

SOUTH AUSTRALIA

Report
of the
Auditor-General
Annual Report
for the
year ended 30 June 2007

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Part B: Agency Audit Reports

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2007

**Report of the Auditor-General
Annual Report for the year ended 30 June 2007**

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GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
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AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
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AAS 29	Financial Reporting by Government Departments
AAS 29A	Amendments to the Transitional Provisions in AAS 29
AAS 31	Financial Reporting by Governments
AAS 31A	Amendments to the Transitional Provisions in AAS 31

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TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
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TI 26	Guidelines for the Limitation of Liability of Suppliers, Consultants and Contractors

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Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Reporting Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

LEGISLATION

Reference	Title
PFAA	<i>Public Finance and Audit Act 1987</i>
PCA	<i>Public Corporations Act 1993</i>
PSMAAct	<i>Public Sector Management Act 1995</i>
SPA	<i>State Procurement Act 2004</i>
SPR	<i>State Procurement Regulations 2005</i>
BWCA	<i>Building Work Contractors Act 1995</i>
NRMA	<i>Natural Resources Management Act 2004</i>
OHSWA	<i>Occupational Health, Safety and Welfare Act 1996</i>
OHSAA	<i>Occupational Health Safety (SafeWork SA) Amendment Act 2005</i>
ITAA	<i>Income Tax Assessment Act 1997</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

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.

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes I, II, III, IV and V of Part B of this Report.

Reference should also be made to Part A — Audit Overview and Part C — State Finances and Related Matters which also contain comments on specific matters of importance and interest.

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LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Libraries Board of South Australia is appointed pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system.

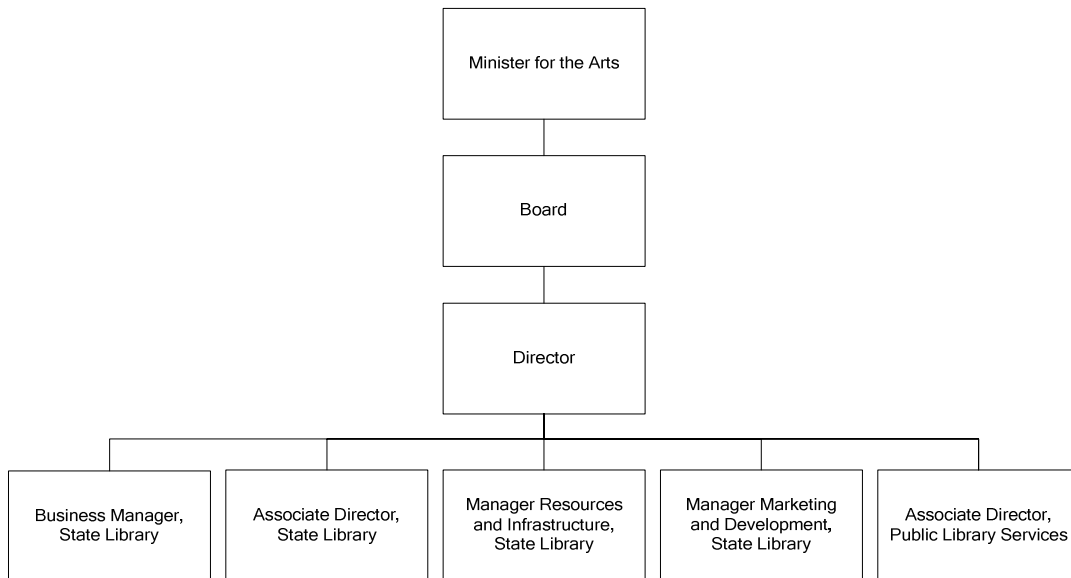
Functions

The functions of the Libraries Board are as follows:

- Formulate policies and guidelines for the provision of public library services.
- Establish, maintain and expand collections of library materials.
- Administer the State Library.
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

Structure

The structure of the Libraries Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 18(2) of the *Libraries Act 1982* provides for the Auditor-General to audit the accounts of the Libraries Board for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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, including accounts payable and salaries and wages
- revenue including cash receipting and banking
- subsidy payments to public libraries
- financial management reporting
- risk management
- property, plant and equipment.

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 Libraries Board of South Australia 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 Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board have been conducted properly and in accordance with law.

Communication of Audit Matters

The results of the audit were satisfactory and no major matters were raised with management.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
INCOME			
Government grants	27.5	27.7	-
Other income	3.7	2.9	28
Total Income	31.2	30.6	2
EXPENSES			
Employee benefits	10.8	10.1	7
Subsidies to Public Libraries	11.6	11.0	5
Other expenses	10.0	10.7	(7)
Total Expenses	32.4	31.8	2
Net Result	(1.2)	(1.2)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	1.9	1	90
ASSETS			
Current assets	4.1	2.8	46
Non-current assets	102.8	104.0	(1)
Total Assets	106.9	106.8	-
LIABILITIES			
Current liabilities	3.0	2.0	50
Non-current liabilities	2.4	2.1	14
Total Liabilities	5.4	4.1	32
EQUITY	101.5	102.7	(1)

Income Statement

Income

Income from operations increased by \$716 000 to \$3.7 million. The increase is mainly the result of increases in the value of resources received free of charge of \$499 000 and donations of \$495 000, partly offset by a reduction in project income of \$236 000.

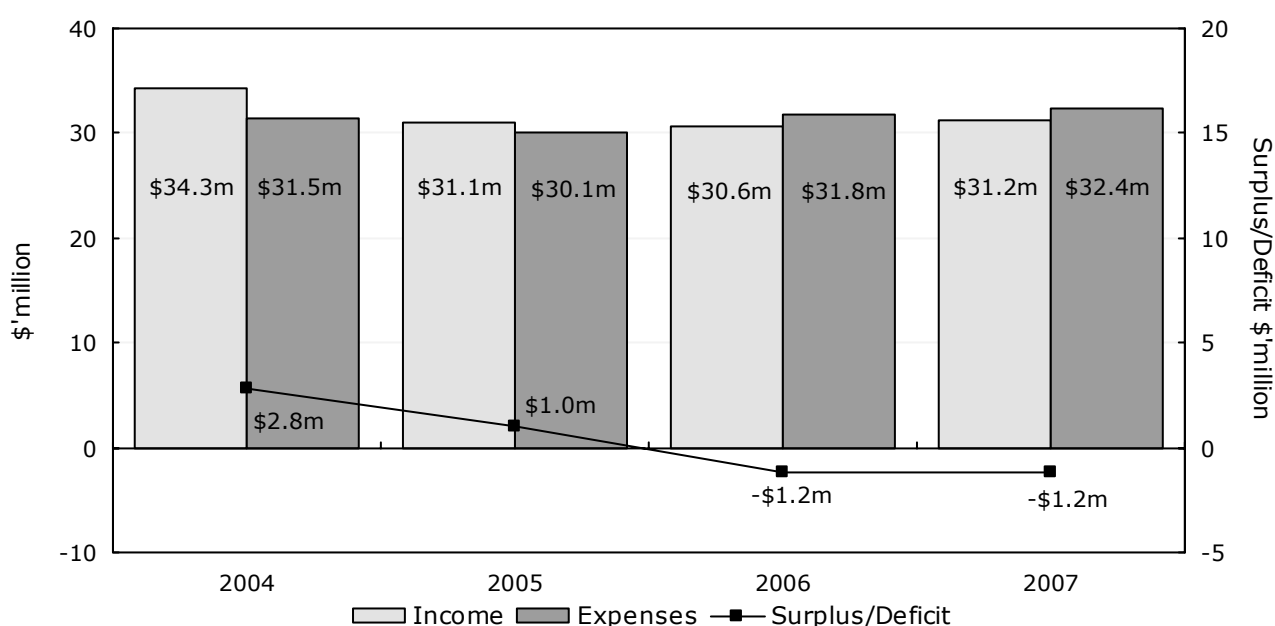
Note 2.19 to the Financial Statements states that the Board is dependent on the ongoing financial support of the State Government. The grant from the State Government for operating purposes totalled \$27.5 million (\$27.6 million).

Expenses

Expenses increased by \$598 000 to \$32.4 million principally due to subsidies to public libraries increasing by \$555 000 to \$11.6 million.

Net Result

The following chart shows income, expenses and surpluses/deficits for the four years to 2007.



Balance Sheet

The total assets of the Libraries Board at 30 June 2007 are \$106.9 million (\$106.8 million), of which \$51.3 million (48 percent) relates to the Board's property, plant and equipment and \$44.5 million (42 percent) relates to the Research and Heritage Collections.

Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
EXPENSES:			
Employee benefits	5	10 778	10 115
Supplies and services	7	5 784	6 210
Accommodation and facilities	8	1 794	2 144
Subsidies to public libraries		11 588	11 033
Depreciation	9	2 263	2 267
Net loss from disposal of assets	10	160	-
Total Expenses		32 367	31 769
INCOME:			
Sale of goods		16	30
Fees and charges		652	639
Donations		820	325
Council contributions		126	126
Rent and facilities hire		240	222
Resources received free of charge	2.3	565	66
Net gain on sale of assets	10	-	135
Interest and investment income	11	1 102	989
Other	12	126	399
Total Income		3 647	2 931
NET COST OF PROVIDING SERVICES		(28 720)	(28 838)
REVENUES FROM SA GOVERNMENT:			
Revenue from SA Government - Recurrent operating grant		27 486	27 636
Revenue from SA Government - Capital grant		-	37
Total Revenues from SA Government		27 486	27 673
Net Result		(1 234)	(1 165)

Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash	24	3 773	2 646
Receivables	14	326	176
Inventories		14	29
Total Current Assets		4 113	2 851
NON-CURRENT ASSETS:			
Investments	15	7 066	6 726
Property, plant and equipment	16	51 262	53 559
Research and heritage collections	17	44 467	43 707
Total Non-Current Assets		102 795	103 992
Total Assets		106 908	106 843
CURRENT LIABILITIES:			
Payables	18	990	971
Unearned income		906	-
Short-term employee benefits	19	1 082	1 017
Short-term provisions	20	62	48
Total Current Liabilities		3 040	2 036
NON-CURRENT LIABILITIES:			
Payables	18	190	168
Long-term employee benefits	19	1 990	1 757
Long-term provisions	20	169	129
Other	21	10	10
Total Non-Current Liabilities		2 359	2 064
Total Liabilities		5 399	4 100
NET ASSETS		101 509	102 743
EQUITY:			
Retained earnings		93 286	94 520
Asset revaluation reserve		8 223	8 223
TOTAL EQUITY		101 509	102 743
Total Equity is attributable to the SA Government as owner			
Commitments for expenditure	22		
Contingent assets and liabilities	23		

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

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2005	8 157	95 685	103 842
Gain on revaluation of public library collections	66	-	66
Net income recognised directly in equity for 2005-06	66	-	66
Net result for 2005-06	-	(1 165)	(1 165)
Total recognised income and expense for 2005-06	-	(1 165)	(1 165)
Balance at 30 June 2006	8 223	94 520	102 743
Net result for 2006-07	-	(1 234)	(1 234)
Total recognised income and expense for 2006-07	-	(1 234)	(1 234)
Balance at 30 June 2007	8 223	93 286	101 509

All Changes in Equity are attributable to the SA Government as owner

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits	(10 400)	(9 768)
Supplies and services	(5 192)	(6 396)
Accommodation and facilities	(1 761)	(2 142)
Subsidies to public libraries	(11 646)	(10 964)
Cash used in Operations	(28 999)	(29 270)
CASH INFLOWS:		
Sale of goods	16	30
Fees and charges	643	812
Donations	803	268
Council contributions	126	126
Rent and facilities hire	216	216
Interest and investment income	506	776
Reimbursement for purchase of materials	906	-
Other	175	388
Cash generated from Operations	3 391	2 616
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government - Recurrent operating grant	27 486	27 636
Receipts from SA Government - Capital grant	-	37
Cash generated from SA Government	27 486	27 673
Net Cash provided by Operating Activities	1 878	1 019
	24	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of imprest account	(1)	-
Purchase of investments	(470)	(3 629)
Purchase of property, plant and equipment	(144)	(446)
Purchase of heritage collections	(743)	(844)
Cash used in Investing Activities	(1 358)	(4 919)
CASH INFLOWS:		
Proceeds from the sale/maturity of investments	607	3 197
Cash generated from Investing Activities	607	3 197
Net Cash used in Investing Activities	(751)	(1 722)
NET INCREASE (DECREASE) IN CASH	1 127	(703)
CASH AT 1 JULY	2 646	3 349
CASH AT 30 JUNE	3 773	2 646
	24	

Activities Schedule of Expenses and Income for the year ended 30 June 2007

	2007			2006		
	Activity	Activity	Total	Activity	Activity	Total
	(Refer Note 4) 1	2		1	2	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits	9 047	1 731	10 778	8 462	1 653	10 115
Supplies and services	2 929	2 855	5 784	3 158	3 052	6 210
Accommodation and facilities	1 662	132	1 794	2 020	124	2 144
Subsidies to public libraries	-	11 588	11 588	-	11 033	11 033
Depreciation	1 899	364	2 263	1 885	382	2 267
Loss from disposal of assets	-	178	178	12	4	16
Total Expenses	15 537	16 848	32 385	15 537	16 248	31 785
INCOME:						
Sale of goods	16	-	16	30	-	30
Fees and charges	652	-	652	639	-	639
Donations	820	-	820	325	-	325
Council contributions	-	126	126	-	126	126
Rent and facilities hire	240	-	240	222	-	222
Resources received free of charge	515	50	565	66	-	66
Gain on sale of assets	18	-	18	151	-	151
Interest and investment income	975	127	1 102	859	130	989
Other	111	15	126	391	8	399
Total Income	3 347	318	3 665	2 683	264	2 947
NET COST OF PROVIDING SERVICES	(12 190)	(16 530)	(28 720)	(12 854)	(15 984)	(28 838)
REVENUES FROM SA GOVERNMENT:						
Recurrent Operating Grant	11 509	15 977	27 486	11 982	15 654	27 636
Capital Grant	-	-	-	37	-	37
Total Revenues from SA Government	11 509	15 977	27 486	12 019	15 654	27 673
NET RESULT	(681)	(553)	(1 234)	(835)	(330)	(1 165)

Activities Schedule of Assets and Liabilities as at 30 June 2007

	2007			2006		
	Activity	Activity	Total	Activity	Activity	Total
	(Refer Note 4) 1	2		1	2	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Assets	102 602	4 306	106 908	102 906	3 937	106 843
Total Assets	102 602	4 306	106 908	102 906	3 937	106 843
LIABILITIES:						
Liabilities	3 254	2 145	5 399	2 877	1 223	4 100
Total Liabilities	3 254	2 145	5 399	2 877	1 223	4 100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board (the Board)

The functions of the Board, as prescribed under the *Libraries Act 1982*, include:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

Statement of Compliance

AASs include AIFRS and AAS 29. The Board has early-adopted the amendments to AASB 101. Refer to Note 3 'Changes in Accounting Policies'.

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 Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (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) employee TVSP information;
 - (d) 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 entity to those employees;
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

2.2 Sources of Funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, rent, venue hire, investments, donations, bequests and other receipts, and uses the monies for the achievement of its objectives.

2.3 Income and Expenses

Income and expense are recognised in the Board's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific Accounting Standard.

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's Research and Heritage Collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation expenditure in 'Supplies and Services' (Note 7).

Under an arrangement with the Services Division of the Department of the Premier and Cabinet, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in 'Supplies and Services' (Note 7).

2.4 Current and Non-Current Classification

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

2.5 Cash

Cash in the Balance Sheet includes cash at bank and on hand. For the purposes of the Cash Flow Statement, cash is defined above.

Cash is measured at nominal value.

2.6 Receivables

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

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

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

2.7 Inventories

Inventories are measured at the lower of cost or their net realisable value.

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

2.8 Investments

Investments are brought to account at cost in accordance with APF IV APS 2.1.

2.9 Non-Current Asset Acquisition and Recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current tangible assets with a value of \$5000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

2.10 Valuation of Non-Current Assets

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

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

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

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

2.10 Valuation of Non-Current Assets (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

Land and Buildings

An independent valuation of the land and buildings was conducted as at 30 June 2005 by the Australian Valuation Office. The valuation at 30 June 2005 was prepared on a fair value basis.

Plant and Equipment

Plant and equipment including computer equipment and compactus and shelving, on acquisition, has been deemed to be held at fair value.

Public Library Services Collections

The Public Library Services (PLS) collections, consisting of Video and Print Disability collections and Languages other than English (LOTE) collections, were revalued according to fair value methodology as at 30 June 2006 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2005-06 financial year including the cost of acquisition and then depreciated, based on the age of the item. For the LOTE collections, the average cost for 2004-05 was used as no items were added to the collection in 2005-06 and determining an average price for 2005-06 would be both difficult and expensive. Items that have been culled from the collection are valued at zero on the basis that they will be transferred to a public library or similar institution for no consideration.

Items in the Public Library collection are disposed of for no consideration at the end of their useful life to public libraries and similar institutions. On this basis, no residual value is placed on those assets. The Film collection was valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

During the 2006-07 financial year, part of the Public Library collection was distributed to public libraries.

Research and Heritage Collections

The Board's research and heritage collections were revalued as at 30 June 2006 using the valuation methodology outlined below.

The State Library of South Australia appointed Graeme Addicott, Regional Manager of the Australian Valuation Office (AVO) to undertake the valuation of the Library's collections as at 30 June 2006. The AVO was responsible for the review of valuations undertaken by State Library staff specialists and to perform valuations where external expertise was required.

Internal valuations were carried out by staff specialists in their related fields. The valuations were based on knowledge of the particular collections, an understanding of the valuation techniques and the markets that exist for the collection items. The AVO undertook testing and confirmation of internal valuations.

The fair value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Research collections were valued using the linear method of valuation by State Library staff. This method is based on an average cost per volume applied to the size of the collection. This methodology was reviewed and confirmed by the AVO. Selected heritage collections were valued by an external valuer on a market value basis, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuations done by both the State Library staff and the AVO.

Additional external valuations were carried out by the following recognised industry experts:

Rare Books	J Burdon
Framed Works	D Hyles

Research and Heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collections, Periodicals, Newspapers purchased and Mortlock Use Collections.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value, or where the materials have been acquired largely through the legal deposit provisions of the *Libraries Act 1982*.

The Mortlock South Australiana Collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement. Collections which were not valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections and some unpublished Named and Special Collections.

2.11 Impairment of Assets

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

2.12 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land, research and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-15
Computer equipment	3-5
Video and Print Disability collections	8
Languages other than English collections	8
Compactus and Lifts	30

The research and heritage collections are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period. The Public Library collection has been depreciated as indicated above.

2.13 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. 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.

2.14 Employee Benefits

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

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

(i) *Salaries, Wages and Annual Leave*

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current remuneration rates as at reporting date. The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

(ii) *Long Service Leave*

A liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave, undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of employee retention and leave taken.

(iii) *Superannuation*

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

2.15 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

2.16 Leases

The Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

2.17 Comparative Information

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.

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

2.18 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and emergency services levy.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Board as a purchaser is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Balance Sheet as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Cash Flow Statement.

2.19 State Government Funding

The financial report is presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.20 Rounding

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

2.21 Insurance

The Board has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

3. Changes in Accounting Policies

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

4. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2007 is summarised below (refer to the Activities Schedule – Expenses and Income and Assets and Liabilities).

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through PLS (Public Library Services) and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

5. Employee Benefits

	2007	2006
	\$'000	\$'000
Salaries and wages	8 474	8 065
Superannuation	964	885
Payroll tax	554	517
Annual leave	42	38
Long service leave	430	318
Board fees	91	103
Other employee related expenses	223	189
Total Employee Benefits	10 778	10 115
	2007	2006
	Number of	Number of
The number of employees whose remuneration received or receivable falls within the following bands:	Employees	Employees
\$110 000 - \$119 999	-	2
\$130 000 - \$139 999	1	-
\$150 000 - \$159 999	1	1
Total Number of Employees	2	3

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$290 000 (\$380 000).

6. Remuneration of Board Members

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

Libraries Board

Dr P Goldsworthy	Ms B Davidson-Park
Mr P Myhill	Mr J Mc Donnell
Mr G E Coles	Mr T Zappia
Mrs J Nitschke	Ms A Short
Ms J Connolly	Mr F Adler (appointed 24 April 2007)

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

	2007	2006
	Number of Board Members	Number of Board Members
\$0 - \$9 999	2	2
\$10 000 - \$19 999	8	8
Total Number of Board Members	10	10

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by these board members for the year was \$103 000 (\$103 000).

Amounts paid to a superannuation plan for board members was \$8000 (\$8000).

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

7. Supplies and Services

Supplies and Services provided by Entities external to the SA Government:

	2007	2006
	\$'000	\$'000
Administration expenses	488	461
Preservation activities	99	99
Reference materials	174	125
Conservation	6	12
Consultants' fees	85	89
Contractors' fees	101	76
Cost of goods sold	18	17
Entertainment	22	6
Communications	859	990
Information technology	404	484
Maintenance	239	272
Marketing and promotion	533	396
Minor equipment purchases and leasing	233	170
Operating lease expenditure	380	391
P2 enhancements	55	61
Travel and accommodation	61	55
Projects	4	13
General grant payments	-	177
Other	324	278
Total Supplies and Services - Non-SA Government Entities	4 085	4 172

Supplies and Services provided by Entities within the SA Government:

Administration expenses	69	72
Business services charge	400	443
Artlab conservation	165	187
EDS charges	497	581
Insurance and risk management	179	179
Communications	44	128
Information technology	64	1
Maintenance	129	151
Motor vehicle expenses	33	30
General grant payments	-	205
Other	119	61
Total Supplies and Services - SA Government Entities	1 699	2 038
Total Supplies and Services	5 784	6 210

Payments to Consultants

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

	2007	2007	2006	2006
	Number	\$'000	Number	\$'000
\$0 - \$9 999	3	8	2	3
\$10 000 - \$49 999	1	20	3	86
>\$50 000	1	57	-	-
Total Paid/Payable to the Consultants Engaged	5	85	5	89

8. Accommodation and Facilities	2007	2006
Accommodation and Facilities Provided by Entities external to the SA Government:	\$'000	\$'000
Accommodation	545	706
Facilities	291	5
Securities	394	17
Total Accommodation and Facilities - Non-SA Government Entities	1 230	728
Accommodation and Facilities Provided by Entities within the SA Government:		
Accommodation	211	172
Facilities	351	810
Security	2	434
Total Accommodation and Facilities - SA Government Entities	564	1 416
Total Accommodation and Facilities	1 794	2 144
9. Depreciation		
Buildings and improvements	1 551	1 551
Compactus and lifts	77	77
Plant and equipment	187	186
Computer equipment	91	77
Public Library Research Collections	357	376
Total Depreciation	2 263	2 267
10. Net Loss from Disposal of Assets		
Plant and Equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	178	16
Net Loss from Disposal of Plant and Equipment	(178)	(16)
Investments:		
Proceeds from the sale of investments	620	3 196
Net book value of investments	602	3 045
Net Gain on Sale of Investments	18	151
Total Assets:		
Total proceeds from disposal	620	3 196
Total net book value of assets disposed	780	3 061
Total Net (Loss) Gain from Disposal of Assets	(160)	135
11. Interest and Investment Income		
Interest from entities within the SA Government	263	287
Investment income from entities external to the SA Government	839	702
Total Interest and Investment Income	1 102	989
12. Other Income		
Other Income Received/Receivable from Entities external to the SA Government:		
Sponsorships	15	-
Other receipts	84	54
Total Other Income - Non-SA Government Entities	99	54
Other Income Received/Receivable from Entities within the SA Government:		
Solar panels project	-	236
Other grants and subsidies	-	63
Salary recoups	7	14
Revaluation increment on heritage collections	-	22
Other receipts	20	10
Total Other Income - SA Government Entities	27	345
Total Other Income	126	399
13. Auditor's Remuneration		
Audit Fees Paid/Payable to the Auditor-General's Department:		
State Library of South Australia	26	27
Support of Public Library Services	9	9
Total Audit Fees - SA Government Entities	35	36

Other Services

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

14. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	186	116
Accrued income	140	60
Total Receivables	326	176
Government/Non-Government Receivables:		
Receivables from non-SA Government entities:		
Receivables	120	41
Accrued income	121	42
Total Receivables - Non-SA Government Entities	241	83
Receivables from SA Government entities:		
Receivables	66	75
Accrued income	19	18
Total Receivables - SA Government Entities	85	93
Total Receivables	326	176

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. It is not anticipated that counter parties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

15. Investments	2007	2006
Investments with Entities other than South Australian Government	\$'000	\$'000
Financing Authority:		
Unit trusts	3 735	3 527
Direct investments	3 331	3 199
Total Non-Current Investments	7 066	6 726

The market value of the unit trust investments as at 30 June 2007 was \$3.937 million (\$3.942 million). The market value of the direct investments as at 30 June 2007 was \$3.934 million (\$3.440 million).

16. Property, Plant and Equipment	2007	2006
Land, Buildings and Improvements:	\$'000	\$'000
Land at valuation	5 635	5 635
Buildings and improvements at valuation	58 123	58 123
Accumulated depreciation	(16 031)	(14 480)
Total Land, Buildings and Improvements	47 727	49 278
Compactus and Lifts:		
Compactus and lifts at cost (deemed fair value)	2 322	2 322
Accumulated depreciation	(308)	(231)
Total Compactus and Lifts	2 014	2 091
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	1 556	1 553
Accumulated depreciation	(998)	(820)
Total Plant and Equipment	558	733
Computer Equipment:		
Computer equipment at cost (deemed fair value)	467	374
Accumulated depreciation	(279)	(188)
Total Computer Equipment	188	186
Intangibles:		
Intangibles at cost (deemed fair value)	14	-
Total Intangibles	14	-
Public Library Collections:		
Public library collections at valuation	6 746	7 756
Public library collections at cost	25	-
Accumulated depreciation	(6 010)	(6 485)
Total Public Library Collections	761	1 271
Total Property, Plant and Equipment	51 262	53 559

Valuation of Non-Current Assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2005. The valuation of the Public Library collections was performed by Skilmar Systems Pty Ltd as at 30 June 2006.

Reconciliation of Property, Plant and Equipment

	Land \$'000	Bldgs & Imprv- ments \$'000	Compct & Lifts \$'000	Plant & Equip \$'000	Comp. Equip \$'000	Intang- ibles \$'000	Public Library Collectns \$'000	2007 Total \$'000
Carrying amount at 1 July	5 635	43 643	2 091	733	186	-	1 271	53 559
Additions	-	-	-	12	93	14	25	144
Disposals	-	-	-	-	-	-	(178)	(178)
Depreciation	-	(1 551)	(77)	(187)	(91)	-	(357)	(2 263)
Carrying Amount at 30 June	5 635	42 092	2 014	558	188	14	761	51 262

17. Research and Heritage Collections

	2007			2006		
	At Valuation \$'000	At Cost \$'000	Total \$'000	At Valuation \$'000	At Cost \$'000	Total \$'000
Rare books and named collections	19 173	26	19 199	19 173	-	19 173
Maps	1 197	10	1 207	1 197	-	1 197
Mortlock audio-visual	84	6	90	84	-	84
Microfilm serials	1 519	35	1 554	1 519	-	1 519
Monographs	16 609	182	16 791	16 609	-	16 609
Electronic resources	5	192	197	5	-	5
Family history collection	124	4	128	124	-	124
Periodicals	4 125	201	4 326	4 125	-	4 125
Newspapers purchased	781	91	872	781	-	781
Mortlock use collections	90	12	102	90	-	90
Private archives	-	1	1	-	-	-
Total Research and Heritage Collections	43 707	760	44 467	43 707	-	43 707

The valuation of the research and heritage collections was performed by the Australian Valuation Office as at 30 June 2006.

Reconciliation of Carrying Amounts of Research and Heritage Collections

	Balance 1.7.06	Additions	Balance 30.6.07	Balance 1.7.05	Additions	Revaluation Increment (Decrement)	Balance 30.6.06
	\$'000		\$'000	\$'000		\$'000	\$'000
Rare books and named collections	19 173	26	19 199	15 280	80	3 813	19 173
Maps	1 197	10	1 207	1 186	25	(14)	1 197
Mortlock audio-visual	84	6	90	68	7	9	84
Microfilm serials	1 519	35	1 554	1 464	34	21	1 519
Monographs	16 609	182	16 791	17 095	184	(670)	16 609
Electronic resources	5	192	197	390	193	(578)	5
Family history collection	124	4	128	123	4	(3)	124
Periodicals	4 125	201	4 326	5 066	201	(1 142)	4 125
Newspapers purchased	781	91	872	1 052	131	(402)	781
Mortlock use collections	90	12	102	103	8	(21)	90
Private archives	-	1	1	-	33	(33)	-
CLRC book collection	-	-	-	958	-	(958)	-
Total Carrying Amounts of Research and Heritage Collections	43 707	760	44 467	42 785	900	22	43 707

18. Payables

	2007 \$'000	2006 \$'000
Current:		
Creditors and accruals	830	821
Employee on-costs	160	150
Total Current Payables	990	971
Non-Current:		
Employee on-costs	190	168
Total Non-Current Payables	190	168
Total Payables	1 180	1 139

Government/Non-Government Payables:

Payables to Non-SA Government Entities:

Creditors and accruals	764	684
Total Payables - Non-SA Government Entities	764	684

Payables to SA Government Entities:

Creditors and accruals	66	137
Employee on-costs	350	318
Total Payables - SA Government Entities	416	455
Total Payables	1 180	1 139

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employee on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

19. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	567	536
Short-term long service leave	346	322
Accrued salaries and wages	169	159
Total Current Employee Benefits	1 082	1 017
Non-Current:		
Long-term long service leave	1 990	1 757
Total Non-Current Employee Benefits	1 990	1 757
Total Employee Benefits	3 072	2 774

The total current and non-current employee expenses (ie aggregate employee benefits plus related on-costs) for 2006-07 are \$1.2 million and \$2.2 million respectively. Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

20. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	62	48
Total Current Provisions	62	48
Non-Current:		
Provision for workers compensation	169	129
Total Non-Current Provisions	169	129
Total Provisions	231	177

Reconciliation of the Provision for Workers Compensation:		
Provision at 1 July	177	163
Increase in provision during the year	54	14
Provision for Workers Compensation at 30 June	231	177

21. Other Non-Current Liabilities		
Contract security deposit	10	10
Total Other Non-Current Liabilities	10	10

22. Commitments for Expenditure		
Operating Lease Commitments		
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	388	382
Later than one year and not later than five years	159	22
Total Operating Lease Commitments	547	404

The operating lease commitments comprise:

- A non-cancellable property lease with rental payable monthly in advance. A contingent rental provision within the lease agreement requires the minimum lease payment to be increased by the Consumer Price Index. An option exists to renew the lease at the end of its term for a further five years.
- Non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.
- Non-cancellable photocopier leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Public Libraries Commitments

Committed orders placed by public libraries through PLS for libraries materials at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2007	2006
	\$'000	\$'000
Not later than one year	1 288	1 473
Total Public Libraries Commitments	1 288	1 473

Capital Commitments

There were no capital commitments under contracts for 2006-07 or 2005-06 as at the reporting date.

Remuneration Commitments

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

	2007	2006
	\$'000	\$'000
Not later than one year	302	140
Later than one year and not later than five years	696	292
Total Remuneration Commitments	998	432

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other Commitments

The Board's other commitments are for contracts for security and cleaning.

Not later than one year	643	-
Later than one year and not later than five years	912	-
Total Other Commitments	1 555	-

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

23. Contingent Assets and Liabilities

There are no known contingent assets and liabilities as at 30 June 2007.

24. Cash Flow Reconciliation**Reconciliation of Cash**

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2007	2006
	\$'000	\$'000
Deposits with Treasurer	3 765	2 638
Cash on hand	8	8
Cash as Recorded in the Balance Sheet	3 773	2 646

Interest Rate Risk

Cash is recorded at its nominal amount. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a Section 21 Interest Bearing Deposit Account titled the 'Libraries Board'. Deposits with the Treasurer are bearing a floating interest rate between 5.68 percent and 6.10 percent.

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

	2007	2006
	\$'000	\$'000
Net cash provided by operating activities	1 878	1 019
Less: Revenues from SA Government	(27 486)	(27 673)
Add (Less) Non-cash items:		
Depreciation of property, plant and equipment	(2 263)	(2 267)
Gain on redemption of investments	18	151
Loss on disposal of plant and equipment	(178)	(16)
Donations of heritage assets	17	57
Revaluation increment on heritage collection	-	22
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	198	(103)
(Decrease) Increase in inventories	(15)	3
Increase in investments	412	-
(Increase) Decrease in payables	(948)	214
Increase in employee benefits	(299)	(221)
Increase in provisions	(54)	(14)
Increase in security deposits	-	(10)
Net Cost of Providing Services	(28 720)	(28 838)

25. Events After Balance Date

There were no events occurring after balance date.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Local Government Finance Authority of South Australia (the Authority), a Body Corporate, was established under the *Local Government Finance Authority Act 1983* (the Act). It is managed and administered by a Board of Trustees.

Functions

The functions of the Authority, under subsection 21(1) of the Act, are to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies; and to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interest of local government.

In addition, subsection 21(2a) of the Act provides that the Authority must not make a loan, other than one to a Council or prescribed local government body; make an investment; or enter into a partnership or joint venture or form a company, except with the approval of the Treasurer.

Structure

The Authority operates with a staff of six including a Chief Executive Officer, a Manager Lending, and a Manager Funding and Investment with other staff providing accounting and administrative support.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the Act are guaranteed by the Treasurer under subsection 24(1) of the Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 33(2) of the *Local Government Finance Authority Act 1983* specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2006-07, areas of review included:

- Board of Trustee minutes
- management reporting and budgetary control
- investments and interest income
- loans and advances and interest income

- deposits, borrowings and interest expense
- derivatives and interest income and expense
- operating expenses and salaries.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2006-07 Independent Auditor's Report which explains the basis for the qualification to the Authority's financial report and states the qualified opinion.

Basis For Qualified Auditor's Opinion

The Local Government Finance Authority (Authority) has recognised a grant payment made during the year as a distribution from Retained Profits in the Statement of Changes in Equity.

The Local Government Finance Authority Act 1983, Section 22(2) empowers the Authority to apply 'surplus funds' for the benefit of Local Government. The Authority has interpreted the distribution of 'surplus funds' as a distribution from retained profits.

In my opinion, whilst the Act empowers the Authority to make such payments, it does not consider nor specify the accounting treatment to be applied to such payments for financial reporting purposes.

Further, in my view the grant payment represents an expense item as defined by AASB Framework for the Preparation and Presentation of Financial Statements and the Accounting Policy Framework as issued by the Department of Treasury and Finance, and does not represent a distribution of equity. In accordance with AASB 101 - Presentation of Financial Statements the grant payment should be reflected as an expense item in the Income Statement and not as a distribution from retained profits in the Statement of Changes in Equity.

As a result, expenses are understated by \$250 000 and the following items are overstated in the Income Statement:

- *Profit before Income Tax Equivalents by \$250 000*
- *Income Tax Equivalent Expense by \$75 000*
- *Net Profit after Income Tax Equivalents by \$175 000.*

Qualified Auditor's Opinion

In my opinion, except for the effects of the matter referred to in the preceding paragraph, the financial report presents fairly, in all material respects, the financial position of the Local Government Finance Authority of South Australia 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, the Local Government Finance Authority Act 1983, and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer and Chairman of the Board of Trustees of the Authority.

The matter of the accounting treatment for a grant payment of \$250 000 was referred to the Authority and the Board of Trustees. As outlined above, Audit's view is that the payment is required to be treated as an expense in the Income Statement whilst the Authority considers that it should be treated as a distribution from retained profits in the Statement of Changes in Equity. As a result, the Auditor's Report on the Authority's financial report has been qualified (refer above for details).

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

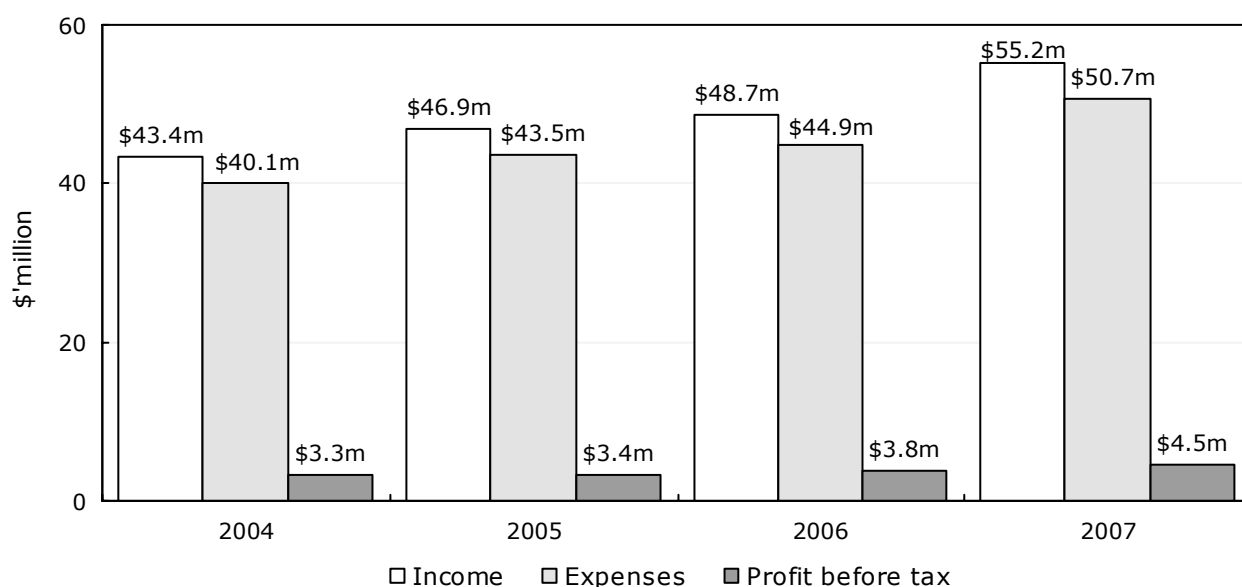
The analysis that follows is based upon the financial information recorded within the financial report which is subject to a qualification.

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
OPERATING INCOME			
Interest income	55.2	48.7	13
Total Income	55.2	48.7	13
EXPENSES			
Interest expense	48.4	42.6	14
Guarantee fee, administration and other expenses	2.3	2.3	-
Total Expenses	50.7	44.9	13
Profit before tax	4.5	3.8	18
Income tax expense	1.3	1.1	18
Net Profit	3.2	2.7	19
NET CASH FLOWS FROM OPERATIONS			
	3.3	2.7	22
ASSETS			
Investments, loans and advances	453.6	432.9	5
Other assets	22	10.2	116
Total Assets	475.6	443.1	7
LIABILITIES			
Deposits and borrowings	415.7	386.0	8
Other liabilities	8.7	7.3	19
Total Liabilities	424.4	393.3	8
EQUITY			
	51.2	49.8	3

Income Statement

The following chart shows the income, expenses and profit before income tax expense for the four years to 2007.



Income

As the Authority is a financial institution servicing Local Government, its main operating revenue is interest income with other income being insignificant. Interest income for both investments and loans and advances has shown a gradual upward trend. Total interest has increased by \$6.5 million from the previous year.

The increase in interest income in 2007 reflects increases in the average balance of investments, loans and advances and the hedge receipts notional balance and increases in interest rates. Details of interest income, interest rates and balances are provided in Note 24 to the financial statements.

Expenses

As the Authority is a financial institution servicing Local Government, its main operating expense is interest expense with guarantee fee, administration and other expenses being less significant. Total interest has increased by \$5.8 million from the previous year.

The increase in interest expense in 2007 reflects increases in the average balance of deposits and the hedge payments average notional balance and increases in interest rates. Details of interest expense, interest rates and balances are provided in Note 24 to the financial statements.

Profit Before Tax

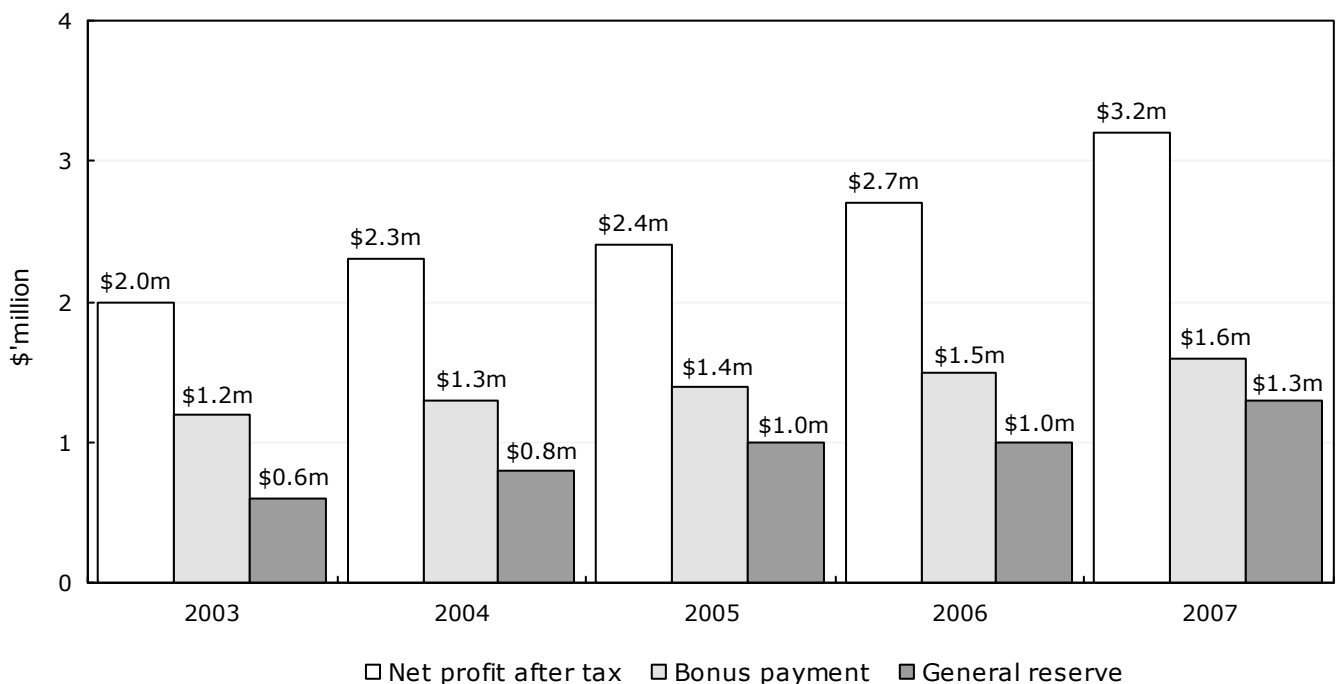
Profit before tax increased by \$700 000 (18 percent) in 2007 due to an interest income increase of \$6.5 million while interest expense only increased by \$5.8 million. That reflects increases in interest rates and some increases in the average balances of loans and deposits (Note 24 to the financial statements refers).

Tax Equivalent Payments

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payments System. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund'. The funds are available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for Local Government in accordance with section 31A of the Act. For this financial year, the amount payable for income tax equivalent was \$1.3 million.

Net Profit and Distributions

In 2006-07 the Authority achieved a profit before tax of \$4.5 million (\$3.8 million) and a net profit after tax of \$3.2 million (\$2.7 million) which was available for appropriation. The net profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following chart.



Under subsection 22(2) of the Act, the Authority has discretion to make distributions from the surplus for the year to Councils and local government bodies. These distributions are recorded as bonus payments in the financial statements. In 2006-07, a provision for a bonus payment of \$1.6 million was made which was slightly higher than \$1.5 million provided in the previous year.

Balance Sheet

Assets and Liabilities

The Balance Sheet shows assets of \$476 million and liabilities of \$424 million at 30 June 2007 compared with corresponding amounts of \$443 million and \$393 million at 30 June 2006.

The increase in assets and liabilities was due mainly to:

- an increase in the asset — Net Loans and Advances made to Councils and Local Government Bodies of \$21 million (5 percent);
- an increase in the liability — Deposits from Councils and Local Government bodies of \$37 million (12 percent).

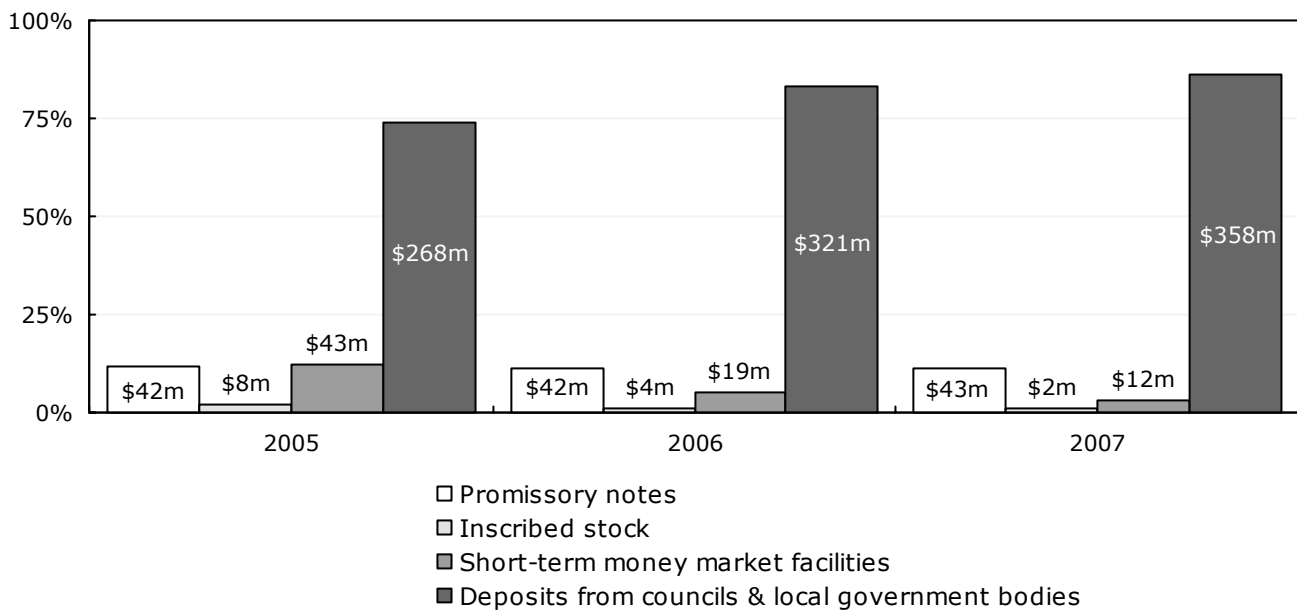
Asset Quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the Council’s general revenue. Notes 1(g) and 8 to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans and as a consequence has no provision for doubtful debts against the assets.

Liabilities of the Authority

The following chart displays the variations in the composition of major liabilities over the period 2004-05 to 2006-07. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.



The chart highlights the trend in the composition of the Authority’s liabilities.

During recent years, the Authority has placed more reliance on the funding of loans to Councils via deposits lodged by Councils. Put simply, the Authority borrows short-term to take advantage of low interest rates and lends long-term. Interest rate exposures are hedged through the use of interest rate swap agreements and futures contracts. The fixed side of the ‘swap’ is organised so that the Authority achieves a small interest profit margin on each loan. On the variable side of the ‘swap’, the Authority receives from its derivative financial institution, the 90 day bank bill swap rate which covers the interest paid to Councils for deposits at the at call rate. Therefore, any movements in interest rates are hedged allowing the Authority to achieve a small interest rate margin. Note 21(b) to the financial statements refers to interest rate risk management of the Authority.

General Reserve and Equity

The Authority appropriated \$1.3 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2007 of \$50.4 million.

Total equity of the Authority amounted to \$51.2 million as compared to total assets of \$475.6 million. The equity comprises the General Reserve of \$50.4 million, and Retained Profits of \$700 000. The earlier produced table titled 'Net Profit and Distributions' demonstrates the policy of regularly appropriating a significant portion of the net profit to the General Reserve (\$4.7 million over the five years to 30 June 2007).

The total equity is invested in financial securities and in loans and advances. Equity has no corresponding cost of capital and generates investment returns. These returns provide a buffer for the Authority against unforeseen unfavourable impacts on revenues and expenses and the investment returns from equity account for a significant portion of net profit each year.

Cash Flow Statement

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

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	3.3	2.7	2.8	2.6
Investing	(30.0)	(25.3)	(11.2)	(19.6)
Financing	27.4	22.0	8.9	17.0
Change in Cash	0.7	(0.6)	0.5	0.0
Cash at 30 June	0.7	-	0.6	0.1

The Cash Flow Statement shows that the main inflow in 2007 was financing activities of \$27.4 million. The main source of this inflow was deposits from Councils and Local Government Bodies of \$37.4 million offset by repayment of short-term money market facilities of \$7.2 million and repayment of inscribed stock of \$1.9 million. These inflows were used to fund investing activities, which mainly represented loans to Councils and Local Government Bodies of \$29.9 million.

Income Statement for the year ended 30 June 2007

		2007	2006
	Note	\$'000	\$'000
INCOME:			
Interest on investments	24	4 021	2 780
Interest on loans and advances	24	51 183	45 871
Other income	2	70	51
Total Income		55 274	48 702
EXPENSES:			
Interest on deposits from councils and local government bodies	24	22 331	17 394
Interest on borrowings	22,24	26 043	25 204
Fees for the guarantee of the Treasurer of SA on liabilities	22	862	846
Administration expenses	3	1 501	1 415
Total Expenses		50 737	44 859
PROFIT BEFORE INCOME TAX EQUIVALENTS		4 537	3 843
Income tax equivalent expense	1(e),22	1 361	1 153
NET PROFIT AFTER INCOME TAX EQUIVALENTS IS ATTRIBUTABLE TO OWNERS		3 176	2 690

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
ASSETS:			
Cash and liquid assets	4	742	1
Accrued interest receivable	5	1 711	1 174
Investment securities	1(f),6	5 171	5 139
Other assets	7	347	457
Net loans and advances	1(g),8	448 399	427 720
Derivatives	1(h),9	18 891	8 294
Property, plant and equipment	1(i),10	309	308
Total Assets		475 570	443 093
LIABILITIES:			
Deposits from councils and local government bodies	1(j),11	358 123	320 717
Accrued interest payable	12,22	5 711	4 608
Borrowings	13,22	57 605	65 301
Provisions	1(k),14	2 692	2 362
Other liabilities	15	286	305
Total Liabilities		424 417	393 293
NET ASSETS		51 153	49 800
EQUITY:			
General reserve		50 400	49 100
Asset revaluation reserve		16	(11)
Retained profits		737	711
TOTAL EQUITY		51 153	49 800
Contingent liabilities	20		

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

	General Reserve \$'000	Asset Revaluation \$'000	Retained Profits \$'000	Total \$'000
BALANCE AT 1 JULY 2005	48 100	(74)	496	48 522
Net income recognised directly in equity for 2005-06	-	63	-	63
Profit after income tax equivalent for 2005-06	-	-	2 690	2 690
Transfer to bonus payment provision	-	-	(1 475)	(1 475)
Transfer to general reserve	1 000	-	(1 000)	-
BALANCE AT 30 JUNE 2006	49 100	(11)	711	49 800
Net income recognised directly in equity for 2006-07	-	27	-	27
Profit after income tax equivalent for 2006-07	-	-	3 176	3 176
Grant to Local Government Association of South Australia ⁽ⁱ⁾	-	-	(250)	(250)
Transfer to bonus payment provision	-	-	(1 600)	(1 600)
Transfer to general reserve	1 300	-	(1 300)	-
BALANCE AT 30 JUNE 2007	50 400	16	737	51 153

(i) The grant to Local Government Association of South Australia paid during the year was an appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act 1983* subsection 22(2)(c).

Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest and bill discounts received		53 848	47 861
Interest paid		(47 166)	(42 081)
Fees paid re guarantee provided by the Treasurer of SA		(861)	(843)
Cash payments to suppliers and employees		(1 350)	(1 253)
Fees received		70	40
Income tax paid		(1 221)	(1 034)
Net Cash provided by Operating Activities	17	3 320	2 690
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		(29 904)	(25 102)
Payments for property, plant and equipment		(196)	(271)
Proceeds from sale of property, plant and equipment		90	95
South Australian Government Financing Authority		17	31
Net Cash used in Investing Activities		(29 993)	(25 247)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		(1 946)	(3 389)
Promissory notes		1 500	(300)
Deposits from councils and local government bodies		37 406	52 652
Short-term money market facilities		(7 250)	(24 450)
Bonus payment to councils and local government bodies		(1 475)	(1 375)
Grants to Local Government Association of South Australia		(250)	-
Other payments		(571)	(1 132)
Net Cash provided by Financing Activities		27 414	22 006
NET INCREASE (DECREASE) IN CASH HELD		741	(551)
CASH AT 1 JULY		1	552
CASH AT 30 JUNE	17	742	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and the requirements of the TIs relating to financial reporting by statutory authorities which are issued pursuant to the PFAA.

The Authority'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 financial instruments that were valued in accordance with the valuation policy applicable.

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

(b) Classification of Financial Instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

- Loans and receivables — measured at amortised cost. The Authority classifies Loans and Advances, Accrued Interest Receivable, Cash and Liquid Assets and Other Assets under this category.

(b) Classification of Financial Instruments (continued)

- Held to maturity financial assets — measured at amortised cost. The Authority did not have any assets in this category at balance date.
- Available-for-sale financial assets — measured at fair value with fair value changes taken to Equity. The Authority classifies certain investment securities (refer Note 1(f)) under this category which are not held-for-trading but are highly liquid if required to be disposed of.
- Financial assets at fair value through profit and loss — measured at fair value with fair value changes taken to the Income Statement. The Authority classifies derivative instruments which are not defined as effective hedging instruments under this category (refer Note 1(h)).
- Fair Value Hedge — measured at fair value using hedge accounting. The Authority classifies derivative instruments which are effective hedging instruments (refer Note 1(h)) and the corresponding hedged items (refer Note 1(g)(ii)) which are all long-term fixed rate debenture loans under this category.

(c) Interest Income

Interest on Investments

This item includes interest income from assets which are classified as available-for-sale financial assets and Financial assets at fair value through profit and loss and deposits held with financial institutions during the year. The interest income is calculated on an accruals basis.

Interest on Loans and Advances

This item includes interest income from assets classified as Loans and Advances as well as interest income from derivatives that are classified under the Fair Value Hedge category. The interest income is calculated on an accruals basis.

(d) Interest Expense

Interest on Deposits from Councils and Local Government Bodies

This item includes interest paid to councils and local government bodies and is calculated on an accruals basis.

Interest on Borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

(e) Income Tax

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

(f) Investment Securities

The Authority has investments which are categorised as available-for-sale financial assets which have therefore been recorded at fair value with the change in fair value being adjusted against Equity on the Balance Sheet via the Asset Revaluation Reserve.

(g) Loans and Advances

(i) Security

The majority of loan agreements are secured by debentures, providing a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$21.7 million as at 30 June 2007) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(ii) Hedge Accounting

Loans and advances which are not effectively hedged by a derivative financial instrument are recorded in the accounts on the basis of historical cost. Loans and advances which are effectively hedged by a derivative financial instrument are recorded using hedge accounting.

The Authority uses interest rate swaps to hedge the interest rate risk associated with long-term fixed rate debenture loans to Councils and Prescribed bodies. Hedge Accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139.

The hedges used by the Authority are classified as Fair Value Hedges and the hedged items are all long-term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.

(h) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (refer Note 21(c) 'Derivative Financial Instruments').

Interest Rate Swaps are categorised as Fair Value Hedges and Futures Contracts are categorised as Financial assets at fair value through profit and loss.

(i) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	<i>Years</i>
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	6.7

(j) Concentration of Deposits

The Local Government Finance Authority of South Australia is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

(k) Employee Benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on-costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service.

No provision is made in the accounts for sick leave entitlements.

(l) Accounting Judgements, Estimates and Assumptions*Significant Accounting Judgements*

In the process of applying the Authority's accounting policies, management has made judgements in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long-term fixed rate debenture loans as Fair Value Hedges has enabled management to utilise the hedge accounting provisions of AASB 139.

Significant Accounting Estimates and Assumptions

The fair values of available-for-sale financial assets, hedged long-term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore no significant estimates or assumptions are used in their calculation.

2. Other Income	2007	2006
	\$'000	\$'000
Fee income	70	51
	<hr/> <hr/>	<hr/> <hr/>
3. Administration Expenses Comprise	789	723
Salaries and on-costs	100	136
Depreciation	62	53
Auditor's fees	5	23
Consultancy fees	545	480
Other expenses	1 501	1 415
	<hr/> <hr/>	<hr/> <hr/>
The amount received, or due and receivable in respect of this financial year by the auditors in connection with auditing the accounts	62	53
	<hr/> <hr/>	<hr/> <hr/>
4. Cash and Liquid Assets	742	1
Cash at bank	742	1
	<hr/> <hr/>	<hr/> <hr/>
5. Accrued Interest Receivable*	1 669	1 174
Interest receivable - Loans to councils and local government bodies	42	-
Interest receivable - Investment securities	1 711	1 174
	<hr/> <hr/>	<hr/> <hr/>

* The accrued interest receivable on Investment Securities, Net Loans and Advances and Derivatives which are required to be recorded at fair value have been transferred to the respective line item.

6. Investment Securities	2007	2006
	\$'000	\$'000
Deposits and securities issued by banks - At cost	5 100	5 100
Accrued interest receivable	55	50
Fair value adjustment	16	(11)
	5 171	5 139
Maturity Analysis - Investment Securities - At cost*:		
At call	-	-
Not longer than three months	-	-
Longer than three months and not longer than 12 months	-	-
Longer than one year and not longer than five years	-	-
Longer than five years	5 100	5 100
	5 100	5 100

* The maturity analysis has been calculated based on the repayment of the principal (face value).

The above maturity analysis shows the maximum credit risk exposure for investment securities without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

The risk is considered minimal as investments are undertaken in accordance with an investment policy which stipulates the credit ratings of the various financial institutions. Since the inception of the Authority in 1984 no default by an investment institution has occurred.

7. Other Assets	2007	2006
	\$'000	\$'000
Sundry debtors and prepayments	347	457
	347	457
8. Net Loans and Advances		
Advances	18 204	25 023
Term loans	436 391	399 685
Loans and Advances - At Cost	454 595	424 708
Fair Value Adjustment (Hedge Accounting)	(6 196)	3 012
Net Loans and Advances	448 399	427 720

Maturity Analysis - Loans and Advances - At cost*:		
At call	18 204	25 023
Not longer than three months	11 823	13 991
Longer than three months and not longer than 12 months	39 770	37 303
Longer than one year and not longer than five years	190 547	162 601
Longer than five years	194 251	185 790
	454 595	424 708

* The maturity analysis has been calculated based on the repayment of the principal (face value).

The above maturity analysis shows the maximum credit risk exposure for loans and without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

As explained in Note 1(g) the risk is considered minimal and in addition, a concentration of credit risk also occurs as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to Councils and Local Government Bodies. The majority of loan agreements are secured by debentures providing a charge over the Council's general revenue and the Authority has not incurred any bad debts since its inception in 1984.

Commitments - Loans and Advances:		
	2007	2006
	\$'000	\$'000
Unused cash advance facilities	145 489	155 439
Term loans approved not advanced	1 970	1 380
	147 459	156 819
9. Derivatives		
Swap principal receivable	9 177	8 497
Interest receivable - Interest rate swaps	3 565	2 811
Interest payable - Interest rate swaps	(4 375)	(4 260)
Fair value adjustment	10 511	1 161
Interest rate swaps*	18 878	8 209
Futures contracts	13	85
	18 891	8 294

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

10. Property, Plant and Equipment	2007	2006
Plant, Equipment and Motor Vehicles:	\$'000	\$'000
At cost	963	932
Less: Accumulated depreciation	654	624
Total Property, Plant and Equipment	309	308
11. Deposits from Councils and Local Government Bodies	358 123	320 717
Deposits from councils and local government bodies		
Maturity Analysis - Deposits from Councils and Local Government Bodies:		
At call	245 606	238 661
Not longer than three months	81 969	60 735
Longer than three months and not longer than 12 months	4 731	6 528
Longer than one year and not longer than five years	25 817	14 793
Longer than five years	-	-
	358 123	320 717
12. Accrued Interest Payable		
Interest Payable On:		
Deposits from councils and local government bodies	5 293	4 142
Borrowings*	418	466
	5 711	4 608
* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the Derivatives line item.		
13. Borrowings		
Short-term money market facilities	11 600	18 850
Promissory notes	43 600	42 100
Inscribed stock	2 405	4 351
	57 605	65 301
Maturity Analysis - Borrowings:		
At call	11 600	18 850
Not longer than three months	43 766	42 482
Longer than three months and not longer than 12 months	1 064	1 611
Longer than one year and not longer than five years	1 175	2 358
Longer than five years	-	-
	57 605	65 301
The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies) are guaranteed by the Treasurer of South Australia pursuant to section 24 of the <i>Local Government Finance Authority Act 1983</i> .		
14. Provisions	2007	2006
	\$'000	\$'000
Employee benefits	292	229
FBT	15	14
Bonus payment to councils and local government bodies	1 600	1 475
Provision for income tax	785	644
	2 692	2 362
Movements of Major Provisions during the Year		
(i) <i>Bonus Payment to Councils and Local Government Bodies</i>		
Opening balance 1 July	1 475	1 375
Increase in provision	1 600	1 475
Amounts paid	(1 475)	(1 375)
Closing Balance 30 June	1 600	1 475
(ii) <i>Provision for Income Tax</i>		
Opening balance 1 July	644	525
Increase in provision	1 361	1 153
Amounts paid	(1 220)	(1 034)
Closing Balance 30 June	785	644
15. Other Liabilities		
Sundry creditors	166	182
Payments due to South Australian Government Financing Authority	120	123
	286	305

16. Superannuation Commitments

The Authority contributes to the Local Government Superannuation Fund, Local Super, in accordance with the rules of that Fund. The Fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

17. Notes to the Cash Flow Statement**(a) Reconciliation of Cash**

Cash at 30 June as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Note	2007 \$'000	2006 \$'000
Cash at bank	4	<u>742</u>	<u>1</u>

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statement:

- (i) Client deposits and withdrawals
- (ii) Sales and purchases of money market securities
- (iii) Draw down and repayment of loans and investments
- (iv) Fees paid and received.

(c) Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax Equivalents

Net Profit after income tax equivalents	3 176	2 690
Increase in interest payable	1 217	526
Increase in interest receivable	(1 339)	(815)
Decrease in sundry creditors	(16)	3
Increase in provisions	205	134
Increase in sundry debtors	(2)	(15)
Depreciation	100	136
Revaluation gain	(26)	15
Loss on disposal of fixed assets	5	16
Net Cash provided by Operating Activities	<u>3 320</u>	<u>2 690</u>

18. Related Party Information

The Authority operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of Board Member during the year is as follows:

Mr John Keough	Mr Peter Fairlie-Jones
Councillor Bert Taylor, AM	Mr Anthony Pederick
Mr Hugh Bowers	Mr David Posaner
Ms Wendy Campana	Councillor John Sanderson
Mr Paul Cohen	

Mr John Keough retired as Chairman and Board Member as at 31 December 2006.

Mr Paul Cohen, an appointee by an annual general meeting upon the nomination of the Local Government Association of South Australia, was elected by the Board as Chairman effective 1 January 2007.

Mr Peter Fairlie-Jones was replaced as a Trustee by Mr Anthony Pederick upon the nomination of the Local Government Association of South Australia at the annual general meeting effective 1 January 2007.

Remuneration, Retirement Benefits and Loans

Board Members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with Section 13 of the *Local Government Finance Authority Act 1983*. The appointee of the Treasurer and the Appointee of the Minister both presently do not receive fees. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid to Board Members for the financial year ended 30 June 2007 was \$40 000, which includes salary sacrificed items and associated FBT.

Board Member Related Entities

The Authority had various financial dealings with the following Board Member related entities in the normal course of business proceedings:

<i>Board Member</i>	<i>Entity</i>
Councillor Bert Taylor, AM	Corporation of the City of Adelaide
Ms Wendy Campana	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme LGCS Pty Ltd
Mr Peter Fairlie-Jones	City of Salisbury LGCS Pty Ltd
Mr Anthony Pederick	Corporation of the Town of Walkerville LGCS Pty Ltd
Mr David Posaner	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham

All transactions were conducted on a commercial basis and were at arm's length. During Board meetings the relevant interests were declared when necessary.

19. Remuneration of Executives	2007	2006
Remuneration received, or due and receivable by executive officers, whose remuneration is \$100 000 or more:	\$'000	\$'000
Total remuneration paid to executive officers whose remuneration is \$100 000 or more	515	498
	2007	2006
The number of executive officers whose remuneration was within the bands:	Number of Executives	Number of Executives
\$250 000 - \$260 000	1	-
\$240 000 - \$250 000	-	1
\$130 000 - \$140 000	1	-
\$120 000 - \$130 000	1	2

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT.

20. Contingent Liabilities

The Authority incurs contingent liabilities as part of its normal operations in providing borrowing and investment services to local government in South Australia as are contemplated by its enabling legislation.

(a) Financial Guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Workers Rehabilitation and Compensation Corporation of South Australia (WorkCover). The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2007 the amount guaranteed was \$15.596 million.

(b) Performance Bond/Guarantee

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2007 the amount guaranteed was \$350 000.

(ii) Western Region Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Western Region Waste Management Authority, a regional subsidiary of the City of Charles Sturt, City of Holdfast Bay, City of Port Adelaide Enfield and City of West Torrens in favour of the Environment Protection Authority and Land Management Corporation. As at 30 June 2007 the amount guaranteed was \$12 million.

Note: Pursuant to Schedule 2 of the *Local Government Act 1999*, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

21. Financial Risk Management

(a) Risk Management Policies

All internal control and hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting.

(b) Interest Rate Risk Management

The Treasurer issued a revised consent dated 10 November 2004, for the Authority to enter into a range of financial arrangements as part of its normal operations of providing borrowing and investment services to local government in South Australia.

During the year the Authority used interest rate swaps and interest rate futures contracts to hedge actual financial transactions. All futures contracts are traded on the Sydney Futures Exchange and are closed out on or before maturity without physical delivery of the underlying instrument taking place.

(c) Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract amount of these derivatives. The notional amounts stated do not represent amounts exchanged by the parties and hence are not a measure of credit exposure. The actual amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates. The credit exposure amounts represent the estimated credit-related risk that the Authority is subject to on these amounts to be exchanged under the derivative instruments.

Whilst the Authority has exposure in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2007		2006	
	Notional Amount (Face Value) \$'000	Credit Exposure \$'000	Notional Amount (Face Value) \$'000	Credit Exposure \$'000
Interest Rate Swaps	367 855	53 311	362 063	41 851
Interest Rate Futures Contracts	4 000	313	7 000	510

(d) Liquidity Risk

Liquidity risk can arise if timing differences occur between the receipt of scheduled cash flows and the payment of the Authority's obligation when using derivatives.

Because all cash flows are normally very closely matched and the interest rate risk hedged, it is considered that the Authority has minimal liquidity risk.

22. Transactions with South Australian Government

The following transactions were undertaken during the financial year between the Authority and the South Australian Government:

	Note	2007 \$'000	2006 \$'000
Promissory notes	13	43 600	42 100
Inscribed stock	13	2 405	4 351
Interest payable - Promissory notes		382	322
Interest payable - Inscribed stock		25	70
Interest paid - Promissory notes		2 632	2 360
Interest paid - Inscribed stock		331	568
Fees for the guarantee of the Treasurer of SA on liabilities		862	846
Income tax expense relating to ordinary activities		1 361	1 153

23. Investment in Associate

LGCS Unit Trust No. 1 is incorporated in Australia and the principal activities of the business are the provision of shared services to local government. The most recent audited financial statements of LGCS Unit Trust No. 1 as at 30 June 2006 reveal the following summarised information:

	2006 \$'000	2005 \$'000
Revenues from Ordinary Activities	800	678
Net Profit	1	24
Total Assets	170	198
Total Liabilities	884	913
Net Assets	(714)	(715)
Total Equity	(714)	(715)

As at 30 June 2007 the Authority held a 50 percent ownership of the LGCS Unit Trust No. 1 in the form of 50 000 fully paid one dollar units. As the Authority does not control the Unit Trust but exercises significant influence, the Trust is accounted for using the equity method under AASB 128. As at 30 June 2007 the Authority had equity accounted for \$50 000 of the half share of the accumulated losses of LGCS Unit Trust No. 1, leaving a residual loss of \$307 197 which has not been recognised from the 30 June 2006 accumulated losses.

24. Interest Income and Interest Expense Analysis

Interest income and interest expense are accounted for on an accrual basis.

24. Interest Income and Interest Expense Analysis (continued)

The following tables provides the average balance and average rate for the major categories of interest bearing assets and liabilities. All averages calculated are daily averages.

	2007				2006			
	Average Notional Balance \$'000	Average Balance \$'000	Interest \$'000	Average Rate Percent	Average Notional Balance \$'000	Average Balance \$'000	Interest \$'000	Average Rate Percent
Interest Income:								
Investments	-	53 723	3 421	6.37	-	40 941	2 347	5.73
Loans and advances	-	423 629	28 289	6.68	-	393 964	26 309	6.68
Hedge receipts	365 338	-	23 494	6.43	346 165	-	19 995	5.78
Total Interest Income	365 338	477 352	55 204	6.55	346 165	434 905	48 651	6.23
Interest Expense:								
Borrowings	-	54 998	3 483	6.33	-	64 122	3 811	5.94
Deposits	-	377 025	22 330	5.92	-	326 735	17 394	5.32
Hedge payments	359 589	-	22 561	6.27	340 639	-	21 393	6.28
Total Interest Expense	359 589	432 023	48 374	6.11	340 639	390 857	42 598	5.82

25. Net Fair Value of Financial Instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Balance Sheet.

From 1 July 2005 all Derivative Financial Instruments and available-for-sale financial assets (Investment Securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of Net Loans and Advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The fair value of financial assets and liabilities which are payable on demand as at balance date (ie Cash and Liquid Assets, Other Assets and Provisions) approximate their book value. The fair value of all other financial assets and financial liabilities is based upon either of the following methods:

- (i) Market prices as at the respective balance date.
- (ii) Discounting cash flows using a zero coupon curve.

	2007		2006	
	Book Value \$'000	Fair Value \$'000	Book Value \$'000	Fair Value \$'000
Financial Assets:				
Cash and liquid assets	742	742	1	1
Other assets	347	347	457	457
Investment securities	5 213	5 213	5 139	5 139
Net Loans and advances	450 067	455 967	428 893	435 726
Financial Liabilities:				
Deposits from councils and prescribed bodies	363 416	362 704	324 860	324 042
Provisions	2 692	2 692	2 362	2 362
Other liabilities	286	288	310	312
Borrowings	58 022	58 022	65 762	65 817
Derivative Financial Instruments:				
Interest rate swaps	18 878	18 878	8 209	8 209
Futures contracts	13	13	85	85

Where financial assets are carried at an amount above net fair value, the Trustees have not caused those assets to be written down as it is intended to retain those assets to maturity.

It should be noted that most of the abovementioned financial instruments are not readily traded on financial markets and therefore the fair value assigned to them should in no way be interpreted as the realisable value of the Authority as at 30 June 2007.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Lotteries Commission of South Australia (the Commission) is a Statutory Authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia.

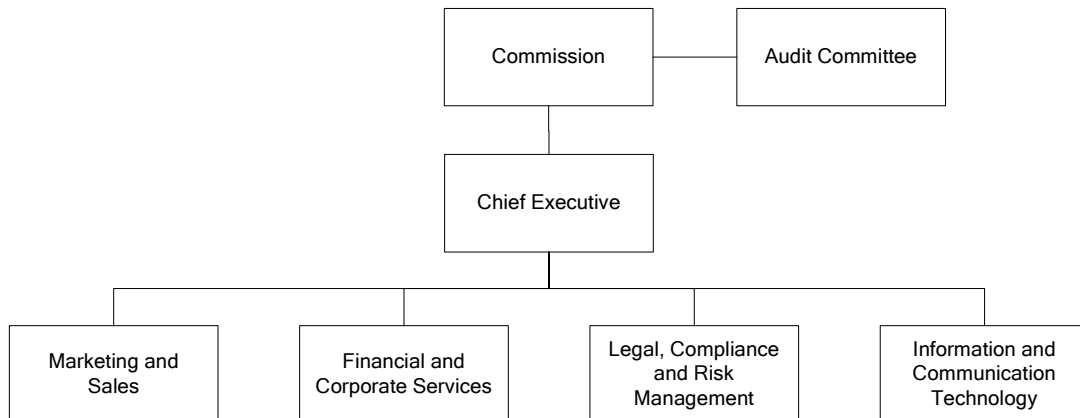
Functions

The functions of the Commission are to administer and promote the following lottery games:

- Monday/Wednesday Lotto
- Oz Lotto
- Powerball
- Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Special Appeal Lotteries
- Special Lotteries
- Sports Lotteries.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 18A(2) of the *State Lotteries Act 1966* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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
- gaming
- fixed assets
- financial accounting
- computer environment.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit in the following areas:

- fraud detection and prevention
- draw operations and dividend calculations.

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 Lotteries Commission of South Australia 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 Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Lotteries Commission of South Australia have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were conveyed in a management letter to the Chief Executive and a copy was also forwarded to the Chair of the Commission's Audit Committee. The response to the management letter was considered to be satisfactory. The Commission indicated that action had been taken to address the issues raised by Audit. The main issues related to updating of policies and procedures and the need to improve procedures related to the granting of access to various computer systems.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
INCOME			
Sales	349	348	-
Less cost of sales	(306)	(305)	-
Other revenue	8	7	14
Total Income	51	50	2
EXPENSES			
Supplies and services	14	14	-
Employee benefit costs	7	6	17
Other expenses	3	3	-
Total Expenses	24	23	4
NET PROFIT AFTER INCOME TAX EQUIVALENT	19	19	-

	2007	2006	Percentage
	\$'million	\$'million	Change
NET CASH FLOWS FROM OPERATING ACTIVITIES	88	91	(3)
ASSETS			
Current assets	78	54	44
Non-current assets	13	13	-
Total Assets	91	67	36
LIABILITIES			
Current liabilities	59	35	69
Non-current liabilities	6	6	-
Total Liabilities	65	41	59
EQUITY	26	26	-

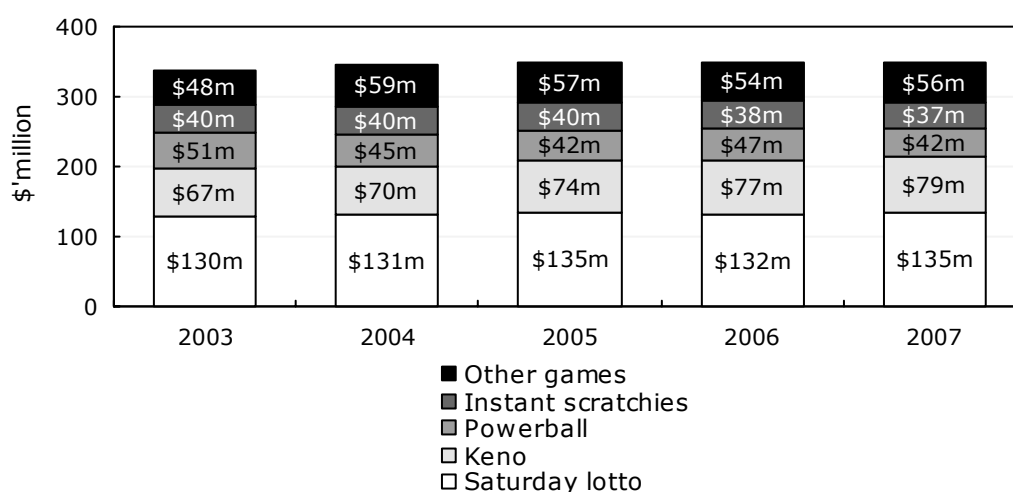
Income Statement

Sales Revenue

A structural analysis of sales revenue generated by the lottery products provided by the Commission in the five years to 2007 is presented in the following chart.

Notably in 2006-07, Saturday Lotto sales were \$135 million and Keno sales were \$79 million, representing 39 percent and 23 percent of sales respectively. These games remain the main individual revenue sources.

The analysis shows that total revenues have remained static over the past three years. In 2006-07 sales of various games increased including Saturday Lotto up \$3 million, Keno up \$2 million and Oz Lotto (included in Other Games) up \$6 million. However, these increases were offset by decreases in sales of Monday/Wednesday Lotto (included in Other Games), down \$3 million and Powerball, down \$5 million.



Expenses

The operating expenses of the Commission increased by \$353 000 in 2006-07 to remain comparable with the previous year. In 2007 employee benefits expenses increased by \$704 000 primarily as a result the impact of the movement in the net assets of the Commission's superannuation scheme. The Commission is unusual among public sector agencies in that it maintains a separate superannuation scheme for its employees (refer to Note 2(x)). Under AASs changes to the value of net assets of the scheme are recognised in the Income Statement. The superannuation scheme has a surplus of assets over liabilities and this surplus (which has increased by \$294 000 in 2007) is brought to account as a reduction in employee benefits expenses (refer to Note 9). However, the 2007 surplus was much less than the surplus recorded in 2006, hence a lesser reduction has been brought to account with the effect of increasing the overall employee benefits expenses compared to the previous year.

Supplies and services costs reduced by \$505 000 due mainly to decreased advertising and marketing costs (down \$542 000), offset by a range of minor increases in other expenses. Depreciation and amortisation expense rose by \$272 000 mainly as a result of an increase in depreciation of the on-line lotteries system.

Operating Result

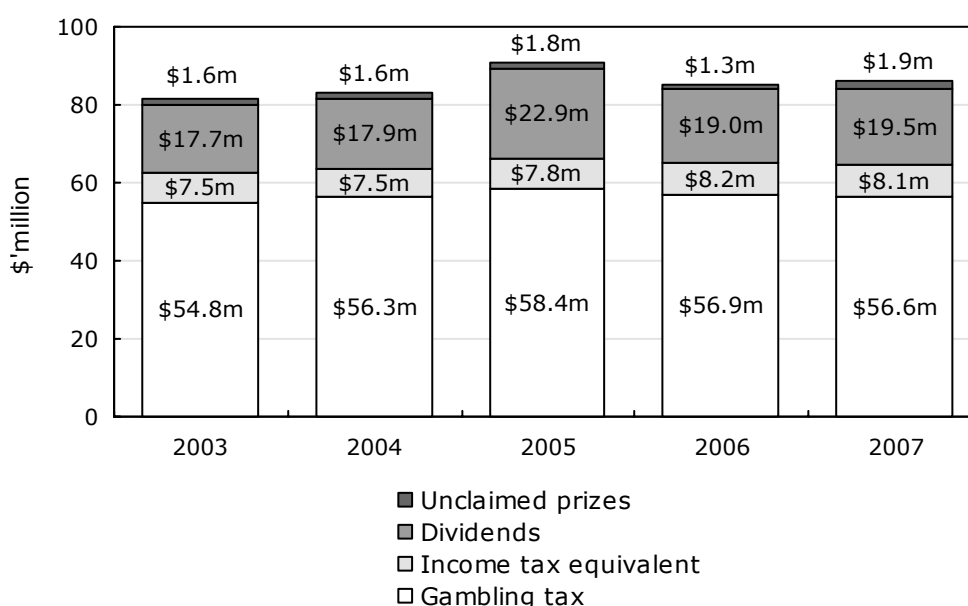
The Commission's performance has been stable with profit after income tax equivalent for 2006-07 being \$19 million, the same as the previous year.

Distributions to Government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the TIs which are detailed in Notes 2(s) and 27 to the Financial Statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend which equates to operating profit after income tax equivalent and a percentage of unclaimed prizes.

In 2007 the distribution provided for government amounted to \$86.1 million, an increase of \$788 000 over the previous year. The increase was due mainly to payments relating to unclaimed prizes (up \$614 000). Distributions to the Government have remained steady over the past two years following the higher amount in 2005 which included a special dividend payment relating to the sale of the Commission's former Head Office premises in Rundle Mall.

The following chart shows an analysis of the distributions provided to government over the five years to 2007. Over the period a total of \$427.3 million has been provided to the Government.



Balance Sheet

Current assets and current liabilities both increased by \$24 million in 2006-07. These increases were as a result of a South Australian winner of an Oz Lotto prize totalling \$25 million in the draw on 19 June 2007. There is a settlement period of two weeks for major prizes. Accordingly, as at 30 June 2007, the prize had not been paid to the winner and settlement not received from interstate Bloc members. All other assets and liabilities remained relatively steady.

Cash Flow Statement

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

	2007 \$'million	2006 \$'million	2005 \$'million	2004 \$'million	2003 \$'million
Net Cash Flows					
Operations	88	91	91	86	84
Investing	(2)	(1)	3	(1)	(1)
Financing	(89)	(86)	(91)	(85)	(84)
Change in Cash	(3)	4	3	-	(1)
Cash at 30 June	49	52	48	45	45

The table highlights the significant cash generating capacity of the Commission’s operations. A large portion of the cash balance at 30 June represents unpaid prizes (\$38.2 million) and distributions owed to the Government (\$7.2 million). The financing cash flows in 2007 represent the amount being distributed to the Government, \$87.6 million, and the repayment of borrowings, \$1.7 million.

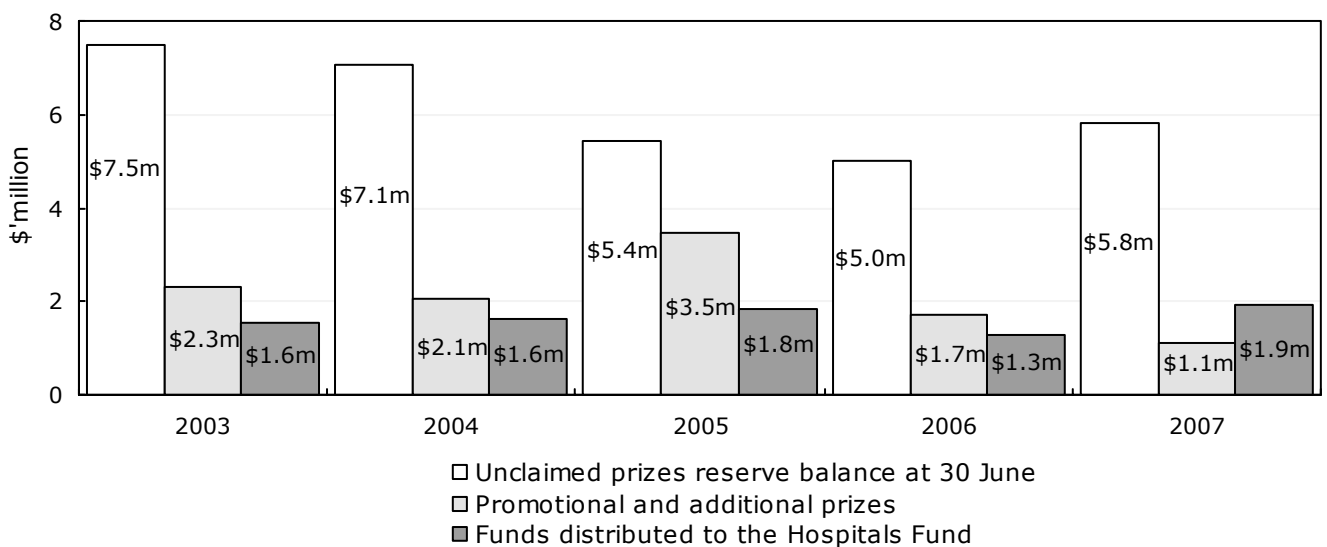
FURTHER COMMENTARY ON OPERATIONS

Unclaimed Prizes and Additional Prizes

In accordance with sections 16B and 16C of the *State Lotteries Act 1966* a prize in a lottery that has not been collected or taken delivery of within 12 months is forfeited to the Commission and transferred to the unclaimed prizes reserve. Of the monies transferred to the unclaimed prizes reserve, 50 percent of forfeited prizes are distributed to the Government (for the credit of the Hospitals Fund), whilst the Commission may apply the remaining 50 percent for the purposes of providing additional or increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia payments.

An analysis of the trend in the unclaimed prizes reserve, promotional and additional prizes and payments to the Hospitals Fund over the past five years is shown in the following chart.

The analysis shows that the balance remaining in the unclaimed prizes reserve has increased by \$813 000 in 2007 following a steady decline over the previous four years. In 2007 the amount of monies paid out to players from the unclaimed prizes reserve in promotional and additional prizes decreased by \$606 000 to \$1.1 million. Payments to the Hospitals Fund were \$1.9 million, an increase of \$614 000 from the previous year and the highest level over the period of analysis.



**Income Statement
for the year ended 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
INCOME:			
Sales revenue	6	349 246	348 088
Less cost of sales	7	306 145	304 644
Gross Margin		43 101	43 444
Interest revenue		3 083	2 793
Other revenues	8	4 404	4 246
Total Income		50 588	50 483
EXPENSES:			
Employee benefits expenses	9	6 541	5 837
Supplies and services	10	13 765	14 270
Depreciation and amortisation expense	11	3 201	2 929
Borrowing costs		95	213
Total Expenses		23 602	23 249
PROFIT BEFORE INCOME TAX EQUIVALENT		26 986	27 234
Income tax equivalent expense		8 096	8 170
NET PROFIT AFTER INCOME TAX EQUIVALENT		18 890	19 064

Net profit after income tax equivalent is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2007**

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	14	48 980	51 713
Receivables	15	29 025	1 665
Inventories		473	453
Total Current Assets		78 478	53 831
NON-CURRENT ASSETS:			
Property, plant and equipment	16	11 321	12 197
Intangible assets	17	143	129
Other non-current assets	18	1 082	788
Total Non-Current Assets		12 546	13 114
Total Assets		91 024	66 945
CURRENT LIABILITIES:			
Payables	19	49 151	22 010
Short-term borrowings	20	554	1 738
Short-term employee benefits	21	731	627
Other current liabilities	22	8 155	10 274
Total Current Liabilities		58 591	34 649
NON-CURRENT LIABILITIES:			
Payables	19	28	47
Long-term borrowings	20	6	512
Long-term employee benefits	21	669	616
Other non-current liabilities	22	5 829	5 016
Total Non-Current Liabilities		6 532	6 191
Total Liabilities		65 123	40 840
NET ASSETS		25 901	26 105
EQUITY:			
Funds retained for capital purposes		636	636
Reserves		25 265	25 469
Retained earnings		-	-
TOTAL EQUITY		25 901	26 105
Total Equity is attributable to the SA Government as owner			
Commitments	24		
Contingent assets and liabilities	25		

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

	Funds Retained for Capital Purposes \$'000	Asset Revaluation Reserve \$'000	Building Maint- enance Reserve \$'000	Capital Asset Reserve (Note 23) \$'000	Keno Prize Reserve \$'000	Retained Earnings \$'000	Total \$'000
BALANCE AT 30 JUNE 2005	636	7 871	94	15 563	1 833	-	25 997
Profit after income tax equivalent for 2005-06	-	-	-	-	-	19 064	19 064
Transfers:							
From retained earnings	-	-	-	2 000	1 176	(3 176)	-
To retained earnings	-	-	-	(1 300)	(1 768)	3 068	-
Dividend contribution to SA Government	-	-	-	-	-	(18 956)	(18 956)
BALANCE AT 30 JUNE 2006	636	7 871	94	16 263	1 241	-	26 105
Profit after income tax equivalent for 2006-07	-	-	-	-	-	18 890	18 890
Transfers:							
From retained earnings	-	-	-	2 000	1 421	(3 421)	-
To retained earnings	-	-	-	(1 541)	(2 466)	4 007	-
Gain on revaluation of property in 2006-07 (Note 16)	-	382	-	-	-	-	382
Dividend contribution to SA Government	-	-	-	-	-	(19 476)	(19 476)
BALANCE AT 30 JUNE 2007	636	8 253	94	16 722	196	-	25 901

All changes in equity are attributable to SA Government as owner

Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Receipts from customers		324 256	328 184
Interest received		3 053	2 781
GST receipts on sales		419	439
Cash generated from Operations		327 728	331 404
CASH OUTFLOWS:			
Prizes paid		(206 227)	(206 385)
Payments to suppliers and employees (excluding GST)		(20 137)	(21 351)
GST payments to Australian Taxation Office		(8 956)	(8 939)
GST payments on purchases		(4 113)	(4 142)
Interest paid		(125)	(213)
Cash used in Operations		(239 558)	(241 030)
Net Cash provided by Operating Activities	26	88 170	90 374
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		5	-
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(1 437)	(871)
Purchase of intangible assets		(145)	(17)
Net Cash used in Investing Activities		(1 577)	(888)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		(1 690)	(1 637)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	27	(56 998)	(57 397)
Dividends	27	(20 258)	(17 943)
Unclaimed prizes	27	(1 964)	(1 358)
Distribution to the Hospitals Fund for income tax equivalent	27	(8 416)	(7 701)
Net Cash used in Financing Activities		(89 326)	(86 036)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2 733)	3 450
CASH AND CASH EQUIVALENTS AT 1 JULY		51 713	48 263
CASH AND CASH EQUIVALENTS AT 30 JUNE	26	48 980	51 713

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of SA Lotteries

The Lotteries Commission of South Australia (SA Lotteries) commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia in accordance with the provisions of the *State Lotteries Act 1966*.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Statement of Compliance

AASs include AIFRS. Except for the amendments to AASB 101, which SA Lotteries has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SA Lotteries for the reporting period ending 30 June 2007.

