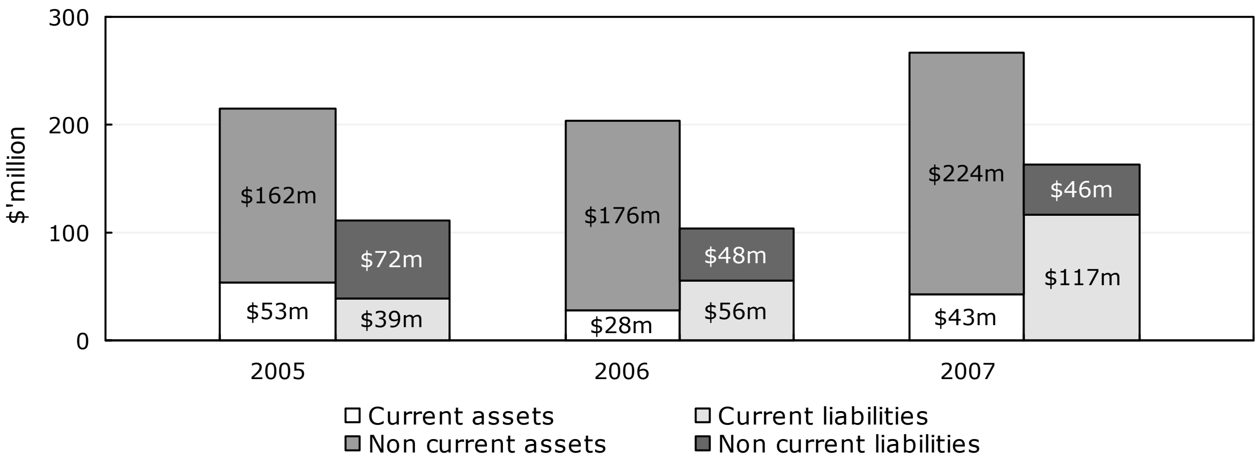
- material land sales in 2005-06 occurred in Darlington, Huntfield Heights, Port Waterfront, Penfield, Edinburgh Parks and Seaford and totalled $41.8 million;

- material land sales within 2004-05 occurred in Darlington, Huntfield Heights, Lonsdale and Seaford and totalled $11.7 million.

The majority of the land sold by the Corporation in 2006-07 was 71 percent industrial and 21 percent broad hectare land for residential development compared with 45 percent industrial land and 55 percent broad hectare land during 2005-06. The majority of the land released in 2004-05 was industrial in nature.

Balance Sheet

A structural analysis of assets and liabilities for the three years to 2007 is shown in the following chart.



The Corporation's net assets increased in 2006-07 by $3.3 million to $103.3 million.

Assets

The Corporation's total assets increased by $62.8 million to $266.6 million reflecting:

- an increase in Inventories of $23 million mainly relating to development costs associated with Lochiel Park, Port Adelaide Waterfront Redevelopment and Marina Adelaide;
- an increase in Investment Properties of $8.9 million that relates to land and building purchases;
- an increase in Works in Progress of $36 million relating mainly to the cost incurred to date for Premises SA construction projects.

Liabilities

The Corporation's total liabilities increased by $59.5 million to $163.3 million which is due mainly to an increase in Interest Bearing Liabilities of $58.9 million reflecting:

- loans with South Australian Government Financing Authority relating to Premises SA projects which increased by $30 million to fund construction costs incurred by the Corporation;

- a new loan of $29 million with South Australian Government Financing Authority to assist with funding the 2006-07 Corporation activities.

Asset Valuations

Land held-for-resale is recognised in the Balance Sheet at the lower of cost or net realisable value in accordance with AASB 102.

In recognition that the market value is materially greater than the recorded book value, the Corporation have disclosed, by note to the financial statements (refer Note 2.7), the estimated market value of $506.6 million ($503.5 million) with respect to land held for sale as at 30 June 2007, based on the 30 June 2006 valuations and taking into account additions and disposals.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held for sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or future property market conditions.

Cash Flow Statement

The following table summarises the net cash flows for the two years to 2007.

	2007	2006
	$'million	$'million
Net Cash Flows		
Operations	**(26.8)**	30.6
Investing	**3.8**	6.1
Financing	**22.3**	(53.8)
Change in Cash	**(0.5)**	(17.1)
Cash at 30 June	**16.9**	17.4

The analysis of cash flows shows that the Corporation's cash reserves have decreased slightly between 2006-07 and 2005-06. The reason for the significant net cash outflows from operating activities is associated with the increase in payments for works in progress and land purchase and development. The reason for the significant increase in net cash inflows from financing activities is associated with the increase in proceeds from increased borrowings.

The Corporation has also made dividend payments to the South Australian Government in 2005-06 and 2006-07 of $35.7 million and $36.4 million respectively.

FURTHER COMMENTARY ON OPERATIONS

Mawson Lakes Government Infrastructure Project

As part of the joint venture arrangements for the Mawson Lakes Economic Development Project, the State Government committed to infrastructure works in July 1997 under a project commitment deed. The deed committed the State Government, through a number of government agencies (ie Department for Transport, Energy and Infrastructure, Planning SA, Department of Education and Children's Services and Land Management Corporation), to deliver specified infrastructure.

The Corporation's obligations, under the original project commitment deed, amounted to $17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is $1.6 million (in current dollars) to be spent in the next two years. It is anticipated the Corporation will have satisfied all its obligations under the commitment deed by the end of 2008-09. This is later than previously scheduled due to a review of program requirements to integrate with other components of the Joint Venture project. The infrastructure works to be completed are drainage and landscaping in nature.

To date the Corporation has spent a total of $21.1 million meeting the Government's obligations on Mawson Lakes infrastructure.

Port Adelaide Waterfront Redevelopment

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project of waterfront land at Port Adelaide. In June 2002 the Board endorsed the selection of the Newport Quays Consortium.

The Corporation and Newport Quays Consortium signed the Development Agreement in October 2004.

In September 2004 the Board endorsed in-principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In July 2005, Cabinet approval was obtained to proceed with the Marina Joint Venture.

