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

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2007

Tabled in the House of Assembly and ordered to be published, 16 October 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

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

Page

VOLUME I

VOLUME II

VOLUME III

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

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

Page

VOLUME III

VOLUME IV

VOLUME V

Appendix

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Balance Sheet Date
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 130	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1045	Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A
AASB 1048	Interpretation and Application of Standards
AASB 1049	Financial Reporting of General Government Sectors by Governments

AASB INTERPRETATIONS

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)

AUSTRALIAN ACCOUNTING STANDARDS - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans
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

TREASURER'S INSTRUCTIONS - TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management Policies
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Delegations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditor's Accounts
TI 12	Government Purchase Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 18	Unclaimed Moneys
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Commonwealth and State Taxation Legislation
TI 26	Guidelines for the Limitation of Liability of Suppliers, Consultants and Contractors

ACCOUNTING POLICY FRAMEWORK - APF

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

ACRONYMS

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

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

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.

SOUTH AUSTRALIAN COUNTRY FIRE SERVICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Country Fire Service Board (the Board) was established pursuant to the *Country Fires Act 1989* and was responsible to the Minister for Emergency Services for the administration of that Act. On 1 October 2005 the *Fire and Emergency Services Act 2005* (the FES Act) came into operation. The FES Act repealed the *Country Fires Act 1989* and dissolved the Board. The Country Fire Service, which was the operating entity under the repealed legislation, continues in existence as the South Australian Country Fire Service (SACFS).

The FES Act also established the South Australian Fire and Emergency Services Commission (SAFECOM) which is responsible for the operation of the emergency services sector. SAFECOM, in performing its functions, may give directions to the SACFS, except in matters relating to the handling of emergency situations.

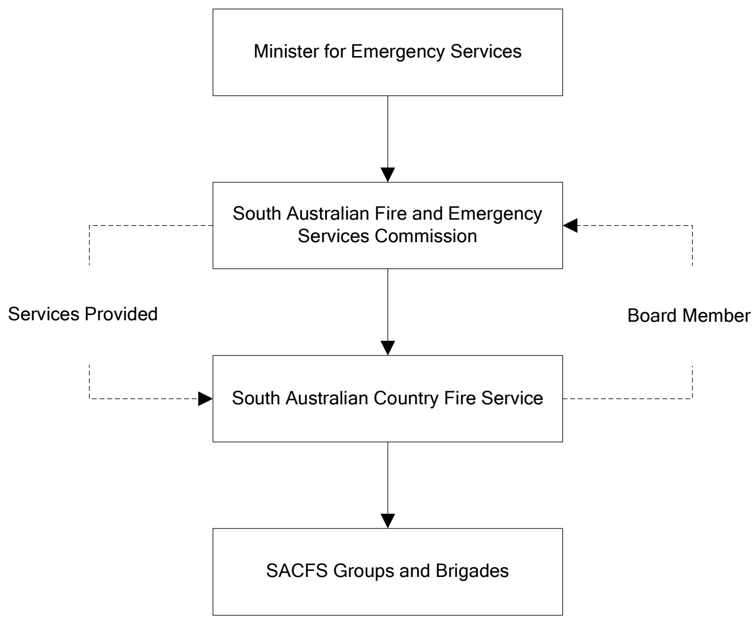
Functions

The SACFS has the following functions:

- To prevent, control and suppress fires in the country.
- To protect life and property in fire and emergencies in the country.
- To plan to cope with the effects of fires or emergencies in the country.
- To assist with recovery in the event of a fire or emergency in the country.

Structure

The Chief Officer of the SACFS is responsible for the management, administration and operational activities of the SACFS and is also a Board member of SAFECOM.



The SACFS is a decentralised organisation supporting six regions.

SAFECOM provides various services in support of SACFS's primary functions, including financial management and accounting services.

SACFS's financial management is reliant on information and reporting provided by SAFECOM. The operations of SACFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 100(2) of the *Fire and Emergency Services Act 2005* provide for the Auditor-General to audit the accounts of the SACFS 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 SACFS 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 for SACFS for 2006-07 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.

The audit included access to systems and information maintained by SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information. Specific areas of audit attention included:

- corporate governance
- expenditure
- payroll
- 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 Country Fire Service 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 Country Fire Service 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 Country Fire Service have been conducted properly and in accordance with law.

Communication of Audit Matters

Minor matters arose during the course of the audit which were detailed in a management letter to the Chief Officer of SACFS. The responses to the matters raised were generally considered to be satisfactory.

As previously mentioned, SACFS is reliant on financial management and information support from SAFECOM. In that context, in reviewing the following comments, reference should also be made to the audit commentary on matters raised with SAFECOM included in that particular section of this Report. Those matters relate to legislative compliance and governance and financial accounting systems and processes.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Consolidated Financial Report

	2007	2006	Percentage
	$'million	$'million	Change
INCOME			
Contributions from Community Emergency Services Fund	**54**	51	6
Other income	**3**	4	(25)
Total Income	**57**	55	4

	2007 **$'million**	2006 $'million	Percentage Change
EXPENSES			
Employee benefit expenses	**9**	8	13
Depreciation	**10**	11	(9)
Government Radio Network costs	**10**	9	11
Other expenses	**26**	26	-
Total Expenses	**55**	54	2
Net Result	**2**	1	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**12**	11	9
ASSETS			
Current assets	**7**	7	-
Non-current assets	**111**	109	2
Total Assets	**118**	116	2
LIABILITIES			
Current liabilities	**3**	3	-
Non-current liabilities	**4**	4	-
Total Liabilities	**7**	7	-
EQUITY	**111**	109	2

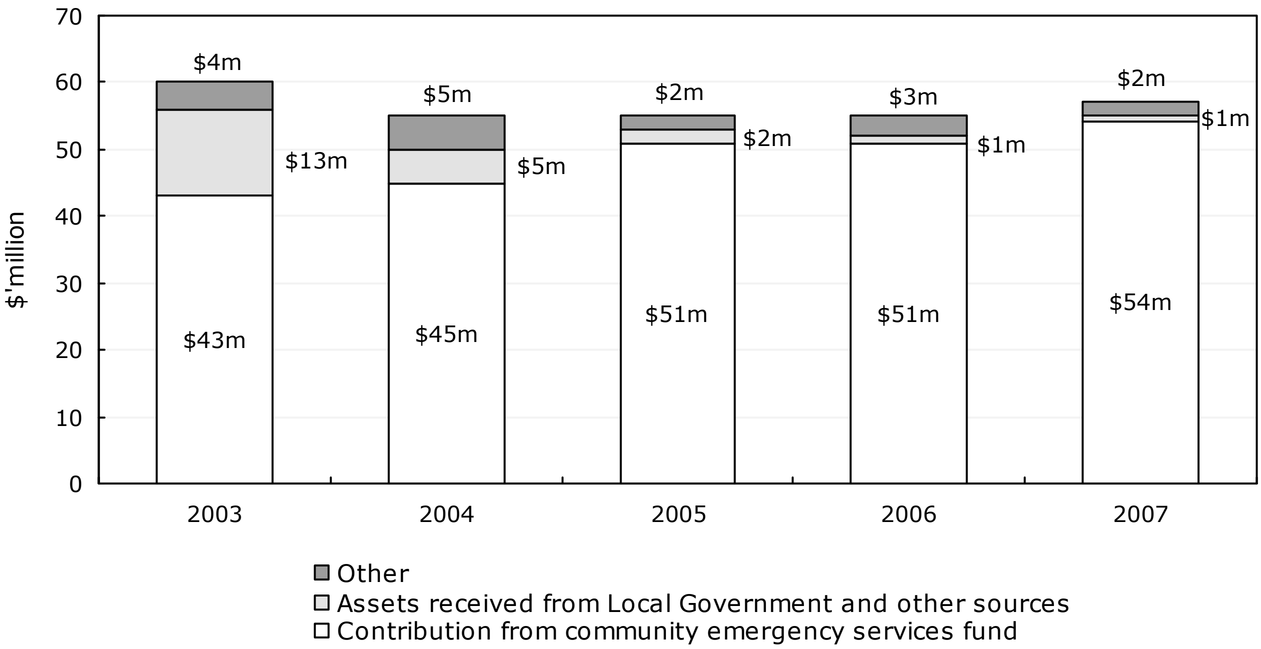
Income Statement

Income

In 2007, the amount received from the Community Emergency Services Fund (the Fund) was $53.8 million ($50.9 million) which represents 94 percent (93 percent) of total income.

Other income includes the value of assets received from local government and other sources and revenue received from groups and brigades funds. In 2007, the value of assets received was $902 000, a decrease of $260 000, as the transfer program from local to state government of emergency services assets nears completion. In 2007, fundraising monies totalling $261 000, held by CFS groups and brigades, were received.

A structural analysis of income for the five years to 2007 is presented in the following chart.