SA Lotteries' 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 preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SA Lotteries' 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:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - (b) expenses incurred as a result of engaging consultants (the term 'Consultant' is defined in APF II, APS 4.6);
 - (c) employee TVSP information;
 - (d) 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 entity to those employees.

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

The Reporting Entity comprises the Lotteries Commission of South Australia only.

(b) Comparative Information

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.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(c) Rounding

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

(d) Taxation

Tax Equivalent Regime

In accordance with TI 22, SA Lotteries 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. Temporary differences do not arise. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

SA Lotteries is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalent and local government rate equivalent.

GST

SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the Australian Taxation Office (ATO). The GST on NGR is treated as a cost of sales.

GST (continued)

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the 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 ATO 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 ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(e) Income and Expenses

Income and expense are recognised in SA Lotteries' Income Statement to the extent that it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

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

Note 29 discloses income, expenses, financial assets and financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

- Sales revenue for Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools and Lucky SA Lottery is recognised as at the date of the draw or competition. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date is treated as sales in advance. Sales revenue for Instant Scratchies is recognised daily.
- Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.
- Revenues from services, fees and charges are derived from the provision of goods and services to the public. This revenue is recognised upon delivery of the goods or services to the recipients.

Expenses

All borrowing costs are recognised as an expense.

The net loss on disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

(f) Current and Non-Current Classification

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

(g) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement includes cash on hand, deposits held at call and other short-term, highly liquid investments that are used in the cash management function on a day-to-day basis.

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in At Call Deposit and Cash Management Fund accounts. Interest is earned at a minimum of SAFA's overnight at call deposit rate. The deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund.

Cash is measured at nominal value.

(h) Receivables

Receivables include amounts receivable from agents and other parties, prizes receivable from Blocs, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

Debtor Agents and Sundry Receivables

Debtor agents and sundry receivables are generally receivable within 7 days and 14 days respectively and are carried at amounts due.

Collectibility of debtor agents and sundry receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SA Lotteries will not be able to collect the debt.

Prizes Receivable from Blocs

Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

(i) Inventories

Inventories are measured at the lower of actual cost or their net realisable value.

Inventories are held for distribution and include Instant Scratchies tickets, on-line coupons, ticket rolls, and ribbons.

(j) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost, plus any incidental cost involved with the acquisition.

All non-current assets with a value of \$2000 or more are capitalised.

Componentisation of the on-line lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than \$1 million.

(k) Revaluation of Non-Current Assets

All non-current tangible assets are valued at fair value.

Revaluation of non-current assets or group of assets is only performed when its fair value is greater than \$1 million and estimated useful life is greater than three years.

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

SA Lotteries has taken the exemption available under APF III APS 3.10 to take asset revaluation adjustments to the asset revaluation reserve on a class basis rather than an individual asset basis.

(l) Impairment

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(m) Depreciation and Amortisation of Non-Current Assets

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

Assets are not depreciated/amortised until they are commissioned for use.

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

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

Land is not depreciated.

(m) Depreciation and Amortisation of Non-Current Assets (continued)

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

<i>Class of Assets</i>	<i>Estimated Useful Life</i>
Buildings	20 years
Plant and equipment	3 - 10 years
On-Line Lotteries System	2.25 - 4.25 years
Leasehold improvements	10 years
Intangibles (software)	3 years

(n) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

(o) Payables

Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

Creditors and Accrued Expenses

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 SA Lotteries.

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.

Prizes Payable

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements. State lottery operators have formed Blocs to conduct the games of Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools.

Amounts payable for prizes won in South Australia are generally available for settlement the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for Lotto type games are normally settled 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Employment On-Costs

Employment on-costs include superannuation contributions, payroll tax and workers compensation, with respect to outstanding liabilities for salaries, long service leave and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

(p) Borrowings

Borrowings are brought to account at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of creditors and accrued expenses. No borrowing costs have been capitalised in the financial period.

The carrying amount for borrowings approximates fair value.

(q) Employee Benefits

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

Salaries, Annual Leave and Sick Leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than 12 months.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed six and a half years of service. The benchmark for measurement of the long service leave liability has been revised from seven to six and a half years based on an actuarial assessment performed by the Department of Treasury and Finance.

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave provision classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

(r) Unclaimed Prizes Reserve

Other than a prize in a Special Appeal Lottery (Note 2 (t)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to SA Lotteries and transferred to the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund;
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by SA Lotteries from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex-gratia payments.

The *State Lotteries Act 1966* provides for an ex-gratia payment to a person who satisfies SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Lotteries Rules.

Ex-gratia payments are charged to the Unclaimed Prizes Reserve. Subsequent payments to either the Hospitals Fund or Recreation and Sport Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(s) Distribution of Funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, SA Lotteries is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR;
- making allowances for operating and capital expenses;
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund;
- in respect of Special Appeal Lotteries (Note 2(t)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries;
- retaining funds for certain designated purposes.

As detailed in Note 2(d), SA Lotteries is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with TI 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- (i) a gambling tax of 41 percent on NGR in respect of all lotteries conducted by SA Lotteries except sports lotteries and special lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Income Statement;
- (iii) a dividend, represented by net profit after income tax equivalent payment, and increased/decreased by funds retained for certain designated purposes;
- (iv) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in Note 27.

(t) Special Appeal Lotteries

With effect from 30 April 2007, the *State Lotteries Act 1966*, was amended to facilitate the conduct of Special Appeal Lotteries for approved state-based causes and disasters. The beneficiary(s), as approved by the Minister, receive the net proceeds less GST on NGR plus unclaimed prizes in respect of the Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(u) Foreign Currency

Exchange differences arising up to the date of purchase are included in the measurement of the purchase and are reported in the Income Statement.

(v) Operating Leases

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease agreement for a remote computer site at Kidman Park.

In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets. Operating lease payments 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.

(w) Insurance

SA Lotteries has arranged, through SAICORP Division of SAFA, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(x) Superannuation

SA Lotteries has an established superannuation plan for its employees, being the Lotteries Commission of South Australia Superannuation Plan (the Plan), which is a sub-plan of the Mercer Super Trust. The Plan provides lump sum benefits on retirement, death, disablement. Some categories of members receive only defined contribution, accumulation style benefits. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. The defined contribution (accumulation style) section receives fixed contributions from SA Lotteries and SA Lotteries' obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 13 July 2007.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Income Statement.

The superannuation expense of the defined benefit plan is recognised as and when the contributions become payable and consist of current service cost; interest cost; actuarial gains and losses; and past service cost.

The defined benefit superannuation plan asset recognised in the Balance Sheet represents the surplus of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

(y) Funds Retained for Capital Purposes

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

(z) Reserves

Asset Revaluation Reserve

This reserve was established to record increments and decrements in relation to the revaluation of land and buildings and the on-line lotteries system.

Building Maintenance Reserve

This reserve was established to meet future major building maintenance costs.

Capital Asset Reserve

This reserve was established to contribute to the financing of the cost of replacement of the on-line lotteries system hardware and software, and the purchase of other non-current assets.

Keno Prize Reserve

This reserve was established to meet Keno Spot 10 prizes. The reserve is funded from retained earnings at the rate of 23.32 percent of all Keno Spot 10 net sales (being gross sales less agents' commission) through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is returned to the Hospitals Fund as a dividend.

3. Financial Risk Management

SA Lotteries 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 all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and internal written policies approved by the Commission.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits) and interest bearing liabilities (borrowings from the SA Government).

SA Lotteries' exposure to foreign exchange risk and cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to debt obligations and investments at fair value.

SA Lotteries has no significant concentration of credit risk. SA Lotteries 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 SA Lotteries in its present form, and with its present segment/service, is dependent on government policy to maintain SA Lotteries' asset base.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which SA Lotteries has early adopted, the AAS and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SA Lotteries for the reporting period ending 30 June 2007. SA Lotteries 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 SA Lotteries.

5. Segment Reporting

SA Lotteries' business operations are conducted in the one main business and geographical segment - selling lottery games within the economic environment of South Australia.

SA Lotteries has not established any partnership, body corporate or trust to carry out any function of its business operations.

6. Sales Revenue

	2007	2006
	\$'000	\$'000
Saturday Lotto	135 042	132 388
Monday/Wednesday Lotto	32 607	35 936
Oz Lotto	22 234	16 495
Powerball	42 034	46 519
Keno	78 523	76 581
Instant Scratchies	37 139	38 383
Super 66	1 149	1 228
The Pools	518	558
Total Sales Revenue	349 246	348 088

Sales revenue includes agents' commission.

7. Cost of Sales

Prizes	211 236	209 439
Gambling tax on net gambling revenue	56 584	56 846
Agents' commission	25 779	25 755
GST on net gambling revenue	12 546	12 604
Total Cost of Sales	306 145	304 644

8. Other Revenues

Agents' fees and charges	3 604	3 459
Easiplay Club service fees	338	341
Sundry	462	446
Total Other Revenues	4 404	4 246

9. Employee Benefits Expenses		2007	2006
	Note	\$'000	\$'000
Salaries (including annual leave)		5 529	5 316
Long service leave		167	131
Employment on-costs - Superannuation contributions	28(j)	553	601
Increase in asset for defined benefit superannuation plan	28(e)	(294)	(717)
Employment on-costs - Other		484	395
Commission Members' fees		102	111
Total Employee Benefits Expenses		6 541	5 837

Remuneration of Employees

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries, superannuation contributions, FBT and any other salary sacrifice benefits, and includes payment of leave entitlements on ceasing employment.

The number of employees whose remuneration received or receivable falls within the following bands:		2007	2006
		Number of	Number of
		Employees	Employees
\$100 000 - \$109 999		-	2
\$120 000 - \$129 999		2	-
\$150 000 - \$159 999		1	-
\$160 000 - \$169 999		-	1
\$190 000 - \$199 999		-	1
\$270 000 - \$279 999		-	1
\$280 000 - \$289 999		1	-
\$290 000 - \$299 999		1	-
Total Number of Employees		5	5

Total remuneration received or receivable by employees whose remuneration was \$100 000 or more		2007	2006
		\$'000	\$'000
		990	852

Commission Members

The following persons held the position of Member of the Lotteries Commission of South Australia for the full financial year unless otherwise stated:

- Mr H J Ohff, FIEAust, CPEng, BA (Hons) (Presiding Member)
- Ms S J Mackenzie, BComm (Accounting), LLB (Hons)
- Mr S K Shirley, BEc, FCA, CPA, FTIA - term expired 31 August 2006 - reappointed 8 February 2007
- Ms C M Crago, Ass Dip (Bus), BBus (Mktg) - term expired 31 August 2006
- Mr W R Jackson, BEc, FASA
- Ms A E Lindsay, BA(Hons), LLB(Hons) - appointed 22 March 2007

Commission Members' Remuneration

The total remuneration received and receivable by Commission Members includes fees, superannuation payments and professional indemnity insurance paid on behalf of Commission Members.

The number of Commission Members whose remuneration received or receivable falls within the following bands:		2007	2006
		Number of	Number of
		Members	Members
\$0 - \$9 999		2	1
\$10 000 - \$19 999		1	-
\$20 000 - \$29 999		2	4
\$30 000 - \$39 999		1	1
		2007	2006
		\$'000	\$'000
The total remuneration received or receivable by Commission Members		120	137

Other Key Management Personnel Transactions

The aggregate amounts recognised during the year relating to key management personnel were as follows:

Commission Member: Mr S K Shirley			
Transaction: Consulting Fees		9	-

SA Lotteries used the consulting services of Mr S K Shirley in relation to independent accounting and commercial advice to the Commission and such other advice in accordance with his qualifications during the period after the expiration of his term as a Commission Member to his reappointment. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. No amounts were outstanding at year end.

Related Party Disclosure

All amounts provided by SA Lotteries to related parties are provided on an arm's length terms.

No Commission Member has entered into a material contract with SA Lotteries since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

Key Management Personnel Compensation

The key management personnel are the Commission Members and the Senior Management Team (including the Chief Executive) who have responsibility for the strategic direction and management of SA Lotteries.

The key management personnel compensation is as follows:

	2007	2006
	\$'000	\$'000
Short-term employee benefits	951	831
Post-employment benefits*	85	(35)
Other long-term benefits	16	16
Total Key Management Personnel Compensation	1 052	812

* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan asset to key management personnel based on the share of the defined benefit obligation.

TVSPs

No employees were paid TVSPs during the reporting period.

10. Supplies and Services

		2007	2006
		\$'000	\$'000
Advertising and marketing	Note	5 875	6 417
Computer operations		3 190	3 221
Tickets, coupons, terminal rolls and ribbons		1 467	1 598
Operating leases		609	570
Other occupancy costs		562	520
Agent distribution costs		225	219
Insurance		145	152
External audit fees	12	121	177
Training costs		82	88
Gambling tax - Other		32	42
Net loss on disposal of non-current assets	13	-	2
Bad debts		6	-
Other		1 451	1 264
Total Supplies and Services		13 765	14 270

Consultancies

The number and dollar amount of Consultancies paid/payable (included in Supplies and Services) that fell within the following bands:

	2007		2006	
	Number	\$'000	Number	\$'000
Below \$10 000	2	11	6	18
\$10 000 - \$50 000	2	25	-	-
Total Paid/Payable to Consultants Engaged	4	36	6	18

11. Depreciation and Amortisation Expense

	2007	2006
	\$'000	\$'000
Depreciation:		
Buildings	24	24
Plant and equipment	305	297
On-line lotteries system	2 624	2 382
Total Depreciation	2 953	2 703
Amortisation:		
Leasehold improvements	229	226
Software	19	-
Total Amortisation	248	226
Total Depreciation and Amortisation Expense	3 201	2 929

Revision in Accounting Estimates

During the year, SA Lotteries reassessed the useful lives of the On-line Lotteries System assets, resulting in a reduction in the estimated useful life. This has resulted in an increase of \$121 000 in the amount of depreciation calculated on these assets in the 2006-07 financial year relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in future years.

12. Auditor's Remuneration	2007	2006
Audit Services	\$'000	\$'000
Audit fees payable for the financial year	141	153
(Over) Under accrual	(20)	24
External Audit Fees Expense	121	177

The Auditor-General's Department is the auditor of SA Lotteries.

Other Services

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

13. Net Loss on Disposal of Non-Current Assets		
Proceeds from disposal	5	-
Less: Net book value of assets disposed	5	2
Net Loss on Disposal of Non-Current Assets	-	(2)

14. Cash and Cash Equivalents		
Bank balances and cash on hand	(377)	(493)
Short-term deposits	49 357	52 206
Total Cash and Cash Equivalents	48 980	51 713

Bank balances comprise unrepresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with SAFA.

Interest Rate Risk

Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily, floating rates. The weighted average interest rate earned was 6.21 percent (5.61 percent).

Net Fair Values

The carrying amount of cash and cash equivalents represents fair value.

15. Receivables	2007	2006
	\$'000	\$'000
Debtor agents	1 565	535
Prizes receivable from Blocs	26 389	272
Sundry receivables	405	358
GST receivable	454	414
Prepayments	212	86
Total Receivables	29 025	1 665

Interest Rate Risk

All receivables are non-interest bearing.

Credit Risk

Credit risk represents the loss that would be recognised if parties holding financial assets of SA Lotteries at balance date fail to honour their obligations under contract. SA Lotteries minimises its credit risk on debtor agents by undertaking its sales transactions with a large number of agents and requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

Net Fair Values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

16. Property, Plant and Equipment	2007	2006
Land and Buildings:	\$'000	\$'000
Land at fair value	700	560
Buildings at fair value	650	480
Accumulated depreciation	-	(48)
Total Land and Buildings	1 350	992
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	2 388	2 236
Accumulated depreciation	(1 828)	(1 626)
Total Plant and Equipment	560	610

16. Property, Plant and Equipment (continued)	2007	2006
On-line Lotteries System:	\$'000	\$'000
On-line lotteries system at cost (deemed fair value)	2 351	829
Accumulated depreciation	(357)	(93)
On-line lotteries system at fair value	10 168	10 168
Accumulated depreciation	(4 647)	(2 289)
Total On-Line Lotteries System	7 515	8 615
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	2 438	2 293
Accumulated amortisation	(542)	(313)
Total Leasehold Improvements	1 896	1 980
Total Property, Plant and Equipment	11 321	12 197

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment.

	2007					
	Land	Buildings	Plant and Equipment	Online Lotteries System	Leasehold Improve- ments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	560	432	610	8 615	1 980	12 197
Additions	-	-	260	1 524	145	1 929
Disposals	-	-	(5)	-	-	(5)
Revaluation increment	140	242	-	-	-	382
Depreciation and amortisation	-	(24)	(305)	(2 624)	(229)	(3 182)
Carrying Amount at 30 June	700	650	560	7 515	1 896	11 321

	2006					
	Land	Buildings	Plant and Equipment	Online Lotteries System	Leasehold Improve- ments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	560	456	754	10 287	2 201	14 258
Additions	-	-	155	710	5	870
Disposals	-	-	(2)	-	-	(2)
Depreciation and amortisation	-	(24)	(297)	(2 382)	(226)	(2 929)
Carrying Amount at 30 June	560	432	610	8 615	1 980	12 197

Valuation of Property, Plant and Equipment

- The valuation of the 24-26 Payneham Road, Stepney property was performed by Simon Hickin AAPI, Certified Practising Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2007. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis.
- The valuation of the on-line lotteries system was performed by Andrew Lucas, MBA, BAppSc (Val), AAPI, ASA, Certified Practising Valuer, an independent valuer from Valcorp Australia Pty Ltd, as at 30 June 2005. The valuer arrived at fair value based on market value of items in this group of assets.

The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:	2007	2006
	\$'000	\$'000
Land and buildings	379	397
Plant and equipment	560	610
On-line lotteries system	3 670	2 422
Leasehold improvements	1 896	1 980
Total Carrying Amount of Property, Plant and Equipment that would have been recognised if these Assets were stated at Cost	6 505	5 409

Carrying Amount of Property, Plant and Equipment

The gross carrying value of property, plant and equipment includes \$941 000 (\$883 000) of fully depreciated assets still in use.

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2007.

17. Intangible Assets	2007	2006
Software:	\$'000	\$'000
Software at cost	162	129
Accumulated amortisation	(19)	-
Total Intangible Assets	143	129

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets:

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	129	-
Additions	33	129
Amortisation	(19)	-
Carrying Amount at 30 June	143	129

18. Other Non-Current Assets

Defined benefit superannuation plan asset	28(d)	1 082	788
Total Other Non-Current Assets		1 082	788

19. Payables

Current:

Creditors and accrued expenses		2 470	1 748
Prizes payable		38 227	10 238
GST payable		1 142	1 206
Undistributed funds	27	7 196	8 739
Employment on-costs		116	79
Total Current Payables		49 151	22 010

Non-Current:

Employment on-costs		28	47
Total Non-Current Payables		28	47
Total Payables		49 179	22 057

Interest Rate Risk

All payables are non-interest bearing.

Net Fair Values

The carrying amount of payables approximates net fair values due to the amounts being payable on demand.

20. Borrowings

	2007	2006
	\$'000	\$'000
Current borrowings	554	1 738
Non-current borrowings	6	512
Total Borrowings	560	2 250

SA Lotteries has six loans from the Department of Treasury and Finance, with fixed interest rates ranging from 5.59 percent to 7.21 percent together with a 0.65 percent guarantee fee. The weighted average interest incurred was 6.24 percent (6.99 percent). Loans are recognised at cost. Loans are unsecured and repayable over eight years with six monthly repayments on a credit foncier loan basis.

21. Employee Benefits

	2007	2006
	\$'000	\$'000
Current:		
Annual leave	337	325
Short-term long service leave	156	200
Accrued salaries	238	102
Total Current Employee Benefits	731	627

Non-Current:

Long-term long service leave		669	616
Total Non-Current Employee Benefits		669	616
Total Employee Benefits		1 400	1 243

The total current and non-current employee expenses (ie aggregate employee benefit (above) plus related employment on-costs (Note 19)) is:

1 544	1 369
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22. Other Liabilities

Current:

Prize reserve fund ^(a)	6 813	8 010
Unearned revenue - Sales in advance	1 342	2 264
Total Current Other Liabilities	8 155	10 274

Non-Current:

Unclaimed prizes reserve ^(b)	5 829	5 016
Total Non-Current Other Liabilities	5 829	5 016
Total Other Liabilities	13 984	15 290

(a) Prize Reserve Fund:

Balance at 1 July	8 010	7 250
Allocated to prize reserve fund	9 832	11 150
Applied to additional or increased prizes or missed prizes	(11 029)	(10 390)
Balance at 30 June	6 813	8 010

- (a) Prize Reserve Fund (continued)
The Prize Reserve Fund allocation comprises the following percentages of net sales (gross sales revenue less agents' commission) for the following games:

	Percent
Lotto	5.0
Oz Lotto and Super 66	3.5
Powerball (was 2.5 percent up to 9 November 2006)	3.5
The Pools	2.0

These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

(b) Unclaimed Prizes Reserve:	2007	2006
	\$'000	\$'000
Balance at 1 July	5 016	5 421
Unclaimed monies forfeited	3 810	2 584
	8 826	8 005
Monies provided for distribution to the Hospitals Fund	(1 904)	(1 290)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Applied to additional or increased prizes in subsequent lottery draws, tickets and prizes in promotional lotteries or ex-gratia payments	(1 092)	(1 698)
Balance at 30 June	5 829	5 016

23. Capital Asset Reserve

Capital asset reserve comprises:

Capital fund account	10 466	10 428
Capital fund assets (at written-down value)	6 256	5 835
	16 722	16 263

Capital Fund Account:

Balance at 1 July	10 428	9 427
Transfer from retained earnings	2 000	2 000
Assets financed	(1 962)	(999)
Balance at 30 June	10 466	10 428

Capital Fund Assets:

Written-down value at 1 July	5 835	6 136
Assets financed	1 962	999
Depreciation	(1 536)	(1 298)
Written-down value of assets disposed of	(5)	(2)
Written-down Value at 30 June	6 256	5 835

24. Commitments for Expenditure Operating Lease Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	689	666
Later than one year but not longer than five years	2 429	2 483
Later than five years	1 212	1 846
Total Operating Lease Commitments	4 330	4 995

Representing:

Non-cancellable Operating Leases	4 330	4 995
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The 10 year accommodation operating lease at 24-25 Greenhill Road, Wayville (Head office) is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require lease payments to be increased by 3 percent per annum with a rent review after five years. The option for renewal of a further term of five years is available prior to the expiration of the current term.

The operating lease for the remote computer site at Kidman Park is non-cancellable with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 5 percent per annum.

Other Commitments

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

Within one year	1 238	1 521
Later than one year but not longer than five years	2 604	309
Total Other Commitments	3 842	1 830

SA Lotteries' other commitments are for agreements relating to on-line lotteries system software, hardware and associated services and other fixed services.

25. Contingent Assets and Liabilities
SA Lotteries is not aware of any contingent assets or liabilities.

SA Lotteries has made no guarantees.

26. Cash Flow Reconciliation		2007	2006
Reconciliation of Cash and Cash Equivalents:		\$'000	\$'000
Balance Sheet		48 980	51 713
Cash Flow Statement		48 980	51 713

Reconciliation of Profit before Income Tax Equivalent to Net Cash provided by Operating Activities:			
Profit before income tax equivalent		26 986	27 234
Add: Gambling tax		56 616	56 888
Add (Less): Non-cash items:			
Depreciation and amortisation expense		3 201	2 929
Net loss on disposal of non-current assets		-	2
Increase in defined benefit superannuation plan asset		(294)	(717)
Changes in assets/liabilities:			
(Increase) Decrease in receivables		(27 360)	860
(Increase) Decrease in inventories		(20)	20
Increase in payables		28 285	941
Increase (Decrease) in employee benefits		157	(57)
Increase in other liabilities		599	2 274
Net Cash provided by Operating Activities		88 170	90 374

27. Distribution of Funds to SA Government		Balance	Distribution	Distribution	Balance
		01.07.06	Provided	(Paid)	30.06.07
		\$'000	\$'000	\$'000	\$'000
Gambling tax	Note 7,10	5 374	56 616	(56 998)	4 992
Income tax equivalent		996	8 096	(8 416)	676
Dividend		2 173	19 476	(20 258)	1 391
Unclaimed prizes		196	1 905	(1 964)	137
Totals 2006-07		8 739	86 093	(87 636)	7 196
Totals 2005-06		7 833	85 305	(84 399)	8 739

Comprising:

Distribution to Hospitals Fund:					
Gambling tax		5 311	56 552	(56 883)	4 980
Income tax equivalent		996	8 096	(8 416)	676
Dividend		2 153	19 411	(20 182)	1 382
Unclaimed prizes		196	1 904	(1 963)	137
Totals		8 656	85 963	(87 444)	7 175

Distribution to Recreation and Sport Fund:

Gambling tax		63	64	(115)	12
Dividend		20	65	(76)	9
Unclaimed prizes		-	1	(1)	-
Totals		83	130	(192)	21

28. Superannuation

(a) Expense (Income) Recognised in the Income Statement		2007	2006
		\$'000	\$'000

Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:

Current service cost		287	373
Interest cost		297	303
Expected return on plan assets		(416)	(433)
Actuarial loss (gain)		(122)	(625)
Superannuation Expense (Income)		46	(382)

The expense (income) is recognised in the following item in the Income Statement:

Employee benefits expenses		46	(382)
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(b) Reconciliation of the Present Value of the Defined Benefit Obligation

Present value of defined benefit obligation at 1 July		5 852	6 994
Current service cost		287	373
Interest cost		297	303
Contributions by plan participants		199	202
Actuarial losses (gains)		533	(59)
Benefits paid		(769)	(1 858)
Taxes, premiums and expenses paid		(99)	(106)
Transfers in		23	3
Present Value of Defined Benefit Obligation at 30 June		6 323	5 852

(c) Reconciliation of the Fair Value of Defined Benefit Plan Assets	2007	2006
	\$'000	\$'000
Fair value of plan assets at 1 July	6 640	7 065
Expected return on plan assets	416	433
Actuarial gains (losses)	655	566
Employer contributions	340	335
Contributions by plan participants	199	202
Benefits paid	(769)	(1 858)
Taxes, premiums and expenses paid	(99)	(106)
Transfers in	23	3
Fair Value of Plan Assets at 30 June	7 405	6 640

The fair value of Plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- any of SA Lotteries' own financial instruments; or
- any property occupied by, or other assets used by, SA Lotteries.

(d) Reconciliation of the Asset Recognised in the Balance Sheet		
Defined benefit obligation	6 323	5 852
Fair value of plan assets	7 405	6 640
Surplus	1 082	788
Net Superannuation Asset	1 082	788

The amount included in the Balance Sheet arising from SA Lotteries' net superannuation asset in respect of its defined benefit plan is as follows:

Other Non-Current Assets (Note 18):		
Defined Benefit Superannuation Plan Asset	1 082	788

(e) Movement in Asset Recognised in the Balance Sheet		
Net superannuation asset at 1 July	788	71
Income (expense) recognised in Income Statement	(46)	382
Employer contributions	340	335
Net Movement	294	717
Net Superannuation Asset at 30 June	1 082	788

(f) Plan Assets	Percentage Invested		Plan Assets	
The percentage invested in each asset class at the Balance Sheet date:	2007	2006	2007	2006
	Percent	Percent	\$'000	\$'000
Australian equity	35	34	2 592	2 258
Overseas equity	29	28	2 147	1 859
Fixed income	14	15	1 037	996
Property	8	8	592	531
Cash	14	15	1 037	996
Total Plan Assets	100	100	7 405	6 640

(Asset allocation as at 30 June 2007 was not available. The asset allocation at 31 May 2007 has been used as an approximation of the allocation as at the Balance Sheet date.)

(g) Expected Rate of Return on Plan Assets
 The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.

The expected rate of return for each asset class at 30 June is as follows:	Expected Rate of Return	
	2007	2006
	Percent	Percent
Australian equity	7.7	7.5
Overseas equity	7.2	7.0
Fixed income	4.4	4.3
Property	6.5	6.3
Cash	3.9	3.8
Weighted Average Expected Return	6.5	6.3

(h) Actual Return on Plan Assets	2007	2006
	\$'000	\$'000
Actual Return on Plan Assets	1 071	999

(i) Principal Actuarial Assumptions

The principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2007	2006
	Percent	Percent
	Per Annum	Per Annum
Discount rate (active members)	5.3	4.9
Expected rate of return on plan assets (active members)	6.5	6.3
Expected salary increase rate	3.5	3.5

(j) Contributions

Contributions paid/payable by SA Lotteries to superannuation plans:

	2007	2006
	\$'000	\$'000
Defined benefit members	340	335
Defined contribution (accumulation) members	209	251
Private funds	4	15
Total Contributions	553	601

(k) Expected Employer Contributions

The estimated employer contributions expected to be paid to the plan during the year beginning after the balance sheet date

88	324
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The estimated employer contributions are based on a contribution rate of four percent of defined benefit members' salaries (see Note 28(m)(ii)).

(l) Historical Information

	2007	2006	2005
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	6 323	5 852	6 994
Fair value of plan assets	7 405	6 640	7 065
Surplus (Deficit) in Plan	1 082	788	71
Experience adjustments gain (loss) - Plan liabilities	(561)	(170)	20
Experience adjustments gain (loss) - Plan assets	655	566	434

(m) Funding Arrangements for Employer Contributions

(i) Surplus (Deficit)

The following is a summary of the most recent financial position of the Lotteries Commission of South Australia Superannuation Plan calculated in accordance with AAS 25.

Defined Benefit Members:	As at
Accrued benefits	30.06.06
Net market value of plan assets	6 055
Net Surplus (Deficit)	6 658
	603
Accumulation Members:	
Assets and Benefits	1 529

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting. The report was dated 18 June 2007.)

(ii) Contribution Recommendations

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Plan as at 30 June 2006, are:

- from 1 July 2007, either 4 percent of defined benefit members' salaries or a contribution holiday for three years with contributions at 11 percent of defined benefit members' salaries from 1 July 2010;
- at the Superannuation Guarantee rate for accumulation members.

(iii) Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the 'target' funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the 'target' funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of Accrued Benefits and above the total of the Vested Benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

(iv) *Economic Assumptions*

The long-term economic assumptions adopted for the last actuarial review of the Plan as at 30 June 2006 were:

	Weighted-Average Assumptions
Expected rate of return on assets (discount rate)	13.3 percent in the 2006-07 year
	6.5 percent per annum thereafter
Expected salary increase rate	3.5 percent per annum

(n) *Nature of Asset/Liability*

SA Lotteries has recognised an asset in the Balance Sheet in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

SA Lotteries (the employer) may at any time by notice to the Trustee terminate its contributions. In this case the employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but subject to any statutory obligations, there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the Plan.

The Plan does not impose a legal liability on SA Lotteries to cover any deficit that exists in the Plan if it is wound up. The Master Deed of the Mercer Super Trust and the Participation Agreement of the Plan state that if the Plan winds up, the remaining assets must be paid to Members, Dependants, former Members, deceased Members' Dependants or legal personal representative in proportions the Trustee in its discretion determines is appropriate.

29. Transactions with SA Government

As required by APS 4.1 of APF II, the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

		SA Government		Non-SA Government		Total	
	Note	2007	2006	2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:							
Sales Revenue	6	-	-	349 246	348 088	349 246	348 088
Cost of Sales:	7						
Prizes		-	-	(211 236)	(209 439)	(211 236)	(209 439)
Gambling tax on net gambling revenue		(56 584)	(56 846)	-	-	(56 584)	(56 846)
Agents' commission		-	-	(25 779)	(25 755)	(25 779)	(25 755)
GST on net gambling revenue		-	-	(12 546)	(12 604)	(12 546)	(12 604)
Total Cost of Sales		(56 584)	(56 846)	(249 561)	(247 798)	(306 145)	(304 644)
Interest Revenue		3 083	2 793	-	-	3 083	2 793
Other Revenues	8	9	9	4 395	4 237	4 404	4 246
Total Income		(53 492)	(54 044)	104 080	104 527	50 588	50 483
EXPENSES:							
Employee Benefits Expenses	9	436	340	6 105	5 497	6 541	5 837
Supplies and Services:	10						
Advertising and marketing		77	72	5 798	6 345	5 875	6 417
Computer operations		-	-	3 190	3 221	3 190	3 221
Tickets, coupons, terminal rolls and ribbons		-	-	1 467	1 598	1 467	1 598
Operating leases		-	-	609	570	609	570
Other occupancy costs		10	10	552	510	562	520
Agent distribution costs		-	-	225	219	225	219
Insurance		145	152	-	-	145	152
External audit fees		121	177	-	-	121	177
Training costs		-	-	82	88	82	88
Gambling tax - Other		32	42	-	-	32	42
Net loss on disposal of non-current assets		-	-	-	2	-	2
Bad debts		-	-	6	-	6	-
Other		218	39	1 233	1 225	1 451	1 264
Total Supplies and Services		603	492	13 162	13 778	13 765	14 270
Borrowing Costs		95	213	-	-	95	213
Total Expenses (Excluding Depreciation and Amortisation)		1 134	1 045	19 267	19 275	20 401	20 320
FINANCIAL ASSETS:							
Receivables:	15						
Debtor agents		-	-	1 565	535	1 565	535
Prizes receivable from Blocs		-	-	26 389	272	26 389	272
Sundry receivables		274	245	131	113	405	358
GST receivable		-	-	454	414	454	414
Prepayments		52	-	160	86	212	86
Total Receivables		326	245	28 699	1 420	29 025	1 665

29. Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
FINANCIAL LIABILITIES:							
Payables:	19						
Current:							
Creditors and accrued expenses		196	237	2 274	1 511	2 470	1 748
Prizes payable		-	-	38 227	10 238	38 227	10 238
GST payable		-	-	1 142	1 206	1 142	1 206
Undistributed funds		7 196	8 739	-	-	7 196	8 739
Employment on-costs		80	30	36	49	116	79
Total Current Payables		7 472	9 006	41 679	13 004	49 151	22 010
Non-Current:							
Employment on-costs		16	16	12	31	28	47
Total Non-Current Payables		16	16	12	31	28	47
Total Payables		7 488	9 022	41 691	13 035	49 179	22 057
 Borrowings (Current and Non-Current)	20	560	2 250	-	-	560	2 250

MOTOR ACCIDENT COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Motor Accident Commission (the Commission) is a Statutory Authority established pursuant to the *Motor Accident Commission Act 1992* (MAC Act).

Functions

The functions of the Commission are as follows:

- To provide policies of compulsory third party insurance under Part 4 of the *Motor Vehicles Act 1959* (MV Act), and to be the sole approved insurer under that Part until such time as the Minister responsible for the administration of that Act forms the view that it would be in the best interests of the State to invite and approve other persons or bodies of persons to be insurers under that Part.
- To maintain the Compulsory Third Party Fund.
- To perform the functions of the nominal defendant while the Commission holds that office under Part 4 of the MV Act.
- To provide financial or other support for and promote programs designed to reduce the incidence or impact of road accidents and road accident injuries.
- To carry on any other residual insurance business arising from its earlier operations as the State Government Insurance Commission (but only in order to wind up that business).
- To perform any functions of a kind prescribed by regulation.
- To perform any functions that are necessary or convenient for or incidental to the performance of functions referred to above.

The principal objectives of the Commission in providing compulsory third party insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund;
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the Fund;
- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the MAC Act, the Minister must prepare, in consultation with the Commission, a Charter, which may limit the functions or powers of the Commission.

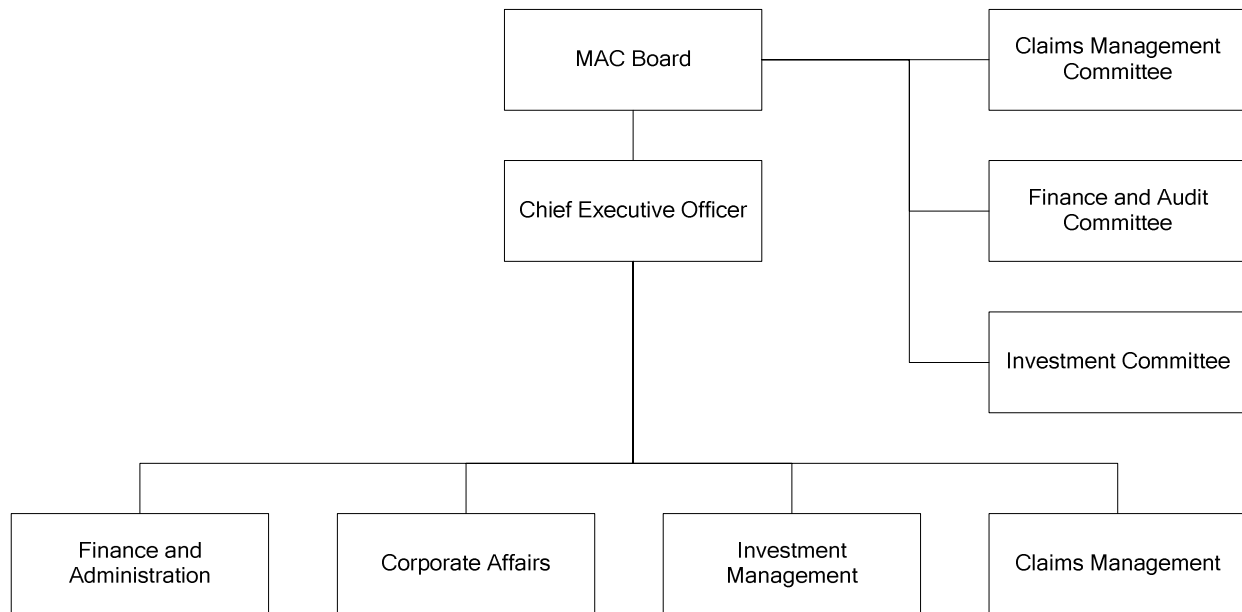
The Commission's Charter specifies that the Commission is empowered to undertake the following classes of insurance:

- Compulsory third party (CTP) insurance (in accordance with the MV Act).
- Mortgage insurance, credit enhancements, and guarantees insurance.
- Financial risk insurance.

The latter two classes of insurance are in 'run-off' mode.

Structure

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



With the exception of the CTP insurance business, no new policies were underwritten by the Commission for all other insurance activities. These activities are in 'run-off' mode and will cease once the Commission's obligations under the existing policies have expired or have been settled.

The administration and management of the CTP claims insurance business is undertaken on the Commission's behalf by Allianz Australia Insurance Limited (Allianz). Investments are managed by a number of external fund managers with the exception of the direct property portfolio which is managed 'in house'.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 28(3) of the MAC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission 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:

- investment assets
- investment income
- claims payable
- premiums
- management agreements (CTP)
- provision for outstanding claims
- accounts payable
- receivables.

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 Motor Accident Commission 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

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

Communication of Audit Matters

Matters arising during the course of the audit were conveyed in a management letter to the Chief Executive Officer. The response to the management letter was considered to be satisfactory. The principal matter raised with the Commission and their response was as follows.

Claims Management - Compulsory Third Party Fund

The results of the audit indicated the claims manager Allianz had a satisfactory level of internal controls in place. However, improvement could be achieved in relation to the application of delegations of authority in the computerised claims management system.

In response the Commission indicated that Allianz have undertaken to implement action to address the issue raised by Audit.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2007 \$'million	2006 \$'million	Percentage Change
UNDERWRITING RESULT			
Net premium revenue	386	386	-
Net claims	(393)	(369)	7
Other underwriting expenses	(87)	(81)	7
Underwriting Loss	(94)	(64)	47
INVESTMENT RESULT			
Net investment revenue	167	137	22
Investment market value movements	25	33	(24)
Revenue from Investment Activities	192	170	13
Net Profit	98	106	(8)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(11)	(25)	(56)
ASSETS			
Current assets	163	239	(32)
Non-current assets	1 975	1 717	15
Total Assets	2 138	1 956	9
LIABILITIES			
Current liabilities	525	495	6
Non-current liabilities	1 189	1 135	5
Total Liabilities	1 714	1 630	5
EQUITY	424	326	30

The Commission’s financial performance is significantly influenced by two inter-related aspects of its business as outlined below:

- Underwriting result — Underwriting operations are influenced by premium income, the number of claims and the estimated costs of settling those claims. The underwriting result is determined as premium revenue less claims expense (after the cost and recoveries associated with reinsuring a portion of the insurance portfolio’s risk with third parties) and other underwriting costs.
- Investment result — Investment operations is an integral part of any insurance business as the estimated return on invested funds is a significant component of the pricing strategy employed by the business.

AASB 1023 requires that ‘market value accounting’ be adopted in the accounting for and valuation of investments. This means that the investment result includes not only interest and related income received, but also changes in the market values of investments held at balance date. Changes in the market values of investments can be subject to wide fluctuations and it is important to emphasise that investment market value movements recognised in the Commission’s financial statements are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

Income Statement

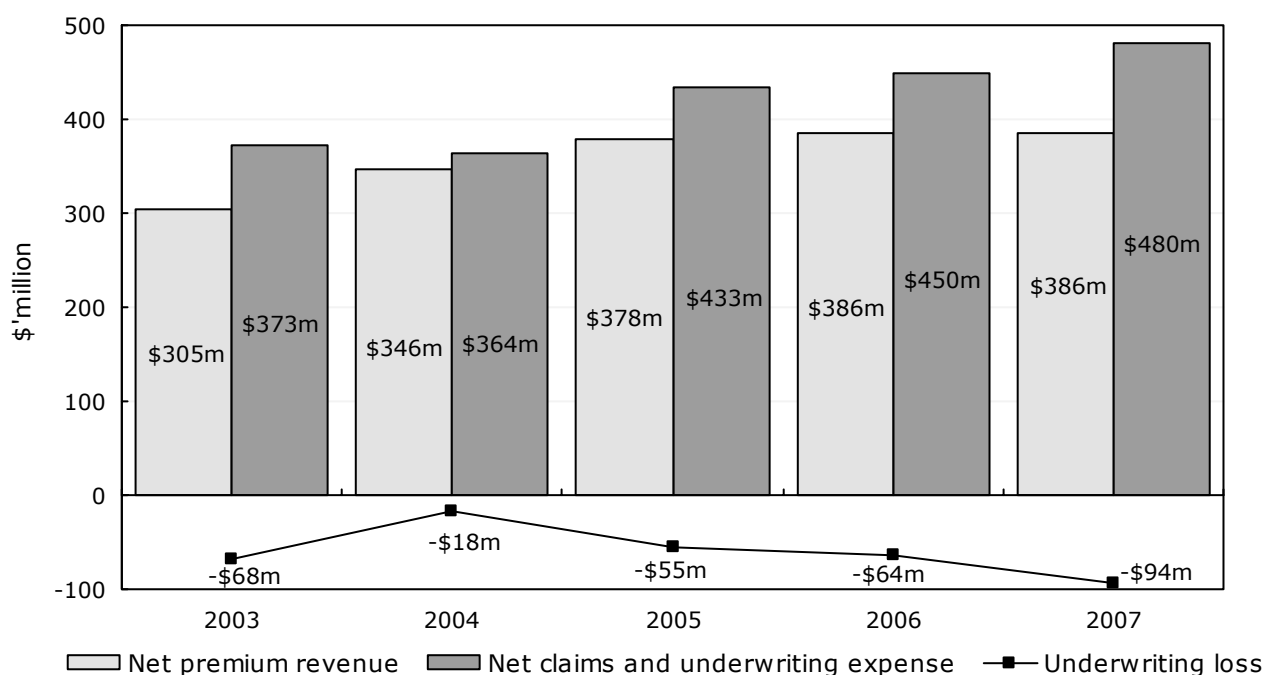
Underwriting Result

The underwriting loss increased by \$29.8 million in 2007 to a loss of \$93.9 million mainly as a result of an increase in net claims of \$24.5 million. Other underwriting expenses also increased by \$4.6 million primarily as a result of increased collection charges, up \$1.6 million and management expenses, up \$3 million, which rose due to increased road safety expenditure.

Net premium revenue remained steady at \$385.7 million. This reflects the decision by the Third Party Premium Committee to decrease premiums by 0.9 percent for the 2006-07 financial year. Net premium revenue had previously increased steadily over the period 2003 - 2006. Details of premium increases over the five years to 2007 is provided under the heading ‘Solvency Level’ herein.

Net claims and underwriting expenses have increased steadily over the same period except for 2004 when a decrease of \$9.1 million was experienced. Net claims expense is a combination of actual claim payments and the movement in outstanding claims provision. The claims expense for 2007 was \$405 million, an increase of \$35.8 million, and comprised gross claim payments of \$315 million (\$286 million) coupled with the increase in the outstanding claims provision of \$90 million (\$83 million).

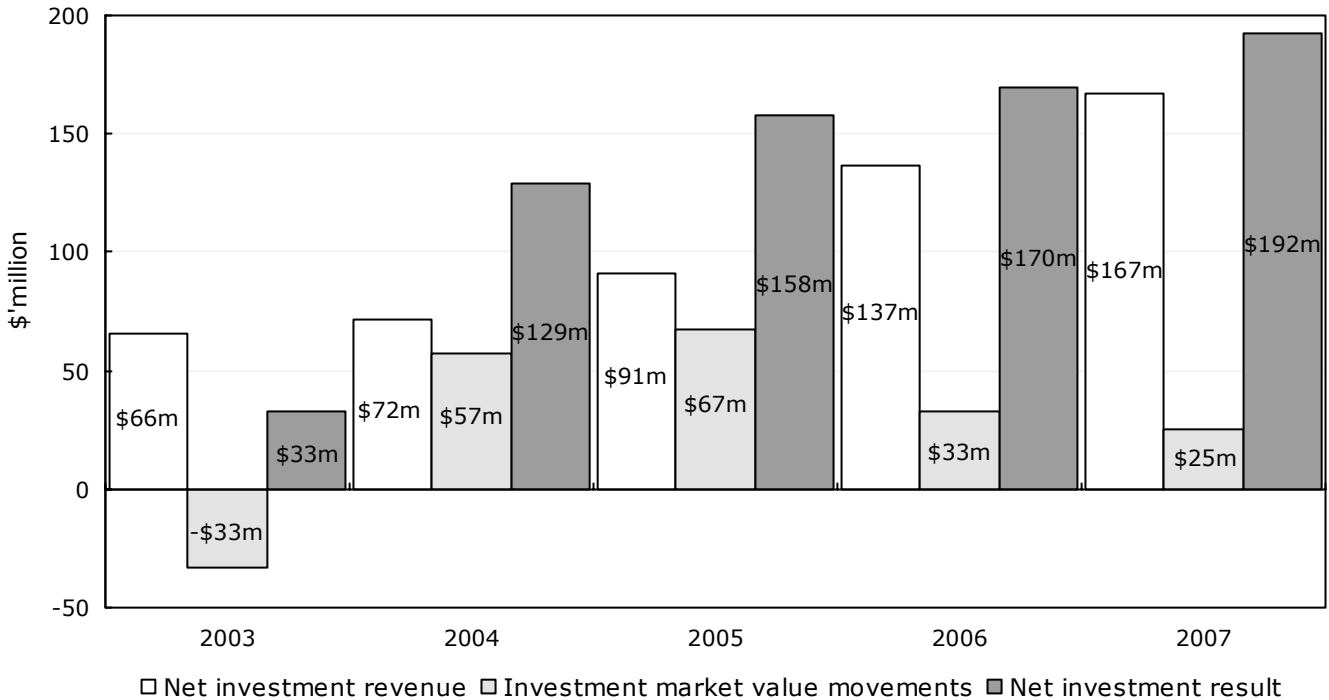
An analysis of the underwriting result for the Commission for the five years to 2007 is presented in the following chart.



Investment Result

The investment result has continued the upward trend experienced over the five year period under review. Net investment revenue increased by \$30 million in 2007 while the value of investment market value movements was \$25 million, a decrease of \$8 million over the previous year. The overall investment result has improved by \$22 million in 2007 which is reflective of the continued strong performance in investment markets over the last four years.

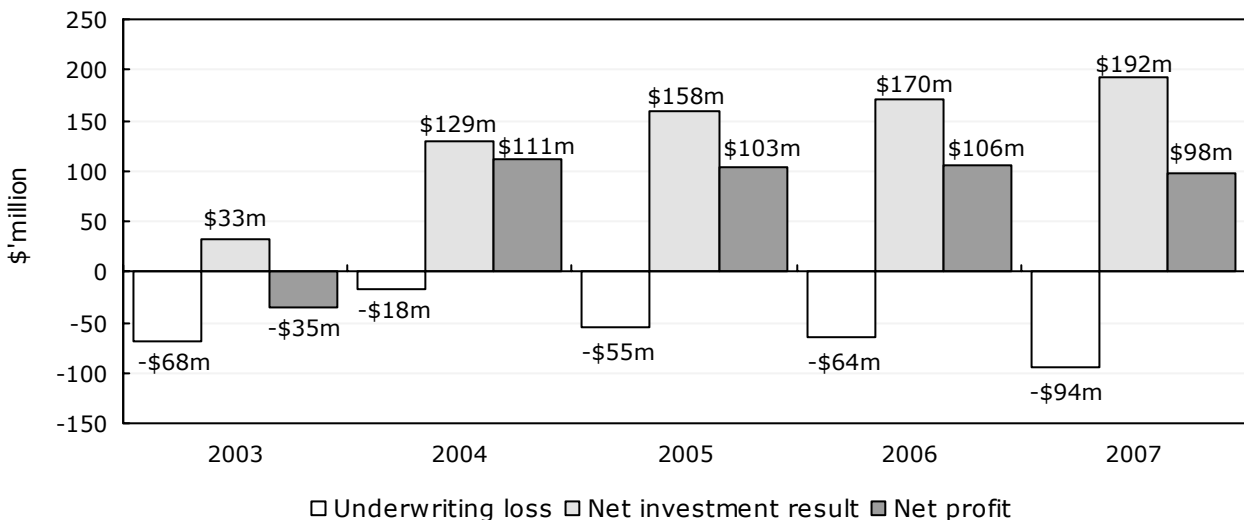
An analysis of the investment result for the Commission for the five years to 2007 is shown in the following chart.



In 2007 MAC achieved a return on its investment portfolio of 10.5 percent (10.2 percent) which compares with its internal benchmark of 9.5 percent (9.4 percent).

Operating Result

The Commission recorded an operating profit of \$98 million in 2007 (\$106 million). Although this is a decrease of \$8 million from the previous year it continues the pattern of profit results achieved over the last four years. The strong results from investments have made a significant contribution to the operating result against a background over the last three years of relatively stable premium income and increasing net claims and underwriting expenses. This highlights the importance of strong investment returns to the operating result of the Commission as can be seen from the following chart.

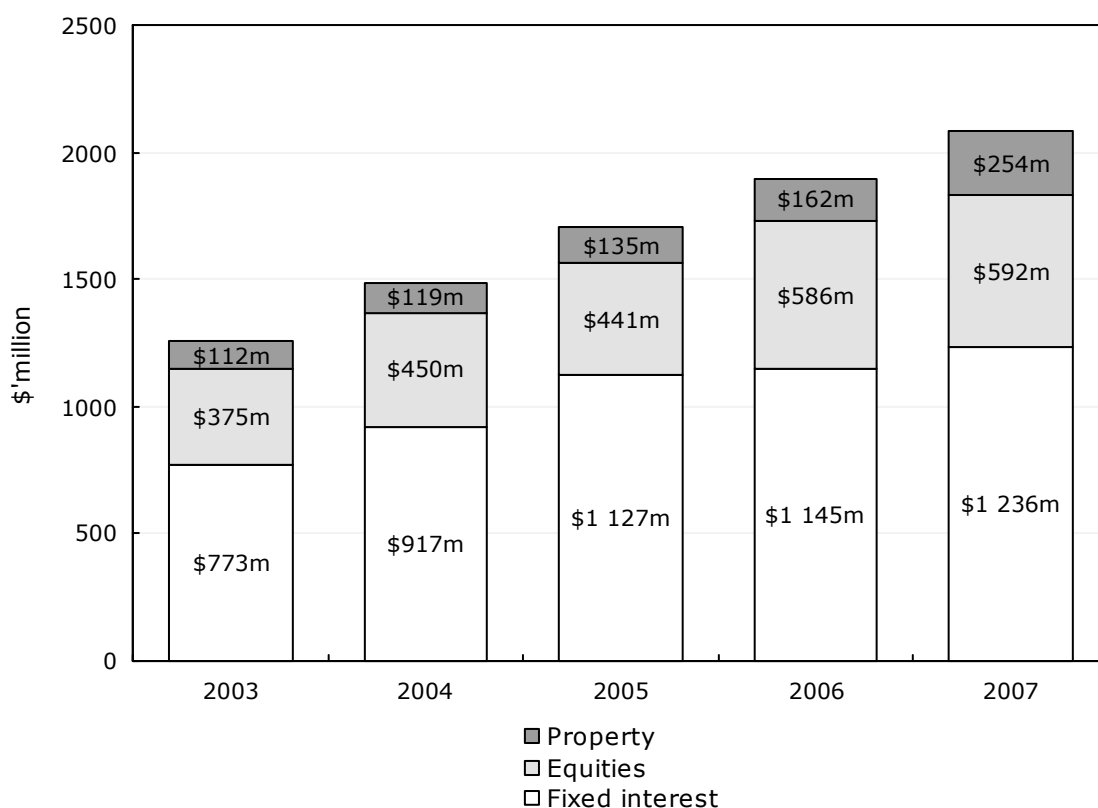


Balance Sheet

Investments

The total value of investment assets has increased by \$822 million over the five years to 2007 with investments totalling \$2.1 billion as at 30 June 2007. The portfolio mix over the last two years has been relatively constant although there was an increase in property investments in 2007. As at 30 June 2007 fixed interest investments accounted for 59 percent, equity 29 percent and property (including property trusts) 12 percent of the investment portfolio.

For the five years to 2007 a structural analysis of investment assets is shown in the following chart.



Outstanding Claims

The primary liability of the Commission is for outstanding claims. The liability covers claims reported but not yet paid, incurred but not reported, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance costs.

Calculation of the liability is an estimation process and a range of factors, including economic assumptions, affect the calculation. There is therefore a need for professional actuaries to undertake the calculation and for reporting purposes detailed disclosure of a range of the assumptions made in the calculation to be included in the notes to the financial statements.

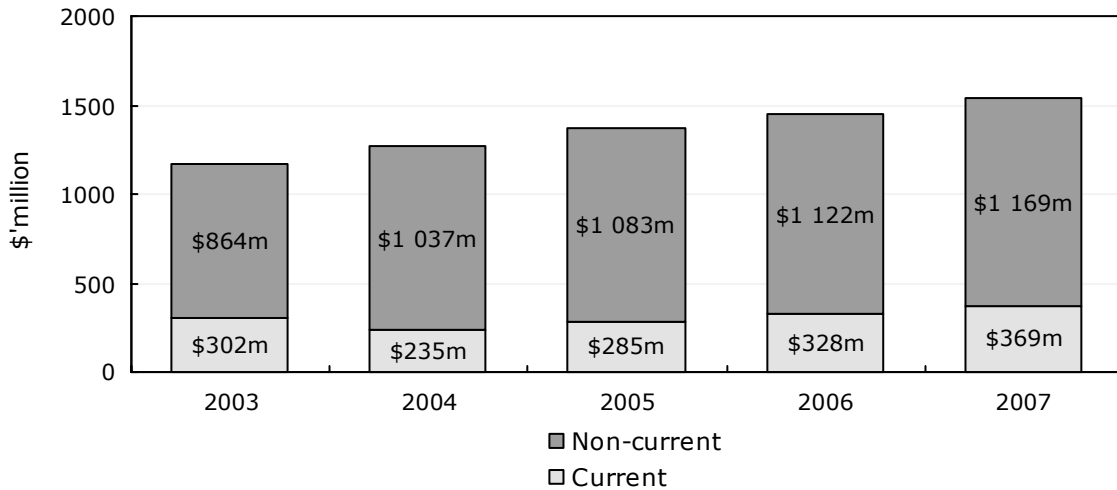
The liability calculation is reviewed by independent actuaries for the Commission. Detail of the calculation is provided in Notes 2(e) and 16 to the financial statements.

The provision for outstanding claims has increased by \$372 million over the last five years. In 2007 the provision increased by \$88 million to \$1.54 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2006-07, any changes in the estimated cost of settling claims incurred in previous years, together with any payments made to settle claims. Factors considered by the Actuary which impact the estimate of amounts required to settle claims include the:

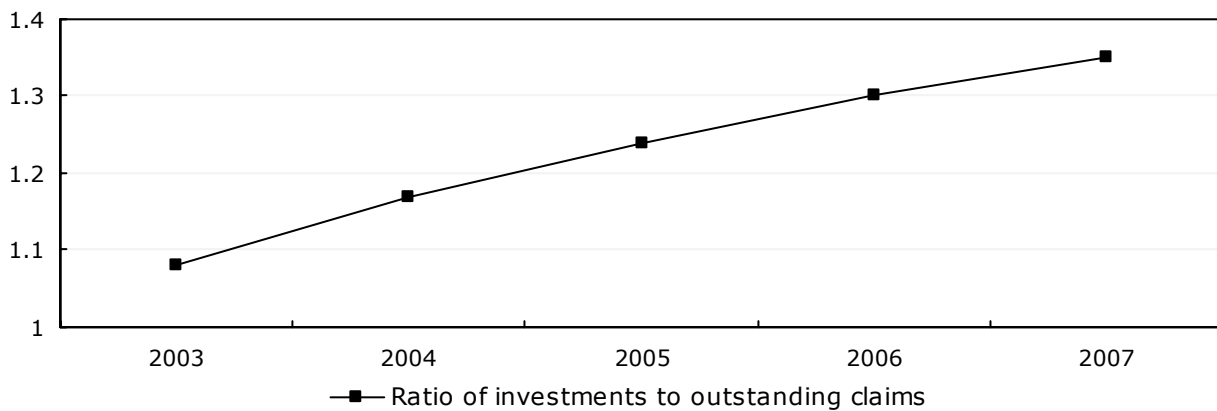
- number of claims incurred;
- length of time taken to settle the claim;
- average amount of claim payments;
- inflation and discount rates used.

Also impacting on the calculation of the outstanding claims liability is the solvency requirements promulgated by the Treasurer pursuant to the MAC Act which requires a risk margin to be included in the provision to achieve an 80 percent probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority nominated target of 75 percent probability of sufficiency, as set out in Prudential Standard GPS 310. Refer to further commentary provided under the section 'Solvency Level' herein.

The following chart sets out details of the liability for the five years to 2007.



The ratio of investments to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission's assets are sufficient to cover the value of its outstanding claims. The ratio has continued to increase in 2007 as growth in the value of investment assets held as at 30 June 2007 has exceeded growth in the value of outstanding claims.



Solvency Level

Subsection 14(3) of the MAC Act requires the Commission to seek to achieve and maintain a sufficient level of solvency for the CTP fund in accordance with a formula determined by the Treasurer.

The primary aim of establishing a benchmark level of solvency is to ensure that the fund can reasonably be expected to meet all of its liabilities as they fall due and essentially reflects the target level of reserves deemed by the Treasurer to be appropriate for the CTP fund to provide comfort that the scheme will endure future market turbulence with minimal risk of falling into a negative net assets position.

The formula specifies that the CTP fund will have a sufficient level of solvency if its assets exceed the sum of:

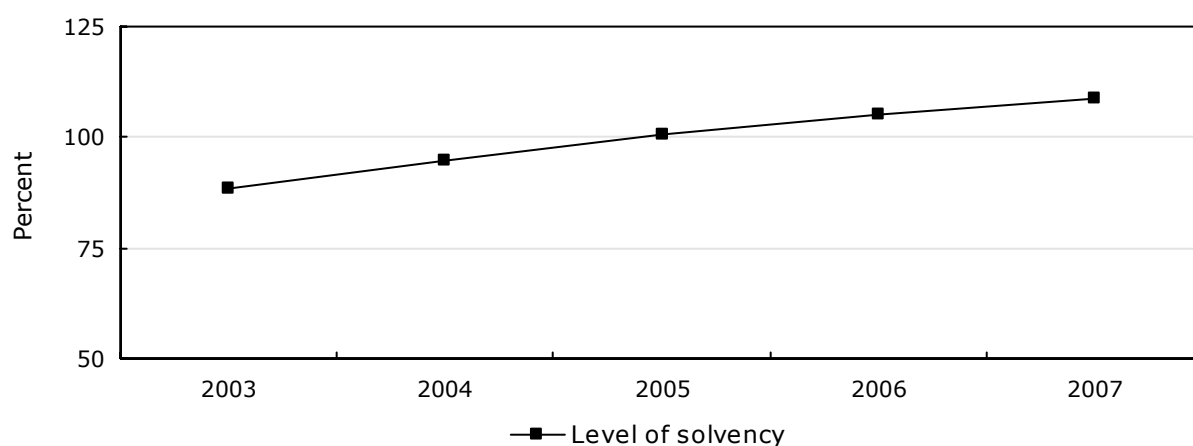
- the fund's liabilities;
- 10 percent of the outstanding claims liabilities provision;
- 10 percent of the premium liabilities provision;
- 10 percent of the investments in equities and property.

The Treasurer also requires that the provisions for outstanding claims liabilities and premium liabilities include a prudential margin which will be calculated by reference to an 80 percent probability that the provisions will be adequate as reported in actuarial reports to the Commission and also that the calculation of these provisions comply with the requirements of:

- AASB 1023;
- Professional Standard Number 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' issued by the Institute of Actuaries of Australia;
- Australian Prudential Regulation Authority GPS 310 in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80 percent probability of sufficiency compared with the 75 percent probability APRA requires).

As at 30 June 2007 the target level of reserves, as determined by application of the formula, was \$1.966 billion. The assets of the CTP fund as at that date were \$2.136 billion or 108.6 percent of the target level of solvency, a surplus of \$170 million.

The following chart shows the level of solvency achieved over the period since the solvency targets were initially set. The chart highlights a gradual improvement in performance over the five year period. The achievement of the required level of solvency in the last three years coincides with the improvement in investment market returns and also the change in premiums being at the level recommended by the independent Third Party Premium Committee (TPPC) (refer to the table below for more details on recent premium increases).



The recent history regarding the implementation of premium changes recommended by the TPPC is outlined below:

	2007 Percent	2006 Percent	2005 Percent	2004 Percent	2003 Percent
TPPC:					
Recommended rise (effective for the financial year)	(0.9)	(2.7)	5.5	16.4	21.7
Actual rise	(0.9)	(2.7)	5.5	16.4*	15.5
Difference	-	-	-	-	6.2

* The increase for some premium classes was capped at 9 percent.

As can be seen from the foregoing table, since 2004 the premiums recommended by the TPPC were approved by the Treasurer whereas in 2003 a lesser rise was approved. Subsection 25(3a) of the MAC Act requires that subject to any direction of the Treasurer to the contrary, the Commission must not, while there is less than sufficient level of solvency in the CTP Fund, fix its third party insurance premiums at amounts less than those determined by the TPPC. Application of this subsection since its promulgation in 2002 has contributed to the improved solvency level to the point where since 2005 the desired level of solvency has been achieved and in 2005-06 and 2006-07 allowed for a decrease in premiums charged.

Under the provisions of the MAC Act two of the principal objectives of the Commission in providing compulsory third party insurance are to achieve and maintain a sufficient level of solvency in the CTP Fund; and to minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. The TPPC considers these two objectives when making its premium recommendation which is determined based on the circumstances prevailing at the time in relation to expected premium income, projected claim costs and investment returns. For the year commencing 1 July 2007 the TPPC recommended an average increase in premiums of 6 percent, however the Treasurer directed that an increase of 2.4 percent be applied.

Cash Flow Statement

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

	2007	2006	2005	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Cash Flows					
Operations	(11 212)	(24 783)	9 624	12 858	(30 212)
Investing	-	(37)	51	(168)	(33)
Financing	-	-	-	(5 000)	(10 000)
Change in Cash	(11 212)	(24 820)	9 675	7 690	(40 245)
Cash at 30 June	49 853	61 065	85 885	76 210	68 520

The analysis of cash flows shows that the Commission's cash position has reduced in 2007 as a result of cash used in operating activities although there is still a significant cash balance as 30 June 2007.

Net cash outflows from operating activities decreased by \$13.6 million from the previous year and was impacted by a decrease in the net cash generated in the course of operations (down \$34.1 million to \$969 000) offset by a decrease in the net cash used in the purchase of investments (down \$42.3 million to \$87.1 million). Other net cash inflows were \$74.9 million (up \$5.4 million) which mainly related to cash received for interest and dividends from investments. The decrease in the net cash generated in the course of operations in 2007 has resulted from an increase in payments of \$38.4 million due mainly to an increase in claim payments made during the year.

Income Statement for the year ended 30 June 2007

	Note	CTP		MAC	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Premium revenue	5	389 503	389 187	389 503	389 187
Outwards reinsurance expense		(3 799)	(3 617)	(3 799)	(3 617)
NET PREMIUM		385 704	385 570	385 704	385 570
Claims expense	6	(405 024)	(369 196)	(405 026)	(369 192)
Reinsurance and other recoveries	5	11 381	500	11 885	506
NET CLAIMS	20	(393 643)	(368 696)	(393 141)	(368 686)
Unexpired risk expense	9	(7 512)	(6 700)	(7 512)	(6 700)
Other underwriting expenses	7	(78 568)	(74 192)	(78 914)	(74 278)
UNDERWRITING LOSS		(94 019)	(64 018)	(93 863)	(64 094)
Investment revenue	5	169 899	139 938	170 011	140 022
Other revenue	5	59	(2)	59	-
Investment management fee		(3 096)	(3 312)	(3 096)	(3 312)
NET INVESTMENT REVENUE		166 862	136 624	166 974	136 710
PROFIT BEFORE MARKET VALUE MOVEMENTS		72 843	72 606	73 111	72 616
Investment market value movements (AASB 1023)	5	24 910	33 099	24 910	33 099
NET PROFIT		97 753	105 705	98 021	105 715

Net Profit is attributable the SA Government as owner

Balance Sheet as at 30 June 2007

		CTP		MAC	
		2007	2006	2007	2006
CURRENT ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
Cash		5 709	3 451	7 408	4 788
Receivables	8	14 980	27 724	15 152	27 784
Reinsurance and other recoveries receivable	10	2 534	3 323	2 534	3 323
Other financial assets	11	122 526	188 016	122 591	188 087
Prepayments		15 328	15 162	15 328	15 162
Total Current Assets		161 077	237 676	163 013	239 144
NON-CURRENT ASSETS:					
Reinsurance and other recoveries receivable	10	16 031	10 793	16 031	10 793
Other financial assets	11	1 767 641	1 585 259	1 767 641	1 585 259
Investment property	12	191 060	119 581	191 060	119 581
Property, plant and equipment	13	-	-	26	188
Prepayments		300	899	300	899
Total Non-Current Assets		1 975 032	1 716 532	1 975 058	1 716 720
Total Assets		2 136 109	1 954 208	2 138 071	1 955 864
CURRENT LIABILITIES:					
Payables	14	19 962	33 078	19 863	32 967
Unearned income	15	135 068	133 265	135 068	133 265
Outstanding claims	16	368 804	327 669	368 806	327 671
Unexpired risk liability	9	1 338	812	1 338	812
Provisions	18	-	-	227	205
Total Current Liabilities		525 172	494 824	525 302	494 920
NON-CURRENT LIABILITIES:					
Unearned income	15	1 392	1 683	1 392	1 683
Outstanding claims	16	1 169 296	1 122 191	1 169 361	1 122 268
Unexpired risk liability	9	17 774	10 788	17 774	10 788
Provisions	18	-	-	119	103
Total Non-Current Liabilities		1 188 462	1 134 662	1 188 646	1 134 842
Total Liabilities		1 713 634	1 629 486	1 713 948	1 629 762
NET ASSETS		422 475	324 722	424 123	326 102
EQUITY:					
Retained profit		422 475	324 722	424 123	326 102
TOTAL EQUITY		422 475	324 722	424 123	326 102

Total Equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	27

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

	CTP \$'000	MAC \$'000
Retained Earnings at 30 June 2005	219 017	220 387
Net result for 2005-06	105 705	105 715
Retained Earnings at 30 June 2006	324 722	326 102
Net result for 2006-07	97 753	98 021
Retained Earnings at 30 June 2007	422 475	424 123

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

Cash Flow Statement for the year ended 30 June 2007

		CTP		MAC	
		2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash receipts in the course of operations	Note	427 787	423 476	427 903	423 556
Cash payments in the course of operations		(427 188)	(388 548)	(426 934)	(388 523)
Proceeds from sale of investments		1 460 308	1 452 735	1 460 308	1 452 735
Payment for investments		(1 547 397)	(1 582 101)	(1 547 397)	(1 582 101)
Taxes paid		(8 962)	(12 655)	(8 970)	(12 662)
Dividends received		4 602	6 389	4 602	6 389
Interest and other investment income		79 276	75 823	79 276	75 823
Net Cash Outflows from Operating Activities	25	(11 574)	(24 881)	(11 212)	(24 783)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payment for property, plant and equipment		-	-	-	(37)
Net Cash Outflows from Investing Activities		-	-	-	(37)
NET DECREASE IN CASH HELD		(11 574)	(24 881)	(11 212)	(24 820)
CASH AT 1 JULY		59 728	84 609	61 065	85 885
CASH AT 30 JUNE	2(r),25	48 154	59 728	49 853	61 065

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Activities of the Motor Accident Commission (MAC)

MAC's principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia. Other businesses managed in run-off include Inwards Reinsurance and Mortgage Guarantee Insurance.

2. Statement of Significant Accounting Policies

(a) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with applicable AASs, relevant TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS.

It has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets that are valued in accordance with the valuation policy applicable.

(b) Premium Revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

(c) Investment Income

Fees and discounts are amortised over the period to which they relate. Interest and dividends are taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) Outwards Reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) CTP Claims

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80 percent.

(ii) Other Claims

In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Unexpired Risk

AASB 1023 requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2007.

In order to meet the Liability Adequacy Test (LAT), additional provisioning has been included at a probability of sufficiency of 80 percent.

(h) Collection Charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) Levies and Charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(j) Receivables*(i) Trade Debtors*

Trade debtors principally relate to premiums collected by the Department for Transport, Energy and Infrastructure (DTEI), an agent of MAC, not yet passed over to the Fund. The settlement of these amounts occurs within seven working days.

(ii) Investment Debtors

Investment debtors consist of securities for which contracts for sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts.

(k) Derivatives

The entity's activities expose it to changes in interest rates, foreign exchange rates, inflation and the general level of volatility derived from financial investment performance. It is also exposed to credit, liquidity and cash flow risks from its operations.

It is the entity's policy to consider derivative financial instruments to enhance performance and to hedge cash flows subject to interest rate, foreign exchange rate and general consumer price risks. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

(l) Other Financial Assets

AASB 1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Income Statement. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

(i) Listed Equities and Securities

By market quotations as at 30 June 2007.

(ii) Other Investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(m) Investment Properties

Investment Properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The 2007 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Income Statement. Rental income is recognised in the Income Statement on a straight line basis over the term of the lease.

(n) Employee Benefits

A liability for employee benefits has been accrued as at 30 June 2007.

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

Wages, Salaries, Annual Leave and Sick Leave

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

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

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance, based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MAC's experience of employee retention and leave taken. The benchmark for recognition has changed in 2006-07 from seven years to six and a half years. The effect of this change is to increase the provision by \$18 000.

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

Superannuation

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

(o) Taxation

MAC is an income tax exempt organisation pursuant to section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, FBT, GST, emergency services levy, land tax and local government rates.

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

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

The net amount of GST recoverable from, or payable to the ATO is included as part of receivables or payables in the 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 ATO 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 ATO. If GST is not payable to, or recoverable from the ATO, the commitment and contingencies are disclosed on a gross basis.

(p) Property, Plant and Equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fit out are recorded at cost and depreciated over their estimated useful lives using the reducing balance method of depreciation. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

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

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

<i>Asset Class</i>	<i>Depreciation Method</i>	<i>Depreciation Rate Percent</i>
Plant and equipment	Diminishing value	20
Building fit out	Diminishing value	20

(q) 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 and that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the MAC.

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 the 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.

(r) Cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and at bank, and short-term deposits at call.

3. Changes In Accounting Policies

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

4. Profit

Profit is arrived at after crediting and charging the following specific items:

	CTP		MAC	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Credits:				
Interest received/receivable	69 379	66 281	69 379	66 281
Dividends received/receivable	9 859	9 304	9 859	9 304
Charges:				
Amounts set aside to provide for:				
Employee benefits	-	-	42	52
Depreciation of property, plant and equipment	-	-	35	46

5. Revenue

Premium Revenue:

Direct	389 503	389 187	389 503	389 187
	389 503	389 187	389 503	389 187

Reinsurance and Other Recoveries:

Other	11 381	500	11 885	506
	11 381	500	11 885	506

Investment Revenue:

Dividends	9 859	9 304	9 859	9 304
Interest	69 379	65 168	69 491	65 252
Rentals	16 592	8 983	16 592	8 983
Profit - Investments realised	74 069	56 483	74 069	56 483
	169 899	139 938	170 011	140 022

Investment Market Value Movements -

Unrealised Gains (Losses):				
Fixed interest	(17 408)	(17 748)	(17 408)	(17 748)
Equities	27 874	44 168	27 874	44 168
Properties	14 576	6 586	14 576	6 586
Futures	(132)	93	(132)	93
	24 910	33 099	24 910	33 099

Other Revenue:

Foreign exchange gains (losses)	3	(2)	3	-
Other	56	-	56	-
	59	(2)	59	-

Total Revenue

	595 752	562 722	596 368	562 814
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6. Claims Expense

Direct*	405 024	369 196	405 024	369 196
Non-CTP business	-	-	2	(4)

	405 024	369 196	405 026	369 192
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* Claim expenses includes supplies and services paid or payable to SA Government entities as follows:

	2007	2006
	\$'000	\$'000
Ambulance and helicopter rescue services	6 704	6 704

7. Other Underwriting Expenses

	CTP		MAC	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Management expenses*	26 108	23 333	26 454	23 419
Levies and charges	42 043	42 009	42 043	42 009
Collection charges	10 417	8 850	10 417	8 850
	78 568	74 192	78 914	74 278

* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

	2007	2006
	\$'000	\$'000
Audit services	110	107
Road safety supplies and services	3 510	2 829

In relation to levies and charges and collection charges, the entire amount was paid or payable to SA Government entities.

8. Receivables	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Trade debtors	3 251	2 951	3 260	2 962
Other debtors	-	-	154	42
	3 251	2 951	3 414	3 004
Investment debtors	11 729	24 773	11 738	24 780
	14 980	27 724	15 152	27 784

Other debtors generally arise from transactions outside the usual operating activities of the entity.

Investment debtors consists of equities listed on stock exchanges for which contracts of sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

9. Unexpired Risk

AASB 1023 requires a LAT which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2007.

	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Central estimate of present value of future claims	112 200	105 100	112 200	105 100
Risk margin	28 100	26 300	28 100	26 300
Present Value of Expected Future Claims	140 300	131 400	140 300	131 400
Unearned premium liability	136 460	134 900	136 460	134 900
Related reinsurance asset	(543)	(500)	(543)	(500)
Prepaid licence fees	(14 729)	(14 600)	(14 729)	(14 600)
	121 188	119 800	121 188	119 800
Unexpired Risk Liability	19 112	11 600	19 112	11 600

In order to meet the LAT, additional provisioning for the premium liability has been included at a probability of sufficiency of 80 percent (80 percent) which results in a risk margin of 25 percent (25 percent). This risk margin is based on the Actuaries knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unexpired Risk Liability:				
Opening balance	11 600	4 900	11 600	4 900
Unexpired risk expense	7 512	6 700	7 512	6 700
Closing Balance	19 112	11 600	19 112	11 600
Unexpired Risk Liability:				
Current	1 338	812	1 338	812
Non-current	17 774	10 788	17 774	10 788
Total Liability	19 112	11 600	19 112	11 600

10. Reinsurance and Other Recoveries Receivable

	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Expected future recoveries (undiscounted)	23 581	17 811	23 581	17 811
Discount to present value*	(5 016)	(3 695)	(5 016)	(3 695)
Reinsurance and Other Recoveries Receivable	18 565	14 116	18 565	14 116
Reinsurance and Other Recoveries Receivable:				
Current	2 534	3 323	2 534	3 323
Non-Current	16 031	10 793	16 031	10 793
	18 565	14 116	18 565	14 116

* Refer to Note 16(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

11. Other Financial Assets	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Fixed interest:				
Cash and deposits	42 445	56 277	42 445	56 277
Discounted securities	53 668	36 776	53 668	36 776
Corporate fixed interest	23 205	73 092	23 205	73 092
Foreign currency	-	-	65	71
Floating rate notes	-	20 324	-	20 324
Futures	150	346	150	346
Government securities	2 053	-	2 053	-
Property:				
Sales/Purchase deposits	1 005	1 201	1 005	1 201
Total Current Other Financial Assets	122 526	188 016	122 591	188 087
Non-Current:				
Fixed interest:				
Government securities	522 048	497 580	522 048	497 580
Corporate fixed interest	341 981	228 332	341 981	228 332
Indexed annuities	4 206	4 290	4 206	4 290
Capital indexed bonds	246 026	227 986	246 026	227 986
Equities:				
Listed on stock exchanges	391 684	431 637	391 684	431 637
International equities	199 957	154 145	199 957	154 145
Property:				
Domestic listed property trusts	61 739	41 289	61 739	41 289
Total Non-Current Other Financial Assets	1 767 641	1 585 259	1 767 641	1 585 259
Total Other Financial Assets	1 890 167	1 773 275	1 890 232	1 773 346
12. Investment Property				
At Fair Value:				
Balance at 1 July	119 581	87 350	119 581	87 350
Acquisitions	65 065	23 364	65 065	23 364
Disposals	(10 069)	-	(10 069)	-
Capitalised subsequent expenditure	1 907	2 281	1 907	2 281
Net gain from fair value adjustments	14 576	6 586	14 576	6 586
Balance at 30 June	191 060	119 581	191 060	119 581
Amounts Recognised in the Income Statement for Investment Property:				
Rental income	18 243	13 234	18 243	13 234
Direct operating expenses	(6 581)	(6 479)	(6 581)	(6 479)
Total Amount Recognised	11 662	6 755	11 662	6 755

Valuation Basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The 2007 revaluations were based on independent assessments made by members of the Australian Property Institute.

Leasing Arrangements

Commitments under non-cancellable operating leases at the reporting date are payable as follows:	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than one year	14 757	12 592	14 757	12 592
Later than one year but no later than five years	41 088	60 161	41 088	60 161
Later than five years	17 260	47 636	17 260	47 636
	73 105	120 389	73 105	120 389

These operating leases are not recognised in the Balance Sheet as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent payable is monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. Options exist to renew some of the leases at the end of the term of those leases. We have utilised the assumptions provided by our property managers regarding the likely renewal of leases in the multiple leased premises. In the prior year we utilised the assumptions of our valuers and these assumptions included leases that were outside the scope of AASB 117. Therefore numbers shown for 2007 are not comparable to those in 2006.

13. Property, Plant and Equipment

	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Building fit out	-	-	-	232
Accumulated depreciation	-	-	-	(77)
	-	-	-	155
Plant and equipment	-	-	57	57
Accumulated depreciation	-	-	(31)	(24)
	-	-	26	33
Total Property, Plant and Equipment	-	-	26	188
Building Fit Out:				
Carrying amount at 1 July	-	-	155	174
Additions	-	-	-	19
Disposals	-	-	(127)	-
Depreciation	-	-	(28)	(38)
Carrying amount at 30 June	-	-	-	155
Plant and Equipment:				
Carrying amount at 1 July	-	-	33	23
Additions	-	-	-	18
Depreciation	-	-	(7)	(8)
Carrying amount at 30 June	-	-	26	33

14. Payables

Current:				
Trade creditors	-	-	64	47
Investment creditors	12 994	22 730	12 994	22 730
Other creditors and accruals	6 516	9 921	6 805	10 190
Due to related parties	452	427	-	-
	19 962	33 078	19 863	32 967

15. Unearned Income

Current:				
Unearned premium	135 068	133 175	135 068	133 175
Unearned rental income	-	90	-	90
	135 068	133 265	135 068	133 265
Non-Current:				
Unearned premium	1 392	1 683	1 392	1 683
	1 392	1 683	1 392	1 683
	136 460	134 948	136 460	134 948

16. Outstanding Claims

(a)	Expected future claims payments (undiscounted)	1 665 641	1 554 996	1 665 708	1 555 075
	Risk margin applied (undiscounted)	262 729	245 949	262 729	245 949
	Discount to present value:				
	Central estimate	(337 132)	(303 170)	(337 132)	(303 170)
	Risk margin applied	(53 138)	(47 915)	(53 138)	(47 915)
	Liability for Outstanding Claims	1 538 100	1 449 860	1 538 167	1 449 939
	Current	368 804	327 669	368 806	327 671
	Non-Current	1 169 296	1 122 191	1 169 361	1 122 268
	Liability for Outstanding Claims	1 538 100	1 449 860	1 538 167	1 449 939

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

	CTP		MAC	
	2007 Percent	2006 Percent	2007 Percent	2006 Percent
For the Succeeding Year:				
Inflation rate	7.25	7.25	7.25	7.25
Discount rate	6.50	5.90	6.50	5.90
For Subsequent Years:				
Inflation rate	7.25	7.25	7.25	7.25
Discount rate	6.50	5.90	6.50	5.90

(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

	CTP		MAC	
	2007 Years	2006 Years	2007 Years	2006 Years
	4.0	4.2	4.0	4.2

16. Outstanding Claims (continued)

The method of calculating outstanding claims is set out in detail in Note 2(e).

The claims provision as at 30 June 2007 for the Compulsory Third Party Fund has been reviewed by the fund actuaries, Mr L C Brett B.Sc, FIA, FIAA and Mr B A Watson B.Sc, FIAA of Brett & Watson Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the actuary to achieve an 80 percent probability that the provision will prove to be adequate. A risk margin of 16 percent (16 percent) has been applied and is based on the actuaries knowledge of industry practice for CTP insurance portfolios. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

Claims Development

	Accident Year Ending 30 June					Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	
Net Ultimate Claims Cost Estimate:						
At end of accident year	281 748	338 640	326 705	354 460	382 329	
One year later	323 292	313 058	343 157	355 875		
Two years later	328 682	302 311	331 398			
Three years later	306 755	312 080				
Four years later	311 494					
Current estimate of net ultimate claims cost	311 494	312 080	331 398	355 875	382 329	
Cumulative payments	(181 895)	(133 085)	(84 453)	(47 852)	(18 617)	
Net undiscounted claims liability for the five most recent accident years	129 599	178 995	246 945	308 023	363 712	1 227 274
Discount to present value	(22 138)	(28 965)	(42 870)	(60 730)	(82 492)	(237 195)
Net discounted claims liability for the five most recent accident years	107 461	150 030	204 075	247 293	281 220	990 079
Reconciliation:						
Claims handling expenses						49 504
Risk margin						166 333
Net discounted claims liability for accident years 2001-02 and prior						313 619
Net Outstanding Claims Liability						1 519 535
Gross outstanding claims liability on the Balance Sheet						1 538 100
Reinsurance and other recoveries on outstanding claims liability						(18 565)
Net Outstanding Claims Liability						1 519 535

17. Insurance Contracts Risk Management

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk Management Objectives and Policies for Mitigating Insurance Risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing and claims analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

Reinsurance

The use of reinsurance to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default.

Claims Management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

Investment Management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the notes to the accounts.

Risk Reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

18. Provisions	CTP		MAC	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Employee benefits	-	-	227	205
	-	-	227	205
Non-Current:				
Employee benefits	-	-	119	103
	-	-	119	103
	-	-	346	308

19. Additional Financial Instrument Disclosures

(1) **Derivative Financial Instruments**

Options

The entity may enter into options that give it the right but not the obligation to purchase or sell specified securities and financial instruments. Options are entered into as a hedge against market risk. As at balance date there were no options held.

Fair Values

The fair values of the entity's derivative financial instruments which are traded on organised markets at balance date are those disclosed below under interest rate risk. All exchange traded financial instruments are carried at fair value.

(2) **Foreign Exchange Risk**

The entity enters into forward exchange contracts to hedge certain financial assets and claims liabilities denominated in foreign currencies (principally United States dollars). The terms of these commitments are rarely more than three months.

As at 30 June 2007, the entity held no open forward foreign exchange contracts however it did hold physical foreign currency deposits as a hedge against liabilities denominated in foreign currencies.

As part of a diversified investment strategy, MAC has investments in Funds investing in international markets. To maximise the diversification benefits of this strategy and reduce overall portfolio risk, these exposures are unhedged.

(3) **Interest Rate Risk**

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating Interest Rate \$'000	Fixed Interest Rate Maturities			Non-Interest Bearing \$'000	2007 Total \$'000
		Less than 1 Year \$'000	1 - 5 Years \$'000	Over 5 Years \$'000		
Financial Assets:						
Cash and deposits	49 853	-	-	-	-	49 853
Debtors	-	-	-	-	15 152	15 152
Government securities	-	2 053	267 913	254 135	-	524 101
Corporate fixed interest	-	23 205	274 932	67 049	-	365 186
Indexed annuities	-	-	-	4 206	-	4 206
Capital indexed bonds	-	-	30 151	215 875	-	246 026
Discounted securities	-	53 668	-	-	-	53 668
Foreign currency	-	65	-	-	-	65
Futures	150	-	-	-	-	150
Shares and other equity instruments	-	-	-	-	653 380	653 380
Sales/purchase deposits	-	-	-	-	1 005	1 005
Total Financial Assets	50 003	78 991	572 996	541 265	669 537	1 912 792
Weighted average interest rate (percent)	6.16	6.56	6.67	4.96		
Financial Liabilities:						
Creditors	-	-	-	-	19 863	19 863
Total Financial Liabilities	-	-	-	-	19 863	19 863
Net Financial Assets	50 003	78 991	572 996	541 265	649 674	1 892 929

(3) Interest Rate Risk (continued)

	Floating Interest Rate \$'000	Fixed Interest Rate Maturities			Non- Interest Bearing \$'000	2006 Total \$'000
		Less than 1 Year \$'000	1 - 5 Years \$'000	Over 5 Years \$'000		
Financial Assets:						
Cash and deposits	61 065	-	-	-	-	61 065
Debtors	-	-	-	-	27 784	27 784
Government securities	-	-	229 783	267 797	-	497 580
Corporate fixed interest	-	73 092	109 576	118 756	-	301 424
Floating rate notes	20 324	-	-	-	-	20 324
Indexed annuities	-	-	-	4 290	-	4 290
Capital indexed bonds	-	-	30 315	197 671	-	227 986
Discounted securities	-	36 776	-	-	-	36 776
Foreign currency	-	71	-	-	-	71
Futures	-	-	-	-	346	346
Shares and other equity instruments	-	-	-	-	627 071	627 071
Sales/purchase deposits	-	-	-	-	1 201	1 201
Total Financial Assets	81 389	109 939	369 674	588 514	656 402	1 805 918
Weighted average interest rate (percent)	5.22	6.05	5.79	4.84		
Financial Liabilities:						
Creditors	-	-	-	-	32 967	32 967
Total Financial Liabilities	-	-	-	-	32 967	32 967
Net Financial Assets	81 389	109 939	369 674	588 514	623 435	1 772 951

Reconciliation of Net Financial Assets

	2007 \$'000	2006 \$'000
Net Financial Assets	1 892 929	1 772 951
<i>Add:</i>		
Reinsurance and other recoveries receivable	18 565	14 116
Prepayments	15 628	16 061
Investments - Property assets	191 060	119 581
Property, plant and equipment	26	188
<i>Less:</i>		
Unearned income	136 460	134 948
Outstanding claims	1 538 167	1 449 939
Unexpired risk provision	19 112	11 600
Provisions	346	308
Net Assets	424 123	326 102

(4) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The carrying amounts of financial assets included in the Balance Sheet represent the entity's maximum exposure to credit risk to these assets. The entity minimises concentrations of credit risk by undertaking transactions with a large number of counterparties. The entity is not materially exposed to any individual counterparty.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the entity.

(5) Market Risk

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk of adverse movements in markets for derivatives, or the underlying asset or index to which the derivative relates. Market risk analysis is conducted on a regular basis and before any new positions are put into place. It is conducted on a total portfolio basis, incorporating both physical investments and the effective exposure of all derivative positions.

In managing market risks, the entity aims to reduce the impact of short-term fluctuations on the reported profit or loss for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results.

As at 30 June 2007, it is estimated that an increase of 0.5 percent in interest rates would result in a reduction in the entity's reported profit of approximately \$9 million (\$7.9 million).