During 2005-06 the Corporation lodged an application with the Development Assessment Commission for the first stage of the remediation program. Precinct 1 was remediated and transferred to the Consortium in March 2006, and remediation and civil works commenced on Precinct 2.

During 2006-07 a number of activities relating to the Port Adelaide Waterfront Redevelopment were undertaken including:

- Remediation works for Precinct 2A Marina Cove which reached practical completion in June 2007, with four of the six Precinct 2A land areas transferred to the Consortium.
- Remediation planning for Precinct 8 was completed and a Development Application to undertake remediation works was lodged with the Development Assessment Commission.
- Remediation planning for Precincts 2B and 2C have commenced with a Development Application to undertake remediation works expected to be lodged with the Development Assessment Commission in November 2007.

In addition, during 2006-07 the Corporation formed an unincorporated joint venture for the development of marinas to be marketed and sold in conjunction with the Port Adelaide Waterfront Redevelopment residential allotments. A master plan for the development of 552 marina berths was approved by the Development Assessment Commission in February 2007.

Construction of the 61 berth Precinct Edgewater Marina was completed in July 2007. Marketing and sales of the 99 berth Precinct 2A Marina Cove South development commenced in August 2006.

The Corporation's obligations under the Development Agreement amount to $41.861 million (in 2004 dollars) over the life of the agreement. The Corporation's most recent forecast of spending in the next 12 months under the arrangement is estimated at $8.5 million (in current dollars).

Industrial Commercial Premises

The Corporation's financial statements record the write-downs each year since 2004-05 in the value of industrial premises built for the Southern Foods Group Pty Ltd under the Industrial and Commercial Premises Scheme.

The cost of the development at that time was $11.3 million and the company was required to pay a deposit of $1 million. The Department of Trade and Economic Development provided $500 000 to the company to assist it in paying this deposit.

The new premises were completed in May 2004. In April 2005 the company defaulted on its obligations and by June 2005 the company initiated the appointment of a receiver and manager by its bank.

As at 24 September 2007, the premises were sold for a price of $2.25 million (GST exclusive).

Income Statement
for the year ended 30 June 2007

	Note	**2007** **$'000**	2006 $'000
INCOME:			
Sales	4	**56 975**	45 291
Less: Cost of sales		**9 098**	13 600
Gross Profit		**47 877**	31 691
Share of net profits of joint venture entities	5.1	**10 382**	7 910
Revenues from government	6	**16 619**	12 616
Interest	3,4	**3 233**	5 003
Property income		**13 013**	14 587
Other income		**1 832**	4 329
Gain resulting from change in fair value of investment properties	2.10,14	**394**	5 535
Total Income		**93 350**	81 671
EXPENSES:			
Land tax		**8 526**	6 959
Property expenditure		**5 898**	6 957
Contractors and consultants		**4 530**	2 322
Employee benefits expense	27	**7 738**	6 673
Accommodation		**517**	468
Finance costs	3	**5 039**	5 729
Depreciation	3	**385**	304
Other expenditure		**3 657**	3 187
Write down of inventory held for resale	2.7	**250**	3 698
Total Expenses		**36 540**	36 297
PROFIT BEFORE INCOME TAX EQUIVALENT		**56 810**	45 374
Income tax equivalent expense	8	**17 044**	13 614
NET PROFIT AFTER INCOME TAX EQUIVALENT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**39 766**	31 760

Balance Sheet
as at 30 June 2007

	Note	2007 $'000	2006 $'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	25	**16 878**	17 419
Mortgage debtor receivables	10	**2 835**	2 930
Other receivables	11	**1 556**	1 156
Inventories	12	**21 229**	6 391
Prepayments	13	**45**	41
Total Current Assets		**42 543**	27 937
NON-CURRENT ASSETS:			
Mortgage debtor receivables	10	**16 601**	19 218
Inventories	12	**62 866**	54 741
Investment property	14	**87 285**	78 411
Plant and equipment	15	**1 307**	1 493
Work in progress	16	**36 224**	200
Investment in joint venture entities	5.1	**19 824**	21 858
Total Non-Current Assets		**224 107**	175 921
Total Assets		**266 650**	203 858
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	17	**27 979**	23 877
Tax liabilities	8,19	**8 544**	12 356
Interest bearing liabilities	18	**79 989**	18 930
Employee benefits	20.1	**467**	335
Total Current Liabilities		**116 979**	55 498
NON-CURRENT LIABILITIES:			
Payables	17	**592**	578
Interest bearing liabilities	18	**44 888**	47 071
Employee benefits	20.1	**876**	723
Total Non-Current Liabilities		**46 356**	48 372
Total Liabilities		**163 335**	103 870
NET ASSETS		**103 315**	99 988
EQUITY:			
Retained earnings		**103 315**	99 988
TOTAL EQUITY ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**103 315**	99 988
Operating lease commitments	21		
Capital expenditure commitments	22		
Contingent liabilities	23		

Statement of Changes in Equity
for the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
RETAINED EARNINGS:			
Balance at 1 July		**99 988**	103 376
Dividend paid or payable to the Treasurer	9	**(36 439)**	(35 686)
Net adjustments recognised directly in equity		**(36 439)**	(35 686)
Profit for the year after income tax equivalent		**39 766**	31 760
Balance at 30 June		**103 315**	99 450
Error correction	2.8	**-**	538
Restated balance at 30 June		**103 315**	99 988