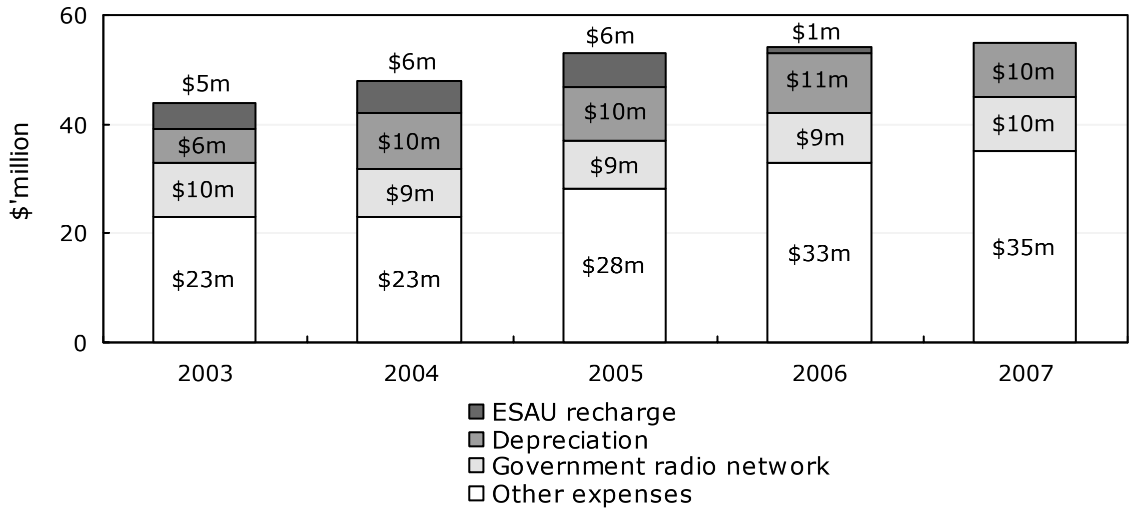
The Contribution from the Fund over the five year period has increased by $11 million (26 percent) to $53.8 million.

Expenses

During 2007, total expenses rose by $1.3 million (2 percent) to $54.9 million compared with a $701 000 increase the previous year. The primary reason for the rise was an increase in supplies and services of $2.3 million and employee benefit expenses of $667 000, offset by a decrease in depreciation of $352 000 and the cessation of the emergency services administration unit recharge ($1.5 million).

The increase in supplies and services was due mainly to increases in aerial support costs (up $2.8 million), the higher additional provisions recognised for workers compensation (up $863 000), and the extended and intensive fire season causing an increase in consumables and minor purchases, and operational costs (up $551 000). This is offset by a decrease in uniforms and protective clothing of $2 million.

For the five years to 2007, a structural analysis of the main expense items for the SACFS is shown in the following chart.



Over the five years, expenses have increased by $11 million or 25 percent. Depreciation increased significantly in 2004 due mainly to the transfer of assets from local government but this has since stabilised with the majority of assets now transferred. The other significant increase over the period related to the 2007 increase in supplies and services (included in the table under 'Other Expenses') which is explained above.

Net Result before Restructure

The operating result of $2.2 million in 2006-07 was up $794 000 from the previous year essentially due to higher contributions from the Fund.

Balance Sheet

Current assets decreased by $446 000 over the previous year comprising an increase in cash of $373 000 and a decrease in receivables of $819 000. The decrease in receivables is mainly due to the decrease in GST receivable of $547 000.

SACFS's financial position is dominated by the value of the non-current asset 'property, plant and equipment'. The written down current cost of these assets totalled $111 million as at 30 June 2007, an increase of $2 million from the previous year which is due primarily to asset additions ($12.3 million) offset by depreciation expense ($10.4 million).

Income Statement
for the year ended 30 June 2007

		Consolidated		CFS	
		2007	2006	**2007**	2006
EXPENSES:	Note	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	5	**8 531**	7 864	**8 531**	7 864
Supplies and services	6	**26 079**	23 784	**26 078**	23 682
Emergency Services Administrative Unit recharge		**-**	1 453	**-**	1 453
Government Radio Network expenses	8	**9 622**	9 336	**9 622**	9 336
Depreciation	9	**10 444**	10 796	**10 444**	10 796
Net loss from disposal of assets	10	**-**	175	**-**	175
Other expenses		**240**	219	**240**	219
Total Expenses		**54 916**	53 627	**54 915**	53 525
INCOME:					
Net gain from disposal of assets	10	**56**	-	**56**	-
Revenues from fees and charges	11	**518**	650	**518**	650
Interest revenues	12	**156**	347	**142**	331
Assets received from local government and other sources	13	**902**	1 162	**902**	1 162
Groups and brigades funds		**261**	492	**261**	492
Other income	14	**1 408**	1 544	**1 406**	1 452
Total Income		**3 301**	4 195	**3 285**	4 087
NET COST OF PROVIDING SERVICES		**51 615**	49 432	**51 630**	49 438
REVENUES FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**53 833**	50 856	**53 833**	50 856
NET RESULT BEFORE RESTRUCTURE		**2 218**	1 424	**2 203**	1 418
Net expenses from administrative restructure	25	**-**	172	**-**	172
NET RESULT AFTER RESTRUCTURE		**2 218**	1 252	**2 203**	1 246

Net Result after Restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

		Consolidated		CFS	
		2007	2006	**2007**	2006
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	15	**5 662**	5 289	**5 318**	4 961
Receivables	16	**980**	1 799	**979**	1 798
Total Current Assets		**6 642**	7 088	**6 297**	6 759
NON-CURRENT ASSETS:					
Property, plant and equipment	17	**110 963**	109 088	**110 963**	109 088
Total Non-Current Assets		**110 963**	109 088	**110 963**	109 088
Total Assets		**117 605**	116 176	**117 260**	115 847
CURRENT LIABILITIES:					
Payables	18	**1 391**	1 744	**1 390**	1 744
Short-term and long-term employee benefits	19	**971**	926	**971**	926
Short-term provisions	20	**490**	532	**490**	532
Total Current Liabilities		**2 852**	3 202	**2 851**	3 202
NON-CURRENT LIABILITIES:					
Payables	18	**139**	125	**139**	125
Long-term employee benefits	19	**1 498**	1 289	**1 498**	1 289
Long-term provisions	20	**1 904**	2 123	**1 904**	2 123
Total Non-Current Liabilities		**3 541**	3 537	**3 541**	3 537
Total Liabilities		**6 393**	6 739	**6 392**	6 739
NET ASSETS		**111 212**	109 437	**110 868**	109 108
EQUITY:					
Retained earnings		**88 286**	86 907	**87 942**	86 578
Asset revaluation reserve		**22 926**	22 530	**22 926**	22 530
TOTAL EQUITY		**111 212**	109 437	**110 868**	109 108

Total Equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	22

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

	Consolidated			CFS		
	Asset Revaluation Reserve	Retained Earnings	Total	Asset Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2005	24 765	85 655	110 420	24 765	85 332	110 097
(Loss) Gain on revaluation of property during 2005-06	(2 235)	-	(2 235)	(2 235)	-	(2 235)
Net result after restructure for 2005-06	-	1 252	1 252	-	1 246	1 246
Total Recognised Income and Expense for 2005-06	(2 235)	1 252	(983)	(2 235)	1 246	(989)
Balance at 30 June 2006	22 530	86 907	109 437	22 530	86 578	109 108
Gain on revaluation of property during 2006-07	396	-	396	396	-	396
Net result for 2006-07	-	2 218	2 218	-	2 203	2 203
Total Recognised Income and Expense for 2006-07	396	2 218	2 614	396	2 203	2 599
De-recognition of assets during 2006-07	-	(839)	(839)	-	(839)	(839)
Balance at 30 June 2007	**22 926**	**88 286**	**111 212**	**22 926**	**87 942**	**110 868**

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

Cash Flow Statement
for the year ended 30 June 2007

		Consolidated		CFS	
		2007	2006	**2007**	2006
		Inflows	Inflows	**Inflows**	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000	**$'000**	$'000
Employee benefit payments		**(8 277)**	(7 201)	**(8 277)**	(7 201)
Supplies and services		**(27 488)**	(26 465)	**(27 488)**	(26 360)
Government Radio Network payments		**(9 494)**	(9 062)	**(9 494)**	(9 062)
Emergency Services Administrative Unit recharge		**-**	(1 453)	**-**	(1 453)
GST payments on purchases		**(3 859)**	(3 059)	**(3 859)**	(3 059)
Other payments		**(240)**	(219)	**(240)**	(219)
Cash used in Operations		**(49 358)**	(47 459)	**(49 358)**	(47 354)
CASH INFLOWS:					
Contributions from Community Emergency Services Fund		**53 833**	50 856	**53 833**	50 856
Fees and charges		**518**	650	**518**	650
Interest received		**187**	348	**173**	332
GST receipts on receivables		**99**	169	**99**	169
GST input tax credits		**5 229**	3 957	**5 229**	3 957
Other receipts		**1 669**	2 036	**1 667**	1 944
Cash generated from Operations		**61 535**	58 016	**61 519**	57 908
Net Cash provided by Operating Activities	24	**12 177**	10 557	**12 161**	10 554
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		**(12 307)**	(10 855)	**(12 307)**	(10 855)
Proceeds from sale of property, plant and equipment		**503**	518	**503**	518
Net Cash used in Investing Activities		**(11 804)**	(10 337)	**(11 804)**	(10 337)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**373**	220	**357**	217
CASH AND CASH EQUIVALENTS AT 1 JULY		**5 289**	5 069	**4 961**	4 744
CASH AND CASH EQUIVALENTS AT 30 JUNE	15	**5 662**	5 289	**5 318**	4 961

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian Country Fire Service (CFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following:

- Prevention, control and suppression of fires in the country.
- Protection of life and property in fire and other emergencies occurring in the country.
- Planning to cope with the effects of fires or emergencies in the country.
- Assisting with the recovery in the event of a fire or emergency in the country.

The former Country Fire Service Board was dissolved upon the commencement of the *Fire and Emergency Services Act 2005* on 1 October 2005. Under the Act the Country Fire Service continues to exist as the CFS. *The Country Fires Act 1989* was repealed at the proclamation of the new Act.

Funding Arrangements

Funding of CFS is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

Funds generated by Groups and Brigades through fund raising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in CFS's financial statements.