It is estimated that a one percent fall in Australian equity markets, as measured by the ASX 300 index, would result in a fall of \$2.9 million (\$3.1 million) in value of the investment portfolio. A similar fall in International equity markets would result in a loss of approximately \$1.8 million (\$1.6 million) to the Fund.

Management Agreements

MAC has extended its contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund for a further period expiring on 31 December 2012. The initial contract arrangements with AAL commenced on 1 July 2003. A base management fee is payable each year to AAL until the contract period concludes. AAL is part of Allianz AG.

22. Segment Information

The entity's predominant operation is that of the Compulsory Third Party insurer in South Australia.

23. Auditors' Remuneration

	CTP		MAC	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Amounts received or due and receivable for auditing the accounts of the entity:				
Auditor-General's Department	99	96	110	107

The auditors provided no other services to the entity during the financial year.

24. Employee Benefits

	CTP		MAC	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Aggregate liability for employee benefits including on-costs:				
Current:				
Employee benefits provision:				
Annual leave	-	-	227	205
On-costs	-	-	49	44
	-	-	276	249
Non-Current:				
Employee benefits provision:				
Long service leave	-	-	119	103
	-	-	119	103
	-	-	395	352

25. Reconciliation of Net Cash**(1) Reconciliation of Cash**

Cash	5 709	3 451	7 408	4 788
Deposits at call	42 445	56 277	42 445	56 277
	48 154	59 728	49 853	61 065

(2) Reconciliation of Net Cash Outflows from Operating Activities

Net profit	97 753	105 705	98 021	105 715
Add (Less): Non-cash items:				
Depreciation	-	-	35	46
Loss on disposal of assets	-	-	127	-
Amounts set aside to provisions	-	(8)	-	(8)
(Profit) Loss on sale and revaluation to market value of investments	(98 979)	(89 582)	(98 979)	(89 582)
Increase (Decrease) in taxes payable and provisions	-	-	2	(2)
Net cash inflows from operating activities before changes in assets and liabilities	(1 226)	16 115	(794)	16 169
Change in assets and liabilities:				
(Increase) Decrease in investments	(101 159)	(131 319)	(101 153)	(131 324)
(Increase) Decrease in receivables	(840)	(78)	(977)	(101)
Increase (Decrease) in payables and provisions	6 254	9 511	6 327	9 587
Increase (Decrease) in outstanding claims	83 795	82 936	83 783	82 932
Increase (Decrease) in unearned premium	1 602	(2 046)	1 602	(2 046)
Net Cash Outflows from Operating Activities	(11 574)	(24 881)	(11 212)	(24 783)

26. Sufficient Level of Solvency

Subsection 14(3) of the *Motor Accident Commission Act 1992* (MAC Act) defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. A revised formula to calculate a sufficient level of solvency was issued by the Treasurer on 17 May 2006 and subsequently published in the South Australian Government Gazette. The formula specifies that the Fund will have a sufficient level of solvency if its assets exceed the sum of the Fund's liabilities plus 10 percent of the outstanding claims liabilities, 10 percent of the premium liabilities provision and 10 percent of the investments in equities and property.

Under the formula, provisions for outstanding claims liabilities and premium liabilities include prudential margins which are calculated by reference to an 80 percent probability of sufficiency that the provisions will be adequate.

As at 30 June 2007, the sufficient solvency target was \$1966.1 million (\$1862.4 million) which compares to the Fund's assets of \$2136.1 million (\$1954.2 million) and this equates to 108.6 percent (104.9 percent) of the required level of sufficient solvency.

26. Sufficient Level of Solvency (continued)

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2007.
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due.
- The Fund's investment strategy is designed to assist in maintaining sufficient solvency.
- MAC is supported by a government guarantee pursuant to subsection 21(1) of the MAC Act.

27. Contingent Assets and Liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the entity different to that incorporated in these accounts.

28. External Consultants used during the Financial Year

	2007	2006
	\$'000	\$'000
Total amount paid or due and payable to external consultants during the financial year	270	313

	2007	2006
	Number of	Number of
	Consultancies	Consultancies
The number and value of consultancies were:		
Below \$10 000	11	5
Between \$10 000 and \$50 000	2	5
Above \$50 000	2	1

29. Directors' Remuneration

The names of each person holding the position of director of the entity during the financial year are:

J H Brown	R N Sexton
R A Cook	Y Sneddon
A M Gallacher	D J Watkins
B G Rowse	K A Weir

	2007	2006
	\$'000	\$'000
Total income paid or payable, or otherwise made available, to all directors of the entity from the entity:	258	321

	2007	2006
	Number of	Number of
	Directors	Directors
The number of directors of the entity whose income from the entity falls within the following bands:		
\$0 - \$9 999	1	2
\$20 000 - \$29 999	-	1
\$30 000 - \$39 999	6	7
\$40 000 - \$49 999	1	1

Directors of the entity receive remuneration in the form of statutory fees. In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration from the entity during the financial year.

Superannuation and Retirement Benefits

Directors of the entity are not paid superannuation or retirement benefits for their activities associated with the entity other than the amount set aside by the entity in compliance with the Superannuation Guarantee Charge of \$22 000 (\$27 000).

30. Employees' and Executives' Remuneration

	2007	2006
	\$'000	\$'000
Salaries and wages	1 280	1 137
Long service leave	17	12
Annual leave	25	40
Employment on-costs:		
Superannuation	285	262
Other	110	74
Board fees	236	297
Total Employee Benefit Expense	1 953	1 822

Total income in respect of the financial year received, or due and receivable, from the entity by executive officers of the entity whose income is \$100 000 or more	786	486
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30. Employees' and Executives' Remuneration (continued)

The number of MAC executive officers whose remuneration from MAC falls within the following bands:

	2007	2006
	Number of Executive Officers	Number of Executive Officers
\$100 000 - \$109 999	3	-
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	-	1
\$220 000 - \$229 999	1	1

31. Related Parties

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

Directors' Transactions with the Entity

The entity sold CTP insurance to directors of the entity or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

Directors of the entity may hold positions in other entities in which the entity invests funds in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

MUSEUM BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Museum Board is a Statutory Authority established pursuant to the *South Australian Museum Act 1976*.

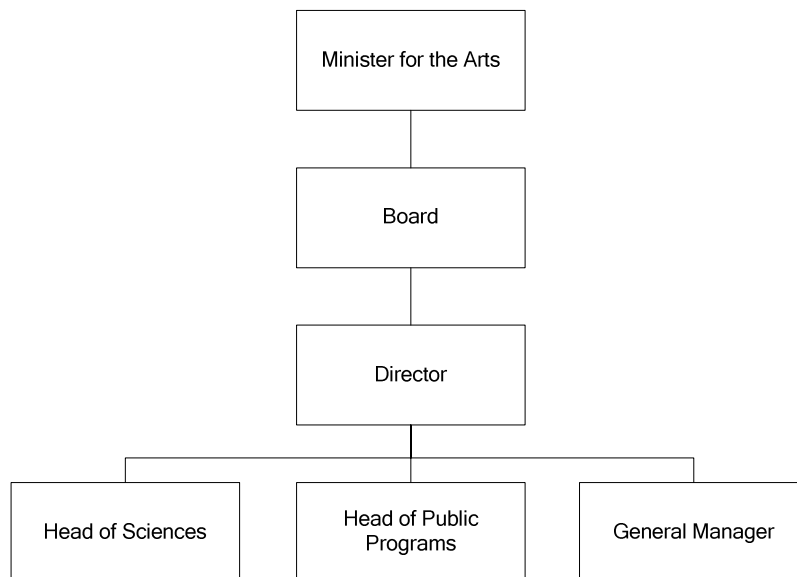
The Museum Board is responsible for the management of the South Australian Museum.

The role of the South Australian Museum is to:

- increase knowledge and understanding of the State's natural and cultural heritage;
- serve the community by acquiring, preserving, interpreting and presenting to the public, material evidence concerning people and nature;
- provide opportunities for study, education and enjoyment.

Structure

The structure of the Museum Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 16(2) of the *South Australian Museum Act 1976* provide for the Auditor-General to audit the accounts of the Museum Board for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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:

- revenue, including receipting and banking
- expenditure, including accounts payable and salaries and wages
- property plant and equipment
- risk management.

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 Museum Board 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 Museum Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were raised in a management letter to the Director. The principal matter raised related to the need for the Museum Board to develop a Risk Management Framework. The response to the management letter was considered satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

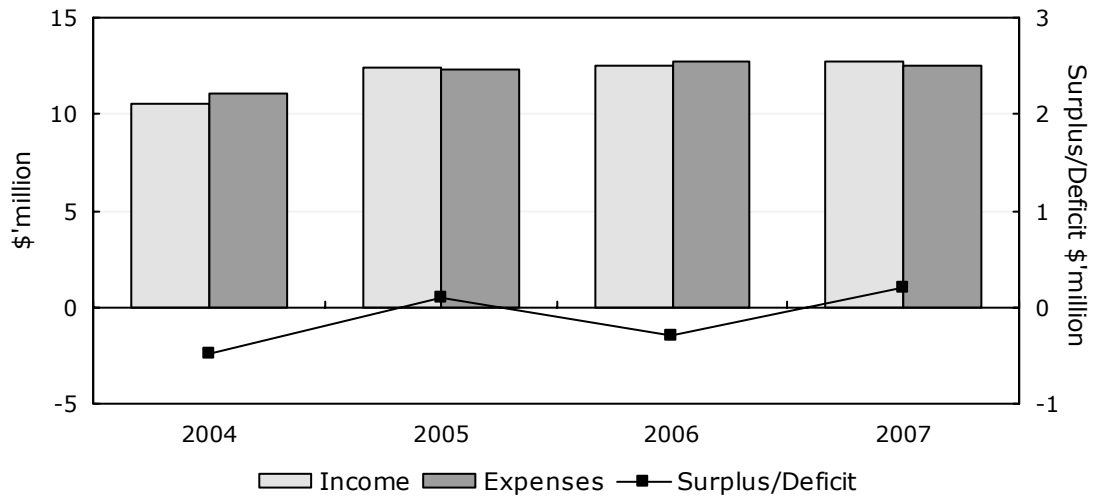
	2007 \$'million	2006 \$'million	Percentage Change
INCOME			
State Government grants	8.6	8.2	5
Other revenue	4.1	4.2	(2)
Total Income	12.7	12.4	2
EXPENSES			
Employee benefits	4.9	4.8	2
Other expenses	7.6	7.9	(4)
Total Expenses	12.5	12.7	(2)
NET RESULT	0.2	(0.3)	167
NET CASH FLOWS FROM OPERATING ACTIVITIES	1.3	1.1	18
ASSETS			
Current assets	4.4	4.0	10
Non-current assets	175.2	175.2	-
Total Assets	179.6	179.2	n/a
LIABILITIES			
Current liabilities	0.9	0.9	-
Non-current liabilities	1.1	0.9	22
Total Liabilities	2.0	1.8	11
EQUITY	177.6	177.4	n/a

Income Statement

Net Result

The Museum recorded a surplus of \$192 000, as compared with a deficit of \$322 000 last year.

The following chart shows the income, expenses and surpluses/deficits for the four years to 2007.



Balance Sheet

The total assets of the Museum Board at 30 June 2007 were \$180 million, of which \$143 million (79 percent) relates to the Museum's heritage collections.

**Income Statement
for the year ended 30 June 2007**

	Note	2007 \$'000	2006 \$'000
EXPENSES:			
Employee benefits	4	4 898	4 761
Supplies and services	6	4 166	4 283
Accommodation and facilities	7	2 000	2 403
Depreciation	8	1 176	1 126
Grants and subsidies		102	128
Other	9	135	-
Total Expenses		12 477	12 701
INCOME:			
Grants	11	1 153	891
Sale of goods		246	496
Fees and charges	12	607	886
Donations		213	521
Sponsorships		642	540
Interest		211	176
Resources received free of charge	2.3	488	66
Recoveries		330	304
Other	13	177	265
Total Income		4 067	4 145
NET COST OF PROVIDING SERVICES		(8 410)	(8 556)
REVENUES FROM SA GOVERNMENT:			
Revenue from SA Government - Recurrent operating grant		7 602	8 209
Revenue from SA Government - Capital grant		981	19
Revenue from SA Government - Accrual appropriation		19	6
Total Revenues from SA Government		8 602	8 234
NET RESULT		192	(322)

Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash	22	3 829	3 610
Receivables	14	571	276
Inventories	9	-	129
Total Current Assets		4 400	4 015
NON-CURRENT ASSETS:			
Property, plant and equipment	15	31 708	31 778
Heritage collections	16	143 481	143 395
Total Non-Current Assets		175 189	175 173
Total Assets		179 589	179 188
CURRENT LIABILITIES:			
Payables	17	277	298
Short-term employee benefits	18	581	531
Short-term provisions	19	36	28
Total Current Liabilities		894	857
NON-CURRENT LIABILITIES:			
Payables	17	88	75
Long-term employee benefits	18	918	782
Long-term provisions	19	98	75
Total Non-Current Liabilities		1 104	932
Total Liabilities		1 998	1 789
NET ASSETS		177 591	177 399
EQUITY:			
Retained earnings		133 397	133 205
Asset revaluation reserve		44 194	44 194
TOTAL EQUITY		177 591	177 399
Total Equity is attributable to the SA Government as owner			
Commitments for expenditure	20		
Contingent assets and liabilities	21		

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

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
BALANCE AT 30 JUNE 2005	12 436	133 527	145 963
Gain on revaluation of heritage collections	31 758	-	31 758
Net result for 2005-06	-	(322)	(322)
BALANCE AT 30 JUNE 2006	44 194	133 205	177 399
Net result for 2006-07	-	192	192
BALANCE AT 30 JUNE 2007	44 194	133 397	177 591

All Changes in Equity are attributable to the SA Government as owner

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 OUTFLOWS:			
Employee benefits		(4 777)	(4 620)
Supplies and services		(3 651)	(4 112)
Accommodation and facilities		(1 925)	(2 389)
Grants and subsidies		(102)	(128)
Cash used in Operations		(10 455)	(11 249)
CASH INFLOWS:			
Grants		1 119	1 057
Sale of goods		253	494
Fees and charges		651	881
Donations		128	129
Sponsorships		319	733
Interest		208	172
Recoveries		344	331
Other		179	295
Cash generated from Operations		3 201	4 092
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government - Recurrent operating grant		7 602	8 209
Receipts from SA Government - Capital grant		981	19
Receipts from SA Government - Accrual appropriation		19	6
Cash generated from SA Government		8 602	8 234
Net Cash provided by Operating Activities	22	1 348	1 077
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for property, plant and equipment		(1 129)	(162)
Net Cash used in Investing Activities		(1 129)	(162)
NET INCREASE IN CASH		219	915
CASH AT 1 JULY		3 610	2 695
CASH AT 30 JUNE	22	3 829	3 610

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Museum Board

The functions of the Museum Board (the Board), as prescribed under the *South Australian Museum Act 1976*, are as follows:

- Undertake the care and management of the Museum.
- Manage all lands and premises vested in, or placed under the control of, the Board.
- Manage all funds vested in, or under the control of the Board and to apply those funds in accordance with the terms and conditions of any instrument of trust or other instrument affecting the disposition of those moneys.
- Carry out, or promote, research into matters of scientific and historical interest.
- Accumulate and care for objects and specimens of scientific or historical interest.
- Accumulate and classify data in regard to any such matters.
- Disseminate information of scientific or historical interest.
- Perform any other functions of scientific, educational or historical significance that may be assigned to the Board by regulation.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

Statement of Compliance

AASs include AIFRS and AAS 29. The Board has early-adopted the amendments to AASB 101. Refer to Note 3 'Changes in Accounting Policies'.

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 Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (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) employee TVSP information;
 - (d) 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 entity to those employees;
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

2.2 Sources of Funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.3 Income and Expenses

Income and expenses are recognised in the Board's Income Statement to the extent it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Income

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as revenues in the period in which the Board obtains control over the grants.

Resources Received Free of Charge

Resources received free of charge are recorded as income and expenditure in the Income Statement at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in 'Supplies and Services' (Note 6).

Under an arrangement with the Services Division of the Department of the Premier and Cabinet, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in 'Supplies and Services' (Note 6).

2.4 Current and Non-Current Items

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

2.5 Cash

Cash in the Balance Sheet includes cash at bank and cash on hand.

For the purposes of the Cash Flow Statement, cash is defined above. Cash is measured at nominal value.

2.6 Receivables

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

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

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

2.7 Inventories

Inventories held for distribution for no or nominal consideration are measured at the lower of cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

2.8 Non-Current Asset Acquisition and Recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition.

2.9 Revaluation of Non-Current Assets

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

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

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

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

Land and Buildings

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2005 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment, on acquisition has been deemed to be held at fair value.

Heritage Collections

The Board's collections were revalued as at 30 June 2006 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116. These valuations were undertaken by both external valuers and internal specialists.

Heritage Collections (continued)

The collections were broadly valued on the following basis:

<i>Collection</i>	<i>Method of Valuation</i>
Heritage Collections	Net Market Valuation
Natural History Collections	Cost of Recovery

Heritage Collections status applies to those collections where an established market exists. The Net Market Valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Taxation Incentives for the Arts Scheme.

Cost of recovery valuation has been applied to those collections that were previously valued at zero under deprival value methodology. These collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation and to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuation where required.

Heritage Collections deemed to have market value are Australian Ethnology, Foreign Ethnology, Malacology, Butterflies, Industrial History Collection, Mineralogy, Museum Library and Rare Books.

Natural History collections valued at cost of recovery are the Australian Biological Tissue Bank, the Australian Helminthological Collection, Entomology, Arachnology, Marine Invertebrates, Ichthyology, Herpetology, Ornithology and Mammalogy.

The external valuations were carried out by the following recognised industry experts:

<i>Collection</i>	<i>Industry Expert</i>
Australian Ethnology	Macaulay Partners
Museum Library and Rare Books	M Treloar and P Horn
Malacology (Marine Invertebrates)	W Rumble
Butterflies (Terrestrial Invertebrates)	L Mound
Mammalogy	R Schodde
Australian Polar Collection	M Treloar

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities, have not been included within the current valuation and are deemed to be at zero valuation. These collections are Human Biology, Secret Sacred, Archives, Palaeontology and Archaeology.

2.10 Impairment of Assets

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

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

2.11 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life, except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Useful life depends on individual asset
Plant and equipment	5-15
Computer equipment	3-5

Heritage Collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.12 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. 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 Employee Benefits

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

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

(i) Liabilities for Salaries, Wages and Annual Leave

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current remuneration rates as at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

(ii) Long Service Leave

A liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave, undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of employee retention and leave taken.

(iii) Superannuation

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

2.14 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group of the Department of the Premier and Cabinet.

2.15 Leases

The Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement on a straight line basis over the lease term. The straight line basis is representative of the pattern derived from the leased assets.

2.16 Comparative Information

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

Where presentation or classification of items in the financial report has been amended, the comparative amounts have been reclassified unless reclassification is impracticable.

The reinstated comparative amounts do not replace the original financial report for the proceeding period.

2.17 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and the emergency services levy.

In accordance with the requirements of Interpretation 1031 income, expenses and assets are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Balance Sheet as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Cash Flow Statement.

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

2.18 State Government Funding

The financial report is presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.19 Rounding

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

2.20 Insurance

The Board has arranged through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.21 Segment Reporting

The Board's predominant operation in South Australia is to care for the State's collections and research and disseminate matters of scientific and historical importance.

3. Changes in Accounting Policies

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

4. Employee Benefits

	2007	2006
	\$'000	\$'000
Salaries and wages	3 885	3 918
Long service leave	214	110
Annual leave	63	17
Employment on-costs - Superannuation	432	428
Employment on-costs - Other	245	243
Board fees	18	18
Other employee related expenses	41	27
Total Employee Benefits	4 898	4 761

Remuneration of Employees

	2007	2006
	Number of Employees	Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	2	-
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	-
\$180 000 - \$189 999	-	1
Total Number of Employees	3	2

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$334 000 (\$304 000).

5. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

- Museum Board (8 Members)
- Aboriginal Advisory Committee (5 Members)

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

Museum Board

Mr J Ellice-Flint
Mr A Simpson
Mr P Ah Chee
Mr R Edwards
Dr S Carthew
Ms N Bensimon
Ms E D Perry
Ms N Buddle

Aboriginal Advisory Committee

Mr P Ah Chee
Mr L O'Brien
Ms L O'Donohue
Mr D Ross
Ms B Marika

	2007	2006
	Number	Number
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$9 999	13	8
Total Number of Members	13	8

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The total remuneration received by members was \$18 000 (\$18 000).

Amounts paid to a superannuation plan for board/committee members were \$1400 (\$1500).

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

Related Party Disclosures

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

6. Supplies and Services	2007	2006		
Supplies and Services provided by Entities external to the SA Government:	\$'000	\$'000		
Cost of goods sold	91	277		
Marketing	238	323		
Administration	278	254		
IT services and communications	84	104		
Maintenance	16	14		
Collections	46	54		
Exhibitions	337	116		
Research	537	361		
Travel and accommodation	204	205		
Contractors	340	374		
Motor vehicle expenses	25	29		
Minor equipment	89	155		
Fees	293	349		
Other	276	152		
Total Supplies and Services - Non-SA Government Entities	2 854	2 767		
Supplies and Services provided by Entities within the SA Government:				
Insurance and risk management	347	363		
Marketing	3	2		
Administration	9	10		
IT services and communications	165	223		
Maintenance	55	16		
Artlab conservation work	236	265		
Business services charge	252	261		
Exhibitions	-	5		
Research	114	112		
Travel and accommodation	5	11		
Motor vehicle expenses	46	53		
Minor equipment	5	1		
Fees	14	8		
Other	61	186		
Total Supplies and Services - SA Government Entities	1 312	1 516		
Total Supplies and Services	4 166	4 283		
Payments to Consultants				
The dollar amount of consultancies paid/payable that fell within the following bands:	2007	2007	2006	2006
	Number	\$'000	Number	\$'000
\$0 - \$9 999	2	6	2	4
\$10 000 - \$50 000	2	31	2	42
Total Paid/Payable to the Consultants Engaged	4	37	4	46
7. Accommodation and Facilities	2007	2006		
Accommodation and Facilities provided by Entities external to the SA Government:	\$'000	\$'000		
Accommodation	272	312		
Facilities	272	4		
Security	713	-		
Total Accommodation and Facilities - Non-SA Government Entities	1 257	316		
Accommodation and Facilities provided by Entities within the SA Government:				
Accommodation	312	339		
Facilities	425	974		
Security	6	774		
Total Accommodation and Facilities - SA Government Entities	743	2 087		
Total Accommodation and Facilities	2 000	2 403		
8. Depreciation				
Buildings and improvements	1 087	1 060		
Plant and equipment	82	63		
Computer equipment	7	3		
Total Depreciation	1 176	1 126		

9. Other Expenses	2007	2006
Other Expenses Paid/Payable to Entities external to the SA Government:	\$'000	\$'000
Donation of assets	135	-
Total Other Expenses - Non-SA Government Entities	135	-
The Board donated inventory to the South Australian Museum Foundation Inc in 2006-07.		
10. Auditors' Remuneration		
Audit fees paid/payable to the Auditor-General's Department	24	21
Total Audit Fees - SA Government Entities	24	21
Other Services		
No other services were provided by the Auditor-General's Department to the Board.		
11. Grants		
State Government grants	283	268
Other general grants	388	230
Commonwealth grants	482	393
Total Grants	1 153	891
12. Fees and Charges		
Admissions	299	340
Functions	96	52
Other	212	494
Total Fees and Charges	607	886
13. Other Income		
Other Income Received/Receivable from Entities external to the SA Government:		
Rent	19	56
Other	138	208
Total Other Income - Non-SA Government Entities	157	264
Other Income Received/Receivable from Entities within the SA Government:		
Other	20	1
Total Other Income - SA Government Entities	20	1
Total Other Income	177	265
14. Receivables		
Receivables from entities external to the SA Government	537	265
Total Receivables - Non-SA Government Entities	537	265
Receivables from entities within the SA Government	34	11
Total Receivables - SA Government Entities	34	11
Total Receivables	571	276
Interest Rate and Credit Risk		
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued income are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.		
15. Property, Plant and Equipment	2007	2006
Land, Buildings and Improvements:	\$'000	\$'000
Land at valuation	5 480	5 480
Buildings and improvements at valuation	51 052	51 052
Buildings and improvements at cost	1 192	243
Works in progress	43	84
Accumulated depreciation	(26 318)	(25 231)
Total Land, Buildings and Improvements	31 449	31 628
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	1 436	1 267
Accumulated depreciation	(1 193)	(1 126)
Total Plant and Equipment	243	141
Computer Equipment:		
Computer equipment at cost (deemed fair value)	52	38
Accumulated depreciation	(36)	(29)
Total Computer Equipment	16	9
Total Property, Plant and Equipment	31 708	31 778

Valuation of Non-Current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2005.

Reconciliation of Property, Plant and Equipment

	Land \$'000	Buildings and Improve- ments \$'000	Works in Progress \$'000	Plant and Equipment \$'000	Computer Equipment \$'000	2007 Total \$'000
Carrying amount at 1 July	5 480	26 064	84	141	9	31 778
Additions	-	-	908	184	14	1 106
Transfers to buildings and improvements	-	949	(949)	-	-	-
Depreciation expense	-	(1 087)	-	(82)	(7)	(1 176)
Carrying Amount at 30 June	5 480	25 926	43	243	16	31 708

16. Heritage Collections

	At Valuation \$'000	2007 At Cost \$'000	Total \$'000	At Valuation \$'000	2006 At Cost \$'000	Total \$'000
Social/Industrial History	239	-	239	239	-	239
Australian Aboriginal Ethnographic	20 211	-	20 211	20 211	-	20 211
Foreign Ethnology	6 963	-	6 963	6 963	-	6 963
Australian Polar Collection	3 258	-	3 258	3 258	-	3 258
Minerals	16 945	-	16 945	16 878	-	16 878
Malacology	4 110	-	4 110	4 110	-	4 110
Butterflies	35	-	35	35	-	35
Australian Biological Tissue Bank	7 352	-	7 352	7 352	-	7 352
Australian Helminthological Collection	11 727	-	11 727	11 727	-	11 727
Entomology	31 686	-	31 686	31 686	-	31 686
Arachnology	4 795	-	4 795	4 795	-	4 795
Marine Invertebrates	8 913	-	8 913	8 913	-	8 913
Ichthyology	1 819	-	1 819	1 819	-	1 819
Herpetology	4 200	-	4 200	4 200	-	4 200
Ornithology	8 939	-	8 939	8 939	-	8 939
Mammalogy	5 962	-	5 962	5 962	-	5 962
Fossil	719	-	719	700	-	700
Library	5 608	-	5 608	5 608	-	5 608
Total Heritage Collections	143 481	-	143 481	143 395	-	143 395

Reconciliation of Heritage Collections

	Balance 01.07.06 \$'000	Additions \$'000	Balance 30.06.07 \$'000	Balance 01.07.05 \$'000	Additions \$'000	Reval'n Increment \$'000	Balance 30.06.06 \$'000
Social/Industrial History	239	-	239	222	-	17	239
Australian Aboriginal Ethnographic	20 211	-	20 211	18 791	47	1 373	20 211
Foreign Ethnology	6 963	-	6 963	6 254	21	688	6 963
Australian Polar Collection	3 258	-	3 258	-	-	3 258	3 258
Minerals	16 878	67	16 945	11 752	268	4 858	16 878
Malacology	4 110	-	4 110	3 642	-	468	4 110
Butterflies	35	-	35	33	-	2	35
Australian Biological Tissue Bank	7 352	-	7 352	5 192	-	2 160	7 352
Australian Helminthological Collection	11 727	-	11 727	8 376	-	3 351	11 727
Entomology	31 686	-	31 686	26 134	56	5 496	31 686
Arachnology	4 795	-	4 795	4 013	-	782	4 795
Marine Invertebrates	8 913	-	8 913	5 660	-	3 253	8 913
Ichthyology	1 819	-	1 819	1 136	-	683	1 819
Herpetology	4 200	-	4 200	2 972	-	1 228	4 200
Ornithology	8 939	-	8 939	7 834	-	1 105	8 939
Mammalogy	5 962	-	5 962	4 223	-	1 739	5 962
Fossil	700	19	719	250	-	450	700
Library	5 608	-	5 608	4 761	-	847	5 608
Total	143 395	86	143 481	111 245	392	31 758	143 395

17. Payables

	2007 \$'000	2006 \$'000
Current:		
Creditors and accruals	189	218
Employee on-costs	88	80
Total Current Payables	277	298
Non-Current:		
Employee on-costs	88	75
Total Non-Current Payables	88	75
Total Payables	365	373

17. Payables (continued)	2007	2006
Payables to Non-SA Government Entities:	\$'000	\$'000
Creditors and accruals	167	85
Total Payables - Non-SA Government Entities	167	85
Payables to SA Government Entities:		
Creditors and accruals	22	133
Employee on-costs	176	155
Total Payables - SA Government Entities	198	288
Total Payables	365	373

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

18. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	348	318
Long service leave	160	143
Accrued salaries and wages	73	70
Total Current Employee Benefits	581	531
Non-Current:		
Long service leave	918	782
Total Non-Current Employee Benefits	918	782
Total Employee Benefits	1 499	1 313

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2006-07 is \$669 000 and \$1 006 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

19. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	36	28
Total Current Provisions	36	28
Non-Current:		
Provision for workers compensation	98	75
Total Non-Current Provisions	98	75
Total Provisions	134	103

Reconciliation of the Provision for Workers Compensation

Provision at 1 July	103	95
Increase in provision during the year	31	8
Provision for Workers Compensation at 30 June	134	103

20. Commitments for Expenditure		
Operating Lease Commitments		
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	430	387
Later than one year and not later than five years	601	37
Total Operating Lease Commitments	1 031	424

The operating lease commitments comprise:

- Non-cancellable property leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by the Consumer Price Index. No options exist to renew the leases at the end of their terms.
- Non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.
- Non-cancellable photocopier leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Capital Commitments

Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

	2007	2006
	\$'000	\$'000
Not later than one year	2 800	1 502
Later than one year and not later than five years	1 000	-
Total Capital Commitments	3 800	1 502

Remuneration Commitments

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

Not later than one year	277	308
Later than one year and not later than five years	793	750
Total Remuneration Commitments	1 070	1 058

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other Commitments

Not later than one year	888	-
Later than one year and not later than five years	1 260	-
Total Other Commitments	2 148	-

The Board's other commitments are for contracts for security and cleaning. Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

21. Contingent Assets and Liabilities

There are no known contingent assets and liabilities as at 30 June 2007.

22. Cash Flow Reconciliation**Reconciliation of Cash**

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2007	2006
	\$'000	\$'000
Deposits with Treasurer	3 818	3 597
Cash on hand	11	13
Cash as Recorded in the Balance Sheet	3 829	3 610

Interest Rate Risk

Cash is recorded at its nominal amount. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a Section 21 Interest Bearing Deposit Account titled 'Museum Board'. Deposits with the Treasurer are bearing a floating interest rate between 5.68 percent and 6.10 percent.

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

	2007	2006
	\$'000	\$'000
Net cash provided by operating activities	1 348	1 077
Less: Revenues from SA Government	(8 602)	(8 234)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	(1 176)	(1 126)
Donations of heritage collections	85	392
Non-current assets recognised in payables	(22)	(199)
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	295	(339)
Decrease in inventories	(129)	-
Decrease (Increase) in payables	8	(25)
Increase in employee benefits	(186)	(94)
Increase in provisions	(31)	(8)
Net Cost of Providing Services	(8 410)	(8 556)

23. Events After Balance Date

There were no events occurring after balance date.

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Parliamentary Superannuation Scheme (the Scheme) and the South Australian Parliamentary Superannuation Board (the Board) were established under the *Parliamentary Superannuation Act 1974* (the Act).

Functions

The Board is responsible for administering the Scheme which provides for benefit payments to persons who have served as members of Parliament.

The Scheme is administered through the Parliamentary Superannuation Fund (the Fund). The Fund, established under the Act, records members' and the Government's contributions and revenue earned from the investment of those monies, and also records benefit payments and administration costs.

The Scheme has three components:

- PSS1 (old scheme) — a compulsory superannuation scheme for the provision of pension based benefits which was closed to new members in 1995;
- PSS2 (new scheme) — a compulsory superannuation scheme for the provision of pension based benefits which was closed to new members in 2005;
- PSS3 (current scheme) — an employer sponsored contributory superannuation scheme for new members. The PSS3 also allows members to make contributions.

Further information on these components is provided in Note 1(d) of the financial report.

Under the Act, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Fund.

The Board utilises the services of the Department of Treasury and Finance — State Superannuation Office to administer the Scheme.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2006-07, areas of review included:

- contributions from members and employers
- pension payments
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the Funds SA audit.

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 Parliamentary Superannuation Scheme 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 over the Parliamentary Superannuation Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Parliamentary Superannuation Scheme have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit indicated that the internal controls over the Scheme's operations were satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
OPERATING REVENUE			
Contributions	4.8	4.2	14
Investment revenue	27.6	26.7	3
Total Operating Revenue	32.4	30.9	5
OPERATING EXPENDITURE			
Transfer to Consolidated Account	18.0	17.0	6
Benefits and other expenses	16.4	13.2	24
Total Operating Expenses	34.4	30.2	14
Operating Result	(2.0)	0.7	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(19.7)	(22.9)	14
ASSETS			
Investments	144.3	138.0	5
Other assets	0.3	0.3	-
Total Assets	144.6	138.3	5
LIABILITIES			
Liability for accrued benefits	142.8	134.1	6
Other liabilities	0.2	0.6	(67)
Total Liabilities	143.0	134.7	6
EXCESS OF NET ASSETS OVER LIABILITIES	1.6	3.6	(56)

Operating Statement

The operating result for the year was a deficit of \$2 million (surplus of \$669 000). The year's result took into account:

- a transfer of \$18 million to the Consolidated Account, whereas in 2005-06 \$17 million was transferred. The Treasurer approved the transfers given there were sufficient assets available to pay the Scheme's estimated benefits. The amount has been applied to the unfunded liability for the South Australian Superannuation Scheme. For further information refer to the comments under 'South Australian Superannuation Board' elsewhere in Part B of this Report.
- an increase in net investment revenue of \$865 000. Investment returns are further discussed in the commentary for Funds SA.
- an increase in benefits expense of \$3.2 million.

Statement of Financial Position

As at 30 June 2007, there was an excess of net assets over liabilities of \$1.6 million. The estimated liability for accrued benefits increased by \$8.7 million to \$142.8 million for which net assets of \$144.4 million were available to pay benefits, therefore the Scheme is fully funded.

The expected future benefit payments were determined using the pensioner mortality assumptions of the 2004 triennial actuarial review of the South Australian Superannuation Scheme. Refer to Note 6 'Liability for Accrued Benefits' to the Financial Report for further explanation.

In comparison, vested benefits as at 30 June 2007 were \$159.7 million. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are greater than accrued benefits as vested benefits are based on the involuntarily expiration of service. As a result members would be entitled to the benefits immediately.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2007	2006	2005	2004
Pensioners	107	112	97	101
Pensions paid (\$'000)	6 522	5 659	5 307	5 292

Contributions by Members

The number of contributors and contributions received from members for the past four years were:

	2007	2006	2005	2004
Contributors	69	69	69	69
Contributions received (\$'000)	954	1 047	1 065	1 070

**Operating Statement
for the year ended 30 June 2007**

	Note	2007 \$'000	2006 \$'000
INVESTMENT REVENUE		27 570	26 682
OTHER REVENUE		20	25
CONTRIBUTION REVENUE:			
Contributions by members		954	1 047
Contributions by employers		2 962	3 015
Rollovers from other schemes		865	155
		4 781	4 217
DIRECT INVESTMENT EXPENSE	5	(957)	(934)
ADMINISTRATION EXPENSE	5	(114)	(183)
OTHER EXPENSES	11	(14)	(16)
TRANSFER TO CONSOLIDATED ACCOUNT	3	(18 000)	(17 000)
BENEFITS EXPENSE	6	(15 344)	(12 122)
OPERATING RESULT		(2 058)	669

**Statement of Financial Position
as at 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
INVESTMENTS:	2(b)		
Inflation linked securities		11 069	11 827
Property		14 633	13 046
Australian equities		49 112	46 138
International equities		45 587	46 206
Fixed interest		6 668	6 042
Diversified strategies - Growth		5 851	4 713
Diversified strategies - Income		5 323	5 080
Cash		6 044	5 043
		144 287	138 095
FIXED ASSETS		-	6
OTHER ASSETS:			
Cash and cash equivalents	10	252	54
Contributions receivable		2	200
Sundry debtors		9	18
		263	272
Total Assets		144 550	138 373
CURRENT LIABILITIES:			
Sundry creditors		15	251
Benefits payable		161	125
		176	376
NON-CURRENT LIABILITIES:			
Loan and finance facilities		-	256
Total Liabilities		176	632
NET ASSETS AVAILABLE TO PAY BENEFITS	5	144 374	137 741
<i>Less:</i> LIABILITY FOR ACCRUED BENEFITS	6	142 814	134 123
EXCESS OF NET ASSETS OVER LIABILITIES		1 560	3 618

Statement of Cash Flows for the year ended 30 June 2007

		2007	2006
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions Received:	Note		
Contribution by members		1 000	1 000
Contribution by employers		3 114	2 862
Rollovers from other schemes		865	155
		4 979	4 017
Other receipts		20	25
GST recoup from Australian Taxation Office		5	6
Benefits Paid:			
Pension		(6 522)	(5 659)
Commutation of pension benefits		(94)	(3 920)
Refunds to members		-	(53)
Lump sum employer component		-	(28)
		(6 616)	(9 660)
Administration expense		(114)	(288)
Other expenses		(14)	(16)
Transfer to Consolidated Account		(18 000)	(17 000)
Net Cash used in Operating Activities	9	(19 740)	(22 916)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		23 480	26 480
Payments to Funds SA		(3 516)	(3 801)
Net Cash provided by Investing Activities		19 964	22 679
NET INCREASE (DECREASE) IN CASH HELD		224	(237)
CASH AND CASH EQUIVALENTS AT 1 JULY		28	265
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	252	28

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) *Parliamentary Superannuation Scheme*

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* (the Amendment Act) was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme (new scheme) now known as the PSS2 scheme. PSS1 (old scheme) was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

(b) The South Australian Parliamentary Superannuation Board

The Act charges the South Australian Parliamentary Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted the Under Treasurer to provide the administrative services.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the management and investment of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA (an SA Government entity).

(d) Funding Arrangements

Under subsection 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period ended 30 June 2007 payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, section 14A of the Act requires every member of Parliament with less than 20 years and one months' service, to make contributions of 11.5 percent of their basic salary (including any additional salary) to the Treasurer. Subsection 14A(2) requires members of Parliament with 20 years and one months' service or over, to make contributions of 5.75 percent of their basic salary and 11.5 percent of any additional salary. PSS3 members can elect to make contributions based on a percentage of the combined value of their salary and any additional salary ranging from 0 percent to 10 percent under section 14B of the Act. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Parliamentary Superannuation Fund, with \$954 000 (\$1 047 000) being credited during the year ended 30 June 2007.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where a member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$2 962 000 (\$3 015 000) being credited during the year ended 30 June 2007.

Since 30 June 1994, the Government has undertaken a process of funding its accrued past service liabilities and the scheme assets have broadly matched liabilities since 1997. The small size of the scheme, the nature of the way member benefits accrue, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with applicable AASs, TIs issued pursuant to the PFAA and other mandatory professional reporting requirements, except as provided below.

The principal standard applied in preparing this financial report is AAS 25. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. In addition, a number of AAS have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is prepared in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

(i) Inflation Linked Securities

Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.
 - *Externally Managed*
Externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.
- (ii) *Property*
The Property portfolio comprises three sub-sectors:
- *Directly Held Property*
Directly held property has been determined having regard to the contractual arrangements in place over the property.
 - *Listed Property Trusts*
Listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.
 - *Unlisted Property Vehicles*
Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.
- (iii) *Australian Equities*
Australian Equities portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (iv) *International Equities*
International Equities portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (v) *Fixed Interest*
Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.
- (vi) *Diversified Strategies (Growth)*
Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (vii) *Diversified Strategies (Income)*
Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.
- (ix) *Other Assets and Liabilities*
These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Taxation

The Scheme is constitutionally protected under the Regulations to the *Income Tax Assessment Act 1936* and is exempt from income tax.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2007, Funds SA managed seven separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Scheme are invested in the Growth option.

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

(e) GST

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry Debtors includes a refund from the ATO for GST paid on administration expenses.

(f) Revenue

Superannuation contributions and other revenue are brought to account on an accrual basis.

3. Transfers to Consolidated Account

The Treasurer approved a transfer of \$18 million to the Consolidated Account in 2006-07 (\$17 million).

4. Administration and Investment Expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

Administration Expense comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.

5. Net Assets Available to Pay Benefits

(a) PSS1 and PSS2 Division

	2007	2006
	\$'000	\$'000
Funds held at 1 July	137 517	134 649
<i>Add:</i> Contributions by members	948	1 045
Contributions by employers	2 663	2 948
Investment revenue	27 444	26 682
Other revenue	20	25
	31 075	30 700
<i>Less:</i> Benefits paid	6 653	9 699
Transfer to Consolidated Account	18 000	17 000
Administration expense	114	183
Other expenses	14	16
Direct investment expense	951	934
	25 732	27 832
Funds Held at 30 June	142 860	137 517

(b) PSS3 Division

Funds held at 1 July	224	-
<i>Add:</i> Contributions by members	6	2
Contributions by employers	299	67
Rollovers from other schemes	865	155
Investment revenue	126	-
	1 296	224
<i>Less:</i> Direct investment expense	6	-
Funds Held at 30 June	1 514	224
Total Net Assets	144 374	137 741

6. Liability for Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the scheme up to 30 June 2007. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2007.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2004 triennial review of the South Australian Superannuation Scheme. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above CPI has been applied.

The accrued superannuation liability as determined by State Superannuation Office of the Department of Treasury and Finance is estimated at \$142.8 million (\$134.1 million) as at 30 June 2007.

	2007	2006
	\$'000	\$'000
Liability for accrued benefits at 1 July	134 123	131 700
Add: Benefits expense ⁽ⁱ⁾	15 344	12 122
Less: Benefits paid	6 653	9 699
Liability for Accrued Benefits at 30 June	142 814	134 123
Represented by:		
PSS1 and PSS2 division	141 300	133 899
PSS3 division	1 514	224
Liability for Accrued Benefits at 30 June	142 814	134 123

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.

7. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the Liability for Accrued Benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately.

	2007	2006
	\$'000	\$'000
Vested benefits - PSS1 and PSS2 division	158 200	150 000
Vested benefits - PSS3 division	1 514	224
	159 714	150 224

8. Guaranteed Benefits

The entitlements of members are specified by the *Parliamentary Superannuation Act 1974*.

9. Reconciliation of Operating Result to Net Cash used in Operating Activities

Operating result	(2 058)	669
Benefits expense	15 344	12 122
Benefits paid	(6 653)	(9 699)
Decrease (Increase) in sundry debtors	5	(7)
Increase (Decrease) in sundry creditors	1	(91)
Decrease (Increase) in contributions receivable	198	(200)
Investment revenue	(27 570)	(26 682)
Direct investment expense	957	934
Increase in benefits payable	36	38
Net Cash used in Operating Activities	(19 740)	(22 916)

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial position as follows:

	2007	2006
	\$'000	\$'000
Cash and cash equivalents	252	28
Cash and cash equivalents - Funds SA	-	26
	252	54

11. Other Expenses

Includes amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the year ended 30 June 2007 total \$14 000 (\$13 000). No other services were provided by the auditors.

12. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written investment mandate. The Funds SA Board has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

For further information on the Scheme's risk exposure refer to the annual report of Funds SA.

13. Related Parties

(a) Board Members

The following are members of the Parliamentary Superannuation Board who served during the course of the 2006-07 financial year, along with the period served:

Robert Sneath	Chairman	1 July 2006 - 30 June 2007
Jack Snelling	Member	1 July 2006 - 30 June 2007
Robert Schwarz	Member	1 July 2006 - 30 June 2007

(b) Board Member's Remuneration

Board members do not receive fees for their Board membership.

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Police Superannuation Board (the Board) is a Body Corporate established under the *Police Superannuation Act 1990* (the Act).

Functions

The Board is responsible to the Treasurer for the administration of the Police Superannuation Scheme (the Scheme). The main financial administration arrangements of the Scheme involve:

- The Police Superannuation Fund — The Fund, established under the Act, records receipts to the Fund (members' contributions and revenue earned from investment of those monies) and payments from the Fund (the employee share of benefit payments and administration costs).
- The Police Superannuation Scheme Employer Contribution Account — The Account was established to record employer contributions on behalf of the members. The employer share of the benefits paid and administration costs is met from the Account.

The Scheme has the following components:

- Old Scheme Division — provides pension benefits with a lump sum option. Police officers and cadets who commenced employment on or before 31 May 1990 are members of the Old Scheme Division.
- New Scheme Division — provides lump sum benefits. Police officers and cadets who commenced employment on or after 1 June 1990 are members of the New Scheme Division.

The Old Scheme and New Scheme Divisions were closed to new membership in May 1990 and May 1994, respectively. Police officers and cadets who commenced employment after 3 May 1994 became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

Under the Act, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Fund and the Account.

Structure

The Police Superannuation Office (PSO) is a business unit within the Financial Management Services Branch of the South Australia Police Administrative Unit and is responsible to the Board for the management and administration of the day to day operations of the Scheme.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2006-07, areas of review included:

- cash at bank
- receipting and banking of contributions
- benefit payments
- administration expenses
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, 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), the net assets of the Police Superannuation Scheme as at 30 June 2007 and the changes in net assets for the year ended 30 June 2007.

Assessment of Controls

In my opinion, the controls exercised over the Police Superannuation Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for financial delegations as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Police Superannuation Scheme have been conducted properly and in accordance with law.

Communication of Audit Matters

Audit matters were detailed in a management letter to the officers responsible for the governance of the Scheme. A matter raised with the Board related to financial delegations. While the Board has established and operates under a framework of delegations of authority, delegation requirements are also set by TI 8. TI 8 was revised effective for 2006-07. The Board did not obtain formal approval from the responsible Minister for its financial delegations as required by the revised TI 8. The Board is to obtain the appropriate approval for 2007-08.

Responses to other matters raised were also considered satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the Board has elected to present their financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial statements.

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
CHANGES IN NET ASSETS			
Contribution revenue	80.9	74.2	9
Investment revenue	152.5	121.2	26
Other income	0.1	0.1	-
Benefit expenses	(57.2)	(44.4)	29
Other expenses	(5.7)	(4.8)	19
Net Increase in Funds	170.6	146.3	17

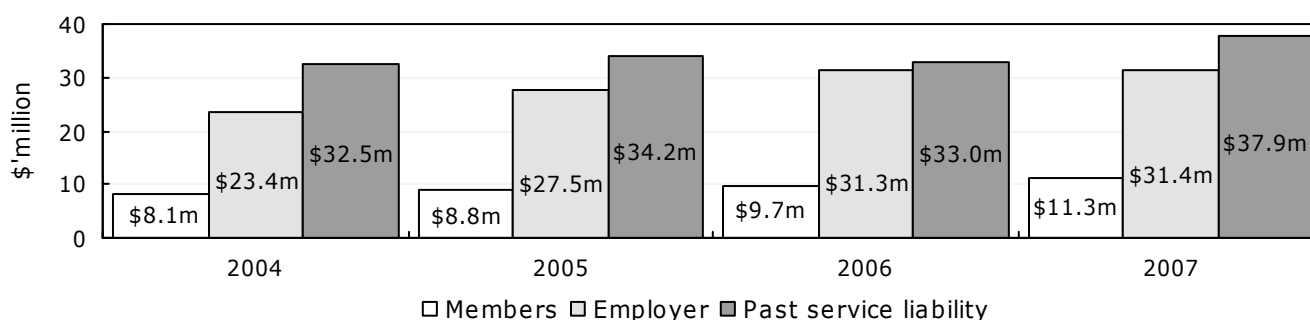
	2007 \$'million	2006 \$'million	Percentage Change
ASSETS			
Investments	911.0	743.8	22
Other assets	2.5	1.8	39
Total Assets	913.5	745.6	23
LIABILITIES			
Current liabilities	0.7	2.0	(65)
Non-current liabilities	-	1.4	(100)
Total Liabilities	0.7	3.4	(79)
Net Assets Available to Pay Benefits	912.8	742.2	23

Statement of Changes in Net Assets

Revenues

- Investment revenue for the year was \$153 million (\$121 million).
- Contribution revenues increased by \$6.7 million to \$81 million. Of this amount, \$37.9 million (\$33 million) was received from the Government towards funding the past service liability.

For the four years to 2007, the following chart shows an analysis of contribution revenue.



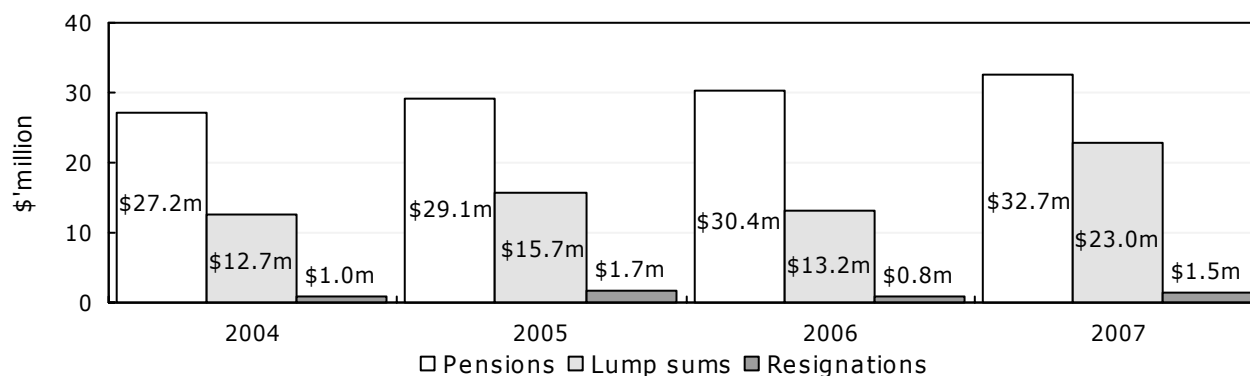
The chart shows that over the past four years member and employer contributions have steadily increased. This is expected as the Scheme is closed and therefore there are no new contributors. The increase is due mainly to increases in salaries and the employer contribution rates. From 1 July 2004, the employer contribution rates for the pension and lump sum divisions were increased by 1.5 percent and 1 percent respectively.

Past service liability payments represent funding from the Government to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenditure

Benefits paid totalled \$57.2 million (\$44.4 million). The Old Scheme Division accounted for \$55.4 million of this with \$32.6 million of benefits taken as pensions, \$21.8 million as lump sum payments and \$1 million returned to members upon resignation from the Scheme.

For the four years to 2007, the following chart shows an analysis of benefits paid.

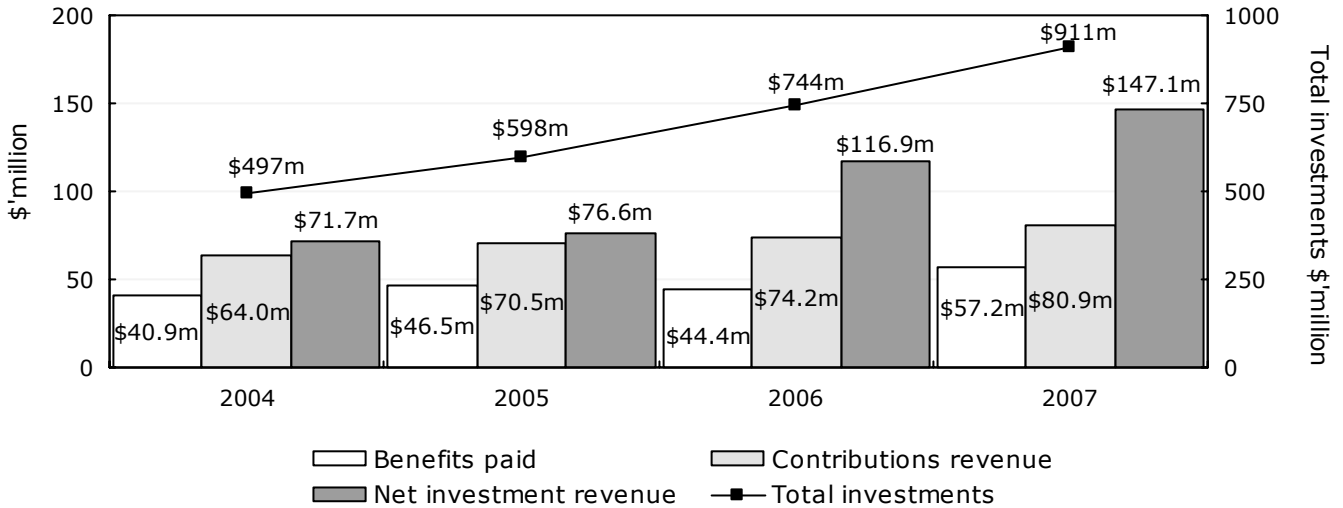


Since 2004 there has been a steady increase in pensions. This is expected as the pensions paid are affected by increases in final salary and inflation adjustments.

In 2007 lump sum payments have increased by \$9.8 million. This increase is due mainly to increases in retirements, final salaries and commutation of pensions by old scheme members.

Statement of Net Assets

Investments increased by \$167.2 million to \$911 million. The following chart illustrates that investments have increased by 83 percent since 2004.



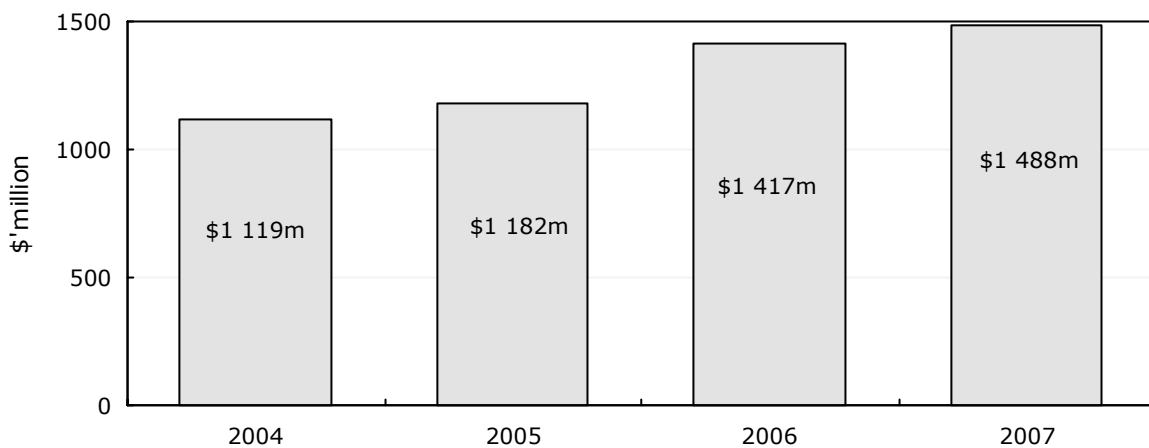
The increase in investments reflects an accumulation of investment earnings and contribution revenue. The above chart shows that investments has increased mainly due to a significant increase in investment revenue. Investment returns are further discussed in the commentary for Funds SA.

FURTHER COMMENTARY ON OPERATIONS

Liability for Accrued Benefits

The estimated liability for accrued benefits increased by \$71 million to \$1488 million (\$1417 million) for which net assets of \$913 million (\$742 million) were available to pay benefits. This has resulted in an excess of liabilities over net assets of \$575 million (\$675 million), which represents the unfunded liability at 30 June 2007.

For the four years to 2007, the following chart shows an analysis of the liability for accrued benefits.



An actuarial review is undertaken every three years with assumptions from this review used to calculate the accrued liability in years between reviews. The 2005 triennial actuarial review resulted in revised assumptions. The most significant change was a reduction in the pensioner mortality rates resulting in a further increase in the Liability for Accrued Benefits. In 2007 the same assumptions were applied. Refer to Note 3 'Liability for Accrued Benefits' to the financial report for further details.

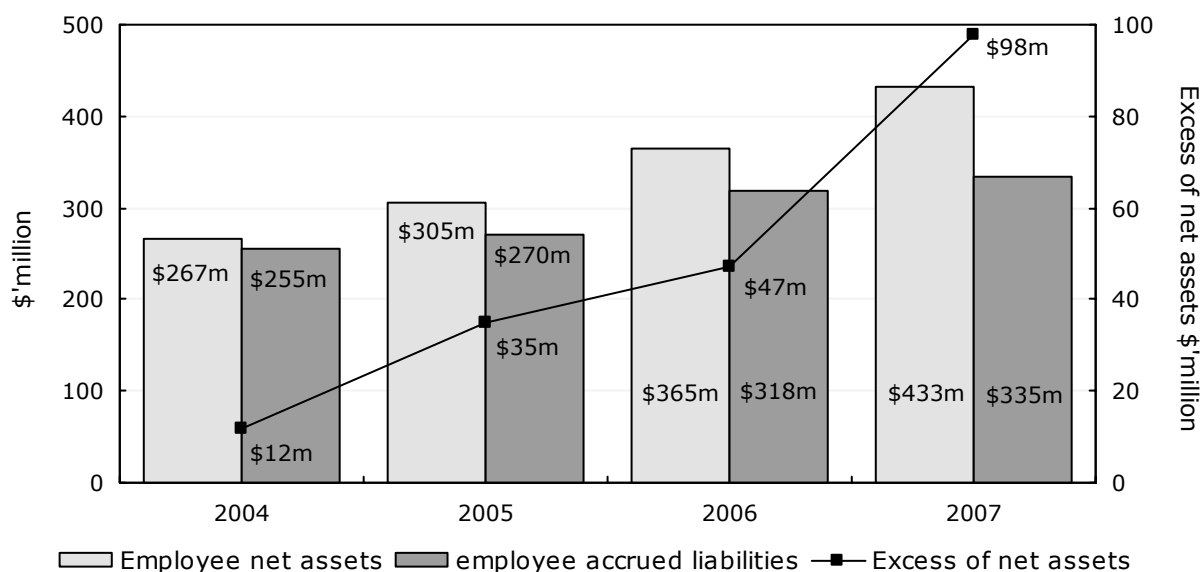
Net Assets Available to Pay Benefits

As previously mentioned, at 30 June 2007 the unfunded liability of the Scheme was \$575 million.

Analysis of the Police Employer Account revealed net assets available to pay benefits of \$480 million compared to an accrued liability of \$1153 million. This represents a shortfall of net assets over accrued liabilities of \$673 million. The Government transferred \$37.9 million (\$33 million) to the Police Employer Account as funding for the accrued past service liability.

Analysis of the Police Superannuation Fund (employee account) revealed net assets available to pay benefits of \$433 million compared to an accrued liability of \$335 million. This represents an excess of net assets over accrued liabilities of \$98 million.

For the four years to 2007, the following chart shows an analysis of net assets available to pay benefits and accrued liabilities for the Police Superannuation Fund (employee account).



In 2007, excess of net assets has increased by \$51 million. The increase is due mainly to strong investment returns and employee contributions.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2007	2006	2005	2004
Pensioners	1 220	1 171	1 158	1 134
Pensions paid (\$'000)	32 652	30 398	29 089	27 195

Contributions by Members

The number of contributors and contributions received from members for the past three years were:

	2007			2006	2005
	Old Scheme	New Scheme	Total		
Contributors					
(excludes preserved members)	1 913	313	2 226	2 393	2 464
Contributions received (\$'000)	9 904	1 385	11 289	9 714	8 762

**Statement of Net Assets
as at 30 June 2007**

	Note	2007 \$'000	2006 \$'000
INVESTMENTS:			
Inflation linked securities		69 925	63 622
Property		92 460	70 306
Australian equities		310 345	248 716
International equities		288 113	249 083
Fixed interest		41 685	32 270
Diversified strategies - Growth		36 914	25 414
Diversified strategies - Income		33 555	27 381
Cash		38 002	27 024
Total Investments	9	910 999	743 816
OTHER ASSETS:			
Cash and cash equivalents		1 379	602
Contributions receivable		1 121	1 098
Sundry debtors		15	44
Fixed assets		-	29
Total Other Assets		2 515	1 773
Total Assets		913 514	745 589
CURRENT LIABILITIES:			
Rent paid in advance		-	82
Benefits payable		640	594
Sundry creditors		85	1 301
		725	1 977
NON-CURRENT LIABILITIES			
		-	1 381
Total Liabilities		725	3 358
NET ASSETS AVAILABLE TO PAY BENEFITS		912 789	742 231

**Statement of Changes in Net Assets
for the year ended 30 June 2007**

	Note	\$'000	2007 \$'000	2006 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS				
AT 1 JULY			742 231	595 884
INVESTMENT REVENUE			152 502	121 241
OTHER INCOME			130	80
DIRECT INVESTMENT EXPENSE	6		(5 344)	(4 284)
ADMINISTRATION EXPENSE	6		(466)	(440)
CONTRIBUTIONS:	10			
Past service liability		37 900		33 000
Employer contributions		31 384		31 303
Member contributions		7 919		7 914
Voluntary member contributions		3 370		1 800
Government co-contributions		342		136
			80 915	74 153
BENEFITS PAID:	11			
Pensions		(32 652)		(30 398)
Commutation lump sums		(9 836)		(5 159)
Lump sums		(13 210)		(8 015)
Resignation benefits		(1 481)		(831)
			(57 179)	(44 403)
NET INCREASE IN FUNDS			170 558	146 347
NET ASSETS AVAILABLE TO PAY BENEFITS				
AT 30 JUNE			912 789	742 231

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Police Superannuation Scheme

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for Police Officers who are contributors to the Scheme.

Contributors to the Scheme may be either members of the old scheme who are entitled to a pension based benefit, or new scheme who are entitled to a lump sum based benefit. The old scheme was closed to new members in May 1990. The new scheme was closed to new members in May 1994.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Police Superannuation Fund (the Fund). The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is made up of two divisions, being the Old Scheme (Pension) Division and the New Scheme (Lump Sum) Division. Each division consists of the contributions and the accretions arising from the investment of those contributions. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) Police Superannuation Board

The Police Superannuation Board (the Board), established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted the South Australia Police to provide administrative services.

Pursuant to the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by investment of each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the Police Superannuation Scheme Employer Contribution Account (the Police Employer Account), reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding Arrangements

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and Police Employer Account. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with subsection 14(3) of the Act, taking into account the most recent actuarial assessment.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the South Australia Police which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. From 1 July 2006 the rates for the Pension and Lump Sum divisions were set at 19.5 percent and 12.5 percent respectively.

For the year ended 30 June 2007 \$31.4 million (\$31.3 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2007 the Government transferred a further \$37.9 million to the Police Employer Account to meet liabilities in respect of the Scheme (\$33 million).

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with applicable AASs, TIs issued pursuant to the PFAA and other mandatory professional reporting requirements, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AAS and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2007. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

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

- *Externally Managed*
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (ii) *Property*
The Property portfolio comprises three sub-sectors:
- *Directly Held Property*
The value of directly held property has been determined having regard to the contractual arrangements in place over the property.
 - *Listed Property Trusts*
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.
 - *Unlisted Property Vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.
- (iii) *Australian Equities*
The Australian Equities portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (iv) *International Equities*
The International Equities portfolio comprises investments in equities listed on international share markets and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (v) *Fixed Interest*
The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vi) *Diversified Strategies (Growth)*
The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (vii) *Diversified Strategies (Income)*
The Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.
- (ix) *Other Assets and Liabilities*
In assessing these items, the Directors of Funds SA consider that, for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Taxation

The investments of the Scheme are exempt from federal income tax because the Scheme has been declared as 'constitutionally protected' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in this financial report.

(d) Revenue

Superannuation contributions are brought to account on an accrual basis. Transfers and rollovers from other schemes are brought to account when received. Other revenue is brought to account on an accrual basis.

(e) Receivables and Payables

Contributions receivable are contributions relating to the 2006-07 financial year received by the Scheme after 30 June 2007. Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2007 but who had not been paid until after 30 June 2007.

(f) GST

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

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(g) Comparative Information

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

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

3. Liability for Accrued Benefits

The accrued liabilities of the Scheme as determined by the Department of Treasury and Finance are shown below.

The accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2007 based on membership data as at 30 June 2006.

The expected future benefit payments have been determined using the 2005 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above CPI has been applied.

	Pension Scheme Division \$'million	2007 Lump Sum Scheme Division \$'million	Total \$'million	Pension Scheme Division \$'million	2006 Lump Sum Scheme Division \$'million	Total \$'million
Changes in the liability for accrued benefits:						
Liability for accrued benefits at 1 July	1 359.1	58.0	1 417.1	1 137.4	44.6	1 182.0
Add: Benefits expense	120.0	7.9	127.9	265.2	14.3	279.5
Less: Benefits paid	55.4	1.7	57.1	43.5	0.9	44.4
Liability for Accrued Benefits at 30 June	1 423.7	64.2	1 487.9	1 359.1	58.0	1 417.1
Represented by:						
Police Superannuation Fund	315.8	19.6	335.4	300.6	17.5	318.1
Police Employer Account	1 107.9	44.6	1 152.5	1 058.5	40.5	1 099.0
Total	1 423.7	64.2	1 487.9	1 359.1	58.0	1 417.1

Pursuant to the Act actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to Government and the proportion of future benefits that can be met from the Fund.

The last actuarial review as at 30 June 2005 was carried out by Mr S Mules, FIAA of Mercer Human Resource Consulting. His report, dated 22 March 2006, to the Minister was tabled in Parliament on 9 May 2006. In his report, Mr Mules made the following recommendations:

- (a) The funding proportion for the Lump Sum Scheme division be retained at 30 percent; and
- (b) The funding proportion for the Pension Scheme division be increased from the current level of 21 percent to 22 percent;

3. Liability for Accrued Benefits (continued)

- (c) The Government contribution for future service liabilities for the Lump Sum Scheme division be increased from the current level of 12 percent to 12.5 percent;
- (d) The Government contribution for future service liabilities for the Pension Scheme division be increased from the current level of 17 percent to 19.5 percent.

The above recommendations were implemented from 1 July 2006.

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below assume that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

Vested Liabilities 30 June 2007

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	2007 Total \$'million
Police Superannuation Fund	282.5	7.8	290.3
Police Employer Account	1 054.4	37.1	1 091.5
Total	1 336.9	44.9	1 381.8

Vested Liabilities 30 June 2006

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	2006 Total \$'million
Police Superannuation Fund	268.3	7.0	275.3
Police Employer Account	1 004.0	33.5	1 037.5
Total	1 272.3	40.5	1 312.8

5. Guaranteed Benefits

Contributor's benefit entitlements are set out in the Act.

6. Administration and Direct Investment Expenses

Administration expenses incurred by the Board are financed in the first instance from the Police Employer Account through a Special Deposit Account. Pursuant to subsection 10(7) of the Act, the Fund is required to meet a prescribed proportion, currently 30 percent, of the administration expenses incurred by the Scheme.

Administration expenses incurred by the Scheme for 2006-07 amounted to \$466 000 (\$440 000) of which the Fund is required to reimburse \$140 000 (\$132 000) to the Scheme through the Police Employer Account. Of the \$466 000, \$20 000 (\$32 000) was spent on a consultant and \$316 000 (\$267 000) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

7. Remuneration of Board Members

The following are members of the Board who served during 2006-07, along with the period served.

<i>Board Member</i>	<i>Deputy</i>	<i>Period Served during 2006-07</i>	
Michael Ramm	Gary Powell	1 July 2006	30 June 2007
Kathryn Finnigan	David Obst	1 July 2006	30 June 2007
Kingsley Oakley	Mark Trueman	1 July 2006	30 June 2007
Trevor Haskell	Bernadette Zimmerman	1 July 2006	30 June 2007
Michael Standing	James Tappin	1 July 2006	30 June 2007

Members' fees are set according to State Government guidelines for Statutory Authorities. Members who are State public sector employees do not receive fees for their Board membership. Board members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by the members of the Board in 2006-07 was \$9000 (\$7600). Total remuneration includes superannuation of \$600 (\$600).

7. Remuneration of Board Members (continued)

The number of Board members whose remuneration was within the following bands is as follows:

	2007	2006
	Number of	Number of
	Members	Members
\$nil	3	3
\$1 - \$10 000	2	3

8. Remuneration of Auditors

Amounts received or due and receivable by the Auditors for auditing the Accounts of the Board in 2006-07 total \$23 000 (\$28 000).

9. Summary of Investment Holdings

	Fund: Old	Fund: New	Police	2007	2006
	Scheme	Scheme	Employer	Total	Total
	Division	Division	Account	\$'000	\$'000
Investments:	\$'000	\$'000	\$'000	\$'000	\$'000
Inflation linked securities	31 128	2 022	36 775	69 925	63 622
Property	41 159	2 674	48 627	92 460	70 306
Australian equities	138 152	8 976	163 217	310 345	248 716
International equities	128 255	8 333	151 525	288 113	249 083
Fixed interest	18 556	1 206	21 923	41 685	32 270
Diversified strategies - Growth	16 433	1 068	19 413	36 914	25 414
Diversified strategies - Income	14 937	971	17 647	33 555	27 381
Cash	16 917	1 099	19 986	38 002	27 024
Total Investments	405 537	26 349	479 113	910 999	743 816

10. Changes in Net Assets

Transactions within each division are summarised below:

	Fund: Old	Fund: New	Police	2007	Fund: Old	Fund: New	Police	2006
	Scheme	Scheme	Employer	Total	Scheme	Scheme	Employer	Total
	Division	Division	Account	\$'000	Division	Division	Account	\$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	342 972	21 531	377 728	742 231	288 339	17 093	290 452	595 884
INVESTMENT REVENUE	68 467	4 288	79 747	152 502	55 788	3 388	57 781	116 957
OTHER INCOME	31	5	94	130	19	7	54	80
DIRECT INVESTMENT EXPENSE	(2 405)	(155)	(2 784)	(5 344)	(2 029)	(124)	(2 131)	(4 284)
ADMINISTRATION EXPENSE	(124)	(16)	(326)	(466)	(117)	(14)	(309)	(440)
CONTRIBUTIONS:								
Past service liability	-	-	37 900	37 900	-	-	33 000	33 000
Employer contributions	-	-	31 384	31 384	-	-	31 303	31 303
Member contributions	6 722	1 197	-	7 919	6 741	1 173	-	7 914
Voluntary member contributions	3 182	188	-	3 370	1 649	151	-	1 800
Government co-contributions	204	138	-	342	83	53	-	136
	10 108	1 523	69 284	80 915	8 473	1 377	64 303	74 153
BENEFITS PAID:								
Pensions	(7,181)	(2)	(25 469)	(32 652)	(6 396)	(4)	(23 998)	(30 398)
Commutation lump sums	(2,164)	-	(7 672)	(9 836)	(1 083)	-	(4 076)	(5 159)
Lump sums	(2,490)	(237)	(10 483)	(13 210)	(1 436)	(100)	(6 479)	(8 015)
Resignation benefits	(1,024)	(457)	-	(1 481)	(615)	(216)	-	(831)
	(12 859)	(696)	(43 624)	(57 179)	(9 530)	(320)	(34 553)	(44 403)
NET INCREASE IN FUNDS	63 218	4 949	102 391	170 558	54 633	4 438	87 276	146 347
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	406 190	26 480	480 119	912 789	342 972	21 531	377 728	742 231

11. Benefits Paid

All benefit payments were met in the first instance from the Consolidated Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	Old	2007	Old	2006
	Scheme	New	Scheme	New
	Division	Scheme	Division	Scheme
	\$'000	\$'000	\$'000	\$'000
Pensions:				
Funded from:				
Police Superannuation Fund	7 182	2	7 184	6 396
Police Employer Account	25 464	4	25 468	23 990
Gross Scheme Costs	32 646	6	32 652	30 386
				12
				30 398

11. Benefits Paid (continued)

	Old Scheme Division \$'000	2007 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2006 New Scheme Division \$'000	Total \$'000
Commutation Lump Sums:						
Funded from:						
Police Superannuation Fund	2 164	-	2 164	1 083	-	1 083
Police Employer Account	7 672	-	7 672	4 076	-	4 076
Gross Scheme Costs	9 836	-	9 836	5 159	-	5 159
Lump Sums:						
Funded from:						
Police Superannuation Fund	2 490	237	2 727	1 436	100	1 536
Police Employer Account	9 435	1 048	10 483	5 954	525	6 479
Gross Scheme Costs	11 925	1 285	13 210	7 390	625	8 015
Resignation Benefits:						
Funded from:						
Police Superannuation Fund	1 024	457	1 481	615	216	831
Gross Scheme Costs	1 024	457	1 481	615	216	831
Total Benefits Paid	55 431	1 748	57 179	43 550	853	44 403

12. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written investment mandate. The Funds SA Board has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

For further information on the Scheme's risk exposure refer to the annual report of Funds SA.

PORT ADELAIDE MARITIME CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Port Adelaide Maritime Corporation (the Corporation) was a subsidiary corporation of the Minister for Economic Development established under the Public Corporations (Port Adelaide Maritime Corporation) Regulations 2005. Its governing body was a board whose members are appointed by the Minister.

The Corporation came into existence on 1 December 2005, and was dissolved with effect from 1 September 2007. The operations of the Corporation will be assumed by a new Administrative Unit, Defence SA. Further discussion on this matter is provided under the heading 'Further Commentary on Operations'.

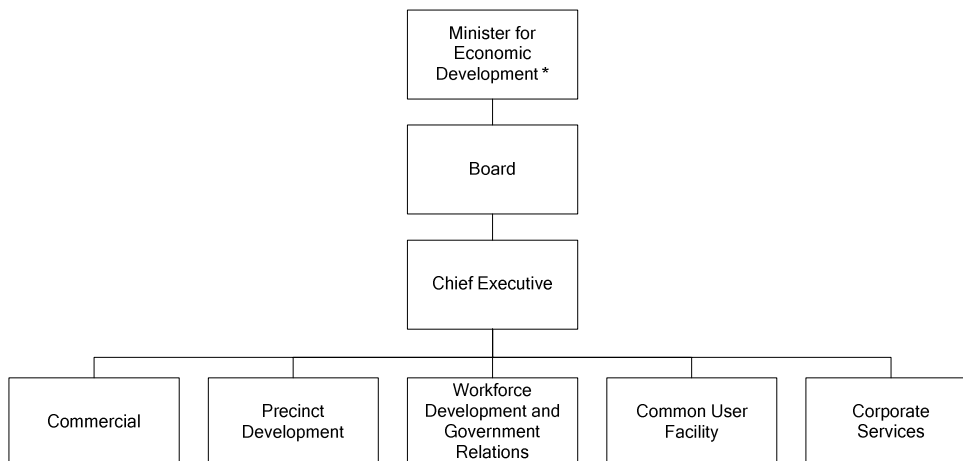
Functions

The Corporation was responsible for the development and maintenance of the:

- State's infrastructure commitment at Techport Australia, including the Common User Facility and Ship-lift Transfer System;
- Techport Australia industrial park including the Supplier's Precinct and the Commercial and Education Precinct;
- Techport Australia workforce development program, including the Maritime Skills Centre;
- Air Warfare Destroyer Systems Centre;
- Maximising economic, social and environmental benefits for South Australia through the managed development of Techport Australia and the LeFevre Peninsula.

Structure

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



* The Minister for Economic Development delegated all commercial and financial responsibility to the Treasurer.

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 provides for the Auditor-General to audit the accounts 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 audit opinion to be formed with respect to the financial statements and internal controls.

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

- the Corporation's policies and procedures
- reconciliations between the general ledger and subsidiary systems
- cash at bank
- processing of general ledger journals
- expenditure processing
- payroll processing
- fixed asset processing
- the Corporation's compliance with the Treasurer's FMF
- legal compliance.

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 Port Adelaide Maritime 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 Port Adelaide Maritime Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Port Adelaide Maritime Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit of the Corporation identified areas in which it was considered control practices and procedures could be enhanced and the recommendations for improvement were detailed in a management letter to the Chief Executive. The audit identified the need for improvement in documentation of policies and procedures adopted by the Corporation covering aspects of asset accounting and frameworks for contract management and legal compliance. Also aspects of the Corporation's documentation of its delegations of authority required review, including the need to provide a general contracting delegation.

The Corporation's response to the management letter recommendations was considered satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

2006-07 is the first full year of operations for the Corporation. The 2006 figures are for the period 1 December 2005 to 30 June 2006.

Highlights of the Financial Report

	2007	2006
	\$'million	\$'million
EXPENSES		
Employee benefits costs	2.0	0.8
Supplies and Services	2.1	1.1
Total Expenses	4.1	1.9

	2007	2006
	\$'million	\$'million
INCOME		
Other revenues	0.3	0.1
Total Income	0.3	0.1
Net Cost of Providing Services	(3.8)	(1.8)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	12.7	3.6
Net Result	8.9	1.8
ASSETS		
Current assets	19.7	0.5
Non-current assets	69.4	1.7
Total Assets	89.1	2.2
LIABILITIES		
Current liabilities	1.0	0.4
Total Liabilities	1.0	0.4
EQUITY	88.1	1.8

Income Statement

Income

The Corporation receives appropriations which have increased to fund the Corporation's project expenditure and operating budget.

Expenses

The increase in employee expenses reflects the first full year of operations for the Corporation. The increased cost of supplies and services reflects the increase in operations of the Corporation following the commencement of the Corporation's projects.

Balance Sheet

The increase in current assets was due to an increase in cash from 2005-06 to 2006-07.

Non-current assets have increased due to increases in capital works in progress and land. The increase in capital works in progress reflects expenditure during the year on the Common User Facility, and the Commercial and Education Precinct. The increase in land holdings reflects the purchase of land for the Supplier's Precinct and LeFevre Peninsula master plan.

The Corporation received a capital contribution during 2006-07 which was recognised directly in equity.

Cash Flow Statement

The following table summarises the net cash flows for 2007 and 2006:

	2007	2006
	\$'million	\$'million
Net Cash Flows		
Operating activities	8.2	2.0
Investing activities	(67.7)	(1.7)
Financing activities	77.4	-
Change in Cash	17.9	0.3
Cash at 30 June	18.2	0.3

The increase in the cash from operating activities reflects the first full year of operations for the Corporation and the increase in appropriation received during the 2006-07 financial year.

Expenditure on the Corporation's projects and the land purchases during the year are reflected in the cash used in investing activities.

The increase in cash generated from financing activities reflects the increase in contributed capital.

FURTHER COMMENTARY ON OPERATIONS

Techport Australia

In May 2005, the Australian Government announced the selection of ASC Shipbuilding Pty Ltd (ASC) as the preferred shipbuilder for the Navy's Air Warfare Destroyers (AWD) project which has an estimated cost of up to \$8 billion. The selection of ASC was part of the Australian Government's first pass approval of the AWD project.

The Government of South Australia established the Corporation to deliver the State's commitments to the AWD project at the Techport Australia site at Osborne.

Techport Australia will include:

- a Common User Facility
- Commercial and Education Precinct and Supplier's Precinct
- Maritime Skills Centre
- AWD Systems Centre.

On 19 June 2007, the AWD project received second pass approval from the Australian Government which selected the preferred design for the next generation Air Warfare Destroyer.

Common User Facility

The Common User Facility (CUF) will comprise a ship lift, transfer system and wharf. This infrastructure will enable the ASC to build the Air Warfare Destroyers and attract other shipbuilding opportunities to Techport Australia.

The CUF is being developed in a number of stages with completion due in early 2010. The first and current stage incorporates the construction of a new wharf, installation of the ship lift and construction of a transfer runway and separate dry berths. Works include dredging the Port Adelaide River adjacent to the wharf and ship lift to create a berth basin and providing a transfer system to move ships and modules to and from the ship lift and around the site. The estimated cost of construction is \$243 million.

The CUF development was split into two components for contracting purposes:

- the appointment of a managing contractor;
- design and construction of the ship lift and transfer system.

Procurement arrangements for the appointment of the managing contractor incorporated a public Invitation to Register Interest (IRI) to identify appropriately qualified bidders. The bids were short-listed in March 2006 and two proponents were further evaluated before a preferred bid was selected and a contract was settled in June 2006.

The contract with the managing contractor provided for two stages to the contract. The first incorporated planning, preliminary design and pre-construction work to prepare a project implementation plan. This work also supported negotiation of a risk adjusted price for the second stage of the contract. The first stage has been completed and Cabinet approval was obtained in July 2007 to move to the second stage of the contract involving the complete design and construction of the CUF.

The contract for the design and construction of the ship lift and transfer system was selected following an IRI which was released in April 2006. The evaluation of bids was performed in September 2006 with a preferred bid selected and contract executed in December 2006. The planning and design of the ship lift and transfer system was completed during 2006-07.

The Corporation has spent \$12.5 million to 30 June 2007 on the CUF, ship lift and transfer system component of the project. It is estimated \$124 million will be spent on the construction of CUF in 2007-08.

Commercial and Education Precinct and Supplier's Precinct

The Supplier's precinct at Techport Australia will accommodate naval shipbuilding and related defence businesses involved in supporting and supplying the AWD construction program and other naval/defence projects.

The Commercial and Education precinct will house the Maritime Skills Centre, the AWD Systems Centre, commercial and retail buildings and car parking.

During the year the Corporation worked on the planning and design of the precinct and commenced upgrading the stormwater, sewer, water and electricity infrastructure. Site preparation works were also completed for the Commercial and Education precincts. The Corporation commenced preparation works for stage 2 of the Supplier's precinct.

The Corporation has appointed contractors to investigate, coordinate and deliver headwork infrastructure and road designs and for site preparation services.

To 30 June 2007 \$10.4 million has been spent on works for these precincts, including land purchases of \$5.7 million. It is estimated \$12 million will be spent on these precincts in 2007-08.

Maritime Skills Centre

The Maritime Skills Centre involves the construction and fit out of a training facility within the Commercial and Education precinct. The Centre will be used primarily to train and enhance the skills of the workforce of ASC Pty Ltd and other companies involved in the AWD program. The estimated cost of constructing the Centre is \$5 million.

A preferred contractor was selected for the planning and design of the centre from a selective tender of pre-qualified firms. An open tender of pre-qualified firms was used to select a preferred construction firm. A contract was executed in the first week of June 2007 and construction has commenced.

\$600 000 has been spent to 30 June 2007 and estimated expenditure for 2007-08 is \$4 million.

Air Warfare Destroyer (AWD) Systems Centre

The AWD Systems Centre will house staff of industry participants engaged in the project management of the AWD program.

To 30 June 2007, the Corporation has commenced the planning and design of the centre. Construction of the Centre will commence in January 2008 and completion is due in May 2009. The estimated expenditure on the Centre in 2007-08 is \$9.3 million.

Northern LeFevre Peninsula Master Plan

The Corporation was involved in maximising the social and environmental benefits for South Australia and the local area through the managed development of the LeFevre Peninsula. This includes a master plan for the LeFevre Peninsula that will identify the long-term infrastructure requirements to support a sustainable industrial precinct and the creation of Techport Australia.

The master plan includes the consolidation of Government owned land holdings to develop the industrial precinct. To 30 June 2007 the Corporation has purchased \$45 million of land from the Land Management Corporation and the Department for Environment and Heritage. Proposed expenditure for 2007-08 is \$5.6 million.

Defence SA

The Government has established a new Administrative Unit titled 'Defence SA', with effect from 1 September 2007, pursuant to section 7 of the PSMAct. Defence SA was proclaimed by the Governor on 23 August 2007.

The new administrative entity will subsume the existing operations of the Corporation and the Defence Unit and Defence-related investment facilitation and marketing activities of the Department of Trade and Economic Development.

Defence SA will be responsible for:

- facilitating the development and growth of a sustainable defence industry in South Australia based on existing, created and new market opportunities in accordance with South Australia's Strategic Plan objectives;
- advising and delivering strategy and policy required to deliver defence industry growth in South Australia;
- delivering the State Government commitments in support of defence industry growth in South Australia.

An advisory Board will be established replacing the Corporation's current Board and the Defence Industry Advisory Board.

**Income Statement
for the year ended 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
EXPENSES:			
Employee benefit costs	6	1 951	787
Supplies and services	7	2 076	1118
Depreciation	8	3	1
Grants and subsidies	9	50	35
Total Expenses		4 080	1 941
INCOME:			
Interest revenues	11	32	60
Other revenues	12	297	91
Total Income		329	151
NET COST OF PROVIDING SERVICES	23	(3 751)	(1 790)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	13	12 692	3 596
NET RESULT		8 941	1 806

The Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash	14	18 187	327
Receivables	15	1 514	210
Total Current Assets		19 701	537
NON-CURRENT ASSETS:			
Land	16	52 751	830
Property, plant and equipment	16	7	10
Capital works in progress	17	16 633	866
Total Non-Current Assets		69 391	1 706
Total Assets		89 092	2 243
CURRENT LIABILITIES:			
Payables	18	742	323
Short-term and long-term employee benefits	19	247	114
Total Current Liabilities		989	437
Total Liabilities		989	437
NET ASSETS		88 103	1 806
EQUITY:			
Contributed equity		77 356	-
Retained earnings		10 747	1 806
TOTAL EQUITY		88 103	1 806
Total Equity is attributable to the SA Government as owner			
Commitments for expenditure	20		
Contingent assets and liabilities	21		

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

	Contributed Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 December 2005	-	-	-
Net result	-	1 806	1 806
Balance at 30 June 2006	-	1 806	1 806
Equity contribution from SA Government	77 356	-	77 356
Net result	-	8 941	8 941
Balance at 30 June 2007	77 356	10 747	88 103

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

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	
CASH OUTFLOWS:		
Employee benefit payments	(1 800)	(651)
Supplies and services	(1 684)	(873)
Grants and subsidies	(50)	(35)
GST payments on purchases	(6 795)	(258)
Cash used in Operations	(10 329)	(1 817)
CASH INFLOWS:		
Interest received	32	57
GST input tax credits	5 431	102
GST receipts on receivables	31	9
Other receipts	335	47
Cash generated from Operations	5 829	215
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	12 692	3 596
Cash generated from SA Government	12 692	3 596
Net Cash provided by Operating Activities	8 192	1 994
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land	(51 921)	(830)
Payments for capital work in progress	(15 767)	(837)
Net Cash used in Investing Activities	(67 688)	(1 667)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions from SA Government	77 356	-
Net Cash provided by Financing Activities	77 356	-
NET INCREASE IN CASH	17 860	327
CASH AT 1 JULY	327	-
CASH AT 30 JUNE	14,23 18 187	327

Program Schedule of Expenses and Income for the year ended 30 June 2007

		Program 1	Program 2	Program 3	2007
	(refer Note 5)				Total
EXPENSES :		\$'000	\$'000	\$'000	\$'000
Employee benefits		1 384	508	59	1 951
Supplies and services		1 180	819	77	2 076
Depreciation		3	-	-	3
Grants and subsidies		50	-	-	50
Total Expenses		2 617	1 327	136	4 080
INCOME:					
Interest revenues		32	-	-	32
Other revenues		16	176	105	297
Total Income		48	176	105	329
NET COST OF PROVIDING SERVICES		(2 569)	(1 151)	(31)	(3 751)
REVENUES FROM SA GOVERNMENT:					
Revenues from SA Government		12 692	-	-	12 692
NET RESULT		10 123	(1 151)	(31)	8 941

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Port Adelaide Maritime Corporation

Port Adelaide Maritime Corporation (PAMC) came into existence on 1 December 2005 as a Statutory Authority established under the Public Corporations (Port Adelaide Maritime Corporation) Regulations 2005. PAMC is responsible for the governance, delivery and ongoing maintenance and development of the:

- State's infrastructure commitment at Techport Australia incorporating the Common User Facility (CUF);
- Techport Australia industrial park including the supplier precinct (in excess of 30 hectares for contractors and sub-contractors) and commercial and education precinct;
- Techport Australia workforce development program, including the Maritime Skills Centre (MSC);
- Air Warfare Destroyer Systems Centre (AWDSC);
- Business planning to ensure maximisation of the development and growth of Techport Australia and Northern LeFevre Peninsula.

2. Summary of Significant Accounting Policies

(a) 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.

AASs include AIFRS and AAS 29. PAMC has early-adopted the amendment to AASB 101. Refer to Note 4.

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 department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (a) income, 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);

(a) Basis of Accounting (continued)

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

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

(b) Reporting Entity

The reporting entity is Port Adelaide Maritime Corporation. The Corporation has no subsidiaries and reports as a not for profit entity.

(c) Transferred Function and Administrative Restructures

There have been no transferred functions or administrative restructures during 2006-07.

(d) Comparative Information

Comparative information provided in the financial report is for PAMC's first year of operation, being the period commencing on 1 December 2005 and concluding on 30 June 2006.

(e) Rounding

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

(f) Business Overheads

PAMC adopts a full cost approach to the costing of its capital works. This method entails the allocation of a proportionate share of project specific overheads to all activities based upon a regime of cost drivers in accordance with AASB 116.