Cash Flow Statement
for the year ended 30 June 2007

	Note	**2007 Inflows (Outflows) $'000**	2006 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from sales		**56 965**	45 301
Government transfers and subsidies received	6	**16 619**	12 616
Interest received		**676**	2 632
Receipts from mortgage debtors		**5 148**	4 934
Receipts from tenants		**12 755**	14 561
Recoveries and sundry receipts		**14 424**	14 917
GST receipts from taxation authority		**1 798**	797
Cash generated from Operations		**108 385**	95 758
CASH OUTFLOWS:			
GST payments to taxation authority		**(2 278)**	(3 884)
Payments for land purchase and development		**(31 460)**	(18 599)
Payments for work in progress (inventory)		**(35 397)**	(200)
Payments for salaries and related costs		**(7 414)**	(6 490)
Payments to suppliers		**(25 480)**	(22 686)
Land tax paid		**(7 471)**	(1 740)
Interest paid		**(4 826)**	(6 022)
Income tax equivalent paid	8	**(20 856)**	(5 584)
Cash used in Operations		**(135 182)**	(65 205)
Net Cash (used in) provided by Operating Activities	24	**(26 797)**	30 553
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Deposits received under ICPS (for investment property)		**372**	-
Capital repayments by joint venture entities		**3 575**	4 750
Distributions of profit by joint venture entities		**13 650**	5 150
Proceeds from sale of investment property, plant and equipment		**-**	1 734
Cash generated from Investing Activities		**17 597**	11 634
CASH OUTFLOWS:			
Capital contributions to joint venture entities	5.1	**(4 808)**	(4 933)
Additions to investment property		**(8 480)**	(336)
Purchase of plant and equipment		**(200)**	(226)
Payments for work in progress (for investment property)		**(291)**	-
Cash used in Investing Activities		**(13 779)**	(5 495)
Net Cash provided by Investing Activities		**3 818**	6 139
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**64 408**	-
Cash generated from Financing Activities		**64 408**	-
CASH OUTFLOWS:			
Repayment of borrowings		**(5 531)**	(18 124)
Dividends paid	9	**(36 439)**	(35 686)
Cash used in Financing Activities		**(41 970)**	(53 810)
Net Cash provided by (used in) Financing Activities		**22 438**	(53 810)
NET DECREASE IN CASH HELD		**(541)**	(17 118)
CASH AT 1 JULY		**17 419**	34 537
CASH AT 30 JUNE	25	**16 878**	17 419

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the PCA. The Corporation is a Body Corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of seven members appointed by the Minister (refer Note 28.1).

Pursuant to a proclamation in the South Australian Government Gazette on 23 October 2003 and effective from 1 December 2003, the assets and liabilities of the Industrial and Commercial Premises Corporation were transferred to and vested in or attached to the Corporation, and the Public Corporations (Land Management Corporation) Regulations 1997 were amended to include the functions of the dissolved Industrial and Commercial Premises Corporation.

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under PCA:

(aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme;

(a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown;

(b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
- (i) managing the release of large areas of undeveloped (or under-developed) land;
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes;
- (iii) ensuring the orderly development of areas through the management and release of land, as appropriate;

(c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister;

(d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park;

(e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to facilitate economic development;

(f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown;

(g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes;

(h) To carry out other functions conferred on the Corporation by the Minister.

2. Statement of Significant Account Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provision of the PFAA.

Statement of Compliance

AASs include AIFRS and AAS 29. The Corporation has early-adopted the amendments to AASB 101.

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

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

The preparation of the financial report requires:

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

- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in this financial report:

Statement of Compliance (continued)

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

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

(c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees.

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

Changes in Accounting Policies

Except for the amendments to AASB 101, which the Corporation has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the reporting period ended 30 June 2007. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial report of the Corporation.

2.2 Comparative Figures and Rounding

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

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

2.3 Project Expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

2.4 Employee Benefits

The financial report includes accruals for employee benefits arising from services rendered by employees up to balance date. Related on-costs have been included in the determination of these liabilities. However, in accordance with the Treasurer's APF IV the related on-costs are included in payables. The aggregate of employee benefits is disclosed at Note 20.2.

(i) *Annual Leave*

A liability has been recorded for the unused component of annual leave as at balance date. The liability has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation rate of 3 percent (3 percent) has been applied and the liability is expected to be settled within 12 months.

(ii) *Sick Leave*

As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(iii) *Long Service Leave*

A liability for long service leave has been accrued as at balance date in accordance with AASB 119. The short-hand method of determining the long service leave entitlements has been adopted and a liability has been recognised for all employees with six and a half or more years of service (seven or more years), being the benchmark number of years as determined by the Department of Treasury and Finance.

(iv) *Superannuation*

Salaries and related payments include the following superannuation contributions paid by the Corporation:

(a) During the reporting period, the Corporation paid $403 000 ($314 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Corporation's employees. The Corporation does not record a liability for the value of superannuation payments to be made to employees at preservation age, as this liability is recorded by the South Australian Superannuation Board;

(b) In relation to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled $505 000 ($425 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

2.5 Revenue Recognition and Cost of Sales

(i) Inventories - Land Held for Resale

Sales revenue in respect of land made available to the Mawson Lakes Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Mawson Lakes Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

(ii) Work in Progress

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost (refer Note 2.7(ii)).

2.6 Interests in Joint Venture Entities

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Balance Sheet as Investment in Joint Venture Entities. The Corporation's share of net profit from joint venture entities is included as revenue in the Income Statement as Share of Net Profits of Joint Venture Entities. Details of the Corporation's interests in joint venture entities are shown in Note 5.

2.7 Inventories

(i) Land Held for Resale

Land held for resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation (refer Note 1) land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes.

For the year ended 30 June 2006 the Corporation obtained an independent valuation of its entire inventory of land which resulted in certain land holdings being written down to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer Note 12). The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market. The valuation as at 30 June 2006 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time that a land parcel is sold.

The Corporation has recognised land inventory within the Balance Sheet in accordance with AASB 102, however, the fair value of inventory held at 30 June 2007, based on the June 2006 valuations and taking into account additions and disposals, was $506.6 million ($503.5 million).

(ii) Construction Projects Held for Resale

Construction projects held for resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

During the previous reporting period the carrying value of construction projects held for resale was assessed by the Directors and where the carrying value differed materially from the Directors' assessment of fair value, an adjustment to the carrying value was recorded as appropriate. In determining fair value, the Directors considered general market conditions along with advice from an independent expert with knowledge of the market for the type of property under consideration.

2.8 Mortgage Debtor and Other Receivables

Receivables include amounts receivable from trade, prepayments and other accruals. Mortgage debtor receivables arise in the normal course of administering deferred purchase agreements to the public and to other agencies. Trade and mortgage debtor receivables are generally receivable within 30 days after the issue of an invoice provided under a contractual arrangement.