2. 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.

Statement of Compliance
AASs include AIFRS and AAS 29. CFS has early-adopted the amendments to AASB 101. Refer Note 4.

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying CFS'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.

CFS'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.

(b) Principles of Consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by CFS (refer Note 26) as at 30 June 2007 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(c) 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.

(d) Rounding

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

(e) Taxation

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

(e) Taxation (continued)

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.

(f) 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 organisation 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.

The following are specific recognition criteria:

Revenues from SA Government
Contributions from the Fund are recognised as income when CFS obtains control over the funding. Control over funding is normally obtained upon receipt.

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

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.

(g) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The CFS 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 CFS has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(h) Cash and Cash Equivalents

Cash and cash equivalents 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. For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

(i) 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 organisation will not be able to collect the debt.

(j) 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.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(k) Revaluation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every three years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

(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's revaluation reserve.

(m) Depreciation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	5-10
Vehicles	5-20
Plant and equipment	5-10
Computer equipment	5-10
Buildings	30-45

(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 CFS.

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, are unsecured 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 CFS 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.

(o) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

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.

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9.1 (10) 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 CFS's experience of employee retention and leave taken.

(p) Provisions

Provisions are recognised when CFS 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 CFS 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.

(q) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(r) Administrative Restructuring

Pursuant to the Government Gazette (dated 29 September 2005) a number of employees of the former Emergency Services Administrative Unit were transferred to the CFS during the 2005-06 financial year (refer Note 25).

(s) Program Information

In achieving its objectives, the CFS provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'South Australian Country Fire Service'.

3. Financial Risk Management

CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). CFS's exposure to market risk and cash flow interest risk is minimal.

CFS has no significant concentration of credit risk. CFS 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 CFS in its present form, and with its present programs, is dependent on government policy and on continuing payments from the Fund for CFS's administration and programs.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which the CFS has early-adopted, the AASs 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 CFS 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.

5. Employee Benefit Expenses

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Salaries and wages	**6 426**	5 889	**6 426**	5 889
Payroll tax	**413**	390	**413**	390
Superannuation	**683**	595	**683**	595
Long service leave	**268**	286	**268**	286
Annual leave	**613**	592	**613**	592
Other employee related expenses	**128**	112	**128**	112
Total Employee Benefit Expenses	**8 531**	7 864	**8 531**	7 864

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands were:	Consolidated		CFS	
	2007 Number of Employees	2006 Number of Employees	**2007 Number of Employees**	2006 Number of Employees
$100 000 - $109 999	**7**	7	**7**	7
$110 000 - $119 999	**10**	1	**10**	1
$120 000 - $129 999	**5**	1	**5**	1
$140 000 - $149 999	**1**	-	**1**	-
$210 000 - $219 999	**1**	-	**1**	-
$230 000 - $239 999	**-**	1	**-**	1
Total Number of Employees	**24**	10	**24**	10

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 $2 877 000 ($1 187 000).

6. Supplies and Services

	Consolidated		CFS	
Supplies and Services provided by Entities within the SA Government:	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Accommodation	**49**	56	**49**	56
Aerial fire fighting costs	**159**	102	**159**	102
Communication expenses	**230**	152	**230**	152
Computing costs	**37**	121	**37**	121
Consultancy, contractor and legal fees	**55**	153	**55**	153
Consumables and minor purchases	**302**	17	**302**	17
Energy	**6**	6	**6**	6
Operating lease costs	**1 262**	267	**1 262**	267
Operational costs	**64**	2	**64**	2
Other expenses	**402**	320	**402**	320
Repairs and maintenance	**203**	28	**203**	28
Travel and training	**80**	4	**80**	4
Total Supplies and Services - SA Government Entities	**2 849**	1 228	**2 849**	1 228
Supplies and Services provided by Entities external to the SA Government:				
Accommodation	**36**	27	**36**	27
Aerial fire fighting costs	**5 561**	2 838	**5 561**	2 838
Communication expenses	**1 829**	1 663	**1 829**	1 663
Computing costs	**56**	61	**56**	61
Consultancy, contractor and legal fees	**1 064**	842	**1 063**	842
Consumables and minor purchases	**4 327**	4 207	**4 327**	4 207
Energy	**432**	372	**432**	372
Operating lease costs	**599**	1 544	**599**	1 544
Operational costs	**596**	512	**596**	512
Other expenses	**2 405**	1 662	**2 405**	1 560
Repairs and maintenance	**3 777**	3 934	**3 777**	3 934
Travel and training	**1 362**	1 701	**1 362**	1 701
Uniforms and protective clothing	**1 186**	3 193	**1 186**	3 193
Total Supplies and Services - Non-SA Government Entities	**23 230**	22 556	**23 229**	22 454
Total Supplies and Services	**26 079**	23 784	**26 078**	23 682

Consultancies

The number and dollar amount of consultancies paid/payable, included within supplies and services expenses, that fell within the following bands were:	Consolidated		CFS	
	2007 Number of Consultants	2006 Number of Consultants	**2007 Number of Consultants**	2006 Number of Consultants
Less than $10 000	**5**	4	**5**	4
$10 000 - $50 000	**-**	2	**-**	2
Total Number of Consultants	**5**	6	**5**	6

Consultancies (continued)

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Less than $10 000	**10**	11	**10**	11
$10 000 - $50 000	**-**	38	**-**	38
Total Amount Paid/Payable to Consultants Engaged	**10**	49	**10**	49

7. Auditors' Remuneration

The amount due and payable for audit services provided by:				
Auditor-General's Department	**20**	20	**20**	20
Other	**1**	-	**-**	-
Total Auditors' Remuneration	**21**	20	**20**	20

The auditors provided no other services.

8. Government Radio Network (GRN) Expenses

CFS has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Contribution towards GRN - Voice	**7 907**	7 709	**7 907**	7 709
Contribution towards GRN - Paging	**1 715**	1 627	**1 715**	1 627
Total GRN Expenses	**9 622**	9 336	**9 622**	9 336

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:				
Communications equipment	**2 073**	2 032	**2 073**	2 032
Vehicles	**6 360**	6 852	**6 360**	6 852
Plant and equipment	**200**	261	**200**	261
Computer equipment	**252**	310	**252**	310
Buildings	**1 559**	1 341	**1 559**	1 341
Total Depreciation	**10 444**	10 796	**10 444**	10 796

10. Net Gain (Loss) from Disposal of Assets

Proceeds from disposal of assets	**503**	518	**503**	518
Less: Net book value of assets disposed	**447**	693	**447**	693
Net Gain (Loss) from Disposal of Assets	**56**	(175)	**56**	(175)

11. Revenues from Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government:				
Training and other recoveries	**257**	139	**257**	139
Incident cost recoveries	**-**	271	**-**	271
Total Fees and Charges - SA Government Entities	**257**	410	**257**	410
Fees and Charges received/receivable from Entities external to the SA Government:				
Training and other recoveries	**153**	240	**153**	240
Incident cost recoveries	**108**	-	**108**	-
Total Fees and Charges - Non-SA Government Entities	**261**	240	**261**	240
Total Fees and Charges	**518**	650	**518**	650

12. Interest

Interest received/receivable for the reporting period from:				
Entities within the SA Government	**142**	331	**142**	331
Other	**14**	16	**-**	-
Total Interest Received	**156**	347	**142**	331

13. Assets Received from Local Government and Other Sources

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

As at 30 June 2007 all known vehicles, appliances, minor plant and equipment have been transferred to the Minister. Security of tenure by way of transfer, rededication, lease or licence for approximately 97 percent of all land and buildings has been negotiated, including seven additional properties (valued at fair value of $886 000) and one additional vehicle (valued at fair value of $15 000) formally transitioned into the control of the Minister during the 2006-07 financial year following the finalisation of agreements with various parties and independent assessments of property values.

14. Other Income

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Donations	**91**	130	**89**	38
Rent received	**62**	80	**62**	80
Fuel rebate	**59**	53	**59**	53
Commonwealth grants	**626**	514	**626**	514
Transfer of capital funding for GRN	**243**	274	**243**	274
Other	**327**	493	**327**	493
Total Other Income	**1 408**	1 544	**1 406**	1 452

15. Cash and Cash Equivalents

Cash on hand	**1**	2	**1**	2
Cash at bank	**1 064**	950	**888**	790
Cash at bank - Groups and Brigades	**2 295**	2 324	**2 295**	2 324
Investments	**168**	168	**-**	-
Investments - Groups and Brigades	**2 134**	1 845	**2 134**	1 845
Total Cash and Cash Equivalents	**5 662**	5 289	**5 318**	4 961

Interest Rate Risk

Cash on hand is non-interest bearing, cash at bank and investments are bearing a floating interest rate between 5.68 percent and 6.10 percent (5.35 percent to 5.43 percent). The carrying amount of cash approximates fair value.

Correction of Error

Refer Note 18.

16. Receivables

	Consolidated		CFS	
	2007	2006	**2007**	2006
Current:	**$'000**	$'000	**$'000**	$'000
Receivables	**168**	440	**167**	439
GST receivable	**812**	1 359	**812**	1 359
Total Current Receivables	**980**	1 799	**979**	1 798
Receivables from SA Government Entities:				
Receivables	**11**	273	**11**	273
Total Receivables - SA Government Entities	**11**	273	**11**	273
Receivables from Non-SA Government Entities:				
Receivables	**157**	166	**156**	166
Accrued revenues	**-**	1	**-**	-
GST receivable	**812**	1 359	**812**	1 359
Total Receivables - Non-SA Government Entities	**969**	1 526	**968**	1 525
Total Receivables	**980**	1 799	**979**	1 798

Correction of Error

Refer Note 18.