(g) Taxation

PAMC is not subject to income tax. PAMC 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 on a 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 the investing and financing activities, which is recoverable from, or payable to the 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.

(h) Income and Expenses

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

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

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

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

(h) Income and Expenses (continued)

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

Rental income is derived from property holdings and includes lease income and recoveries of tenant outgoings. Lease income is accounted for on a straight line basis over the lease term.

(i) Current and Non-Current Classification

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

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

(j) Cash

Cash includes:

- cash at bank;
- cash held in escrow, held for a specific purpose, as narrated in Note 14.

Cash is measured at nominal value.

(k) Receivables

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

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

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

(l) Capital Works in Progress

During the year work continued on the development of infrastructure to support the Air Warfare Destroyer construction program in accordance with the Infrastructure Assistance Agreement.

PAMC engages in projects that include land acquisition, infrastructure development and ultimate disposal through sale and various leasing arrangements.

The accounting policy of capitalisation of project overheads attributable to capital works is disclosed in Note 2(f).

PAMC accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with Note 2(m).

(m) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with APF III APSs 2.15 and 7.2 all non-current tangible assets with a value of \$10 000 or greater are capitalised.

(n) Revaluation of Non-Current Assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets will only be performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. As at the 30 June 2007, no revaluations have been undertaken.

Every three years PAMC will revalue its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations will be held at cost until the next valuation, when they will be revalued to fair value.

Any revaluation increment will be credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase will be recognised in the Income Statement.

(n) Revaluation of Non-Current Assets (continued)

Any revaluation decrease will be recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease will be debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluations reserve for that asset class. Any accumulated depreciation as at the revaluation date will be eliminated against the gross carrying amounts of the assets and the net amounts will be restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset will be transferred to retained earnings.

(o) Impairment

All non-current tangible 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.

(p) Depreciation and Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Amortisation is used in relation to intangible assets, while depreciation is applied to tangible assets such as property, plant and equipment.

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

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

Land is not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets:

<i>Class of Asset</i>	<i>Useful Life</i>
Plant and equipment	4-10 years

(q) 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 PAMC.

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with TI 11.

Payment of Creditor Accounts

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

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

(r) Employee Benefits

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

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

(r) Employee Benefits (continued)

The liability for long service leave is recognised after an employee has completed six and a half years of service as advised in APF IV. As the majority of PAMC employees are newly recruited to the SA Government and are employed on contracts of less than six and a half years, the long service leave liability accrual has been calculated based on the actual leave accrual for those staff with an existing long service leave entitlement.

The unconditional portion of the long service leave provision is classified as current as PAMC does not have any unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions are recognised when PAMC has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When PAMC expects some or all of the provision to be reimbursed, the reimbursement will be recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

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

(s) Insurance

PAMC has arranged, through South Australian Government Financing Authority, SAICORP Division, to insure all major risks of PAMC. The excess payable under this arrangement varies depending on each class of insurance held.

PAMC has arranged, with input from SAICORP, project specific professional indemnity, contractors, all risk and legal liability insurance policies applicable to the design and construction of the CUF.

3. Financial Risk Management

PAMC has a low level of non-interest bearing and interest bearing assets and liabilities.

PAMC's exposure to market risk and cash flow interest risk is minimal.

PAMC has no significant concentration of credit risk. PAMC 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 PAMC in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for PAMC's administration and programs.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which PAMC has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by PAMC for the reporting period ending 30 June 2007. PAMC 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 PAMC.

5. Programs of PAMC

Program information is prepared in conformity with the accounting policies of the entity as disclosed in Note 2.

Program income and expenses are those that are directly attributable to a program and the relevant portion that can be allocated to the segment on a reasonable basis. In achieving its objectives PAMC provides a range of services classified into the following programs:

Program 1 – Strategy and Policy

Support PAMC Board and Minister through the provision of high-level strategic, operational and financial advice in order to:

- deliver South Australia's commitments to the AWD program;
- maximise the economic, social and environmental benefits for South Australia and the local area as a result of the AWD program;
- enable the Corporation to meet the obligations of its Charter and annual performance statement.

Program 2 – Precinct Development and Operation

Maximise the economic, social and environment benefits for South Australia and the local area through the managed development of the LeFevre Peninsula. This will be achieved through:

- the design and construction of the Techport Australia Commercial and Education Precinct (including entrance hub and Suppliers Precinct);
- promoting and marketing the opportunities of Techport Australia to local, national and international companies that will support the AWD program and other complimentary companies and suppliers;
- the creation of a holistic master plan to guide long-term sustainable development of the Northern LeFevre Peninsula.

Program 3 – Workforce Development

Support South Australia in meeting the skill growth required by modern shipbuilding, with particular focus on the immediate requirements of the AWD project and Techport Australia development. This will be achieved through focused and innovative delivery of investment and skills attraction and development programs, appropriately integrated with whole-of-state workforce development efforts.

6. Employee Benefit Costs

	Note	2007 \$'000	2006 \$'000
Salaries and wages		1 325	499
Long service leave		74	57
Annual leave		126	83
Employment on-costs - Superannuation		136	62
Employment on-costs - Other		92	35
Board fees	22	151	51
Other		47	-
Total Employee Benefit Costs		1 951	787

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2007 Number of Employees	2006 Number of Employees
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	2	-
\$140 000 - \$149 999	-	1
\$160 000 - \$169 999	2	-
\$180 000 - \$189 999	1	-
\$280 000 - \$289 999	1	-
\$410 000 - \$419 999	1	-
Total Number of Employees	8	1

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.569 million (\$148 000).

7. Supplies and Services

	2007 \$'000	2006 \$'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation and service costs	78	49
Accounting and audit fees	40	10
Insurance	5	-
Legal fees to Crown Solicitor	132	129
Payments to Department of Primary Industries and Resources for provision of corporate services	151	55
Payments to contractors paid via other SA Government entities	-	22
Payments to consultants paid via other SA Government entities	-	214
Other	29	49
Total Supplies and Services - SA Government Entities	435	528

Supplies and Services provided by Entities external to the SA Government:

Accommodation and service costs	60	29
Payments to contractors	479	214
Payments to consultants (refer below)	243	95
Legal fees	57	6
Staff related expenses	69	96
Travel and related expenses	114	30
Advertising, marketing and promotion	289	48
Property expenses	191	-
Other expenses	139	72
Total Supplies and Services - Non-SA Government Entities	1 641	590
Total Supplies and Services	2 076	1 118

The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:

	2007		2006	
	Number of Consultants	\$'000	Number of Consultants	\$'000
Below \$10 000	3	15	1	2
Between \$10 000 and \$50 000	4	83	2	30
Above \$50 000	2	145	3	277
Total Paid/Payable to the Consultants Engaged	9	243	6	309

Total consultancies expenditure includes payments made direct to non-SA Government entities as well as payments made indirectly via other SA Government entities who engaged consultants on behalf of PAMC.

8. Depreciation	2007	2006
	\$'000	\$'000
Plant and equipment	<u>3</u>	<u>1</u>
Total Depreciation	3	1
9. Grants and Subsidies		
Grants and subsidies paid/payable to entities within the SA Government	<u>50</u>	<u>35</u>
Total Grants and Subsidies	50	35
10. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	<u>40</u>	<u>10</u>
Total Audit Fees	40	10
No other services were provided by the Auditor-General's Department or related practice.		
11. Interest Revenues		
Interest from entities within the SA Government	<u>32</u>	<u>60</u>
Total Interest Received	32	60
12. Other Revenues/Income		
Other Revenue received/receivable from Entities within the SA Government:		
Contributions	-	80
Reimbursement	<u>16</u>	-
Contribution received - Department of Further Education, Employment, Science and Technology	<u>105</u>	-
Total Other Revenue - SA Government Entities	121	80
Other Revenue received/receivable from Entities external to the SA Government:		
Rental income and recoveries	<u>176</u>	-
Contributions	-	10
Other	-	<u>1</u>
Total Other Revenue - Non-SA Government Entities	176	11
Total Other Revenue/Income	297	91
13. Revenue from SA Government		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	9 555	-
Transfer received - Department of Treasury and Finance, Administered Items	<u>3 100</u>	<u>3 596</u>
Transfers received - Department of Treasury and Finance, Contingencies	<u>37</u>	-
Total Revenue from SA Government	12 692	3 596
14. Cash		
Cash at bank	<u>16 561</u>	<u>327</u>
Cash held in escrow	<u>1 626</u>	-
Total Cash	18 187	327

Interest Rate Risk

Cash at bank is non-interest bearing. Deposits at call with the Treasurer earned a floating interest rate of 5.68 percent for the period 1 July 2006 to 31 August 2006. As from 1 September 2006 the deposit account became non-interest bearing. The carrying amount of cash approximates net fair value.

Cash Held in Escrow

Cash held in escrow represents cash held for a specific purpose (land remediation) as per contract conditions. This cash is not available to fund other PAMC activities.

15. Receivables	2007	2006
	\$'000	\$'000
Current:		
Receivables	<u>25</u>	<u>63</u>
GST receivable	<u>1 480</u>	<u>147</u>
Prepayments	<u>9</u>	-
Total Current Receivables	1 514	210

Interest Rate and Credit Risk

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

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

Bad and Doubtful Debts

PAMC has no bad and doubtful debt expense at 30 June 2007.

16. Property, Plant and Equipment	2007	2006
Land:	\$'000	\$'000
Land at cost	52 751	830
Total Land	52 751	830
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	11	11
Accumulated depreciation	(4)	(1)
Total Plant and Equipment	7	10
Total Property, Plant and Equipment	52 758	840

Reconciliation of Property, Plant and Equipment

The following table shows the movement on property, plant and equipment during 2006-07.

		Land	Plant and Equipment	Total Assets
	Note	\$'000	\$'000	\$'000
Carrying amount at 1 July		830	10	840
Additions	16(a)	51 921	-	51 921
Depreciation		-	(3)	(3)
Carrying Amount at 30 June		52 751	7	52 758

(a) The purchase price of land acquired during 2006-07 was based on:

- a valuation of land performed on 30 June 2006 by Andrea J Carolan (BAppSc PRM, AAPI) a Certified Practising Valuer, engaged by the Land Management Corporation (LMC). The valuer arrived at market value based on the International Valuation Standards Committee definition of market value. Both direct comparison and hypothetical development methods were used in determining the final valuation for land purchased from LMC;
- a formal opinion provided by a licensed valuer taking into account comparative data and development potential combined with anticipated remediation costs for other land purchased.

17. Capital Works in Progress	2007	2006
	\$'000	\$'000
The Balance of Capital Works in Progress as at 30 June	16 633	866

Reconciliation of Capital Works in Progress

The following table shows the movement of capital works in progress during 2006-07.

	Improvements to Freehold	Harbour and Port Infrastructure	Buildings	Work in Progress Total
	Land			\$'000
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	866	-	866
Additions	3 475	11 613	679	15 767
Carrying Amount at 30 June	3 475	12 479	679	16 633

Capital works in progress includes detailed planning and design and:

- initial remediation and infrastructure headworks on development land;
- development work associated with the construction of the CUF;
- initial construction works for the MSC.

18. Payables	2007	2006
Current:	\$'000	\$'000
Creditors and accrued expenses	702	301
Employee on-costs	40	22
Total Current Payables	742	323
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors and accrued expenses	192	71
Employee on-costs	16	-
Total Payables to Other SA Government Entities	208	71
Payables to Non-SA Government entities:		
Creditors and accrued expenses	510	230
Employee on-costs	24	22
Total Payables to Non-SA Government Entities	534	252
Total Payables	742	323

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

19. Employee Benefits		2007	2006
(a) Employee Benefits	Note	\$'000	\$'000
Current:			
Accrued salaries and wages		37	26
Annual leave		98	46
Short-term long service leave		112	42
Total Current Employee Benefits		247	114
Total Employee Benefits		247	114
(b) Employee Benefits and Related On-costs			
Accrued Salaries and Wages, Annual Leave and Long Service Leave:			
On-costs included in payables	18	40	22
Provision for employee benefits	19(a)	247	114
Total Accrued Salaries and Wages, Annual Leave and Long Service Leave		287	136

20. Commitments

Capital Commitments

Capital expenditure contracted as at the reporting date but not recognised as liabilities in the financial report:

Within one year	6 262	5 769
Total Capital Commitments	6 262	5 769

The Corporation's capital commitments are to various contractors providing design and construction services for the CUF, the MSC and the Techport Australia Suppliers Precinct site development.

Operation Commitments

Operating expenditure contracted as at the reporting date but not recognised as liabilities in the financial report:

	2007	2006
	\$'000	\$'000
Within one year	63	-
Total Operating Commitments	63	-

The Corporation's operating commitments are to a contractor to provide master planning advice for the Northern LeFevre Peninsula.

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	2 447	1 550
Later than one year and not later than five years	3 017	2 330
Total Remuneration Commitments	5 464	3 880

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

21. Contingent Assets and Liabilities

Contingent Assets to which a Value can be Assigned

PAMC holds a bank guarantee which can be exercised if the vendor fails to deliver unencumbered title to a parcel of land in terms of the purchase option agreement

Total	328	-
	328	-

Contingent Liabilities to which a Value can be Assigned

Contingent liability to which a value can be assigned

Total	1 075	241
	1 075	241

PAMC is negotiating an agreement which incorporates the provision of a rental assistance subsidy to the Commonwealth Government up to a total of \$2.465 million. As at 30 June 2007 a contingent liability has been recognised. This contingent liability represents the pro-rata component applicable for the period 28 February 2006 to 30 June 2007 which is contingent on the finalisation of the above mentioned agreement.

Contingent Liabilities to which No Value can be Assigned

The State has entered into an agreement with the Commonwealth for the construction of a Common User Facility, including a ship lift, runway, wharf, dry berth and hard stand areas, transfer system, entrance roads and other infrastructure to support the shipbuilder in the construction of three air warfare destroyers planned for the Australian Navy. The agreement requires the State to indemnify the Commonwealth from any third party losses or damages arising from a failure to complete the common user facility in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered to be remote. The indemnity is reduced to the extent the loss is caused by the negligence of the Commonwealth, the shipbuilder or the latter's related bodies corporate. An in principle agreement has been reached with the Commonwealth to cap the state's potential exposure to a maximum aggregate amount of \$320 million.

22. Remuneration of Directors and Related Party Disclosures

Members of the PAMC Board during the financial year were:

N R Adler, AO (Appointed 1 October 2006)
 R Champion de Crespigny, AC (Resigned 14 December 2006)
 A Fletcher*
 M Kinnaird, AO
 B Laughton
 B Rowse*
 RADM (Rtd) K Scarce, AO, CSC (Resigned 30 June 2007)

P D Robertson was appointed (1 July 2006) as an independent member of the Audit and Risk Committee. This is a subcommittee of the board.

Total income received, or due and receivable, by Board members and subcommittee members was \$151 000, (\$51 000) plus PAMC compulsory superannuation contributions of \$10 000 (\$2000). Other expenses of Board members were \$27 000 (\$6000).

The number of members whose income from the entity falls within the following band is:	2007 Number of Members	2006 Number of Members
\$1 - \$9 999	-	1
\$10 000 - \$19 999	2	3
\$30 000 - \$39 000	4	-
	6	4

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

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

RADM (Rtd) K Scarce AO CSC also provided services to PAMC on a contract basis. Total contractual payments for the financial year were \$98 400 (\$48 570).

23. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June as per:	Note	2007 \$'000	2006 \$'000
Cash Flow Statement		18 187	327
Balance Sheet		18 187	327

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

Net cash provided by operating activities		8 192	1 994
Less: Revenues from SA Government	13	(12 692)	(3 596)
<i>Add (Less): Non-Cash Items:</i>			
Depreciation expense		(3)	(1)
Changes in Assets/Liabilities (net of restructure transfer):			
Increase in receivables		1 304	210
(Increase) in payables		(419)	(283)
(Increase) in employee benefits		(133)	(114)
Net Cost of Providing Services from Operating Activities		(3 751)	(1 790)

24. Events After Balance Date

On 23 August 2007, a proclamation made by the Governor resulted in the establishment of Defence SA effective 1 September 2007. Defence SA will subsume the activities of operations of PAMC and the Defence Unit of the Department of Trade and Economic Development from this date. All assets, liabilities and contractual commitments of PAMC will transfer to Defence SA.

On 27 August 2007 a contract was executed with the Managing Contractor for the CUF for phase 2 works (complete design construction and commissioning) valued up to \$179.41 million.

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of the Premier and Cabinet (the Department) is an Administrative Unit established pursuant to the PSMAct.

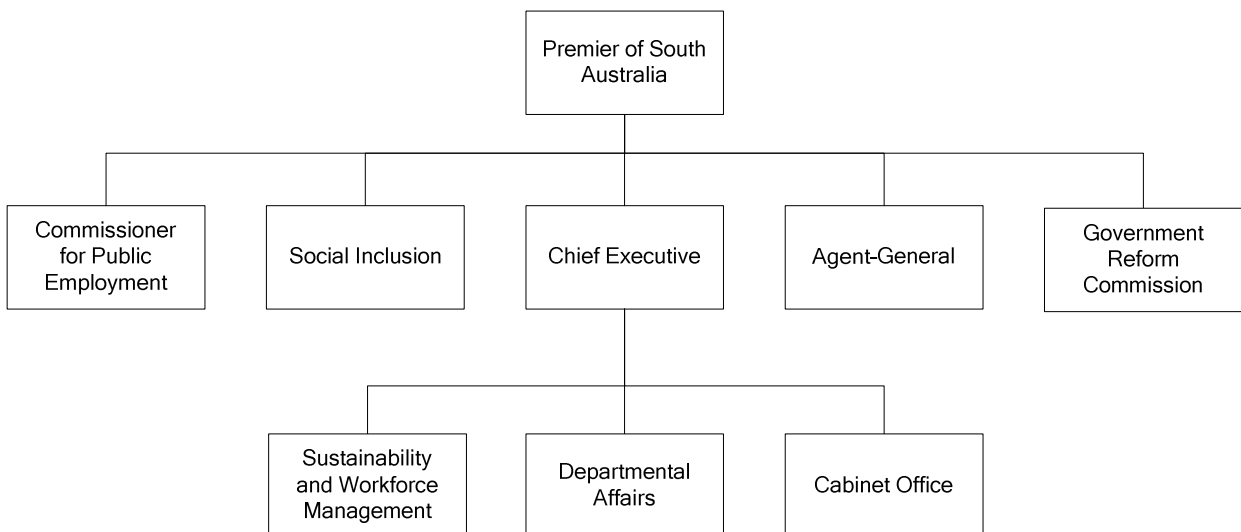
Functions

The purpose of the Department is to support the Premier, Cabinet and Executive Council by providing assistance in developing policies; identifying and providing strategic advice on emerging issues and opportunities; and providing leadership and direction to the public service to achieve management improvements.

To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

Structure

An overview of the structure of the Department is illustrated in the following chart.



Changes in Organisational Arrangements

During the year certain changes occurred to the functions and structure of the Department. These changes resulted mainly from the transfer of a number of business units to the Department from the Department of Administrative and Information Services (DAIS). Refer Notes 2.3 and 27 to the Department's financial statements for further details.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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:

- revenue, including invoicing and bank reconciliations
- expenditure, including accounts payable and payroll
- grants management
- general ledger
- budgetary control and management reporting
- property, plant and equipment
- risk management.

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 Department of the Premier and Cabinet 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 Department of the Premier and Cabinet in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Department of the Premier and Cabinet 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.

The principal matters raised included the need to strengthen the controls over the:

- management review of staff leave reports;
- invoice process for Artlab through the preparation of policies and procedures;
- financial reporting of contingent liabilities arising from grant programs and contractual arrangements, and over the acquittal of long outstanding grants, in respect to the Office for Recreation and Sport.

The response to the management letters was satisfactory.

Further Audit Commentary

Protocol Unit

During 2005-06, the Department contracted an external accounting firm to review the procurement arrangements in the Protocol Unit. The accounting firm's report identified a number of high risk findings. That report also identified a number of transactions, within the Unit, that, in Audit's opinion, warranted further examination as to their propriety and reasonableness. Audit communicated its view to the Chief Executive, of the Department. During the year, further review work was undertaken by the accounting firm and the Government Investigations Unit of the Attorney-General's Department. As a result of that work, and in consideration of advice from the Crown Solicitor, the Chief Executive has advised Audit that a more focussed investigation of certain matters will be undertaken.

SafeWork SA - Health and Safety Workplace Partnership Programme

In December 2006, Cabinet approved the establishment of a grant scheme aimed at helping employee associations improve the occupational health, safety and welfare of South Australian workers. The scheme 'Health and Safety Workplace Partnership Programme' envisaged providing funding of up to a total of \$1 million per year for three years.

In January 2007 in response to a request from the Office of the Minister for Industrial Relations, SafeWork SA made a number of recommendations directed at ensuring proper administration and accountability arrangements for the Programme. In addition, SafeWork SA recommended that the SafeWork SA Advisory Committee be advised of the Programme. The Committee was subsequently advised of the proposed Programme.

Audit has noted that specific arrangements implemented for the Programme are:

- SafeWork SA administers the Programme;
- the \$1 million to be provided annually is divided evenly across four identified targeted industry sectors;
- grants are specifically directed to employee associations registered under the *Fair Work Act 1994*;
- an independent Grants Assessment Panel was established to review applications against specific funding criteria and make recommendations for project funding to the Minister for Industrial Relations;
- successful applicants are required to enter into formal funding agreements which detail the required outcomes and specific accountability arrangements.

On 30 June 2007, the Minister for Industrial Relations, based on a report from an independent Grants Assessment Panel, announced that that he had approved 12 projects to receive funding under the Programme.

At the date of preparation of this Report, formal funding agreements for the 12 projects were in the process of being executed.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The Department, as previously commented, was subject to organisational changes during the year. Notes 2.3 and 27 to the financial statements provide financial details in relation to the restructure. As a result, only highlights from the financial statements are presented below.

Highlights of the Financial Report

	2007	2006
	\$'million	\$'million
EXPENSES		
Employee benefits	62.4	32.5
Grants and subsidies	124.8	101.5
Other expenses	63.0	31.2
Total Expenses	250.2	165.2
INCOME		
Fees and charges	14.6	3.9
Other	18.2	14.3
Total Income	32.8	18.2

	2007	2006
	\$'million	\$'million
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	225.9	149.5
Payments to SA Government	-	(0.8)
Total Revenues from SA Government	225.9	148.7
Net Result before Restructure	8.5	1.7
Net Revenue from Administrative Restructure	110.3	1.5
Net Result after Restructure	118.8	3.2
NET CASH FLOWS FROM OPERATING ACTIVITIES	19.1	1.4
ASSETS		
Current assets	50.9	17.1
Non-current assets	141.5	22.6
Total Assets	192.4	39.7
LIABILITIES		
Current liabilities	23.4	6.7
Non-current liabilities	21.9	4.8
Total Liabilities	45.3	11.5
EQUITY	147.1	28.2

Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
EXPENSES:			
Employee benefits	6	62 417	32 464
Supplies and services	7	53 796	29 947
Depreciation and amortisation	8	2 641	1 148
Grants and subsidies	9	124 757	101 537
Net loss from disposal of assets	10	26	54
Finance costs		174	-
Other expenses	11	6 438	10
Total Expenses		250 249	165 160
INCOME:			
Fees and charges	13	14 558	3 907
Commonwealth revenue		3 855	2 201
Grants and subsidies	14	10 326	6 883
Interest	17	30	1 522
Resources received free of charge	2.7	800	284
Community Development Fund		900	900
Recoveries from administered items		1 287	1 096
Other income	15	1 059	1 408
Total Income		32 815	18 201
NET COST OF PROVIDING SERVICES		(217 434)	(146 959)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	225 903	149 491
Payments to SA Government	16	-	(794)
Total Revenues from SA Government		225 903	148 697
NET RESULT BEFORE RESTRUCTURE		8 469	1 738
Net revenue from administrative restructures	27	110 286	1 503
NET RESULT AFTER RESTRUCTURE		118 755	3 241

Net Result after Restructure is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	40 216	14 461
Receivables	18	7 727	2 624
Inventories		78	-
		48 021	17 085
Non-current assets classified as held for sale	19	2 900	-
Total Current Assets		50 921	17 085
NON-CURRENT ASSETS:			
Receivables	18	773	19
Property, plant and equipment	20	140 310	22 411
Works of art	20	27	47
Intangible assets	21	362	159
Total Non-Current Assets		141 472	22 636
Total Assets		192 393	39 721
CURRENT LIABILITIES:			
Payables	22	13 062	3 563
Short-term employee benefits	24	8 973	3 082
Short-term provisions	25	995	74
Short-term borrowings	23	279	-
Other current liabilities	26	84	-
Total Current Liabilities		23 393	6 719
NON-CURRENT LIABILITIES:			
Payables	22	1 324	399
Long-term employee benefits	24	13 852	4 171
Long-term provisions	25	2 656	200
Long-term borrowings	23	4 031	-
Other non-current liabilities	26	-	23
Total Non-Current Liabilities		21 863	4 793
Total Liabilities		45 256	11 512
NET ASSETS		147 137	28 209
EQUITY:			
Contributed capital		173	-
Asset revaluation reserve		9 955	9 955
Retained earnings		137 009	18 254
TOTAL EQUITY		147 137	28 209
Total Equity is attributable to the SA Government as owner			
Commitments for expenditure	28		
Contingent assets and liabilities	29		

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

	Asset			Total
	Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005	-	9 955	15 020	24 975
Error correction	-	-	(7)	(7)
Restated balance at 30 June 2005	-	9 955	15 013	24 968
Net Result after Restructure for 2005-06	-	-	3 241	3 241
Total Recognised Income and Expense for 2005-06	-	-	3 241	3 241
Balance at 30 June 2006	-	9 955	18 254	28 209
Equity contribution from SA Government	173	-	-	173
Net Result after Restructure for 2006-07	-	-	118 755	118 755
Total Recognised Income and Expense for 2006-07	-	-	118 755	118 755
Balance at 30 June 2007	173	9 955	137 009	147 137

All Changes in Equity are attributable to the SA Government as owner

Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		(61 076)	(31 810)
Supplies and services		(62 465)	(24 365)
Grants and subsidies		(114 926)	(102 073)
Finance costs		(174)	-
GST payments on purchases		(49 957)	(9 949)
GST remitted to ATO		(2 632)	-
Other payments		(55)	(6 083)
Cash used in Operations		(291 285)	(174 280)
CASH INFLOWS:			
Fees and charges		19 212	3 033
Receipts from Commonwealth		3 857	2 201
Receipts from grants and subsidies		5 717	275
Interest received		85	1 499
Community Development Fund		900	900
Recoveries from administered items		1 287	835
GST receipts on receivables		44 829	2 005
GST input tax receipts		7 986	7 835
Other receipts		614	9 036
Cash generated from Operations		84 487	27 619
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		225 903	148 886
Payments to SA Government		-	(794)
Cash generated from SA Government		225 903	148 092
Net Cash provided by Operating Activities	30	19 105	1 431
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(639)	(16)
Purchase of intangibles		(26)	-
Cash used in Investing Activities		(665)	(16)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		2	-
Cash generated from Investing Activities		2	-
Net Cash used in Investing Activities		(663)	(16)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayments of borrowings		(133)	-
Cash used in Financing Activities		(133)	-
CASH INFLOWS:			
Capital contributions from the State Government		173	-
Proceeds from advance account repayments		4	-
Gain (Loss) from restructuring activities		7 269	(272)
Cash generated from Financing Activities		7 446	(272)
Net Cash provided by (used in) Financing Activities		7 313	(272)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		25 755	1 143
CASH AND CASH EQUIVALENTS AT 1 JULY		14 461	13 318
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	40 216	14 461

Program Schedule of Department's Expenses and Income for the year ended 30 June 2007

	2007				
	(refer Note 5)	Program 1	Program 2	Program 3	Program 4
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:					
Employee benefits		22 139	1 664	1 965	461
Supplies and services		16 677	678	983	428
Depreciation and amortisation expense		662	-	-	-
Grants and subsidies		6 316	2 585	133	27 842
Net loss from disposal of assets		26	-	-	-
Finance costs		-	-	-	-
Other expenses		62	-	-	-
Total Expenses		45 882	4 927	3 081	28 731
INCOME:					
Fees and charges		1 153	4	191	21
Commonwealth revenue		1 353	-	-	-
Grants and subsidies		739	932	20	-
Interest		(12)	-	-	-
Resources received free of charge		-	-	-	-
Community Development Fund		-	-	-	-
Recoveries from administered items		-	192	-	-
Other revenue		197	18	3	20
Total Income		3 430	1 146	214	41
NET COST OF PROVIDING SERVICES		(42 452)	(3 781)	(2 867)	(28 690)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government		116 678	-	-	17 860
Payments to SA Government		-	-	-	-
Total Revenues from SA Government		116 678	-	-	17 860
NET RESULT BEFORE RESTRUCTURE		74 226	(3 781)	(2 867)	(10 830)
	(refer Note 5)	Program 5	Program 6	Program 7	Program 8
		\$'000	\$'000	\$'000	\$'000
EXPENSES :					
Employee benefits		2 738	2 221	328	5 633
Supplies and services		1 198	1 614	179	9 256
Depreciation and amortisation expense		3	379	-	40
Grants and subsidies		18 720	48 600	991	5 752
Net loss from disposal of assets		-	-	-	-
Finance costs		-	-	-	-
Other expenses		7	-	-	-
Total Expenses		22 666	52 814	1 498	20 681
INCOME:					
Fees and charges		819	287	5	282
Commonwealth revenue		-	110	-	1 996
Grants and subsidies		-	9	230	301
Interest		-	2	-	40
Resources received free of charge		-	-	-	800
Community Development Fund		-	900	-	-
Recoveries from administered items		-	-	-	1 095
Other revenue		330	48	2	2
Total Income		1 149	1 356	237	4 516
NET COST OF PROVIDING SERVICES		(21 517)	(51 458)	(1 261)	(16 165)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government		29 416	57 781	-	-
Payments to SA Government		-	-	-	-
Total Revenues from SA Government		29 416	57 781	-	-
NET RESULT BEFORE RESTRUCTURE		7 899	6 323	(1 261)	(16 165)

**Program Schedule of Department's Expenses and Income
for the year ended 30 June 2007 (continued)**

	(refer Note 5)	2007			
		Program 9	Program 10	Program 11	Program 12
EXPENSES :		\$'000	\$'000	\$'000	\$'000
Employee benefits		2 925	12 246	2 143	4 332
Supplies and services		1 597	7 490	1 741	7 385
Depreciation and amortisation expense		-	47	16	1 083
Grants and subsidies		19	1 798	-	12 001
Net loss from disposal of assets		-	-	-	-
Finance costs		-	-	-	174
Other expenses		-	-	-	6 369
Total Expenses		4 541	21 581	3 900	31 344
INCOME:					
Fees and charges		696	5 230	2 236	1 771
Commonwealth revenue		97	-	-	299
Grants and subsidies		45	4 150	-	3 900
Interest		3	-	-	(3)
Resources received free of charge		-	-	-	-
Community Development Fund		-	-	-	-
Recoveries from administered items		-	-	-	-
Other revenue		3	429	-	25
Total Income		844	9 809	2 236	5 992
NET COST OF PROVIDING SERVICES		(3 697)	(11 772)	(1 664)	(25 352)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government		4 168	-	-	-
Payments to SA Government		-	-	-	-
Total Revenues from SA Government		4 168	-	-	-
NET RESULT BEFORE RESTRUCTURE		471	(11 772)	(1 664)	(25 352)
	(refer Note 5)	2007		2007	2006
EXPENSES :		Program 13	Program 14	Total	Total
		\$'000	\$'000	\$'000	\$'000
Employee benefits		1 875	1 747	62 417	32 464
Supplies and services		4 213	357	53 796	29 947
Depreciation and amortisation expense		373	38	2 641	1 148
Grants and subsidies		-	-	124 757	101 537
Net loss from disposal of assets		-	-	26	54
Finance costs		-	-	174	-
Other expenses		-	-	6 438	10
Total Expenses		6 461	2 142	250 249	165 160
INCOME:					
Fees and charges		1 304	559	14 558	3 907
Commonwealth revenue		-	-	3 855	2 201
Grants and subsidies		-	-	10 326	6 883
Interest		-	-	30	1 522
Resources received free of charge		-	-	800	284
Community Development Fund		-	-	900	900
Recoveries from administered items		-	-	1 287	1 096
Other revenue		(15)	(3)	1 059	1 408
Total Income		1 289	556	32 815	18 201
NET COST OF PROVIDING SERVICES		(5 172)	(1 586)	(217 434)	(146 959)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government		-	-	225 903	149 491
Payments to SA Government		-	-	-	(794)
Total Revenues from SA Government		-	-	225 903	148 697
NET RESULT BEFORE RESTRUCTURE		(5 172)	(1 586)	8 469	1 738

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of the Premier and Cabinet

The Department of the Premier and Cabinet (the Department) delivers high quality policy advice and support to the Premier and Ministers, provides direction and leadership to the SA Public Sector, and drives key Government initiatives through a range of services benefiting the South Australian community.

The Department leads the implementation of the Government's agenda by focussing on the following key priorities:

- Lead the implementation of South Australia's Strategic Plan (SASP) across Government.
- Drive the achievement of the SASP targets assigned to the Department.
- Lead the development and implementation of policy across the Public Sector.
- Provide leadership in Federal and State relations.
- Deliver high quality services to the South Australian community and Government.
- Improve our organisation.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

Statement of Compliance

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. Refer to Note 4 'Changes in Accounting Policies'.

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 Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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 APS require the following note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants (as reported in the Income Statement);
 - (c) employee TVSP information;
 - (d) 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 entity to those employees;
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

2.2 Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of the Premier and Cabinet Operating Account' and any other funds through which the Department controls resources to carry out its functions. The Department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Commonwealth and SA Government.

Transactions and balances relating to these administered resources are not recognised as Departmental income and expenses but are disclosed in the applicable schedules.

2.3 **Transferred Functions**

The agency known as Office of Public Employment (OPE) was dissolved and amalgamated into the Department of the Premier and Cabinet effective 1 October 2006 (refer Note 27). There is no change to the statutory role and function of the Commissioner for Public Employment who continues to report to the Premier. Departmental resources are made available to enable the Commissioner to continue to meet his statutory obligations.

For financial accounting and reporting purposes, a number of business units were transferred from the Department for Administrative and Information Services (DAIS) to the Department effective 1 January 2007 (refer Note 27). The business units transferred to the Department include:

- Public Sector Workforce Relations
- SafeWork SA
- Employee Ombudsman
- Industrial Court and Commission
- Workers Compensation Tribunal
- Office for Recreation and Sport
- Office for Racing
- Government Publishing SA
- State Records
- Placement Services
- Corporate Central business units:
 - Injury Management
 - Media Monitoring Unit
 - Office of the Chief Executive
 - Office of the Minister.

2.4 **Comparative Information**

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

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

2.5 **Rounding**

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

2.6 **Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of Interpretation 1031, revenues, expenses and assets are recognised net of the amount of GST except that:

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

2.7 **Income and Expenses**

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

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

Fees and charges controlled by the Department are recognised as income. Fees and charges are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.

Grants and subsidies are recognised as income when the Department obtains control of the income or when the agreement or contract has been approved and is executed or income received.

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

Grants and subsidies paid by the Department have unconditional stipulations attached.

Resources received free of charge relate to transportable accommodation buildings being installed on the APY Lands provided by the Commonwealth through the Department's administered funds. The buildings currently under construction have been reported as work in progress at 30 June 2007.

2.8 Revenues from (Payments to) SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, paid directly to the Department of Treasury and Finance Consolidated Account.

2.9 Finance Costs

All finance costs are recognised as expenses.

2.10 Current and Non-Current Classification

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

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

2.11 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, at call and deposits with the Treasurer. Cash is measured at nominal value.

2.12 Receivables

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

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

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

2.13 Inventories

Inventories are measured at the lower of cost or their net realisable value.

2.14 Non-Current Assets Held For Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through sale rather than continuing use. An impairment loss of \$6.3 million has been recognised on the initial written down value of land prior to the transfer to assets held for sale. Non-current assets classified as held for sale are not depreciated or amortised.

2.15 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with APF III APSs 2.15 and 7.2:

- all non-current tangible assets with a value of \$10 000 or greater are capitalised;
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

2.16 Revaluation of Non-Current Assets

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2005 by the Australian Valuation Office. Valuations of departmental buildings and improvements held by the Office of the Agent General in London were determined as at 30 June 2005 by Savills (L&P) Ltd. Buildings and improvements have been valued using a fair value methodology. All other non-current assets controlled by the Department, including those transferred to the Department as a result of an administrative restructure, have been deemed to be held at fair value.

2.17 Impairment of Assets

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss of \$6.3 million has been recognised this financial year.

2.18 Intangible Assets

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000. All research and development costs that do not meet the capitalisation criteria outline in AASB 138 are expensed.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

2.19 Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	10-40
Transportable accommodation	10-20
Furniture and fittings	5-15
Office equipment	3
IT equipment	3-5
Intangibles - Computer software	3-5
Motor vehicles	5

Works of Art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

2.20 Payables

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

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

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period.

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with TI 11 after the Department receives an invoice.

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

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

2.21 Interest Bearing Liabilities

This represents loans underwritten by the Department as guarantor to external organisations. These are recognised as liabilities because the Department is servicing the interest payments and loan repayments.

2.22 Employee Benefits*(i) Wages and Salaries*

Liabilities for wages and salaries are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Annual Leave

A liability for annual leave is calculated by determining the amount unpaid at the reporting date and estimating the nominal amount that is expected to be paid when the obligation is settled. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

(iii) *Long Service Leave*

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed six and a half or more years of service and the current rate of remuneration for each of these employees respectively. The six and a half years has been based on an actuarial calculation undertaken by the Department of Treasury and Finance (DTF). The calculation was based on significant sample of employees throughout the South Australian public sector and determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

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

2.23 Workers Compensation Provision

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

The Department's liability reflects an apportionment of the whole-of-government estimate of Workers Compensation liability according to the Public Sector Workforce Wellbeing group experience of claim numbers and payments over the period 1 July 1987 to 30 June 2007. A separate valuation of the liabilities of this Department has not been undertaken.

2.24 Leases

The Department as Lessee

The Department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

The Department as Lessor

The Department leases sporting venues and office accommodation to various external sporting organisations through operating leases. Income from operating leases is recognised as rental income in the period incurred, and is representative of the pattern of benefits derived from the leased assets.

3. Financial Risk Management

The Department has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (deposits at call and held with the Treasurer) and liabilities (loans). The Department's exposure to market risk and cash flow interest risk is minimal. The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In accordance with government policy, the Department enters into hedges for all contracted expenditure in a foreign currency over A\$100 000. The South Australian Government Financing Authority manages the foreign currency hedges on the Department's behalf. At 30 June 2007, the Department has outstanding hedges totalling \$4.8 million in relation to the contractual arrangements with the Carnegie Mellon University. There is no financial risk to the Department as a result of the hedging arrangements.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Changes in Accounting Policies

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

5. Programs of the Department

Programs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified 14 major classes of programs that it delivers to the community and the Premier. The identity and description of each major program class for the Department during the year ended 30 June 2007 are summarised below (refer to the Department's Program Schedule of Expenses and Income).

Program 1 – Executive Government

Support the Premier and Cabinet by leading the implementation of the agenda of the Government within the South Australian public sector and community. This is achieved by leading whole-of-government policy development and implementation, driving reform in government services, creating and developing innovative approaches, aligning government accountability and responsiveness with community expectations and implementing specific programs.

Program 2 – Social Inclusion

Support the work of the Social Inclusion Board by researching and constructing improved social policy and practices to achieve improved outcomes for disadvantaged people in South Australia.

Program 3 – Sustainability and Climate Change

Implementing the Government's commitments on climate change and sustainability within South Australia. This includes international and national leadership in areas such as the development of renewable energy policy and initiatives, and the reduction of greenhouse gas emissions.

Program 4 – Library and Information Services

To provide information to the public, industry and government agencies and to fund services provided by Public Library Services (formerly known as PLAIN Central Services) to public libraries.

Program 5 – Access to Art, Museum and Heritage Services and Preservation of State Collections

Provision of services that enable the State's cultural, heritage and arts assets to be maintained and to be accessible to the community.

Program 6 – Arts Industry Development and Access to Artistic Product

Provision of services that enhance opportunities for artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

Program 7 – Capital City

Support the work of the Capital City Committee, a partnership between the State Government and the Adelaide City Council, by providing executive support to the Committee and assisting coordination between the Government and the Council to identify potential opportunities for the City.

Program 8 – Aboriginal Affairs and Reconciliation

Improve the well being of Aboriginal people by providing high level strategic policy advice and across government coordination and monitoring, facilitating community development initiatives, protecting Aboriginal culture and heritage, managing essential services and community infrastructure, and supporting the State's landholding authorities.

Program 9 – Public Sector Human Resources Management

This program provides strategic human resource management planning, policy development, monitoring and reporting to facilitate a skilled, dynamic and responsive public sector workforce.

Program 10 – Industrial Relations

Provision of workplace advisory and regulatory services to the general community and the public sector.

Program 11 – Employee Advocacy

Provision of services to ensure the rights of employees are protected and to resolve workplace disputes.

Program 12 – Recreation, Sport and Racing

Provision of programs, services and policy to facilitate the delivery and strategic development of active recreation and sport facilities, services, programs and infrastructure across the State. This includes promoting community participation in active recreation and sport activities, engendering the continued development of the industry and providing targeted support to specific populations including the development of high performance athletes.

This program also includes the provision of policy advice to the Minister on matters impacting upon the viability of the racing industry in South Australia.

Program 13 - Community Services

Provision of specialised services and support, information and policy to the community, government, industry and the Minister in the areas of land administration, records management and archives, government publishing and the provision of wider access to government information, services and transactions.

Program 14 - Intra-Agency Support Services

Centralised provision of support services to the business units of the Department, including injury management services, media monitoring, Ministerial office and administrative support.

6. Employee Benefits	2007	2006
	\$'000	\$'000
Salaries and wages	44 357	23 517
TVSPs (refer below)	-	868
Long service leave	1 972	631
Annual leave	4 365	1 429
Employment on-costs - Superannuation	6 558	3 139
Employment on-costs - Other	3 233	1 609
Committee fees	216	165
Other employee related expenses	1 716	1 106
Total Employee Benefits	62 417	32 464
TVSPs		
Amount paid to these employees:		
TVSPs	-	868
Annual leave and long service leave accrued over the period	-	215
	-	1 083
Recovery from DTF	-	(868)

TVSPs (continued)

	2007	2006
	Number of	Number of
	Employees	Employees
Number of employees who were paid TVSPs during the reporting period	-	12

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

Department of the Premier and Cabinet:

\$100 000 - \$109 999	33	9
\$110 000 - \$119 999	15	6
\$120 000 - \$129 999	9	5
\$130 000 - \$139 999	12	3
\$140 000 - \$149 999	6	6
\$150 000 - \$159 999	10	1
\$160 000 - \$169 999	2	3
\$170 000 - \$179 999	1	3
\$180 000 - \$189 999	3	-
\$190 000 - \$199 999	4	3
\$200 000 - \$209 999	2	3
\$210 000 - \$219 999	3	1
\$220 000 - \$229 999	1	1
\$230 000 - \$239 999	3	-
\$240 000 - \$249 999	5	-
\$260 000 - \$269 999	1	-
\$270 000 - \$279 999	1	-
\$280 000 - \$289 999	1	1
\$290 000 - \$299 999	1	1
\$300 000 - \$309 999	1	2
\$310 000 - \$319 999	1	-
\$320 000 - \$329 999	-	1
\$330 000 - \$339 999	1	-
Total Number of Department of the Premier and Cabinet Employees	116	49

The table includes employees who received remuneration of \$100 000 or more during the year paid by the Department. Where employees have transferred to the Department during the year as a result of an amalgamation or an administrative restructure, remuneration has been calculated as though the employees were employed by the Department for the entire year. This includes nine employees transferred from the Office of Public Employment (OPE) and 40 from the Department of Administrative and Information Services (DAIS). The total remuneration received by these employees for the year was \$17.4 million (\$7.8 million).

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

7. Supplies and Services

	2007	2006
	\$'000	\$'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation	6 026	3 858
Telecommunication	636	391
Staff development and recruitment	272	66
General administration and consumables	1 972	829
Promotion and marketing	109	315
Repairs and maintenance and minor equipment purchases	390	459
Service level agreements	3 938	1 715
IT and computing charges	1 423	1 184
Contractors and consultants	11	5
Temporary and casual staff	-	17
Community infrastructure	6 508	1 321
Projects	2 271	753
Other	1 120	579
Total Supplies and Services - SA Government Entities	24 676	11 492
Supplies and Services provided by Entities external to the SA Government:		
Accommodation	1 964	840
Telecommunication	504	328
Staff development and recruitment	1 225	492
General administration and consumables	6 311	2 032
Promotion and marketing	3 757	3 087
Repairs, maintenance and minor equipment purchases	3 070	668
IT and computing charges	1 462	859
Contractors and consultants	2 593	1 457
Cost of goods sold	559	-
Temporary and casual staff	948	443
Community infrastructure	707	1 832
Projects	3 943	4 647
Other	2 077	1 770
Total Supplies and Services - Non-SA Government Entities	29 120	18 455
Total Supplies and Services	53 796	29 947

Payments to Consultants	2007	2007	2006	2006
The number and dollar amount of consultancies paid/payable (included in Supplies and Services that fell within the following bands:	Number of Consultants	\$'000	Number of Consultants	\$'000
\$0 - \$10 000	34	111	19	84
\$10 000 - \$50 000	13	303	7	145
Above \$50 000	7	525	3	165
Total Number of Consultants Engaged	54	939	29	394

8. Depreciation and Amortisation	2007	2006
Depreciation:	\$'000	\$'000
Land, buildings and improvements	470	471
Plant and equipment	717	565
Recreation, sporting and stadia infrastructure	1 314	-
Total Depreciation	2 501	1 036
Amortisation:		
Intangible assets	140	112
Total Amortisation	140	112
Total Depreciation and Amortisation	2 641	1 148

9. Grants and Subsidies		
Grants and Subsidies paid/payable to Entities within the SA Government:		
Recurrent grant	78 489	77 628
Capital grant	-	556
Total Grants and Subsidies - SA Government Entities	78 489	78 184
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Recurrent grant	42 285	23 353
Capital grant	3 983	-
Total Grants and Subsidies - Non-SA Government Entities	46 268	23 353
Total Grants and Subsidies	124 757	101 537

Grants and Subsidies consist of the following:		
Libraries Board of South Australia Operating Grant	27 486	27 673
Adelaide Festival Centre Trust Operating Grant	9 909	10 722
South Australian Cricket Association Subsidy	9 000	-
Museum Board Operating Grant	8 627	8 234
Country Arts SA Operating Grant	6 159	5 481
Arts Industry Assistance	5 845	4 989
Art Gallery Board Operating Grant	5 498	6 061
South Australian Film Corporation Operating Grant	4 738	4 556
History Trust of South Australia Operating Grant	3 917	4 159
Adelaide Festival Corporation Operating Grant	2 825	3 692
Arts project assistance	2 781	2 320
Security and Emergency Management Office redistribution of project funding	2 593	-
South Australian Youth Arts Board Operating Grant	2 571	2 099
Aboriginal Community Assistance	1 788	1 193
State Theatre Company of South Australia Operating Grant	1 776	1 679
Adelaide Symphony Orchestra Operating Grant	1 772	1 736
Union Education Program	1 500	-
Anangu Pitjantjatjara Operating Grant	1 337	510
Australian Dance Theatre Operating Grant	1 198	896
Premier's Community Initiatives	1 177	921
Active Club Program	1 110	-
Aboriginal Community Essential Services Assistance	1 096	1 483
Tandanya Operating Grant	1 025	710
Windmill Performing Arts Operating Grant	1 025	1 000
State Opera of South Australia Operating Grant	1 017	951
Community Recreation and Sporting Facilities Capital Grants (CRSFG)	1 002	-
Jam Factory of Contemporary Craft and Design Operating Grant	991	900
Adelaide Airport Solar Initiative	950	-
Breaking the Cycle Program	894	-
Para West Adult Campus Operating Grant	891	498
Adelaide Fringe Operating Grant	867	917
Carrick Hill Trust Operating Grant	654	665
Other Grants and Subsidies	10 738	7 492
Total Grants and Subsidies	124 757	101 537

10. Net Loss from Disposal of Assets	2007	2006
Plant and Equipment:	\$'000	\$'000
Proceeds from disposal	(2)	-
Net book value of assets disposed	8	54
Net Loss from Disposal of Plant and Equipment	(6)	(54)
Works of Art:		
Proceeds from disposal	-	-
Net book value of assets disposed	20	-
Net Loss from Disposal of Works of Art	(20)	-
Total Assets:		
Proceeds from disposal	(2)	-
Net book value of assets disposed	28	54
Net Loss from Disposal of Total Assets	(26)	(54)
11. Other Expenses		
Other Expenses paid/payable to Entities within the SA Government:		
Bad and doubtful debts	7	-
Total Other Expenses - SA Government Entities	7	-
Other Expenses paid/payable paid to Entities external to the SA Government:		
Asset impairment	6 350	-
Bad and doubtful debts	26	5
Other	55	5
Total Other Expenses - Non-SA Government Entities	6 431	10
Total Other Expenses	6 438	10
12. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	158	128
Total Audit Fees	158	128
Other Services		
No other services were provided by the Auditor-General's Department.		
13. Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Arts industry related fees	476	2 376
Salaries charged to other entities	930	581
Sale of goods	841	4
Regulatory fees	2 992	34
Fees for services	643	125
Rental income	(3)	18
Other recoveries	3 164	67
Total Fees and Charges - SA Government Entities	9 043	3 205
Fees and Charges received/receivable from entities external to the SA Government:		
Arts industry related fees	511	326
Salaries charged to other entities	152	4
Sale of goods	909	3
Regulatory fees	1 260	-
Fees for services	665	99
Rental income	662	132
Other recoveries	1 356	138
Total Fees and Charges - Non-SA Government Entities	5 515	702
Total Fees and Charges	14 558	3 907
14. Grants and Subsidies Revenue		
Grants and Subsidies received/receivable from Entities within the SA Government:		
Recurrent grant	9 427	6 401
Total Grants and Subsidies - SA Government Entities	9 427	6 401
Grants and Subsidies received/receivable from Entities external to the SA Government:		
Recurrent grant	856	439
Sponsorship for Department initiatives	43	43
Total Grants and Subsidies - Non-SA Government Entities	899	482
Total Grants and Subsidies	10 326	6 883

15. Other Income	2007	2006
Other income received/receivable from Entities within the SA Government:	\$'000	\$'000
TVSP recoveries	-	868
Other	717	428
Total Other Income - SA Government Entities	717	1 296
Other income received/receivable from Entities external to the SA Government:		
Other	342	112
Total Other Income - Non-SA Government Entities	342	112
Total Other Income	1 059	1 408
16. Revenues from (Payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	225 903	148 867
Other revenue from SA Government	-	624
Total Revenues from SA Government	225 903	149 491
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer Note 2.8)	-	(794)
Total Payments to SA Government	-	(794)
Total Revenues from SA Government	225 903	148 697
17. Cash and Cash Equivalents		
Deposits at call	25 572	4 384
Deposits with the Treasurer	14 474	10 043
Other	170	34
Total Cash	40 216	14 461
Deposits with the Treasurer		
Includes funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use ie funds can only be used once the Treasurer's/Under Treasurer's approval is received.		
Interest Rate Risk		
Deposits at call includes funds held for the Aboriginal Heritage Fund which earns a floating interest rate, based on daily bank deposit rates. All other deposits at call are non-interest bearing from 1 July 2007.		
The carrying amount of cash and cash equivalents represents fair value.		
18. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	3 512	1 526
Less: Provision for doubtful debts	135	-
Workers compensation recoveries	28	-
Prepayments	88	-
Accrued revenues	1 607	52
Loans	65	25
Less: Provision for doubtful loans	30	-
GST receivable	2 592	1 021
Total Current Receivables	7 727	2 624
Non-Current:		
Workers compensation recoveries	90	-
Prepayments	613	-
Loans	70	40
Less: Provision for doubtful loans	-	30
Other	-	9
Total Non-Current Receivables	773	19
Total Receivables	8 500	2 643
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	2 207	1 145
Prepayments	26	-
Accrued revenues	1 429	28
Loans	70	-
Other	-	9
Total Receivables from SA Government Entities	3 732	1 182

18. Receivables (continued)	2007	2006
	\$'000	\$'000
Receivables from Non-SA Government Entities:		
Receivables	1 305	381
Less: Provision for doubtful debts	135	-
Workers compensation recoveries	118	-
Prepayments	675	-
Accrued revenues	178	24
Loans	65	65
Less: Provision for doubtful loans	30	30
GST receivable	2 592	1 021
Total Receivables from Non-SA Government Entities	4 768	1 461
Total Receivables	8 500	2 643

Interest Rate and Credit Risk

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

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in Other Expenses in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2007	2006
	\$'000	\$'000
Movements in the Provision for Doubtful Debts (Impairment Loss):		
Carrying amount at 1 July	-	-
Increase in the provision	181	-
Amounts written off	(46)	-
Carrying Amount at 30 June	135	-

19. Assets Held for Sale		
Land	2 900	-
Total Assets Held for Sale	2 900	-

On 5 March 2007 Cabinet approved the sale of the Dean Rifle Range to the Land Management Corporation. Settlement of the sale will occur on 2 July 2007.

20. Property, Plant and Equipment		
Valuation of Land and Buildings		
Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2005 by the Australian Valuation Office. Valuations of departmental buildings and improvements held by the Office of the Agent General in London were determined as at 30 June 2005 by Savills (L&P) Ltd. Buildings and improvements have been valued using a fair value methodology. All other non-current assets controlled by the Department, including those transferred to the Department as a result of an administrative restructure, have been deemed to be held at fair value.		

Impairment

An impairment loss of \$6.3 million has been recognised on the initial written down value of land prior to the transfer to assets held for sale.

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets held at 30 June 2007.

Resources received Free of Charge

The Department received transportable accommodation buildings being installed on the APY Lands free of charge from an Administered Commonwealth fund. The buildings currently under construction have been reported as Work In Progress at 30 June 2007.

	2007	2006
	\$'000	\$'000
Land, Buildings and Improvements:		
Land at fair value	6 263	6 263
Buildings and improvements at fair value	28 702	24 777
Accumulated depreciation	(12 816)	(9 392)
Total Land, Buildings and Improvements	22 149	21 648
Plant and Equipment:		
Plant and equipment at fair value	7 795	2 958
Accumulated depreciation	(5 798)	(2 195)
Total Plant and Equipment	1 997	763

Resources received Free of Charge (continued)	2007	2006
	\$'000	\$'000
Recreation, Sporting and Stadia Infrastructure:		
Recreation, sporting and stadia infrastructure at fair value	118 589	-
Accumulated depreciation	(3 282)	-
Total Recreation, Sporting and Stadia Infrastructure	115 307	-
Work in Progress:		
Work in progress at cost	857	-
Total Work In Progress	857	-
Total Property, Plant and Equipment	140 310	22 411
Works of Art:		
Works of art at fair value	27	47
Total Works of Art	27	47
21. Intangible Assets	2 019	325
Computer software		
Accumulated amortisation	(1 759)	(166)
Other intangibles	128	-
Accumulated amortisation	(26)	-
Total Intangible Assets	362	159

Reconciliation of Non-Current Assets

The following shows the movement of non-current assets during 2006-07.

	Land, Buildings & Imprv'mnts \$'000	Plant & Equipment \$'000	Rec, Sport and Stadia Infrastrctr \$'000	Work in Progress \$'000	Works of Art \$'000	Total Tangible Assets \$'000
Fair Value:						
Balance at 1 July	31 040	2 958	-	-	47	34 045
Additions	116	243	162	827	-	1 348
Assets classified as held for sale	-	-	(2 900)	-	-	(2 900)
Other (includes reclassifications, disposals and retirements)	-	(283)	-	(16)	(20)	(319)
Impairment losses	-	-	(6 350)	-	-	(6 350)
Acquisitions through administrative restructure	3 809	4 877	127 677	46	-	136 409
Balance at 30 June	34 965	7 795	118 589	857	27	162 233
Accumulated Depreciation/Amortisation						
Balance at 1 July	(9 392)	(2 195)	-	-	-	(11 587)
Other (includes reclassifications, disposals and retirements)	-	275	-	-	-	275
Depreciation expense	(470)	(717)	(1 314)	-	-	(2 501)
Acquisitions through administrative restructure	(2 954)	(3 161)	(1 968)	-	-	(8 083)
Balance at 30 June	(12 816)	(5 798)	(3 282)	-	-	(21 896)
Net Book Value:						
Balance at 30 June 2007	22 149	1 997	115 307	857	27	140 337
Balance at 30 June 2006	21 648	763	-	-	47	22 458

	Computer Software \$'000	Other Intangibles \$'000	Total Intangible Assets \$'000
Fair Value:			
Balance at 1 July	325	-	325
Additions	132	-	132
Assets classified as held for sale	-	-	-
Other (includes reclassifications, disposals and retirements)	-	-	-
Impairment losses	-	-	-
Acquisitions through administrative restructure	1 562	128	1 690
Balance at 30 June	2 019	128	2 147
Accumulated Depreciation/Amortisation			
Balance at 1 July	(166)	-	(166)
Other (includes reclassifications, disposals and retirements)	-	-	-
Depreciation expense	(127)	(13)	(140)
Acquisitions through administrative restructure	(1 466)	(13)	(1 479)
Balance at 30 June	(1 759)	(26)	(1 785)
Net Book Value:			
Balance at 30 June 2007	260	102	362
Balance at 30 June 2006	159	-	159

22. Payables	2007	2006
Current:	\$'000	\$'000
Creditors	10 570	2 950
Accrued expenses	824	128
Employment on-costs	1 668	485
Total Current Payables	13 062	3 563
Non-Current:		
Employment on-costs	1 324	399
Total Non-Current Payables	1 324	399
Total Payables	14 386	3 962
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors	4 246	1 241
Accrued expenses	-	128
Employment on-costs	2 992	884
Total Payables to SA Government Entities	7 238	2 253
Payables to Non-SA Government entities:		
Creditors	6 324	1 709
Accrued expenses	824	-
Total Payables to Non-SA Government Entities	7 148	1 709
Total Payables	14 386	3 962

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value to the amounts being payable on demand.

23. Borrowings	2007	2006
Current:	\$'000	\$'000
Loans from SA Government	279	-
Total Current Borrowings	279	-
Non-Current:		
Loans from Non-SA Government	4 031	-
Total Non-Current Borrowings	4 031	-
Total Borrowings	4 310	-

Borrowings represent loans underwritten by the Department as guarantor to external organisations. Borrowings consist of two loans at fixed interest rates of 7.99 percent and 7.34 percent respectively. Both loans have a maturity date of June 2017.

24. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	5 818	1 895
Long service leave	1 924	765
Accrued salaries and wages	1 231	422
Total Short-Term Employee Benefits	8 973	3 082
Non-Current:		
Long service leave	13 852	4 171
Total Long-Term Employee Benefits	13 852	4 171
Total Employee Benefits	22 825	7 253

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2006-07 is \$10.6 million and \$15.2 million respectively.

In the 2006-07 financial year, the long service leave benchmark has been revised from seven years to six and a half years, based on an actuarial assessment.

25. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	995	74
Total Current Provisions	995	74
Non-Current:		
Provision for workers compensation	2 656	200
Total Non-Current Provisions	2 656	200
Total Provisions	3 651	274
Carrying amount at 1 July	274	295
Increase (Decrease) in provisions recognised	3 377	(21)
Carrying Amount at 30 June	3 651	274

26. Other Liabilities	2007	2006
Current:	\$'000	\$'000
Unearned revenue	84	-
Total Current Other Liabilities	84	-
Non-Current:		
Imprest account	-	23
Total Non-Current Other Liabilities	-	23
Total Other Liabilities	84	23

27. Transferred Functions

As a result of operations of the OPE being abolished, certain assets and liabilities transferred to the Department as at 1 October 2006.

For financial accounting and reporting purposes, certain assets and liabilities were transferred from DAIS to the Department as at 1 January 2007.

(a) Net Assets Transferred In

	OPE	DAIS	2007
	\$'000	\$'000	Total
			\$'000
Current Assets:			
Cash	(71)	6 780	6 709
Receivables	-	4 251	4 251
Inventories	-	56	56
Non-Current Assets:			
Receivables	-	626	626
Property, plant and equipment	-	128 324	128 324
Intangibles	-	211	211
Total Assets	(71)	140 248	140 177
Current Liabilities:			
Payables	96	7 337	7 433
Employee benefits	489	4661	5 150
Provisions	11	939	950
Other liabilities	-	25	25
Non-Current Liabilities:			
Payables	100	760	860
Borrowings	-	4 174	4 174
Employee benefits	1 049	7 989	9 038
Provisions	31	2 230	2 261
Total Liabilities	1 776	28 115	29 891
Net Assets Transferred In	(1 847)	112 133	110 286
Total Revenues From Restructuring	(1 847)	112 133	110 286

(b) Income and Expenses attributable to the OPE for 2006-07 were:	01.07.06 to 30.09.06*	01.10.06 to 30.06.07	2007
	\$'000	\$'000	Total
			\$'000
Expenses:			
Employee benefits	1 211	2 924	4 135
Supplies and services	434	1 607	2 041
Grants and subsidies	-	19	19
Other	23	-	23
Total Expenses	1 668	4 550	6 218
Income:			
Fees and charges	58	703	761
Commonwealth revenue	-	97	97
Grants and subsidies	-	45	45
Interest	-	3	3
Other	12	18	30
Total Income	70	866	936
Revenues from SA Government:			
Appropriation	1 500	4 168	5 668
Total Revenues from SA Government	1 500	4 168	5 668
Net Result	(98)	484	386

* Transactions incurred during 1 July to 30 September 2006 are reported by the OPE and do not form part of the Department's net result.

(c) Income and Expenses attributable to business units transferred from DAIS for 2006-07 were:	01.07.06 to 31.12.06*	01.01.07 to 30.06.07	2007 Total \$'000
Expenses:	\$'000	\$'000	\$'000
Employee benefits	23 227	23 714	46 941
Supplies and services	16 657	21 692	38 349
Grants and subsidies	9 649	14 528	24 177
Finance costs	180	174	354
Depreciation and amortisation	1 588	1 563	3 151
Other	20	6 369	6 389
Total Expenses	51 321	68 040	119 361
Income:			
Fees and charges	11 897	11 193	23 090
Commonwealth revenue	109	299	408
Grants and subsidies	4 180	8 050	12 230
Interest	4	(3)	1
Other	393	624	1 017
Total Income	16 583	20 163	36 746
Revenues from SA Government:			
Appropriation	-	44 633	44 633
Total Revenues from SA Government	-	44 633	44 633
Net Result	(34 738)	(3 244)	(37 982)

* Transactions incurred during 1 July to 31 December 2006 are reported by DAIS and do not form part of the Department's net result.

DAIS formerly reported appropriation income at a corporate level. DAIS Corporate was transferred to DTF effective 1 January 2007. Appropriation received during 1 July to 31 December 2006 cannot be reasonably allocated across the business units of the former DAIS. Therefore, all appropriation relating to the former DAIS received during this period will be reported by DTF.

28. Commitments for Expenditure

Remuneration Commitments

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

	2007 \$'000	2006 \$'000
Within one year	8 168	5 187
Later than one year but not longer than five years	14 220	9 123
Total Remuneration Commitments	22 388	14 310

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer remuneration contracts greater than five years.

Operating Lease Commitments

The Department as Lessee

Commitments in relation to operating leases contracted for at the reporting date are not recognised as liabilities are payable as follows:

	2007 \$'000	2006 \$'000
Within one year	7 861	2 442
Later than one year but not longer than five years	17 570	6 199
Later than five years	7 679	1 541
Total Operating Lease Commitments	33 110	10 182
Representing:		
Non-cancellable operating leases	33 110	10 182
Total Operating Lease Commitments	33 110	10 182

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Transport, Energy and Infrastructure (DTEI). The leases are non-cancellable with terms ranging from 2 to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in advance.

The Department as Lessee (continued)

- Motor vehicle leases are non-cancellable, with rental payment monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$6.2 million (\$3.1 million).

The Department as Lessor

Leases receivable contracted for at the reporting date but not recognised as assets:	2007	2006
	\$'000	\$'000
Within one year	393	-
Later than one year but not longer than five years	123	-
Later than five years	250	-
Total Other Commitments	766	-
Representing:		
Non-cancellable operating leases	766	-
Total Operating Lease Commitments	766	-

At the reporting date, the Department's operating leases as Lessor are for the lease of sporting facilities to various sports organisations. Sporting venues and office accommodation are leased to various sporting organisations. The leases are non-cancellable with terms ranging from 1 to 25 years with some leases having right of renewal.

Other Commitments	2007	2006
	\$'000	\$'000
Within one year	17 901	10 016
Later than one year but not longer than five years	5 754	9 931
Later than five years	13	-
Total Other Commitments	23 668	19 947

The Department's other commitments include:

- agreements for the provision of assistance to the Carnegie Mellon University for the operations of the University in Adelaide;
- construction of distribution networks from a Central Power Station to communities on the APY lands;
- Community Recreation and Sporting Facilities Capital Grants to be paid by the Office for Recreation and Sport.

29. Contingent Assets and Liabilities***Contingent Assets (Carnegie Mellon University)***

The South Australian Financing Authority has provided the Department guarantees as at 30 June 2007 for:

- Carnegie Mellon Entertainment Technology Centre Course Assurance Deed of Guarantee \$108 720;
- Entertainment Technology Centre Repayment Deed of Guarantee \$100 000;
- Carnegie Mellon Heinz School Repayment Deed of Guarantee \$440 000.

The prospect of this indemnity/guarantee provision being invoked is considered by management as being extremely remote.

Contingent Liabilities***South Australian Netball Association (Office for Recreation and Sport)***

In 1997 the Government entered into formal arrangements with the South Australian Netball Association (SANA), regarding the construction of a netball stadium at Mile End. The arrangements resulted in the SANA securing a loan of \$3.5 million from an external banking institution to be applied with Government funding toward the stadium construction. As part of the arrangement the Government underwrites the loan of the SANA. As such the Department is contingently liable for the outstanding balance of the loan of the SANA. At balance date the outstanding balance of the loan was \$1.8 million (\$2.7 million). The Department was not required to make any contributions during the reporting period.

International Solar Cities Congress (Capital City Projects)

In 2007 the Department entered into an agreement with Plevin and Associates to organise and deliver to Adelaide an International Solar Cities Congress during February 2008. The contract between the Department and Plevin and Associates provides that the Department will cover any short falls in cost incurred by Plevin and Associates in the event the congress does not secure 506 registrations, the predicted number of registrations needed to break even in terms of cost recovery. The contingent liability is estimated at \$150 000 and would become payable during 2008 however it is considered highly unlikely that the applicable clauses in the agreement will become invoked.

Legal Proceedings (SafeWork)

The Department is involved in prosecuting breaches under the OHSWA, *Fair Work Act 1994*, *Explosives Act 1936* and *Dangerous Substance Act 1979*. At balance date there were a number of matters (60 matters) before the courts and are yet to be resolved. In the event decisions are awarded not in the favour of the Department the contingent liability is estimated to be \$300 000 for the court costs.

Alice Springs to Darwin Railway (Commercial Advice)

The AustralAsia Railway Corporation (the Corporation), the Northern Territory (NT) and South Australian (SA) Governments and Asia Pacific Transport Pty Ltd have entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs to Darwin Railway on a build, own, operate, transfer-back basis.

Both the SA and NT Governments guarantee the obligations of the Corporation. The guarantee is a joint guarantee but the SA and NT Governments each accept responsibility for breach of an indemnity that is caused by its act or omission. Where the event giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both the SA and NT Governments caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, the SA and NT Governments accept liability for events occurring within the geographical area of its jurisdiction. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific Transport Pty Ltd. In certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the project, certain agreed break costs for the project, certain agreed break costs for third party contractors and payments to equity. For all these events the cure is within the control of either the Corporation or the Governments.

While the Department is not a signatory to these agreements, the SA Government has assigned responsibility for these agreements to the Department. If a subsequent event were triggered such that the SA Government had to honour a commitment under the agreement that commitment would have to be funded by the SA Government and the payment would be made through the Department. The prospect of any of the contingent liabilities arising is considered to be extremely remote.

Glenthorne Farm (Commercial Advice)

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation (CSIRO), with the assistance of a grant from the SA Government. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination that may be discovered on the property.

The South Australian and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the State Government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

30.	Cash Flow Reconciliation	2007	2006
	Reconciliation of Cash and Cash Equivalents	\$'000	\$'000
	Cash and cash equivalents as recorded in the Balance Sheet	40 216	14 461
	Cash and cash equivalents as recorded in the Cash Flow Statement	40 216	14 461
		<hr/>	<hr/>
	Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services		
	Net cash provided by operating activities	19 105	1 431
	Less: Revenues from SA Government	(225 903)	(149 491)
	Add: Payments to SA Government	-	794
	Add (Less): Non-Cash Items:		
	Depreciation of property, plant and equipment	(2 501)	(1 036)
	Amortisation of intangibles	(140)	(112)
	Net loss on disposal of assets	(26)	(54)
	Net loss (gain) on restructuring	25 817	(1 771)
	Impairment loss recognised	(6 350)	-
	Resources received free of charge	800	284
	Change in Assets and Liabilities:		
	Increase in receivables	5 064	422
	Increase in inventories	78	-
	(Increase) Decrease in payables	(10 191)	773
	(Increase) Decrease in employee benefits	(15 572)	1 353
	(Increase) Decrease in provisions	(3 377)	21
	Increase in borrowing	(4 177)	-
	(Increase) Decrease in other liabilities	(61)	434
	Net Cost of Providing Services	(217 434)	(146 959)

31. Remuneration of Board and Committee Members

The Department has established a number of boards and committees where members receive or are entitled to receive remuneration for their membership. Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

Social Inclusion Board

D Cappo*	K Colbung
R Thomas	B Wright
I Marshall	W Cossey
G Hugo	A Blair
B Cass	A McKenzie*
J Cass	M Butler
T Smith*	M Patetsos

Aboriginal Heritage Committee

R Dodd	S Dodd
M George	A Wilson
P Buckskin*	P Coulthard
M Turner*	D Brown
I Agius	L Casey
E McNamara	M Ah Chee
A Rigney	S Sparrow

Art for Public Places Committee

S Carson	R Andrews
N Cumpston	I Hamilton
M Edgecombe	N Folland
G Lee	H Lovelock-Deane
P Mortimer	M Murray
J Blyfield	D Kelly

Health Promotion Through the Arts Assessment Committee

J Clutterbuck	J Orchard
T Sexton	J Thomas

Contemporary Music Peer Assessment Panel

C Armstrong	T Coates
A Edwards	T Koch
B Lyon	P Murton
G Skuthorpe	J Power

Indigenous Advisory Council

H Miller	L Casey
M Anderson	A Rigney
A Agius	L O'Brien
K Colbung*	D Walker

Premier's Round Table on Sustainability

K Wells	M Eames
D Atkins	O Morozow
D Bilsborough	A Huang
A Stock	P Paton
Y Sneddon	M Oliphant
A Williams	T Woodward
N Vincent	M Young
J Tate	

Organisations Assessment Panel

A Kohn	J Van Hakartano
E Green	P Walton
L Donnelley	S Chance
K Goldsworthy	D Longley
V Szekeres	S Wittington
C Kenneally	G Strahle
J Thompson	

Performing Arts Peer Assessment Panel

D Alferink	J Boase
M Carroll	A Cook
K Hales-McCarther	N Hurcombe
A Peluso	C Pompili
T Roppola	A Steel
R Chew	L Sanderson
R Hervey	

Asbestos Advisory Committee

C Brown

Live Music Peer Assessment Panel ⁽¹⁾

M Bevan

M Colbung

K Lawler

Established Artists and International Peer Assessment Panel ⁽¹⁾

M Norman

J Boase

M Carroll

A Cook

K Coelho

P Curtin

L Ngatokorua

T Roppola

Literature Peer Assessment Panel

K Brooks

P Curtin

R Hosking

J Thomas

S Williams

Visual Arts, Craft and Design Peer Assessment Panel

A Baker

A Bishop

K Coelho

D Jones

M Kimber

J Louey

M Norman

J Pieda

S Waters

T Wren

Richard Llewellyn A and D Trust

N Lillicrapp

S Luke

R Petchell

A Stock

K Worth

C Wainwright

K Morgan

R Maurovic

Emerging Artists Peer Assessment Panel ⁽¹⁾

M Blackman

K Brooks

K Hales-McCarthy

M Kimber

J Louey

C Pompili

W Walker

D J Josh

Festivals, Events and New Commissions Peer Assessment Panel ⁽¹⁾

C Anthony

D Alferink

C Cantlon

S Healy

R Hosking

N Hurcombe

T Wren

Petroleum Products Retail Outlets Board

J Hamilton

C Jones

N Thredgold

Physical Activity Council

P Brooks

J Dry

P Hamilton

C Sanders

J Williams

Remuneration Tribunal

H Bachmann

J Meeking

D Smythe

Industrial Relations Advisory Committee

M Butler

A Dennard

P Eblen

M Fisher

J Giles

W Hanson

M Howard

N Kitchen

B McIntosh

M Patterson*

B Smedley

C Starr

C Vincent

M Wright*

Safework SA Advisory Council

J Cavanough

J Davison*

D Farrell

D Frith

J Giles

M Heylen

M Howard

M O'Malley

M Patterson*

T Phillips

A Wood

State Records Council

M Anderson*	H Croucher
J Ellis	S Farrimond
M Feltus	S Froude*
R Green* (from 10 October 2006)	M Moore*
K Percival	

Privacy Committee of South Australia

C Mailes* (from 8 November 2006)	B Quirke*
N Rogers*	T Ryan*
A Stanley*	L Thomas

Boxing and Martial Arts Advisory Committee

R Soulio*	S McDonald
A Wong	T Ferrauto
J Leondaris	J Williams
J Cheesman	R Lee
D Casey	

Occupational Health, Safety and Welfare Review Committee

W Cornish	J Bradshaw
A Gleeson	P Farmer
I Law	D Frith
J Halls	J Giles
K Edwards	S Samspon
J Cavanough	A Alcock
J Brownsea	B Smedley
M O'Malley	J Wilder

The numbers of members whose remuneration received or receivable falls within the following bands:

	2007	2006
	Number of	Number of
	Members	Members
\$0 - \$9 999	223	142
\$10 000 - \$19 999	4	7
Total Members	227	149

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$237 000 (\$170 000)

Amounts paid to a superannuation plan for board/committee members was \$23 000 (\$14 000).

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

(1) These committees were disbanded on 31 March 2007.

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

32. Events After Balance Date

There were no events after balance date.

**Statement of Administered Income and Expenses
for the year ended 30 June 2007**

		2007	2006
INCOME:	Note	\$'000	\$'000
Revenues from SA Government		25 622	29 240
Revenues from Commonwealth		17 063	5 483
Revenues from fees and charges		2 138	-
Interest		2	656
Other income		139	202
Total Income		44 964	35 581
EXPENSES:			
Employee benefits	A3	5 251	614
Grants and subsidies	A4	12 559	12 728
Intra-Government transfers	A5	9 261	6 733
Supplies and services	A6	4 601	7 413
Total Expenses		31 672	27 488
OPERATING SURPLUS BEFORE RESTRUCTURE		13 292	8 093
DECREASE IN NET ASSETS DUE TO ADMINISTRATIVE RESTRUCTURE	A8	(6 989)	-
OPERATING SURPLUS AFTER RESTRUCTURE		6 303	8 093

Operating Surplus is attributable to SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2007**

		2007	2006
CURRENT ASSETS:	Note	\$'000	\$'000
Cash		33 507	21 035
Receivables		9	52
Total Current Assets		33 516	21 087
NON-CURRENT ASSETS:			
Other		34	-
Total Current Assets		34	-
Total Assets		33 550	21 087
CURRENT LIABILITIES:			
Payables		6 865	2 284
Short-term employee benefits	A7	163	-
Accrued revenue		-	5 246
Total Current Liabilities		7 028	7 530
NON-CURRENT LIABILITIES:			
Long-term employee benefits	A7	148	-
Other		6 514	-
Total Non-Current Liabilities		6 662	-
Total Liabilities		13 690	7 530
NET ASSETS		19 860	13 557
EQUITY:			
Retained earnings		19 860	13 557
TOTAL EQUITY	A8	19 860	13 557

Total Equity is attributable to the SA Government as owner

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

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2005	5 464	5 464
Net Result after restructure for 2005-06	8 093	8 093
Total Recognised Income and Expense for 2005-06	8 093	8 093
Balance at 30 June 2006	13 557	13 557
Net Result after restructure for 2006-07	6 303	6 303
Total Recognised Income and Expense for 2006-07	6 303	6 303
Balance at 30 June 2007	19 860	19 860

All Changes in Equity are attributable to the SA Government as owner

Statement of Administered Cash Flow for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:	\$'000	\$'000
Receipts from SA Government	25 622	29 240
Receipts from Commonwealth	17 063	5 483
Fees and charges	2 138	-
Interest	55	606
Other income	95	876
Total Cash Inflows	44 973	36 205
CASH OUTFLOWS:		
Employee benefits	(4 942)	(616)
Grants and subsidies	(12 559)	(12 728)
Intra-Government transfers	(9 261)	(6 733)
Supplies and services	1 250	(6 369)
Total Cash Outflows	(25 512)	(26 446)
Net Cash provided by Operating Activities	19 461	9 759
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Loss from restructuring	(6 989)	-
Total Cash Outflows	(6 989)	-
Net Cash used in Financing Activities	(6 989)	-
NET INCREASE IN CASH HELD	12 472	9 759
CASH AT 1 JULY	21 035	11 276
CASH AT 30 JUNE	33 507	21 035

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Accounting Policies

All Department accounting policies are contained in Note 2. The policies outlined in Note 2 of the Department's financial statements apply to both the departmental and Administered Financial Statements.

A2. Administered Items

The following funds and financial transactions were administered by the Department as at 30 June 2007. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

- Special Act payments
- Bank of Tokyo cultural and social exchange
- SA Okayama account
- Promotion of the State
- TVSP Scheme
- Social Inclusion - Homelessness
- Social Inclusion - School retention action plan
- APY Lands
- Aboriginal Affairs administered
- Elizabeth City Centre
- Anzac Day Commemorative Fund
- Government Workers Rehabilitation Compensation Fund
- Recreation and Sport Fund
- Sport and Recreation Fund

A3. Employee Benefits	2007	2006
	\$'000	\$'000
Salaries and wages	1 839	513
Long service leave	55	-
Annual leave	60	-
Employment on-costs - Superannuation	238	76
Employment on-costs - Other	96	25
Other employee related expenses	2 963	-
Total Employee Benefits	5 251	614

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2007	2006
	Number	Number
\$120 000 - \$129 999	2	-
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	-
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	4	-
\$190 000 - \$199 999	1	-
\$270 000 - \$279 999	-	1
\$310 000 - \$319 999	-	1
\$330 000 - \$339 999	1	-
Total Number of Employees	11	2

The table includes all employees who received remuneration of \$100 000 or more during the year paid by the State. This includes ten administered employees transferred from the Department of Administrative and Information Services (DAIS). The total remuneration received by these employees for the year was \$3.64 million (\$590 000).

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

A4. Grants and Subsidies	2007	2006
	\$'000	\$'000
Grants paid to other SA Government departments	8 567	9 814
Grants paid to Non-SA Government departments	3 992	2 914
Total Grants and Subsidies	12 559	12 728

A5. Intra-Government Transfers		
Recoveries by controlled items	1 287	1 096
Resources provided free of charge	800	-
Other intra-government transfers	7 174	5 637
Total Intra-Government Transfers	9 261	6 733

A6. Supplies and Services		
Special projects	-	2 303
Community infrastructure	3 116	437
Other supplies and services	1 485	4 673
Total Supplies and Services	4 601	7 413

A7. Employee Benefits		
Current:		
Salaries and wages	87	-
Long service leave	29	-
Annual leave	27	-
Employment on-costs - Superannuation	11	-
Employment on-costs - Other	9	-
Total Short-Term Employee Benefits	163	-
Non-Current:		
Long service leave	135	-
Employment on-costs - Superannuation	5	-
Employment on-costs - Other	8	-
Total Long-Term Employee Benefits	148	-
Total Employee Benefits	311	-

A8. Transferred Administered Functions

As a result of a restructuring of administrative arrangements, the Department transferred assets of the State Emergency Relief Fund (SERF) to the Department for Families and Communities as at 1 December 2006.

A8. Transferred Administered Functions (continued)

For financial accounting and reporting purposes, certain assets and liabilities were transferred from DAIS to the Department as at 1 January 2007. The administered functions transferred to the Department included:

- Special Act payments
- Government Workers Rehabilitation Compensation Fund
- Recreation and Sport Fund
- Sport and Recreation Fund

(a) Net Assets Transferred In

	DAIS \$'000	2007 Total \$'000
Current Assets:		
Cash	1 621	1 621
Receivables	26	26
Non-Current Assets:		
Other	86	86
Total Assets	1 733	1 733
Current Liabilities:		
Payables	2 539	2 539
Short-term employee benefits	163	163
Non-Current Liabilities:		
Long-term employee benefits	140	140
Other	5 762	5 762
Total Liabilities	8 604	8 604
Net Assets Transferred In	(6 871)	(6 871)

(b) Net Assets Transferred Out

	SERF \$'000	Total 2007 \$'000
Current Assets:		
Cash	118	118
Total Assets	118	118
Net Assets Transferred Out	118	118
Total Expenses From Restructuring	-	(6 989)

(c) Net Expenses for DAIS for 2006-07

	01.07.06 to 31.12.06*	01.01.07 to 30.06.07	2007 Total \$'000
Revenue:	\$'000	\$'000	\$'000
Revenues from SA Government	2 253	5 004	7 257
Other	1 686	2 116	3 802
Total Revenue	3 939	7 120	11 059
Expenses:			
Employee benefits	1 866	4 801	6 667
Supplies and services	26	3 428	3 454
Total Expenses	1 892	8 229	10 121
Net Result	2 047	(1 109)	938

* Transactions incurred during 1 July to 31 December 2006 are reported by DAIS, and do not form part of the Department's administered operating surplus.

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

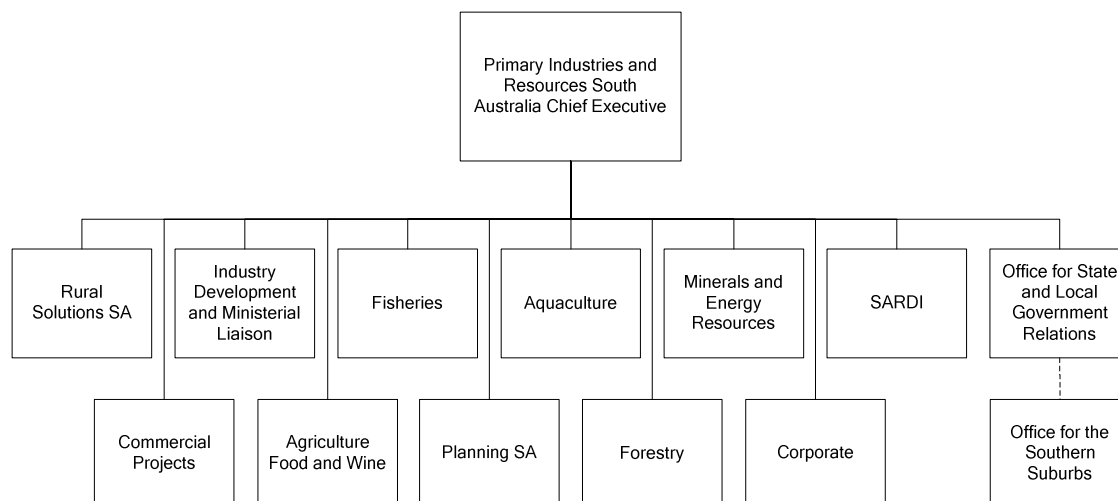
The Department of Primary Industries and Resources (the Department) is an Administrative Unit established under the PSMA Act.

Functions

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

Structure

The structure of the Department at 30 June 2007 is illustrated in the following organisation chart.



Changes to Functions and Structure

Pursuant to a proclamation on 22 March 2007 and effective from 1 April 2007, the employees and functions of the Office for Volunteers transferred to the Attorney-General's Department.

Pursuant to a proclamation on 29 June 2006 and effective from 1 July 2006, the employees and functions of the Forestry Policy and Industry Development division of the South Australian Forestry Corporation transferred to the Department.

The effects of these transfers are reported in Note 33 of the Department's financial statements for the year ended 30 June 2007.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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:

- financial accounting
- fixed assets
- cash at bank
- grants and subsidies expenditure
- fisheries and aquaculture revenue
- FMF
- expenditure
- legal compliance
- employee benefits expense
- petroleum revenue
- mining revenue
- advances and grants revenue
- consultancy and service fee revenue.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit in the area of mining revenue.

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 Department of Primary Industries and Resources 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 Department of Primary Industries and Resources in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure; legal compliance; fixed assets; petroleum revenue and mining revenue, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Primary Industries and Resources have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Acting Chief Executive of the Department. Responses to the management letters were generally considered to be satisfactory. The main matters raised with the Department and the related responses are presented below.

Expenditure

The scope of the 2006-07 audit included consideration of control arrangements and detailed testing of both controlled and administered transactions processed through accounts payable. In planning the scope of the audit, consideration was given to the status of implementing recommendations from previous audits.

Specific areas of focus included:

- existence of policies and procedures
- arrangements to order goods and services
- arrangements to authorise and validate manual payments
- arrangement for the disbursement of funds
- management and maintenance of the system masterfile of vendors.

Audit has previously examined the control arrangements for expenditure processing using the online purchase order module and concluded the Department does not match supplier invoices online to records of purchase orders issued. Instead hard copy records are used to perform manual checks.

The review of paper-based controls implemented by the Department over accounts payable processing highlighted:

- controls implemented by the Department did not provide assurance that all purchasing transactions were authorised;
- not all purchase orders are raised in accordance with departmental policies and procedures;
- the Department has yet to implement either a manual signature register or an automated approval system.

Audit concluded that the Department has not implemented preventive controls over transaction processing but places reliance on high level detective controls, based on the review of management reports. The risks associated with this approach identified by Audit include:

- control procedures after the disbursement of funds creates a risk invalid payments occur and are not recoverable;
- controls are not consistently applied across all divisions;
- there is opportunity for informed and trusted employees with access to information to process invalid and unauthorised payments.

In response, the Department advised:

- the current departmental policy that outlines certain control activities will be reinforced to all staff;
- a review of processes that evidence assurance that contract delegations have been exercised prior to the committing of financial resources will be undertaken.

The Department has indicated that it will not proceed to implement an automated approval system. This reflects consideration of the proposed implementation of the shared services arrangements initiative of government which will have change implications for the Department's expenditure processing activity. In the interim there remains a potential risk of invalid expenditure processing. The Department considers the risk to be low.

Legal Compliance

In 2004-05 Audit reviewed the arrangements of the Department for compliance with relevant legislation. The review identified that:

- the Department relied on institutional knowledge rather than formal structures and processes;
- key provisions and requirements of legislation had not been documented;
- there was no systematic approach to reporting to the Chief Executive on compliance or non-compliance issues;
- legal compliance was not incorporated into the Department's Risk Management Practices.

In response to the Audit findings the Department advised that it would review aspects of its practices in relation to legal compliance risk and develop a framework to support compliance driven requirements and ensure Divisions respond effectively to legal compliance.

Follow up during 2006-07 identified the Department has developed a Legal Compliance Policy and Procedures that form part of the endorsed Legal Compliance Framework. At the time of the audit the Register of Acts was still being completed while compliance schedules have been developed for all Divisions.

The Business Services Branch has been assigned responsibility for collating all divisional compliance schedules and the Register of Acts to ensure all documentation remains current and is reported on annually. The Risk Management and Audit Unit has been assigned responsibility for conducting legal compliance audits.

The implementation of the Legal Compliance Framework will be further reviewed during 2007-08.

Masterpiece Fixed Asset to General Ledger Reconciliation

The Masterpiece Fixed Asset to General Ledger Purchase reconciliations were not performed and reviewed from November 2006 onwards. Without the regular performance of the reconciliation the Department has limited assurance that:

- all assets are included in the Fixed Asset Register;
- all information contained in the Fixed Asset Register is completely updated to the General Ledger;
- the financial statements of the Department are not materially misstated.

Audit recommended the Fixed Asset Register is reconciled to the General Ledger as at 30 June 2007 and all reconciling items are resolved.

In response, the Department advised month to date reconciliations had been performed and policies and procedures have been reinforced with officers. The year to date fixed asset reconciliations have been completed to support the 2006-07 financial statements. This has been confirmed by Audit.