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

An amount of $538 561 has been written back from the provision for doubtful debts in the Corporation's 2005-06 comparatives, as it was in the nature of a general provision, which is not allowable under AASB 136, rather than a specific provision.

2.9 Work in Progress

(i) Construction Projects in Progress

Expenditure associated with the construction of projects held for resale is capitalised as work in progress as incurred, in accordance with Note 2.3 (refer Note 16). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

(ii) Deposits Received

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Industrial Premises Development Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

2.10 Investment Property

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the Income Statement in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used.

2.11 Plant and Equipment

Plant and equipment is recognised at cost or fair value less, where applicable, any accumulated depreciation or amortisation (refer Note 15). The depreciable amounts of all plant and equipment assets are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable asset are:

	Percent
Plant and equipment	20
Furniture and fittings	10
Computer equipment	33

2.12 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 Corporation.

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

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

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

2.13 Finance Costs
Finance costs are expensed in the reporting period in which they are incurred.

2.14 Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Corporation has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Corporation has entered into operating leases but no finance leases during the financial year.

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

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

2.15 Guarantees and Indemnities
The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Industrial and Commercial Premises Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.16 Taxation
In accordance with TI 22, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period (refer Note 8).

The Corporation is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

2.17 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.

2.18 Financial Risk Management
The Corporation is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk. Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at Treasury and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

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

2.18 Financial Risk Management

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Corporation in its present form, and with its present segments/services, is dependent on SA Government policy and on prevailing conditions in the property market, and on continuing appropriations from Parliament to maintain the Corporation's community service programs.

2.19 Cash Assets

Cash assets in the Balance Sheet includes cash at bank, cash on hand, and cash held in trust accounts. For the purposes of the Cash Flow Statement, cash consists of cash as defined above.

Cash is measured at nominal value.

2.20 Interest Rate Risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

2.21 Revenues from SA Government

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

2.22 Prior Period Adjustments

The Corporation recognised prior period adjustments from the reversal of the provision for doubtful debtors associated with Industrial and Commercial Premises Scheme facilities and the Corporation's general debtors balances.

3. Profit

	2007	2006
(a) Profit before income tax equivalent has been determined after:	**$'000**	$'000
(i) Charging as Expenses		
Finance Costs consisting of:		
Interest expense	**4 919**	5 570
Guarantee fees	**109**	74
Loan break costs	**-**	64
Indemnity margin	**11**	21
Depreciation of:		
Plant and equipment	**385**	304
Bad and doubtful debts (refer Note 7)	**-**	10
Rental expense on operating leases	**550**	575
Transfer to (from) employee benefits	**251**	169
(ii) Crediting as Income		
Interest Received or Receivable on:		
Cash balances	**625**	2 588
Mortgage debtors	**2 608**	2 415
Net gain on disposal of plant and equipment	**-**	662
(b) Profit before income tax equivalent has been determined after charging as expenses the following supplies and services provided by entities within the SA Government:		
Land tax	**8 526**	6 959
Property expenditure	**517**	834
Contractors and consultants	**131**	222
Accommodation	**353**	255
Finance costs	**5 039**	5 729
Other expenditure	**613**	611
Total Supplies and Services provided by Entities within the SA Government	**15 179**	14 610

4. Revenue

(a) Sales Revenue

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	**2007**	2006
Land Sales to:	**$'000**	$'000
Joint ventures	**3 520**	2 782
Entities within SA Government	**22 709**	195
Other	**30 746**	42 314
Total Sales Revenue	**56 975**	45 291

(b) *Other Revenue*

	2007	2006
Other revenue comprises:	**$'000**	$'000
Revenue received/receivable from Entities within the SA Government:		
Interest received	**756**	2 577
Rent and other property income received	**465**	508
Revenues from government (refer Note 6)	**16 619**	12 616
Recoveries and sundry income	**310**	428
Total Other Revenue from SA Government Entities	**18 150**	16 129
Revenue received/receivable from Entities External to the SA Government:		
Interest received	**2 477**	2 426
Rent and other property income received	**12 548**	14 079
Share of net profit of joint venture entities (refer Note 5)	**10 382**	7 910
Net gain on disposal of investment property, plant and equipment	**-**	666
Recoveries and sundry income	**1 522**	3 235
	26 929	28 316
Add: Gain resulting from change in fair value of investment properties	**394**	5 535
Total Other Revenue from Entities external to the SA Government	**27 323**	33 851
Total Other Revenue	**45 473**	49 980

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint venture entities of $10 382 000 for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	2007	2006
	$'000	$'000
Revenues	**29 336**	24 979
Expenses	**(18 954)**	(17 069)
Profit from Ordinary Activities	**10 382**	7 910

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital Contributions and Acquisition of Additional Interest:		
Balance at 1 July	**183**	-
Contributions during the reporting period	**4 808**	4 933
Repayments during the reporting period	**(3 575)**	(4 750)
Balance at 30 June	**1 416**	183
Share of Accumulated Profits:		
Balance at 1 July	**21 676**	18 915
Profit for the reporting period	**10 382**	7 910
Distribution of profit to the Corporation during the reporting period	**(13 650)**	(5 150)
Balance at 30 June	**18 408**	21 675
Total Carrying Amount of Investment in Joint Venture Entities	**19 824**	21 858

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

Current Assets:		
Cash	**3 429**	1 337
Receivables	**2 633**	1 703
Inventories	**7 621**	10 837
Development property	**7 106**	-
Prepayments	**25**	68
	20 814	13 945
Non-Current Assets:		
Inventories	**3 295**	3 593
Property, plant and equipment	**515**	618
Property held for sale	**-**	7 096
	3 810	11 307
Total Assets	**24 624**	25 252
Current Liabilities:		
Creditors and borrowings	**4 278**	3 357
Non-interest bearing liabilities	**42**	37
	4 320	3 394
Non-Current Liabilities:		
Interest bearing liabilities	**480**	-
	480	-
Total Liabilities	**4 800**	3 394
Net Assets	**19 824**	21 858

5.2 *Northfield Stage 3 Joint Venture*

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of Canberra Investment Corporation Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The project is required to achieve a number of Paramount Development Objectives established by the Government, including the provision of a wide diversity of housing allotments and 15 percent of sites for high-needs and affordable housing.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture the land for development and receive progressive land payments as development proceeds. The joint venture has a forecast six year timeframe.