17. Non-Current Assets

Property, Plant and Equipment

Land at valuation	**7 663**	7 022	**7 663**	7 022
Total Land	**7663**	7 022	**7663**	7 022
Buildings at valuation	**27 561**	27 126	**27 561**	27 126
Less: Accumulated depreciation	**1 100**	53	**1 100**	53
Total Buildings at Valuation	**26 461**	27 073	**26 461**	27 073
Buildings at cost	**2 591**	1 242	**2 591**	1 242
Less: Accumulated depreciation	**247**	194	**247**	194
Total Buildings at Cost	**2 344**	1 048	**2 344**	1 048
Total Buildings	**28 805**	28 121	**28 805**	28 121
Total Property	**36 468**	35 143	**36 468**	35 143

Property, Plant and Equipment (continued)	Consolidated **2007** **$'000**	Consolidated 2006 $'000	CFS **2007** **$'000**	CFS 2006 $'000
Vehicles at valuation	**51 269**	52 046	**51 269**	52 046
Less: Accumulated depreciation	**6 487**	693	**6 487**	693
Total Vehicles at Valuation	**44 782**	51 353	**44 782**	51 353
Vehicles at cost	**12 176**	2 798	**12 176**	2 798
Less: Accumulated depreciation	**738**	590	**738**	590
Total Vehicles at Cost	**11 438**	2 208	**11 438**	2 208
Total Vehicles	**56 220**	53 561	**56 220**	53 561
Communications equipment at cost	**20 883**	20 897	**20 883**	20 897
Less: Accumulated depreciation	**9 572**	7 878	**9 572**	7 878
Total Communications Equipment	**11 311**	13 019	**11 311**	13 019
Computer equipment at cost	**1 467**	2 333	**1 467**	2 333
Less: Accumulated depreciation	**550**	962	**550**	962
Total Computer Equipment	**917**	1 371	**917**	1 371
Plant and equipment at cost	**3 029**	4 056	**3 029**	4 056
Less: Accumulated depreciation	**1 493**	2 439	**1 493**	2 439
Total Plant and Equipment	**1 536**	1 617	**1 536**	1 617
Total Work in Progress at Cost	**4 511**	4 377	**4 511**	4 377
Total Property, Plant and Equipment	**110 963**	109 088	**110 963**	109 088

Valuation of Land and Buildings

Independent valuations for land and buildings were obtained in 2006-07 from Liquid Pacific Holdings Pty Ltd and were determined on the basis of open market values for existing use.

Impairment

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

De-recognition of Assets

During 2006-07 CFS de-recognised a number of minor assets with a gross value of less than $10 000, resulting in a $839 000 write down of assets. The asset de-recognition was approved by the SAFECOM Board and is consistent with APF III APS 2.15 which recommends that all non-current tangible assets with a value of $10 000 or greater be capitalised.

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	**2007 Total $'000**
Carrying amount at 1 July	35 143	53 561	13 019	1 371	1 617	4 377	**109 088**
Additions	-	-	284	86	150	11 787	**12 307**
Transferred from WIP	1 601	9 451	115	131	355	(11 653)	**-**
Disposals	-	(447)	-	-	-	-	**(447)**
Revaluation	396	-	-	-	-	-	**396**
Depreciation	(1 559)	(6 360)	(2 073)	(252)	(200)	-	**(10 444)**
Transfer from various parties	887	15	-	-	-	-	**902**
De-recognition of assets	-	-	(34)	(419)	(386)	-	**(839)**
Carrying Amount at 30 June	36 468	56 220	11 311	917	1 536	4 511	**110 963**

The following table shows the movement of non-current assets during 2005-06.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	2006 Total $'000
Carrying amount at 1 July	30 765	59 520	14 474	985	1 772	3 279	110 795
Additions	-	16	-	396	106	10 337	10 855
Transferred from WIP	2 638	5 715	586	300	-	(9 239)	-
Disposals	(458)	(226)	(9)	-	-	-	(693)
Revaluation	2 504	(4 739)	-	-	-	-	(2 235)
Depreciation	(1 341)	(6 852)	(2 032)	(310)	(261)	-	(10 796)
Transfer from various parties	1 035	127	-	-	-	-	1 162
Carrying Amount at 30 June	35 143	53 561	13 019	1 371	1 617	4 377	109 088

18. Payables

	Consolidated		CFS	
	2007	2006	**2007**	2006
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Creditors	**644**	1 081	**643**	1 081
Accrued expenses	**577**	534	**577**	534
Employment on-costs	**170**	129	**170**	129
Total Current Payables	**1 391**	1 744	**1 390**	1 744
Non-Current Liabilities:				
Employment on-costs	**139**	125	**139**	125
Total Non-Current Payables	**139**	125	**139**	125
Total Payables	**1 530**	1 869	**1 529**	1 869
Government/Non-Government Payables				
Payables to SA Government Entities:				
Creditors	**336**	154	**335**	154
Accrued expenses	**469**	422	**469**	422
Employment on-costs	**147**	122	**147**	122
Total Payables to SA Government Entities	**952**	698	**951**	698
Payables to Non-SA Government Entities:				
Creditors	**308**	927	**308**	927
Accrued expenses	**108**	112	**108**	112
Employment on-costs	**162**	132	**162**	132
Total Payables to Non-SA Government Entities	**578**	1 171	**578**	1 171
Total Payables	**1 530**	1 869	**1 529**	1 869

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. 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.

Correction of Error

Accrued salaries and wages were incorrectly classified in 2005-06. As a result, accrued expenses for the year ended 30 June 2006 were overstated by $187 000. This error had the effect of overstating payables and understating employee benefits as at 30 June 2006.

In addition, payables of $1 180 300 were incorrectly recognised for the year ended 30 June 2006. This error had the effect of overstating payables by $1 180 300, overstating cash at bank by $1 073 000 and overstating receivables by $107 300 as at 30 June 2006. The errors have been corrected by restating each of the affected financial statement line items for the prior year.

19. Employee Benefits

	Consolidated		CFS	
	2007	2006	**2007**	2006
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Annual leave	**795**	719	**795**	719
Long service leave	**40**	20	**40**	20
	835	739	**835**	739
Accrued salaries and wages	**136**	187	**136**	187
	971	926	**971**	926
Non-Current Liabilities:				
Long service leave	**1 498**	1 289	**1 498**	1 289
Total Employee Benefits	**2 469**	2 215	**2 469**	2 215

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2007 is $1 141 000 and $1 637 000 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 10 years to 9.1 years.

20. Provisions

	Consolidated		CFS	
	2007	2006	**2007**	2006
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Provision for workers compensation	**490**	532	**490**	532
Total Current Provisions	**490**	532	**490**	532
Non-Current Liabilities:				
Provision for workers compensation	**1 904**	2 123	**1 904**	2 123
Total Non-Current Provisions	**1 904**	2 123	**1 904**	2 123
Total Provisions	**2 394**	2 655	**2 394**	2 655

20. Provisions (continued)

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Carrying amount at 1 July	**2 655**	3 685	**2 655**	3 685
Additional provisions recognised (released)	**330**	(533)	**330**	(533)
Payments	**(591)**	(497)	**(591)**	(497)
Carrying Amount at 30 June	**2 394**	2 655	**2 394**	2 655

CFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. CFS's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of CFS has not been undertaken and if such a valuation was performed it may result in a different assessed liability. CFS fully funds this provision for both employees and volunteers.

21. Commitments

Commitments for Capital Expenditure

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

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**790**	6 552	**790**	6 552
Total Capital Commitments	**790**	6 552	**790**	6 552

These capital commitments are for building projects.

Remuneration Commitments

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

	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**372**	362	**372**	362
Later than one year but not later than five years	**454**	835	**454**	835
Total Remuneration Commitments	**826**	1 197	**826**	1 197

Amounts disclosed include commitments arising from executive contracts. CFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments	Consolidated		CFS	
Commitments under non-cancellable operating leases	**2007**	2006	**2007**	2006
at the reporting date are payable as follows:	**$'000**	$'000	**$'000**	$'000
Within one year	**1 760**	1 744	**1 760**	1 744
Later than one year but not later than five years	**2 856**	3 341	**2 856**	3 341
Later than five years	**152**	274	**152**	274
Total Operating Lease Commitments	**4 768**	5 359	**4 768**	5 359

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle, property and equipment leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Contractual Commitments	Consolidated		CFS	
At the end of the reporting period CFS had the	**2007**	2006	**2007**	2006
following commitments on contracts:	**$'000**	$'000	**$'000**	$'000
Within one year	**1 675**	2 282	**1 675**	2 282
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	2 341	**-**	2 341
Total Contractual Commitments	**1 675**	4 623	**1 675**	4 623

Contractual commitments relate to aerial firefighting, cleaning, and occupational welfare services.

22. Contingent Assets and Liabilities

CFS has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2007-08 financial year, however the outcome cannot be reliably determined. There is also the possibility of a significant class action relating to the January 2005 Wangary (Eyre Peninsula) bushfire, the outcome and timing of which cannot be reliably determined.

CFS is not aware of any contingent assets.

23. Board Members' Remuneration

Board membership during the 2006-07 financial year comprised of:

South Australian Bushfire Prevention Advisory Committee *(*refer section 71 of the *Fire and Emergency Services Act 2005)*

G Benham*
J Brooks
J Corin
P Davis
P Dellaverde*
E Ferguson*
G MacPhie*
M Maguire
T Roocke
W Thorley
R Twisk*
R Underdown*
A Watson*
M Williams*

The number of members whose income from the South Australian Bushfire Prevention Advisory Committee falls within the following bands was:

	2007 Number of Members	2006 Number of Members
$0 - $9 999	**6**	6
Total Number of Board Members	**6**	6

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 $1000 ($2000).