Review of Petroleum and Mining Revenue

Audit reviewed the revenue collected by the Petroleum and Geothermal Group and the Minerals Resources Group within the Department. The reviews addressed the collection of controlled license and rental revenue and administered royalty revenue for the 2006-07 financial year. The scope included review of:

- the legislation impacting on the collection of revenue
- issuing licences and charging rentals
- raising invoices for collection of licenses and rental revenue
- receipting monies received for payment of licenses, rental revenue and royalties
- recording the collection of revenue in the general ledger.

Audit also reviewed the:

- implementation of recommendations made in September 2005 by an external reviewer with respect to verifying the Petroleum royalties paid by license holders;
- aspects of the 'Review of the Controls over the Mineral Royalties Collection Processes' review performed by PIRSA Risk Management and Audit.

The Department collected \$144.2 million in administered petroleum and mining royalty revenue during 2006-07. This is a significant revenue source to the Department requiring management attention regarding:

- diligent scrutiny of licensee returns and revenues;
- the application of appropriate systems and processes of controls to evidence compliance with law;
- the collection of all revenue due and payable to the Department.

Petroleum Revenue

In September 2005 the Department initiated an external review of royalty payments made by Santos Ltd which identified a number of uncertainties regarding how producers calculate royalties payable to the State in accordance with the *Petroleum Act 2000*.

An outcome of the review was the repayment of royalty monies to Santos Ltd amounting to \$3.14 million from the period July 2000 to May 2005. In addition, the review identified a number of process improvement recommendations for consideration by the Department including:

- implementing a process to evidence the validation and approval of annual royalty forecast details provided by producers;

- implementing a more robust process to validate royalty payments received including the key price and volume data within royalty returns and an assessment of the validity of documentation provided by producers to support their calculation;
- reviewing on an ongoing basis the validity of assumptions made by producers;
- undertaking regular audits of the royalty returns provided by producers.

It is Audit's view that certain recommendations for process improvement arising from the external review within this area of the Department's operations in 2005 have yet to be fully implemented.

The review highlighted that to obtain assurance that the royalty calculations are reliable and comply with the *Petroleum Act 2000* the Department should review, understand and validate the information and assumptions incorporated in producers' royalty returns.

Audit recommended the Department review, agree and document all producers' assumptions relating to the calculation of royalties, confirm the assumptions are in accordance with requirements of the *Petroleum Act 2000*, and validate all royalty returns against the documented assumptions.

The Department responded stating the Santos royalty assumptions have been documented and a field audit will verify those assumptions by the end of December 2007.

In addition, the Department advised a process of consultation will be undertaken with royalty payers to seek their agreement to instruct their auditors to form an opinion on, and explicitly state whether key assumptions and prescribed costs are correct and appropriately applied.

The Department will conduct routine site audits of Santos annually and other royalty payers on a two year rotation.

Mining Revenue

Audit assessment of the control environment in conjunction with the findings reported in the 'Review of the Controls over the Mineral Royalties Collection Processes' identified some areas for improvement. They relate to the validation of royalty revenue paid in accordance with the *Roxby Downs (Indenture Ratification) Act 1982*, and the *Whyalla Steel Works Act 1958*.

Roxby Downs (Indenture Ratification) Act 1982

Approximately \$64 million of the \$78.5 million in royalties received by the Department is collected from BHP Billiton Olympic Dam Corporation Pty Ltd.

The *Roxby Downs (Indenture Ratification) Act 1982* provides that should the Minister so request, BHP Billiton will submit an external audit report, with respect to the royalty return within six months of submitting a royalty return to the Department.

Quarterly audited royalty returns have not been requested by the Department since September 1998. The Department does not have the capacity under the *Roxby Downs (Indenture Ratification) Act 1982* to validate the data submitted within the royalty return, other than from review of audited royalty returns, and performs a historical analysis check for reasonableness.

Reliance on this review of historical data provides limited assurance that mining royalties collected in accordance with *Roxby Downs (Indenture Ratification) Act 1982* are correct and that there is no overpayment or underpayment of royalties to the State.

The Mineral Resources Group responded indicating that a request will be submitted to the Minister to reinstate the arrangements provided within the *Roxby Downs (Indenture Ratification) Act 1982* to obtain assurance the information provided by BHP Billiton is complete and accurately reflects the royalties payable to the State.

It is anticipated this request will be progressively implemented throughout 2007-08 with full implementation of the provisions of the Indenture for the 2008-09 year.

In addition the Department advised the State Government is currently negotiating a revised Indenture through the Olympic Dam Expansion Task Force. As part of these negotiations the basis for calculating royalties is being reviewed to ensure a more transparent and verifiable process.

Whyalla Steel Works Act 1958

The PIRSA Risk Management and Audit review in 2005-06 identified that the *Whyalla Steel Works Act 1958*, Schedule 1 - section 9, prescribes the rate of royalties payable by Onesteel Manufacturing Pty Ltd (ML 2648) as:

eighteen pence a ton of iron, variable with increases or decreases in pig iron price at 21 pounds per tonne.

Onesteel Manufacturing Pty Ltd discloses their royalty rate within spreadsheets accompanying the royalty returns. Internal Audit noted spreadsheets do not detail how the royalty rate is calculated or converted by Onesteel Manufacturing Pty Ltd and the Department has not sought to verify the accuracy of the calculation or conversion.

The limitations on the Department's review of the royalty calculations by Onesteel Manufacturing Pty Ltd results in limited assurance that the calculations are reliable and comply with the provisions of the Act. This matter was followed up by Audit and communicated in a letter to the Department.

In response the Department indicated it would seek to negotiate a more transparent methodology to calculate the royalty which would require amendments to the indenture. In addition, a risk assessment will be undertaken and a program developed to ensure a registered auditor approved by the Minister periodically validates mining returns. The audit certificates will be examined by the Minerals Resources Group for reasonableness against expectations.

The Department has set a target date for implementation of the recommendations by November 2007.

Business Continuity Planning

Last year's Report to Parliament provided commentary on the development of Business Continuity Planning for the Department.

The Department is implementing improvements and has advised the intention to engage an external party to define options and recommend an approach to address Disaster Recovery for the Department's core ICT infrastructure and computer facility. This action is expected to be completed by the end of 2007.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Revenue from fees and charges	33.0	31.9	3.4
Advances and grants	55.3	45.1	22.6
Other income	11.4	16.0	(28.8)
Total Income	99.7	93.0	7.2
EXPENSES			
Employee benefits costs	122.3	114.4	6.9
Grants and subsidies	34.1	40.2	(15.2)
Supplies and services	64.0	62.8	1.9
Other expenses	12.3	12.4	(0.8)
Total Expenses	232.7	229.8	1.3
Net cost of providing services	133.0	(136.8)	(2.7)
Net income (expense) from an administrative restructure	0.3	(2.0)	(115.0)
Net Result after Restructuring	(132.7)	(138.8)	(4.4)
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	140.9	139.1	1.3
Net Results	8.2	0.3	2 633

	2007	2006	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	104.4	97.9	6.6
Non-current assets	139.2	144.3	(3.5)
Total Assets	243.6	242.2	0.6
LIABILITIES			
Current liabilities	34.3	41.1	(16.5)
Non-current liabilities	26.0	26.4	(1.5)
Total Liabilities	60.3	67.5	(10.7)
EQUITY	183.3	174.7	4.9

Cash Flow Statement

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

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	15.7	22.5	5.3	6.6
Investing	(4.4)	(7.3)	(8.9)	(0.4)
Financing	(1.4)	(0.9)	(2.4)	(2.8)
Change in Cash	9.9	14.3	(6.0)	3.4
Cash at 30 June	85.0	75.1	60.8	67.9

Administered Items

	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Revenues from fees and charges	29.0	28.8	1.0
Advances and grants	133.7	130.7	2.3
Royalties	144.2	122.6	17.6
Other income	4.5	5.1	(11.8)
Total Income	311.4	287.2	8.4
EXPENSES			
Grants and subsidies	163.1	362.7	(55.0)
Payments of royalties to Consolidated Account	144.2	122.6	17.6
Other expenses	10.4	9.6	8.3
Total Expenses	317.7	494.9	(35.8)
Net cost of providing services	6.3	207.7	(97.0)
Net revenue from an administrative restructure	-	6.9	n/a
Net Result after Restructuring	6.3	200.8	(96.9)
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	5.8	214.9	(97.3)
Net Result	(0.5)	14.1	(103.5)

	2007	2006	Percentage
	\$'million	\$'million	Change
ASSETS			
Current Assets	49.8	48.3	3.1
Non-Current Assets	5.2	4.5	15.6
Total Assets	55.0	52.8	4.2
LIABILITIES			
Current Liabilities	22.6	20.0	13.0
Non-Current Liabilities	0.1	0.1	0.0
Total Liabilities	22.7	20.1	12.9
NET ASSETS	32.3	32.7	(1.2)

Administered Income and Expenses

Administered Revenues from the South Australian Government have decreased by \$209.1 million due mainly to the SA Water Community Service Obligation no longer appropriated to the Department. This has also resulted in a reduction in Grants and Subsidies expenditure by \$199.6 million.

Royalties received from mineral and petroleum production increased by \$21.6 million to \$144.2 million during 2006-07. The increase in royalty receipts is due mainly to an increase in:

- production of iron ore
- uranium oxide sales price
- copper sales price
- sales volume of LPG and Condensate
- the crude oil sales price.

The Program Schedule of Administered Income and Expenses provides details of the financial operations of the Department's administered programs.

**Income Statement
for the year ended 30 June 2007**

		2007	2006
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits costs	6	122 306	114 425
Supplies and services	7	64 027	62 796
Depreciation and amortisation expense	8	9 222	8 265
Grants and subsidies	9	34 072	40 247
Finance costs	10	287	401
Net loss from disposal of assets	17	547	27
Other expenses	11	2 255	3 663
Total Expenses		232 716	229 824
INCOME:			
Revenue from fees and charges	13	33 047	31 897
Advances and grants	14	55 306	45 094
Interest revenue	15	3 126	4 631
Sale of goods	16	3 719	3 440
Other income	18	4 592	7 902
Total Income		99 790	92 964
NET COST OF PROVIDING SERVICES		132 926	136 860
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	19	140 930	139 111
NET RESULT BEFORE RESTRUCTURE		8 004	2 251
Net revenue (expense) from an administrative restructure	33	285	(2 048)
NET RESULT AFTER RESTRUCTURE		8 289	203

Net Result After Restructure is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	20	84 982	75 070
Receivables	21	16 009	19 725
Inventories	22	3 485	3 153
Total Current Assets		104 476	97 948
NON-CURRENT ASSETS:			
Receivables	21	1 603	3 217
Financial assets	23	4 678	4 004
Property held-for-sale	24	50	-
Property, plant and equipment	25	128 226	132 481
Intangible assets	26	4 248	4 237
Inventories	22	376	376
Total Non-Current Assets		139 181	144 315
Total Assets		243 657	242 263
CURRENT LIABILITIES:			
Payables	27	12 938	19 602
Employee benefits	29	12 715	11 547
Borrowings	28	3 115	3 689
Provisions	30	479	434
Other current liabilities	31	5 091	5 789
Total Current Liabilities		34 338	41 061
NON-CURRENT LIABILITIES:			
Payables	27	2 065	2 194
Employee benefits	29	21 749	20 683
Borrowings	28	827	2 000
Provisions	30	1 304	1 156
Other non-current liabilities	31	43	435
Total Non-Current Liabilities		25 988	26 468
Total Liabilities		60 326	67 529
NET ASSETS		183 331	174 734
EQUITY:			
Retained earnings	32	136 132	128 110
Contributed capital	32	1 483	1 173
Asset revaluation reserve	32	42 017	42 017
Committed grants reserve	32	3 699	3 434
TOTAL EQUITY		183 331	174 734

Total Equity is attributable to the SA Government as owner

Commitments	34
Contingent assets and liabilities	35

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

	Note	Assets		Committed		Total
		Revaluation	Retained	Contributed	Grants	
		Reserve	Earnings	Equity	Reserve	
		\$'000	\$'000		\$'000	\$'000
Balance at 30 June 2005		20 286	130 414	-	1 688	152 388
Change in accounting policy	4	-	376	-	-	376
Prior period correction	4(a)	-	36	-	-	36
Restated balance at June 2005		20 286	130 826	-	1 688	152 800
Gain on revaluation of property during 2005-06		21 731	(1 173)	1 173	-	21 731
Transfer to reserve		-	(1 746)	-	1 746	-
Net result after restructure for 2005-06		-	329	-	-	329
Total Recognised Income and Expense for 2005-06		21 731	(2 590)	1 173	1 746	22 060
Equity contribution from SA Government		-	-	-	-	-
Balance at 30 June 2006		42 017	128 236	1 173	3 434	174 860
Prior period correction	4(a)	-	(126)	-	-	(126)
Restated balance at 30 June 2006		42 017	128 110	1 173	3 434	174 734
Equity contribution received		-	-	310	-	310
General reserve		-	(2)	-	-	(2)
Transfer to reserve	32	-	(265)	-	265	-
Net Result after Restructure for 2006-07		-	8 289	-	-	8 289
Total Recognised Income and Expense for 2006-07		-	8 022	-	265	8 597
Balance at 30 June 2007		42 017	136 132	1 483	3 699	183 331

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

Cash Flows Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefit payments	(119 431)	(111 100)
Supplies and services	(72 818)	(62 431)
Grants and subsidies	(34 072)	(30 743)
Interest paid	(335)	(412)
GST payments on purchases	(9 899)	(11 707)
GST remitted to ATO	(1 405)	(342)
Other payments	(1 122)	(698)
Cash used in Operations	(239 082)	(217 433)
CASH INFLOWS:		
Fees and charges	33 607	31 715
Sale of goods	3 719	3 440
Advances and grants	55 306	44 541
Interest received	3 235	4 739
GST receipts on receivables	6 224	6 362
GST input tax credits	6 232	5 647
Other receipts	5 555	4 345
Cash generated from Operations	113 878	100 789
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	140 930	139 111
Cash generated from SA Government	140 930	139 111
Net Cash provided by Operating Activities	15 726	22 467
	37	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(4 570)	(7 908)
Loans advanced to the rural sector and industry	-	(214)
Payment of lease liability	(398)	(397)
Purchase of intangibles	(1 047)	(788)
Purchase of investments	(610)	(610)
Cash used in Investing Activities	(6 625)	(9 917)
CASH INFLOWS:		
Loans repaid by the rural sector and industry	2 196	2 432
Proceeds from the sale of property, plant and equipment	36	144
Cash generated from Investing Activities	2 232	2 576
Net Cash used in Investing Activities	(4 393)	(7 341)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings	(1 747)	(1 398)
Cash used in Financing Activities	(1 747)	(1 398)
CASH INFLOWS:		
Proceeds from equity contributions	310	-
Proceeds from restructuring activities	16	550
Cash generated from Financing Activities	326	550
Net Cash used in Financing Activities	(1 421)	(848)
NET INCREASE IN CASH	9 912	14 278
CASH AT 1 JULY	75 070	60 792
CASH AT 30 JUNE	84 982	75 070
	20	

Program Schedule of Expenses and Income for the year ended 30 June 2007

	(refer Note 5)		Program 1		Program 2		Program 3		Program 4	
			Mineral Resources Development	Urban Development and Planning	Office for the Southern Suburbs		Agriculture, Food and Fisheries			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits costs	17 993	14 513	13 397	14 157	204	308	86 449	83 051		
Supplies and services	9 291	8 290	4 722	6 207	67	73	48 405	46 976		
Depreciation and amortisation	1 732	946	564	1 524	-	-	6 926	5 627		
Grants and subsidies	4 497	7 401	142	3 291	279	295	27 692	28 449		
Finance costs	-	-	-	-	-	-	287	401		
Net loss from disposal of assets	21	10	476	11	-	-	50	4		
Other expenses	38	45	30	75	-	1	2 179	3 535		
Total Expenses	33 572	31 205	19 331	25 265	550	677	171 988	168 043		
INCOME:										
Revenues from fees and charges	7 113	5 802	4 770	2 019	-	-	21 129	24 019		
Advances and grants	304	196	889	123	-	-	53 770	44 433		
Interest revenue	1	184	-	342	-	-	3 125	4 049		
Sale of goods	78	62	72	116	-	-	3 569	3 260		
Other income	172	256	54	574	-	22	4 189	6 688		
Total Income	7 668	6 500	5 785	3 174	-	22	85 782	82 449		
NET COST OF PROVIDING SERVICES	25 904	24 705	13 546	22 091	550	655	86 206	85 594		
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:										
Revenues from SA Government	25 904	24 705	13 546	22 091	550	655	94 210	87 845		
NET RESULT BEFORE RESTRUCTURE	-	-	-	-	-	-	8 004	2 251		
	(refer Note 5)		Program 5		Program 6		Program 7			
			Forestry Policy	State/Local Government Relations	Volunteers		Program Total			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits costs	1 185	-	2 571	2 197	507	199	122 306	114 425		
Supplies and services	376	-	1 024	1 081	142	169	64 027	62 796		
Depreciation and amortisation	-	-	-	154	-	14	9 222	8 265		
Grants and subsidies	301	-	307	682	854	129	34 072	40 247		
Finance costs	-	-	-	-	-	-	287	401		
Net loss from disposal of assets	-	-	-	2	-	-	547	27		
Other expenses	-	-	8	6	-	1	2 255	3 663		
Total Expenses	1 862	-	3 910	4 122	1 503	512	232 716	229 824		
INCOME:										
Revenues from fees and charges	6	-	-	21	29	36	33 047	31 897		
Advances and grants	193	-	150	4	-	338	55 306	45 094		
Interest revenue	-	-	-	53	-	3	3 126	4 631		
Sale of goods	-	-	-	2	-	-	3 719	3 440		
Other income	2	-	175	361	-	1	4 592	7 902		
Total Income	201	-	325	441	29	378	99 790	92 964		
NET COST OF PROVIDING SERVICES	1 661	-	3 585	3 681	1 474	134	132 296	136 860		
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:										
Revenues from SA Government	1 661	-	3 585	3 681	1 474	134	140 930	139 111		
NET RESULT BEFORE RESTRUCTURE	-	-	-	-	-	-	8 004	2 251		

Note: Program 5 — transferred to the Department from ForestrySA on 1 July 2006.
Program 7 — The Office for Volunteers reflects nine months of transactions as it was transferred to the Attorney-General's Department on 1 April 2007. The 2006 figures only reflect three months of transactions as the Office for Volunteers transferred to the Department from the Department of the Premier and Cabinet on 1 April 2006.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Primary Industries and Resources (the Department)

The Department plays a key role in contributing to the sustainable planning and development of South Australia's natural, industrial and community assets. The Department works with industry to manage resources sustainably and enhance value chains. The Department also works with communities to enhance the amenity and sustainability of built environments.

The Department's aim of fostering environmentally sustainable and internationally competitive industries is set in targets in 'South Australia's Strategic Plan'. These targets include increasing exports to \$25 billion by 2013, lifting mining exploration investment to \$100 million a year by 2007, and boosting annual mineral production and processing to \$4 billion by 2020. Other targets include the alignment of state and local government strategic plans and sustainable communities.

To assist in achieving South Australia's Strategic Plan, the Department has the following additional objectives:

- facilitating development and policy for the agriculture, forests and food industries;
- delivering fisheries and aquaculture management and industry development;
- identifying opportunities for mineral and petroleum exploration and development;
- providing sustainable resource management, including soil, landcare and productive use of water;
- streamlining development planning;
- delivering rural and remote community support services;
- improving state/local government relations;
- facilitating priorities for the use of land and planning optimal community development;
- facilitating the application of innovative new technologies, services, products and knowledge through its strong partnerships with industry sectors, market intelligence, science and regional communities; and
- providing research and development capability and delivering innovation to enhance the food, fibre and bioscience industries and ecosystem sector.

The principal sources of funds for the Department's programs consist of monies appropriated by Parliament, research grants from Industry Research Corporations, licence receipts, Commonwealth grants, land division fees and trading operations.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Statement of Compliance

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. Refer Note 4.

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 Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (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) employee TVSP information;
 - (d) 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 entity to those employees;
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Statement of Compliance (continued)

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

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

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

(b) Reporting Entity

The Department produces both Departmental and Administered financial statements. The Departmental financial statements include the use of income, expenses, assets and liabilities, controlled or incurred by the Department in its own right. The Administered financial statements includes the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

(c) Transferred Functions

The Government Gazette dated 22 March 2007 reported that the Office for Volunteers would transfer from the Department to the Attorney-General's Department effective from 1 April 2007. Pursuant to the Government Gazette dated 29 June 2006 the Forestry Policy and Industry Development functions of the South Australian Forestry Corporation (ForestrySA) transferred to the Department on 1 July 2006.

The amounts of assets, liabilities, income and expenditures relating to all transferred functions are set out in Note 33.

(d) Comparative Information

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

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Rounding

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

(f) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

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.

(g) Income and Expenses

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

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Revenues from (Payments to) SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt. Appropriation receipts are accounted for in accordance with TI 3.

Revenues from (Payments to) SA Government (continued)

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

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

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not available to the Department for use in achieving its objectives and therefore are not recognised as revenues but are reported as revenues in the Administered Financial Statements Schedule. Similarly, the amounts transferred are not recognised as expenses, but are reported as administered expenses in the Administered Financial Statements Schedule.

Borrowing Costs

All borrowing costs are recognised as expenses.

Fees and Charges

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

Disposal of Non-Current Assets

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

Other Revenue

Advances and grants have been recognised as revenue when received.

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

(h) Current and Non-Current Classification

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

(i) Cash

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

(j) Receivables

Receivables include amounts receivable from trade, prepayments, loans and other accruals.

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

Other debtors arise outside the normal course of selling goods and services to other SA Government agencies and to the public. Collectibility of trade receivables and loans is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt.

(k) Inventories

Inventories (other than biological assets and agricultural produce) are measured at the lower of cost or their net realisable value. Biological assets are livestock, vines and fruit trees and are valued at fair value less estimated point-of-sale costs. Agricultural produce, including wool, fruit and harvested crops, is valued at fair value less estimated point-of-sale costs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Income Statement.

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

(l) Other Financial Assets

The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

(m) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with APF III APSs 2.15 and 7.2:

- all non-current tangible assets with a value of \$2000 or greater are capitalised;
- componentisation of complex assets is only performed when the asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

(n) Revaluation of Non-Current Assets

In accordance with APF III:

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

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

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

(i) Land and Buildings

Land and buildings were independently reviewed by Valcorp Australia Pty Ltd as at 30 June 2006, on the basis of fair value as defined in AASB 116. Valuation increments were recorded where applicable for land holdings, and for buildings with values exceeding \$1 million (refer Note 25). Buildings include 'infrastructure' which represents roads, fencing, signage etc.

(ii) Leasehold Improvements

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) Core Trays

Core trays were independently valued by Valcorp Australia Pty Ltd at 30 June 2003.

(iv) Plant and Equipment

In accordance with APF III all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

(o) Impairment

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

For revalued assets an impairment loss is first offset against the asset revaluation reserve for that class of asset.

(p) Non-Current Assets Held-for-Sale

Non-current assets are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the Balance Sheet.

(q) Depreciation and Amortisation of Non-Current Assets

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

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter. Land is not depreciated.

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

<i>Class of Asset</i>	<i>Method</i>	<i>Useful Life (Years)</i>
Buildings and infrastructure	Straight Line	20-70
Leasehold improvements	Straight Line	10
Plant and equipment	Straight Line	3-20
Intangibles	Straight Line	1-4

(r) Works in Progress

Works in progress relate to costs associated with the systems development, purchases of plant and equipment and other developments.

(s) Intangible Assets

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

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

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

All research and development costs that do not meet the capitalisation criteria in AASB 138 are expensed.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

(t) Payables

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

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

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

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

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

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

(u) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

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

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

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

Long Service Leave

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

Provisions

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

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

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

(v) Leases

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

Operating Leases

In respect of operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased assets. Operating lease payments are recognised as an expense on a basis that is representative of the pattern of benefits derived from the leased assets.

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

(w) Reserves

The Committed Grants Reserve for Prudential and Rural Financial Services was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

(x) Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 36. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

3. Financial Risk Management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which the Department 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 Department for the reporting period ending 30 June 2007. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

(a) Effect of Changes in Accounting Estimates and Errors

During 2006-07 \$126 000 of prior period adjustments were recognised in the Income Statement, which were assessed to be not material. AASB 108 requires that these be recognised retrospectively by restating opening balances.

The financial statements and notes include the restatement of opening balances for prior period adjustments.

5. Programs of the Department

The Program Schedule provides details of expenses and revenues applicable to the programs of the Department. Information about the Department's programs is set out below and in the Program Schedule.

Program 1 – Mineral Resources Development

The vision of the Mineral Resources program is to make South Australia a favoured mineral investment destination for private investment with exploration expenditure targeted to reach \$100 million per annum by 2007 and mineral production and processing to reach \$4 billion by 2020. The program also aims to uncover the petroleum prospectivity and potential of South Australia.

Program 2 – Urban Development and Planning

Guiding and administering the South Australian Planning and Development system. Facilitating a whole-of-government approach to the realisation of the government's policy commitments to improve economic development, social and environmental outcomes for communities in specified regions.

Program 3 – Office for the Southern Suburbs

To assist in the realisation of the government's policy commitments to improve economic development, social and environmental outcomes for the communities identified as being of high need in the southern suburbs.

Program 4 – Agriculture, Food and Fisheries

To deliver specialist services and advice across the state, fostering growth and development, increasing the prosperity of South Australians, improving the quality of life, while supporting environmentally sustainable development of the State's resources.

Program 5 – Forestry Policy

Support the sustainable development of an internationally competitive forest industry, regional development and the provision of services from State Government forest reserves.

Program 6 – State/Local Government Relations

Provide policy and other advice to the government on the constitution and operations of the local government system, including the statutory authorities for which the Minister for State/Local Government Relations is responsible; whole-of-government policy and legislative frameworks as they affect local government; and relationships between the state and local government, including the provision of support to the Minister's Local Government Forum.

Program 7 – Volunteers

Provision of services that facilitate the implementation of the Volunteer Partnership Advancing the Community Together in order to build stronger communities and increase volunteer rates in accordance with South Australia's Strategic Plan; provision of policy and strategic advice that enhances the government's capacity to identify, prioritise and respond appropriately to the needs of the volunteer community in South Australia; and initiate programs that support and promote volunteering.

The Office for Volunteers was transferred during 2006-07 to the Attorney-General's Department (refer Note 33).

6. Employee Benefits Costs

	2007	2006
	\$'000	\$'000
Salaries and wages	91 539	84 613
TVSPs (refer below)	-	336
Annual leave	8 193	8 128
Long service leave	3 888	3 971
Employment on-costs - Superannuation	11 680	10 763
Employment on-costs - Other	6 349	5 951
Workers compensation	210	317
Board fees	383	346
Other employee related expenses	64	-
Total Employee Benefits Costs	122 306	114 425

The 2005-06 figure for salaries and wages and employment on-costs has been adjusted by \$294 000 and \$56 000 respectively. Salaries and wages previously included the amount for the revaluation of the workers compensation liability. The revaluation amount is now reported under 'Other Expenses' in Note 11. The adjustment for the increase in superannuation and payroll tax employment on costs is reflected in Note 27. These adjustments have no impact on the operating result of the Department.

TVSPs

	2007	2006
	\$'000	\$'000
Amount Paid to these Employees:		
TVSPs	-	336
Annual leave and long service paid during the reporting period	-	131
	-	467
Recovery from the Department of Treasury and Finance	-	336

Number of employees who were paid TVSPs during the reporting period: Nil (3).

Remuneration of Employees

The number of employees whose total remuneration received or receivable falls within the following bands:

	2007	2006
	Number of Employees	Number of Employees
\$100 000 - \$109 999	38	31
\$110 000 - \$119 999	17	8
\$120 000 - \$129 999	23	10
\$130 000 - \$139 999	7	6
\$140 000 - \$149 999	4	5
\$150 000 - \$159 999	2	2
\$160 000 - \$169 999	3	4
\$170 000 - \$179 999	4	1
\$180 000 - \$189 999	1	3
\$190 000 - \$199 999	2	1
\$200 000 - \$209 999	3	2
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	1	-
\$230 000 - \$239 999	-	2
\$250 000 - \$259 999	-	1
\$290 000 - \$299 999	1	-
\$330 000 - \$339 999 ⁽¹⁾	1	-
Total Number of Employees	107	77

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by the above employees for the year was \$13.877 million (\$10.089 million).

(1) Includes as remuneration termination payments in lieu of notice and superannuation rollover payments.

Analysis of the above table of Remuneration of Employees categorised by the number of executive and non-executive employees is provided below:

	2007	2006
	Number of Employees	Number of Employees
Executives	38	38
Non-executive	69	39
Total Number of Employees	107	77

The number of executives receiving remuneration of \$100 000 or more remained constant over 2007 and 2006. One new Executive transferred to the Department from other agencies as part of the functional transfers across government during 2006-07. This was offset by a retirement.

The number of non-executives receiving remuneration of \$100 000 or more has increased by 30 in 2007 compared to 2006, of which one transferred to the Department from other agencies as part of the functional transfers across government during 2006-07. The remaining increase is due to government enterprise bargaining outcomes which have resulted in the inclusion of employees previously beneath the \$100 000 remuneration level and the payment of retention allowances to key staff to facilitate knowledge and expertise retention.

7. Supplies and Services

	2007	2006
	\$'000	\$'000
Supplies and Services provided by Entities within SA Government:		
Professional and technical services ⁽¹⁾	746	860
Administrative and operating costs	652	617
Utility and property costs	1 055	883
Computing and communications costs	4 186	4 914
Vehicle and equipment operating costs	95	82
Operating lease costs	10 520	9 827
Total Supplies and Services - SA Government Entities	17 254	17 183
Supplies and Services provided by Entities external to the SA Government:		
Professional and technical services ⁽¹⁾	15 800	17 464
Administrative and operating costs	12 285	11 588
Utilities and property costs	5 625	4 952
Computing and communications costs	4 906	3 661
Travel ⁽²⁾	4 882	4 581
Vehicle and equipment operating costs	1 150	1 155
Staff development and safety ⁽²⁾	1 967	2 147
Operating lease costs	158	65
Total Supplies and Services - Non-SA Government Entities	46 773	45 613
Total Supplies and Services	64 027	62 796

(1) Includes consultancies costs which are further broken down below and audit fees payable to the Auditor-General (refer Note 12).

(2) Includes payments to SA Government entities totalling less than \$100 000.

7. Supplies and Services (continued)

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2007		2006	
	Number	\$'000	Number	\$'000
Below \$10 000	51	217	47	108
Between \$10 000 and \$50 000	15	344	22	484
Above \$50 000	3	249	3	239
Total Paid/Payable to the Consultants Engaged	69	810	72	831

8. Depreciation and Amortisation Expense

Depreciation:

	2007	2006
	\$'000	\$'000
Plant and equipment	4 538	4 277
Buildings and infrastructure	2 381	1 968
Core trays	637	635
Total Depreciation	7 556	6 880

Amortisation:

Leasehold improvements	397	398
Intangibles	1 269	987
Total Amortisation	1 666	1 385
Total Depreciation and Amortisation	9 222	8 265

9. Grants and Subsidies

Grants and Subsidies paid/payable to Entities within the SA Government

The Major Grant Programs paid to Entities within the SA Government:

Attorney-General's Department	551	26
Environment and Heritage	269	309
Transport, Energy and Infrastructure	158	-
Families and Communities	128	188
Premier and Cabinet	123	50
Water, Land, Biodiversity and Conservation	97	509
Administrative and Information Services	77	274
Further Education, Employment, Science and Technology	45	2 500
Human Services	360	-
Other	822	586
Total Grants and Subsidies - SA Government Entities	2 630	4 442

Grants and Subsidies paid/payable to Entities external to the SA Government

The Major Grant Programs paid to Entities external to the SA Government:

University of Adelaide	783	10 278
Collaborative programs	4 089	3 181
North Terrace redevelopment	-	3 247
FarmBis	3 015	2 794
Plan for Accelerated Exploration	2 145	446
Exceptional Circumstances Drought 2003	1 509	1 376
Citrus Canker	195	1 147
Roxby Downs Council	724	1 062
Exceptional Circumstances Drought 2004	304	177
Exceptional Circumstances Drought 2005	2 154	925
Exceptional Circumstances Drought 2006	5 636	-
Food Industry Development Funding	1 562	1 469
SA Flood Relief Program	-	854
Branched Broomrape	614	623
Aquafin Cooperative Research Centre contributions	500	500
Marine Scalefish Fishery - Commercial Net Restructure	-	100
Eyre Peninsula Bushfire Relief	-	26
Eyre Peninsular Bushfire Re-establishment	2 068	228
Lower Murray Reclaimed Irrigation Areas	-	116
National Livestock Identification Scheme	691	555
Aquatic Sciences	802	202
National Genetic Resources	1 004	1 626
Oat Breeding Program	195	173
Pig Research	278	230
State Drought 2006	250	-
Renmark Storm Damage	307	-
Other	2 617	4 470
Total Grants and Subsidies - Non-SA Government Entities	31 442	35 805
Total Grants and Subsidies	34 072	40 247

10. Finance Costs	2007	2006
	\$'000	\$'000
Interest payable on borrowings	274	381
Guarantee fees	13	20
Total Finance Costs	287	401

Guarantee fees were previously reported within other expenses. The 2005-06 comparative value of \$20 000 has been moved from 'Other Expenses'. This adjustment has no impact on the operating result of the Department.

11. Other Expenses	2007	2006
	\$'000	\$'000
Other Expenses paid/payable to Entities external to the SA Government:		
Contributions to external bodies	5	2
Deemed cost of produce sold	1 948	2 602
Other ⁽¹⁾	4	617
Property, plant and equipment write-offs	(2)	-
Bad and doubtful debts expense	23	148
Royalty payments	84	-
Workers compensation revaluation	193	294
Total Other - Non-SA Government Entities	2 255	3 663
Total Other	2 255	3 663

(1) Includes payments to SA Government entities totalling less than \$100 000.

Workers compensation liability revaluation of \$193 000 has been reported from 2006-07 as an 'Other Expense'. The 2005-06 comparative value of \$294 000 has been moved from line item 'Salaries and Wages' under Note 6. This adjustment has no impact on the operating result of the Department.

12. Auditors' Remuneration	2007	2006
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	289	276
Total Audit Fees	289	276

Other Services

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

13. Revenues from Fees and Charges		
User Fees and Charges received/receivable from Entities within SA Government:		
Agriculture and Fisheries, consultancies and services ⁽¹⁾	144	72
Rural Solutions, consultancies and services	6 448	5 272
SA Research and Development Institute, consultancies and services	36	54
Planning and development fees	1 245	494
Mining and petroleum application fees, rentals and licences	-	2
Other	814	673
Total Fees and Charges - SA Government Entities	8 687	6 567
User Fees and Charges received/receivable from Entities external to SA Government:		
Agriculture and Fisheries, consultancies and services ⁽¹⁾	2 704	4 321
Rural Solutions, consultancies and services	7 898	8 497
SA Research and Development Institute, consultancies and services	2 983	4 882
Planning and development fees	3 458	1 383
Mining and petroleum application fees, rentals and licences	6 886	5 669
Other	431	578
Total Fees and Charges - Non-SA Government Entities	24 360	25 330
Total Revenues from Fees and Charges	33 047	31 897

(1) In 2006-07 costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences have been reflected under Note 14 'Advances and Grants'. The 2005-06 comparative value of \$11.39 million has similarly been moved. This adjustment has no effect on the operating result of the Department.

User fees and charges have been re-categorised in 2006-07 to reflect the nature of the income received and the Division delivering the services sought. The 2005-06 comparatives have similarly been restated under the new categories. This adjustment has no effect on the operating result of the Department.

Consultancy and services revenue includes analysis and testing services and agronomy advice to the rural sector.

14. Advances and Grants	2007	2006
	\$'000	\$'000
State grants ⁽¹⁾	18 819	16 161
Commonwealth grants	11 108	4 561
Industry grants	25 379	24 372
Total Advances and Grants Revenue	55 306	45 094

The above contributions are allocated to a large range of projects involving the Commonwealth, other State Government departments and industry groups. In 2006-07 the contributions were applied to the following business sectors:

Advances and Grants received/receivable from Entities within SA Government: ^(a)	2007	2006
	\$'000	\$'000
Fisheries ⁽¹⁾	5 748	5 639
South Australian Research and Development Institute ⁽¹⁾	5 913	6 386
Agriculture and wine	3 662	1 878
Aquaculture ⁽¹⁾	922	4
Prudential and Rural Financial Services	725	717
Biosecurity	600	630
Minerals and petroleum	270	49
Planning and development	945	101
Other	34	757
Total Advances and Grants - SA Government Entities	18 819	16 161

Advances and Grants received/receivable from Entities external to SA Government: ^(a)		
Fisheries	35	35
South Australian Research and Development Institute	25 178	23 951
Agriculture and wine	572	315
Aquaculture	-	82
Prudential and Rural Financial Services	10 092	4 157
Minerals and petroleum	173	141
Planning and development	38	16
Rural solutions	179	202
Other	220	34
Total Advances and Grants - Non-SA Government Entities	36 487	28 933
Total Advances and Grants	55 306	45 094

(a) Grants and advances have been re-categorised in 2006-07 to reflect the business sectors receiving the benefits. The 2005-06 comparatives have been restated under the new categories. This adjustment has no effect on the operating result of the Department.

(1) Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences were previously reflected under Note 13 'Revenues from Fees and Charges'. The amount received is applied to the delivery of projects in compliance, research and fishing industry development in the Divisions of Fisheries, SA Research and Development Institute and Aquaculture. In 2006-07 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$11.123 million (\$11.390 million). The 2005-06 comparative of \$11.390 million was moved from Note 13. This adjustment has no effect on the operating result of the Department.

The major contributions received during 2006-07, with a value exceeding \$500 000, were for the following projects and programs:	2007
	\$'000
Exceptional Circumstances/Drought Assistance	7 980
Fishwatch Management	4 410
Bushfire re-establishment	2 211
FarmBis	2 111
Abalone Stock Assessment	1 168
Rocklobster Stock Assessment	1 022
Aquaculture licensing & licensing services	885
Fisheries Industry Development	866
Field Crop Evaluation Program	844
National Genetic Resources	787
Snapper stock assessment	742
Branched Broomrape	716
Uptake National Livestock Identification Scheme	701
Urban Projects	656
Improved oats for milling	649
Tuna farm risk assessment	608
Irrigation research	603
State Ovine Johnes Disease	600
EcoSystem Management	548
Soil for yield and quality	538
Chowilla Fish Plant	531
Bovine Johnes Compliance	512
All other projects	25 618
Total Major Projects	55 306

15. Interest Revenues	2007	2006
	\$'000	\$'000
Interest from entities within the SA Government	2 716	4 057
Loans to the rural sector	410	574
Total Interest Revenues	3 126	4 631
16. Sale of Goods		
Sale of Goods received/receivable from Entities external to SA Government:		
Publications, books, maps and compact discs ⁽¹⁾	553	557
Livestock	1 298	1 025
Agriculture produce	1 660	1 577
Other ⁽¹⁾	208	281
Total Sale of Goods - Non-SA Government Entities	3 719	3 440
Total Sale of Goods	3 719	3 440
 (1) Includes revenues from SA Government entities totalling less than \$100 000.		
The deemed cost of livestock and agricultural produce sold was \$1.948 million (refer Note 11). The gain during the year from changes in fair values of livestock, fruit trees and vines and agricultural produce \$1.237 million is shown in Note 18.		
17. Net Gain (Loss) from Disposal of Assets	2007	2006
	\$'000	\$'000
Land and Buildings:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	1	-
Net Loss from Disposal of Land and Buildings	(1)	-
Plant and Equipment:		
Proceeds from disposal	36	144
Less: Net book value of assets disposed	582	171
Net Loss from Disposal of Plant and Equipment	(546)	(27)
Total Assets:		
Total proceeds from disposal	36	144
Less: Total value of assets disposed	583	171
Total Net Loss from Disposal of Assets	(547)	(27)
18. Other Income		
Other Income received/receivable from Entities within SA Government:		
Reimbursements/recoveries	-	268
Total Other Income - SA Government Entities	-	268
Other Income received/receivable from Entities External to SA Government:		
Seed and other royalties	949	707
Reimbursements/Recoveries	2 085	2 687
Gains and losses from changes in fair value of biological assets	1 237	2 855
Reduction in provision for doubtful debts	-	737
Other	321	648
Total Other Income - Non-SA Government Entities⁽¹⁾	4 592	7 634
Total Other Income	4 592	7 902
 (1) Includes revenues from SA Government entities totalling less than \$100 000.		
19. Revenues from/Payments to SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	140 930	139 111
Total Revenues from SA Government	140 930	139 111
20. Cash		
Deposits with the Treasurer	84 957	75 045
Imprest account and cash on hand	25	25
Total Cash	84 982	75 070

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 5.68 percent and 6.10 percent. The carrying amount of cash and cash equivalents approximates fair value.

21. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	9 090	10 374
Less: Provision for doubtful debts	69	143
	9 021	10 231
Loans receivable	3 526	4 090
Less: Provision for doubtful debts	5	5
	3 521	4 085
Workers compensation recoveries	16	12
Accrued interest on loans and deposits	333	442
Other accrued revenue	498	1 461
GST receivable	2 532	3 345
Prepayments	88	149
	3 467	5 409
Total Current Receivables	16 009	19 725
Non-Current:		
Loans receivable	1 550	3 182
	1 550	3 182
Non-current workers compensation recoveries	53	35
Total Non-Current Receivables	1 603	3 217
Total Receivables	17 612	22 942
Receivables from SA Government Entities:		
Receivables	3 430	1 656
Accrued interest revenues	225	262
Other accrued revenue	-	453
Total Receivables from SA Government Entities	3 655	2 371
Receivables from Non-SA Government Entities:		
Receivables	5 591	8 577
GST receivables	2 532	3 345
Other accrued revenues	498	1 008
Accrued interest revenues	108	180
Loan receivables	5 071	7 267
Other	157	194
Total Receivables from Non-SA Government Entities	13 957	20 571
Total Receivables	17 612	22 942

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

In accordance with the APSs contained in APF IV, the Department measures loans at historical cost, except for interest free loans (measured at the present value of expected repayments). Where there is objective evidence that a loan is impaired, provision equal to the difference between the carrying value and the present value of expected future repayments is made.

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other Expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	148	459
Increase (Decrease) in the provision	21	(163)
Amounts written off	95	148
Carrying Amount at 30 June	74	148

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of \$23 000 in the Income Statement. The Department has written off debts of \$95 000 during the year, mainly against provisions created in previous years. AASB 139 requires that there be objective evidence of impairment before a provision for loss can be recognised.

22. Inventories	2007	2006
Current Inventories:	\$'000	\$'000
Biological Assets:		
Livestock (at fair value less estimated point of sale costs)	2 640	2 317
Agricultural produce (at fair value less estimated point of sale costs)	198	245
	2 838	2 562
Other inventories:		
Publications and maps (at the lower of cost and realisable value)	594	549
Plants and related items (at the lower of cost and realisable value)	53	42
	647	591
Total Current Inventories	3 485	3 153
Non-Current Inventories:		
Orchards and vineyards (at fair value less estimated point of sale costs)	376	376
Total Non-Current Inventories	376	376
Total Inventories	3 861	3 529

	Orchards, Vineyards & Agricultural	
	Produce	Livestock
	\$'000	\$'000
Balance at 1 July 2006	589	2 317
Increase due to acquisitions	186	572
Decrease due to sales	(777)	(1 539)
Harvests transferred to inventories	524	-
Increase due to natural accretion	-	1 082
Change in fair value less estimated point of sale costs	52	208
Balance at 30 June 2007	574	2 640
Current	198	2 640
Non-current	376	-
	574	2 640

AASB 141 applied for the first time for the year ended 30 June 2006.

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2007 inventory included 10 771 sheep, 1911 cattle, 345 tonnes of crops and grain and 53 hectares of vines and fruit trees.

Production for the year included 2.72 million litres of milk, 208 tonnes of grapes and fruit, 5300 lambs, 798 calves, 309 bales of wool and 1689 tonnes of other crops.

23. Financial Assets	2007	2006
Non-Current:	\$'000	\$'000
Investments in shares	4 678	4 004
Total Financial Assets	4 678	4 004

During 2006-07 the Department purchased 673 786 (673 784) ordinary shares in Australian Grain Technologies Pty Ltd (AGT), a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities.

Following a merger between AGT and SunPrime Pty Ltd on 30 June 2005, the Department's shareholding of the merged entity's issued capital was reduced from 25 percent to 18 percent. The Department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and SunPrime. The Department's shareholding has been recognised at cost and equity accounts have not been prepared previously due to materiality of the balance.

Other investments include shares in Provisor Pty Ltd, purchased in 2003-04 (\$189 800), a grape and wine research company. The Department's shareholding in Provisor does not give it a controlling interest in the company. This investment is also recorded at cost.

	2007	2006
Movement in financial assets:	\$'000	\$'000
Carrying amount at 1 July	4 004	3 330
Cash contribution	610	610
Leased facilities	64	64
Carrying Amount at 30 June	4 678	4 004

24. Property Held-for-Sale	2007	2006
	\$'000	\$'000
Land	50	-
Total Property Held-for-Sale	50	-

The Department reviews its asset base annually. Property, plant and equipment that is surplus to requirements or no longer meets current business needs are regularly disposed of by sale or auction.

25. Property, Plant and Equipment		
Land and Buildings:		
Land at fair value	25 507	25 557
Buildings and infrastructure at fair value	79 384	79 225
Accumulated depreciation	(6 106)	(3 725)
Total Land and Buildings	98 785	101 057
Leasehold Improvements:		
Leasehold improvements at fair value	3 971	3 971
Accumulated amortisation	(3 541)	(3 144)
Total Leasehold Improvements	430	827
Plant and Equipment:		
Core trays at fair value	10 870	10 827
Accumulated depreciation - Core trays	(2 540)	(1 903)
Plant and equipment at fair value	49 234	47 729
Accumulated depreciation - Plant and equipment	(31 422)	(29 394)
Constructions and works in progress	2 869	3 338
Total Plant and Equipment	29 011	30 597
Total Property, Plant and Equipment	128 226	132 481

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2006-07:

	Land \$'000	Buildings and Infra- structure \$'000	Leasehold Improve- ments \$'000	Core Trays \$'000	Plant and Equipment \$'000	Construct- ions and Works in Progress \$'000	2007 Total \$'000
Carrying amount at 1 July	25 557	75 500	827	8 924	18 335	3 338	132 481
Additions	-	160	-	43	4 126	241	4 570
Disposals	-	(1)	-	-	(105)	(477)	(583)
Depreciation/amortisation expense	-	(2 381)	(397)	(637)	(4 538)	-	(7 953)
Assets reclassified to assets held for sale	(50)	-	-	-	-	-	(50)
Transfer to intangibles asset class	-	-	-	-	-	(233)	(233)
Disposal through restructuring	-	-	-	-	(6)	-	(6)
Carrying Amount at 30 June	25 507	73 278	430	8 330	17 812	2 869	128 226

Valuation of Land and Buildings

Land and buildings were independently reviewed by Valcorp Australia Pty Ltd as at 30 June 2006, on the basis of fair value as defined in AASB 116. Valuation increments were recorded where applicable for land holdings, and for buildings with values exceeding \$1 million. Buildings include 'infrastructure' which represents roads, fencing, signage etc.

Carrying Amount of Plant and Equipment

The carrying amount of assets includes \$20.764 million of fully depreciated property still in use.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2007.

Resources Received Free of Charge

Nil.

26. Intangible Assets	2007	2006
Software:	\$'000	\$'000
Computer software	8 661	7 273
Accumulated amortisation	(4 413)	(3 036)
Total Computer Software	4 248	4 237

Reconciliation of Intangibles	2007	2006
The following table shows the movement of Intangibles during 2006-07:	\$'000	\$'000
Carrying amount at 1 July	4 237	3 892
Additions	1 047	788
Amortisation expenses	(1 269)	(987)
Acquisition through restructuring	-	544
Other movements ⁽¹⁾	233	-
Carrying Amount at 30 June	4 248	4 237

(1) Transfer from construction works in progress asset class.

27. Payables

Current:		
Creditors	4 336	12 803
Accrued expenses	4 882	3 685
Accrued interest on borrowings	56	104
GST payable	1 219	890
Employment on-costs	2 445	2 120
Total Current Payables	12 938	19 602

Expected to be paid more than 12 months after Reporting Date:

Employment on-costs	2 065	2 194
Total Expected to be paid more than 12 months after Reporting Date	2 065	2 194
Total Current Payables	15 003	21 796

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	1 819	1 390
Accrued expenses	1 634	1 207
Accrued interest on borrowings	56	104
Total Payables to Other SA Government Entities	3 509	2 701

Payables to Non-SA Government Entities:

Creditors	2 517	11 413
Accrued expenses	3 248	2 478
Employment on-costs	4 510	4 314
GST payable	1 219	890
Total Payables to Non-SA Government Entities	11 494	19 095
Total Payables	15 003	21 796

Interest Rate Risk

Creditors and accruals are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days and employment on-costs are settled when the related employee benefit is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

The 2005-06 comparative current and non-current values for employment on-costs and accrued salaries and wages have been corrected for an understatement of the superannuation on-cost rate used in the determination of the year end liability; and correction of accruals reversed during 2005-06 for functions that were transferred to other government agencies at the end of the 2004-05 financial year.

The superannuation on-cost correction had the effect in 2005-06 of understating payables and overstating net cost of providing services and retained earnings by \$45 000.

The correction of accruals on transferred functions had the net effect of understating accrued expenses and employment on-costs and overstating net cost of providing services and retained earnings by \$17 000.

The corrections have been made by restating each of the affected financial statement line items for the prior year.

28. Borrowings

(a) Borrowings consists of:	2007	2006
	\$'000	\$'000
Indebtedness to South Australian Government Financing Authority	2 336	4 401
Indebtedness to the Treasurer	1 593	1 260
Indebtedness to Department of Trade and Economic Development	13	28
Total Borrowings	3 942	5 689
(b) Balance of Borrowings Outstanding Classifications:		
Current	3 115	3 689
Non-Current	827	2 000
Total Borrowings	3 942	5 689

Borrowings having no maturity date are recognised at cost in accordance with APF IV APS 2.1. The interest rate is determined by the Treasurer. The rate was 6.10 percent in 2007 (5.43 percent).

29. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	7 437	7 040
Long service leave	3 406	2 841
Accrued salaries and wages	1 872	1 666
Total Current Employee Benefits	12 715	11 547
Non-Current:		
Long service leave	21 749	20 683
Total Non-Current Employee Benefits	21 749	20 683
Total Employee Benefits	34 464	32 230

The total current and non-current employee expense (ie aggregate employee benefit in Note 29 plus related on-costs in Note 27) for 2007 is \$38.97 million (\$36.54 million).

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from seven years to six and a half years.

The current and non-current employee entitlements for long service leave in 2005-06 have been restated. The change increased the current entitlement by \$1.81 million, with a corresponding decrease against non-current. The adjustment has no impact on the operating result of the Department.

The 2005-06 comparative accrued salaries and wages have been corrected for an accrual that was not reversed during 2005-06 for functions that were transferred to other government agencies at the end of the 2004-05 financial year. This had the net effect of overstating employee benefits and understating net cost of providing services and retained earnings by \$64 000.

The corrections have been made by restating each of the affected financial statement line items for the prior year.

30. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	479	434
Total Current Provisions	479	434
Non-Current:		
Provision for workers compensation	1 304	1 156
Total Non-Current Provisions	1 304	1 156
Total Provisions	1 783	1 590
Carrying amount at 1 July	1 590	1 132
Increase in the provision	193	458
Carrying Amount at 30 June	1 783	1 590

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

31. Other Liabilities	2007	2006
Current:	\$'000	\$'000
Lease incentive	397	397
Unearned revenue	3 376	3 890
Security deposits	1 318	1 502
Total Current Other Liabilities	5 091	5 789
Non-Current:		
Other liabilities	10	4
Lease incentive	33	431
Total Non-Current Other Liabilities	43	435
Total Other Liabilities	5 134	6 224

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Securities are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. Cash deposits have now been classified as 'Security Deposits' (formerly included in Unearned Revenue). The amount held as Security Deposits at 30 June 2007 and its comparative value at 30 June 2006 is reflected in the table above. Unearned revenue values have been decreased by the same value.

The value of securities held in the form of bank guarantees are reflected as a contingent asset (refer Note 35) as the Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

32. Equity	2007	2006
	\$'000	\$'000
Contributed capital	1 483	1 173
Accumulated surplus	136 132	128 110
Asset revaluation reserve	42 017	42 017
Committed grants reserve	3 699	3 434
Total Equity	183 331	174 734

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

In 2004-05 and 2005-06 Planning SA was funded for part of its capital investment program by an equity contribution from the Department of Treasury and Finance. This contribution has been aggregated in prior years under the Department's accumulated surplus.

The amount of equity contribution is recognised in Statement I of the Treasurer's Financial Statements.

The equity contribution received by the Department has been separated in the table above by restating the affected financial statement line items for the prior year. The table above reflects the changes made. The adjustment has no impact on the operating result of the Department.

33. Transferred Functions

Net Expenses from Restructuring of Administrative Arrangements

The net revenues (expenses) relating to the restructuring of Administrative arrangements recognised in the Income Statement are shown below.	2007	2006
	\$'000	\$'000
To the Department for Transport, Energy and Infrastructure (DTEI)	-	(475)
From the Department for Transport, Energy and Infrastructure (DTEI)	-	(1 384)
From the Department of the Premier and Cabinet (DPC)	-	(195)
From the Department of Trade and Economic Development (DTED)	-	6
To the Attorney-General's Department (AGD)	285	-
Total Net Expenses from Restructuring of Administrative Arrangements	285	(2 048)

During the reporting period ending 30 June 2007, assets and liabilities amounting to \$285 000 were transferred from the Department, and a further \$285 000 was transferred to the Department as summarised below:

	Transferred to AGD 01.04.07 \$'000	Transferred from ForestrySA 01.07.06 \$'000	Total \$'000
Assets:			
Current Assets:			
Cash	16	-	16
	<u>16</u>	<u>-</u>	<u>16</u>
Non-Current Assets:			
Property, plant and equipment	(6)	15	9
	<u>(6)</u>	<u>15</u>	<u>9</u>
Total Assets	<u>10</u>	<u>15</u>	<u>25</u>
Liabilities:			
Current Liabilities:			
Payables	(7)	-	(7)
Employee benefits	(54)	-	(54)
	<u>(61)</u>	<u>-</u>	<u>(61)</u>
Non-Current Liabilities:			
Payables	(17)	-	(17)
Employee benefits	(197)	300	103
	<u>(214)</u>	<u>300</u>	<u>86</u>
Total Liabilities	<u>(275)</u>	<u>300</u>	<u>25</u>
Net Assets Transferred	<u>285</u>	<u>-</u>	<u>285</u>
Net Assets Transferred⁽¹⁾	<u>-</u>	<u>(285)</u>	<u>(285)</u>

(1) In exchange for the assets and liabilities assumed from ForestrySA a receivable has been recognised in the accounts of the Department.

Total Revenues and Expenses from Ordinary Activities for the period of 1 July 2006 to 30 June 2007 for the Activities Transferred are reported in Note 5.

34. Commitments	2007	2006
	\$'000	\$'000
Operating Lease Commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	5 384	5 310
Later than one year and not later than five years	13 575	12 542
Later than five years	9 351	10 938
Total Operating Lease Commitments	28 310	28 790
Representing:		
Cancellable operating leases	93	-
Non-cancellable operating leases	28 217	28 790
Total Operating Lease Commitments	28 310	28 790

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

The Department also leases office equipment from Fuji Xerox. These leases are cancellable on three months' notice.

Commitments for minimum lease payments in relation to non-cancellable operating leases are:	2007	2006
	\$'000	\$'000
Within one year	5 362	5 310
Later than one year but not later than five years	13 504	12 542
Later than five years	9 351	10 938
Total Non-Cancellable Operating Lease Commitments	28 217	28 790

Remuneration Commitments

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

Within one year	3 980	4 682
Later than one year but not later than five years	8 168	8 711
Total Remuneration Commitments	12 148	13 393

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

Other Commitments

Within one year	2 849	-
Later than one year but not later than five years	2 857	-
Later than five years	-	-
Total Other Commitments	5 706	-

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and a funding partnership agreement with the University of South Australia for the ARC linkage project.

This note is presented for the first time in 2006-07. No comparatives are available for 2005-06.

Committed Grants	2007	2006
	\$'000	\$'000
Grants committed but not advanced at the end of the year	3 699	3 434
Total Committed Grants	3 699	3 434

Grants committed in support of rural projects contain conditions to be met before payments are made.

35. Contingent Assets and Contingent Liabilities

Contingent Assets

The Department owns intangible assets consisting of intellectual property which includes core samples provided by the mineral and petroleum industries, which are stored by the Department. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

The Department receives securities in accordance with Acts administered by the Department for mining and petroleum. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as Security Deposits at 30 June 2007 is \$16.1 million. The Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

The Department may accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2007 are \$2 million. The Department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

Contingent Liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and mining matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas, specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

36. Trust Funds

The Trust Funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all state governments and the federal government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

This Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	Pleuro Pneumonia Fund \$'000	Extractive Areas Rehabilitation Fund \$'000	Total 2007 \$'000	2006 \$'000
Operations:				
Revenue	5	2 774	2 779	1 187
Less: Expenditure	7	474	481	565
Net Operating Surplus	2	2 300	2 298	622
Net Assets:				
Cash at bank	77	7 598	7 675	5 369
Add: Receivables	-	4	4	9
Less: Payables	-	3	3	-
Net Assets	77	7 599	7 676	5 378
Funds:				
Balance of funds at 1 July	79	5 299	5 378	4 756
Add: Net receipts	2	2 300	2 298	622
Fund Balance 30 June	77	7 599	7 676	5 378
Commitments in Place at 30 June	-	-	-	1 191

37. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June as per:

Cash Flow Statement	84 982	75 070
Balance Sheet	84 982	75 070

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

Net cash provided by operating activities	15 726	22 467
Less: Revenue from SA Government	(140 930)	(139 111)
Add (Less): Non-Cash Items:		
Depreciation and amortisation	(9 222)	(8 265)
Loss on disposal of assets	(547)	(27)
Doubtful debts write off	95	932
Changes in Assets/Liabilities (net of restructure transfer):		
(Decrease) Increase in receivables	(3 163)	661
Increase in inventories	332	464
Decrease (Increase) in payables and provisions	6 772	(9 822)
Increase in employee benefits	(2 681)	(2 735)
Decrease (Increase) in other liabilities	692	(1 424)
Net Cost of Providing Services from Ordinary Activities	(132 926)	(136 860)

38. Events after Balance Date

No events have occurred after balance date that would affect the financial statements of the Department as at 30 June 2007.

39. Remuneration of Board and Committee Members

Members of Boards and Committees during the 2006-07 financial year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	Number of Members	Number of Members
\$0 - \$9 999	343	347
\$10 000 - \$19 999	7	5
\$20 000 - \$29 999	1	-
\$40 000 - \$49 999	1	-
Total Number of Members	352	352

Remuneration of members reflects all costs of performing duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$356 540 (\$320 070).

Amounts paid to a superannuation plan for members was \$22 560 (\$24 470).

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

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

Boundary Adjustment Facilitation Panel

Birch L
Duncan J
Irving A
Maitland J

Strathalbyn (Angas Mine) Community Consultative Committee

Brazzalotto B
Brown D
Carrangis F
Currie J
Davis B
Farrier M
Jettner S
Murphy K
Oliver A
Rusby T
Pederick A
Riches T
Twartz R
Woolford A
Zammit L
Jared A
Tink W
Van Gastel C
Wintulich J
Delroy B
Earl W
Raven G
Netherton R
Sandercock P
Wigg T
Hindson D
Smith G

Board Of Examiners For Mine Managers

Coker J
Farley R
Marshall G
Reynolds P
Van Leuven M

SA Meat Hygiene Advisory Council

Marinos M
Martin G
Pedler B
Robinson J
Wedd R B

Alpaca Advisory Group

Bentley J H
Gouldie T A
Lang R A
Porter J R
Richens L C
Ansell B E

Deer Advisory Group

Barnes K A
Clark D J
Delaine M J
Morley J R
Thonard J
Varcoe J R
Lees A M G
Stevens M S

Goat Advisory Group

Hall C M
Lauterbach P C
Evans C
Riches D P
Rogers P
Simpson D E

GM Crops Advisory Committee

Bowden M S
Boyce K G
Dowling M A
Harvey H M
Levy J A W
Pearson J W
Richards R H
Schutz P R
Brown C E
Cummins L
Wicks R
Annisson G

39. Remuneration of Board and Committee Members (continued)

Brukungu Minesite Remediation Board

Johnson D
Macdonald H
Macdonald R
Vincent C
Tyne T
Stuart A

Mining Act Review Steering Group

Austin S
Beckworth A
Dalton P
Freeman P
Mills L
Mayle D
Roberts J
Tyne T
Vincent C
Windle B
Calandro K

Olympic Dam Community Consultative Forum

Baldry K
Brake L
Farrow M
Forbes M
Heithersay P
Ludby N
McGrath I
Mitchell M
Oag D
Harris F
Walsh S
Whitworth T
Wilson G
Yeeles R

Olympic Dam Environmental Consultative Committee

Caplygin S
Forbes M
Heithersay P
Laird A
Lock E
Palmer G
Power N
Reilly P
Harris F
Yeeles R

Industry Development Board

Agius P
Carey J
Carter D
Goldsworthy R
Gould I
Guglielmo T
Heithersay P
McKenzie G
Powe V
Yates K
Yeeles R
Klaosen P
Marlow Communications

Yumbarra Ministerial Advisory Committee

Moyle D

Horse Industry Advisory Group

Toole B
Arnold D P
Haynes R H
Horridge P S
McNicholl J E

Advisory Board Agriculture

Baldock H L
Correll Y A
Dennis M
Ferme N W
Hansen A S
Konzag R B
Loffler A R
Meissner A D
Merrett L J
Murdoch R G
Pledge S R
Richards M J
Ridgway J E
Teakle L M
Turner P
Walter V L
Wheaton P
Wilksch T J
Blenkiron K L
Bowyer M A
Brown D C
Price A M
Rayner P R
Smith A

Horticulture Industry Development Board

Buckley T J
Cox J B
Demasi A
Read A L
Robinson J F N
Smith Y J
Walker C J
Warhurst E A
Philp B

Development Assessment Committee

Douflias B
Ferretti D L
Iwanicki I
Llewellyn-Smith M J
Loveday G M
Owen T N
Pember G P
Vines E A
Vjestica M
Zappia A

Extractive Industries Committee

Atkinson C M
Dalton P W
Owen T N

Port Waterfront Redevelopment

Brown D L
Douflias B
Moore J J
Parisi C
Pember G P
Vines E A

39. Remuneration of Board and Committee Members (continued)

Beverley Environmental Consultative Committee

Dickman V
Heithersay P
Caplygin S
Unfilled (Heathgate Resources)
Baldry K
Whitworth T
Power N
Taylor M

SAFRAB

Crocker L A
Healy R C
Mieglich D C
Pennington R T
Pyke C A
Winwood J W
Grey D L
Grove-Jones R P
Jones H R
Stainford A J
Stevens R A
Watts T R
Ward T
Carragher J
Doroudi M
Zacharin W

Aquaculture Advisory Committee

Carthew S M
Jeffriess B C
Marshall J R
Mitchell M P
Nowak B F
Pedler F W
Stehr H
Zeidler W
Zippel B L
Clarke S M
Stone S
Christian A
Mawer S
Nightingale I
Dolan P
Atkinson H

Aquaculture Tenure Allocation Board

Geddes M C
Hogarth R R
Hill M K
Moore J J
O'Loughlin J
Seamark R F
Vanco J A
Gillanders B
Davis G

SA Meat Food Safety Advisory Committee

Martin G L
Jared A W
Smith G R
Ackland T M
Knoll F P
Lloyd M J
Marinos M C
Netherton R A
Pedler B J
Robinson J O
Wedd R B
Zammit L O
Tink W D
Van Gastel C L
Wedd R B
Wintulich J H

Building Advisory Committee

Corby B P
Hopkins K R
Marsland M P
Mazzarolo J A
Poupoulas D P
Seppelt A K
Howland S J
Jankovic P
Pratt C D
Robinson D A
Rowland K L
Thomas M W
Zillante G

Develop Policy Advisory Committee

Barone M
Ellyard H S
Filby S M
Hooper S P
Moore J F
Muffet L T
Poupoulas D
Snoswell D G
Veitch A C G

Local Heritage Advisory

Atkinson C M
Barone M
Conway M C
Garnaut C M
Ross P M
Weidenhofer S G

Major Development Panel

Llewellyn-Smith M J
Fatchen T J
Harvey N
Jackson N
Lykke D F
Mitchell M P
Ross P M
Smith K

Horticulture Plant Health Consultative Committee

Armstrong I
Crown M
Nguyen M
Sparnon I
Cornish W
Hackworth P
Smith Y
Fuller G
Ranford T
Demasi A
Mundy J
Cartwright D
Redmond M
Hannay J

Rural Solutions SA Board

Filby S
Hills D
McLaren L
Knight G (proxy Archer S)
Young E (proxy Mclead F)
Davies B (Customer representative)
Roberts K (Customer representative)

39. Remuneration of Board and Committee Members (continued)

PIRSA Risk and Audit Management Committee

Cooper C S
Zacharin W
Archer S
Heithersay P

Rural Assistance Appeals Committee

Annells B
Davidson W
Archer S

FarmBis III State Planning Group

Fell L
Jericho D
Cornish W
Tegen S
Walker C
Murphy K

**Statement of Administered Expenses and Income
for the year ended 30 June 2007**

	Note	2007 \$'000	2006 \$'000
EXPENSES:			
Employee benefits cost	A4	1 572	1 622
Supplies and services	A5	3 857	5 107
Depreciation and amortisation expense	A6	138	140
Grants and subsidies	A7	163 131	362 745
Levies payments	A8	999	1 350
Payment of royalties to Consolidated Account		144 219	122 575
Net loss from disposal of assets	A14	448	432
Other expenses	A9	3 239	907
Total Expenses		317 603	494 878
INCOME:			
Revenue from fees and charges	A11	28 952	28 766
Advances and grants	A12	133 716	130 731
Interest revenue		1 839	1 174
Levies collection	A13	680	1 319
Royalties		144 219	122 575
Sale of goods		152	243
Other income	A15	1 763	2 387
Total Income		311 321	287 195
NET COST OF PROVIDING SERVICES		6 282	207 683
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	A16	5 801	214 944
NET RESULT BEFORE RESTRUCTURE		(481)	7 261
Net revenue from an administrative restructure	A27	-	6 858
NET RESULT AFTER RESTRUCTURE		(481)	14 119

Net Result After Restructure is attributable to the SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2007**

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	A17	49 000	48 035
Receivables	A18	811	297
Total Current Assets		49 811	48 332
NON-CURRENT ASSETS:			
Land acquired under planning strategies	A19	2 576	1 600
Property, plant and equipment	A20	2 572	2 946
Intangible assets	A21	27	-
Total Non-Current Assets		5 175	4 546
Total Assets		54 986	52 878
CURRENT LIABILITIES:			
Payables	A22	22 295	19 290
Employee benefits	A24	68	72
Borrowings	A23	37	650
Other current liabilities	A25	220	-
Total Current Liabilities		22 620	20 012
NON-CURRENT LIABILITIES:			
Payables	A22	8	7
Employee benefits	A24	80	71
Borrowings	A23	-	37
Total Non-Current Liabilities		88	115
Total Liabilities		22 708	20 127
NET ASSETS		32 278	32 751
EQUITY:			
Retained earnings	A26	31 308	31 781
Asset revaluation reserve	A26	970	970
TOTAL EQUITY		32 278	32 751
Total Equity is attributable to the SA Government as owner			
Commitments	A28		
Contingent assets and liabilities	A29		

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

	Note	Assets		Total
		Revaluation Reserve	Retained Earnings	
		\$'000	\$'000	\$'000
Balance at 30 June 2005		472	17 175	17 647
Transfer from DTEI		1 050	-	1 050
Loss on revaluation of property during 2005-06		(65)	-	(65)
Transfer from reserve		(472)	472	-
Net result after restructure for 2005-06		-	13 655	13 655
Total recognised Income and Expense 2005-06		513	14 127	14 640
Equity contribution from SA Government		-	-	-
Balance at 30 June 2006		985	31 302	32 287
Prior period correction	A2	(15)	479	464
Restated balance at 30 June 2006		970	31 781	32 751
General reserve		-	8	8
Net Result after Restructure for 2006-07		-	(481)	(481)
Total recognised Income and Expense for 2006-07		-	(473)	(473)
Balance at 30 June 2007		970	31 308	32 278

All Changes in Equity are attributable to the SA Government as owner

**Statement of Administered Cash Flows
for the year ended 30 June 2007**

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	
Employee benefit payments	(1 567)	(1 602)
Supplies and services	(3 239)	(18 881)
Grants and subsidies	(162 773)	(349 249)
Payment of royalties to Consolidated Account	(142 193)	(114 257)
Levy payments	(999)	(1 350)
Payments to SA Government	-	(926)
Other payments	(2 689)	(907)
Cash used in Operations	(313 460)	(487 172)
CASH INFLOWS:		
User fees and charges	28 863	28 915
Sale of goods	152	-
Advances and grants	133 955	130 731
Interest received	1 839	1 158
Levy collections	680	1 319
Royalties	143 813	121 908
Other receipts	1 756	2 056
Cash generated from Operations	311 058	286 087
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	5 801	215 870
Cash generated from SA Government	5 801	215 870
Net Cash provided by Operating Activities	3 399	14 785
	A30	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(1 810)	(685)
Purchase of intangibles	(27)	-
Cash used in Investing Activities	(1 837)	(685)
CASH INFLOWS:		
Proceeds from the sale of property, plant and equipment	53	200
Cash generated from Investing Activities	53	200
Net Cash used in Investing Activities	(1 784)	(485)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings	(650)	(600)
Cash used in Financing Activities	(650)	(600)
CASH INFLOWS:		
Proceeds from restructuring activities	-	5 602
Cash generated from Financing Activities	-	5 602
Net Cash (used in) provided by Financing Activities	(650)	5 002
NET INCREASE IN CASH	965	19 302
CASH AT 1 JULY	48 035	28 733
CASH AT 30 JUNE	49 000	48 035
	A17	

Program Schedule of Administered Income and Expenses for the year ended 30 June 2007

(Programs - Refer Note A3)	2007						
	1	2	3	4	5	6	7
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME:							
Revenues from SA Government	-	-	-	-	-	-	-
Revenue from fees and charges	(11 369)	(217)	-	(139)	(332)	(193)	(196)
Advances and grants	-	-	(18)	-	-	-	-
Levies collection	-	-	-	-	-	-	-
Interest revenue	(872)	(3)	-	(8)	(14)	(120)	(1)
Other income	(33)	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	-
Total Administered Revenues	(12 274)	(220)	(18)	(147)	(346)	(313)	(197)
ADMINISTERED EXPENSES:							
Employee benefits costs	-	-	-	-	-	6	-
Supplies and services	984	25	-	7	24	4	9
Depreciation and amortisation expense	-	-	-	-	-	-	-
Grants and subsidies	9 133	-	18	161	351	76	183
Levy payments	-	-	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-	-	-
Net loss from disposal of assets	470	-	-	-	-	-	-
Other expenses	606	-	-	-	-	-	-
Total Administered Expenses	11 193	25	18	168	375	86	192
Operating Surplus (Deficit)	(1 081)	(195)	-	21	29	(227)	(5)
ADMINISTERED SURPLUS (DEFICIT)	(1 081)	(195)	-	21	29	(227)	(5)

(Programs - Refer Note A3)	2007						
	8	9	10	11	12	13	14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME:							
Revenues from SA Government	-	-	-	-	-	-	-
Revenue from fees and charges	(10 321)	-	(329)	(1)	-	(2 394)	(148)
Advances and grants	-	-	-	-	-	-	-
Levies collection	-	(548)	-	-	-	-	-
Interest revenue	-	(13)	(127)	(8)	(1)	(203)	(9)
Other income	(19)	-	(202)	-	-	(2)	-
Royalties	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	(152)	-
Total Administered Revenues	(10 340)	(561)	(658)	(9)	(1)	(2 751)	(157)
ADMINISTERED EXPENSES:							
Employee benefits costs	60	-	8	-	-	20	-
Supplies and services	768	-	10	6	-	979	6
Depreciation and amortisation expense	-	-	-	-	-	-	-
Grants and subsidies	11 136	4	955	3	-	458	122
Levy payments	-	851	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Total Administered Expenses	11 964	855	973	9	-	1 457	128
Operating Surplus (Deficit)	1 624	294	315	-	(1)	(1 294)	(29)
ADMINISTERED SURPLUS (DEFICIT)	1 624	294	315	-	(1)	(1 294)	(29)

**Program Schedule of Administered Income and Expenses
for the year ended 30 June 2007 (continued)**

(Programs - Refer Note A3)	2007						
	15	16	17	18	19	20	21
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME:							
Revenues from SA Government	-	-	-	-	-	(779)	(678)
Revenue from fees and charges	(628)	(17)	(1 436)	-	(1 170)	-	-
Advances and grants	-	-	-	-	-	-	(1 221)
Levies collection	-	-	-	-	-	-	-
Interest revenue	(27)	(12)	(41)	-	-	-	(69)
Other income	-	-	9	-	-	-	-
Royalties	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	-
Total Administered Revenues	(655)	(29)	(1 468)	-	(1 170)	(779)	(1 968)
ADMINISTERED EXPENSES:							
Employee benefits costs	-	-	-	-	-	-	-
Supplies and services	91	11	102	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-	-	-
Grants and subsidies	598	-	1 260	8	-	672	1 000
Levy payments	-	-	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	-	-	-
Other expenses	-	-	-	-	1 170	-	-
Total Administered Expenses	689	11	1 362	8	1 170	672	1 000
Operating Surplus (Deficit)	34	(18)	(106)	8	-	(107)	(968)
ADMINISTERED SURPLUS (DEFICIT)	34	(18)	(106)	8	-	(107)	(968)

(Programs - Refer Note A3)	2007						Total
	22	23	24	25	26		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME:							
Revenues from SA Government	(266)	-	(3 373)	-	(705)		(5 801)
Revenue from fees and charges	(7)	(20)	-	-	(35)		(28 952)
Advances and grants	(204)	(132 273)	-	-	-		(133 716)
Levies collection	-	-	-	-	(132)		(680)
Interest revenue	(44)	(265)	-	-	(2)		(1 839)
Other income	(153)	(7)	-	-	(1 356)		(1 763)
Royalties	-	-	-	(144 219)	-		(144 219)
Sale of goods	-	-	-	-	-		(152)
Total Administered Revenues	(674)	(132 565)	(3 373)	(144 219)	(2 230)		(317 122)
ADMINISTERED EXPENSES:							
Employee benefits costs	457	312	-	-	709		1 572
Supplies and services	688	138	-	-	5		3 857
Depreciation and amortisation expense	137	-	-	-	1		138
Grants and subsidies	612	132 958	3 364	-	59		163 131
Levy payments	-	-	-	-	148		999
Payments of royalties to Consolidated Account	-	-	-	144 219	-		144 219
Net loss from disposal of assets	(22)	-	-	-	-		448
Other expenses	-	-	-	-	1 463		3 239
Total Administered Expenses	1 872	133 408	3 364	144 219	2 385		317 603
Operating Surplus (Deficit)	(1 198)	843	(9)	-	155		481
ADMINISTERED SURPLUS (DEFICIT)	(1 198)	843	(9)	-	155		481

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Summary of Significant Accounting Policies

The Department's accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The Policies in Note 2 apply to both the Department and Administered Financial Statements.

A2. Effect of Changes in Accounting Policies, Changes in Accounting Estimates and Errors

During 2006-07 \$464 000 of prior period adjustments were recognised in the Income Statement. AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires that these be recognised retrospectively by restating opening balances.

The 2005-06 audit of the Outback Areas Community Development Trust (OACDT) resulted in several prior period adjustments to recognise assets revalued in the 2003-04 financial year and assumed by the Trust from remote communities. Additional assets were assumed by the Trust during 2005-06. These adjustments occurred after preparation of the consolidated Administered financial statement and are therefore prior period error corrections. Additional minor adjustments were made to the 2005-06 financial statements of the Local Government Grants Commission.

The following tables and notes accompanying the tables show the effect on the Department's Administered financial position.

Statement of Administered Assets and Liabilities	30.06.06	Changes	01.07.06
	\$'000	\$'000	\$'000
Current Assets:			
Cash	48 035	-	48 035
Receivables	361	(64)	297
Total Current Assets	48 396	(64)	48 332
Non-Current Assets:			
Land acquired under planning strategies	-	1 600	1 600
Property, plant and equipment	4 058	(1 113)	2 945
Intangible assets	-	-	-
Inventories	-	-	-
Total Non-Current Assets	4 058	487	4 545
Total Assets	52 454	423	52 877
Current Liabilities:			
Payables	19 332	(42)	19 290
Employee benefits	72	-	72
Borrowings	650	-	650
Provisions	-	-	-
Other current liabilities	-	-	-
Total Current Liabilities	20 054	(42)	20 012
Non-Current Liabilities:			
Payables	7	(1)	6
Employee benefits	69	2	71
Borrowings	37	-	37
Total Non-Current Liabilities	113	1	114
Total Liabilities	20 167	(41)	20 126
Net Assets	32 287	464	32 751
Equity:			
Contributed capital	-	-	-
Retained earnings	31 302	479	31 781
Asset revaluation reserve	985	(15)	970
Total Equity	32 287	464	32 751

The correction in retained earnings comprises:

Corrections of information relating to 2005-06 ⁽¹⁾

Corrections to information prior to 2005-06 ⁽²⁾

- (1) Corrections are made through the income and expenditure notes for the 2005-06 comparative and impact the Income Statement and retained earnings in the Balance Sheet. The following table shows where changes were made to prior year figures

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- (2) Corrections are made directly against retained earnings in the Balance Sheet and do not flow through the 2005-06 Income Statement**

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A2. Effect of Changes in Accounting Policies, Changes in Accounting Estimates and Errors (continued)

Statement of Administered Expenses and Income	30.06.06	Changes	01.07.06
Expenses:	\$'000	\$'000	\$'000
Employee benefits costs	1 640	(18)	1 622
Supplies and services	18 352	(13 245)	5 107
Depreciations and amortisation expenses	129	11	140
Grants and subsidies	349 612	13 171	362 783
Levies payments	1 350	-	1 350
Payments of royalties to Consolidated Account	122 575	-	122 575
Finance costs	-	-	-
Write-downs of inventories to net realisable value	-	-	-
Net loss from disposal of assets	432	-	432
Other expenses	907	-	907
Total Expenses	494 997	(81)	494 916
Income:			
Revenue from fees and charges	28 766	-	28 766
Advances and grants	130 731	-	130 731
Interest revenue	1 174	-	1 174
Levies collection	1 319	-	1 319
Sale of goods	-	-	-
Royalties	122 575	-	122 575
Net gain from disposal of assets	-	-	-
Other income	2 285	345	2 630
Total Income	286 850	345	287 195
Net Cost of Providing Services	208 147	(426)	207 721
Revenues from/Payments to SA Government:			
Revenues from SA Government	214 944	-	214 944
Payments to SA Government	-	-	-
Net Result before Restructure	214 944	-	214 944
Net (expense) from an administrative restructure	6 858	-	6 858
Net Result after Restructure**	13 655	426	14 081

** The net result after restructure for the revised 2006-07 opening position will differ to the amount shown in the Income Statement by the value of prior year transactions that were not flowed through the Income Statement because the transactions were for years prior to 2005-06.

A3. Administered Funds of the Department

The Program Schedule provides details of expenses and revenues applicable to the administered funds of the Department. Information about the Department's administered funds is set out below.

Program 1 - Planning and Development Fund

The Planning and Development Fund was established under section 79 of the *Development Act 1993*.

The key objective of the Fund is to provide the Government with the means to implement open space and public realm programs across South Australia. It enables the Government to adopt a State-wide overview to strategically address open and public space issues in an objective manner through the Open Space and Places for People grant programs to local government.

The primary source of funding is from developers who are required, pursuant to Section 50 of the *Development Act 1993*, to contribute to the Planning and Development Fund in lieu of the provision of 12.5 percent of the development as open space, in accordance with a prescribed formula and rate, where the number of allotments in a land sub-division are 20 or less. A contribution into the Planning and Development Fund is also required where developers create Community titles.

Program 2 - Eyre Peninsula Grain Growers Rail Fund

This fund was established by regulations under the *Primary Industry Funding Schemes Act 1998* (PIFS Act) on 7 September 2006. The primary purpose of the fund is to raise \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure.

Program 3 - Petroleum Products Subsidy

The scheme operates under the *Petroleum Products Subsidy Act 1965* and provides subsidies to registered distributors of eligible petroleum products. The scheme is fully funded by the Commonwealth under the *States Grants Petroleum Products Act 1965* and applies to all States. In South Australia, the Department is responsible for administering the scheme.

Program 4 - Adelaide Hills Wine Industry Fund

This fund was established by Regulations under the PIFS Act on 8 August 2003. The primary purposes of the fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and co-operation between participants in the Adelaide Hills wine industry.

Program 5 - McLaren Vale Wine Industry Fund

This fund was established by Regulations under the PIFS Act on 5 June 2003. The primary purposes of the fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and co-operation between participants in the McLaren Vale wine industry.

Program 6 - SA Pig Industry Fund

The South Australian Pig Industry Fund was established by Regulations under the PIFS Act on 1 October 2001. The primary purposes of the fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

Program 7 - Citrus Growers Fund

The Fund has been established under the PIFS Act, and is known as the Primary Industry funding Schemes Regulations 2005. The primary purposes of the fund are to collect industry funds for use by industry organisations to progress their industry and contribute to the State Food Plan and the economic, social and environmental progress of South Australia.

Program 8 - Fisheries Research & Development Fund

Under the *Fisheries Act 1982*, all commercial licence fees received by the Department are required to be paid into this fund. The primary purposes of the fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Fisheries Act applies or promotion of any fishing, fish farming or fish processing activity.

Program 9 - Grains Industry Levy Fund

Two voluntary levies are collected from grain producers under the *Wheat Marketing Act 1989* (Cwlth). A 3 cent levy is collected and returned quarterly to the South Australian Farmers Federation. A 13 cent levy is collected and returned quarterly to the South Australian Grains Industry Trust Fund.

Program 10 - SA Cattle Industry Fund

The South Australian Cattle Industry Fund was established by Regulations under the PIFS Act on 1 July 2000. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

Program 11 - Deer Industry Fund

This fund was established by regulations under the PIFS Act on 29 August 2002. The primary purposes of the fund are to undertake programs relating to deer, deer products or any other aspect of the deer industry, and payment of compensation and other amounts in line with Regulations.

Program 12 - Gulf of St Vincent Prawn Fishery Levy

The fund was established for the purpose of facilitating transactions associated with the voluntary buy back of Prawn Fishery licenses in the Gulf St Vincent under the *Gulf St Vincent Prawn Fishery Rationalisation Act 1987*.

Program 13 - SA Sheep Industry Fund

The South Australian Sheep Industry Fund was established by Regulations under the PIFS Act. The purposes of the Fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake projects as recommended by the South Australian Sheep Advisory Group (SASAG) and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog-proof fence.

Program 14 - Langhorne Creek Wine Industry Fund

This fund was established by Regulations under the PIFS Act on 14 June 2001. The primary purposes of the fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and co-operation between participants in the Langhorne Creek wine industry.

Program 15 - Riverland Wine Industry Fund

This fund was established by Regulations under the PIFS Act on 14 June 2001. The primary purposes of the fund are to promote the Riverland wine industry, undertake research and development and encourage communication and co-operation between participants in the Riverland wine industry.

Program 16 - SA Apiary Industry Fund

This fund was established by Regulations under the PIFS Act on 31 January 2001. The primary purpose of the fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry recommended by the Apiary Industry Advisory Group.

Program 17 - Aquaculture Resource Management Fund

The fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

Program 18 - Marine Scalefish Industry Fund

This fund was established by Regulations under the PIFS Act on 16 January 2003. The primary purposes of the fund are to make payments to organisations which represent the marine scalefish industry in relation to the promotion, development and environmental management of the industry and make payments for other purposes to benefit the marine scale fish industry.

Program 19 - Planning Fees

In accordance with Schedule 6 of the Development Regulations 1993, Planning SA on behalf of the Development Assessment Commission is required to transfer the relevant amount of land division application fees received, on a quarterly basis, to appropriate Councils and State agencies, pursuant to the directions set out in Schedule 7 of the Regulations.

Program 20 - West Beach Trust

Planning SA reimburses West Beach Trust for payments it makes under the Tax Equivalent Regime. Conversely, Planning SA receives government appropriation to fund these payments

Program 21 - Local Government Taxation Equivalents Fund:

The fund was established under the *Local Government Finance Authority Act 1983*, and requires the Local Government Finance Authority of South Australia to make taxation equivalents payments into the fund. Moneys from the fund are applied for local government development purposes.

Program 22 - Outback Areas Community Development Trust

The fund was established under *Outback Areas Community Development Trust Act 1978*. The Trust is recognised as a local government authority by the South Australian Local Government Grants Commission and, as such, receives an annual grant allocation from the commission.

Program 23 - SA Local Government Grants Commission

The fund was established by the *South Australian Local Government Grants Commission Act 1992*. The primary purposes of the fund are to distribute untied Commonwealth Local Government Financial Assistance Grants to South Australian Local Government Authorities. The commission's operating costs are predominantly funded by State Parliamentary Appropriations.

Program 24 - ForestrySA Community Service Obligations

The Department receives appropriation to make payment to ForestrySA representing Community Service Obligations for the provision of: management of native forests for biodiversity conservation; community use of forest reserves; forest research programs; and provision of community fire protection services near forest reserves.

Program 25 - Royalties

The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account.

Program 26 - Other Funds

This is the total of all other administered funds including the payment of the Minister's salary and allowances, and production receipts from companies for forwarding to native title claimants.

A4. Employee Benefits Costs	2007	2006
	\$'000	\$'000
Salaries and wages	1 291	1 136
Annual leave	47	74
Long service leave	16	19
Employment on-costs - Superannuation	63	108
Employment on-costs - Other	45	136
Board fees	110	149
Total Employee Benefits Costs	1 572	1 622

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

A5. Supplies and Services

Supplies and Services provided by Entities within the SA Government:

Professional and technical services ⁽¹⁾	836	65
Administrative and operating costs	1	-
Utility and property costs	54	27
Computing and communications costs	14	22
Operating lease costs	33	-
Other	-	6
Total Supplies and Services - SA Government Entities	938	120

Supplies and services provided by Entities external to the SA Government:

Professional and technical services ⁽¹⁾	1 192	1 622
Administrative and operating costs	1 285	2 519
Utility and property costs	268	664
Computing and communications costs	40	30
Travel	89	110
Vehicle and equipment operating costs	28	24
Staff development and safety	17	18
Total Supplies and Services - Non-SA Government Entities	2 919	4 987
Total Supplies and Services	3 857	5 107

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

(1) Includes audit fees paid/payable to the Auditor-General (refer Note A10.) Also includes consultancies costs which are further broken down below

Supplies and Services has been recategorised in 2006-07 to reflect a consistent presentation with the Controlled Financial Statements. The 2005-06 comparatives have been restated under the new categories. The adjustment has no effect on the operating result of the Department.

A5. Supplies and Services (continued)

Licence and lease fees from the Fisheries Research and Development Fund and Aquaculture Resource Management Fund to the Fishing Industry and the Department has been reported from 2006-07 under 'Grants and Subsidies'. The 2005-06 comparative value of \$13.17 million has been moved to Note A7. This adjustment has no impact on the operating result of the Department.

	2007		2006	
	Number	\$'000	Number	\$'000
The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:				
Below \$10 000	-	-	10	27
Between \$10 000 and \$50 000	-	-	5	97
Above \$50 000	-	-	1	68
Total Paid/Payable to the Consultants Engaged	-	-	16	192

A6. Depreciation and Amortisation Expense

	2007	2006
	\$'000	\$'000
Plant and equipment	48	2
Buildings and infrastructure	8	51
STED systems	82	87
Total Depreciation and Amortisation Expense	138	140

A7. Grants and Subsidies

Grants and Subsidies paid/payable to Entities within the SA Government:

The major grant programs paid to entities within the SA Government:

SA Water Corporation CSO Subsidy ⁽¹⁾	-	214 117
West Beach Trust	672	915
SA Local Government Grants Commission	-	954
Cattle Industry Fund	698	641
Sheep Industry Fund	461	371
Outback Areas Community Development Trust	64	101
Other industry funds	7	139
Planning and Development Fund	1 679	710
Pig Industry Fund	76	-
Fisheries Research and Development Fund	10 222	10 194
Aquaculture Resource Management Fund	901	2 121
ForestrySA - Community Service Obligation payment	3 365	-
Total Grants and Subsidies - SA Government Entities	18 145	230 263

Grants and Subsidies paid/payable to Entities external to the SA Government:

The major grant programs paid to entities external to the SA Government:

SA Local Government Grants Commission	132 958	123 519
Office of Local Government Administered Items	1 000	1 500
Outback Areas Community Development Trust	547	629
Riverland Wine Industry Fund	597	610
Other industry funds	66	324
McLaren Vale Wine Industry Fund	350	320
Petroleum Products Subsidy	18	249
Adelaide Hills Wine Industry Fund	160	160
Langhorne Creek Wine Industry Fund	122	110
Pig Industry Fund	-	2
Planning and Development Fund	7 454	4 241
Cattle Industry Fund	258	-
Aquaculture Resource Management Fund	358	-
Citrus Growers Fund	183	-
Fisheries Research & Development Fund	915	816
Total Grants and Subsidies - Non-SA Government Entities	144 986	132 480
Total Grants and Subsidies	163 131	362 743

Licence and lease fees paid from the Fisheries Research and Development Fund and Aquaculture Resource Management Fund to the Fishing Industry and the Department were previously reported under 'Supplies and Services'. The 2005-06 comparative value of \$13.17 million has been moved from Note A5. This adjustment has no impact on the operating result of the Department.