5.3 *Mawson Lakes Economic Development Project*

On 10 July 1997 documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at the Levels. This project comprises residential, retail and industrial accommodation to be developed over a ten to twelve year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the SA Government.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project.

5.4 *Empak Homes Joint Venture*

The Corporation has a 50 percent interest in a joint venture with Mt Gambier developer/builder, Empak Homes. This involves the development of land at Bates Lane at Naracoorte and the creation of 31 residential allotments with the aim of providing affordable housing in the area. The land was acquired by the Corporation in June 2005 and is being developed in two stages. Stage 1 was completed in July 2006 and three display homes funded by the Joint Venture were completed in October 2006. Sales have been slower than expected. Stage 1 is currently being marketed and four contracts have been signed to date including the three display homes. Stage 2 is to be released when approximately 75 percent of Stage 1 is sold.

5.5 *SOHO Joint Venture*

The Corporation has a 50 percent interest in a joint venture with Holcon Australia Pty Ltd. This involves the environmentally sustainable, mixed use development of a parcel of lakefront land in Technology Park. The project will create 13 waterfront SOHO homes and 10 commercial offices over six stages with an anticipated timeframe of approximately three years. Under the terms of the Joint Venture Agreement, the Corporation will provide the land for development and receive progressive land payments as development proceeds. The project has received development plan consent from the City of Salisbury and the first stage is planned to commence early in July 2007.

5.6 *PWR Marina Joint Venture*

The Corporation has a 50 percent interest in a joint venture with Newport Quays Consortium, the developers of the Port Adelaide Waterfront Redevelopment. The Newport Quays Consortium comprises developers Urban Construct and Multiplex. The PWR Marina Joint Venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10-13 years.

Marina berths are being offered under leasehold arrangements, with the Corporation retaining ownership of the inner harbour (subjacent land). The Corporation will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. The Corporation will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

6. Revenues from Government

	2007	2006
Government transfers/subsidies received during the reporting period are as follows:	**$'000**	$'000
Land tax transfer received from Department of Treasury and Finance, Administered items	**6 750**	6 559
Recurrent transfer received from Department of Treasury and Finance, Administered items	**5 962**	2 926
Capital transfer received from Department of Treasury and Finance, Administered items	**3 131**	3 131
State Government subsidies	**776**	-
	16 619	12 616

7. Bad and Doubtful Debts Expense

	2007	2006
Transfer to Provision for Doubtful Debts:	**$'000**	$'000
Trade debtors	**-**	10
Total Bad and Doubtful Debts Expense	**-**	10

8. Tax Equivalents

In accordance with TI 22 issued under the PFAA, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30 percent) be applied to the profit for the reporting period. The income tax equivalent paid or payable for the reporting period was $17 042 000 ($13 614 000).

	2007 $'000	2006 $'000
Income tax equivalent paid in respect of the profit for the reporting period	**8 500**	1 258
Provision for income tax equivalent in respect of profit for the reporting period (Refer Note 19)	**8 544**	12 356
Total Income Tax Equivalent Expense per the Income Statement	**17 044**	13 614

The total income tax equivalent paid during the reporting period was as follows:

Income tax equivalent paid in respect of the profit for the reporting period	**8 500**	1 258
Balance of income tax equivalent paid in respect of the previous reporting period	**12 356**	4 326
Total Income Tax Equivalent paid per the Cash Flow Statement	**20 856**	5 584

9. Dividends

Pursuant to Regulations under the PCA, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that total dividends of $36 439 000 ($35 686 000) be paid in respect of the reporting period. The total dividend paid in respect of the previous reporting period included a special dividend of $8 364 000.

10. Mortgage Debtor Receivables

	2007	2006
Current:	**$'000**	$'000
Mortgage debtor receivables	**2 835**	4 110
Provision for doubtful debts	**-**	(1 180)
	2 835	2 930
Non-Current:		
Mortgage debtor receivables	**16 601**	19 218
Provision for doubtful debts	**-**	-
	16 601	19 218
Total Mortgage Debtor Receivables	**19 436**	22 148

11. Other Receivables

Current:		
Trade and other debtors[(a)]	**1 565**	1 156
Provision for doubtful debts	**(9)**	-
Total Trade and Other Debtors	**1 556**	1 156

(a) Included in this balance are receivables from SA Government entities totalling $400 000 ($103 000).

12. Inventories

Current:		
Cost of acquisition	**3 636**	2 293
Development cost capitalised	**17 593**	4 098
	21 229	6 391
Non-Current:		
Cost of acquisition	**33 511**	35 816
Development cost capitalised	**29 355**	18 925
	62 866	54 741
Total Inventories [(a)]	**84 095**	61 132

(a) This balance incorporates a write down of $250 000 in the current reporting period ($3 698 000) (refer Note 2.7(i)).

13. Prepayments

Current:		
Prepayments	**45**	41
Total Prepayments	**45**	41

14. Investment Property

	2007	2006
Investment Property at Fair Value:	**$'000**	$'000
Freehold land at fair value:		
Independent valuation - 2006	**-**	23 511
Independent valuation - 2007	**30 985**	-
	30 985	23 511
Buildings at Fair Value:		
Independent valuation - 2006	**-**	54 900
Independent valuation - 2007	**56 300**	-
	56 300	54 900
Total Investment Property	**87 285**	78 411

Movements in Carrying Amounts

	2007	2006
Freehold Land at Fair Value:		
Carrying amount at 1 July	**23 511**	21 130
Additions	**5 900**	-
Disposals	**-**	(390)
Gain on revaluation	**1 574**	2 771
Carrying Amount at 30 June	**30 985**	23 511
Buildings at Fair Value:		
Carrying amount at 1 July	**54 900**	52 480
Additions	**2 580**	336
Disposals	**-**	(680)
Gain on revaluation	**(1 180)**	2 764
Carrying Amount at 30 June	**56 300**	54 900
Total Carrying Amount at 30 June	**87 285**	78 411
Amounts Recognised in Profit and Loss:		
Rental Income	**11 162**	11 862
Direct operating expenses from property that generated rental income	**(3 725)**	(2 320)
Direct operating expenses from property that did not generate rental income	**(14)**	(12)
Total Amount recognised in the Profit and Loss	**7 423**	9 530

Valuation Basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arms length transactions, based on current prices in an active market for similar property. The valuations of investment properties have been performed by a panel of independent qualified valuers.