Country Fire Service Board

The former Country Fire Service Board was dissolved upon the commencement of the *Fire and Emergency Services Act 2005* on 1 October 2005. Under this Act, the Country Fire Service continues to exist as the CFS.

The names of persons who held office as a member of the Board during the period 1 July 2005 to 30 September 2005 were:

Mr R Dundon
Mr R Peate
Ms L Loan *
Mr P J Forster
Mr R Branson
Mr B Treloar

The number of members whose income from the Country Fire Service Board falls within the following bands was:

	2007 Number of Members	2006 Number of Members
$0 - $9 999	**-**	4
Total Number of Board Members	**-**	4

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 $nil ($13 000).

Other Non-Statutory Advisory Committees

CFS has a further 16 non-statutory advisory committees in existence for which sitting fees have been paid. 37 members have received less than $1000 in remuneration. The total remuneration received or receivable by members was $7000 ($12 000).

Members of all boards/committees, or their member-related entities, conducted transactions with CFS within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect the CFS would have adopted with the member or member-related entity at arms-length in similar 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.

24. Cash Flow Reconciliation

Reconciliation of Cash	Consolidated		CFS	
Cash at 30 June as per:	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Cash Flow Statement	**5 662**	5 289	**5 318**	4 961
Balance Sheet	**5 662**	5 289	**5 318**	4 961

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services	Consolidated		CFS	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Net cash provided by operating activities	**12 177**	10 557	**12 161**	10 554
Contributions from the Fund	**(53 833)**	(50 856)	**(53 833)**	(50 856)
Add/Less: Non-cash items:				
Assets received from local government and other sources	**902**	1 162	**902**	1 162
Depreciation	**(10 444)**	(10 796)	**(10 444)**	(10 796)
Net gain (loss) from disposal of assets	**56**	(175)	**56**	(175)
Changes in Assets/Liabilities:				
Decrease (Increase) in receivables	**(819)**	342	**(819)**	343
Decrease (Increase) in payables	**339**	(137)	**340**	(141)
Increase in provision for employee benefits	**(254)**	(663)	**(254)**	(663)
Decrease in provisions	**261**	1 134	**261**	1 134
Net Cost of Providing Services	**(51 615)**	(49 432)	**(51 630)**	(49 438)

25. Administrative Restructure

Net employee entitlements were transferred from the former Emergency Services Administrative Unit (ESAU) to the CFS as at 1 October 2005.

	Consolidated		CFS	
	2007	2006	**2007**	2006
The total liabilities transferred to CFS from ESAU were:	**$'000**	$'000	**$'000**	$'000
Current liabilities - Employee benefits	**-**	68	**-**	68
Non-Current liabilities - Employee benefits	**-**	104	**-**	104
Total Liabilities Transferred	**-**	172	**-**	172

26. Controlled Entity

The consolidated financial statements at 30 June 2007 include the following controlled entity:

Name of Controlled Entity	*Place of Incorporation*
The Country Fire Service Foundation	Australia

The Country Fire Service Foundation (the Foundation) was incorporated on 22 November 2001 under the *Associations Incorporations Act 1985*.

SOUTH AUSTRALIAN FIRE AND EMERGENCY SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) was established by the *Fire and Emergency Services Act 2005* (the Act) which was assented to on 14 July 2005. SAFECOM came into operation on 1 October 2005 replacing the Emergency Services Administrative Unit (ESAU), which was dissolved from 31 December 2005.

The Act provides for the continuation of the South Australian Metropolitan Fire Service (SAMFS), the South Australian Country Fire Service (SACFS), and the establishment as a separate body corporate of the South Australian State Emergency Service (SASES). Whereas SAMFS and SACFS were previously in existence as separate entities, SASES was a division of ESAU.

The Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The Act requires that a consolidated financial statement be prepared for the Emergency Services sector.

Objectives

SAFECOM has the following main objectives:

- To develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector.

- To provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency service sector.

- To ensure relevant statutory compliance by the emergency services organisations.

- To build a safer community through integrated emergency services organisations.

- To liaise with the peak body responsible for managing emergencies as well as to report regularly to the Minister about relevant issues.

Community Emergency Services Fund (the Fund)

SAFECOM is also responsible for the administration of the Fund which is established by the *Emergency Services Funding Act 1998*. Responsibility for the administration of the Fund was transferred from the Attorney-General's Department on 1 April 2006.

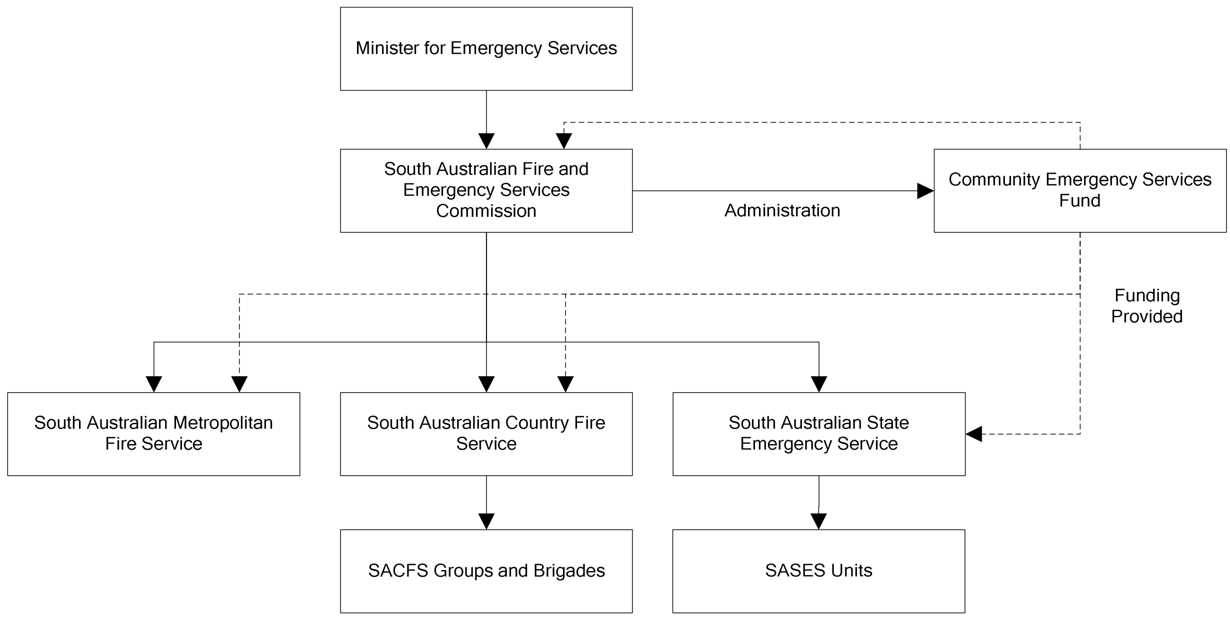
The Fund is the main source of funding for all of the Emergency Services sector agencies.

Structure

While each of the agencies which comprise the Emergency Services sector are separate corporate bodies, SAFECOM, in performing its functions, has the power to issue directions to SAMFS, SACFS and SASES, except in relation to matters dealing with emergency situations.

The Chief Officers of SAMFS, SACFS and SASES are all members of the SAFECOM Board.

The structure of SAFECOM 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 21(2) of the Act provide for the Auditor-General to audit the accounts of SAFECOM and also the consolidated accounts for the emergency services sector 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 SAFECOM 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 for 2006-07 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. Specific areas of audit attention included:

- corporate governance
- procurement
- payroll
- expenditure
- fixed assets
- revenue.

The audit also covered the operations of the Fund.

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 Fire and Emergency Services Commission and the consolidated entity as at 30 June 2007, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Fire and Emergency Services Commission 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 outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Fire and Emergency Services Commission 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 SAFECOM. Responses to the management letters were generally considered to be satisfactory. The major matters raised with SAFECOM and the related responses are outlined below.

Legislative Compliance and Governance Arrangements

The audit identified a number of legal compliance and governance issues. These included a need for SAFECOM to:

- formally document and communicate its strategic framework;
- revise, finalise and implement its governance policy;
- periodically review, update as necessary, and ensure compliance with its risk management framework.

SAFECOM advised that:

- a Board endorsed planning framework is included in its strategic plan emphasising a collective effort by the agencies in the emergency services sector, and SAFECOM will formally document its strategic framework and communicate it to relevant officers;
- it is finalising and implementing a revised corporate governance policy;
- it will periodically review and update its risk management framework for changing circumstances as necessary and at least annually.

Accounting Systems and Processes

Payroll

The audit identified weaknesses in controls over the SAFECOM (and other emergency services organisations) payroll function. The weaknesses include:

- outdated delegations;
- absence of policies and procedures for timesheets and leave management;
- inadequate checking and omission of procedures for bona fide reports;
- lack of a signatory list to support checking the authorisation of transactions;
- absence of specific output reports to support checking the processing of transactions.

The payroll audit also highlighted that the emergency services organisations, to which SAFECOM provides a payroll service, were unclear about the delineation of payroll responsibilities. This is likely to have contributed to the identified control weaknesses.

SAFECOM advised in September 2007 that:

- delegations would be approved and implemented shortly;
- policies and procedures for timesheets and leave management would soon be approved and distributed;
- the recently approved bona fide policy and procedures had been circulated to staff, training provided, and SAFECOM would undertake a review of procedures to ensure compliance;
- a signatory list would be completed shortly and used by payroll staff to check authorisation of transactions;
- additional reports were being sought to facilitate further checking of transactions processed.