- (1) The Department of Treasury and Finance assumed responsibility from 1 July 2006 for the community service obligation payments to SA Water for the provision of country water and wastewater services, administration of the River Murray levy, and water conservation initiatives.

A8. Levies Payments

	2007	2006
	\$'000	\$'000
Commonwealth levy payments	851	1 178
Organisation for Economic Cooperation and Development Report levy	148	172
Total Levy Payments	999	1 350

A9. Other Expenses		2007	2006
Other Expenses paid/payable to Entities external to the SA Government:		\$'000	\$'000
Other ⁽¹⁾		31	5
Land vested to Council		575	-
Bad and doubtful debts expense		9	6
Royalty payments		1 454	-
Planning fees		1 170	896
Total Other Expenses - Non-SA Government Entities		3 239	907
Total Other Expenses		3 239	907
(1) Includes payments to SA Government entities totalling less than \$100 000.			
A10. Auditors' Remuneration			
Audit fees paid/payable to the Auditor-General's Department		92	45
Total Auditors' Remuneration		92	45
Other Services			
No other services were provided by the Auditor-General's Department.			
A11. Revenue from Fees and Charges			
User Fees and Charges received/receivable from Entities within the SA Government:			
Planning related fees		433	270
Total Fees and Charges - SA Government Entities		433	270
User Fees and Charges received/receivable from Entities external to the SA Government:			
Planning and development fees		10 937	9 954
Industry contribution		4 950	3 353
Fishing licences		9 369	11 123
Other fees and levies		3 203	4 066
Other		60	-
Total Fees and Charges - Non-SA Government Entities		28 519	28 496
Total Fees and Charges		28 952	28 766
A12. Advances and Grants			
State grants		-	238
Commonwealth grants		132 387	128 475
Industry grants		1 248	-
Local government grants		-	1 988
Intra-government transfer		81	30
Total Advances and Grants		133 716	130 731
A13. Levies Collection			
Commonwealth levy collection		548	1 177
Organisation for Economic Cooperation and Development Report levy collection		132	142
Total Levies Collection		680	1 319
A14. Net Gain (Loss) from the Disposal of Assets			
Land and Buildings:			
Proceeds from disposal		-	200
Less: Net book value of assets disposed		470	632
Net Loss from Disposal of Land and Buildings		(470)	(432)
Plant and Equipment:			
Proceeds from disposal		53	-
Less: Net book value of assets disposed		31	-
Net Gain from Disposal of Land and Buildings		22	-
Total Assets:			
Proceeds from disposal		53	200
Less: Total value of assets disposed		501	632
Total Net Loss from Disposal of Assets		(448)	(432)
A15. Other Income			
Other Income received/receivable from Entities external to SA Government:			
Reimbursements/recoveries		223	208
Fair value of assets acquired free of charge		7	345
Other		1 533	1 834
Total Other Income - Non-SA Government Entities ⁽¹⁾		1 763	2 387
Total Other Income		1 763	2 387

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

(1) Includes revenues from SA Government entities totalling less than \$100 000.

A16. Revenues from (Payments to) Government	2007	2006
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	944	215 587
Appropriations under other Acts	4 857	283
Total Revenues from SA Government	5 801	215 870
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	(926)
Total Payments to SA Government	-	(926)
Total Revenues from Government	5 801	214 944
A17. Cash		
Deposits with the Treasurer	49 000	48 035
Total Cash	49 000	48 035

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 5.68 percent and 6.10 percent. The carrying amount of cash and cash equivalents approximates fair value.

A18. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	232	190
Less: Provision for doubtful debts	8	-
	224	190
Accrued interest on loans and deposits	140	107
Other accrued revenue	442	-
Prepayments	5	-
	587	107
Total Current Receivables	811	297
Total Receivables	811	297
Receivables from SA Government Entities:		
Receivables	3	-
Accrued interest revenues	140	107
Total Receivables from SA Government Entities	143	107
Receivables from Non-SA Government Entities:		
Receivables	221	190
Other accrued revenues	442	-
Other	5	-
Total Receivables from Non-SA Government Entities	668	190
Total Receivables	881	297

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

In accordance with the APSs contained in APF IV, the Department measures loans at historical cost, except for interest free loans (measured at the present value of expected repayments). Where there is objective evidence that a loan is impaired, provision equal to the difference between the carrying value and the present value of expected future repayments is made.

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other Expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	-	-
Increase in the provision	9	-
Amounts written off	1	-
Carrying Amount at 30 June	8	-

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of \$9000 in the Income Statement. The Department has written off debts of \$1000 during the year. AASB 139 requires that there be objective evidence of impairment before a provision for loss can be recognised.

A19. Land Acquired under Planning Strategies	2007	2006
	\$'000	\$'000
Land	2 576	1 600
Total Land held under Planning Strategies	2 576	1 600

The Planning and Development Fund operates under the *Development Act 1993* and provides a means for the Government to implement open and public space programs and urban regenerations programs across South Australia pursuant to planning strategy. Land acquired by the fund is not held as a fixed property asset in the furtherance of the business operations of the Fund. The land may be transformed to open space and public use, undergo remediation or be returned to Crown Land. The land is periodically revalued. The last valuation was undertaken as at 30 June, 2006. The land may be vested to other State or Local Government Authorities for future management or it may be sold on the open market.

A20. Property, Plant and Equipment	2007	2006
	\$'000	\$'000
Land and Buildings:		
Land at fair value	10	601
Buildings and infrastructure at fair value	188	171
Accumulated depreciation	(38)	(24)
Total Land and Buildings	160	748
Water, Sewerage and Drainage:		
Water, sewerage and drainage assets at fair value	1 742	2 002
Accumulated depreciation	(233)	(417)
Total Water, Sewerage and Drainage	1 509	1 585
Plant and Equipment:		
Plant and equipment at fair value	477	263
Accumulated depreciation - Plant and equipment	(89)	(71)
Work in Progress	515	421
Total Plant and Equipment	903	613
Total Property, Plant and Equipment	2 572	2 946

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2006-07:

	Land	Buildings and Infrastructure	Water Sewerage and Drainage	Plant and Equipment	Constructions and WIP	2007 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July	2 202	29	1 309	125	393	4 058
Error Corrections from Prior Years:						
Outback Areas Community Planning SA - Land categorisation transfer	(1 601)	-	-	-	-	(1 601)
Carrying Amount at 1 July	601	147	1 585	192	421	2 946
Additions	961	481	-	274	94	1 810
Disposals	(575)	(470)	-	(31)	-	(1 076)
Transfer between asset classes	-	(7)	6	1	-	-
Depreciation/amortisation expense	-	(8)	(82)	(48)	-	(138)
Assets reclassified to assets held-for-sale	(977)	-	-	-	-	(977)
Assets acquired free of charge	-	7	-	-	-	7
Carrying Amount at 30 June	10	150	1 509	385	515	2 572

Valuation of Land and Water, Sewerage and Drainage Assets

A valuation of land, water, sewerage and drainage assets of the Outback Areas Community Development Trust was last performed by Maloney Field Services, an independent valuer from the Australian Valuation Office as at 30 June 2004. The valuer arrived at fair value based on recent market transactions for similar land, buildings and infrastructure in the area taking into account zoning and restricted use.

Carrying Amount of Assets

The carrying amount of assets includes \$13 526 of fully depreciated property still in use.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2007.

Resources Received Free of Charge

During 2006-07 the Outback Areas Community Development Trust assumed responsibility from remote outback communities for outback communications infrastructure (UHF Repeaters) to the value of \$6500.

Prior year corrections - refer Note A2.

A21. Intangible Assets	2007	2006
Software:	\$'000	\$'000
Computer software	27	-
Total Intangible Assets	27	-

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2006-07:

Carrying amount at 1 July	-	-
Additions	27	-
Carrying Amount at 30 June	27	-

(1) Recognition of internally developed software that had been expensed in previous financial years.

A22. Payables		
Current:		
Creditors ⁽¹⁾	585	-
Accrued expenses	1 257	1 222
Employment on-costs	11	12
Royalties payable to the Consolidated Account	19 852	17 826
Other	590	230
Total Current Payables	22 295	19 290

Expected to be paid more than 12 months after Reporting Date:

Employment on-costs	8	7
Total Expected to be paid more than 12 months after Reporting Date	8	7
Total Payables	22 303	19 297

Government/Non-Government Payables

Payables to SA Government Entities:

Creditors	-	-
Accrued expenses	-	517
Royalties	19 852	17 826
Total Payables to Other SA Government Entities	19 852	18 343

Payables to Non-SA Government Entities:

Creditors	585	-
Accrued expenses	1 257	705
Employment on-costs	19	19
Other	590	230
Total Payables to Non-SA Government Entities	2 451	954
Total Payables	22 303	19 297

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

(1) Creditors have not previously been recognised for the administered funds due to their immateriality. The 2006-07 reported result includes a payment due to the Fisheries Research and Development Council for \$358 000.

Interest Rate Risk

Creditors and accruals are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days and employment on-costs are settled when the related employee benefit is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

A23. Borrowings	2007	2006
(a) Borrowings consists of:	\$'000	\$'000
Indebtedness to South Australian Government Financing Authority	37	650
Total Current Borrowings	37	650
(b) Balance of Borrowings Outstanding Classifications:		
Current	37	650
Non-current	-	37
Total Borrowings	37	687

Borrowings having no maturity date are recognised at cost in accordance with APF IV APS 2.1.

The interest rate is determined by the Treasurer. The rate was 6.10 percent in 2007 (5.43 percent).

A24. Employee Benefits	2007	2006
	\$'000	\$'000
Current:		
Annual leave	49	50
Long service leave	8	3
Accrued salaries and wages	11	19
Total Current Employee Benefits	68	72
Non-Current:		
Long service leave	80	71
Total Non-Current Employee Benefits	80	71
Total Employee Benefits	148	143

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

The total current and non-current employee expense (ie aggregate employee benefit in Note 24 plus related on-costs in Note 26) for 2007 is \$167 000 (\$162 000).

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

A25. Other Liabilities	2007	2006
	\$'000	\$'000
Current:		
Unearned revenue	220	-
Total Current Other Liabilities	220	-
Total Other Liabilities	220	-
A26. Equity		
Contributed capital	-	-
Accumulated surplus	31 308	31 781
Asset revaluation reserve	970	970
Total Equity	32 278	32 751

Values for 2005-06 in the table above have been corrected for prior period adjustments (refer Note A2).

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

A27. Transferred Functions	2007	2006
	\$'000	\$'000
Net Expenses from Restructuring of Administrative Arrangements		
The net revenues (expenses) relating to the restructuring of administrative arrangements recognised in the Income Statement are shown below:		
To DTEI	-	(5 200)
From DTEI	-	12 058
Total Net Expenses from Restructuring of Administrative Arrangements	-	6 858

A28. Commitments		
Operating Lease Commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	17	-
Later than one year but not later than five years	72	-
Later than five years	29	-
Total Operating Lease Commitments	118	-
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	118	-
Total Operating Lease Commitments	118	-

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

The Local Government Grants Commission is charged a proportional sum of the lease rent charged to the Office of Local Government who is the principal lessor of the accommodation.

Other Commitments	2007	2006
	\$'000	\$'000
Within one year	2 114	-
Later than one year but not later than five years	5 900	-
Later than five years	1 400	-
Total Other Commitments	9 414	-

The Government has entered into several open and public space, and urban regeneration initiatives including the SA Water aqueduct, one million trees program, River Torrens linear park upgrade (Underdale) and South Verdun land remediation that commits funding from the Planning and Development Fund.

A29. Contingent Assets and Contingent Liabilities

Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities affecting the Administered entities comprising the consolidated financial report as at 30 June 2007.

A30. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June as per:

Statement of Administered Cash Flows	49 000	48 035
Statement of Administered Assets and Liabilities	49 000	48 035

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

Net cash provided by operating activities	3 399	14 785
Less: Revenue from SA Government	(5 801)	(214 944)
Add (Less): Non-cash items:		
Depreciation and amortisation	(138)	(129)
Loss on disposal of assets	(448)	(432)
Prior period adjustments ⁽²⁾	-	466
Doubtful debts expense reduction	-	-
Other non-cash items	(575)	-
Changes in Assets/Liabilities (net of restructure transfer):		
Increase (Decrease) in receivables	512	(220)
(Increase) in payables and provisions	(3 006)	(7 927)
(Increase) in employee benefits	(5)	(33)
(Increase) Decrease in other liabilities	(220)	753
Net Cost of Providing Services from Ordinary Activities	(6 282)	(207 681)

A31. Events after Balance Date

No events have occurred after balance date that would affect the consolidated Administered Funds financial statements as at 30 June 2007.

A32. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2006-07 financial year are listed below the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	Number of Members	Number of Members
\$0 - \$9 999	202	196
\$10 000 - \$19 999	4	10
Total Number of Members	206	206

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$167 500 (\$190 000).

Amounts paid to a superannuation plan for board/committee members was \$12 900 (\$14 300).

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

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

SA Local Government Grants Commission

Germein M
Patsesos M
Ross J

Outback Areas Community Development Trust

McIntosh W R
Fuller G
Wilson A
Baluch J
Giles B
Katnich P (Deputy Member)
Knox S (Deputy Member)

A32. Remuneration of Board and Committee Members (continued)**Extractive Areas Rehabilitation Fund Project
Assessment Panel**

Heithersay P
Lello D
Miller C
Nicolaou J
O'Neil H
Whiffen P
Caplygin S
Crimes A
Linou S
Marshall G
McDonald T

Abalone Fisheries Management Committee

Blencowe S G M
Edmunds D
Ford B
Martel A
Pennington B
Watts T
Macdonald N
Mayfield S
Noell C
Tokley M
Teale J
Faithow P

Blue Crab

Milazzo S H
Cooper C
Barker G
Butson B
Mezic A
Hyde G
Watts T
Macdonald N
Ward T
Fistr A
Phillips J
Faithow P
Chalupa A

Inland Fish Management

Long J A
Hera-Singh G
Hill T
Winwood J
Scott S
Smith S
Watts T
Macdonald N
Ferguson G
Donovan R
Fistr A
Teale J

Cattle Advisory Board

Honner T J
Ogilvie A D
Oldfield A S
Smith K R
Spain G R
Withers I A S
Young S M
Doman P F
McGrath K J

SPWCGSV Prawn

Thiele D A
Bailey R
Evans B
Hogg A
Palmer G
Puglisi A
Simms C
Paleologoudias N
Sims T
Walsh B
Ellis B
Watts T
Macdonald N
Roberts S
Dixon C
Phillips J
Wakefield K
Teale J

Beef Industry Development Board

Bainger M T C
Bell A K
Buckley A L
Crosby J R
Goode C B
Lloyd M J
Ogilvie A D
Thomas D S
Zammit L O
Andre J A
Black R
Gunner R
McLauchlan M A
Morris J L
Smith G

Dairy Industry Development Board

Beauchamp F T
Basham D K B
Ewing V
Gilbert G J
Higgins B L
Kourou A G
Lloyd K
Macdonald V F
Pfeiffer J L
Schofield C J
Tonkin G S
Wright J P

Pork Industry Development Board

Burford L K
Gilpin M A
Hamann R K
Hampel G T
McLean L N
McMahon J
Parish I G W
Sapwell C M
Starick S R

Ovine Johnes Disease Committee

Crawford G C
Harris J W
Heinrich A S
Bekker M S
Hammat T S

A32. Remuneration of Board and Committee Members (continued)

Marine Scalefish Management Committee

Vast M J
Wait
Suter A
Fooks M
Morley D
Klingberg B
Schrader J
Watts T
Winwood J
Deane C
Inwood R
Schahinger J
Jones H
Jones K
Fowler T
Sullivan A
Donovan R
Macdonald N
Usher K

Northern Zone Rock Lobster

Barnett C J
Collinson J
Hickman P
Tapley A
Tyley B
Spencer D
Watts T
Macdonald N
Ward T
Crosthwaite K
Edwards R
Wakefield K
Kimber N

Southern Zone Rock Lobster

Cooper C S
Ashby J
Cutting R
Von Bertouch R
Vonstanke R
Sampson A
Redman J
Skeer K
Rapp M
Watts T
Carrison L
Macdonald N
Linnane A
Crosthwaite K
Edwards R
Laslett D
Teale J

Sheep Industry Development Board

Arney L J
Blake M L
Dalla H M V
Quist N D
Ryan B G
Stephan C R
Wheal S F
Guerin S S
McBride M P
Hamilton P
Pfeiffer I

Pig Industry Advisory Group

Brechin P M
Fyfe A R
Hamann R K
Lloyd B R
McLean R F
McMahon J
Sapwell C M
Berlin R H

Sheep Advisory Group

Andrews F G
Hall J M
Ingham G M
McTaggart A D
Pfeiffer I G
Pocock M
Power G M
Symons J B
Walden W J
Kellock D L
Kidman S

Public Space Advisory Committee

Evans M J
Newbery I B
Patetsos M

Open Space Advisory Committee

Bolster M C
Daly J W
Hopgood D J
Smith M M

SA AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

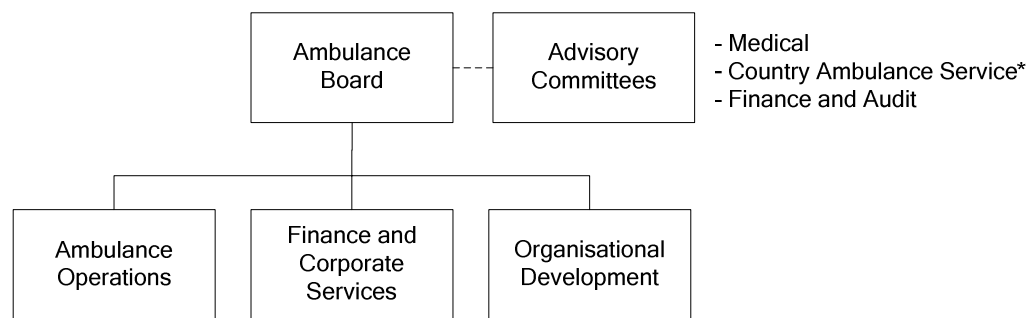
SA Ambulance Service Inc (the Ambulance Service) is an Incorporated Association formed by the Minister for Health and subject to the provisions of the *Ambulance Services Act 1992* (the Act).

Functions

The functions of the Ambulance Service are to provide pre-hospital patient care and ambulance transport as part of the State's health and emergency services.

Structure

The structure of the Ambulance Service is illustrated in the following organisation chart.



* A requirement under the *Ambulance Services Act 1992*

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 14(2) of the Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Ambulance Service 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:

- cash
- accounts payable
- payroll
- ambulance transport revenue
- Ambulance cover revenue
- general ledger processing
- budgetary control
- contracting and procurement

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

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 SA Ambulance Service Inc 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 SA Ambulance Service Inc 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 payroll related matters, payment delegations and contract approvals as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Ambulance Service 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 Ambulance Service. Responses to the management letters were generally considered to be satisfactory. Notable matters raised with the Ambulance Service and the related responses are discussed below.

Payroll Related Matters

Validation of Overtime and Allowances – Operational Staff

Claims for overtime and allowances for metropolitan operational staff are paid following submission of an approved timesheet.

In June 2007 the Ambulance Service varied existing controls. Operational team leaders became responsible for validating and approving timesheets for metro operational staff. Prior to this date centralised rostering personnel were responsible for validating overtime claims. It was ascertained that team leaders do not have access to the rostering and ambulance dispatch systems which is necessary to validate overtime and allowance claims.

The Ambulance Service responded that a Task Group would be established to consider the long term control options following the implementation of upgrades to the rostering and ambulance dispatch systems in 2007-08.

Payroll Processing – Operational Staff

Claims for overtime and allowances by operational staff (both metropolitan and country staff) are paid following receipt of an approved timesheet. Audit noted that payroll officers do not check that timesheets submitted by staff are approved in accordance with Board delegations prior to processing.

The Ambulance Service responded that procedures would be implemented to ensure timesheets are validated appropriately prior to processing.

Leave Processing – Country Operational Staff

Leave entitlements for country operational staff are adjusted in the payroll system for leave taken following the submission of an approved timesheet. As at 30 June 2007 Audit identified in excess of 500 outstanding timesheets from country operational staff.

The prompt receipt of employee timesheets provides assurance that leave balances for country operational staff are accurate.

The Ambulance Service has required that all outstanding timesheets are returned to payroll for processing by October 2007 and have indicated that stronger control procedures will be considered to ensure that timesheets are submitted promptly.

Time Recording – Non-Operational Staff

Last year Audit noted that the Ambulance Service had not established controls which effectively monitored attendance for non-operational staff and ensured that all leave taken by non-operational staff was reflected in the payroll system.

In April 2007 the Ambulance Service implemented a time recording procedure which requires managers to certify staff attendance on a fortnightly basis and forward this certificate to payroll officers for processing. As at July 2007 Audit noted that a large number of certificates had not been received by payroll for processing.

The Ambulance Service has acknowledged the need to reinforce compliance with this control procedure.

Payment Delegations

The Ambulance Service operates under an established delegations of authority framework.

Audit noted that the Ambulance Service's payment delegations had not been approved by the responsible Minister as required by TI 8. TI 8 was revised effective from the 2006-07 financial year.

The Ambulance Service responded that Ministerial approval for payment delegations has now been sought.

Contract Approvals

Review of a sample of contracts executed during 2006-07 identified two contracts with estimated values in excess of \$1.1 million which had not been approved in accordance with TI 8.

As mentioned above, TI 8 was revised effective from 2006-07. The response of the Ambulance Service acknowledged the requirements of the revised TI 8 and for future compliance with those requirements.

Ambulance Service Computer Processing Environment

The audit of the Ambulance Service includes the review of the computer processing environment for significant systems including the:

- Ambulance Revenue and Subscription system
- HP Inventory systems
- Comcen Ambulance Dispatch system.

In 2006-07 a follow up review was undertaken of the status of action by the Ambulance Service in response to matters previously raised by Audit. The key matters from this review related to:

- finalisation of policies and procedures relating to database operation and administration, change management, business continuity, user access approval and removal of privileges;
- potential segregation of duty conflicts for database administration roles;
- monitoring by the Ambulance Service of system performance, network and security issues;
- creation of formalised testing regimes for Business Continuity and Disaster Recovery Planning; and
- development of procedures relating to the disposal of obsolete equipment.

These matters were conveyed in a management letter to the Ambulance Service in April 2007 and a response was provided in May 2007. The Ambulance Service indicated in their response that resolution of the majority of matters would be addressed by the end of 2007.

The remedial action being taken by the Ambulance Service in relation to these outstanding matters will be reviewed in 2007-08 audit.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Staffing and related costs	78	65	20
Supplies and services	24	21	14
Other Expenses	18	17	6
Total Expenses	120	103	17

	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Ambulance transport fees	43	39	10
Ambulance cover	17	16	6
Other	5	5	-
Total Income	65	60	8
Net Cost of Providing Services	(55)	(43)	28
REVENUES FROM SA GOVERNMENT			
	54	51	6
Net Result	(1)	8	n/a
NET CASH FROM OPERATING ACTIVITIES			
	13	10	30
ASSETS			
Current assets	36	32	13
Non-current assets	50	45	11
Total Assets	86	77	12
LIABILITIES			
Current liabilities	32	22	45
Non-current liabilities	6	8	(25)
Total Liabilities	38	30	27
EQUITY			
	48	47	2

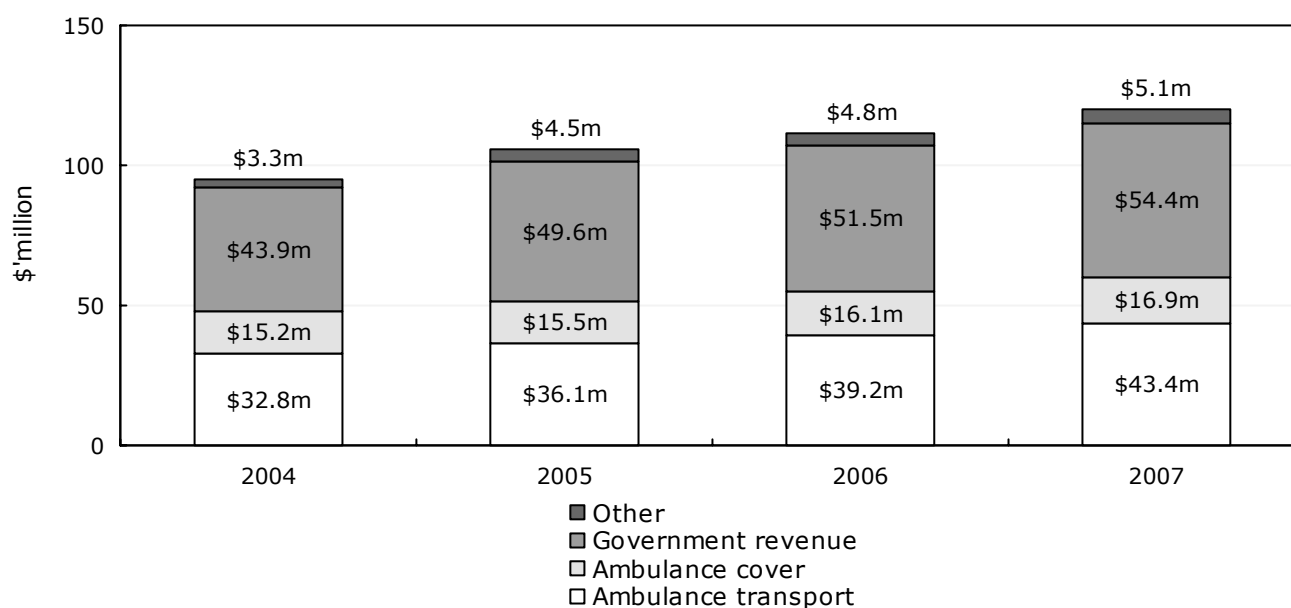
Income Statement

Income

Revenues from the SA Government are approximately 45 percent of total income which is consistent with the previous four years and demonstrates the dependency of the Ambulance Service on government funding.

Ambulance transport revenue for 2007 increased by 10 percent to \$43.4 million as a result of an 8 percent increase in the volume of chargeable ambulance usage and a 4 percent increase in rates for ambulance services.

A structural analysis of income for the Ambulance Service in the four years to 2007 is presented in the following chart.



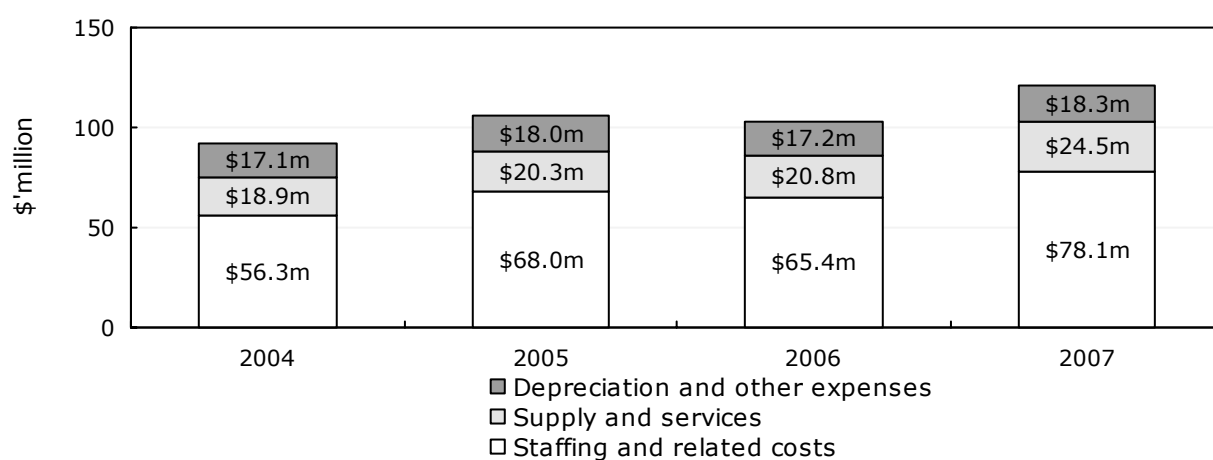
Expenses

During 2007 staffing and related costs increased by \$12.7 million to \$78.1 million. This increase was due mainly to an average 8 percent increase in rates of pay for, and a 4.8 percent increase in the number of, Ambulance Service staff. Staffing and related costs are also impacted by movement in the superannuation defined benefit liability.

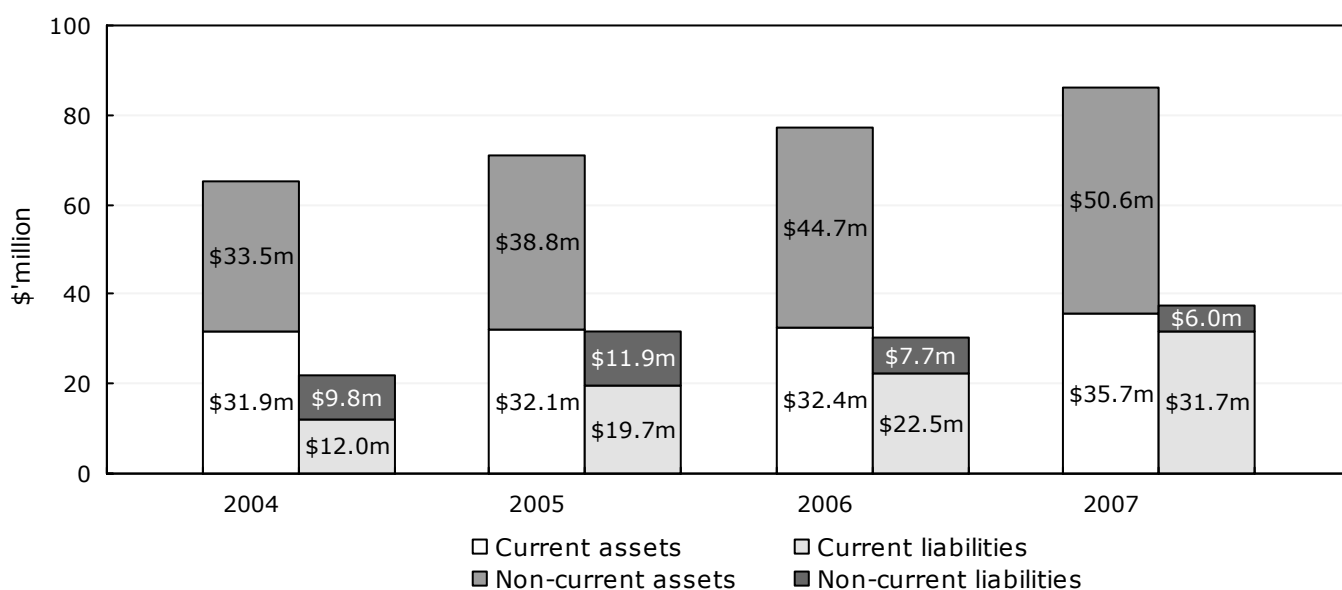
The increase in rates of pay for Ambulance Service staff resulted from the approval of a revised Enterprise Agreement effective from 1 January 2007. The Ambulance Service has recognised an expense of \$3.1 million for unpaid salaries and wages resulting from the revised Enterprise Agreement.

As part of the revised Enterprise Bargaining Agreement further increases in pay rates for paramedics were identified as a 'reserved matter' to enable the Ambulance Employees Association to progress the matter through the Industrial Relations Commission of South Australia (the Commission). The Enterprise Bargaining Agreement states that should the Commission award pay rates for paramedics that are higher than those included in the initial Enterprise Agreement, then those outcomes will be implemented from the first pay period on or after 31 December 2006.

For the four years to 2007, a structural analysis of the main operating expense items for the Ambulance Service is shown in the following chart.



Balance Sheet



Current assets comprise cash and cash equivalents of \$23.4 million and receivables of \$12.1 million.

Receivables of \$12.1 million, which principally related to charges for ambulance services, represent 34 percent of the Ambulance Services' current assets. The balance of receivables includes a provision for the value of debts considered doubtful as at 30 June. Consistent with the previous four years, the Ambulance Service estimated that 29 percent of outstanding debtors as at 30 June 2007 were unlikely to be collected.

Non-current assets increased by \$5.9 million due mainly to the acquisition of \$12.8 million of property, plant and equipment offset by depreciation charges of \$7.7 million.

Total liabilities increased by \$7.6 million due mainly to a \$3.9 million increase in trade creditors and a \$3.5 million increase in staffing related liabilities. Trade creditors increased due mainly to an increase in outstanding creditors for the acquisition and fitout of ambulances at 30 June 2007. The increase in staffing related liabilities was due mainly to the increase in employee pay rates due to the negotiation of a revised Enterprise Bargaining Agreement.

For the four years to 2007, a structural analysis of assets and liabilities is shown in the following chart.

Cash Flow Statement

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

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	12.8	9.9	7.8	12.5
Investing	(10.0)	(12.3)	(8.6)	(6.0)
Change in Cash	2.8	(2.4)	(0.8)	6.5
Cash at 30 June	23.4	20.6	23.0	23.8

The analysis of cash flows indicates that cash increased by \$2.8 million during 2006-07. This increase was due mainly to reduced capital spending. The Ambulance Service budget for 2007-08 includes \$19.1 million of planned capital expenditure. Of this \$10.4 million is to be funded from future government grants with the remaining \$8.7 million to be funded from existing cash reserves or from operations.

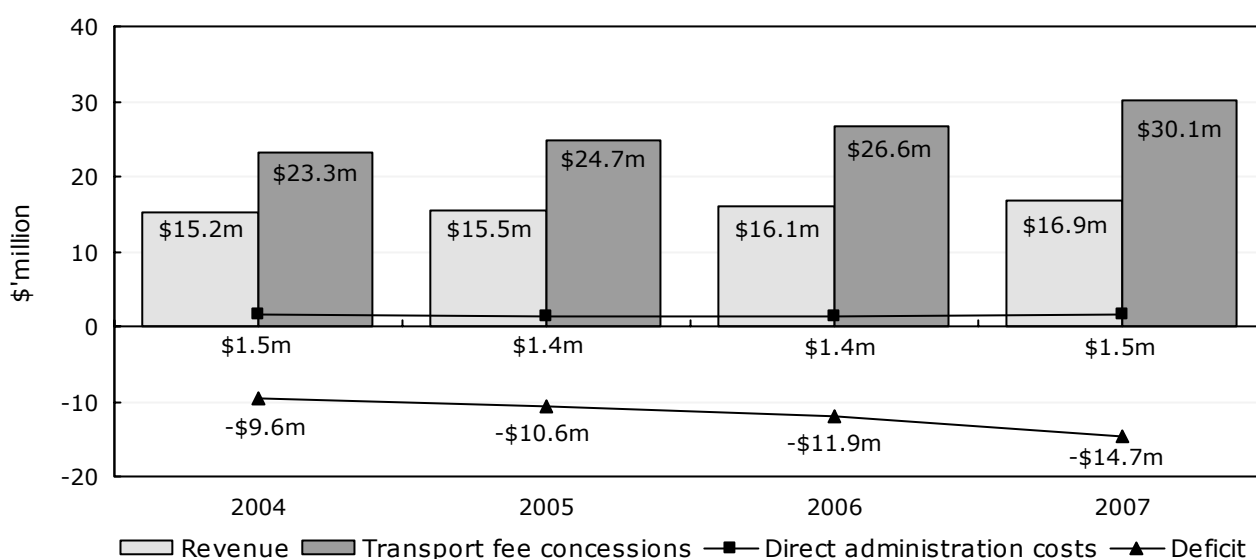
FURTHER COMMENTARY ON OPERATIONS

Ambulance Cover Scheme

The Ambulance Cover Scheme has a significant impact on the Ambulance Service's operating result as premiums charged do not cover the cost of transport concessions provided to subscribers.

Premiums received for 2006-07 of \$16.9 million increased by \$788 000 while concessions provided to subscribers increased by \$3.5 million to \$30.1 million.

The following chart reflects the movement in revenues, expenses and the deficit of the Ambulance Cover Scheme over the past four years and underlines the increasing deficit in Transport Fee Concessions.



**Income Statement
for the year ended 30 June 2007**

		2007	2006
EXPENSES:	Note	\$'000	\$'000
Staffing and related costs	4	78 089	65 362
Supplies and services	5	24 452	20 811
Depreciation and amortisation expense	7	7 723	7 633
Other expenses	8	10 566	9 555
Total Expenses		120 830	103 361
INCOME:			
Revenue from Ambulance transport	9	43 416	39 202
Revenue from Ambulance Cover	10	16 924	16 136
Revenue from Call Direct		2 033	1 939
Other operating revenues	11	2 269	1 673
Revenue from Federal Government	12	297	273
Other income		454	904
Total Income		65 393	60 127
NET COST OF PROVIDING SERVICES		(55 437)	(43 234)
REVENUES FROM SA GOVERNMENT	12	54 381	51 548
NET RESULT		(1 056)	8 314

The Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	1(m),21	23 397	20 640
Receivables	1(f),13	12 056	11 534
Inventories	1(g)	220	270
Total Current Assets		35 673	32 444
NON-CURRENT ASSETS:			
Property, plant and equipment	1(h),14	50 618	44 695
Total Non-Current Assets		50 618	44 695
Total Assets		86 291	77 139
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15(a)	10 683	6 601
Short-term and long-term staffing related entitlements	16(a)	19 875	14 698
Short-term provisions	17(a)	1 160	1 202
Total Current Liabilities		31 718	22 501
NON-CURRENT LIABILITIES			
Payables	15(b)	101	54
Long-term staffing related entitlements	16(b)	3 173	4 876
Long-term provisions	17(b)	2 741	2 743
Total Non-Current Liabilities		6 015	7 673
Total Liabilities		37 733	30 174
NET ASSETS		48 558	46 965
EQUITY:			
Contributed capital		6 298	6 298
Reserves	18	17 127	12 901
Retained earnings		25 133	27 766
TOTAL EQUITY		48 558	46 965
Total Equity is attributable to the SA Government as owner			
Commitments	19		
Contingent assets and liabilities	20		

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

	Note	Contributed		Retained	Total
		Capital	Reserves	Earnings	
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2005		6 298	12 211	20 734	39 243
Changes in accounting policy	2(a)	-	-	(1 826)	(1 826)
Restated balance at 30 June 2005		6 298	12 211	18 908	37 417
Gain on revaluation of land during 2005-06		-	683	-	683
Gain on revaluation of buildings during 2005-06		-	792	-	792
Net income/expense recognised directly in equity for 2005-06		-	1 475	-	1 475
Reserve transfers		-	(785)	785	-
Net result for 2005-06		-	-	8 314	8 314
Total recognised income and expenses for 2005-06		-	690	9 099	9 789
Balance at 30 June 2006		6 298	12 901	28 007	47 206
Changes in accounting policy	2(a)	-	-	(241)	(241)
Restated balance at 30 June 2006		6 298	12 901	27 766	46 965
Gain on revaluation of land during 2006-07	14	-	2 483	-	2 483
Gain on revaluation of leasehold improvements during 2006-07	14	-	958	-	958
Loss on revaluation of buildings during 2006-07	14	-	(792)	-	(792)
Net income/expense recognised directly in equity for 2006-07		-	2 649	-	2 649
Reserve transfers		-	1 577	(1 577)	-
Net result for 2006-07		-	-	(1 056)	(1 056)
Total recognised income and expense for 2006-07		-	4 226	(2 633)	1 593
Balance at 30 June 2007		6 298	17 127	25 133	48 558

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

Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Staffing and related payments		(74 662)	(70 283)
Supplies and services		(24 224)	(22 864)
GST payments on purchases		(3 172)	(3 472)
GST remitted to Australian Taxation Office		(6 922)	(7 582)
Cash used in Operations		(108 980)	(104 201)
CASH INFLOWS:			
Receipts from Australian Taxation Office		297	273
Fees and charges		53 535	50 854
Interest received		1 536	1 414
GST receipts on receivables		7 340	7 148
GST input tax credits		3 083	3 499
Other Receipts		555	416
Cash generated from Operations		66 346	63 604
REVENUES FROM SA GOVERNMENT		55 454	50 483
Net Cash provided by Operating Activities	21	12 820	9 886
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		1 683	1 614
Cash generated from Investing Activities		1 683	1 614
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(11 746)	(13 933)
Cash used in Investing Activities		(11 746)	(13 933)
Net Cash used in Investing Activities		(10 063)	(12 319)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2 757	(2 433)
CASH AND CASH EQUIVALENTS AT 1 JULY		20 640	23 073
CASH AND CASH EQUIVALENTS AT 30 JUNE		23 397	20 640

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are detailed below:

(a) Entity Definition

SA Ambulance Service Incorporated (the Ambulance Service) is an Incorporated Association formed by the Minister for Health for the Government of South Australia under the *Associations Incorporation Act 1985* (SA) and is governed by the *Ambulance Services Act 1992* (SA).

The Minister of Health is the sole member of the Ambulance Service.

The registered office of the Ambulance Service is located at 216 Greenhill Road, Eastwood, South Australia.

(a) Entity Definition (continued)

The principal activities of the Ambulance Service are the provision of high quality pre-hospital care and patient transport.

The Statements also include the operations of the SA Ambulance Development Fund. This fund is a Charitable Trust administered by SA Ambulance Service Nominee Co Pty Ltd pursuant to a Declaration of Trust. The fund receives donations, gifts and bequests from the public which are applied by the Trustee to improve the services offered by the Ambulance Service. The funds cannot be used for the day to day operating expenses of the Ambulance Service.

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2006*, (PSE Act) came into operation on 1 April 2007. The PSE Act amended the employment provisions of the *Ambulance Services Act 1992* to provide that the Chief Executive of the Department of Health is to be the 'employing authority' of all staff of the Ambulance Service. Prior to the operation of the PSE Act, the Ambulance Service had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of the Department of Health has delegated all of his powers and functions relating to the employment of staff to the Ambulance Service. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Ambulance Service to make payments with respect to any matter arising in connection with the employment of a person under the *Ambulance Services Act 1992*.

As a consequence of these changes, the total staffing expenses reflected in this financial report comprise the employee expenses of the agency for the period 1 July 2006 to 31 March 2007 and the staffing expenses of the agency for the period 1 April to 30 June 2007. For the purposes of this financial report the terms 'staff' and 'staffing' exclude volunteers of the Ambulance Service.

(b) Basis of Accounting

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

The 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 are revalued and carried at fair value.

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

This financial report has been prepared based on a 12 month operating cycle and presented in Australian currency rounded to the nearest thousand dollars (\$'000).

(c) Comparative Information

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

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

Note 2 provides an analysis of comparative amounts that have been reclassified as a result of changes in accounting policies.

(d) Revenue Recognition*Ambulance Transport Revenue*

Ambulance transport revenue comprises revenue earned from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

The Ambulance Service operates the Ambulance Cover scheme whereby members pay a subscription to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the subscription fee.

Call Direct Revenue

Call Direct revenue comprises the sale of alarm monitoring units, accessories and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account when accrued.

Other Operating Revenues

Other operating revenues include interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of Government's community service obligations, for which services are provided by the Ambulance Service, funds for its motor vehicle replacement program and approved capital works. Government revenues are recognised when accrued.

Other Income

Other income represents rental, commissions and sundry revenue.

(e) Taxation

The Ambulance Service is a public ambulance service and is endorsed to receive deductible gifts, and is also exempt from income tax pursuant to the ITAA. The Ambulance Service is exempted under the *Fringe Benefits Tax Assessment Act 1986* for up to \$17 000 of grossed-up taxable value per staff member and for remote housing benefit.

(f) Receivables

Receivables include amounts receivable for Ambulance Transport, Call Direct, prepayments and other accruals. Receivables from agencies and hospitals are normally received within 30 days.

Due to the nature of Ambulance Service operations, particularly Community Service Obligations, the Ambulance Service has a substantial number of doubtful debts for Ambulance Transport. Doubtful debts are written-off when there is objective evidence that they are uncollectable. The provision for doubtful debts is adjusted on a regular basis to ensure that it sufficiently covers the latest estimate of debts that may prove to be uncollectable.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

(h) Non-Current Assets

All non-current tangible assets with a value of \$10 000 or greater are capitalised. All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually. Non-current assets, other than land, are systematically depreciated in a manner that reflects the consumption of service potential.

The major asset categories are subject to straight-line depreciation over the following estimated useful lives:

	<i>Years</i>
Buildings and leasehold improvements	5 - 40
Motor vehicles	1 - 8
Medical equipment	4 - 5
Plant and equipment*	3 - 25
Communication equipment	5 - 23

* Comprises information technology, office furniture and equipment, fixtures and fittings and training equipment.

Revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. Every three years the Ambulance Service has its land, buildings and leasehold improvements independently valued and applies relevant indices provided by the valuer in intervening years.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

All non-current assets are tested for impairment during normal maintenance programs and during revaluations. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation reserve.

Refer to Note 14 for the basis of valuation for each major asset category.

(i) Operating Leases

Leases are identified as operating leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased assets.

(j) Staffing Related Entitlements

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

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

(j) Staffing Related Entitlements (continued)

The liability/pre-payment for salaries and wages are measured as the amount unpaid/paid in advance at the reporting date at remuneration rates current at reporting date.

The annual leave and accrued days off liability expected to be payable within twelve months is measured at the undiscounted amount expected to be payable. The annual leave and accrued days off liability expected to be payable after twelve months are measured at present value.

The liability for long service leave is recognised after a staff member has completed six and a half years of service in accordance with APF IV.

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of staff throughout the South Australian public sector, including the Ambulance Service, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Ambulance Service's experience of staff retention and leave taken.

The conditional portion of the long service leave provision is classified as non-current. The remainder is classified as current as the Ambulance Service does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

Superannuation Funds

A significant majority of the Ambulance Service's staff are members of the SA Ambulance Service Superannuation Scheme (the Scheme). These staff are eligible to receive a benefit from the Scheme. A benefit is payable on retirement, death, disablement or leaving the Ambulance Service, in accordance with the Scheme's trust deed and rules. The Scheme provides lump sum benefits based on a combination of defined benefits which depend on years of service and final salary and accumulation benefits which depend on the accumulation of member and employer contributions adjusted for appropriate earnings and expenses. The liability for this scheme has been determined via actuarial valuation by Mercer Investment Nominees Limited using the projected unit credit method. The South Australian Superannuation Board was appointed Trustee of the Scheme effective 1 July 2006.

The defined benefit liability has been recognised in the Balance Sheet in accordance with AASB 119. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows. Refer to Note 16(d) for funding arrangements.

Actuarial gains and losses are recognised in full, directly in the Income Statement, in the period in which they occur. The superannuation expense of the defined benefit plan is measured in accordance with AASB 119 is recognised as and when contributions fall due.

For a small proportion of the workforce, the Ambulance Service pays its contributions in accordance with the relevant award or contracts of employment to other nominated Superannuation funds in compliance with the superannuation guarantee legislation. Contributions are charged as expenditure as they are made. Members are not required to make contributions to these funds.

(k) Workers Compensation

The Ambulance Service is recognised as an exempt employer under section 61 of the WRCA. The liability for workers compensation is classified under short and long-term provisions.

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

(l) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of country branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This Fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this Fund are administered by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund (CORF), interest earnings, and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

CORF was established to meet operating costs that relate to the operations of country branches. Allocations from the Fund are administered by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(m) Cash and Cash Equivalents

Cash and cash equivalents recorded in the Cash Flow Statement includes cash on hand and deposits held at call that are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(n) 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 Ambulance Service.

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.

(o) GST

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

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

The GST receivable/payable to the ATO has been recognised as part of receivables/payables in the Balance Sheet.

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

2. Changes in Accounting Policies

(a) Change in Asset Threshold

Effective from 1 July 2006 the Ambulance Service changed its capitalisation threshold for property, plant and equipment from \$2000 to \$10 000. From this date all property, plant and equipment with an acquisition cost of less than \$10 000 will be expensed in the period in which they are acquired. This accounting policy is consistent with the requirements of the Department of Treasury and Finance APF III and will ensure consistency with other health units within the portfolio.

This change in accounting policy resulted in a decrease in the balance of Retained Earnings as at 30 June 2006 of \$241 000 (\$1 826 000).

(b) Re-classification of Bad Debt Expense

The Ambulance Service has re-classified bad debts expense as other expenses rather than supplies and services in accordance with the requirements of AASB 132.

The re-classification in 2006-07 was \$7 936 000 (\$7 043 000).

(c) Revised Accounting Standards and Interpretations

Except for the amendments to AASB 101, which has been early-adopted, the AASs and Interpretations that have been issued or amended but are not yet effective, have not been adopted for the reporting period ending 30 June 2007. Management considers that the new and amended standards and interpretations will have no material effect on the accounting policies or the financial report of the Ambulance Service.

3. Financial Risk Management

The Ambulance Service 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 Finance and Corporate Services Division and risk management policies and practices are in accordance with Australian Risk Management Standards.

The Ambulance Service has non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments).

The Ambulance Service:

- has minimal exposure to foreign exchange risk, cash flow interest risk and price risk;
- provides Ambulance Transport services based on clinical need. Consequently the Ambulance Service is exposed to credit risk in regard to patients who are unable to pay. Policies and procedures have been developed to ensure that other transactions occur with customers with appropriate credit history.

The continued existence of the Ambulance Service in its present form, and with its present segment/services, is dependent on Government policy and on continuing appropriations by Parliament to supplement the maintenance and development of the Ambulance Service's asset base and operations.

4. Staffing and Related Costs	2007	2006
	\$'000	\$'000
Salaries and wages, annual and sick leave	71 267	62 320
Superannuation - Defined benefit scheme	4 565	1 679
Superannuation - Other	90	84
Long service leave	2 167	1 279
	78 089	65 362
Amounts recognised in income in respect of the defined benefit scheme are as follows:		
Current service cost*	5 542	5 032
Interest cost	5 082	4 054
Expected return on scheme assets	(6 453)	(5 382)
Actuarial gains (losses)	394	(2 025)
Total Included in Staffing and Related Costs	4 565	1 679

* Service cost does not include the cost of 3 percent Award contributions for some members.

5. Supplies and Services	2007	2006
Information technology	2 563	1 653
Communication	2 369	2 558
Professional and administrative expenses	4 623	3 244
Occupancy	2 837	2 294
Training, travel, uniforms and other staff expenses	4 582	4 180
Consultancies	241	131
Medical	3 577	3 057
Vehicle operating	2 455	2 523
Marketing	604	638
Other	601	533
	24 452	20 811
Supplies and Services provided by Entities within the SA Government:		
Information technology	1 809	1 325
Communication	1 047	767
Professional and administrative expenses	568	-
Occupancy	103	67
Training, travel, uniforms and other staff expenses	40	272
Consultancies	22	-
Medical	9	-
Vehicle operating	-	75
	3 598	2 506
Supplies and Services provided by Entities external to SA Government:		
Training, travel, uniforms and other staff expenses	4 542	3 908
Professional and administrative expenses	4 055	3 244
Medical	3 568	3 057
Vehicle operating	2 455	2 448
Occupancy	2 734	2 227
Communication	1 322	1 791
Information technology	754	328
Marketing	604	638
Other	601	533
Consultancies	219	131
	20 854	18 305
	24 452	20 811

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Ambulance Service not holding a valid tax invoice.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2007	2006	2007	2006
	Number	Number	\$'000	\$'000
Below \$10 000	29	21	75	55
Between \$10 000 and \$50 000	5	5	82	76
Above \$50 000	1	-	84	-
	35	26	241	131

6. Auditors' Remuneration	2007	2006
Amounts paid and payable to the auditors for auditing this financial report	89	65

The auditors provided no other services.

7. Depreciation	2007	2006
	\$'000	\$'000
Buildings	585	500
Leasehold improvements	257	175
Motor vehicles	5 360	4 732
Medical equipment	324	466
Plant and equipment	175	706
Communication equipment	1 022	1 054
	7 723	7 633
8. Other Expenses		
Decrement on revaluation of non-current assets	242	-
Discounts with entities within the SA Government	348	298
Bad, doubtful debts and discounts with entities external to the SA Government	7 588	6 745
Workers compensation	2 388	2 512
	10 566	9 555
9. Ambulance Transport		
Fees raised	94 277	84 429
Less: Ambulance Cover concessions	30 105	26 637
Pensioner concessions	20 756	18 590
	43 416	39 202
Fees Received/Receivable from Entities within the SA Government:		
Fees raised	16 217	14 664
Fees Received/Receivable from Entities external to SA Government:		
Fees raised	78 060	69 765
Less: Ambulance Cover concessions	30 105	26 637
Pensioners concessions	20 756	18 590
	27 199	24 538
	43 416	39 202
10. Ambulance Cover		
Ambulance Cover revenue	16 924	16 136
Less: Transport fee concessions	30 105	26 637
Direct administration costs	1 481	1 363
Ambulance Cover Deficit	(14 662)	(11 864)
11. Other Operating Revenues		
Asset Disposals:		
Revenue from the disposal of assets - From SA Government entities	637	918
Revenue from the disposal of assets - From non-SA Government entities	1 023	719
Less: Written-down value of disposed assets	1 540	1 760
Net revenue (expense) from disposal of assets	120	(123)
Interest	1 594	1 380
Bad debt recoveries	322	250
Donations	126	124
Other	107	42
	2 269	1 673
12. Revenues from Government		
Funding was received from the State Government for:		
Operations *	47 098	46 917
South Australian Government Radio Network **	1 071	1 071
Capital works	6 212	3 560
	54 381	51 548
Funding was received from the Federal Government for:		
Operations ***	297	273
	297	273
	54 678	51 821

* Includes \$885 000 (\$864 000) from the Community Emergency Services Fund.

** Includes \$209 000 (\$209 000) from the Community Emergency Services Fund.

*** Includes \$273 000 (\$273 000) grant from the ATO to fund the additional FBT impact on the Ambulance Service as a result of the loss of the PBI status.

13. Receivables	2007	2006
	\$'000	\$'000
Receivables	10 997	10 974
Less: Provision for doubtful debts and discounts	3 155	2 889
Prepayments	2 753	2 652
Accrued revenue	1 461	797
	12 056	11 534
Receivables from SA Government Entities:		
Receivables	1 926	2 691
Less: Provision for discounts	35	27
Accrued revenue	530	304
	2 421	2 968
Receivables from Non-SA Government Entities:		
Receivables	9 071	8 283
Less: Provision for doubtful debts and discounts	3 120	2 862
Prepayments	2 753	2 652
Accrued revenue	931	493
	9 635	8 566
	12 056	11 534
14. Property, Plant and Equipment		
Land and Buildings:		
Land at fair value	9 219	6 607
Buildings at fair value	13 336	9 240
Accumulated depreciation	(6)	(13)
Total Buildings	13 330	9 227
Total Land and Buildings	22 549	15 834
Leasehold Improvements:		
Leasehold improvements at fair value	5 903	5 107
Accumulated amortisation	(1)	(309)
Total Leasehold Improvements	5 902	4 798
Motor Vehicles:		
Motor vehicles at cost (deemed fair value)	29 607	32 809
Accumulated depreciation	(13 919)	(14 944)
Total Motor Vehicles	15 688	17 865
Medical Equipment:		
Medical equipment at cost (deemed fair value)	5 811	4 653
Accumulated depreciation	(3 926)	(3 673)
Total Medical Equipment	1 885	980
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	3 073	2 673
Accumulated depreciation	(1 878)	(1 709)
Total Plant and Equipment	1 195	964
Communication Equipment:		
Communication equipment at fair value	6 105	5 942
Accumulated depreciation	(2 706)	(1 688)
Total Communication Equipment	3 399	4 254
Total Property, Plant and Equipment	50 618	44 695

The following tables show the movement in property, plant and equipment during 2006-07 and 2005-06.

	Land	Buildings	Leasehold Imprvmts	Motor Vehicles	Medical Equipmt	Plant & Equipmt	Commun- ication Equipmt	2007 Total \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	6 607	9 227	4 798	17 865	980	964	4 254	44 695
Additions	129	5 722	403	4 701	1 229	413	182	12 779
Disposals	-	-	-	(1 518)	-	(7)	(15)	(1 540)
Revaluation increment	2 483	-	958	-	-	-	-	3 441
Revaluation decrement	-	(1 034)	-	-	-	-	-	(1 034)
Depreciation and amortisation	-	(585)	(257)	(5 360)	(324)	(175)	(1 022)	(7 723)
Carrying Amount at 30 June	9 219	13 330	5 902	15 688	1 885	1 195	3 399	50 618

14. Property, Plant and Equipment (continued)

	Land \$'000	Buildings \$'000	Leasehold Imprvmts \$'000	Motor Vehicles \$'000	Medical Equipmt \$'000	Plant & Equipmt \$'000	Commun- ication Equipmt \$'000	2006 Total \$'000
Carrying amount at 1 July	5 727	7 734	3 840	13 322	806	361	5 223	37 013
Additions	197	1 201	1 133	10 939	661	1 356	112	15 599
Disposals	-	-	-	(1 664)	(21)	(47)	(27)	(1 759)
Revaluation increment	683	969	-	-	-	-	-	1 652
Revaluation decrement	-	(177)	-	-	-	-	-	(177)
Depreciation and amortisation	-	(500)	(175)	(4 732)	(466)	(706)	(1 054)	(7 633)
Carrying Amount at 30 June	6 607	9 227	4 798	17 865	980	964	4 254	44 695

Land and buildings and leasehold improvements purchased prior to 2006-07 were independently revalued on a fair value basis at 30 June 2007 by Liquid Pacific Holdings Pty Ltd.

Communication equipment was revalued on a fair value basis at 30 June 2001 by the Ambulance Service management.

15. Payables

	Note	2007 \$'000	2006 \$'000
(a) Current:			
Trade creditors - to SA Government entities		515	411
Trade creditors - to non-SA Government entities		8 263	4 513
Employment on-costs		1 670	1 456
Other creditors		235	221
		10 683	6 601
(b) Non-Current:			
Employment on-costs		101	54
Total Payables		10 784	6 655

16. Provision for Staffing Related Entitlements

(a) Current:			
Accrued days off		2 656	2 202
Accrued salaries and wages		3 577	430
Annual leave		7 776	6 926
Long service leave		5 762	4 932
Superannuation - Defined benefit scheme		104	208
		19 875	14 698
(b) Non-Current:			
Long service leave		1 336	720
Superannuation - Defined benefit scheme		1 837	4 156
		3 173	4 876
Total Provision for Staffing Entitlements		23 048	19 574
(c) Staffing Related Entitlements and On-Cost Liabilities			
Annual Leave:			
Included in current payables	15	938	843
Provision for staffing related entitlements - Current	16(a)	7 776	6 926
Total Liability for Current Annual Leave Entitlement		8 714	7 769
Accrued Days Off:			
Included in current payables	15	296	246
Provision for staffing related entitlements - Current	16(a)	2 656	2 202
Total Liability for Current Accrued Days Off Entitlement		2 952	2 448
Long Service Leave:			
Included in current payables	15	436	367
Provision for staffing related entitlements - Current	16(a)	5 762	4 932
Total Liability for Current Long Service Leave Entitlement		6 198	5 299
Included in non-current payables	15(b)	101	54
Provision for staffing related entitlements - Non-current	16(b)	1 336	720
Total Liability for Non-Current Long Service Leave Entitlement		1 437	774
Superannuation - Defined Benefit Scheme:			
Provision for staffing related entitlements- Current	16(a)	104	208
Total Liability for Current Superannuation - Defined Benefit Scheme		104	208
Provision for staffing related entitlements - Non-current	16(b)	1 837	4 156
Total Liability for Non-Current Superannuation - Defined Benefit Scheme		1 837	4 156

(d) Defined Benefit Superannuation Scheme		2007	2006
Reconciliation of the Present Value of the Defined Benefit Obligation:	Note	\$'000	\$'000
Present value of defined benefit obligations at 1 July		97 239	85 417
Current service cost		5 542	5 032
Interest cost		5 082	4 054
Contributions from scheme participants		3 696	3 336
Net actuarial losses		12 149	3 108
Benefits paid		(4 957)	(2 815)
Taxes, premiums and expenses paid		(2 545)	(1 689)
Transfers in		1 116	796
Present Value of Defined Benefit Obligations at 30 June		117 322	97 239
Reconciliation of the Fair Value of Scheme Assets:			
Fair value of scheme assets at 1 July		92 875	76 823
Expected return on scheme assets		6 453	5 382
Actuarial gains		12 035	4 717
Contributions from the employer		6 708	6 325
Contributions by scheme participants		3 696	3 336
Benefits paid		(4 957)	(2 815)
Taxes, premiums and expenses paid		(2 545)	(1 689)
Transfers in		1 116	796
Fair Value of Scheme Assets at 1 July		115 381	92 875

The amount included in the Balance Sheet arising from the Ambulance Service's obligations in respect of its defined benefit scheme is as follows:

Present value of defined benefit obligations	117 322	97 239
Fair value of scheme assets	115 381	92 875
Deficit	1 941	4 364
Net Liability Arising from Defined Benefit Obligations	1 941	4 364

Included in the Balance Sheet:

Current provision for staffing related entitlements:	16(a)		
Defined benefit obligations		104	208
Non-current provision for staffing related entitlements:	16(b)		
Defined benefit obligations		1 837	4 156
Net Liability Arising from Defined Benefit Obligations		1 941	4 364

The percentage invested in each asset class at 30 June 2007 is as follows:

	2007	2006
	Percent	Percent
Australian equity	38	35
International equity	23	29
Fixed income	27	23
Property	9	8
Cash	3	6

The fair value of scheme assets includes no amounts relating to any of the employer's own financial instruments or any property occupied by, or other assets used by, the employer. The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. The actual return on scheme assets was \$18 488 000 (\$10 367 000). Employer contributions of \$6 176 000 (excluding 3 percent award for some members) are expected to be paid to the scheme for the year ending 30 June 2008.

	2007	2006
	Percent	Percent
	per annum	per annum
Principal Actuarial Assumptions Used (expressed as weighted averages):		
Discount rate (defined benefits)	5.3	4.9
Discount rate (accumulation balances)	7.0	7.0
Expected return on Scheme assets	7.0	7.0
Expected rate of salary increase	3.5 for	4.0
	next 2 years	
	and 4.0	
	thereafter	
Historical Summary:	2007	2006
	\$'000	\$'000
Present value of defined benefit obligation	117 322	97 239
Fair value of scheme assets	115 381	92 875
Deficit in Scheme	1 941	4 364
Experience adjustments (gain) on scheme assets	(12 035)	(4 285)
Experience adjustments loss on scheme liabilities	13 671	5 425
	2005	2005
	\$'000	\$'000
	85 417	85 417
	76 823	76 823
	8 594	8 594
	(4 285)	(4 285)
	6 707	6 707

Funding Arrangements for Employer Contributions

The following is a summary of the most recent financial position (1 July 2005) of the SA Ambulance Service Superannuation Scheme calculated in accordance with AAS 25. Note that the figures below relate to the scheme as a whole, including the accumulation section.

	01.07.05
	\$'000
Gross accrued benefits	78 445
Net market value of scheme assets	<u>76 823</u>
Deficit	<u>(1 622)</u>

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Scheme as at 1 July 2005, performed by Mercer Investment Nominees Limited, are 11.6 percent of salaries of defined benefit members, and 9 percent of salaries of defined contribution members. The Ambulance Service is currently contributing at these rates. Award contributions of 3 percent of salaries for some defined benefit members are also paid.

The method used to determine the employer contribution recommendations at the last actuarial review was the Target Funding method. The method adopted affects the timing of the cost to the employer.

Under the Target Funding method, the employer contribution rate is set at a level such that the Scheme's assets are expected to exceed the Scheme's liabilities by a specified margin within a specified period of time.

The long-term economic assumptions adopted for the last actuarial review of the scheme as at 30 June 2005 were:

Expected rate of return on assets (discount rate)	7 percent per annum
Expected salary increase rate	4 percent per annum

The Ambulance Service has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The SA Ambulance Service Superannuation Scheme does not impose a legal liability on the Ambulance Service to cover any deficit that exists in the Scheme. If the Scheme were wound up, there would be no legal obligation on the employer to make good any shortfall. The Trust Deed of the Scheme states that if the Scheme winds up, the remaining assets are to be distributed by the Trustee of the Scheme in an equitable manner as it sees fit.

The employer may at any time by notice to the Trustee terminate its contributions. The employer has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the Scheme.

The Trust Deed of the Scheme requires an actuary to value the Scheme at intervals of no more than three years. The actuary is to recommend to the Trustee the amounts or rates of contributions required to be contributed by the Ambulance Service in order to ensure the stability of the Scheme and secure the rights of contributory members. The Ambulance Service must contribute to the Scheme the amounts or rates recommended by the actuary unless otherwise agreed between the Ambulance Service and the Trustee.

17. Short and Long-Term Provisions	2007	2006
(a) Short-term Provisions:	\$'000	\$'000
Workers compensation	<u>1 160</u>	<u>1 202</u>
	1 160	1 202
(b) Long-term Provision:		
Workers compensation	<u>2 741</u>	<u>2 743</u>
	2 741	2 743
18. Movement in Reserves		
(a) Reserves		
Asset Revaluation Reserve:		
Balance at 1 July	7 120	5 645
Revaluation increment	<u>2 649</u>	<u>1 475</u>
Balance at 30 June	9 769	7 120
Country Branch Reserves:		
Balance at 1 July	980	739
Transfers to retained earnings	(28)	(28)
Transfers from retained earnings	74	271
Transfers to Country Capital Reserve Fund	-	(2)
Balance at 30 June	1 026	980
Country Capital Reserve Fund:		
Balance at 1 July	4 801	5 827
Transfers to retained earnings	(236)	(2 957)
Transfers from Country Branch Reserves	-	2
Transfer from Country Operating Reserve Fund	<u>1 767</u>	<u>1 929</u>
Balance at 30 June	6 332	4 801
Country Operating Reserve Fund:		
Balance at 1 July	-	-
Transfers from retained earnings	1 767	1 929
Transfer to Country Capital Reserve Fund	<u>(1 767)</u>	<u>(1 929)</u>
Balance at 30 June	-	-
Total Reserves	17 127	12 901

19. Commitments	2007	2006
(a) Lease Commitments (excludes GST)	\$'000	\$'000
Operating contracted lease expenditure is payable as follows:		
Not later than one year	477	279
Later than one year but not later than five years	633	642
Later than five years	83	192
	1 193	1 113

The Ambulance Service has a number of operating lease arrangements for the use of properties. The major commitments are for properties at Eastwood, Ashford Hospital, Port Adelaide, Thebarton, Aldgate, Angaston, Kapunda and Strathalbyn. The Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by the Ambulance Service and the lessor.

	2007	2006
	\$'000	\$'000
Total rental expenditure was	566	390

(b) Capital Commitments (excludes GST)		
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Purchase of ambulances and vehicles within one year	473	182
Construction and fitout of buildings within one year	2 651	1 374
	3 124	1 556

(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:		
Within one year	2 784	2 876
Later than one year but not longer than five years	1 680	1 681
	4 464	4 557

20. Contingent Assets and Liabilities

The Ambulance Service is not aware of any contingent assets.

As part of the recently approved Enterprise Bargaining Agreement a Paramedic work value/professional rates case was included as a 'reserved matter' to enable the Ambulance Employees Association to progress the matter through the Industrial Relations Commission of South Australia. The Enterprise Bargaining Agreement states that should the Industrial Relations Commission of South Australia award pay rates for Paramedics that are higher than those included in the initial Enterprise Agreement, then those outcomes will be implemented from the first pay period on or after 31 December 2006. It is not possible at this time to establish either the likelihood or magnitude of any financial impacts of the Paramedic work value/professional rates case.

A number of operational staff have developed allergic symptoms which are the subject of ongoing scientific investigation. The most probable cause of this reaction is the uniform. A Uniform Review Group has been established and a different uniform is being trialled. If those trials are successful a replacement uniform will be ordered and rolled out across the Ambulance Service. In the meantime a number of identification, prevention and rectification costs are being incurred. At this stage it is not possible to establish the exact magnitude of the financial cost relating to this issue.

21. Notes to the of Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents
For the purposes of the of Cash Flow Statement and Balance Sheet, cash and cash equivalents includes cash on hand, at bank and at call and short-term investments. It comprises:

	2007	2006
	\$'000	\$'000
Cash assets	6 722	7 140
At call and short-term deposits	16 675	13 500
	23 397	20 640

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services		
Net Cash provided by operating activities	12 820	9 886
Less: Revenues from SA Government	(54 381)	(51 548)
Add (Less): Net revenue (expense) on the sale of non-current assets	120	(123)
(Less) Add: Non-cash items:		
Depreciation	(7 723)	(7 633)
Decrement on revaluation of non-current assets	(242)	-
Net Cash Provided by Operating Activities before Change in Assets and Liabilities	(49 406)	(49 418)

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services (continued)	2007	2006
	\$'000	\$'000
Change in Assets and Liabilities:		
Increase in receivables	522	2 762
(Decrease) Increase in inventory	(50)	49
Decrease (Increase) in accrued revenue for non-current asset disposals	23	(23)
Increase in payables	(4 129)	(2 541)
Increase in non-current asset purchases	1 033	1 907
(Increase) Decrease in staffing entitlements	(3 474)	3 947
Decrease in short and long-term provisions	44	83
Net Cost of Providing Services	(55 437)	(43 234)

22. Remuneration of Staff

The number of staff whose remuneration, inclusive of superannuation and other benefits, from the Ambulance Service fell within the following bands were:	2007	2006
	Number of Staff	Number of Staff
\$100 001 - \$110 000	64	41
\$110 001 - \$120 000	41	20
\$120 001 - \$130 000	18	2
\$130 001 - \$140 000	1	3
\$140 001 - \$150 000	2	1
\$150 001 - \$160 000	-	1
\$170 001 - \$180 000	1	1
\$180 001 - \$190 000	1	-
\$190 001 - \$200 000	1	1
\$230 001 - \$240 000	1	-
	130	70

The table above includes all staff who received remuneration of \$100 000 or more during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT (over exempt threshold) and any other salary sacrifice benefits but excludes leave entitlements on termination.

The figures comprise the following categories of staff:

	2007	2006
	Number of Staff	Number of Staff
Executive and administration	17	14
Operational	113	56
	130	70

The increase in staff receiving remuneration greater than \$100 000 reflects Enterprise Bargaining increases that included significant increases for a number of Operational staff effective from 1 January 2007. A number of other Operational staff fall just below the threshold and with future wage increase it is anticipated that the number of staff receiving remuneration of \$100 000 will continue to increase.

	2007	2006
	\$'000	\$'000
Total remuneration received, or due and receivable, from the Ambulance Service by the staff whose remuneration exceeded \$100 000 was:	14 766	7 847

23. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

SA Ambulance Service Board

Ms R Pak-Poy (Chair)
 Ms A Alford*
 Dr S Cole
 Mr L Gregurke (resigned 12.12.06)
 Dr W Griggs*
 Mr C Howie*
 Ms C King (resigned 30.06.07)
 Mr D O'Shea (resigned 21.10.06)
 Mr P Palmer
 Mr M Scott
 Mr J Treloar (appointed 12.02.07)

Finance and Audit Committee

Ms R Pak-Poy (Chair)
 Ms A Alford*
 Ms C King (resigned 30.06.07)
 Mr P Khoury (resigned 23.04.07)

Trustee Board of SA Ambulance Service Superannuation Fund

Mr D Hawking (resigned 01.04.07)
 Ms L Reed (resigned 01.04.07)

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

	2007	2006
	Number of Members	Number of Members
\$0	2	2
\$1 - \$10 000	8	10
\$10 001 - \$20 000	3	2
Total Number of Members	13	14

23. Remuneration of Board and Committee Members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, Fringe Benefits Tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$79 000 (\$88 000).

Amounts paid to a superannuation plan for board/committee members was \$8000 (\$8000).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. Mr C Howie was granted exemption by the Minister due to the nature of his employment.

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

SOUTH AUSTRALIA POLICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australia Police (SAPOL) is an Administrative Unit established under the PSM Act.

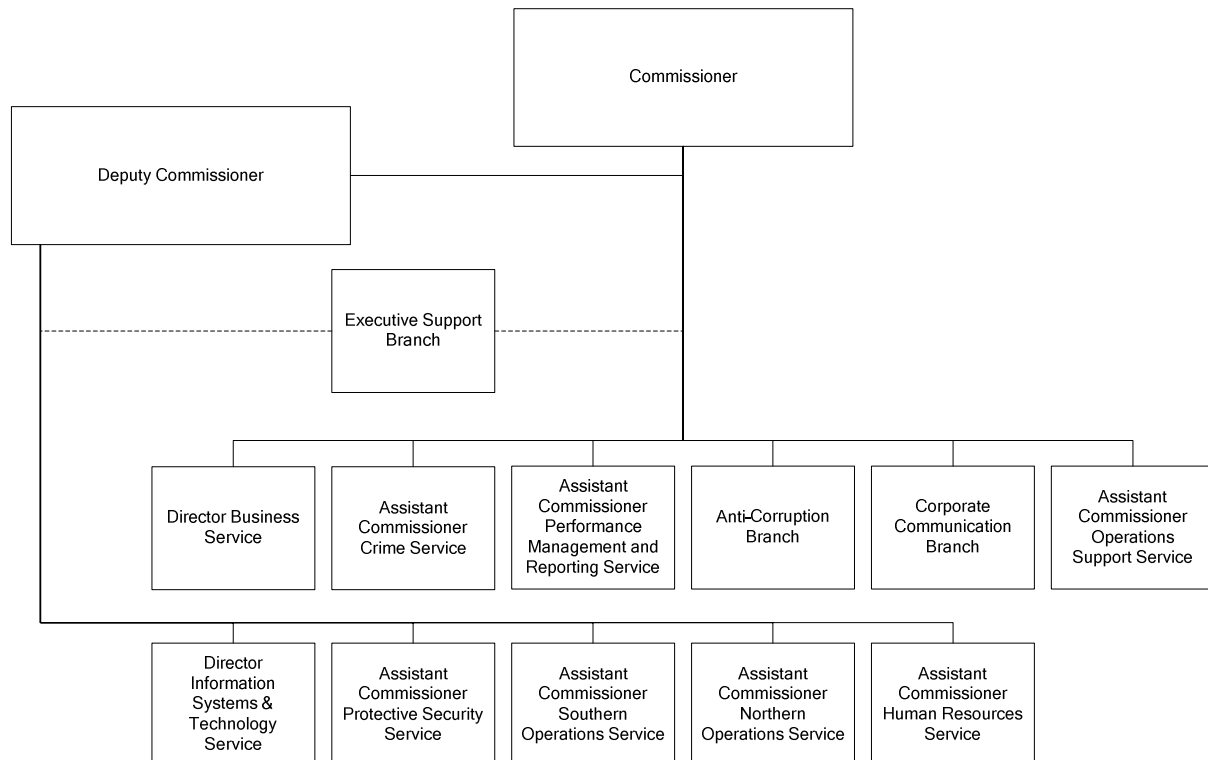
Functions

The functions of SAPOL are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2006-07, areas of review included:

- payroll
- accounts payable
- firearms
- government funding
- expiation revenue
- fixed assets
- risk management.

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 South Australia Police 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 South Australia Police in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the South Australia Police 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 Commissioner of Police. Responses to the management letters were generally considered to be satisfactory. There were no major matters raised with the SAPOL. However, a number of areas for improvement were identified. These are summarised hereunder:

Accounts Payable

The audit identified the need for management to ensure that:

- vendor master files are adequately controlled;
- authorisation of expenditure is independently checked.

Licensing and Registration of Firearms

Opportunities for improvement have been identified for:

- approval of license applications;
- maintaining the follow up of expired licenses;
- maintaining the dealer return register.

Expiation Revenue

Opportunities for improvement have been identified for:

- completion of new Digital Camera Procedures;
- the accounting treatment applied to some costs of collecting expiation revenue;
- follow-up of invalid notices.

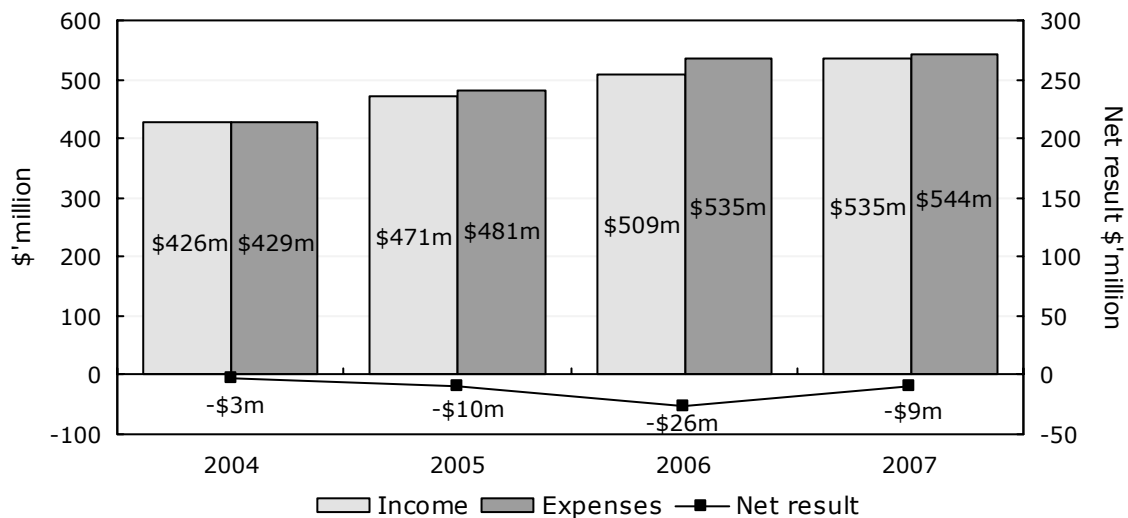
Satisfactory responses to the matters raised have been received detailing the action taken or proposed to address the matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Employment benefit expenses	430	410	5
Other expenses	114	108	6
Total Expenses	544	518	5
INCOME			
Revenue from fees and charges	16	15	7
Other revenue	10	14	(29)
Total Income	26	29	(10)
Net Cost of Providing Services	518	489	6
REVENUES FROM/PAYMENTS TO SA GOVERNMENT			
Revenues from SA Government	509	480	6
Payments to SA Government	-	(17)	-
Net Result	(9)	(26)	65
NET CASH PROVIDED BY OPERATING ACTIVITIES	20	4	-
ASSETS			
Current assets	51	46	11
Non-current assets	173	168	3
Total Assets	224	214	5
LIABILITIES			
Current liabilities	65	59	10
Non-current liabilities	163	150	9
Total Liabilities	228	209	9
EQUITY	(4)	5	-

Income Statement

The following chart shows the income, expenses and net result for the four years to 2007.



Net Result

The net result was a deficit of \$9 million representing a \$17 million improvement from the deficit recorded in 2006. That improvement reflects a \$17 million payment to government in the previous year, taken through the Income Statement pursuant to the Cash Alignment Policy which was not required for 2007.

Income

SAPOL receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. Net revenues from the State Government increased by \$46 million or 10 percent to \$509 million.

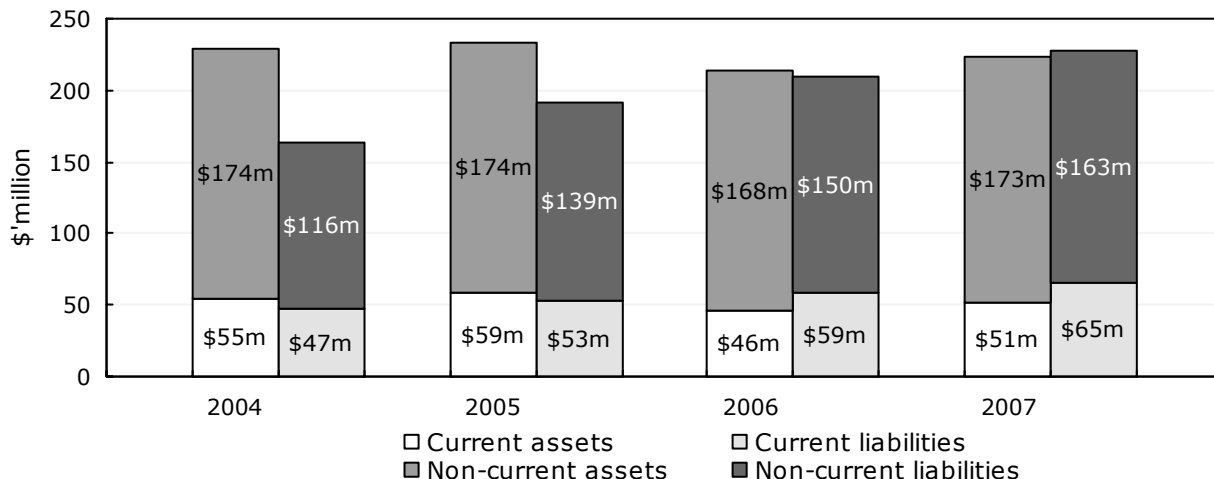
Expenses

Employee benefit expenses increased by \$20 million or 5 percent to \$430 million due largely to the impact of increases associated with the Enterprise Bargaining Agreement for police officers.

Other expenses increased by \$6 million to \$114 million. Increases in computing expenses, private partnership lease expenses and operating lease expenses accounted for the majority of the increase.

Balance Sheet

For the four years to 2007, a structural analysis of assets and liabilities is shown in the following chart.



Assets

Current assets increased by \$5 million to \$51 million during 2007 due to an increase in cash and cash equivalents. In 2006, pursuant to the Cash Alignment Policy, SAPOL made a payment to Government of \$17 million, which was not required in 2007 and this contributed to the increase in cash and cash equivalents balance.

SAPOL’s non-current assets have remained relatively constant over the past two years. The minor increase in 2007 was primarily the result of an increase in property plant and equipment of \$5 million.

Liabilities

Non-current liabilities have increased each year due mainly to increases in employee benefit entitlements and the provision for workers compensation. The increase in employee benefit entitlements, consistent with the reasons for the increase in employee expenses, is mainly as a result of the increase in the number of full time equivalents and the impact of the implementation of the Enterprise Bargaining Agreement for police officers.

Employee Benefits and Workers Compensation

Employee benefits, related on-costs and workers compensation liabilities total \$222 million and represent 97 percent (98 percent) of total liabilities. At June 2007, the workers compensation liability of \$67 million (\$60 million) represented 29 percent (28 percent) of total liabilities of \$228 million (\$209 million).

The significance of employee related liabilities compared to total liabilities is shown in the following chart.



Cash Flow Statement

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

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operating Activities	20	4	29	15
Investing Activities	(15)	(9)	(10)	(10)
Financing Activities	-	(6)	(19)	-
Change in Cash	5	(11)	-	5
Cash at 30 June	44	39	49	49

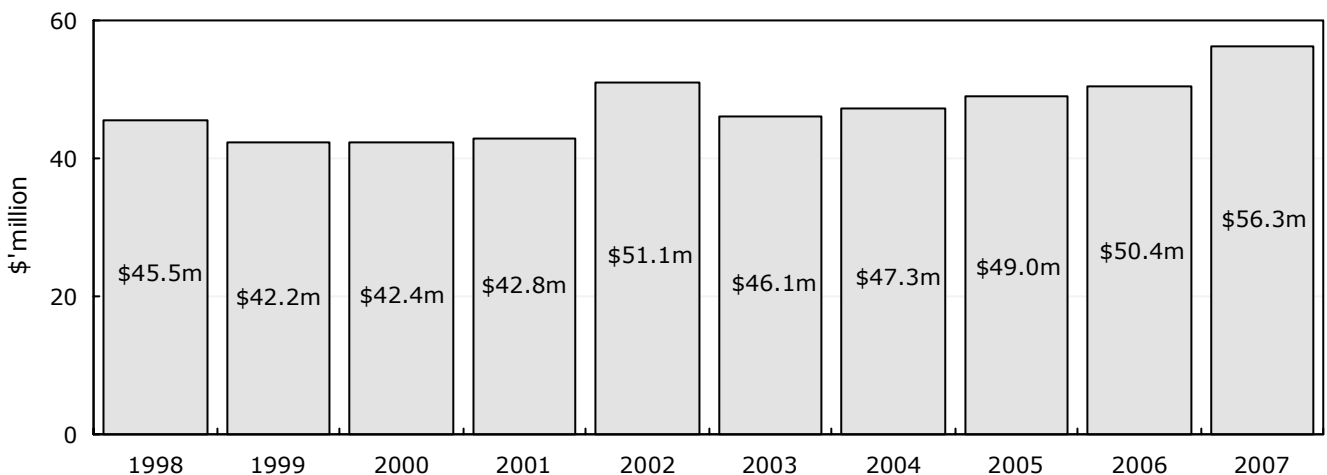
The analysis of cash flows shows that significant cash funds have been held over the past four years.

Sufficient cash funding is provided from the Consolidated Account to fund operating expenses and resulted in net cash provided from operating activities of \$20 million which was used to finance investing activities of \$15 million and resulted in a cash increase of \$5 million.

Administered Items

Expiation Fees

Expiation fees collected by SAPOL and paid into the Consolidated Account, as reflected in the following chart, increased by \$5.9 million during 2006-07 to \$56.3 million.



SAPOL has in previous years identified a range of factors which have contributed to variations in the level of Expiation Fee revenue year to year. SAPOL's reasons include changes in:

- legislation (eg the introduction of the 50 km/hr speed zone in metropolitan areas);
- the number and type of speed detection devices;
- driver behaviour in response to road safety strategies.

For 2007, the increase in expiation fees collected was due mainly to the deployment of additional fixed speed/red light cameras during the year as part of ongoing road safety reform initiatives.

FURTHER COMMENTARY ON OPERATIONS

Public, Private Partnerships – Police Facilities

In May 2005, Cabinet approved the execution of a 25 year service contract with a private company for regional SAPOL Stations and Courts Administration Authority (CAA) Courts under a Public Private Partnership (PPP) project.

In June 2005, the Minister for Infrastructure signed a Project Agreement detailing the design, construction, maintenance, operation and ownership of facilities by a private sector contractor.

The bundled PPP project involves the sale of land at unimproved market value to the contractor and the lease back by the Government of new police stations and courts at:

- | | | |
|---|---------------|--|
| • | Port Lincoln | new court and police station |
| • | Victor Harbor | new court and police station |
| • | Port Pirie | new court |
| • | Berri | new court and refurbished police station |
| • | Mt Barker | new police station |
| • | Gawler | new police station |

The Project Agreement provides for the Minister for Infrastructure to enter into leases for the new privately owned facilities on behalf of the State. During the previous year the contractor completed construction of these facilities and they are now occupied by SAPOL and CAA. Indexed annual service payments which are consistent with the Project Agreement and other administrative payments, are being made to the contractor.

For accounting purposes, the arrangement has been assessed as an operating lease consistent with the requirements of AASB 117.