15. Plant and Equipment

	2007	2006
Plant and Equipment:	**$'000**	$'000
At cost	**3 860**	3 689
Less: Accumulated depreciation	**2 553**	2 196
Total Plant and Equipment	**1 307**	1 493

Movements in Carrying Amounts

	2007	2006
Plant and Equipment:		
Carrying amount at 1 July	**1 493**	368
Additions	**199**	1 429
Depreciation	**(385)**	(304)
Total Carrying Amount at 30 June	**1 307**	1 493

16. Work in Progress

Movements in Carrying Amounts

	2007	2006
Carrying amount at 1 July	**200**	-
Additions	**36 024**	200
Carrying amount at 30 June	**36 224**	200
Consists of:		
Construction projects in progress	**36 224**	200
Total Construction Projects in Progress	**36 224**	200

17. Payables

	2007	2006
Current:		
Trade creditors	**4 223**	4 002
Sundry creditors and accrued expenses	**23 756**	19 875
	27 979	23 877

17. Payables (continued)

	2007	2006
Non-Current:	**$'000**	$'000
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**92**	78
	592	578
Total Payables	**28 571**	24 455

The total includes liabilities payable to SA Government entities, comprising:

	2007	2006
Current:		
Trade creditors	**74**	415
Sundry creditors and accrued expenses	**17 771**	15 747
	17 845	16 162
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**53**	78
	553	578
Total Payables to SA Government Entities	**18 398**	16 740

18. Interest-Bearing Liabilities

	2007	2006
Current:		
Loans - South Australian Government Financing Authority(a)	**50 989**	18 930
Loans - South Australian Government Financing Authority(b)	**29 000**	-
	79 989	18 930
Non-Current:		
Loans - South Australian Government Financing Authority(a)	**35 158**	37 242
Loans - South Australian Government Financing Authority(b)	**9 730**	9 829
	44 888	47 071
Total Interest-Bearing Liabilities	**124 877**	66 001

(a) Comprises borrowings from the SAFA in respect of funding for industrial and commercial construction projects under the Industrial Premises Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Corporation.

19. Tax Liabilities

	Note	2007	2006
Current:		**$'000**	$'000
Income tax equivalent		**8 544**	12 356
Total Tax Liabilities		**8 544**	12 356

20. Employee Benefits

20.1 Total Employee Benefits

	Note	2007	2006
Current:			
Annual leave		**427**	295
Long service leave		**40**	40
		467	335
Non-Current:			
Long service leave		**876**	723
Total Employee Benefits		**1 343**	1058

20.2 Aggregate Employee Benefits and Related On-Costs

	Note	2007	2006
Accrued salaries and wages		**126**	108
Annual Leave - Current:			
Liability for employee benefits		**427**	295
On-costs included in payables	17	**38**	27
		465	322
Long Service Leave - Current:			
Liability for employee benefits		**40**	40
On-costs included in payables	17	**4**	4
		44	44
Long Service Leave - Non-Current:			
Liability for employee benefits		**876**	723
On-costs included in payables		**88**	74
	17	**964**	797
Aggregate Employee Benefits and Related On-Costs		**1 599**	1 271

21. Operating Lease Commitments

Operating Lease Receivables

Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:

	2007	2006
	$'000	$'000
Due not later than one year	**11 128**	8 952
Due later than one year but not later than five years	**10 583**	12 479
Due later than five years	**5 719**	13 214
Total Operating Lease Receivables	**27 430**	34 645

Operating Lease Payables

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

Payable not later than one year	**428**	480
Payable later than one year but not later than five years	**744**	1 190
Payable later than five years	**-**	20
Total Operating Lease Payables	**1 172**	1 690

These amounts comprise a property lease and leases for computer equipment and motor vehicles. The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Motor vehicles and computer equipment are leased over varying terms up to three years.

22. Capital Expenditure Commitments

Capital Expenditure Commitments arising from General Operations

At the reporting date the Corporation had capital expenditure commitments from general operations as follows:

	2007	2006
	$'000	$'000
Payable not later than one year	**42 446**	14 970
Payable later than one year but not later than five years	**1 087**	650
	43 533	15 620

The increase in capital expenditure commitments is the result of the Corporation commencing construction of the Inghams and Bio Innovation projects. As at 30 June 2007 commitments relating to the Inghams project were estimated to be $22 721 000 and $9 134 000 was committed in relation to the Bio Innovation project.

The balance of the commitments include $3 562 000 for the Largs North Marina project ($13 159 000 at 30 June 2006), $1 880 000 for Mawson Lakes Government Infrastructure, and various other projects.

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital Expenditure Commitments arising from Edinburgh Parks Acquisition

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase from DTED are summarised as follows:

Stage 0 Land and Buildings

The Corporation has an amount due and payable to DTED of $8 854 000 as part of ongoing contractual arrangements. This amount is included in the total of accrued expenses in the financial statements (refer Note 17). In addition an amount may be payable to DTED, representing 25 percent of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be $nil ($nil).

Stages 1 and 3

Assets included in stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to DTED and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	2007	2006
Stages 1 and 3 Land:	**$'000**	$'000
Payable not later than one year	**4 216**	760
Payable later than one year but not later than five years	**5 552**	8 074
	9 768	8 834

Stage 2 had previously been completed by the Department of Trade and Economic Development.