Accounts Payable

The accounts payable audit highlighted areas for improvement including the need to clarify, expand and approve its Delegations Policy, and in checking of authorisations and that there is evidence of goods received.

SAFECOM advised that it was currently updating its Delegations Policy which will be approved by SAFECOM (and the Minister) shortly, and is supported by a signatory listing to enable accounts payable staff to check authorisation prior to processing transactions. In addition, SAFECOM advised that its procedures would be amended to include Goods Received Notes or other appropriate certification that goods have been received.

Community Emergency Services Fund (the Fund)

Approval of Payments

During the year the Chief Executive was delegated the powers and functions as Fund Manager for sections 28 and 29 of the *Emergency Services Funding Act 1998*.

SAFECOM sought legal advice on the appointment of the Chief Executive as Fund Manager. The Crown Solicitor's Office advised that any risk that the Fund Manager might improperly give preference to the interests of SAFECOM or its constituent agencies, is largely removed by the expenditure approval process set out in the Act (ie amount of the levy and budgeted expenditure submitted by the Minister, through the Economic and Finance Committee, to the Governor for approval). That is, there was no legal barrier to the appointment, and any potential conflict of interest could be resolved by direction of the Minister.

On 29 June 2007, payments were made from the Fund to SASES for $1.3 million and to SACFS for $1.3 million. SAFECOM advised that these payments were, in turn, to SASES for cash management purposes and, to SACFS, as a result of an operating overspend. The payments were approved by the Chief Executive. These payments were over and above that approved by the Minister for 2006-07 (and the Department of Treasury and Finance approved variations). SAFECOM advised that the Minister was subsequently informed about the payments.

Audit reported that in order to ensure the transparency of transactions, the Minister should approve such payments prior to their occurrence.

SAFECOM advised that both the Department of Treasury and Finance and the Minister were kept informed of SACFS's projected overspend and the cash transfers and that the Chief Executive had been delegated the power to approve such payments. The payment to SASES was to meet cash flow requirements and was not an increase in SASES's approved budget. SAFECOM also advised that new delegations are being drafted restricting the approval of payments by the Fund Manager to within Ministerial or government approved expenditure.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	Consolidated 2007 $'million	**SAFECOM 2007 $'million**	SAFECOM 2006* $'million
INCOME			
Contributions from Community Emergency Services Fund	**162.6**	**11.0**	8.2
Other income	**11.3**	**1.4**	0.6
Total Income	**173.9**	**12.4**	8.8
EXPENSES			
Employee benefit expenses	**91.2**	**8.2**	6.1
Depreciation	**17.4**	**-**	0.1
Supplies and services	**47.1**	**3.4**	2.4
Other expenses	**13.5**	**0.4**	-
Total Expenses	**169.2**	**12.0**	8.6
Net Result before Restructure	**4.7**	**0.4**	0.2
Net revenue from administrative restructure	**2.0**	**1.3**	(0.8)
Net Result after Restructure	**6.7**	**1.7**	(0.6)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**22.0**	**0.0**	0.3

* SAFECOM was established on 1 October 2005. Transactions represent the nine month period of operation to 30 June 2006.

ASSETS	**Consolidated 2007 $'million**	**SAFECOM 2007 $'million**	SAFECOM 2006 $'million
Current assets	**39.1**	**4.3**	2.5
Non-current assets	**246.1**	**0.4**	0.6
Total Assets	**285.2**	**4.7**	3.1
LIABILITIES			
Current liabilities	**15.8**	**1.3**	1.4
Non-current liabilities	**24.9**	**2.6**	2.3
Total Liabilities	**40.7**	**3.9**	3.7
EQUITY	**244.5**	**0.8**	(0.6)

Consolidated Emergency Services Sector

Income Statement

The main source of income for the sector is the contribution from the Fund, $163 million, which accounts for 94 percent of total income.

Expenses are dominated by employee benefit expenses, $91 million, which represent 54 percent of total expenses.

As shown in Note 6, annual remuneration for a large number of employees (mainly from SAMFS) exceeded $100 000 for the first time in 2007. Reference should also be made to audit commentary on expenses of SAMFS in that section of this Report.

Balance Sheet

The Balance Sheet shows that non-current assets of $246 million represent 86 percent of total assets. The main asset classes held are land and buildings (written down value of $128 million) and vehicles (written down value of $86 million).

SAFECOM

Income Statement

Income

SAFECOM is primarily funded from contributions from the Fund which in 2007 totalled $11 million. This represents 89 percent of total income.

Revenues from fees and charges reflects mainly salaries recoveries including for administering the Fund.

Other income and net revenue from administrative restructure for 2007 reflects the transfer of Commonwealth funded projects to SAFECOM from the Security and Emergency Management Office (SEMO) from within the Department of the Premier and Cabinet.

Expenses

Employee benefit expenses is the main expense category of SAFECOM totalling $8.2 million in 2007 which represents 68 percent of total expenses. The amount for 2007 includes the impact of an increase in salaries and wages by 3.5 percent pursuant to an Enterprise Bargaining Agreement.

Other expenses includes the payment of grants pursuant to the transfer of functions from SEMO to SAFECOM during the year.

Net Result

SAFECOM recorded a net result before restructure in 2007 of $402 000 reflecting that sufficient funds were provided from the Fund.

Balance Sheet

Assets

The increase in current assets is as a result of an increase in cash as at 30 June 2007 by $1.2 million mainly as a result of the contributions from the Fund, and an increase in receivables by $592 000 reflecting revenue outstanding from the transfer of functions from SEMO.

The decrease in non-current assets is mainly as a result of the derecognition of assets (previously capitalised) with a value of less than SAFECOM's capitalisation threshold of $10 000.

Administered Income and Expenses

Contributions, by way of levies, are made by all owners (including both state and local government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the *Emergency Services Funding Act 1998*. The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA. The levy on mobile property is collected by the Department for Transport, Energy and Infrastructure using the vehicle registration system. In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into the Fund from which payments are made to emergency services agencies and to meet the costs of collection and administration.

The following table shows the relationship over the past four years between the levies collected and the payments to emergency services agencies. The transactions outlined represent the activities of the Fund combining the administration periods of the Attorney-General's Department and SAFECOM.

	2004	2005	2006	**2007**
	$'million	$'million	$'million	**$'million**
Emergency Services levies collected*	163	172	176	**188**
Payments to Emergency Services sector**	(165)	(168)	(183)	**(194)**
	(2)	4	(7)	**(6)**
Cash at 30 June	13	17	10	**4**

* Includes other income
** Includes levy collection and administration costs.

The above table reflects that the payments to the emergency services sector have increased over the four years. In addition, for the past two years payments have exceeded the levies collected. This has resulted in a decrease in the Fund's cash balance. If the trend in payments to the emergency services sector continues, the levies collected will increase accordingly or, potentially, there will be a need for further appropriation to the relevant agencies.

Income Statement
for the year ended 30 June 2007

	Note	Consolidated		SAFECOM	
		2007	2006	**2007**	2006
	3(d)	**$'000**	$'000	**$'000**	$'000
EXPENSES:					
Employee benefit expenses	6	**91 174**	79 472	**8 202**	6 082
Supplies and services	7	**47 068**	39 621	**3 437**	2 445
Government Radio Network expenses	9	**12 900**	12 166	**-**	-
Depreciation	10	**17 430**	18 075	**42**	74
Other expenses		**620**	2 654	**381**	-
Total Expenses		**169 192**	151 988	**12 062**	8 601
INCOME:					
Revenues from fees and charges	11	**3 514**	3 548	**622**	476
Net gain from disposal of assets	12	**153**	194	**-**	-
Interest	13	**1 920**	2 179	**155**	55
Other income	14	**5 728**	5 740	**642**	99
Total Income		**11 315**	11 661	**1 419**	630
NET COST OF PROVIDING SERVICES		**157 877**	140 327	**10 643**	7 971
REVENUES FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**162 615**	149 916	**11 045**	8 180
NET RESULT BEFORE RESTRUCTURE		**4 738**	9 589	**402**	209
Net revenue (expenses) from administrative restructure	25	**1 968**	210 500	**1 263**	(852)
NET RESULT AFTER RESTRUCTURE		**6 706**	220 089	**1 665**	(643)

Net Result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

		Consolidated		SAFECOM	
	Note	**2007**	2006	**2007**	2006
	3(d)	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:					
Cash and cash equivalents	15	**35 673**	32 985	**3 195**	2 026
Receivables	16	**3 404**	3 866	**1 109**	517
Total Current Assets		**39 077**	36 851	**4 304**	2 543
NON-CURRENT ASSETS:					
Property, plant and equipment	17	**246 159**	241 868	**402**	574
Total Non-Current Assets		**246 159**	241 868	**402**	574
Total Assets		**285 236**	278 719	**4 706**	3 117
CURRENT LIABILITIES:					
Payables	18	**4 205**	5 318	**468**	468
Short-term and long-term employee benefits	19	**9 714**	9 682	**742**	844
Short-term provisions	20	**1 897**	1 945	**89**	99
Total Current Liabilities		**15 816**	16 945	**1 299**	1 411
NON-CURRENT LIABILITIES:					
Payables	18	**1 541**	1 284	**201**	168
Long-term employee benefits	19	**16 042**	14 231	**2 088**	1 785
Long-term provisions	20	**7 302**	7 705	**345**	396
Total Non-Current Liabilities		**24 885**	23 220	**2 634**	2 349
Total Liabilities		**40 701**	40 165	**3 933**	3 760
NET ASSETS (DEFICIENCY)		**244 535**	238 554	**773**	(643)
EQUITY:					
Asset revaluation reserve		**20 930**	18 465	**-**	-
Retained earnings		**223 605**	220 089	**773**	(643)
TOTAL EQUITY		**244 535**	238 554	**773**	(643)