**Income Statement
for the year ended 30 June 2007**

		2007	2006
EXPENSES:	Note	\$'000	\$'000
Employee benefit expenses	6	430 293	410 153
Supplies and services	7	101 248	95 402
Depreciation and amortisation expense	8	12 405	12 158
Total Expenses		543 946	517 713
INCOME:			
Revenue from fees and charges	10	16 040	14 858
Interest revenues	11	25	3 397
Commonwealth revenue	12	1 247	-
Net loss from disposal of assets	13	(427)	(26)
Other revenue	14	8 645	10 783
Total Income		25 530	29 012
NET COST OF PROVIDING SERVICES		518 416	488 701
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	15	456 479	428 023
Contributions from the Community Emergency Services Fund	15	17 152	16 750
Contributions from Community Road Safety Fund	15	34 700	34 700
Intra-Government transfers	15	702	777
Payments to SA Government	15	-	(17 111)
Net Revenues from SA Government	15	509 033	463 139
NET RESULT		(9 383)	(25 562)

Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	16	43 521	38 648
Receivables	17	6 426	6 644
Inventories		131	157
		50 078	45 449
Non-current assets classified as held-for-sale	18	812	644
Total Current Assets		50 890	46 093
NON-CURRENT ASSETS:			
Property, plant and equipment	19	159 394	154 433
Capital works in progress		3 180	6 718
Intangible assets	20	9 782	6 663
Receivables	17	689	666
Total Non-Current Assets		173 045	168 480
Total Assets		223 935	214 573
CURRENT LIABILITIES:			
Payables	21	12 813	10 869
Employee benefits	22	40 427	37 746
Short-term provisions	23	11 605	10 571
Total Current Liabilities		64 845	59 186
NON-CURRENT LIABILITIES:			
Payables	21	13 955	12 700
Long-term employee benefits	22	93 971	88 181
Long-term provisions	23	55 527	49 486
Total Non-Current Liabilities		163 453	150 367
Total Liabilities		228 298	209 553
NET ASSETS		(4 363)	5 020
EQUITY:			
Contributed capital	24	-	-
Retained earnings	24	(26 240)	(16 857)
Asset revaluation reserve	24	21 877	21 877
TOTAL EQUITY	24	(4 363)	5 020

Total Equity is attributable to the SA Government as owner

Commitments	26
Contingent assets and liabilities	27

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

	Note	Asset			Total \$'000
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005		6 256	20 837	13 821	40 914
Changes in Accounting Policies and error corrections		-	-	(5 116)	(5 116)
Restated balance at 30 June 2005		6 256	20 837	8 705	35 798
Gain on revaluation of plant, property and equipment during 2005-06		-	1 040	-	1 040
Net result for 2005-06		-	-	(22 848)	(22 848)
Total Recognised Income and Expense for 2005-06		-	1 040	(22 848)	(21 808)
Repayment of equity contribution to SA Government		(6 256)	-	-	(6 256)
Balance at 30 June 2006		-	21 877	(14 143)	7 734
Changes in accounting policy and error corrections		-	-	(2 714)	(2 714)
Restated balance at 30 June 2006	24	-	21 877	(16 857)	5 020
Net Result for 2006-07		-	-	(9 383)	(9 383)
Total Recognised Income and Expense for 2006-07		-	-	(9 383)	(9 383)
Balance at 30 June 2007	24	-	21 877	(26 240)	(4 363)

All Changes in Equity are attributable to the SA Government as owner

**Cash Flow Statement
for the year ended 30 June 2007**

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefit payments	(410 269)	(388 735)
Supplies and services	(99 170)	(95 249)
GST payments on purchases	(10 958)	(10 350)
Cash used in Operations	(520 397)	(494 334)
CASH INFLOWS:		
Fees and charges	16 117	17 193
Interest received	183	3 407
GST receipts from Australian Taxation Office	2 186	1 988
GST input tax credits	8 998	8 343
Other receipts	3 956	4 595
Cash generated from Operations	31 440	35 526
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	508 973	480 250
Payments to SA Government	-	(17 111)
Cash generated from SA Government	508 973	463 139
Net Cash provided by Operating Activities	20 016	4 331
	29	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(15 506)	(9 018)
Cash used in Investing Activities	(15 506)	(9 018)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	363	215
Cash generated from Investing Activities	363	215
Net Cash used in Investing Activities	(15 143)	(8 803)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Distributions to Government	-	(6 256)
Cash used in Financing Activities	-	(6 256)
Net Cash used in Financing Activities	-	(6 256)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4 873	(10 728)
CASH AND CASH EQUIVALENTS AT 1 JULY	38 648	49 376
CASH AND CASH EQUIVALENTS AT 30 JUNE	43 521	38 648
	16	

Program Schedule of Income and Expenses for the year ended 30 June 2007

	(refer Note 5)		Program 1		Program 2		Program 3	
			Public Order		Crime Prevention		Road Safety	
	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	148 605	141 650	149 002	142 028	50 507	48 143		
Supplies and services	34 665	32 664	34 379	32 394	12 890	12 145		
Depreciation and amortisation expense	4 212	4 128	3 892	3 815	1 858	1 821		
Total Expenses	187 482	178 442	187 273	178 237	65 255	62 109		
INCOME:								
Revenue from fees and charges	12 384	11 708	602	656	2 521	2 033		
Interest revenues	10	1 277	9	1 245	3	431		
Commonwealth revenues	465	-	459	-	160	-		
Net loss from disposal of assets	(163)	(9)	(146)	(10)	(70)	(4)		
Other revenue	3 209	4 019	3 137	3 971	1 203	1 385		
Total Income	15 905	16 995	4 061	5 862	3 817	3 845		
Net Cost of Providing Services	171 577	161 447	183 212	172 375	61 438	58 264		
Revenues from SA Government	168 341	159 740	179 981	168 618	60 315	56 559		
Payments to SA Government	-	(6 005)	-	(5 827)	-	(2 017)		
NET REVENUES FROM SA GOVERNMENT	168 341	153 735	179 981	162 791	60 315	54 542		
NET RESULT	(3 236)	(7 712)	(3 231)	(9 584)	(1 123)	(3 722)		

	(refer Note 5)		Program 4		Program 5		Program Total	
			Emergency Response and Management		Criminal Justice Services			
	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	27 759	26 460	54 420	51 873	430 293	410 153		
Supplies and services	8 331	7 850	10 983	10 348	101 248	95 402		
Depreciation and amortisation expense	1 154	1 131	1 289	1 263	12 405	12 158		
Total Expenses	37 244	35 441	66 692	63 484	543 946	517 713		
INCOME:								
Revenue from fees and charges	-	-	533	461	16 040	14 858		
Interest revenues	-	-	3	444	25	3 397		
Commonwealth revenues	-	-	163	-	1 247	-		
Net loss from disposal of assets	-	-	(48)	(3)	(427)	(26)		
Other revenue	-	-	1 096	1 408	8 645	10 783		
Total Income	-	-	1 747	2 310	25 530	29 012		
Net Cost of Providing Services	37 244	35 441	64 945	61 174	518 416	488 701		
Revenues from SA Government	36 604	35 365	63 792	59 968	509 033	480 250		
Payments to SA Government	-	(1 182)	-	(2 080)	-	(17 111)		
NET REVENUES FROM SA GOVERNMENT	36 604	34 183	63 792	57 888	509 033	463 139		
NET RESULT	(640)	(1 258)	(1 153)	(3 286)	(9 383)	(25 562)		

A Program Schedule of Police Department assets and liabilities has not been produced as that information is not readily available.

As there has been no material change in the work activity survey (over the past three years), the February 2006 work activity survey has been used in 2006-07.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of South Australia Police (SAPOL)

The South Australia Police (SAPOL) operates within the *Police Act 1998*, the Police Regulations 1999, and the PSMAct.

The mission statement of SAPOL, as set out in the Corporate Business Plan 2006 – 2007, is 'working together to reassure and protect the community from crime and disorder'. This mission statement is reflected in the following core functions:

- Uphold the law
- Preserve the peace
- Prevent crime
- Assist the public in emergency situations
- Coordinate and manage responses to emergency incidents
- Regulate road use and prevent vehicle collisions.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

- TIs and APSs promulgated under the provisions of the PFAA;
- applicable AASs;
- other mandatory professional reporting requirements in Australia.

Statement of Compliance

AASs include AIFRS and AAS 29. Except for the amendments to AASB 101, which SAPOL has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAPOL for the reporting period ending 30 June 2007. Refer Note 4.

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 SAPOL's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (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) employee TVSP information;
 - (d) 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 entity to those employees; and
 - (e) Board/Committee Member and remuneration information, where a Board/Committee Member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

2.2 Reporting Entity

SAPOL produces both Departmental and Administered financial statements. The Departmental financial statements include the use of income, expenses, assets and liabilities, controlled or incurred by SAPOL in its own right. The Administered financial statement includes the income, expenses, assets and liabilities which SAPOL administers on behalf of the SA Government but does not control.

SAPOL's principal source of funds consists of monies appropriated by Parliament.

2.3 Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have the control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities, but are disclosed in a separate financial statement.

Refer to Notes to the Administered Items Statements for further details.

2.4 Comparative Figures

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

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

2.5 Rounding

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

2.6 Taxation

SAPOL is not subject to income tax. SAPOL is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

SAPOL ceased making tax equivalent payments as of 1 July 2006.

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

2.7 Accounting for GST

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

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

The net GST receivable/payable to the ATO has been recognised as a receivable/payable in the Balance Sheet.

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

GST receivables/payables associated with Administered Items transactions are included in the SAPOL statements.

2.8 Income and Expenses

Income and expense are recognised in SAPOL's Income Statement when and only when the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with APF II APSs 4.1 and 4.2 the Notes to the financial reports disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

Fees and charges controlled by SAPOL are recognised as revenues. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Administered Items financial statements. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

The following are specific recognition criteria:

Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when SAPOL obtains control over the funding. Control over appropriations is normally obtained upon receipt and are accounted for in accordance with TI 3.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and tax equivalent payments. Expiation fees received on behalf of the government are an Administered Item and paid directly to the Department of Treasury and Finance Consolidated Account.

Resources received/provided Free-of-Charge

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

Contributions Received Paid

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

2.9 Current and Non-Current Classification

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

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

2.10- Cash and Cash Equivalents

For the purposes of the Cash Flow Statement cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Administered cash is shown in Administered Items financial schedules. Cash is measured at nominal value.

2.11 Receivables

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

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

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

2.12 Inventories

SAPOL holds inventories, generally for internal distribution. Inventories held for distribution are measured at lower of cost and replacement value.

Inventories include stationery, capsicum sprays and police horses.

2.13 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

SAPOL capitalises all non-current physical assets with a value of \$10 000 or greater in accordance with APF III APS 2.15 and APS 7.2. All other plant and equipment purchases are expensed in the year of purchase.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets. During 2006-07 SAPOL recognised Mobile Data Terminals as a complex asset for the first time.

2.14 Revaluation of Non-Current Assets

In accordance with APF III:

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

2.14 Revaluation of Non-Current Assets (continued)

The Balance Sheet includes all property, plant and equipment controlled by SAPOL.

Every three years land and buildings controlled by SAPOL are revalued. The last revaluation was as at 30 June 2005, following an independent valuation prepared by Valcorp Australia Pty Limited using the fair value methodology. Other non-current assets have been valued at their written down historic cost.

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

2.15 Impairment

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

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

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

2.16 Non-Current Assets (or Disposal Groups) Held-for-Sale

Non-current assets (or disposal groups) held-for-sale are classified as held-for-sale and stated at the lower of their carrying amount and fair values less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from other assets in the Balance Sheet.

2.17 Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

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

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

Land and assets held-for-sale are not depreciated.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings	Straight Line	15-60
Vehicles and transport vessels	Straight Line	3-10
Computers and communications	Straight Line	3-7
Other	Straight Line	2-10
Leasehold improvements	Straight Line	Life of lease
Intangibles	Straight Line	3

2.18 Intangible Assets

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

Costs associated with the acquisition of, or internal development, of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III APS 2.15.

Generally any subsequent expenditure by agencies on intangible assets, such as the replacement of parts or additions to the assets, will be expensed as the expected future economic benefits will only be maintained.

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

2.19 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 SAPOL.

2.19 Payables (continued)

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 in accordance with TI 11 after SAPOL receives an invoice.

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

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

2.20 Employee Benefits

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

Salary and Wages

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

Annual Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. Liabilities for annual leave are recognised, and are measured as the amount unpaid at the reporting date, at the rate of pay expected to be paid when the leave is taken, in respect of employee's services up to that date.

Long Service Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to long serve leave. The provision for long serve leave represents the amount which SAPOL has a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 9.1 years (10 years) service as a shorthand estimation of long serve leave liability. The Department of Treasury and Finance provided the actuarial benchmark. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs (refer Note 21). This policy is consistent with the requirements of AASB 119.

Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

2.21 Provisions

Provisions are recognised when SAPOL has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries (refer to Note 23).

Civil Actions against Police

A liability has been reported to reflect unsettled actions against SA Police.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Professional Indemnity and General Public Liability Insurance

SAPOL is a participant in the State Government's Insurance Program. SAPOL pays a premium to the South Australian Government Financing Authority, SAICORP Division (SAICORP), and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of the funding for claims in excess of the deductible.

2.23 Leases

SAPOL has entered into a number of operating lease agreements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Income Statement in the period in which they are incurred.

Public Private Partnership (PPP)

In May 2005, Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for Courts Administration Authority (CAA).

In June 2005, the Minister of Infrastructure signed a Project Agreement.

The PPP includes new police stations at Mt Barker and Gawler, new police stations and courts facilities at Port Lincoln, Victor Harbour and Berri, and new court facilities at Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

Lease expenditure related to the facilities occupied by SAPOL is recognised in the SAPOL Statements. Lease expenditure and the associated revenue related to the facilities occupied by CAA is recognised in the Administered Items Statements.

3. Financial Risk Management

SAPOL has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables). SAPOL's exposure to market risk and cash flow interest risk is minimal.

SAPOL has no significant concentration of credit risk. SAPOL 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 SAPOL in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for SAPOL's administration and programs.

4. Changes in Accounting Policies and Error Corrections

4.1 Changes in Accounting Policies

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

Interest Revenue

As of 1 July 2006, the Department of Treasury and Finance ceased paying interest on SAPOL's Operating Account balance and Accrual Appropriation account (refer to Note 11). This policy change was approved by the Treasurer and applies to all core agency operating account balances.

Government Radio Network Equipment

Government Radio Network (GRN) equipment purchased during 2006-07 and previous years, has been expensed on purchase. From 2007-08 this equipment will be capitalised as composite assets in line with Department of Treasury and Finance advice. This accounting policy change will be applied retrospectively, which will result in an adjustment for 2006-07 and prior years.

Police Academy (Fort Largs) Redevelopment

SAPOL received Cabinet approval in 2006-07 for the redevelopment of the Police Academy at Fort Largs, with on ground work commencing during 2009, including the demolition of 15 buildings. The remaining useful lives of these buildings, under normal circumstances would have been between eight and fifteen years. This is now reduced to three years. As a result, the annual depreciation expense will be increased over the remaining useful life of the assets, starting from 2006-07 until 2009-10 (refer to Note 8).

4.2 Error Corrections

Works in Progress in 2005-06 included Mobile Data Terminal (MDT) equipment and software development. SAPOL is recognising the capitalisation of the MDT initiative in 2006-07, with depreciation and amortisation relating to 2005-06 and prior years being recognised as an adjustment in 2005-06. The impact on equity of this adjustment is a reduction of \$1.3 million.

The 2006-07 annual stock-take identified non-current assets, not previously recognised in prior period financial statements, for which a correction has been made, increasing equity by \$800 000.

Workers Compensation recoveries revenue has previously been recognised as an offset against expenditure, and the associated assets as an offset against the liabilities. There is no impact on equity from this adjustment.

Other corrections have been made following a review of Works in Progress. The net impact on equity of these corrections is a reduction of \$1.2 million.

For error corrections the corresponding income, expense, asset and liability category for the 2005-06 financial year has been appropriately adjusted.

This adjustment has an effect on the Income Statement and Balance Sheet for 2005-06 as stated below:

4.2 Error Corrections (continued)

	2006							2006 Revised Result \$'000
	Published Result \$'000	Assets Recognised through Stocktake \$'000	Mobile Data Terminals \$'000	Workers Comp Recoveries \$'000	Other \$'000	Total Correction \$'000		
Income Statement								
Expenses:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	(409 832)	-	-	(321)	-	(321)	(410 153)	(410 153)
Supplies and services	(95 196)	1 012	-	-	(1 218)	(206)	(95 402)	(95 402)
Depreciation and amortisation expense	(9 650)	(322)	(1 293)	-	(893)	(2 508)	(12 158)	(12 158)
Total Expense	(514 678)	690	(1 293)	(321)	(2 111)	(3 035)	(517 713)	(517 713)
Other revenue	10 462	-	-	321	-	321	10 783	10 783
Total Income	28 691	-	-	321	-	321	29 012	29 012
Net Result	(22 848)	690	(1 293)	-	(2 111)	(2 714)	(25 562)	(25 562)
Balance Sheet								
Current Assets:								
Receivable	6 427	-	-	217	-	217	6 644	6 644
Total Current Assets	45 876	-	-	217	-	217	46 093	46 093
Non-Current Assets:								
Property, plant and equipment	152 319	690	2 157	-	(733)	2 114	154 433	154 433
Capital works in progress	13 623	-	(5 689)	-	(1 216)	(6 905)	6 718	6 718
Intangible assets	4 586	-	2 239	-	(162)	2 077	6 663	6 663
Receivables	-	-	-	666	-	666	666	666
Total Non-Current Assets	170 528	690	(1 293)	666	(2 111)	(2 048)	168 480	168 480
Total Assets	216 404	690	(1 293)	883	(2 111)	(1 831)	214 573	214 573
Current Liabilities:								
Employee benefits	(38 337)	-	-	-	591	591	(37 746)	(37 746)
Short-term provisions	(10 354)	-	-	(217)	-	(217)	(10 571)	(10 571)
Total Current Liabilities	(59 560)	-	-	(217)	591	374	(59 186)	(59 186)
Non-Current Liabilities:								
Employee benefits	(87 590)	-	-	-	(591)	(591)	(88 181)	(88 181)
Long-term Provisions	(48 820)	-	-	(666)	-	(666)	(49 486)	(49 486)
Total Non-Current Liabilities	(149 110)	-	-	(666)	(591)	(1 257)	(150 367)	(150 367)
Total Liabilities	(208 670)	-	-	(883)	-	(883)	(209 553)	(209 553)
Net Assets	7 734	690	(1 293)	-	(2 111)	(2 714)	5 020	5 020
Retained earnings	(14 143)	690	(1 293)	-	(2 111)	(2 714)	(16 857)	(16 857)
Total Equity	7 734	690	(1 293)	-	(2 111)	(2 714)	5 020	5 020

Revised values are presented as comparatives through-out the financial statements, including the Notes to the Statements.

5. Programs of SAPOL

SAPOL has identified five programs that it delivers to the community and the Minister for Police. The identity and description of each SAPOL program during the year ended 30 June is summarised below. Financial information relating to each Program is reported in the Program Schedule of SAPOL's Expenses and Income.

Program 1 - Public Order

Provision of police services to the community, the investigation and management of public order offences, and the management of major events in the State. The outcome is a community that is reassured and protected from crime and disorder, making South Australia a safer place to live, visit and conduct business.

Program 2 - Crime Prevention

Conducting investigations and management by police of crimes against the person, property offences, drug related offences and other crimes in the community; application of SAPOL's crime reduction strategy to achieve identified crime reduction outcomes; provision of services that support crime prevention, such as Watch programs and Crime Stoppers; and the production and dissemination of information, education and training. The outcome is that the incidence and effects of crime will be reduced, making South Australia a safer place to live, visit and conduct business.

Program 3 - Road Safety

Regulation of road use, investigation of vehicle collisions and promotion of road safety. The outcomes are improved road safety and efficient traffic movement, in addition to related economic and personal benefits, making South Australia a safer place to live, visit and conduct business.

Program 4 - Emergency Response and Management

Maximising the capacity to receive and manage calls for assistance, and to respond to and manage emergencies. The outcome is that the effects on individuals and the community of emergency and disaster situations are minimised, making South Australia a safer place to live, visit and conduct business.

Program 5 - Criminal Justice Services

Enforcement of court orders and execution of warrants, the provision of prosecution services and services to the judicial system, and the safekeeping and supervision of persons in police custody. The outcome is an efficient, effective, safe and fair support service to the judicial system, making South Australia a safer place to live, visit and conduct business.

6. Employee Benefits Expenses

	2007	2006
	\$'000	\$'000
Salaries and wages	285 246	274 983
TVSP (refer below)	-	944
Long service leave	15 810	10 633
Annual leave	37 549	37 441
Employee on-costs - Superannuation	48 110	47 805
Employee on-costs - Other	21 020	20 341
Other employee benefit costs	713	619
Workers compensation (refer Note 23)	21 845	17 387
Total Employee Benefits Costs	430 293	410 153

TVSPs

Amount paid to these employees:

TVSPs	-	944
Annual leave and long service leave accrued over the period	-	327
	-	1 271

Recovery from the Department of the Premier and Cabinet

-	943
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	2007	2006
	Number of	Number of
	Employees	Employees
Number of employees who were paid TVSPs during the reporting period	-	9

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

\$100 000 - \$109 999	267	130
\$110 000 - \$119 999	101	78
\$120 000 - \$129 999	37	22
\$130 000 - \$139 999	14	8
\$140 000 - \$149 999	5	1
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	3	3
\$170 000 - \$179 999	1	2
\$180 000 - \$189 999	3	4
\$200 000 - \$209 999	5	1
\$220 000 - \$229 999	1	-
\$260 000 - \$269 999	-	1
\$300 000 - \$309 999	1	-
\$370 000 - \$379 999	-	1
\$570 000 - \$579 999	1	-
Total Number of Employees	440	251

Remuneration of Employees by Category

Executive	13	12
Non-executive	427	239
Total Number of Employees	440	251
Police	434	242
Public Servant	6	9
Total Number of Employees	440	251

The total remuneration paid or payable to these employees was \$50 million (\$28.8 million).

The increase in remuneration is caused by the implementation of the Enterprise Bargaining Agreement for Police officers resulting in an increase in the number of police ranks entering the greater than \$100 000 remuneration category.

This table represents employees remunerated from SAPOL and Administered items.

The table above includes remuneration for the Deputy Commissioner (\$570 000 to \$579 999 band) who retired during 2006-07 and includes associated leave entitlements.

7. Supplies and Services	2007	2006
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Rent	9 544	9 595
Computing expenses	8 761	8 761
Operating leases	8 120	7 362
Communication expenses (including Government Radio Network (GRN) expenditure)	5 037	4 781
Housing subsidies	4 757	4 209
Repairs and maintenance - Buildings	4 005	4 187
Electricity, gas and fuel	815	1 050
Insurance and risk management	872	871
Costs against Police (legal costs)	829	720
Other administrative expenses	476	670
Motor vehicles expenses	463	277
Service agreements	211	252
Civil actions against Police (legal costs)	71	141
Staff development	168	110
Minor equipment expenses	69	59
Other	1 180	502
Total Supplies and Services - SA Government Entities	45 378	43 547
Supplies and Services provided by Entities external to the SA Government:		
Motor vehicle expenses	11 603	10 847
Minor equipment expenses	3 344	4 349
Communication expenses	3 413	4 099
Computing expenses	6 781	2 949
Travel and accommodation	2 638	2 779
Uniform issues	2 231	2 280
Electricity, gas and fuel	1 986	2 216
Cleaning infrastructure	1 888	1 877
Service agreements	2 384	1 660
Other administrative expenses	3 881	5 216
Agency staffing	1 603	1 515
Stationery	1 232	1 246
Staff development	1 570	1 235
Alarm installation, maintenance and monitoring	1 098	1 025
Aircraft operations	360	953
Printing	745	653
Advertising	460	621
Public Private Partnership lease	3 027	594
Repairs and maintenance - Equipment	556	592
Occupational Health and Safety	329	251
Occupancy other	73	260
Operating leases	225	222
Rent	83	177
Consultancies	116	76
Civil actions against Police (legal costs)	75	49
Costs against Police (legal costs)	42	25
Other	4 127	4 089
Total Supplies and Services - Non-SA Government Entities	55 870	51 855
Total Supplies and Services	101 248	95 402

Pursuant to the contract arrangements with Plenary, the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and the CAA. Lease expenditure related to the facilities occupied by SAPOL is recognised in the SAPOL Statements, above. Lease expenditure and the associated revenue related to the facilities occupied by CAA is recognised in the SAPOL Administered Items Statements. Refer also to Note 2.23. 2006-07 represents the first full year of occupancy.

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

The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following band:	2007	2006
	Number	\$'000
Below \$10 000	4	24
Between \$10 000 - \$50 000	1	14
Above \$50 000	1	78
Total Paid/Payable to the Consultants Engaged	6	116

8. Depreciation and Amortisation Expense	2007	2006
Depreciation:	\$'000	\$'000
Buildings and improvements	4 120	3 205
Plant and equipment	5 251	5 688
Total Depreciation	9 371	8 893
Amortisation:		
Leasehold improvements	1 074	1 945
Intangible assets	1 960	1 320
Total Amortisation	3 034	3 265
Total Depreciation and Amortisation	12 405	12 158

SAPOL has received Cabinet approval for the redevelopment of the Police Academy at Fort Largs, with on ground work commencing during 2009, as a result 15 buildings will be demolished. The remaining useful lives of these buildings, under normal circumstances would have been between eight and fifteen years, this is now reduced to three years. As a result, the annual depreciation expense will be increased over the remaining useful life of the assets, starting from 2006-07 until 2009-10.

9. Auditors' Remuneration	2007	2006
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	158	171

Other Services

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

10. Revenues from Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Police Security services	6 715	6 247
Police information requests	295	311
Other fees	9	8
Total Fees and Charges - SA Government Entities	7 019	6 566
Fees and Charges received/receivable from Entities external to the SA Government:		
Firearms licence and registration fees	3 540	3 293
Police information requests	2 549	2 037
Escorts - Wide load/other	1 717	1 660
Prosecution and other court fees	618	603
Police Security services	92	289
Other fees	505	410
Total Fees and Charges - Non-SA Government Entities	9 021	8 292
Total Fees and Charges	16 040	14 858

11. Interest Revenue		
Interest from entities within the SA Government	15	3 389
Other	10	8
Total Interest Received	25	3 397

As of 1 July 2006, the Department of Treasury and Finance ceased paying interest on SAPOL's Operating Account balance and Accrual Appropriation Account balance. This policy change was approved by the Treasurer and applies to all core agency operating account balances.

12. Commonwealth Revenue	2007	2006
	\$'000	\$'000
Other Commonwealth revenue	1 247	-
Total Commonwealth Revenue	1 247	-

During 2006-07 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- International Deployment Group
- Timor Leste (East Timor) deployment
- Unified Policing Model Adelaide Airport

13. Net Loss from Disposal of Assets		
Land and Buildings:		
Write down of non-current assets	-	(19)
Net Loss from Disposal of Land and Buildings	-	(19)

13. Net Loss from Disposal of Assets (continued)	2007	2006
Plant and Equipment:	\$'000	\$'000
Proceeds from disposal	363	215
Net book value of assets disposed	(396)	(191)
Write down of non-current assets - Stock take	(394)	(31)
Net Loss from Disposal of Plant and Equipment	(427)	(7)
Total Assets:		
Proceeds from disposal	363	215
Net book value of assets disposed	(396)	(191)
Write down of non-current assets - Stock take	(394)	(50)
Net Loss from Disposal of Total Assets	(427)	(26)
14. Other Revenue/Income		
Other Revenues received from Entities within SA Government:		
Contributed (donated) asset revenue	2 463	-
Grants	772	612
Employee benefits recoveries	487	625
TVSP recoveries from the Department of the Premier and Cabinet	-	943
Sundry receipts	140	815
Other	561	130
Total Revenue - SA Government Entities	4 423	3 125
Other Revenues received from Entities external to SA Government:		
Workers compensation recoveries	1 014	1 299
Employee benefits recoveries	854	908
Sundry receipts	556	869
Goods and services recoveries	359	213
Grants	286	926
Rent Revenue	234	235
Contributed (donated) asset revenue	61	593
Other	858	2 615
Total Revenue - Non-SA Government Entities	4 222	7 658
Total Other Revenue	8 645	10 783

During 2006-07 SAPOL recognised contributed assets related to Road Safety (Fixed Red Light/Speed Cameras) (\$2.463 million) transferred from the Department for Transport, Energy and Infrastructure, and land (\$61 000) for Blue Light donated by the Wattle Range Council (there is a building on the land that is not controlled by SAPOL).

During 2005-06 SAPOL recognised contributed assets related to Counter Terrorism (\$593 000) transferred from the Commonwealth Government.

15. Revenues from (Payments to) SA Government	2007	2006
Revenues from SA Government:	\$'000	\$'000
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	456 479	428 023
Contributions from the Community Emergency Services Fund	17 152	16 750
Contributions from the Community Road Safety Fund	34 700	34 700
Intra-Government transfers	702	777
Total Revenues from SA Government	509 033	480 250

In 2006-07, the Intra-Government Transfer relates to:

- \$346 000 transfer from Attorney-General's Department for equipment funding for Government Radio Network (GRN) Terminals
- \$153 000 Rural Highway Saturation program from Department for Transport Energy and Infrastructure
- \$167 000 SECO from Department of the Premier and Cabinet
- \$36 000 transfer from the Department for Transport, Energy and Infrastructure for Ammonium Nitrate History Checks.

In 2005-06, the Intra Government Transfer related to a \$777 000 transfer from Attorney-General's Department for equipment funding for Government Radio Network (GRN) Terminals.

Payments to SA Government:	2007	2006
	\$'000	\$'000
Other payments to the Consolidated Account*	-	(17 005)
Income Tax equivalent payment	-	(106)
Total Payments to SA Government	-	(17 111)

* This amount does not include a dividend/distribution to the SA Government as owner.

SAPOL is recognising a payment of \$17.005 million to the Government in 2005-06, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

16. Cash and Cash Equivalents	2007	2006
	\$'000	\$'000
Deposits with the Treasurer	43 163	38 010
Cash held in Imprest Account and petty cash	358	638
Total Cash	43 521	38 648

Deposits with the Treasurer

Includes Deposits at call and Accrual Appropriation Account balances.

17. Receivables		
Current:		
Receivables	2 228	2 190
Less: Provision for doubtful debts	-	4
Prepayments	1 985	1 913
Workers compensation recoveries	221	217
Accrued interest	-	158
Accrued revenue	48	71
GST receivable	1 944	2 099
Total Current Receivables	6 426	6 644
Expected to be recovered more than 12 months after reporting date		
Workers compensation recoveries	689	666
Total Non-Current Receivables	689	666
Total Receivables	7 115	7 310

Government/Non-Government Receivables

Receivables from SA Government Entities:

Receivables	1 021	855
Prepayments	873	794
Accrued revenues	48	71
Accrued Interest	-	158
Total Receivables - SA Government Entities	1 942	1 878

Receivables from Non-SA Government Entities:

Receivables	1 207	1 335
Less: Provision for doubtful debts	-	(4)
Prepayments	1 112	1 119
Workers compensation recoveries	910	883
GST receivable	1 944	2 099
Total Receivables - Non-SA Government Entities	5 173	5 432
Total Receivables	7 115	7 310

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

18. Non-Current Assets Classified as Held-for-Sale	2007	2006
Current:	\$'000	\$'000
Buildings and improvements	631	374
Other plant and equipment	181	270
Total Non-Current Assets Classified as Held-for-Sale	812	644

SAPOL is recognising the following assets for sale as at 30 June 2007:

Buildings and improvements and land at Loxton and Stansbury. These buildings are surplus to operational requirements, with SAPOL occupying new shopfront facilities in both towns.

Other Plant and Equipment disposals relate to a number of photocopiers which had, or were reaching, their useful lives which will be replaced with new equipment.

19. Property, Plant and Equipment	2007	2006
Land and Buildings: ⁽¹⁾	\$'000	\$'000
Land at fair value	33 574	33 260
Buildings at fair value	103 048	96 695
Accumulated depreciation	(7 325)	(3 205)
Total Land and Buildings	129 297	126 750

19. Property, Plant and Equipment (continued)	2007	2006
Leasehold Improvements: ⁽¹⁾	\$'000	\$'000
Leasehold improvements at fair value	6 831	6 831
Accumulated amortisation	(2 405)	(1 331)
Total Leasehold Improvements	4 426	5 500
Computing and Communications Equipment: ⁽²⁾		
Computing and communications equipment	14 907	14 692
Accumulated depreciation	(7 567)	(5 277)
Total Computing and Communications Equipment	7 340	9 415
Vehicle and Transport Vessels:		
Vehicle and transport vessels	14 092	9 366
Accumulated depreciation	(5 441)	(4 669)
Total Vehicle and Transport Vessels	8 651	4 697
Other:		
Other	17 861	15 172
Accumulated depreciation	(8 181)	(7 101)
Total Other	9 680	8 071
Total Property, Plant and Equipment	159 394	154 433

(1) Land, buildings and improvements were revalued as at 30 June 2005 by Valcorp Australia Pty Limited.

(2) Intangible assets - computer software has been separately identified (refer Note 20).

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07.

	Land \$'000	Buildings and Improvements \$'000	Leasehold Improvements \$'000	Computer and Communications Equipment \$'000	Vehicles and Transport Vessels \$'000
Carrying amount at 1 July*	33 260	92 994	5 500	8 092	5 183
Period adjustment	-	496	-	1 323	(486)
Adjusted Carrying Amount at 30 June	33 260	93 490	5 500	9 415	4 697
Additions	510	-	-	-	5 644
Disposals	-	-	-	-	(396)
Write-off non-current assets	-	-	-	(311)	-
Depreciation and amortisation	-	(4 120)	(1 074)	(2 288)	(1 294)
Assets transferred between classes	-	6 353	-	525	-
Donated assets **	61	-	-	-	-
Assets held-for-sale	(257)	-	-	-	-
Other movements	-	-	-	(1)	-
Carrying Amount at 30 June	33 574	95 723	4 426	7 340	8 651

	Other \$'000	2007 Total Property, Plant and Equipment \$'000	Work in Progress \$'000	Intangible Assets (Software) \$'000	2007 Total \$'000
Carrying amount at 1 July*	7 290	152 319	13 623	4 586	170 528
Period adjustment	781	2 114	(6 905)	2 077	(2 714)
Adjusted Carrying Amount at 30 June	8 071	154 433	6 718	6 663	167 814
Additions	-	6 154	9 352	-	15 506
Disposals	-	(396)	-	-	(396)
Write-off non-current assets	(38)	(349)	-	(45)	(394)
Depreciation and amortisation	(1 669)	(10 445)	-	(1 960)	(12 405)
Assets transferred between classes	886	7 764	(12 888)	5 124	-
Donated assets **	2 463	2 524	-	-	2 524
Assets held-for-sale	(33)	(290)	-	-	(290)
Other movements	-	(1)	(2)	-	(3)
Carrying Amount at 30 June	9 680	159 394	3 180	9 782	172 356

* Reflects balances from the 2005-06 financial statements.

** Reflects the transfer to SAPOL of Digital Red Light/Speed Cameras from Department Transport, Energy and Infrastructure and Land (Noorla Yo-Long Reserve) from the Wattle Range Council.

20. Intangible Assets	2007	2006
Computer Software:	\$'000	\$'000
Other computer software	15 467	10 395
Accumulated amortisation	(5 685)	(3 732)
Total Computer Software	9 782	6 663

21. Payables		2007	2006
Current:		\$'000	\$'000
Payables employment on-costs		4 900	4 691
Creditors		5 306	3 655
Accrued employment on-costs		2 381	2 356
GST payable		174	150
Prepaid revenue		52	17
Total Current Payables		12 813	10 869
Non-Current:			
Other		29	29
Employment on-costs		13 926	12 671
Total Payables expected to be paid more than 12 months after Reporting Date		13 955	12 700
Total Payables		26 768	23 569
Government/Non-Government Payables			
Payables to SA Government Entities:			
Payables employment on-costs		18 826	17 362
Creditors		3 479	3 015
Accrued employment on-costs		2 381	2 356
Total Payables - SA Government Entities		24 686	22 733
Payables to Non-SA Government Entities:			
Creditors		1 827	640
GST payable		174	150
Prepaid revenue		52	17
Other		29	29
Total Payables - Non-SA Government Entities		2 082	836
Total Payables		26 768	23 569

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they related to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

22. Employee Benefits		2007	2006
Current:		\$'000	\$'000
Accrued salaries and wages		12 035	11 528
Annual leave		22 153	20 015
Long service leave		6 239	6 203
Total Current Employee Benefits		40 427	37 746
Non-Current:			
Long service leave		93 806	87 590
Annual leave		165	591
Total Non-Current Employee Benefits		93 971	88 181
Total Employee Benefits		134 398	125 927

In the 2007 Financial Year, the long serve leave benchmark contained in the APF IV was amended, based on actuarial assessment. The benchmark for the measurement of the long serve leave liability has been revised from 10 years to 9.1 years.

23. Provisions		2007	2006
Current:		\$'000	\$'000
Provision for workers compensation	Note 6	11 124	10 077
Provision for civil actions against Police		481	494
Total Current Provisions		11 605	10 571
Non-Current:			
Provisions for workers compensation	6	55 527	49 486
Total Non-Current Provisions		55 527	49 486
Workers Compensation:			
Carrying amount at 1 July		59 563	53 200
Increase in the provision due to revision of estimates		21 845	17 387
Reduction due to payments		(14 757)	(11 024)
Carrying Amount at 30 June		66 651	59 563

23. Provisions (continued)

The provision for workers compensation is based on an actuarial assessment which does not allow separation payments or other sacrifices of economic benefits made during the reporting period from additional provisions recognised during the reporting period.

	2007	2006
	\$'000	\$'000
Civil Actions Against Police:		
Carrying amount at 1 July	494	514
Increase in the provision (New and revised civil actions)	146	277
Decrease in the provision (Finalised civil actions)	(159)	(297)
Carrying Amount at 30 June	481	494

24. Equity

Contributed capital	-	-
Retained earnings	(26 240)	(16 857)
Asset revaluation reserve	21 877	21 877
Total Equity	(4 363)	5 020

The property, plant and equipment Assets Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.

The published closing equity for 2005-06 was \$7.734 million. Corrections of (\$2.714 million) have reduced the 2005-06 to \$5.020 million. This adjustment is reflected against Retained Earnings. (Refer Note 4.2)

The Retained Earnings represents the residual interest in SAPOL's net assets. The SA Government holds the accumulated deficit interest in SAPOL on behalf of the community. The Asset Revaluation Reserve represents that portion of equity resulting from the revaluation of non-current assets.

As at 30 June 2007 SAPOL is reporting negative equity of \$4.363 million. This mainly reflects major movements in the level of provisions for employee related areas including annual and long service leave and workers compensation that are calculated using guidelines determined as part of government policy, or through a whole of government actuarial assessment in the case of workers compensation.

The level of equity has also been impacted by the implementation of the Cash Alignment Policy in 2004-05. Pursuant to this policy SAPOL has returned \$42.1 million overall to the Government. This has reduced the level of current assets held by the agency and ultimately reduced the level of equity.

	2007	2006
	\$'000	\$'000
Contributed Capital:		
Balance at 1 July	-	6 256
Decrease in contributed capital resulting from a distribution to Government	-	(6 256)
Balance at 30 June	-	-

In 2005-06 SAPOL reduced contributed capital by \$6.256 million by way of distribution to the Government, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

Retained earnings:		
Balance at 1 July	(16 857)	8 705
Net result	(9 383)	(25 562)
Balance at 30 June	(26 240)	(16 857)

The decrease in net assets resulting from ordinary activities in 2006-07 of \$9.3 million was impacted by a further increase of \$8.5 million in SAPOL's accrued salaries, long serve leave and annual leave liabilities and a \$7.1 million increase in workers compensation liabilities off set by the recognition of contributed assets \$2.5 million. These items do not impact on SAPOL's cash position.

The workers compensation provision is determined through a whole of government actuarial assessment, advised to SAPOL in July 2007, and the long service leave provision is based on benchmark years, advised to SAPOL in July 2007, which is provided by the Department of Treasury and Finance. Increases in provisions lead to increased expense and a reduced net result for the year, which ultimately impacts on the level of equity. Retained earnings have also been reduced in recent years due to repayment of surplus cash to the government pursuant to the Cash Alignment Policy.

The decrease in net assets resulting from ordinary activities in 2005-06 of \$25.5 million (adjusted) was impacted by an increase of \$8.5 million in SAPOL's accrued salaries, long serve leave and annual leave liabilities and a \$6.3 million increase in workers compensation liabilities offset by the recognition of donated assets of \$600 000. These items do not impact on SAPOL's cash position.

	2007	2006
	\$'000	\$'000
Asset Revaluation Reserve:		
Balance at 1 July	21 877	20 837
Increase in Asset Revaluation Reserve	-	1 040
Balance at 30 June	21 877	21 877

24. Equity (continued)

The increase in the Asset Revaluation Reserve for 2005-06 is due to the revision of useful lives of assets other than Land and Buildings.

Land, Buildings and Improvements were revalued as at 30 June 2005 in accordance with APF III. SAPOL revalues assets on a three yearly cycle.

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

Cash at bank comprises cash held, available at call, and cash held in the Department of Treasury and Finance Accrual Appropriation Excess Funds Special Deposit Account. All cash is recorded at cost. Interest is no longer paid on these accounts.

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) Interest Rate Risk**2007***Financial Instrument*

	Note	Effective Interest Rate at 30.06.07 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2007 Total \$'000
Financial Assets:					
Cash at bank	16	-	-	43 163	43 163
Cash held in Imprest Account and petty cash	16		-	358	353
Receivables	17		-	5 130	5 130
			-	48 651	48 651
Financial Liabilities:					
Payable	21		-	5 509	5 509
			-	5 509	5 509

2006*Financial Instrument*

	Note	Effective Interest Rate at 30.06.06 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2006 Total \$'000
Financial Assets:					
Cash at bank	16	5.49	38 010	-	38 010
Cash held in Imprest Account and petty cash	16		-	638	638
Receivables	17		-	5 395	5 395
			38 010	6 033	44 043
Financial Liabilities:					
Payables	21		-	3 834	3 834
Borrowings:					
Advance from Department of Treasury and Finance			-	-	-
			-	3 834	3 834

Receivables and Payables are shown inclusive of GST.

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Balance Sheet which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

SAPOL's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Balance Sheet. SAPOL has no significant exposures to any concentrations of credit risk.

26. Commitments**Capital and Recurrent Commitments**

Capital and recurrent expenditure commitments at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2007 \$'000	2006 \$'000
Within one year	9 406	7 445
Later than one year but not later than five years	4 338	3 172
Later than five years	424	-
Total Capital and Recurrent Commitments	14 168	10 617
GST included in Capital and Recurrent Commitments	1 288	965

Remuneration Commitments

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

	2007	2006
	\$'000	\$'000
Within one year	2 798	2 556
Later than one year but not later than five years	4 100	3 251
Total Remuneration Commitments	6 898	5 807

Amounts disclosed include commitments arising from executive and other service contracts. SAPOL does not offer remuneration contracts greater than five years.

Operating Lease Commitments

Commitments under non-cancellable operating leases, related to property and vehicles, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2007	2006
	\$'000	\$'000
Not later than one year	19 531	21 420
Later than one year but not later than five years	45 962	41 230
Later than five years	74 892	79 453
Total Lease Commitments	140 385	142 103
GST included in Operating Lease Commitments	12 762	12 918

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for Public Private Partnership leases related to SAPOL occupancies only.

27. Contingent Liabilities**Rewards**

As at 30 June 2007 the value of outstanding rewards for unsolved murders was \$4.8 million (\$4.7 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.

28. Remuneration of Tribunal and Committee Members

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

Police Review Tribunal

D Smythe
D Swain

The *Police Act 1998*, at Schedule 1 (Police Review Tribunal) requires the Chief Magistrate of the Magistrates Court to, on the commencement of any proceedings under Divisions 1 or 2 of Part 8, select a Magistrate to constitute the Tribunal for the purpose of those proceedings.

Firearms Consultative Committee

R Hamdorf	R Batt
A Swifte	S Ahrens
J Baker	D Hillan
G Hyde	I Wangel
S Murray	R Warrick
Y Hill	K Wigglesworth*
O Bevan	

	2007	2006
	Number of	Number of
	Members	Members
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$9 999	14	13
\$10 000 - \$19 999	1	1
\$20 000 - \$29 999	-	-
Total Number of Members	15	14

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$32 000 (\$32 000).

Amounts paid to a superannuation plan for Tribunal/Committee Members was \$3000 (\$3000).

28. Remuneration of Tribunal and Committee Members (continued)

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

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

29. Cash Flow Reconciliation

	2007	2006
	\$'000	\$'000
Reconciliation of Cash - Cash at 30 June as per:		
Cash Flow Statement	43 521	38 648
Balance Sheet	43 521	38 648
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services:		
Net cash provided by operating activities	20 016	4 331
Less: Revenues from SA Government	(456 479)	(428 023)
Add: Payments to SA Government	-	17 111
Less: Contribution from the Community Emergency Services Fund	(17 152)	(16 750)
Less: Contribution from Community Road Safety Fund	(34 700)	(34 700)
Less: Intra-Government Transfer	(702)	(777)
Add/Less: Non-Cash Items:		
Depreciation and amortisation expense	(12 406)	(12 158)
Net expense from disposal and write-down of non-current assets	(427)	(26)
Works in progress expensed	-	(1 218)
Assets recognised through stocktake	-	2 310
Donated Assets:		
Counter-terrorism (transfer from the Commonwealth Government)	-	593
Road safety equipment (fixed cameras)	2 463	-
Land	61	-
Disposal of assets held-for-sale as at 30 June 2006 in 2006-07	(124)	-
Asset transfers	-	(4)
Change in Assets and Liabilities:		
(Decrease) in receivables	(195)	(2 337)
(Decrease) in inventories	(26)	(46)
(Increase) in payables and provisions	(10 274)	(8 202)
(Increase) in other liabilities	(8 471)	(8 807)
Net Cost of Services from Ordinary Activities	518 416	(488 701)

30. Events After Balance Date
Government Radio Network

In 2006-07 and previous years, the Government Radio Networks have been expensed. In accordance with APF III APS 2.17, from 2007-08 they will be capitalised as a composite asset, which will result in an adjustment for 2006-07 and prior years.

**Statement of Administered Income and Expenses
for the year ended 30 June 2007**

		2007	2006
EXPENSES:	Note	\$'000	\$'000
Employee benefits expenses	A3	309	573
Supplies, services and other expenditure	A4	1 825	6 941
Intra Government Transfers		2 571	2 463
Total Expenses		4 705	9 977
INCOME:			
Revenue from fees, fines and charges	A5	60 534	55 020
Total Income		60 534	55 020
NET SURPLUS FROM PROVISION OF SERVICES		55 829	45 043
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	A6	668	6 971
Intra-government transfers	A6	-	512
Payments to SA Government	A6	(56 369)	(52 457)
Net Payments to SA Government		(55 701)	(44 974)
Net Result before Restructuring		128	69
Decrease in Net Assets due to Administrative Restructure	A7	(198)	-
NET RESULT AFTER RESTRUCTURING		(70)	69

**Statement of Administered Assets and Liabilities
as at 30 June 2007**

		2007	2006
CURRENT ASSETS:	Note	\$'000	\$'000
Cash and cash equivalents	A8	8 129	8 627
Receivables	A9	112	132
Total Current Assets		8 241	8 759
Total Assets		8 241	8 759
CURRENT LIABILITIES:			
Payables	A10	3	129
Other liabilities	A11	7 847	8 162
Employee benefits	A12	22	44
Total Current Liabilities		7 872	8 335
NON-CURRENT LIABILITIES:			
Long-term employee benefits	A13	119	98
Payables	A10	19	25
Total Non-Current Liabilities		138	123
Total Liabilities		8 010	8 458
NET ASSETS		231	301
EQUITY:			
Retained earnings		231	301
TOTAL EQUITY		231	301

Total Equity is attributable to the SA Government as owner

Commitments A14

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

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2005	232	232
Net Result for 2005-06	69	69
Total Recognised Income and Expense for 2005-06	69	69
Balance at 30 June 2006	301	301
Net Result for 2006-07	128	128
Net Expense Recognised Directly in Equity from restructure during 2006-07	(198)	(198)
Net Result after Restructure for 2006-07	(70)	(70)
Total Recognised Income and Expense for 2006-07	(70)	(70)
Balance at 30 June 2007	231	231

All Changes in Equity are attributable to the SA Government as owner

Statement of Administered Cash Flows for the year ended 30 June 2007

	2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	
CASH OUTFLOWS:		
Employee benefits payments	(322)	(396)
Supplies, services and other expenditure	(2 169)	(5 773)
Intra government transfers	(2 573)	(2 485)
Cash used in Operations	(5 064)	(8 654)
CASH INFLOWS:		
Fees, fines and charges	58 810	52 877
Other revenues	1 744	4 511
Cash generated from Operations	60 554	57 388
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	668	7 243
Receipts from the Community Emergency Services Fund	-	512
Payment to SA Government	(56 339)	(53 868)
Cash generated from SA Government	(55 671)	(46 113)
Net Cash (used in) provided by Operating Activities	(181)	2 621
	A15	
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Distribution due to restructure	(317)	-
Total cash used in Financial Activities	(317)	-
Net Cash used in Financing Activities	(317)	-
NET (DECREASE) INCREASE IN CASH EQUIVALENTS	(498)	2 621
CASH AND CASH EQUIVALENTS AT 1 JULY	8 627	6 006
CASH AND CASH EQUIVALENTS AT 30 JUNE	8 129	8 627
	A8,A15	

Schedule of Administered Income and Expenses for the year ended 30 June 2007

(Refer Note A2)	Rescue							
	Expiation Fees		Helicopter Service		VOC Levy		Special Acts	
	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	-	-	-	-	-	-	309	573
Supplies, services and other expenditure	-	-	-	6 630	-	-	-	-
Intra-Government transfers	-	-	-	-	2 521	2 413	-	-
Total Expenses	-	-	-	6 630	2 521	2 413	309	573
INCOME:								
Revenue from fees, fines and charges	56 289	50 464	(1)	1 928	2 521	2 413	-	-
Total Income	56 289	50 464	(1)	1 928	2 521	2 413	-	-
NET SURPLUS FROM PROVISION OF SERVICES	56 289	50 464	(1)	(4 702)	-	-	(309)	(573)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT								
Revenues from SA Government	-	-	6	6 155	-	-	322	471
Intra government transfers	-	-	-	512	-	-	-	-
Payments to SA Government	(56 327)	(50 426)	(42)	(2 031)	-	-	-	-
Net Revenues from (Payments to) SA Government	(56 327)	(50 426)	(36)	4 636	-	-	322	471
NET RESULT BEFORE RESTRUCTURE	(38)	38	(37)	(66)	-	-	13	(102)
			PPP		Other		Total	
			2007	2006	2007	2006	2007	2006
EXPENSES:			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses			-	-	-	-	309	573
Supplies, services and other expenditure			1 566	215	259	96	1 825	6 941
Intra-Government transfers			-	-	50	50	2 571	2 463
Total Expenses			1 566	215	309	146	4 705	9 977
INCOME:								
Revenue from fees, fines and charges			1 566	215	159	-	60 534	55 020
Total Income			1 566	215	159	-	60 534	55 020
NET SURPLUS FROM PROVISION OF SERVICES			-	-	(150)	(146)	55 829	45 043
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT								
Revenues from SA Government			-	-	340	345	668	6 971
Intra government transfers			-	-	-	-	-	512
Payments to SA Government			-	-	-	-	(56 369)	(52 457)
Net Revenues from (Payments to) SA Government			-	-	340	345	(55 701)	(44 974)
NET RESULT BEFORE RESTRUCTURE			-	-	190	199	128	69

Schedule of Administered Assets and Liabilities as at 30 June 2007

	Unclaimed				Rescue							
	(Refer Note A2)		Property		Exhibit Monies		Expiation Fees		Helicopter Service		VOC Levy	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:												
Cash and cash equivalents	129	46	3 079	3 505	4 431	4 344	5	412*	208	210		
Receivables	-	-	-	-	-	-	-	43	-	-		
Total Assets	129	46	3 079	3 505	4 431	4 344	5	455	208	210		
CURRENT LIABILITIES:												
Payables	-	-	-	-	-	-	-	119	-	-		
Other liabilities	129	46	3 079	3 505	4 431	4 306	-	95	208	210		
Employee benefits	-	-	-	-	-	-	-	-	-	-		
Total Current Liabilities	129	46	3 079	3 505	4 431	4 306	-	214	208	210		
NON-CURRENT LIABILITIES:												
Long-term employee benefits	-	-	-	-	-	-	-	-	-	-		
Payables	-	-	-	-	-	-	-	-	-	-		
Total Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-		
Total Liabilities	129	46	3 079	3 505	4 431	4 306	-	214	208	210		
NET ASSETS	-	-	-	-	-	38	5	241	-	-		

	Special Acts		PPP		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:								
Cash and cash equivalents	(112)	(89)*	-	-	389	199	8 129	8 627
Receivables	112	89	-	-	-	-	112	132
Total Assets	-	-	-	-	389	199	8 241	8 759
CURRENT LIABILITIES:								
Payables	3	10	-	-	-	-	3	129
Other liabilities	-	-	-	-	-	-	7 847	8 162
Employee benefits	22	44	-	-	-	-	22	44
Total Current Liabilities	25	54	-	-	-	-	7 872	8 335
NON-CURRENT LIABILITIES:								
Long-term employee benefits	119	98	-	-	-	-	119	98
Payables	19	25	-	-	-	-	19	25
Total Non-Current Liabilities	138	123	-	-	-	-	138	123
Total Liabilities	163	177	-	-	-	-	8 010	8 458
NET ASSETS	(163)	(177)	-	-	389	199	231	301

* The Special Acts payment has been reduced by \$75 000 and the Provision of Helicopter Service has been increased by \$75 000 from the 2005-06 Financial Statements to provide a more accurate allocation of cash.

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Summary of Significant Accounting Policies

All accounting policies for SAPOL are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both SAPOL and the Administered Items Financial Statements except as noted below.

A1.1 Departures from SAPOL 'Summary of Significant Accounting Policies'

Basis of Accounting

Income from Expiation fees and Victim of Crime Levy fees is recognised on a cash basis. All other elements of SAPOL's Administered Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis.

A2. Administered Items

The following financial transactions are administered by SAPOL as at 30 June 2007. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

A2.1 Expiation Fees

SAPOL, as a central processing agency of expiation notices, collects expiation revenue arising from expiation notices issued by police officers and other authorised officers. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996*. Monies collected are paid into the Consolidated Account.

A2.2 Victims of Crime Levy (VOC Levy)

SAPOL, as a central processing agency of expiation notices, collects Victims of Crime expiation revenue arising from the expiation of offences included on expiation notices issued by police officers and other authorised officers. SAPOL treats the collected Victim of Crime Levy revenue pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department.

A2.3 Rescue Helicopter Service

SAPOL provided the financial services associated with the operations of the Rescue Helicopter Service to 30 June 2006. From 1 July 2006, the Attorney-General's Department assumed governance and responsibility.

A2.4 Special Acts

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent Expenditure – Special Acts'.

The accrued salaries, annual leave, long service leave and related on costs of payroll tax and superannuation is recognised. (refer to Notes A12, A13 and A14).

A2.5 Exhibit Monies

SAPOL holds exhibit property being items confiscated at the time of an offence, ie items found at a crime scene or which were part of a theft. These items are held as an exhibit which may be presented to the court as evidence at the time the offence is heard. The court may decide that the items are returned, confiscated or passed to the Government.

A2.6 Unclaimed Monies and Proceeds from Disposal of Found Properties

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to Government. SAPOL treats these items in accordance with *Police Regulations 1999*.

A2.7 Appropriation for Grant and Community Service Obligation Payments

SAPOL receives appropriation with respect to grant payments to Safer Communities Australia Inc and the Australian Crime Prevention Council and a Community Service Obligation payment to SA Water.

A2.8 Public Private Partnership

In May 2005, Cabinet approved the execution of a 25 year service contract with Plenary for regional police stations for SAPOL and courts for CAA.

In June 2005, the Minister of Infrastructure signed a Project Agreement.

The PPP includes courts facilities at Port Lincoln, Victor Harbour and Berri, and new court facilities at Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

SAPOL has no control over the use of the funds listed above.

A3. Employee Benefits Expenses	2007	2006
	\$'000	\$'000
Employee benefits expenses	309	573
<hr/>		
Expenditure in 2006-07 is lower than 2005-06 due to the recognition of accrued salaries and annual and long service leave in 2005-06.		
A4. Supplies and Services		
Supplies and Services provided by Entities within the SA Government:		
Rescue Helicopter Service	-	334
Other supplies and services	159	2
Total Supplies and Services - SA Government Entities	159	336
<hr/>		
Supplies and Services provided by Entities external to the SA Government:		
Rescue Helicopter Service	-	6 294
Public Private Partnership lease payments	1 566	215
Other	100	96
Total Supplies and Services - Non-SA Government Entities	1 666	6 605
Total Supplies and Services	1 825	6 941
<hr/>		
A5. Revenues from Fees, Fines and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Rescue Helicopter Service	(1)	1 709
Public Private Partnership cost recovery**	1 566	215
Total Fees, Fines and Charges - SA Government Entities	1 565	1 924
<hr/>		
Fees and Charges received/receivable from Entities external to the SA Government:		
Expiation fees	56 289	50 464
Rescue Helicopter Service	-	219
Victim of Crime Levy	2 521	2 413
Other	159	-
Total Fees, Fines and Charges - Non-SA Government Entities	58 969	53 096
Total Fees, Fines and Charges	60 534	55 020
<hr/>		
** This amount includes cost recovery from the CAA for PPP lease payments (refer to Notes A2.8 and A4).		
A6. Revenue from/Payments to SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	668	6 971
Intra-government transfers	-	512
Total Revenues from SA Government	668	7 483
<hr/>		
Payments to SA Government:		
Other payments to the Consolidated Account *	(56 369)	(52 457)
Total Payments to SA Government	(56 369)	(52 457)
<hr/>		
* This amount does not include a dividend/distribution to the SA Government as owner.		
A7. Decrease in Net Assets due to Administrative Restructure		
Transfer of the Adelaide Bank Rescue Helicopter Service to the Attorney-Generals Department		
	(198)	-
Total Decrease in Net Assets due to Administrative Restructure	(198)	-
<hr/>		
From 1 July 2006 the Attorney-General's Department (Administered Items) assumed governance and responsibility of the Adelaide Bank Rescue Helicopter Service. SAPOL transferred the following Balance Sheet items to the Attorney-General's Department effective 1 July 2006:		
	2007	2006
	\$'000	\$'000
Cash	317	-
Payables	(119)	-
Net Assets	198	-
<hr/>		
A8. Cash and Cash Equivalents		
Deposits with the Treasurer	3 810	4 055
Deposits with other financial institutions	4 319	4 572
Total Cash and Cash Equivalents	8 129	8 627
<hr/>		

Deposits with the Treasurer in 2006-07 included \$948 000 (\$940 000) that related to exhibit monies.

A9. Receivables		2007	2006
Current:		\$'000	\$'000
Receivables from SA Government		112	132
Total Receivables from SA Government		112	132
A10. Payables			
Current:			
Payables employment on-costs		3	10
Prepaid revenue from non-SA Government		-	119
Total Current Payables		3	129
Non-Current:			
Payables employment on-costs		19	25
Total Non-Current Payables		19	25
A11. Other Liabilities			
Current:			
Transfer of funds to SA Government		4 637	4 611
Exhibit monies to non-SA Government		3 079	3 505
Proceeds from sale of unclaimed property to non-SA Government		129	46
Other		2	-
Total Other Liabilities		7 847	8 162
A12. Employee Benefits			
Current:			
Accrued salaries and wages		5	6
Annual leave		17	38
Total Employee Benefits		22	44
A13. Long-Term Employee Benefits			
Non-Current:			
Long service leave		119	98
Total Long-Term Employee Benefits		119	98
A14. Commitments			
Operating Lease Commitments			
Commitments under non-cancellable operating leases, relate to the PPP lease payments, paid on behalf of CAA, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:			
Within one year		1 433	1 284
Later than one year but not later than five years		6 103	5 950
Later than five years		35 567	37 154
Total Lease Commitments		43 103	44 388
GST included in Operating Lease Commitments		3 918	4 035
Remuneration Commitments			
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:			
Within one year		310	299
Later than one year but not later than five years		566	846
Total Remuneration Commitments		876	1 145
Amounts disclosed include commitments arising from executive service contracts. SAPOL does not offer remuneration contracts greater than five years.			
A15. Cash Flow Reconciliation			
Reconciliation of Cash - Cash at 30 June as per:			
Cash Flow Statement		8 129	8 627
Balance Sheet		8 129	8 627
Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Provision of Services:			
Net cash (used in) provided by operating activities		(181)	2 621
Add: Revenues from SA Government		(668)	(6 971)
Less: Payments to SA Government		56 369	52 457
Add: Intra government transfers		-	(512)
Change in Assets and Liabilities:			
Increase (Decrease) in receivables		(20)	(2 521)
Increase (Decrease) in payables and provisions		7	(129)
(Increase) Decrease in other liabilities		322	98
Net Surplus from Provision of Services		55 829	45 043

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Aboriginal Housing Authority (the Authority) was established in October 1998 as a Statutory Corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995* (the Act) and was dissolved by regulation under that Act with effect from 1 July 2007.

Functions

The functions of the Authority were:

- the development of strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people;
- to liaise with other agencies providing assistance to Aboriginal people to achieve a coordinated response to problems and issues facing Aboriginal people;
- to receive and allocate resources for Aboriginal housing programs;
- to provide and manage or facilitate the provision and management of appropriate housing for Aboriginal people in the State;
- to provide a single point of contact for Aboriginal people seeking housing assistance.

The Authority provided these functions through the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

Structure

The Authority was established with a Board of Management comprising nine members appointed by the Governor on the nomination of the Minister. All members and their deputies were Aboriginal people.

The staff who provide services to the Authority are employees of the Department for Families and Communities (DFC) assigned to work for the Authority. DFC and the South Australian Housing Trust (SAHT) provided management, accounting and systems services to the Authority. The Authority used SAHT's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

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



Changes to Functions and Structure

Effective 1 July 2007, the Government changed the corporate governance arrangements for the South Australian Housing system. The changes included bringing all housing functions under one housing agency, the SAHT and the dissolution of the Authority and the South Australian Community Housing Authority (SACHA). A regulation under the Act was proclaimed which dissolved the Authority and transferred the assets and liabilities of the Authority to SAHT with effect from 1 July 2007.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 27(4) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the PFAA provided for the Auditor-General to audit the accounts of the Authority for each financial year.

Assessment of Controls

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

This assessment also considered whether controls were consistent with the prescribed elements of the FMF as required by TI 2.

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:

- payroll
- raising and recovery of rent and other tenant charges
- accounts payable
- maintenance expenditure
- grant expenditure for the Community Housing Program
- council and water rates
- fixed assets.

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 South Australian Aboriginal Housing Authority 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 South Australian Aboriginal Housing Authority 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 Management Reporting, Maintenance Expenditure, Expenditure and Procurement Processes, and Monitoring of Projects, as outlined under 'Communication of Audit Matters' are sufficient to provide reasonable assurance that the financial transactions of the South Australian Aboriginal Housing Authority 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 Deputy Chief Executive of the DFC. Major matters raised and the related responses are considered herein.

Internal Control Environment

Audit review in 2006-07 included assessing the control environment over the processing of financial transactions for the Authority.

Audit concluded for 2006-07 that controls over processing transactions for many areas of the Authority's financial operations were ineffective. As a consequence Audit focussed on tests of detail to assess the reliability of specific account balances. Matters arising from Audit's testing were reported to Departmental officers for follow up.

The following commentary summarises some of the more significant matters considered by Audit in making the assessment.

Status of Matters Raised in Previous Years Audits

Audit review in 2005-06 and prior years found that there were a number of areas where controls over the Authority's financial operations could be improved.

Audit review in 2006-07 included specific enquires with the Authority regarding the progress made in addressing the issues raised by Audit. The information provided to Audit indicated that many of the recommendations were not implemented or were still in the progress of being addressed. Audit was advised that many of the control weaknesses will be addressed in 2007-08 by SAHT following the transfer of the Authority's functions, assets and liabilities to SAHT effective from 1 July 2007.

The following summarises the issues raised by Audit and progress made in addressing the issues as advised by the Authority.

Maintenance and Capital Upgrades - Management Reporting and Planning

In previous reports Audit concluded that the Authority:

- had not developed and implemented mechanisms which support effective financial reporting of project to date expenditure against budget for rental housing maintenance and capital upgrade activities;
- could improve the effectiveness with which it prioritised and scheduled maintenance activities.

The Authority advised that the audit findings and recommendations will be responded to by integrating former Authority activity into common systems and practices for all SAHT operations from 1 July 2007.

Maintenance- Inspection of Work Performed

Inspecting work performed by contractors on behalf of the Authority is a significant control which provides assurance that maintenance payments are for work which was completed to appropriate standards. In previous years Audit was not able to obtain evidence that onsite inspections were performed for completed maintenance work in accordance with established standards.

In response to Audit's request for an update on progress in addressing this matter the Authority advised that:

- it had implemented improved record keeping arrangements to evidence checking procedures;
- between 40-50 percent of all work performed has been inspected and verified by Asset Officers.

It is also advised that this function will be integrated with common systems and practices for all SAHT operations from 1 July 2007.

Community Housing Program - Monitoring of Projects

The audit of the Authority had previously identified that there were delays in completing some Community Housing Program (CHP) projects and that the Board was not provided with revised estimated project completion dates for long overdue CHP projects.

The Authority advised that the Board received an update of status of all outstanding and current CHP projects at its May 2007 meeting. They also advised that Housing SA was developing enhancements to computerised systems to enable accurate monitoring and reporting against deliverables for CHP. The development of these enhancements will be reviewed as part of the 2007-08 audit of the SAHT.

Community Housing Program - Internal Audit Review

In 2006-07 the audit of the Authority included follow up of progress in implementing recommendations of an Internal Audit review of the CHP which assessed compliance with requirements of agreements between the Commonwealth and the State. The Authority outlined measures implemented during the year to address the recommendations including analysis of the status of Indigenous Community Housing Organisations against governance, housing management and service delivery performance indicators.

The Authority's response reflected on a range of reforms to the CHP which were proposed by the Commonwealth and would be considered as part of bilateral negotiations by the Commonwealth and State Ministers. The response highlighted the need to frame the Authority's actions within the context of the proposed reforms.

Expenditure and Procurement Processes

The audit for 2005-06 identified instances where established control procedures were not complied with at all times. Follow up with the Authority in 2006-07 to understand action taken to address these findings established that the Authority had reinforced the importance of staff following established procedures at all times but had not implemented significant changes to systems and procedures due to the impending transfer of responsibility for Aboriginal Housing to the SAHT from 1 July 2007.

Testing of transactions by Audit in 2006-07 also found instances of non-compliance with established procedures.

Strategic Asset Management Planning and Relationship with Key Service Providers

Previous audits of the Authority have identified areas for improvement in the Authority's:

- strategic asset management covering the maintenance, upgrade, acquisition and disposal of houses;
- arrangements for monitoring the performance of key service providers.

The Authority advised of proposed action to address these matters which included action with respect to specific contractors and integration of Authority activities into SAHT common systems, policies and procedures when the Authority is dissolved.

Review of Matters Relevant to the Authority's Controls

During the year DFC officers advised of matters associated with instances of breakdown of controls including non-compliance with policies and procedures over areas of the Authority's housing operations and related financial transactions involving staff working within the Authority. These matters are the subject of ongoing review by DFC officers and the Government Investigation Unit of the Attorney-General's Department.

Internal Audit Review of Internal Controls

DFC initiated an Internal Audit review of controls over the Authority's procurement, housing allocations, debt write off management and credit card use. Internal Audit completed work as part of the review in August 2007 and concluded that the Authority had not implemented effective controls to support contract management and property maintenance activities.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Rental house ownership costs	10.7	11.2	(4)
Grants	11.3	10.2	11
Staffing expense	5.1	5.4	(6)
Other expenses	7.9	7.8	-
Total Expenses	35.0	34.6	1
INCOME			
Rent	9.5	9.0	6
Commonwealth and State grants	24.6	27.2	(10)
Other income	3.4	3.4	-
Total Income	37.5	39.6	(5)
Net Result	2.5	5.0	(50)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7.4	8.2	(10)
ASSETS			
Current assets	22.7	21.9	4
Non-current assets	330.0	311.0	6
Total Assets	352.7	332.9	6

	2007	2006	Percentage
	\$'million	\$'million	Change
LIABILITIES			
Current liabilities	3.0	3.0	-
Non-current liabilities	0.7	0.6	17
Total Liabilities	3.7	3.6	3
EQUITY	349.0	329.3	6

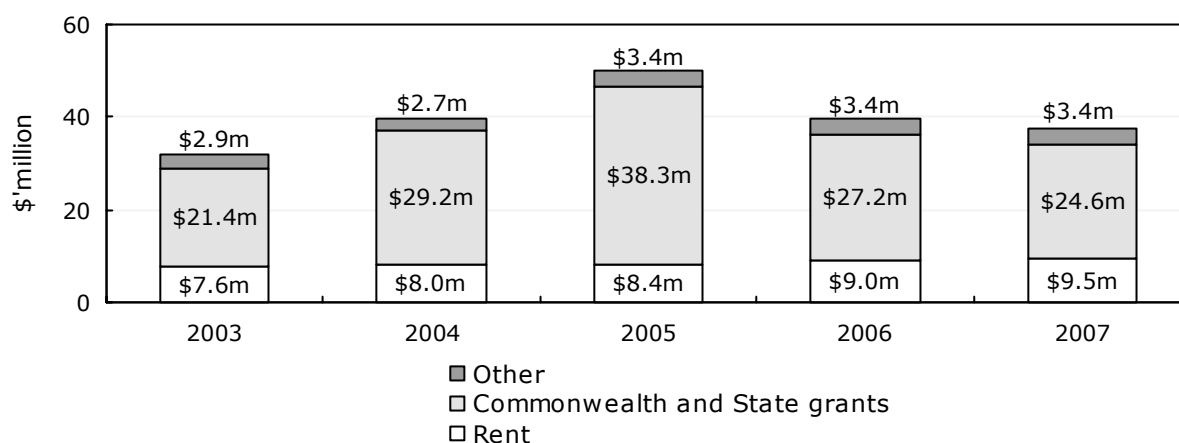
Income Statement

Income

Commonwealth and State government grants represent 66 percent (69 percent) of the Authority's income which reflects the dependency of the Authority on this source of income. Commonwealth and State government grants decreased by 10 percent (\$2.6 million) in 2007. The decrease is due to a decrease in Revenue from SA Government mainly reflecting a decrease in State Capital Assistance Program funding.

Rent from tenants represent 25 percent (23 percent) of the Authority's revenue.

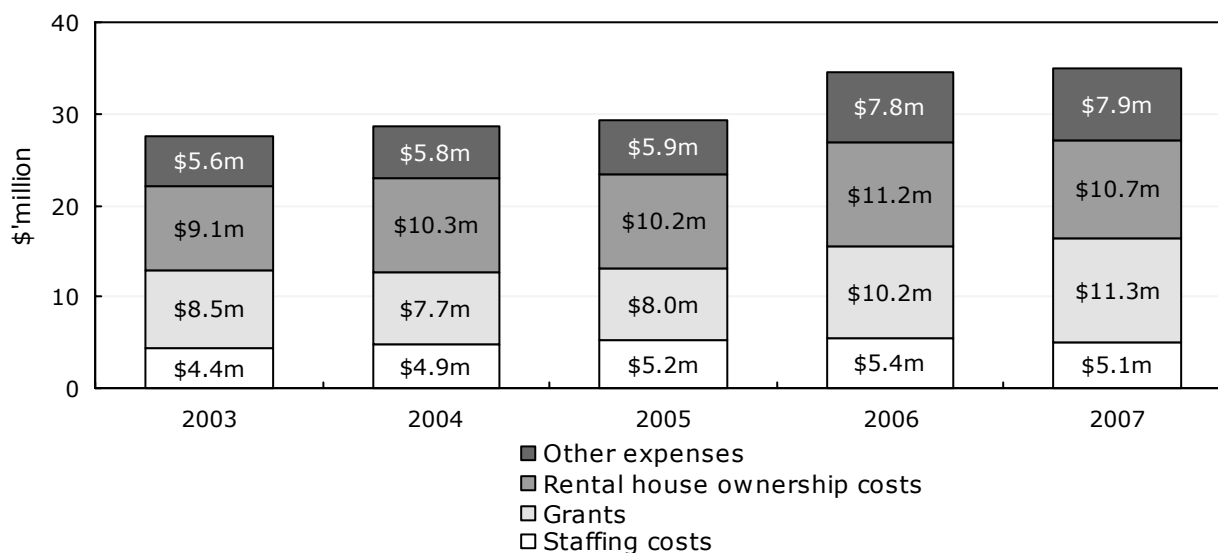
A structural analysis of operating revenues for the Authority in the five years to 2007 is presented in the following chart.



Expenses

Total expenses have increased by 1 percent to \$35 million due mainly to a \$1.1 million increase in grant expenditure. Grants represent CHP grants provided by the Authority to fund the acquisition and maintenance of housing on behalf of Aboriginal communities.

A structural analysis of the main operating expense items for the Authority is shown in the following chart.

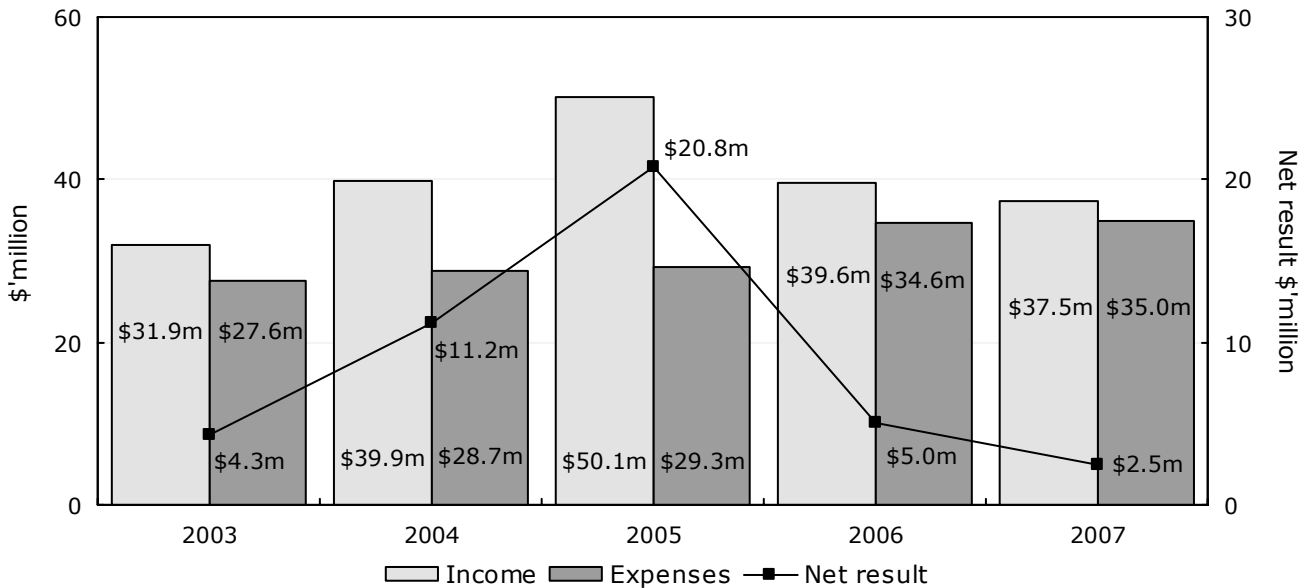


Rental house ownership costs include maintenance, council and water rates and depreciation.

Net Result

The Authority’s net result decreased by \$2.5 million to \$2.5 million in 2007 due mainly to a decrease in Revenue from SA Government.

The following chart shows the income, expenses and net result for the five years to 2007.

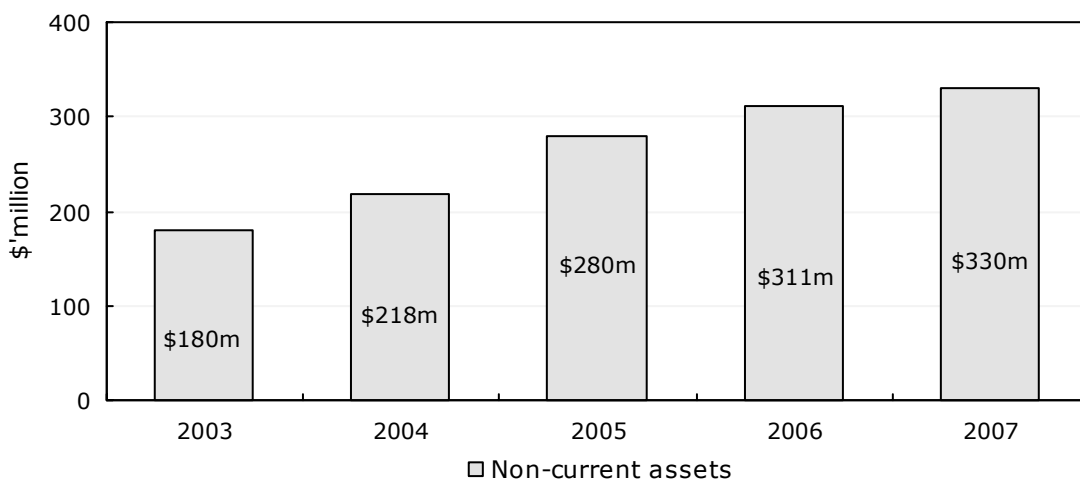


Balance Sheet

The operations of the Authority are capital intensive as is reflected in the investment in rental properties. The Authority’s rental properties were transferred to it from SAHT on the Authority’s establishment or were acquired subsequently using funds from operations.

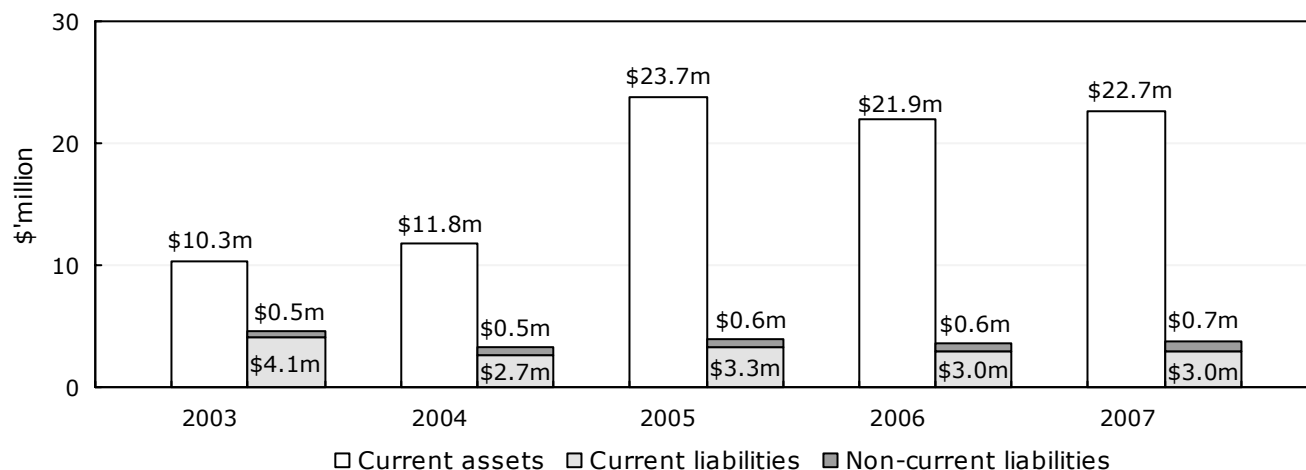
The increase in non-current assets is due mainly to the Authority’s investment in new rental properties and revaluation increments of \$16.9 million.

Analysis of non-current assets for the five years to 2007 is shown in the following chart.



In 2007 current assets includes cash and cash equivalents totalling \$20.5 million (\$17.5 million). Cash and cash equivalents are held for future rental housing capital projects and grant expenditure pursuant to the CHP.

A structural analysis of current assets and both current and non-current liabilities for the five years to 2007 is shown in the following chart.



Cash Flow Statement

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

	2007 \$'million	2006 \$'million	2005 \$'million	2004 \$'million
Net Cash Flows				
Operations	7.4	8.2	22.0	13.7
Investing	(4.4)	(9.0)	(11.9)	(11.2)
Change in Cash	3.0	(0.8)	10.1	2.5
Cash at 30 June	20.5	17.5	18.3	8.2

The analysis of cash flows reflects the impact of grant funding, recognised as an operating cash flow, being applied to meet investing cash flows associated with the purchase, construction and upgrade of rental houses.

The decrease in cash flows from investing activities represents a decrease in purchases in property, plant and equipment.

The large build up of cash during 2005 reflected funding received from government in advance for future CHP projects.

FURTHER COMMENTARY ON OPERATIONS

State Government Owned Housing

At 30 June 2007 there were 1901 (1894) lettable houses owned by the State Government and controlled by the Authority for rental to Aboriginal people. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

Rent Revenue

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. Rent charged to tenants was \$9.5 million (\$9 million) and rental rebates were \$7.4 million (\$6.9 million).

The number of tenancies at 30 June 2007 was 1818 (1811). The percentage of tenancies receiving rebates at 30 June 2007 was 80 percent (80 percent).

Data relating to housing stock levels and tenancies was provided by the Authority and is unaudited.

Community Owned Housing

Community housing grants provided by the Authority fund the acquisition of housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance. Refer to Note 3(b) to the Financial Statements.

**Income Statement
for the year ended 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
EXPENSES:			
Grants	5(e)	11 308	10 198
Maintenance		5 023	5 750
Staffing expense	5(a)	5 109	5 376
Depreciation	5(b)	2 998	2 906
Council and water rates		2 689	2 545
Business services fees		1 882	1 597
Bad and doubtful debts	5(c)	1 238	1 665
Buildings written off		231	-
Rent		514	524
Insurance		209	228
Other	5(d)	3 827	3 848
Total Expenses		35 028	34 637
INCOME:			
Commonwealth revenue	4(d)	19 968	19 544
Rent	4(a)	9 472	9 010
Recoveries	4(b)	1 626	2 210
Interest		1 060	859
Net gain from disposal of non-current assets	4(c)	582	170
Other income		192	172
Total Income		32 900	31 965
NET COST OF PROVIDING SERVICES		(2 128)	(2 672)
REVENUES FROM SA GOVERNMENT	4(e)	4 610	7 659
NET RESULT		2 482	4 987

Net Result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	12(a)	20 553	17 525
Receivables	6	2 207	4 412
Inventories	7	11	11
Total Current Assets		22 771	21 948
NON-CURRENT ASSETS:			
Property, plant and equipment	8	329 962	310 960
Total Non-Current Assets		329 962	310 960
Total Assets		352 733	332 908
CURRENT LIABILITIES:			
Payables	9	2 676	2 591
Other	10	354	374
Total Current Liabilities		3 030	2 965
NON-CURRENT LIABILITIES:			
Payables	9	677	642
Total Non-Current Liabilities		677	642
Total Liabilities		3 707	3 607
NET ASSETS		349 026	329 301
EQUITY:			
Retained earnings		198 632	195 376
Asset revaluation reserve		150 394	133 925
TOTAL EQUITY		349 026	329 301
Total Equity is attributable to the SA government as owner			
Commitments	11		

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

	Note	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
Balance at 30 June 2005		190 292	109 740	300 032
Gain on revaluation of property during 2005-06		-	24 282	24 282
Net result for 2005-06		4 987	-	4 987
Increments on sale of properties		97	(97)	-
BALANCE AT 30 JUNE 2006	16	195 376	133 925	329 301
Gain on revaluation of property during 2006-07		-	17 243	17 243
Net result for 2006-07		2 482	-	2 482
Increments on sale of properties		774	(774)	-
BALANCE AT 30 JUNE 2007	16	198 632	150 394	349 026

All Changes in Equity are attributable to SA Government as owner

Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Supplies and services		(13 721)	(15 294)
Staffing costs		(5 026)	(5 295)
Grants		(11 308)	(10 198)
GST remitted to DFC		(1 054)	(129)
GST paid to suppliers		(1 253)	(1 222)
CASH INFLOWS:			
Receipts from customers		12 143	10 604
GST received from DFC		1 331	1 161
GST received from customers		648	556
Receipts from Commonwealth		19 968	19 544
Receipts from SA Government		4 610	7 659
Interest received		1 060	859
Net Cash provided by Operating Activities	12(b)	7 398	8 245
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(7 019)	(11 268)
Proceeds from sale of property, plant and equipment		2 649	2 219
Net Cash used in Investing Activities		(4 370)	(9 049)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3 028	(804)
CASH AND CASH EQUIVALENTS AT 1 JULY		17 525	18 329
CASH AND CASH EQUIVALENTS AT 30 JUNE	12(a)	20 553	17 525

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Structure

(a) Objectives and Funding

The South Australian Aboriginal Housing Authority (SAAHA) was established in October 1998 as a Statutory Corporation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995* and is the State's Aboriginal public housing authority. The SAAHA's strategic goals are to enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The SAAHA's principal sources of funds include grants from the Commonwealth and State Governments, rent and other payments from tenants, and the proceeds from the sale of houses and other assets.

The SAAHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

(b) Change to Corporate Structure

The SAAHA utilises staff of the Department for Families and Communities (DFC) for the provision of services. As part of the Government's Housing reform, the delivery of housing services is undertaken by Housing SA, DFC under a Service Level Agreement whereby the SAAHA delivers its services through DFC.

The role of Housing SA is to act as the agent for the SAAHA, to assist people in need to secure and maintain affordable and appropriate housing. This is achieved by direct provision of public housing and through a variety of programs and services.

In June 2007 Parliament passed the *Statutes Amendment (Affordable Housing) Act 2007*, which was proclaimed along with regulations under existing legislation which reformed the governance arrangements for the SA Housing System. These changes are effective 1 July 2007. Refer to Note 17 for further details.

2. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The SAAHA's financial statements are a general purpose financial report which has been prepared in accordance with applicable AASs, TIs and APSs issued pursuant to the PFAA.

Statement of Compliance

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

The SAAHA's financial statements 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 financial report has been prepared based on a 12 month operating cycle.

All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

(b) Income and Expenses

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

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

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

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate is offered to low income tenants.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as income of the SAAHA when settlements are completed. When revalued assets are sold the revaluation increments associated with the asset are transferred to retained earnings.

Recoveries

Recoveries for costs on-charged by the SAAHA are included in income.

Grants

Grants for all purposes have been recognised as income when received.

Maintenance Expense

The SAAHA undertakes major cyclical maintenance on its rental housing assets. All costs involved with major cyclical maintenance are recorded as an expense except for costs which add to the service potential of the existing rental housing asset.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturity of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

(d) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The SAAHA has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are expected to be sold, consumed or realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(e) Impairment

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

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

(f) Property, Plant and Equipment

The Balance Sheet includes all land, buildings, plant and equipment controlled by the SAAHA.

The SAAHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October.

Plant, equipment and leasehold improvements not revalued as at 30 June 2007 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

(i) Rental Properties

All land and buildings have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2006.

(ii) Vacant Land

All Vacant Land, which is held for future development and SAAHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2006.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same assets, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserves for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Items of plant and equipment with an individual value of less than \$5000 are expensed at the time they are acquired.

(g) Depreciation

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The SAAHA's property, plant and equipment are depreciated over their estimated useful life using the straight line basis.

Major depreciation periods are:	Years
Rental properties (dwellings)*	50
Administrative buildings	25
Leasehold improvements	Life of the lease
General plant and equipment	3-10
Computer equipment	3

* An estimated useful life of 50 years is assumed for rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national APF for State Housing Authority's and promotes consistency and comparability between these authorities.

Land is not depreciated.

(h) Leased Property, Plant and Equipment

Operating lease payments are charged to the Income Statement in the periods in which they are incurred. These leases are identified in Note 11.

The SAAHA does not have any material finance leases.

(i) Employee Benefits

The SAAHA recognises in the Balance Sheet accruing entitlements of employees of the DFC who provide services on behalf of the SAAHA under a service level agreement as an amount payable by the SAAHA to DFC.

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

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

The amount payable to DFC for annual leave and long service leave represents the amount which the SAAHA has a present obligation to pay resulting from employee's services provided up to reporting date.

A payable has been recognised for the unused component of annual leave as at balance date, calculated using pay rates expected to apply at the time of settlement.

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd in accordance with AASB 119.

Accruing employee entitlements for long service and annual leave were charged to the Income Statement as they were incurred.

(j) Superannuation

The accruing on-costs relating to superannuation entitlements of DFC employees who provide services to the SAAHA under a service level agreement have been recognised in the Balance Sheet as an amount payable by the SAAHA to DFC.

During the year the SAAHA has provided for employer superannuation contributions, at an average rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for only part of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Contributions are made by the SAAHA to several superannuation schemes operated by the SA Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, and such amounts will be treated as a payable not an employee related entitlement.

(k) Insurance

The SAAHA has an agency agreement with South Australian Government Financing Authority (SAFA), SAICORP Division in which the Treasurer indemnifies the SAAHA against damage suffered to the SAAHA's property or claims made against the SAAHA. The SAAHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The SAAHA assumes part of the risk through accepting deductibles in each category of cover.

The Income Statement expense item 'Insurance' reflects the cost of the contribution to SAICORP.

(l) Unearned Revenue

Lump sums received for leases assigned on SAAHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(m) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts identified. Bad debts are written off as incurred.

The majority of receivables relate to rent receivable in respect of each property, recognised as revenue and charged to tenants weekly, in advance.

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

Other debtors that arise outside the normal course of selling goods and to other agencies and to the public are subject to 30 days settlement terms.

Doubtful Debts

The SAAHA determines has provision for doubtful debts based on review of balances that are unlikely to be collected. This is based on the profile of SAAHA's debt and debt write-off history. Specific provision has been made for particular doubtful debts.

(n) Payables

Payables include creditors and accrued staffing benefits. Creditors represent amounts owing for goods and services received prior to 30 June that are unpaid. Accrued staffing benefits represent benefits owing to staff assigned to the SAAHA for services provided up to 30 June that remain unpaid.