Capital Expenditure Commitments arising from Edinburgh Parks Acquisition (continued)
Stage 4 Onwards
On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below.

	2007	2006
Stage 4 Onwards Land:	**$'000**	$'000
Payable not later than one year	**829**	732
Payable later than one year but not later than five years	**5 130**	5 960
Payable later than five years	**1 712**	1 712
	7 671	8 404

Other Expenditure Commitments in respect of Edinburgh Parks
Other expenditure commitments at balance date were $2 126 000 payable within 12 months ($1 305 000).

Capital Expenditure Commitments Arising from the Port Adelaide Waterfront Redevelopment Project
Under the Project Development Agreement for the Port Adelaide Waterfront Redevelopment project, the Corporation may be required to pay up to $37 323 274 in remediation costs, with each precinct required to be remediated before its agreed construction commencement date. Remediation for precincts 1 and 2A had been completed by 30 June 2007. Precinct 2B works were underway at 30 June 2007, the value of which is included in the above table of capital expenditure commitments.

Further payments under this commitment are anticipated to total $21 255 000 payable by January 2010. These amounts have not been included in the above table.

23. Contingent Assets and Liabilities

Contingent Assets
The Corporation has indemnities from the DTED relating to various Industry Assistance packages totalling $11 200 000 as at 30 June 2007.

As at 30 June 2007, the Corporation has other contingent assets related to land acquisitions.

Contingent Liabilities
Mawson Lakes Joint Venture (refer Note 5.3)
Indemnity for letter of guarantee in favour of local and state government authorities.

The maximum liability amounts to $6 258 000 ($5 766 000).

	2007	2006
	$'000	$'000
The Corporation's contingent liability in respect of this amount is 50 percent	**3 129**	2 883

Port Adelaide Waterfront Redevelopment Project
Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement of October 2004, the Corporation has provided an initial performance bond of $5 million, issued by the SAFA in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in $1 million decrements over the development period proportionate to the remaining precincts to be developed.

The performance bond is part of mutual obligations as security for:

(i) the performance by the Corporation and the development consortium of their respective obligations pursuant to the Agreement;
(ii) the liability of either party upon termination pursuant to the Agreement.

Gillman
The Corporation, on behalf of the Minister for Infrastructure, is required to remove material from the Adelaide Airport site at West Beach. The Corporation has tendered this work and identified a preferred tenderer to transport this material to Gillman. The conduct of these works is contingent upon the preferred tenderer (Leed Engineering and Construction Pty Ltd) completing requisite documentation to the satisfaction of the Development Assessment Commission. The tendered cost of works is $2 500 000.

Other
The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

24. Cash Flows Reconciliation

	2007	2006
Reconciliation of Cash Assets:	**$'000**	$'000
Cash Flow Statement	**16 878**	17 419
Balance Sheet	**16 878**	17 419

Reconciliation of Profit/Loss to Net Cash provided by (used in) Operating Activities

	2007	2006
Profit and loss for the year	**39 766**	31 760
Add (Less): Non-cash items:		
Share of net profits of joint venture entities	**(10 382)**	(7 912)
Net gain on disposal of investment property, plant and equipment	**-**	(666)
Depreciation	**385**	305
Employee benefits expense	**308**	178
Provision for doubtful debts	**-**	10
Assets acquired free of charge	**-**	(1 203)
Revaluation Increments	**(394)**	(5 535)
Write down of inventory held for resale	**-**	3 698
Changes in assets and liabilities:		
(Increase) Decrease in mortgage receivables	**2 436**	2 835
(Increase) Decrease in other receivables	**1 040**	1 364
(Increase) Decrease in prepayments	**(4)**	4
(Increase) Decrease in work in progress	**(36 105)**	(200)
(Increase) Decrease in inventories	**(22 963)**	(4 932)
(Decrease) Increase in payables	**4 100**	2 811
Bad Debt write-off against provision for doubtful debts	**(1 172)**	-
Movement in income tax equivalent payable	**(3 812)**	8 030
Net Cash (used in) provided by Operating Activities	**(26 797)**	30 547

25. Cash Assets

	2007	2006
Cash at Treasury	**13 471**	17 070
Cash held in Crown Solicitors Trust Account	**3 070**	-
Cash in trust, at bank and on hand	**337**	349
Cash shown in the Balance Sheet and Cash Flow Statement	**16 878**	17 419

26. Financial Instruments Disclosure

26.1 Credit Risk

The credit risk on financial assets of the Corporation which have been recognised in the Balance Sheet is generally the carrying amount, net of any provision for doubtful debts.

26.2 Interest Rate Risk Exposure

The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:

		Fixed Interest Rate Maturing				
	Floating Interest Rate	**Up to 1 Year**	**More than 1 year up to 5 Years**	**More than 5 Years**	**2007 Total**	2006 Total
Financial Assets:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Cash assets	**16 878**	**-**	**-**	**-**	**16 878**	17 419
Trade and other debtors	**1 565**	**-**	**-**	**-**	**1 565**	1 156
Mortgage debtors	**-**	**2 835**	**9 921**	**6 680**	**19 436**	23 328
	18 443	**2 835**	**9 921**	**6 680**	**37 879**	41 903
Weighted Average Interest Rate (percent)	**4.7**	**7.59**	**7.18**	**7.23**		
Financial Liabilities:						
Payables	**28 571**	**-**	**-**	**-**	**28 571**	24 455
Interest-bearing liabilities	**50 487**	**35 722**	**10 598**	**28 070**	**124 877**	66 001
	79 058	**35 722**	**10 598**	**28 070**	**153 448**	90 456
Weighted Average Interest Rate (percent)	**6.43**	**6.29**	**6.49**	**6.81**		
Net Financial Assets (Liabilities)	**(60 615)**	**(32 887)**	**(677)**	**(21 390)**	**(115 569)**	(48 553)

26.3 Net Fair Value of Financial Instruments

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of receivables and payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