Total Equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	22

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Consolidated:			
Balance at 1 July 2005	-	-	-
Gain on revaluation of property for the period ended 30 June 2006	18 465	-	18 465
Net result after restructure for 2005-06	-	219 793	219 793
Total recognised income and expense for the period ended 30 June 2006	18 465	219 793	238 258
Balance at 30 June 2006	18 465	219 793	238 258
Error correction	-	296	296
Restated balance at 30 June 2006	18 465	220 089	238 554
Gain on revaluation of property for the year ended 30 June 2007	2 465	-	2 465
Net result after restructure for 2006-07	-	6 706	6 706
Total recognised income and expense for the period ended 30 June 2007	2 465	6 706	9 171
De-recognition of assets during 2006-07	-	(3 190)	(3 190)
Balance at 30 June 2007	**20 930**	**223 605**	**244 535**
SAFECOM:			
Balance at 1 October 2005	-	-	-
Net result after restructure for 2005-06	-	(643)	(643)
Total recognised income and expense for the period ended 30 June 2006	-	(643)	(643)
Balance at 30 June 2006	-	(643)	(643)
Net result after restructure for 2006-07	-	1 665	1 665
Total recognised income and expense for the period ended 30 June 2007	-	1 665	1 665
De-recognition of assets during 2006-07	-	(249)	(249)
Balance at 30 June 2007	**-**	**773**	**773**

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

Cash Flow Statement
for the year ended 30 June 2007

	Note	Consolidated		SAFECOM	
	Note	**2007**	2006	**2007**	2006
	3(d)	**Inflows**	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		**$'000**	$'000	**$'000**	$'000
CASH OUTFLOWS:					
Employee benefit payments		**(89 331)**	(75 471)	**(8 001)**	(6 683)
Supplies and services		**(50 063)**	(44 979)	**(3 864)**	(1 853)
Government Radio Network payments		**(12 675)**	(11 322)	**-**	-
GST payments on purchases		**(7 317)**	(5 845)	**(1 309)**	(330)
Emergency Services Administrative Unit recharges		**-**	(2 435)	**-**	-
Other payments		**(620)**	(4 331)	**(381)**	-
Cash used in Operations		**(160 006)**	(144 383)	**(13 555)**	(8 866)
CASH INFLOWS:					
Contributions from Community Emergency Services Fund		**162 615**	149 916	**11 045**	8 180
Fees and charges		**3 514**	3 548	**622**	476
Interest received		**1 980**	2 180	**155**	55
GST receipts on receivables		**594**	832	**31**	29
GST input tax credits		**9 133**	6 476	**1 630**	301
Other receipts		**4 209**	4 578	**97**	99
Cash generated from Operations		**182 045**	167 530	**13 580**	9 140
Net Cash provided by Operating Activities	24	**22 039**	23 147	**25**	274
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		**(22 381)**	(25 891)	**(119)**	(156)
Proceeds from the sale of property, plant and equipment		**1 062**	2 688	**-**	-
Net Cash used in Investing Activities		**(21 319)**	(23 203)	**(119)**	(156)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Transfer from Emergency Services Administrative Unit		**-**	4 171	**-**	1 908
Transfer of Emergency Services sector		**-**	34 096	**-**	-
Repayment of loan		**-**	(5 226)	**-**	-
Transfer from the Department of the Premier and Cabinet		**1 968**	-	**1 263**	-
Net Cash provided by Financing Activities		**1 968**	33 041	**1 263**	1 908
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2 688**	32 985	**1 169**	2 026
CASH AND CASH EQUIVALENTS AT 1 JULY		**32 985**	-	**2 026**	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	15	**35 673**	32 985	**3 195**	2 026

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of SAFECOM and the Emergency Services Sector

The *Fire and Emergency Services Act 2005* (the Act) was assented to on 14 July 2005. The Act establishes the South Australian Fire and Emergency Services Commission (SAFECOM) which came into operation on 1 October 2005 replacing the Emergency Services Administrative Unit (ESAU), which was dissolved from 31 December 2005.

The Act provides for the continuation of the South Australian Metropolitan Fire Service (MFS), the South Australian Country Fire Service (CFS) and the South Australian Emergency Service (SES). MFS and CFS were previously in existence as separate entities whereas the SES was a division of ESAU. The SES is now a separate body corporate. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Service Act 1987* were repealed upon the proclamation of the new Act.

The Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The Act requires that a financial statement be prepared for the Emergency Services sector.

2. Objectives and Funding

Objectives

SAFECOM has the following objectives:

- to develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector;
- to provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency service sector;
- to ensure relevant statutory compliance by the emergency services organisations;
- to build a safer community through integrated emergency service delivery;
- to report regularly to the Minister about relevant issues.

Funding

The funding of SAFECOM is derived from the Community Emergency Services Fund (the Fund) which was established by the *Emergency Services Funding Act 1998.*

3. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general-purpose financial report. The accounts have been prepared in accordance with:

- AASs;
- TIs and APSs promulgated under the provisions of the PFAA.

Statement of Compliance

AASs include AIFRS and AAS 29. SAFECOM has early-adopted the amendments to AASB 101. Refer to Note 5.

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SAFECOM'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)
SAFECOM'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.

(b) Principles of Consolidation
The financial statements incorporate the assets and liabilities of all entities controlled by SAFECOM, and forming the Emergency Services sector as at 30 June 2007 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(c) Reporting Entity
SAFECOM produces both organisational and administered financial statements. The organisational financial statements include the use of income, expenses, assets and liabilities, controlled or incurred by the organisation in its own right.

The administered financial statements includes the income, expenses, assets and liabilities which the organisation administers on behalf of the SA Government but does not control. The administered items for SAFECOM consist solely of the Funds created pursuant to the *Emergency Services Funding Act 1998.*

(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. In some cases, prior period amendments have been made to improve the quality and consistency of information provided.

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.

For 2006, SAFECOM and SES comparative amounts represent the period from 1 October 2005 to 30 June 2006 whilst SAFECOM Administered Items comparative amounts represent the period from 1 April 2006 to 30 June 2006.

For 2006, comparative amounts for MFS and CFS represent the period 1 July 2005 to 30 June 2006.

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

(f) Taxation
SAFECOM is not subject to income tax. SAFECOM is liable for payroll tax, FBT and GST.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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 commitments and contingencies are disclosed on a gross basis.

(g) Income and Expenses
Income and expense are recognised to the extent that it is probable that the flow of economic benefits to or from SAFECOM 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.

(g) 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.

The following are specific recognition criteria:

Community Emergency Services Fund Revenue
The Emergency Services Levy collected by the Department for Transport, Energy and Infrastructure (DTEI) and RevenueSA is recognised as revenue by the Fund upon its receipt by DTEI and RevenueSA.

Revenues from SA Government
Contributions from the Fund are recognised as income when SAFECOM obtains control over the funding. Control over funding is normally obtained upon receipt.

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

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.

(h) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. SAFECOM 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, SAFECOM has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(i) 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 maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

(j) 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 SAFECOM will not be able to collect the debt.

(k) 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.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(l) Revaluation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every three years and carrying amounts are adjusted accordingly.

(l) Revaluation of Non-Current Assets (continued)

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

(m) 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's revaluation reserve.

(n) Depreciation 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 made on a regular basis for all assets with annual reassessments for major items.

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	5-10
Vehicles	5-25
Plant and equipment	5-10
Computer equipment	5-10
Buildings	30-45

(o) 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 SAFECOM.

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, are unsecured 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.

SAFECOM 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 superannuation funds.

(p) 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 of sick leave.

Long Service Leave
The liability for long service leave is recognised after an employee has completed 9.1 (10) 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 SAFECOM's experience of employee retention and leave taken.

(q) Provisions
Provisions are recognised when SAFECOM 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 SAFECOM 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.

(r) Operating Leases
In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

(s) Administrative Restructuring

(i) Pursuant to structural reforms announced within the 2006-07 State Budget speech on 21 September 2006, functions of the Security and Management Office were transferred from the Department of the Premier and Cabinet to SAFECOM (refer Note 25).

(ii) Pursuant to the Government Gazette (dated 29 September 2005) a number of employees of the former ESAU were transferred to the staff of SAFECOM, the MFS, the CFS and the SES respectively. After the final financial statements of ESAU were audited, the remaining assets and liabilities were transferred to SAFECOM and SES (refer Note 25).

(iii) On 28 November 2005, Cabinet approved the transfer of the Fund from the Attorney-General's Department (AGD) to SAFECOM. Administration of the Fund in AGD ceased as of 31 March 2006. The Fund's closing cash balance, as at 31 March 2006, of $44.337 million was transferred from AGD to SAFECOM.

(t) Program Information - SAFECOM
In achieving its objectives, SAFECOM provides strategic and corporate support services to the MFS, CFS and SES. These activities are classified under one program titled Fire and Emergency Services Strategic and Corporate Support.

(u) Program Information – SAFECOM Administered Items
The administered program relates to the collection of the Emergency Services Levy and the application of these funds. The levies are collected, in accordance with the *Emergency Services Funding Act 1998*, by RevenueSA and the DTEI and are credited to the Fund. Payments from the Fund are made to emergency services agencies and other organisations that provide an 'emergency service' as defined under the Act and to meet costs of collecting the levies and operations of the Fund.