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

(o) Tax Status

The activities of the SAAHA are exempt from Commonwealth income tax and State stamp duty and debits tax. Other Commonwealth taxes such as FBT, GST and other State taxes including payroll tax are applicable.

(p) Accounting for GST

The SAAHA is part of a GST group. The nominated representative (DFC) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

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

The net GST receivable/payable to the DFC has been recognised as a receivable/payable in the Balance Sheet.

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

(q) Comparative Information

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.

3. Report by Major Activities**(a) Tenant/Client Services Public Rental**

Statewide SAAHA program incorporating the management of public rental housing.

(b) Community Housing Program

The Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.

General administrative activities have been apportioned between Tenant/Client Services Public Rental and Community Housing Program.

	Tenant/Client Services Public Rental		Community Housing Program		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Expenses:						
Grants	-	-	11 308	10 198	11 308	10 198
Maintenance	5 023	5 750	-	-	5 023	5 750
Staffing expenses	2 233	2 349	2 876	3 027	5 109	5 376
Depreciation	2 908	2 805	90	101	2 998	2 906
Council and water rates	2 689	2 545	-	-	2 689	2 545
Business services fees	822	698	1 060	899	1 882	1 597
Bad and doubtful debts	1 238	1 665	-	-	1 238	1 665
Buildings written off	231	-	-	-	231	-
Rent	224	229	290	295	514	524
Insurance	91	100	118	128	209	228
Other	1 619	1 602	2 208	2 246	3 827	3 848
Total Expenses	17 078	17 743	17 950	16 894	35 028	34 637
Income:						
Commonwealth revenues	6 595	6 035	13 373	13 509	19 968	19 544
Rent	9 472	9 010	-	-	9 472	9 010
Recoveries	1 457	1 896	169	314	1 626	2 210
Interest	463	375	597	484	1 060	859
Net gain from disposal of non-current assets	582	170	-	-	582	170
Other income	84	75	108	97	192	172
Total Income	18 653	17 561	14 247	14 404	32 900	31 965
Net Cost of Providing Services	1 575	(182)	(3 703)	(2 490)	(2 128)	(2 672)
Revenues from SA Government	3 932	5 907	678	1 752	4 610	7 659
Net Result	5 507	5 725	(3 025)	(738)	2 482	4 987

4. Income**(a) Rent**

	2007 \$'000	2006 \$'000
Gross rent	16 873	15 935
Rental rebates	(7 401)	(6 925)
	9 472	9 010

(b) Recoveries

Maintenance	787	735
Water charges	272	249
Bad debts recovered	125	273
Salary and wages	32	50
Other recoveries	410	903
	1 626	2 210

(c) Net Gain from Disposal of Non-Current Assets	2007	2006
	\$'000	\$'000
Proceeds from disposal of non-current assets	2 649	2 219
Less: Cost of sales	2 067	2 049
	582	170
(d) Commonwealth Revenue	14 840	14 715
Commonwealth State Housing Agreement	5 128	4 829
Families, Community Services and Indigenous Affairs	19 968	19 544
(e) Revenue from SA Government	3 824	4 356
Commonwealth State Housing Agreement	333	2 920
Capital Assistance Program	453	383
Other	4 610	7 659
5. Expenses		
(a) Staffing Expense	3 920	3 985
Salaries and wages	425	429
Superannuation	348	373
Annual leave	265	277
Payroll tax	72	185
Long service leave	79	127
Other staffing costs	5 109	5 376
(b) Depreciation	2 838	2 727
Rental Properties	79	108
Leasehold improvements	24	25
General plant and equipment	11	4
Administration buildings	46	42
Computing equipment	2 998	2 906
(c) Bad and Doubtful Debts	788	562
Bad debts written off	450	1 103
Doubtful debts expense	1 238	1 665
(d) Other	330	485
Accommodation and travel	225	358
Communication and computing	1 590	1 200
Contractors fees	483	463
Vehicle expenses	109	181
Printing, stationery, postage and periodicals	188	186
Occupancy expenses	40	64
Training	57	58
Audit remuneration*	101	125
Minor equipment	51	37
Consultancies	653	691
Other expenses	3 827	3 848
* No other services were provided by the auditors.		
(e) Grants	8 308	7 023
Capital	3 000	3 175
Recurrent	11 308	10 198
6. Receivables	4 209	5 890
Debtors	118	196
GST recoverable from DFC	30	26
Excess water	(2 150)	(1 700)
Provision for doubtful debts	2 207	4 412
7. Inventories	11	11
Vacant land	11	11

8. Property, Plant and Equipment	2007	2006
	\$'000	\$'000
Rental properties (At valuation)	325 863	305 398
Accumulated depreciation	(1 936)	(1 870)
	323 927	303 528
Vacant land (At valuation)	2 429	2 164
Leasehold improvements (At cost)	1 242	1 242
Accumulated depreciation	(740)	(661)
	502	581
Administration land and buildings (At valuation)	485	250
Accumulated depreciation	(9)	(4)
	476	246
Capital works in progress (At cost)	2 456	4 200
General plant and equipment (At cost)	269	269
Accumulated depreciation	(137)	(113)
	132	156
Computing equipment (At cost)	771	771
Accumulated depreciation	(731)	(686)
	40	85
Total Property, Plant and Equipment	329 962	310 960

Reconciliation

Reconciliations of the carrying amount of each class of Property, Plant and Equipment at the beginning and end of the current financial year are displayed in the tables below:

	2007			
	Rental Properties \$'000	Vacant Land \$'000	Leasehold Improvements \$'000	Administration Land and Buildings \$'000
Carrying amount at 1 July	303 528	2 164	581	246
Additions	8 792	495	-	205
Disposals/scrapped	(2 374)	(345)	-	-
Transfers to capital works in progress	(85)	(224)	-	-
Net revaluation increment less revaluation decrements	16 904	339	-	36
Depreciation expense	(2 838)	-	(79)	(11)
Carrying Amount at 30 June	323 927	2 429	502	476
	Capital Works in Progress \$'000	General Plant and Equipment \$'000	Computing Equipment \$'000	2007 Total \$'000
Carrying amount at 1 July	4 200	156	86	310 961
Additions	5 531	-	-	15 023
Disposals/scrapped	-	-	-	(2 719)
Transfers to completed works	(7 275)	-	-	(7 584)
Net revaluation increment less revaluation decrements	-	-	-	17 279
Depreciation expense	-	(24)	(46)	(2 998)
Carrying Amount at 30 June	2 456	132	40	329 962

9. Payables	2007	2006
	\$'000	\$'000
Current Payables:		
Creditors	1 801	1 371
GST payable to DFC	94	499
Staffing benefits	697	649
Council and water rates	84	72
	2 676	2 591
Non-Current Payables:		
Staffing benefits	677	642

10. Other Liabilities	2007	2006
Current Liabilities:	\$'000	\$'000
Insurance provisions	216	239
Unearned revenue	138	135
	354	374

11. Commitments**Capital Expenditure**

The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements:

Not later than one year	772	2 211
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Recurrent Expenditure

The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements:

Not later than one year	2 375	6 383
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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:

Not later than one year	116	105
Later than one year but not later than five years	412	-
Total	528	105

Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable inclusive of GST:

Not later than one year	476	554
Later than one year but not later than five years	42	466
Total	518	1 020

All leases are for office accommodation and are non-cancellable with rental paid monthly in advance. Minimum lease payments are reviewed annually and indexed in accordance with inflation. Options exist to renew the lease at the end of the lease term.

12. Notes to the Cash Flow Statement**(a) Reconciliation of Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and cash at bank. Cash and cash equivalents at the end of the period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2007	2006
	\$'000	\$'000
Cash Flow Statement	20 553	17 525
Balance Sheet	20 553	17 525

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

Net cash provided by operating activities	7 398	8 245
Revenues from SA Government	(4 610)	(7 659)
Depreciation	(2 998)	(2 906)
Buildings written off	(231)	-
Revaluation Increment - admin land and buildings	36	109
Net gain from disposal of non-current assets	582	170
	177	(2 041)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	(2 205)	(924)
Increase (Decrease) in inventories	-	(2)
(Increase) Decrease in payables	(120)	303
(Increase) Decrease in other liabilities	20	(8)
	(2 305)	(631)
Net Cost of Providing Services	(2 128)	(2 672)

13. Remuneration of Board Members and Employees**(a) Board Members' Remuneration**

The SAAHA Board of Management comprises nine members and four deputy members. The fees paid to Board members are set by Executive Council in accordance with approved procedures. One Board Member position was vacant for the year.

(a) Board Members' Remuneration (continued)

Board members of the SAAHA during the financial year were:

Mr Elliot McNamara (Chairperson)	Ms Shereen Rankine
Mr Yami Lester OAM	Mr Henry Rankine OAM
Mr Klynton Wanganeen (resigned 21.12.06)	Mr Tauto Sansbury
Mr Harry Miller	Mr Alwyn McKenzie

	2007	2006
	Number of	Number of
	Members	Members
The number of Board members whose remuneration from the SAAHA falls within the following bands:		
\$nil	2	2
\$1 - \$10 000	-	2
\$10 001 - \$20 000	6	4
	8	8
	2007	2006
Total remuneration received, or due and receivable by the Board members of the SAAHA. *	\$'000	\$'000
	68	61

* Includes payments to a superannuation fund on behalf of Board members of \$6000.

Board members of the SAAHA have declared the following interest in the following community organisations which have received funding from the SAAHA. The Board members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the SAAHA had entered into transactions during the year.

Mr A McKenzie declared his interest in Davenport Community Council and Viliwarinha Yura Aboriginal Corporation:

Grant Expenditure	2006-07	(Davenport)	\$92 000
Contract Expenditure	2006-07	(Davenport)	\$1 000
Grant Expenditure	2006-07	(Viliwarinha)	\$11 000
Contract Expenditure	2006-07	(Viliwarinha)	\$2 000

(b) Policy Forum Remuneration

The SAAHA Policy Forum comprises 10 members. The fees paid to Forum members are based on rates set by Executive Council.

Forum Members of the SAAHA during the financial year were:

Ms Frances Nam (Chairperson)	Mr Barry Johncock
Ms Gwen Miller	Mr Troy McNamara
Ms Lynette Callaghan	Mr Brenton Richards
Mr Leslie Bonney	Mr Michael Wanganeen
Mr Haydn Davey	Mr Des Hartman

	2007	2006
	Number of	Number of
	Members	Members
The number of SAAHA Policy Forum Members whose remuneration from the SAAHA falls within the following bands:		
\$nil	1	1
\$1 - \$10 000	9	10
	10	11
	2007	2006
Total remuneration received, or due and receivable by the Forum Members of the SAAHA	\$'000	\$'000
	13	6

No payments of superannuation were paid on behalf of SAAHA Policy Forum Members.

(c) Employees' Remuneration

The number of employees whose remuneration was over \$100 000 was:

	2007	2006
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	1	-
\$170 000 - \$179 999	-	1
	2007	2006
Total value of remunerations in excess of \$100 000 were	\$'000	\$'000
	105	173

Remuneration includes salary and wages, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated FBT.

No TVSPs were paid during the 2006-07 financial year.

No TVSP recoveries were received from the Department of Treasury and Finance during the 2006-07 financial year.

14. Additional Financial Instruments Disclosure**(a) Credit Risk**

The SAAHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. The SAAHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to SAAHA staff and tenants.

(b) Interest Rate Risk

The SAAHA is not exposed to any interest rate risk exposure as there are no fixed interest assets or liabilities. The only interest bearing component of the SAAHA assets and liabilities is that of the floating interest rate for Cash and Deposits which was deemed to be 6.10 percent as at 30 June 2007.

The SAAHA has non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (cash held with Department of Treasury and Finance).

(c) Net Fair Value of Financial Instruments

The Net Fair Value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the SAAHA approximates their carrying value.

(d) Financial Risk Management

The SAAHA's exposure to financial, market and cash flow interest risk is minimal.

15. Transactions with SA Government

In accordance with the requirements of APF II, the SAAHA has disclosed details of revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government in the following table. A threshold of \$100 000 has been applied in determining these amounts in accordance with APF II.

	2007	2006
Expenses:	\$'000	\$'000
Council and water rates	1 173	1 132
Business services fees	1 882	1 597
Insurance	209	228
Grants	364	329
Other	945	1 098
	4 573	4 384
Income:		
Recoveries	429	768
Interest	1 060	859
	1 489	1 627
Revenues from SA Government	4 610	7 659
Financial Assets:		
Cash assets	20 550	17 523
Receivables	236	1 739
	20 786	19 262
Financial Liabilities:		
Payables	2 119	2 403
Insurance provisions	216	239
	2 335	2 642
16. Equity		
Equity:		
Contributed capital	-	-
Retained earnings	198 632	195 376
Asset revaluation reserve	150 394	133 925
Total Equity	349 026	329 301

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

17. Events After Balance Date

The Statutes Amendments (Affordable Housing) Act was proclaimed on 1 July 2007. Under these amendments there were a number of changes to the corporate governance arrangements for housing. Most notably it supports the Government's housing reform by bringing all the housing functions under one housing agency through the dissolution of the SAAHA and the South Australian Community Housing Authority (SACHA). The assets and liabilities of the SAAHA and SACHA will, from 1 July 2007, be included in the financial statements of the South Australian Housing Trust. Housing SA of DFC will provide the required housing services and functions on behalf of South Australian Housing Trust Board under a Performance Agreement and delegations.

SOUTH AUSTRALIAN ASSET MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to 'manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of \$8.3 billion and \$8.2 billion respectively. At 30 June 2007 assets and liabilities of SAAMC stood at \$72 million and \$7 million respectively.

At 30 June 2007 SAAMC staffing consisted of a part-time Chief Executive Officer and one temporary employee.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

The audit program involved the review of financial systems and records 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, areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; and financial statements verification.

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 South Australian Asset 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 South Australian Asset Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the South Australian Asset Management Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

SAAMC's financial controls operating in relation to the auditable areas of review (including financial statements) were determined as satisfactory. There were no matters identified during the course of the audit that necessitated communication in the form of a management letter to SAAMC.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The major objective of SAAMC involves the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

Highlights of the Financial Report

	2007	2006
	\$'million	\$'million
INCOME		
Interest revenue	4	3
Non-interest income	1	2
Recoveries of debts	1	1
Income	6	6
EXPENSES		
Other expenses	1	1
Total Expenses	1	1
Net Profit After Income Tax Equivalents	5	5
NET CASH FLOWS FROM OPERATING ACTIVITIES	(1)	16
ASSETS	72	69
LIABILITIES	7	8
EQUITY	65	61

Income Statement

The following table shows the revenues/recoveries, expenses and net profits for the five years to 2007.

	2007	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million	\$'million
Revenues/recoveries	6	6	21	58	70
Expenses	1	1	8	45	42
NET PROFIT	5	5	13	13	28

The reduction in revenue and expense flows over the years accompanied by an associated decrease in the level of net profits over the years, reflects SAAMC's core objective of asset divestiture and liability extinguishment, rather than profit generation.

Balance Sheet

The table below presents a very broad analysis of the assets and liabilities and equity position of SAAMC for the five years to 2007. The table shows over the years a significant trend reduction in assets and liabilities.

	2007	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million	\$'million
ASSETS					
Securities	-	-	35	599	765
Investments and Other	72	69	34	187	170
Total Assets	72	69	69	786	935
LIABILITIES					
Interest bearing liabilities	-	-	-	656	758
Other	7	8	7	9	9
Total Liabilities	7	8	7	665	767

	2007	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million	\$'million
EQUITY					
Retained earnings	13	8	3	59	106
Other	52	53	58	62	62
TOTAL EQUITY	65	61	62	121	168

The net asset position of SAAMC at 30 June 2007 was \$65.4 million, up from \$60.6 million at 30 June 2006. Note 15 to the financial statements discloses that investments of \$69.9 million represent deposits with the South Australian Government Financing Authority (SAFA).

Section 22 of the *State Bank of South Australia Act 1983* (as amended) provides that any surplus of funds remaining after the costs of SAAMC have been met in any financial year, must be paid into the Consolidated Account or otherwise dealt with as the Treasurer of South Australia may determine. The Treasurer has determined that SAAMC is to retain its current profit of \$4.7 million and its prior years retained earnings.

At 30 June 2007 the retained earnings of SAAMC were \$12.6 million.

Cash Flow Statement

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

	2007	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million	\$'million
Net Cash Flows					
Operations	(2)	16	7	10	33
Investing	2	(11)	696	152	483
Financing	-	(6)	(705)	(161)	(517)
Change in Cash	-	(1)	(2)	1	(1)
Cash at 30 June	2	2	3	5	4

Over the years from 2003 to 2007, cash flows from investing activities have mainly resulted from the sale of securities. The proceeds have been used in relation to financing activities, associated with repaying borrowings and/or contributed capital to the Government, or payment of dividends to the Government, or in reinvestment activity principally with SAFA.

Income Statement for the year ended 30 June 2007

		2007	2006
	Note	\$'000	\$'000
INCOME:			
Interest revenues	5	4 372	3 467
Rental revenues	6	-	1 935
Other income	6	308	79
Credit for bad and doubtful debts	12	816	513
Total Income		5 496	5 994
EXPENSES:			
Employee benefits costs	8	211	170
Supplies and services	9	526	824
Other Expenses	10	18	96
Total Expenses		755	1 090
Profit before income tax equivalents		4 741	4 904
Income tax equivalent expense	13	-	-
NET PROFIT AFTER INCOME TAX EQUIVALENTS		4 741	4 904

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
ASSETS:			
Cash and cash equivalents	23(a)	1 921	1 735
Investments	15	69 916	67 189
Other financial assets	16	5	-
Total Assets		71 842	68 924
LIABILITIES:			
Payables	17	3 187	4 992
Employee benefits	18	115	67
Provisions	19	3 187	3 253
Total Liabilities		6 489	8 312
NET ASSETS		65 353	60 612
EQUITY:			
Contributed capital		52 716	52 716
Retained earnings		12 637	7 896
TOTAL EQUITY		65 353	60 612
Commitments for expenditure	20		
Contingent assets and liabilities	21		

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

	Contributed Capital \$'000	Property Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2005	52 716	-	8 993	61 709
Error Correction	-	-	(1)	(1)
Restated balance at 30 June 2005	52 716	-	8 992	61 708
Profit after Income Tax Equivalents for 2005-06	-	-	4 904	4 904
Total recognised Income and Expense for 2005-06	-	-	4 904	4 904
Dividend paid to SA Government	-	-	(6 000)	(6 000)
BALANCE AT 30 JUNE 2006	52 716	-	7 896	60 612
Profit after Income Tax Equivalents for 2006-07	-	-	4 741	4 741
Total recognised Income and Expense for 2006-07	-	-	4 741	4 741
Dividend paid to SA Government	-	-	-	-
BALANCE AT 30 JUNE 2007	52 716	-	12 637	65 353

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Receipts from the sale of goods and services	4 736	5 631
Interest received	90	14 291
GST receipts on receivables	474	2 138
GST input tax credits claimed	566	580
Other receipts	1 126	513
Cash generated from Operations	6 992	23 153
CASH OUTFLOWS:		
Employee benefit payments	(240)	(242)
Supplies and services	(5 786)	(5 345)
GST payments on purchases	(565)	(580)
GST remitted to Australian Taxation Office	(1 825)	(745)
Cash used in Operations	(8 416)	(6 912)
Net Cash (used in) provided by Operating Activities	(1 424)	16 241
	23(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from sale of property	-	13 543
Proceeds from the sales/maturities of investments	3 410	1 280
Cash generated from Investing Activities	3 410	14 823
CASH OUTFLOWS:		
Purchase of investments	(1 800)	(26 480)
Cash used in Investing Activities	(1 800)	(26 480)
Net Cash provided by (used in) Investing Activities	1 610	(11 657)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Dividend paid	-	(6 000)
Cash used in Financing Activities	-	(6 000)
Net Cash used in Financing Activities	-	(6 000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	186	(1 416)
CASH AND CASH EQUIVALENTS AT 1 JULY	1 735	3 151
CASH AND CASH EQUIVALENTS AT 30 JUNE	1 921	1 735
	23(a)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of South Australian Asset Management Corporation (SAAMC)

SAAMC – referred to as the 'Corporation' - is incorporated under the *State Bank of South Australia Act 1983* (as amended). On 1 July 1994, the Corporation changed its name from State Bank of South Australia to SAAMC, as provided for in the *State Bank of South Australia Act 1983* (as amended). The objectives of the Corporation are:

- meet the long-term obligations and commitments of what was previously known as State Bank of South Australia;
- pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia;
- disciplined downsizing of the Balance Sheet;
- generate earnings through the realisation of assets and prudent management of funding;
- manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task;
- be fully accountable to the State of South Australia;
- maintain a high standard of corporate and business ethics.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Statement of Compliance

AASs include AIFRS. The Corporation has early-adopted the amendments to AASB 101 in the preparation of this financial report (refer Note 4 'Changes in Accounting Policies').

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 as detailed in Note 2(h).

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, these are outlined in the applicable notes; and
- 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:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
 - (b) expenses incurred as a result of engaging consultants (as reported in the Income Statement);
 - (c) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or otherwise made available, directly or indirectly by the entity to those employees.

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

(b) Comparative Information

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.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(c) Rounding

Unless otherwise indicated, all amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

(d) Taxation

The Corporation is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. 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 a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

(e) Bad and Doubtful Debts

The Corporation's assets are cash and other liquid investments with SAFA.

Due to their nature these assets have a minimum credit risk attached to them and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Income Statement and therefore provisioning for bad and doubtful debts is not required.

(f) Income and Expenses

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

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

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

(g) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet include cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(h) Investments

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of the Corporation. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Income Statement.

(i) Employee Benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on planned departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

Salaries, Annual Leave and Long Service Leave

The provisions for employee entitlements to salaries and annual leave represent the amount that the Corporation has a present obligation to pay, resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts, based on current salary rates, and includes related on costs.

The Corporation's future obligations for long service leave entitlements, although immaterial, have been fully provided.

Superannuation Funds

The Corporation contributes the prescribed Employer Contribution to the Triple S scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made (refer Note 20 'Superannuation Commitments'). There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not paid.

(j) Provisions

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

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

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

(k) Insurance

The Corporation has arranged, through SAFA, SAICORP Division, to insure all major risk of the Corporation. The excess payable under this arrangement varies depending on each class of insurance held.

3. Directions of the Treasurer

Section 22 of the *State Bank of South Australia Act 1983* (as amended), provides that any surplus of funds remaining after the costs of the Bank have been met in any financial year, must be paid into the Consolidated Account or otherwise dealt with as the Treasurer of South Australia may determine.

The Treasurer of South Australia has determined that no dividend be paid into the Consolidated Account from the Corporation's accumulated retained profits in the 2006-07 financial year.

4. 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 not yet effective, have not been adopted by the Corporation for the reporting period ending 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.

5. Interest Revenues

Interest received/receivable from entities external to the SA Government	2007 \$'000 90	2006 \$'000 2 448
Interest received/receivable from entities within SA Government	4 282	1 019
Total Interest Income	4 372	3 467

6. Rental Revenues and Other Income

Rental received from entities within SA Government	-	1 935
Other sundry income received from entities external to SA Government	308	79
Total Rental and Other Income	308	2 014

Rental income ceased as a result of the sale of an investment property in June 2006.

7. Key Management Personnel and Remuneration

Key management personnel of the Corporation comprise the directors of the Corporation being Mr Brett G Rowse, Ms Linda Hart, Ms Kathryn A Moore, Ms Nicolle S Rantanen and the Chief Executive Officer Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by the Corporation. Remuneration payable to the Chief Executive Officer is \$103 000 representing short-term benefits. That Officer was the only employee who received remuneration in excess of \$100 000.

8. Employee Benefits Costs

FBT	2007 \$'000 4	2006 \$'000 5
Salaries	138	135
Superannuation and retiring allowances	18	18
Other staff expenses	51	12
Total Employee Benefits Costs	211	170

9. Supplies and Services

Supplies and Services provided by entities within the SA Government:		
Legal	6	5
Insurance	5	21
Other (including property outgoings \$nil (\$481 000))	82	564
Total Supplies and Services - SA Government Entities	93	590
Supplies and Services provided by entities external to the SA Government:		
Legal	263	216
Other (including HCC expenses \$164 000 (\$nil))	170	18
Total Supplies and Services - Non-SA Government Entities	433	234
Total Supplies and Services	526	824

SAAMC did not engage during the year any consultants as defined by the APF II.

10. Other Expenses

Other	18	96
Total Other Expenses	18	96

11. Auditors' Remuneration

Audit fees paid/payable to the Auditor-General's Department	47	52
Total Audit Fees - SA Government Entities	47	52

In respect of 2005-06 the amount paid was \$47 000. No other services were provided by the Auditor-General's Department.

12. Bad and Doubtful Debts	2007	2006
Net Credit for Bad Debts Written Off:	\$'000	\$'000
Recoveries net of recovery costs	(816)	(513)
Net Recoveries Received	(816)	(513)
Credit for Bad and Doubtful Debts	(816)	(513)
13. Income Tax		
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense calculated at 30 percent (30 percent) on profit	1 422	1 471
Decrease in Income Tax Expense due to Non-Tax Assessable Items:		
Tax exempt income - SAAMC	1 422	1 471
Income Tax Expense (Benefit) on Profit adjusted for Permanent Differences:		
Income tax under (over) provided in prior year	-	-
Tax rate differential on overseas income	-	-
Future income tax benefit not brought to account	-	-
Total Income Tax Expense (Benefit)	-	-
14. Segmental Reporting		
Geographic Segments		
Revenue:		
Australia	5 496	5 994
Total Revenue	5 496	5 994
Profit After Income Tax Equivalents:		
Australia	4 741	4 904
Total Profit After Income Tax Equivalents	4 741	4 904
Total Assets:		
Australia	71 842	68 924
Total Assets	71 842	68 924
Industry Segments		
The Corporation has operated predominantly in the financial services industry during the course of the year comprising investing, recovery of outstanding debts and management of treasury risks.		
15. Investments		
Deposits with SA Government entities	69 916	67 189
Total Investments	69 916	67 189
16. Other Financial Assets		
GST receivable	5	-
Total Other Financial Assets	5	-
17. Payables		
Current:		
Creditors	348	619
Accrued expenses	293	185
GST payable	42	1 388
Non-Current:		
Creditors	2 504	2 800
Total Payables	3 187	4 992
Government/Non-Government Payables:		
Payables to SA Government entities:		
Accrued expenses	61	133
Total Payables to Other SA Government Entities	61	133
Payables to Non-SA Government entities:		
Creditors	2 852	3 419
Accrued expenses	232	52
GST payable	42	1 388
Total Payables to Non-SA Government Entities	3 126	4 859
Total Payables	3 187	4 992

18. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	27	21
Accrued salaries	4	4
Total Current Employee Benefits	31	25
Non-Current:		
Long-term long service leave	84	42
Total Employee Benefits	115	67
19. Provisions		
Workers compensation claims	3 187	3 253
Total Provisions	3 187	3 253
Carrying amount at 1 July	3 253	3 372
Amount charged against the provision	(66)	(43)
Carrying Amount at 30 June	3 187	3 253

20. Commitments**Superannuation Commitments**

The Corporation contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds requirements.

The Corporation had one-part time and one temporary employee as at balance date. There was one part time and one temporary employee at the same period last year.

Operating Lease Commitments

Concurrent leases payable or contracted for at balance date but not provided for in the financial statements:	2007	2006
	\$'000	\$'000
Not later than one year	4 031	3 904
Later than one year but not later than five years	2 064	6 095
	6 095	9 999

These commitments are offset by lease payments to be received, which are estimated to be \$6.3 million. (The 2006 estimate for recoveries was \$10.7 million as compared to commitments of \$10 million).

21. Contingent Assets and Liabilities**Claims by and against the Corporation**

In the ordinary course of business, the Corporation is involved in litigation, which at the date of adoption of these financial statements has not been resolved. Acting on legal advice, the Directors are of the opinion that on balance no material losses are likely to arise other than the amounts provided for in the financial statements.

Hellenic Cadastre Consult (HCC)

In late 1996 SAGRIC, a State owned company, acted as trustee for the Crown in relation to a joint venture with two international companies to provide services to a Greek Government owned company. The joint venture is known as Hellenic Cadastre Consult (HCC). The State's share of the residual net liabilities in HCC were vested to SAAMC by the dissolution of Edisco (the successor of SAGRIC) by proclamation in June 2004. There is litigation scheduled in early 2008 relating to certain contractual arrangements involving HCC and the Greek Government.

Put Option

A property put option was entered in 1993-94 as part of the sale arrangements of the Australis property, now known as SA Water House.

At the time of the sale, the then Group Asset Management Division (GAMD) (as head lessee) entered into a 15 year lease with the purchaser in relation to a substantial portion of the building, which was backed in cash flow terms against a pre-existing 15 year lease between GAMD and the then Minister for Public Infrastructure (as sub lessee) over the same portion of the building. In addition, GAMD undertook to purchase the building for \$39.5 million in 2008, at the current purchaser's option, if the value of the building at that time is lower than the agreed \$39.5 million. An independent valuation at 30 June 2005 valued the property at \$40 million.

22. Financial Risk Management

The Corporation is exposed to minimal financial risks. All the interest-bearing assets are invested with the SAFA and although exposed to price risk for changes in interest rates fluctuations the risk management processes put in place by SAFA limits the financial risk to a minimum. In relation to liquidity/funding risk, the continued existence of the Corporation in its present form is dependent on government policy decision as to whether the Corporation's asset base is maintained.

22. Financial Risk Management (continued)

The tables below show the interest rate exposure of financial assets and liabilities.

	Floating Interest Rate \$'000	2007 Fixed Interest Maturing In			Non- Interest Bearing \$'000	Total \$'000
		One year or Less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and cash equivalents	1 921	-	-	-	-	1 921
Investments	12 510	-	57 406	-	-	69 916
	14 431	-	57 406	-	-	71 837
Weighted average interest rate (percent)	6.32		6.59			
Financial Liabilities:						
Borrowings:						
Deposits	-	-	-	-	-	-
Capital markets raisings	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
	-	-	-	-	-	-
Weighted average interest rate (percent)	-					

	Floating Interest Rate \$'000	2006 Fixed Interest Maturing In			Non- Interest Bearing \$'000	Total \$'000
		One year or Less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and cash equivalents	1 735	-	-	-	-	1 735
Investments	13 766	-	53 423	-	-	67 189
	15 501	-	53 423	-	-	68 924
Weighted average interest rate (percent)	5.69		5.83			
Financial Liabilities:						
Borrowings:						
Deposits	-	-	-	-	-	-
Capital markets raisings	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
	-	-	-	-	-	-
Weighted average interest rate (percent)	-					

23. Notes to the Cash Flow Statement**(a) Reconciliation of Cash**

Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2007 \$'000	2006 \$'000
Cash and cash equivalents	1 921	1 735
	1 921	1 735

(b) Reconciliation of Net Cash (used in) provided by Operating Activities to Net Profit after Income Tax Equivalents

Net profit	4 741	4 904
Add (Less): Non-cash items:		
Reversal of specific debt provision	-	-
Net Cash provided by Operating Activities before change in Assets and Liabilities	4 741	4 904
Changes in assets and liabilities:		
(Decrease) Increase in net interest accrued	(4 338)	546
(Decrease) in sundry creditors and accruals	(1 875)	(472)
Decrease in receivables	-	11 253
Increase in employee entitlements	49	10
Net Cash (used in) provided by Operating Activities	(1 423)	16 241

24. Related Party Disclosures**Directors**

The names of each person holding the position of Director of SAAMC during the financial year ended 30 June 2007 are as follows:

Mr Brett G Rowse	Ms Nicolle S Rantanen
Ms Linda Hart	Mr Andrew G Anastasiades
Ms Kathryn A Moore	

Directors' Transactions

No transactions took place between the directors of SAAMC and related entities and their related parties, including director related entities.

SAFA

Related party transactions with SAFA are disclosed in Note 5, Interest Revenues and Note 15, Investments. In addition, the Corporation and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

25. Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely in the opinion of the Directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation, in subsequent financial years.

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Community Housing Authority ('the Authority' or 'SACHA') was established pursuant to the *South Australian Co-operative and Community Housing Act 1991* (the Act) and was abolished with effect from 1 July 2007 pursuant to the *Statutes Amendment (Affordable Housing) Act 2007*.

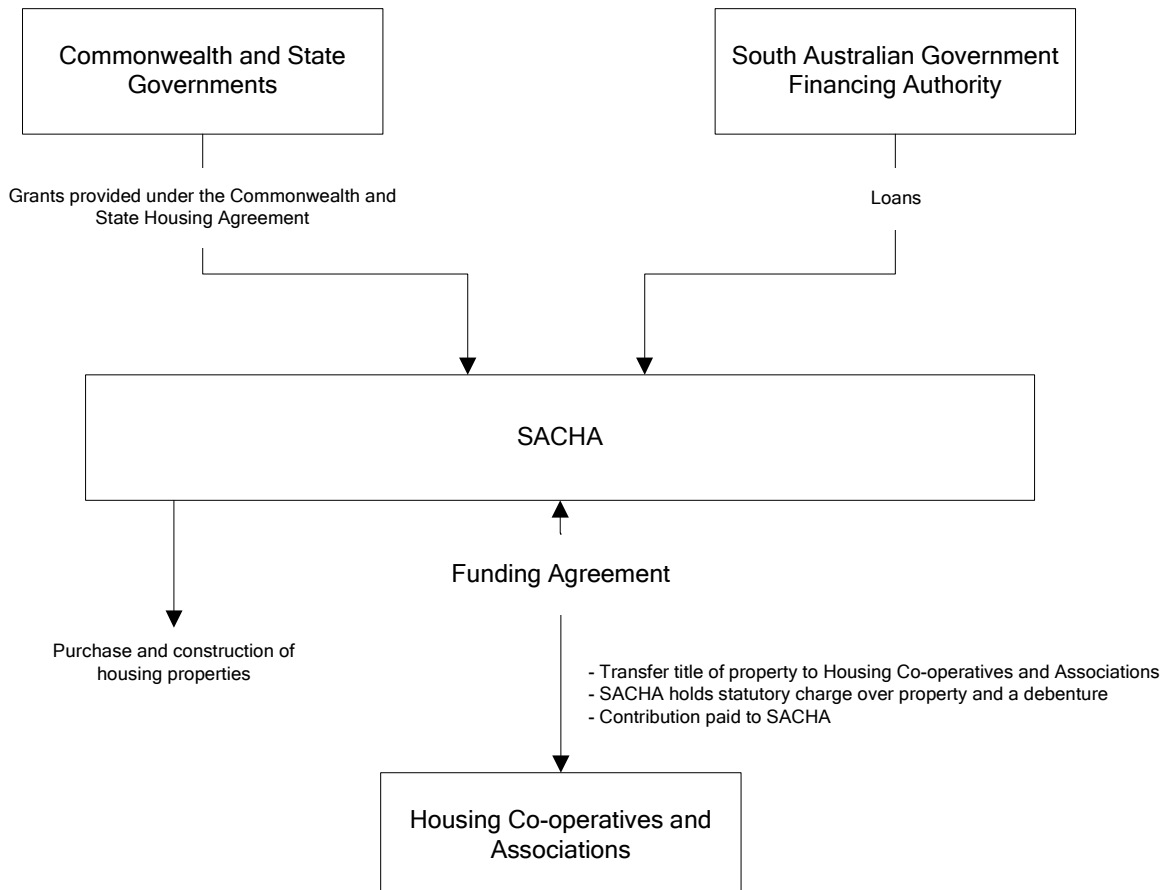
Functions

The Authority had a broad range of functions covering the development, promotion and administration of community housing in South Australia. In performing these functions the Authority had the following main roles:

- The provision of advice to the Minister for Housing on issues relating to community housing.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations (CHOs) which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to CHOs.

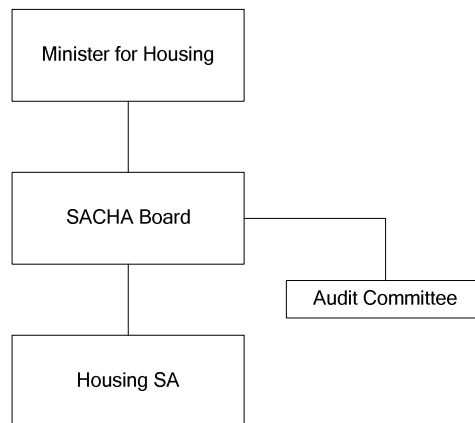
Financial Arrangements and Structure

The following chart illustrates the relationship between the agencies that provided funding to SACHA and the CHOs which received support from SACHA.



Structure

The structure of the Authority in 2006-07 is illustrated in the following organisation chart.



The Authority uses staff from Housing SA within the Department for Families and Communities to provide its services.

Changes to Functions and Structure

The Statutes Amendment (Affordable Housing) Act 2007 was assented to in June 2007 implementing a range of reforms to the South Australian public housing sector. With effect from 1 July 2007 the Authority was abolished and responsibility for the Authority's assets and liabilities was transferred to the South Australian Housing Trust (SAHT). The SAHT also became responsible for the functions previously performed by the Authority including the regulation and oversight of the CHOs.

Audit Committee

The Authority had an Audit Committee which comprised four Authority members appointed by the Board. The Audit Committee met on at least a quarterly basis and reported to the Board on the effectiveness of controls over the operations of the Authority. Representatives of the Auditor-General's Department attended meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 19(2) of the Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the financial statements of the Authority.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- expenditure (both operating and capital)
- revenue including contributions from CHOs
- payroll
- non-current property assets
- property sales.

AUDIT FINDINGS AND COMMENTS**Audit Opinions****Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Community Housing Authority 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 South Australian Community Housing Authority in relation to the receipt, expenditure and investment of money, the acquisition of property and the incurring of liabilities, except for the matter raised in relation to the disposal of property as outlined under 'Communication of Audit Matters', were sufficient to provide reasonable assurance that the financial transactions of the South Australian Community Housing Authority have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Deputy Chief Executive of the Department for Families and Communities. The main matters raised are described below.

Unauthorised Sale of Property

SACHA procedures require Board approval to sell properties valued at greater than \$500 000. The 2006-07 audit reviewed the sale of a property valued at greater than \$500 000 that was not approved in accordance with SACHA procedures. The audit also identified that the sale process was not appropriately documented.

The Authority responded that it had performed a review of this sale process and put in place additional procedures to ensure that all sales are authorised and documented in accordance with SACHA policy.

Other Matters Raised

The management letter also included findings related to:

- the important matter for the Authority to follow up audited financial statements from CHOs which they are required to prepare and submit to the Authority;
- areas for improvement in the Authority's documented policies and procedures with respect to journal processing and reconciling the general ledger to supporting asset records.

The Authority responded satisfactorily to these and other matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

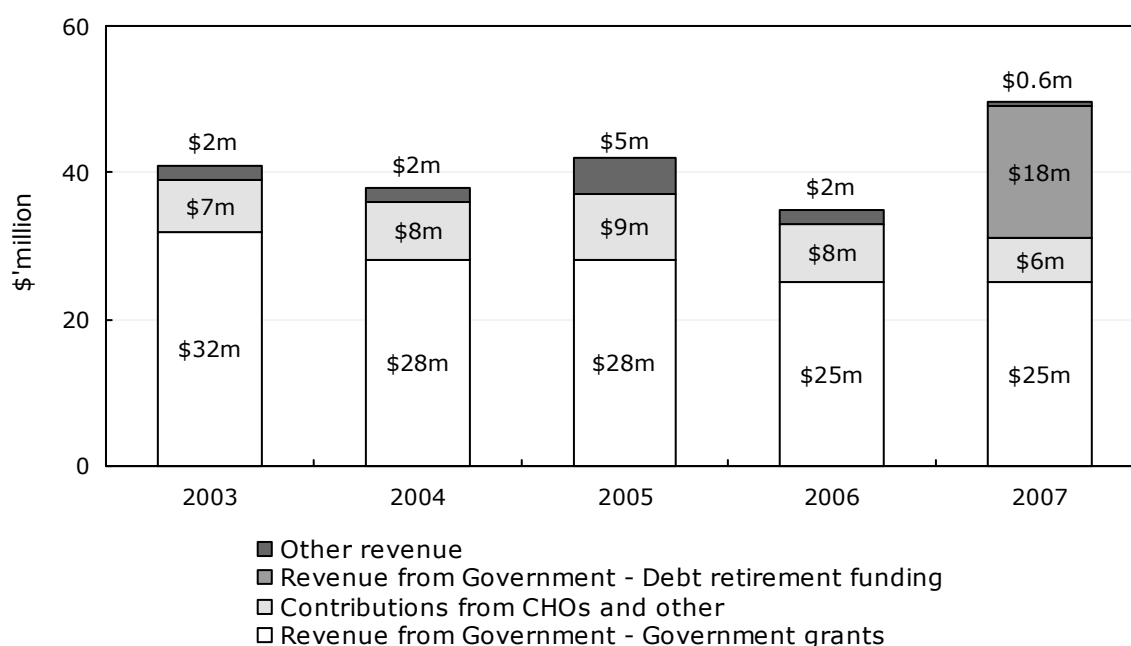
	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Finance costs (SA Government)	8.4	8.5	1
Depreciation expense	7.3	6.8	7
Employee expenses	2.3	3.2	(28)
Other expenses	3.6	4.2	(14)
Total Expenses	21.6	22.7	(5)
INCOME			
Contributions from CHOs	6.2	7.9	(22)
Other income	0.6	1.9	(68)
Total Income	6.8	9.8	(32)
Net Cost of Providing Services	14.8	12.9	(15)

	2007 \$'million	2006 \$'million	Percentage Change
REVENUES FROM GOVERNMENT			
Government grants	43.5	25.3	72
Net Result	28.6	12.4	131
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	25.9	9.8	163
ASSETS			
Current assets	8.5	6.0	42
Non-current assets	784.3	734.5	7
Total Assets	792.8	740.5	7
LIABILITIES			
Current liabilities	5.2	2.8	86
Non-current liabilities	99.8	120.4	(17)
Total Liabilities	105.0	123.2	(15)
EQUITY	687.8	617.3	11

Income Statement

Operating Income

A structural analysis of operating revenues of the Authority for the five years to 2007 is presented in the following chart.



The above chart indicates the extent to which the Authority is reliant on Government grants.

Government Grants

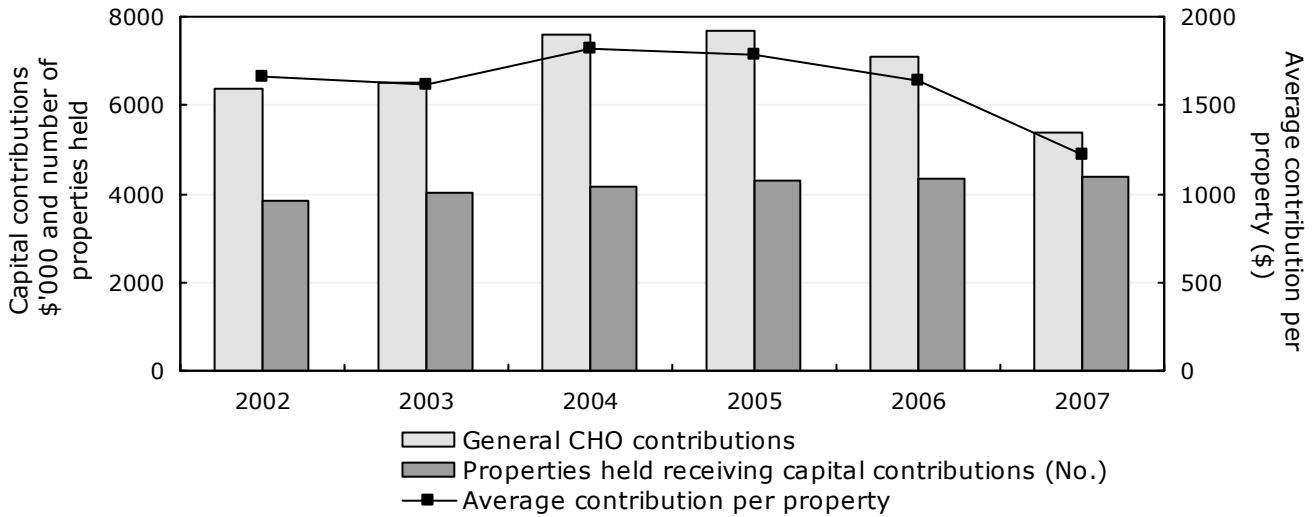
Government grants (reflecting funding for both recurrent and capital purposes) have decreased over the period. Included within Government Grants are grants specifically provided for the purpose of acquiring SAHT properties of \$9.8 million (\$9 million). These grants are received as a property transfer from the SAHT at market value and therefore are not a cash inflow within the cash flow statement.

Debt retirement funding of \$17.7 million was paid to the Authority by the SAHT to retire debt as part of the Housing SA Financial Viability Review.

Contributions from CHOs

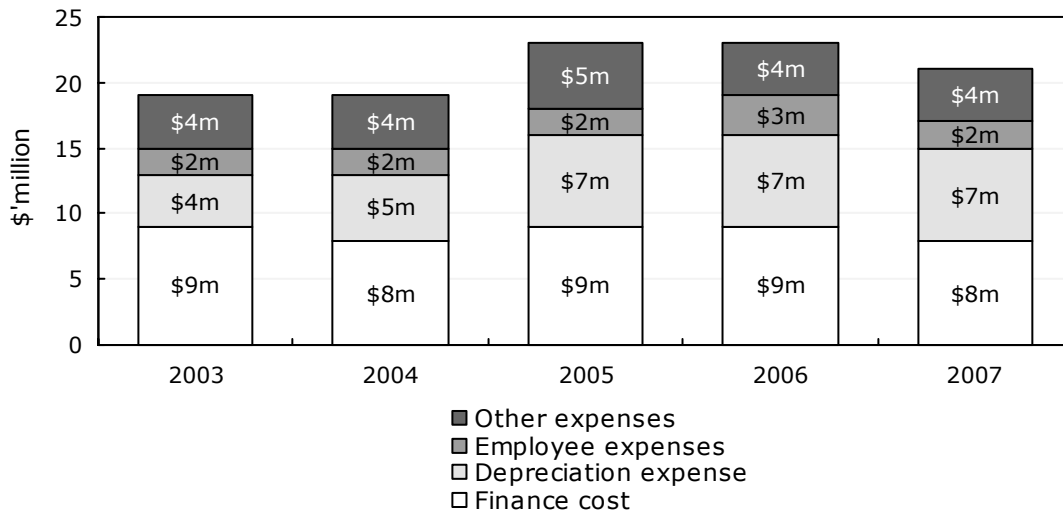
General contributions from the CHOs (excluding insurance premiums recharged to CHOs) were \$5.4 million a reduction of \$1.6 million from the previous year. Contributions are based on criteria in funding agreements with each CHO including means tests. New funding agreements were signed in 2005-06 by a majority of CHOs reducing the level of contributions received.

The following chart shows the trend of general contributions from CHOs over the past five years, highlighting the decrease in contributions and average contribution per property.



Expenses

For the five years to 2007, a structural analysis of the main operating expense items for the Authority is shown in the following chart (restated for the retrospective application of AIFRS).



The chart highlights that over the period of review the Authority’s borrowing costs and other expenses have remained relatively constant.

The increase in depreciation is consistent with increases in the value of property assets over the same period.

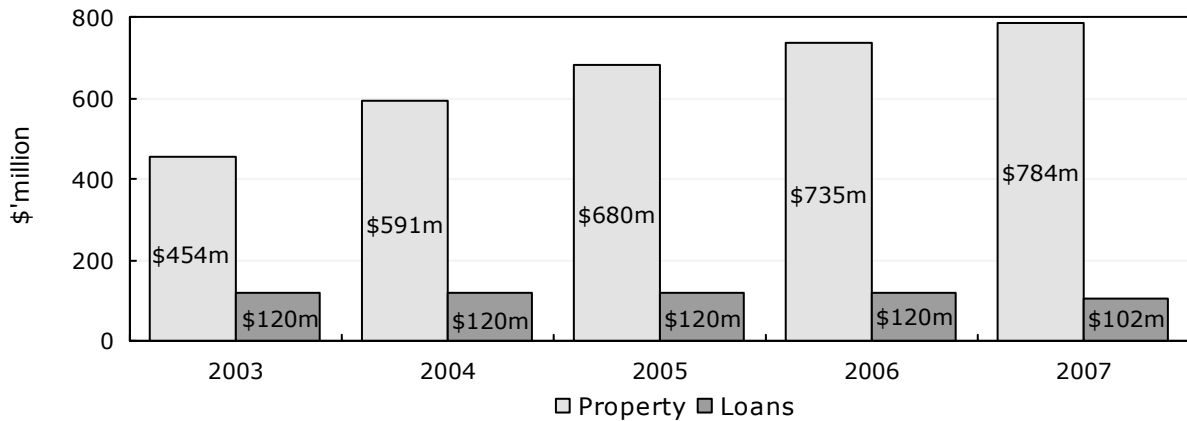
Operating Result

For 2006-07 the Net Result increased by \$16.2 million from \$12.4 million to \$28.6 million. The increase reflects debt retirement funding of \$17.7 million provided to SACHA by SAHT following the Financial Viability Review.

Balance Sheet

The Balance Sheet contains one dominant item of assets (property) and one dominant item of liabilities (borrowings), both of which are non-current.

For the five years to 2007 a structural analysis of property and borrowings is shown in the following chart (restated for the impact of AIFRS).



Properties

The number of registered CHOs during 2006-07 was 117 (119). The Authority has earned general contributions totalling \$5.4 million (\$7 million) from the following properties which are provided to CHOs:

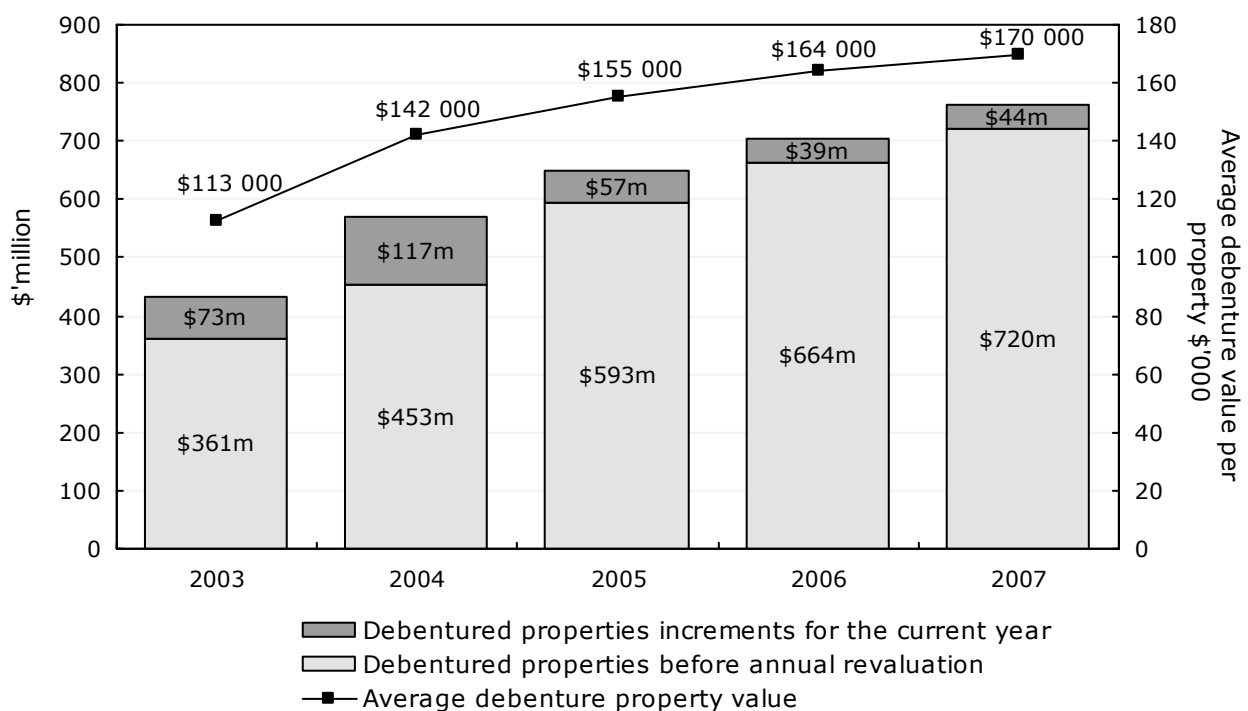
Property Type	2007	2006
	Number	Number
Debentured properties	4 342	4 288
Properties leased from SAHT and sub-lease to CHOs	-	6
Properties directly leased to CHOs	60	29
Total	4 402	4 323

In addition to the above properties, a total of 3 (14) properties were leased to the SAHT, 101 (92) properties were included in work in progress and 68 (92) properties were held by the Authority.

The value of properties at 30 June 2007 was \$787 million (\$735 million), an increase of \$52 million reflecting:

- purchase and construction of housing of \$14 million;
- SAHT property transfers of \$10 million;
- revaluation increase of \$42 million;
- offset by disposals of \$7 million and depreciation of \$7 million.

The following chart shows the growth in the value of debentured properties over the past five years.



The revaluation increment in 2006-07 was \$43.8 million, which represented an increase of 6 percent in the value of properties debentured from 2005-06. Since 2003, the value of debentures has increased by 75 percent and the number of debentured properties has increased by 11 percent. The valuation increments reflect the continued strength of the property market.

Cash Flow Statement

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

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	25.9	9.8	10.8	12.2
Investing	(8.0)	(12.8)	(21.4)	(15.0)
Financing	(17.8)	-	-	-
Change in Cash	0.1	(3.0)	(10.6)	(2.8)
Cash at 30 June	4.4	4.3	7.3	17.9

Net Cash provided by Operating Activities increased by \$16.2 million resulting from debt retirement funding provided by the SAHT.

Net Cash used in Investing Activities decreased by \$4.8 million resulting from a decrease in outflows from purchase and construction of community housing due to construction projects being carried forward.

**Income Statement
for the year ended 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
EXPENSES:			
Employee expenses	2.3,5	2 305	3 175
Rental expenses	2.3	282	296
Office expenses		100	153
Other expenses	6	1 344	1 266
Property grants and subsidies	7	937	952
Administrative grants and subsidies	8	784	1 268
Finance costs (SA Government)	9	8 398	8 533
Lease payments to SAHT	2.3	11	335
Depreciation expense	2.9,10	7 323	6 807
Net loss from disposal of assets	11	129	-
Total Expenses		21 613	22 785
INCOME:			
Employee recoveries	12	102	442
Contributions received and receivable from CHOs	2.3,13	6 163	7 863
Interest and sundry income	14	297	717
Lease receipts from SAHT	2.3	36	87
Contributed assets	15	177	-
Net gain from disposal of assets	11	-	730
Total Income		6 775	9 839
NET COST OF PROVIDING SERVICES		14 838	12 946
REVENUES FROM GOVERNMENT	2.3,16	43 482	25 305
NET RESULT		28 644	12 359

Net Result is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	4 372	4 283
Receivables	2.11,18	1 367	1 654
Non-current assets classified as held-for-sale	19	2 799	-
Prepayments		12	16
Total Current Assets		8 550	5 953
NON-CURRENT ASSETS:			
Property, plant and equipment	2.5,2.6,20	784 293	734 594
Total Non-Current Assets		784 293	734 594
Total Assets		792 843	740 547
CURRENT LIABILITIES:			
Payables	2.12,21	2 492	2 725
Property equity provision	2.8	25	24
Hot water service warranty provision	2.13,22	32	37
Borrowings	23	2 667	-
Total Current Liabilities		5 216	2 786
NON-CURRENT LIABILITIES:			
Payables	21	215	365
Borrowings	23	99 515	119 927
Hot water service warranty provision	2.13,22	116	136
Total Non-Current Liabilities		99 846	120 428
Total Liabilities		105 062	123 214
NET ASSETS		687 781	617 333
EQUITY:			
Retained earnings		298 639	266 425
Asset revaluation reserve		389 142	350 908
TOTAL EQUITY		687 781	617 333

Total Equity is attributable to the SA Government as owner

Commitments for expenditure	26
Contingent liabilities	27

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

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2005	314 022	252 432	566 454
Net increment in asset revaluation reserve arising from revaluation	38 520	-	38 520
Transfer to retained earnings of revaluation increment realised on sale of assets	(1 634)	-	(1 634)
Realisation of asset revaluation reserve on sale of assets	-	1 634	1 634
Net income recognised directly in equity for 2005-06	36 886	1 634	38 520
Net result for 2005-06	-	12 359	12 359
Total Recognised Income and Expense for 2005-06	36 886	13 993	50 879
Balance at 30 June 2006	350 908	266 425	617 333
Net increment in asset revaluation reserve arising from revaluation	41 804	-	41 804
Transfer to retained earnings of revaluation increment realised on sale of assets	(3 570)	-	(3 570)
Realisation of asset revaluation reserve on sale of assets	-	3 570	3 570
Net Income Recognised directly in Equity for 2006-07	38 234	3 570	41 804
Net result for 2006-07	-	28 644	28 644
Total Recognised Income and Expense for 2006-07	38 234	32 214	70 448
Balance at 30 June 2007	389 142	298 639	687 781

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Payments to suppliers and employees	(6 502)	(6 954)
Finance costs	(8 391)	(8 530)
Lease payments to SAHT	(11)	(335)
GST payments to Department for Families and Communities	(979)	(791)
GST payments on purchases	(762)	(1 492)
Cash used in Operations	(16 645)	(18 102)
CASH INFLOWS:		
Receipts from Housing Organisations	6 351	8 310
Interest received	301	478
Lease receipts from SAHT	36	90
GST receipts from Department for Families and Communities	402	231
GST receipts on revenue	1 606	2 112
Cash generated from Operations	8 696	11 221
CASH FLOWS FROM GOVERNMENT:		
Receipts from Government	33 803	16 709
Total Cash Flows from Government	33 803	16 709
Net Cash provided by Operating Activities	25 854	9 828
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase/Construction of community housing	(14 273)	(19 008)
Purchase of office and computer equipment	(34)	(53)
Cash used in Investing Activities	(14 307)	(19 061)
CASH INFLOWS:		
Proceeds from sales of property	6 287	6 224
Cash generated from Investing Activities	6 287	6 224
Net Cash used in Investing Activities	(8 020)	(12 837)
CASH FLOWS FROM FINANCING ACTIVITIES		
CASH OUTFLOWS:		
Repayment of Borrowings	(17 745)	-
Cash used in Financing Activities	(17 745)	-
Net Cash used in Financing Activities	(17 745)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD	89	(3 009)
CASH AND CASH EQUIVALENTS AT 1 JULY	4 283	7 292
CASH AND CASH EQUIVALENTS AT 30 JUNE	4 372	4 283

25

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority's ('SACHA' or 'the Authority') objectives are to develop, support and promote a sustainable community housing sector. Funding for community houses is derived from Commonwealth and State Government grants, sale of properties and other payments from Community Housing Organisations (CHOs).

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

Statement of Compliance

AASs include AIFRS and AAS 29. Except for the amendments to AASB 101, which the Authority has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period ending 30 June 2007. These are outlined in Note 4.

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 Authority's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these 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:
 - (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 entity to those employees;
 - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

2.2 Corporate Restructure

SACHA utilises staff of the Department for Families and Communities (DFC) for the provision of services. As part of the Government's Housing reform, the delivery of housing services is undertaken by Housing SA, DFC under a Service Level Agreement whereby SACHA delivers its services through DFC.

The role of Housing SA is to act as the agent for SACHA, to assist people in need to secure and maintain affordable and appropriate housing. This is achieved by direct provision of public housing and through a variety of other programs and services.

In June 2007 Parliament passed the *Statutes Amendment (Affordable Housing) Act 2007* which was proclaimed and regulations passed under existing legislation on 1 July 2007, implementing the housing reforms. (Refer Note 28).

2.3 Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Authority will occur and can be reliably measured.

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

2.3 Income and Expenses (continued)

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

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Revenues from Government

Revenues received from Government are recognised as revenues when the Authority obtains control over them, normally upon receipt.

Contributions Received and Receivable from CHOs

The Authority recognises these contributions when cash is received throughout the period. An estimate of the June and arrear amounts receivable is accrued.

Net Loss (Gain) from Disposal of Assets

Income from the disposal of assets is recognised when control of the asset has passed to the buyer on settlement and is determined by comparing net sale proceeds against the carrying amount. On disposal of an asset, any revaluation increments contained within the asset revaluation reserve are transferred to retained earnings in accordance with APF III.

Rental Expenses

The Authority is invoiced by the DFC on a monthly basis for the cost of building occupancy and vehicle use. As such, the Authority has no lease liabilities under these arrangements.

Grants and Subsidy Expenses

The Authority provides grants and subsidises to CHOs to assist them with property maintenance costs, insurance arrangements, administrative costs, peak body representation, and training and education. Expenses are recognised when paid which occurs in accordance with relevant funding arrangements.

Employee Expenses

The Authority recognises in the Balance Sheet accruing entitlements of employees of DFC who provide services on behalf of the Authority under a service level agreement (refer Note 2.2) as an amount payable by the Authority.

In determining the outstanding payable to DFC, the Authority's provision for long service leave is recognised and measured at the actuarial assessment of six and a half years (previously seven years) as advised by the Department of Treasury and Finance, based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Authority's experience of employee retention and leave taken.

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2007 and is measured at the nominal, non-discounted amount.

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

Accruing employee entitlements to long service and annual leave were charged to the Income Statement as they were incurred.

Finance Costs

All finance costs are expensed in the period they are incurred.

Lease Arrangements with the South Australian Housing Trust (SAHT)

The Authority leases a small number of properties from the SAHT to support ongoing demand for housing within the community housing sector. The properties are leased under an operating lease, with the SAHT effectively retaining substantially all the risks and benefits incidental to ownership of the leased assets.

Lease arrangements in respect of these properties are cancellable with three months notice, and as such no lease commitment has been disclosed. Under reciprocal arrangements with the SAHT, the Authority leases properties to the SAHT which are also cancellable with three months notice.

2.4 Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* (the Act) provides for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentured property with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2.5 Non-Current Asset Acquisition and Recognition

Properties are initially recorded at cost, plus any incidental costs involved with the acquisition. The Authority capitalises all non-current assets with a value of \$1000 or greater as permitted in the APF III APS 2.16.

Asset recognition is based on an Authority's ability to control the future service potential of the asset, and that these are probable and can be reliably measured. Control of debentured property resides with the Authority through the Act and Funding Agreements which prescribe how the community houses are to be used and managed on behalf of government, the eligible tenants that are entitled to use them, and what rent can be charged by the CHOs.

The Authority has seven classes of non-current assets:

Debentured Property (Land and Buildings)

Tenantable properties which have had their legal title transferred to CHOs in return for them issuing a debenture (at valuation).

SACHA Owned Property (Land and Buildings)

Property surplus to a CHO needs, and is either awaiting transfer to another CHO or subject to redevelopment or disposal (at valuation).

Property Leased to CHOs (Land and Buildings)

Property leased to CHOs under an operating lease (at valuation).

Property Leased back to SAHT (Land and Buildings)

Property leased to SAHT under an operating lease (at valuation).

Capital Works in Progress

Property under construction or redevelopment (at cost).

Office and Computer Equipment

The Authority's office and computer equipment (at cost).

Non-Current Assets Classified as Held-for-Sale

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

2.6 Revaluation of Non-Current Assets

The Authority complies with APF III and revalues properties annually at balance date to reflect the current fair value of the property. Current fair values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments or decrements have been reflected in the Asset Revaluation Reserve on a class basis in accordance with the APF.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the asset revaluation reserve.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

2.7 Impairment

All non-current assets are tested for an indication of impairment at each reporting date.

2.8 Property Equity Provision

The Authority has an Associated Land Owners Agreement with The Frederic Ozanam Housing Association Inc. and the Catholic Church Endowment Society Incorporated (Associated Land Owner) relating to five units of property.

The Authority contribution was deemed to be reduced on each anniversary of the date of practical completion by an amount equal to one-thirtieth of the amount of the Authority's initial contribution to the intent that the Authority contribution would be extinguished in full on the date falling 30 years after the date of practical completion (October 2005).

A one year write down has occurred for one-thirtieth of these properties and a provision has been made for the pro-rata loss of equity.

2.9 Depreciation Expense

Non-current assets with finite useful lives are systematically depreciated on a straight line basis over their useful lives in a manner that reflects the consumption of their service potential. Depreciation commences from the time the asset is ready for use.

The depreciation rates for each class of depreciable assets are:

<i>Class of Non-Current Asset</i>	<i>Depreciation Rate</i>
Buildings (Community housing dwellings)*	2 percent
Office and Computer Equipment	10-33 percent

* An estimated useful life of 50 years is assumed for rental dwellings buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national APF for State Housing Entities and promotes consistency and comparability between these entities.

The Authority's depreciable assets are assessed to have nil residual value at the end of their economic life.

Community Housing Works in Progress and Land are not depreciated.

Land and assets held-for-sale are not depreciated.

2.10 Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, FBT, emergency services levy and local government rates.

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of the receivable or payables in the Balance Sheet.

The Authority is part of a GST group. The nominated representative of the GST group (the Department of Health) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by the Authority. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Balance Sheet.

To meet statutory obligations, the Authority raised tax invoices against CHOs to record the GST liability on the transfer of certain properties developed by the Authority.

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

2.11 Receivables

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

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

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

2.12 Payables

Payables include creditors, accrued expenses, employee benefits 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 Authority.

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. Accrued expenses are recognised net of GST.

All payables, except long-term employee benefits, are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with TI 11.

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

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

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

The Authority makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

2.13 Hot Water Service Warranty Provision

Provisions are recognised when the Authority has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The Authority introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a provision to cover future expenditure. Properties acquired by CHOs which have hot water services older than five years are issued with a reducing scale warranty certificate by the Authority to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

During 1999-2000 the Authority extended the Hot Water Service Warranty Scheme whereby CHOs joining Comhouse Co-operative Ltd (a co-operative facilitating the management of major maintenance on behalf of other CHOs) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

2.14 Comparative Figures

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

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

2.15 Current and Non-Current Classification

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

2.16 Cash and Cash Equivalents

Cash and cash equivalents recorded in the Cash Flow Statement includes cash on hand, deposits held at call that are readily converted into cash and are used in the cash management function on a day-to-day basis. Cash and cash equivalents recorded in the Balance Sheet is determined on the same basis. Cash is measured at nominal value.

2.17 Rounding

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

3. Financial Risk Management

The Authority is exposed to a variety of financial risks, but in particular the housing market, interest rates on its borrowings and the continued funding for public housing under the Commonwealth State Housing Agreement.

Risk management is carried out by the Business and Finance area and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

The Authority has non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing liabilities (borrowings from the SA Government).

The Authority's Audit and Finance Committee has managed its interest rate risk by fixing the majority of its SA Government Financing Authority (SAFA) debt.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which the Authority 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 Authority for the reporting period ending 30 June 2007. The Authority 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 Authority.

5. Employee Expenses

	2007	2006
	\$'000	\$'000
Salaries and wages	2 050	2 215
TVSPs (refer below)	-	314
Long service leave	(82)	157
Annual leave	154	202
Employment on-costs - Superannuation	233	266
Employment on-costs - Other	130	170
Board fees	68	68
Capital project recoveries ⁽ⁱ⁾	(248)	(217)
Total Employee Expenses	2 305	3 175

(i) Technical services are provided to assist CHOs for capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1750 per house, which is capitalised into the value of the property.

	2007	2006
	\$'000	\$'000
TVSPs		
Amount paid to these employees:		
TVSPs	-	314
Annual leave and long service leave paid during the reporting period	-	104

During 2005-06 two employees were paid TVSPs of \$314 324 which was recovered from the Department of Treasury and Finance. The amount recovered is included as part of Employee Recoveries (SA Government).

The same two employees were also paid an aggregate amount of annual leave and long service leave of \$103 974.

Employee Remuneration

	2007	2006
	Number of Employees	Number of Employees
The number of employees whose remuneration from the Authority falls within the following bands:		
\$100 000 - \$109 999	1	-
\$130 000 - \$139 999	-	-
\$140 000 - \$149 999	-	1
	2007	2006
Total remuneration received, due or receivable, by employees whose remuneration exceeds \$100 000	\$'000	\$'000
	101	145

The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the DFC and subsequently assigned to the Authority. The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during 2006-07 for services provided to the Authority's Board and Audit and Finance Committee were:

<i>SACHA Board</i>	<i>Audit and Finance Committee</i>	<i>Appointment</i>
E H Ramsay, Chairperson	E H Ramsay, Chairperson	Appointed by Governor
C M Davidson	C M Davidson	Appointed by Governor
G J Gow		Elected by the members of registered housing co-operatives
C D Halsey	C D Halsey	Appointed by Governor
D R Lee	D R Lee	Appointed by Governor
J D Whitehouse		Elected by the members of registered housing co-operatives
M Woodward		Appointed by Governor

The remuneration paid to the Authority's Board and Committee members are set by Executive Council. Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Remuneration of Board and Committee Members (continued)

The number of Board and Committee Members whose remuneration from the Authority falls within the following bands were:

\$1 - \$9 999
\$10 000 - \$19 999

2007 Number of Members	2006 Number of Members
6	6
1	1
7	7

Total remuneration received, due or receivable, by the Board and Committee Members from the Authority

2007 \$'000	2006 \$'000
68	68

Amount paid to a superannuation plan for Board/Committee Members was \$4665.

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exceptions:

- (i) A Board Member was an employee of Multi-Agency Community Housing Association.
- (ii) A Board Member was a member of Peach Housing Co-operative.
- (iii) A Board Member was a member of Northern Suburbs Housing Co-operative.

6. Other Expenses

	2007 \$'000	2006 \$'000
Auditors remuneration ⁽ⁱ⁾	70	62
Bad and doubtful debts	-	(89)
Blocked GST input credits - DFC	12	41
Brokerage and valuation fees	138	128
Business plan projects ⁽ⁱⁱ⁾	189	190
Computing costs	22	27
FBT	22	31
Hire of conference facilities	25	21
Insurance	19	15
Lease back to SAHT expenses	12	20
Legal fees	25	47
Product development	32	49
Property holding costs - SACHA	388	270
Service fees - DFC and Department of Health	290	321
Sundry expenses	20	17
Training	42	42
Write-off of software	-	50
Write-down in property joint venture equity	38	24
Total Other Expenses	1 344	1 266

Government/Non-Government:

SA Government entities:

Auditors remuneration ⁽ⁱ⁾	70	62
Blocked GST input credits - DFC	12	41
Computing costs	4	13
Lease back to SAHT expenses	2	5
Property holding costs - SACHA	165	102
Service fees - DFC and Department of Health	290	321
Sundry expenses	-	1
Training	-	8
Total Other Expenses - SA Government Entities	543	553

Non-SA Government entities:

Bad and doubtful debts	-	(89)
Brokerage and valuation fees	138	129
Business Plan projects ⁽ⁱⁱ⁾	189	190
Computing costs	18	13
FBT	22	31
Insurance	19	15
Hire of conference facilities	25	21
Lease back to SAHT expenses	10	15
Legal fees	25	47
Product development	32	49
Property holding costs - SACHA	223	168
Sundry expenses	20	16
Training	42	34
Write-off of software	-	50
Write-down in property joint venture equity	38	24
Total Other Expenses - Non-SA Government Entities	801	713
Total Other Expenses	1 344	1 266

- (i) Auditors remuneration relates directly to auditing the accounts. The auditors provided no other services and received no other benefits.
- (ii) Includes payments to consultants totalling \$152 000 (\$124 000).

6. Other Expenses (continued)

Total number and dollar amount of Consultancies paid/payable (included in Business Plan Projects) that fell within the following bands:

Below \$10 000

Between \$10 000 and \$50 000

Total Paid/Payable to the Consultants Engaged

2007		2006	
Number	\$'000	Number	\$'000
5	16	4	15
4	136	4	109
9	152	8	124

7. Property Grants and Subsidies

Insurance payments

Insurance excess claims

Minor upgrades and maintenance – SA Government

Minor upgrades and maintenance – Non-SA Government ⁽ⁱ⁾

Contributions to CHOs for property repairs and disability modifications ⁽ⁱⁱ⁾

Total Property Grants and Subsidies

2007	2006
\$'000	\$'000
743	775
72	80
15	52
60	45
47	-
937	952

(i) Includes Hot Water Service Warranty costs and heating and cooling allowance.

(ii) During the year the Authority made a grant to a CHO acquiring properties from another organisation.

8. Administrative Grants and Subsidies

Community Housing Council of SA (CHCSA) ⁽ⁱ⁾

Large CHOs: ⁽ⁱⁱ⁾

Developing Alternative Solutions to Housing

Homelife Housing Association

Housing Spectrum Inc.

Intellectual Disability Accommodation Association

Lutherans Community Housing Association

Multi Agency Community Housing Association

Northern Suburbs Housing Co-operative

Portway Housing Association

Red Shield Housing Association

Roofs South Australian Housing Association

The Women's Housing Association

Westside Housing Association

Wheelchair Accessible Community Housing Association

National Community Housing Forum

Australasian Housing Institute

Community Housing sector training through external service providers

Deficit Funding ⁽ⁱⁱⁱ⁾

New Funding Implementation grants

Property Inspections

Other contributions to CHOs

Country CHOs Travel Reimbursements

Total Administrative Grants and Subsidies

2007	2006
\$'000	\$'000
-	298
-	71
-	64
-	46
-	5
-	47
-	44
-	28
-	50
-	76
-	6
-	145
-	19
-	25
-	10
-	5
218	176
108	37
4	52
410	26
44	33
-	5
784	1 268

(i) The Authority was responsible for allocating funding to the CHCSA.

(ii) Under the old Funding Agreement the Authority grant funded Large CHOs for administration costs associated with increasing housing stock and tenant complexity.

(iii) Under the new Funding Agreement SACHA funds CHOs when their property and administration allowances are greater than the rent they receive from tenants.

9. Finance Costs

Interest on borrowings

Treasurer's guarantee fee

Total Finance Costs

2007	2006
\$'000	\$'000
7 618	7 634
780	899
8 398	8 533

10. Depreciation Expense

Buildings

Office and computer equipment

Total Depreciation Expense

7 280	6 764
43	43
7 323	6 807

11. Net Loss (Gain) from Disposal Assets

Land and Buildings:

Net sale proceeds

Net book value of properties sold

Loss (Gain) on Disposal of Properties

Office and Computer Equipment:

Sale proceeds

Net book value of office and computer equipment sold

Loss on Disposal of Office and Computer Equipment

Total Net Loss (Gain) from Disposal of Assets

(6 466)	(6 224)
6 593	5 491
127	(733)
-	-
2	3
2	3
129	730

12. Employee Recoveries	2007	2006
	\$'000	\$'000
TVSPs	-	314
Other employee recoveries	102	128
Total Employee Recoveries	102	442
13. Contributions Received and Receivable from CHOs		
General contributions	5 396	7 018
Major maintenance contributions	3	25
Insurance premiums re-charged to CHOs	725	760
Other CHOs fund disbursements	39	60
Total Contributions Received and Receivable from CHOs	6 163	7 863
14. Interest and Sundry Income		
Interest (SA Government)	296	469
Sundry income	1	248
Total Interest and Sundry Income	297	717

15. Contributed Assets
During 2006-07 there was a contributed asset of \$177 000 from the Land Management Corporation.

During 2005-06 there was no contributed assets.

16. Revenues from Government	2007	2006
	\$'000	\$'000
CSHA - Commonwealth ⁽ⁱ⁾	5 304	5 434
CSHA - State matching ⁽ⁱ⁾	2 596	2 660
CSHA grants - SAHT transfers ⁽ⁱⁱ⁾	9 831	9 038
CHP grants ⁽ⁱⁱⁱ⁾	5 022	4 990
Other State grants	2 984	3 183
Debt Retirement Funding ^(iv)	17 745	-
Total Revenues from Government	43 482	25 305

(i) Refers to the Commonwealth/State Housing Agreement.

(ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to the Authority for the purpose of acquiring SAHT properties at non-cash market value.

(iii) Refers to a tied program (titled the 'Community Housing Program') under the Commonwealth/State Housing Agreement.

(iv) Refers to funding provided by SAHT to SACHA to retire SACHA debt.

17. Cash and Cash Equivalents
For the purpose of the Cash Flow Statement, cash and cash equivalents is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Balance Sheet as follows:

	2007	2006
	\$'000	\$'000
Cash held in SA Community Housing Development Fund	4 371	4 282
Cash on hand	1	1
Total Cash and Cash Equivalents	4 372	4 283

18. Receivables		
Trade receivables	208	279
Accrued income ⁽ⁱ⁾	691	660
GST recoverable on property transfers to CHOs ⁽ⁱⁱ⁾	468	549
GST recoverable	-	166
	1 367	1 654
Less: Provision for doubtful debts	-	-
Total Receivables	1 367	1 654
Government/Non-Government:		
SA Government entities:		
Trade receivables	16	44
Accrued income ⁽ⁱ⁾	33	38
Total Receivables - SA Government Entities	49	82
Non-SA Government entities:		
Trade receivables	192	235
Accrued income ⁽ⁱ⁾	658	622
GST recoverable on property transfers to Community Housing Organisations ⁽ⁱⁱ⁾	468	549
GST receivable	-	166
Less: Provision for doubtful debts	-	-
Total Receivables - Non-SA Government Entities	1 318	1 572
Total Receivables	1 367	1 654

(i) Accrued income includes contributions from CHOs relating to June 2007 and payable in July 2007, arrears in contributions, accrued bank interest and sales income from other parties contracted but not received.

(ii) This amount represents the amounts of GST recoverable from the CHOs in respect of properties developed and debentured to CHOs during the financial year.

19. Non-Current Assets Classified as Held-for-Sale	2007	2006
(a) SACHA Property	\$'000	\$'000
Debentured property - Land	196	-
Debentured property - Buildings	211	-
Owned property – Land (at valuation) ⁽ⁱ⁾	1 210	-
Owned property – Buildings (at valuation) ⁽ⁱ⁾	1 182	-
Total Non-Current Assets Classified as Held-for-Sale	2 799	-

(i) Non-current assets classified as held-for-sale relate to CHO properties that are either no longer required for community housing, or properties that community housing tenants have been offered to purchase.

20. Property, Plant and Equipment	2007	2006
(a) SACHA Property	\$'000	\$'000
Debentured property - Land	387 346	352 040
Debentured property - Buildings	373 543	350 844
Owned property – Land (at valuation) ⁽ⁱ⁾	7 265	11 827
Owned property – Buildings (at valuation) ⁽ⁱ⁾	916	3 889
Property leased to CHOs – Land (at valuation) ⁽ⁱⁱ⁾	1 796	1 290
Property leased to CHOs – Buildings (at valuation) ⁽ⁱⁱ⁾	2 693	1 533
Property leased back to SAHT – Land (at valuation) ⁽ⁱⁱⁱ⁾	51	446
Property leased back to SAHT – Buildings (at valuation) ⁽ⁱⁱⁱ⁾	114	679
Community Housing work-in-progress projects (at cost) ^(iv)	10 466	11 932
Total Property	784 190	734 480
(b) Office and Computer Equipment		
Office and computer equipment (at cost)	305	289
Accumulated depreciation	(202)	(175)
Total Office and Computer Equipment	103	114
Total Property, Plant and Equipment	784 293	734 594

- (i) Houses formerly belonging to CHOs (at Valuer-General's capital values) but surplus to their requirements, waiting to be redeveloped.
- (ii) The Authority has acquired a number of multi-unit properties from the SAHT that are as yet not subdivided and therefore not debentured. These have been leased to CHOs.
- (iii) The Authority holds a number of properties which were acquired from the SAHT for the purpose of community housing but are still tenanted by public housing tenants in the short-term. These properties will be transferred to CHOs once these tenants have vacated.
- (iv) This balance recognises the value of work in progress with respect to projects where title is held by the Authority until completion. On completion properties are allocated to CHOs.

(c) SACHA Property
Property and Equipment Movement Reconciliation

	2007					
	Debentured Property Land \$'000	Debentured Property Buildings \$'000	Owned Property Land \$'000	Owned Property Buildings \$'000	Leased Property to CHOs Land \$'000	Leased Property to CHOs Buildings \$'000
Carrying amount at 1 July	352 040	350 844	11 827	3 889	1 290	1 533
Additions	-	-	177	-	-	-
Equity buyout	218	354	-	-	-	-
Disposals	(858)	(744)	(3 310)	(1 681)	-	-
Transfers between classes	8 079	14 686	(174)	1 412	251	1 294
Transfers assets held-for-sale	(196)	(211)	(1 210)	(1 182)	-	-
Depreciation expense	-	(7 156)	-	(79)	-	(42)
Property revaluation	28 063	15 770	(45)	(1 443)	255	(92)
Carrying Amount at 30 June	387 346	373 543	7 265	916	1 796	2 693
		Leased back Property to SAHT Land \$'000	Leased back Property to SAHT Buildings \$'000	Office and Computer Equipment \$'000	Community Housing Work in Progress Projects \$'000	2007 Total \$'000
Carrying amount at 1 July		446	679	114	11 932	734 594
Additions		-	-	34	23 829	24 040
Equity buyout		-	-	-	-	572
Disposals		-	-	(2)	-	(6 595)
Transfers between classes		(402)	(573)	-	(24 573)	-
Transfers assets held-for-sale		-	-	-	-	(2 799)
Depreciation expense		-	(3)	(43)	-	(7 323)
Property revaluation		7	11	-	(722)	41 804
Carrying Amount at 30 June		51	114	103	10 466	784 293

21. Payables		2007	2006
Current:		\$'000	\$'000
Creditors		296	634
Amount payable to the DFC relating to staff leave provisions and on costs ⁽ⁱ⁾		173	181
Accrued interest payable to SAFA		1 185	1 168
GST payable		20	-
Accrued insurance claims		15	60
Other expenses accrued		803	682
Total Current Payables		2 492	2 725
Non-Current:			
Amount payable to the DFC relating to staff leave provisions and on costs ⁽ⁱ⁾		215	365
Total Non-Current Payables		215	365
Total Payables		2 707	3 090
Government/Non-Government:			
SA Government entities:			
Creditors		22	652
Amount payable to the DFC relating to staff leave provisions and on costs ⁽ⁱ⁾		388	546
Accrued interest payable to SAFA		1 185	1 168
Other expenses accrued		531	319
Total Payables to SA Government Entities		2 126	2 685
Non-SA Government entities:			
Creditors		274	270
GST payable		20	-
Accrued insurance claims		15	60
Other expenses accrued		272	75
Total Payables to Non-SA Government Entities		581	405
Total Payables		2 707	3 090

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the DFC.

22. Hot Water Service Warranty Provision		2007	2006
Current:	Note	\$'000	\$'000
Opening hot water service warranty provision		37	37
Movements during the year:			
Increments arising from transfers from and to the provision	2.13	23	32
Decrements arising from actual claims against the provision		(28)	(32)
		32	37
Non-Current:			
Opening hot water service warranty provision		116	136
Total Hot Water Service Warranty Provision		148	173

23. Borrowings		30 June 2007			30 June 2006	
Loans from SAFA		Interest Rates	Book Value	Fair Value⁽ⁱ⁾	Book Value	Fair Value ⁽ⁱ⁾
<i>Maturity Date</i>		Percent	\$'000	\$'000	\$'000	\$'000
Short-term Interest-only Debt:						
No fixed term		6.38	7 355	7 477	15 100	15 173
Medium to Long-term Interest-only Debt:						
15 September 2007		-	-	-	10 000	10 063
15 October 2007		6.205	7 000	7 085	7 000	7 099
29 October 2007		6.535	10 000	10 117	10 000	10 182
15 September 2008		5.845	15 000	15 095	15 000	15 159
15 September 2009		7.025	14 217	14 332	14 217	14 637
15 March 2010		7.295	10 000	10 156	10 000	10 424
20 December 2010		6.080	10 000	9 791	10 000	10 004
15 September 2011		6.000	15 000	14 781	15 000	15 147
15 September 2012		6.045	13 610	13 350	13 610	13 739
Average Weighted Cost/Total ⁽ⁱⁱ⁾		6.35	102 182	102 184	119 927	121 627
Add: Treasury Guarantee Fee		0.65				
Total Weighted Cost ⁽ⁱⁱⁱ⁾		7.00				

(i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity.

(ii) Of the total \$102 182 000 in SAFA borrowings, \$2 667 000 is classified as current to reflect a principal repayment forecast in 2007-08.

(iii) Weighted Average Effective Interest Rate.

24. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from the SAFA that comprise the major part of the Authority's debt. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	30 June 2007			Non- Interest Bearing \$'000	2007 Total \$'000
			Fixed Interest Maturing in				
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	6.01	4 371	-	-	1	4 372	
Receivables	-	-	-	-	1 367	1 367	
		<u>4 371</u>	<u>-</u>	<u>-</u>	<u>1 368</u>	5 739	
Financial Liabilities:							
Loans from SAFA	7.00	7 355	17 000	64 217	13 610	- 102 182	
Payables	-	-	-	-	2 707	2 707	
		<u>7 355</u>	<u>17 000</u>	<u>64 217</u>	<u>2 707</u>	104 889	

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	30 June 2006			Non- Interest Bearing \$'000	2006 Total \$'000
			Fixed Interest Maturing in				
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	5.39	4 282	-	-	1	4 283	
Receivables	-	-	-	-	1 654	1 654	
		<u>4 282</u>	<u>-</u>	<u>-</u>	<u>1 655</u>	5 937	
Financial Liabilities:							
Loans from SAFA	7.14	15 100	10 000	66 217	28 610	- 119 927	
Payables	-	-	-	-	3 090	3 090	
		<u>15 100</u>	<u>10 000</u>	<u>66 217</u>	<u>3 090</u>	123 017	

(b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from CHOs as agreed. The credit risk on financial assets is recognised in the Balance Sheet as the carrying amount, net of any provisions for doubtful debts.

(c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 23 in relation to loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

	30 June 2007		30 June 2006	
	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
Financial Assets:				
Cash	4 372	4 372	4 283	4 283
Receivables	1 367	1 367	1 654	1 654
Total Financial Assets	5 739	5 739	5 937	5 937
Financial Liabilities:				
Loans from SAFA	102 182	102 184	119 927	121 627
Payables	2 707	2 707	3 090	3 090
Total Financial Liabilities	104 889	104 891	123 017	124 717

(i) The fair value of loans from the SAFA has been determined by discounting back the future cash flows on loan repayments to market interest rates.

25. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents:
Balance Sheet
Cash Flow Statement

2007 \$'000	2006 \$'000
4 372	4 283
4 372	4 283

25. Cash Flow Reconciliation (continued)	2007	2006
Reconciliation of Net Cash provided by Operating Activities	\$'000	\$'000
to Net Cost of Providing Services:		
Net Cash Inflow from Operating Activities	25 854	9 828
Less: Revenues from Government	(43 482)	(25 305)
	(17 628)	(15 477)
<i>Add (Less): Non-cash Items:</i>		
Government grants	9 808	9 038
Depreciation	(7 323)	(6 807)
Provision for adjustment Hot Water Service Warranty	25	-
Write-down in property joint venture equity	(38)	(24)
Capital project recoveries	248	217
Surplus (deficit) on sale of properties	(127)	733
(Deficit) on disposal of office equipment	(2)	(3)
Contributed assets	177	-
	2 768	3 154
Change in Assets and Liabilities:		
Increase (Decrease) in receivables - Trade and other debtors	(466)	(289)
(Decrease) in prepayments	(4)	(418)
(Increase) Decrease in trade creditors and accruals	492	84
	22	(623)
Net Cost of Providing Services from Ordinary Activities	(14 838)	(12 946)
26. Commitments for Expenditure		
Capital Commitments:		
Loans for capital expenditure projects:		
Obligations under approved new-build and spot purchase projects in progress:		
Payable not later than one year	4 413	2 706
Total Capital Commitments	4 413	2 706
Recurrent Commitments:		
Payable not later than one year	21	657
Total Recurrent Commitments	21	657
Total Commitments	4 434	3 363
27. Contingent Liabilities		
During the years 2005-06 and 2006-07, the Authority entered into insurance arrangements in respect of properties held by CHOs and the Authority. Under these insurance arrangements the Authority has agreed to pay all claims over \$500, until a total amount of \$250 000 per year had been paid for all claims lodged. For 2006-07 \$105 000 (\$80 000), had been expensed as paid, leaving a contingent liability of \$248 000 (\$197 000).		
28. Events after Balance Date		
The <i>Statutes Amendment (Affordable Housing) Act 2007</i> was proclaimed on 1 July 2007. Under these amendments there were a number of changes to the corporate governance arrangements for Housing. Most notably it supports the Government's housing reform by bringing all the housing functions under one housing agency through the dissolution of the Aboriginal Housing Authority and the South Australian Community Housing Authority. The assets and liabilities of the Aboriginal Housing Authority and SACHA will, from 1 July 2007, be included in the financial affairs of the SAHT. Housing SA of DFC provides the required housing services and functions on behalf of SAHT Board under a Performance Agreement and delegations.		

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