26.3 Net Fair Value of Financial Instruments (continued)

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2007		2006	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash assets	**16 878**	**16 878**	17 419	17 419
Trade and other debtors	**1 565**	**1 565**	1 156	1 156
Mortgage debtors	**19 436**	**15 468**	23 328	18 562
Provision for doubtful debts	**(9)**	**(9)**	(1 180)	(1 180)
Total Financial Assets	**37 870**	**33 902**	40 723	35 957
Financial Liabilities:				
Payables	**28 571**	**28 571**	24 455	24 455
SAFA loans	**124 877**	**114 389**	66 001	67 942
Total Financial Liabilities	**153 448**	**142 960**	90 456	92 397
Net Financial Assets (Liabilities)	**(115 578)**	**(109 058)**	(49 733)	(56 440)

27. Employees' Remuneration

(a) Total Employee Benefit Expense

	2007	2006
	$'000	$'000
Salaries and wages	**5 870**	5 099
Long service leave	**135**	100
Annual leave	**116**	69
Employment on-costs - Superannuation	**909**	749
Employment on-costs - Other	**26**	10
Board fees	**72**	73
Other employee related expenses	**610**	573
Total Employee Benefit Expense per the Income Statement	**7 738**	6 673

(b) Employees' Remuneration

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated fringe benefits tax.

The number of employees whose remuneration from the Corporation was within the following bands were:	**2007 Number of Employees**	2006 Number of Employees
$100 001 - $110 000	**4**	3
$110 001 - $120 000	**2**	3
$120 001 - $130 000	**3**	2
$130 001 - $140 000	**2**	3
$140 001 - $150 000	**1**	3
$150 001 - $160 000	**5**	1
$160 001 - $170 000	**2**	-
$170 001 - $180 000	**-**	1
$260 001 - $270 000	**1**	1

Total income received or due and receivable by the above employees for the period they held office was $2.82 million ($2.31 million).

The number of employees at the reporting date was 89 (73).

(c) Remuneration Commitments

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

	2007	2006
	$'000	$'000
Within one year	**5 086**	4 782
Later than one year but not longer than five years	**4 467**	6 760
	9 553	11 542

28. Key Management Personnel

28.1 Board Members

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

M J Terlet AO, Chairman
B M Deed
D W Gray
L Hart
R J Hook
A Maddern
P J Martin

28.2 Other Key Management Personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the current and previous financial years:

W Gibbings	Chief Executive
S C Bignell	General Manager - Finance and IT (resigned 23.12.05)
J S Blaess	General Manager - Projects
M J Buchan	Chief Financial Officer
J B Danks	General Manager - Property Services
D C Litchfield	General Manager - Projects
D W Morton	General Manager - Strategic Asset Management (resigned 07.02.06)
A E Rix	General Manager - Strategic Planning and Business Development
D M Ryan	General Manager - Corporate Services
W J Stuart	General Manager - Projects

28.3 Key Management Personnel Compensation

Key management personnel compensation for the years ended 30 June 2007 and 2006 is set out below.

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

	2007 $'000	2006 $'000
Short-term employee benefits	**1 477**	1 331
Long-term employee benefits	**8**	-
Termination benefits	**-**	79
	1 485	1 410

28.4 Remuneration of Governing Board Members

The number of governing Board Members whose remuneration from the Corporation was within the following bands were:	**2007 Number**	2006 Number
$Nil	**3**	3
$10 001 - $20 000	**-**	2
$20 001 - $30 000	**3**	2
$50 001 - $60 000	**1**	1

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $131 000 ($131 000), including fees received by one Director in relation to the appointment to the Mawson Lakes Joint Venture Committee. No additional remuneration was paid to any Director in respect of their membership of a Board Committee.

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for governing board duties during the financial year.

The number of Directors who held office at 30 June 2007 was seven (seven).

29. Auditors' Remuneration

	2007 $'000	2006 $'000
Audit fees paid or payable to the Auditor-General's Department	**110**	74
Total Auditors' Remuneration	**110**	74

30. External Consultants

The number and dollar amount of consultancies paid/payable included in the Income Statement that fell within the following bands:

	2007 Number	**2007 $'000**	2006 Number	2006 $'000
Below $10 000	**24**	**56**	18	298
Between $10 000 and $50 000	**21**	**521**	9	379
Above $50 000	**6**	**1 071**	-	305
Total Recognised in the Income Statement	**51**	**1 648**	27	982

31. Related Party Disclosure

Directors

Details of Directors of the Corporation appointed in accordance with the Regulations under the PCA are set out in Note 28.1.

During the period of their appointment to the Corporation the Directors disclosed the following:

Mr M J Terlet AO was Chairman of the International Wine Investment Fund, United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies, the International Centre of Excellence in Water Research Management and the Governor's Leadership Foundation. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of Louminco Pty Ltd and The University Senior College. He was a Board Member of Business SA and Operation Flinders. He was a Director of the Australian Submarine Corporation and a Co-Chairman of the SA Business and Parliamentary Trust.

Directors (continued)

Ms B M Deed was General Manager of retail business The Heart Shop, Chairman of the Australian Red Cross SA Divisional Board and Chairman of Healthage Pty Ltd.

Mr D W Gray was Director of Platinum Group Pty Ltd, Director and Chair of TEAMSA Pty Ltd, Managing Director GKO Management Pty Ltd and Vice President of Legacy Club of Adelaide Inc.

Ms L Hart was Executive Director, Policy Analysis, Department of Treasury and Finance, a Director of Generation Lessor Corporation, Distribution Lessor Corporation, Transmission Lessor Corporation, Director and Chair of Transmission Leasing Pty Ltd, Director and Chair of RESI Corporation, Director and Deputy Chairman of the South Australian Asset Management Corporation.

Mr R G Hook was Executive Director, Office of Major Projects and Infrastructure in the Department for Transport, Energy and Infrastructure and Chair of the State League Netball Management Committee.

Ms A Maddern was a full time employee of BHP Billiton Limited.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Board Member of the South Australian Film Corporation, AustralAsia Railway Corporation, Adelaide to Outback GP Training Program Inc., a member of the Walford Council of Governors and a Council Member of the University of Adelaide.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Corporation had entered into a transaction during the year ended 30 June 2007.