4. Financial Risk Management
SAFECOM has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SAFECOM's exposure to market risk and cash flow interest risk is minimal.

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

4. Financial Risk Management (continued)

In relation to liquidity/funding risk, the continued existence of SAFECOM in its present form, and with its present programs, is dependent on Government policy and on continuing payments from the Fund for SAFECOM's administration and programs.

5. Changes in Accounting Policies

Except for the amendments to AASB 101, which SAFECOM has early-adopted, the AASs 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. SAFECOM 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.

Community Emergency Services Fund

For the year ended 30 June 2006, mobile remissions from DTEI were recognised as revenue upon the receipt of cash by the Fund. From 1 July 2006, the Fund has recognised revenue upon receipt by DTEI and RevenueSA to reflect revenue due to the Fund at balance date.

If the abovementioned change in accounting policy had been adopted for the year ended 30 June 2006, an increase of $2 190 000 for the Fund revenue and receivables would have resulted.

In addition, for the year ended 30 June 2006, collection services provided to the Fund by DTEI and RevenueSA were recognised as an expense on the receipt of relevant tax invoices. From 1 July 2006, the Fund has recognised DTEI and RevenueSA collection expenses on the delivery of agreed collection services, as defined within Memoranda of Understanding, to reflect payables of the Fund at balance date.

If the abovementioned change in accounting policy had been adopted for the year ended 30 June 2006, an increase of $59 000 for other expenses and payables would have resulted.

6. Employee Benefit Expenses

	Consolidated		SAFECOM	
Employee benefits costs for the reporting period comprised:	**2007** **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
Salaries and wages	**67 016**	60 079	**6 047**	4 437
Payroll tax	**4 513**	4 257	**392**	291
Superannuation	**7 691**	6 165	**750**	527
Long service leave	**3 315**	2 463	**347**	272
Annual leave	**7 997**	6 006	**575**	451
TSVP	**-**	38	**-**	38
Other employee related costs	**642**	464	**91**	66
Total Employee Benefit Expenses	**91 174**	79 472	**8 202**	6 082

TVSP

There were no employees paid a TVSP in 2006-07. In accordance with government policy, in 2005-06 one SAFECOM employee was paid a TVSP of $38 000 with an additional amount paid of $17 000 in accrued annual leave and long service leave entitlements.

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands:

	Consolidated		SAFECOM	
	2007 Number of Employees	2006 Number of Employees	**2007 Number of Employees**	2006 Number of Employees
$100 000 - $109 999	**83**	31	6	-
$110 000 - $119 999	**46**	10	2	-
$120 000 - $129 999	**17**	7	1	-
$130 000 - $139 999	**10**	1	1	-
$140 000 - $149 999	**4**	-	1	-
$150 000 - $159 999	**1**	-	1	-
$160 000 - $169 999	**1**	1	-	-
$170 000 - $179 999	**-**	1	-	1
$200 000 - $209 999	**1**	-	-	-
$210 000 - $219 999	**1**	-	-	-
$230 000 - $239 999	**-**	1	-	-
$270 000 - $279 999	**-**	1	-	-
$290 000 - $299 999	**1**	-	-	-
Total Number of Employees	**165**	53	**12**	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 aggregate remuneration for all employees referred to above was $19 005 000 ($6 169 000) for the consolidated entity and $1 435 000 ($172 000) for SAFECOM.

7. Supplies and Services

	Consolidated		SAFECOM	
Supplies and services provided by Entities within the SA Government:	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Accommodation	**177**	122	**-**	-
Aerial support costs	**159**	102	**-**	-
Communication expenses	**341**	239	**80**	56
Computing costs	**517**	395	**228**	240
Consultancy, contractor and legal fees	**386**	313	**245**	119
Consumables and minor purchases	**503**	119	**4**	16
Energy	**58**	426	**9**	-
Operating lease costs	**3 067**	915	**592**	414
Operational costs	**68**	2	**-**	-
Other expenses	**989**	393	**69**	2
Repairs and maintenance	**584**	59	**40**	25
Travel and training	**202**	106	**11**	7
Total Supplies and Services - SA Government Entities	**7 051**	3 191	**1 278**	879
Supplies and services provided by Entities external to the SA Government:				
Accommodation	**57**	104	**-**	-
Aerial support costs	**5 561**	2 838	**-**	-
Communication expenses	**3 148**	2 708	**127**	103
Computing costs	**201**	226	**46**	2
Consultancy, contractor and legal fees	**3 376**	3 030	**925**	824
Consumables and minor purchases	**8 000**	7 144	**224**	163
Energy	**860**	819	**-**	9
Operating lease costs	**774**	1 960	**6**	-
Operational costs	**687**	512	**23**	16
Other expenses	**5 699**	3 192	**439**	71
Repairs and maintenance	**5 865**	5 986	**33**	33
Travel and training	**2 906**	3 182	**330**	340
Uniforms and protective clothing	**2 883**	4 729	**6**	5
Total Supplies and Services - Non-SA Government Entities	**40 017**	36 430	**2 159**	1 566
Total Supplies and Services	**47 068**	39 621	**3 437**	2 445

Consultancies

	Consolidated		SAFECOM	
The number and dollar amount of consultancies paid/payable that fell within the following bands were:	**2007 Number of Consultants**	2006 Number of Consultants	**2007 Number of Consultants**	2006 Number of Consultants
Less than $10 000	**22**	26	**2**	13
$10 000 - $50 000	**7**	8	**2**	4
Total Number of Consultants	**29**	34	**4**	17

	Consolidated		SAFECOM	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Less than $10 000	**68**	74	**7**	39
$10 000 - $50 000	**181**	184	**24**	76
Total Amount Paid/Payable to Consultants Engaged	**249**	258	**31**	115

8. Remuneration of Auditors

Audit fees paid/payable to:				
Auditor-General's Department	**138**	124	**77**	66

The auditors provided no other services.

9. Government Radio Network (GRN) Expenses

SAFECOM has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including paging and voice transmission using the GRN.

	Consolidated		SAFECOM	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Contribution towards GRN - Voice	**10 520**	9 919	**-**	-
Contribution towards GRN - Paging	**2 380**	2 247	**-**	-
Total GRN Expenses	**12 900**	12 166	**-**	-

10. Depreciation

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Communications equipment	**2 912**	2 751	**-**	-
Vehicles	**8 415**	9 306	**-**	-
Plant and equipment	**951**	1 021	**-**	-
Buildings	**4 557**	4 145	**11**	6
Computer equipment	**595**	852	**31**	68
Total Depreciation	**17 430**	18 075	**42**	74

11. Revenues from Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government comprised:				
Training and other recoveries	**36**	63	**-**	-
Incident cost recoveries	**-**	271	**-**	-
Fire alarm monitoring fees	**-**	140	**-**	-
Fire attendance fees	**49**	144	**-**	-
Fire safety fees	**4**	7	**-**	-
Other recoveries	**573**	476	**622**	476
Total Fees and Charges - SA Government Entities	**662**	1 101	**622**	476
Fees and Charges received/receivable from Entities external to the SA Government:				
Training and other recoveries	**115**	240	**-**	-
Incident cost recoveries	**108**	-	**-**	-
Fire alarm monitoring fees	**1 343**	1 136	**-**	-
Fire attendance fees	**971**	598	**-**	-
Fire safety fees	**234**	213	**-**	-
Other recoveries	**81**	260	**-**	-
Total Fees and Charges - Non-SA Government Entities	**2 852**	2 447	**-**	-
Total Fees and Charges	**3 514**	3 548	**622**	476

Correction of Error

Recoveries of Fund administration costs were incorrectly classified for the year ended 30 June 2006. This error had the effect of overstating other income by $350 000 and understating fees and charges by $350 000. The errors have been corrected by restating each of the affected financial statement line items for the prior year.

12. Net Gain from Disposal of Assets

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Proceeds from disposal of assets	**1 062**	2 688	**-**	-
Written down value of assets	**(909)**	(2 494)	**-**	-
Net Gain from Disposals of Assets	**153**	194	**-**	-

13. Interest

Interest received/receivable for the reporting period from:				
Entities within the SA Government	**1 906**	2 163	**155**	55
Other	**14**	16	**-**	-
Total Interest	**1 920**	2 179	**155**	55

14. Other Income

Other income comprised:				
Assets received free of charge	**974**	1 162	**-**	-
Transfer of capital funding for GRN	**243**	504	**-**	-
Donations	**108**	110	**-**	-
Grants from Commonwealth Government	**2 824**	2 000	**579**	-
Fuel rebate	**138**	106	**-**	-
Groups/brigades fundraising revenue	**306**	539	**-**	-
Other	**1 000**	1 255	**63**	61
Rent received	**135**	26	**-**	-
TVSP recovered	**-**	38	**-**	38
Total Other Income	**5 728**	5 740	**642**	99

Correction of Error

Refer Note 11.

15. Cash and Cash Equivalents

Cash on hand	**15**	13	**2**	1
Cash at bank - Groups and brigades/units	**3 089**	3 073	**-**	-
Cash at bank	**30 265**	27 886	**3 193**	2 025
Investments	**2 304**	2 013	**-**	-
Total Cash and Cash Equivalents	**35 673**	32 985	**3 195**	2 026

Interest Rate Risk
Cash on hand is non-interest bearing. Cash at bank and investments are bearing a floating interest rate between 5.68 percent and 6.10 percent (5.35 percent to 5.43 percent). The carrying amount of cash approximates fair value.

Correction of Error
Refer Note 18.

16. Receivables

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
Current:	**$'000**	$'000	**$'000**	$'000
Receivables	**1 670**	1 209	**575**	165
Less: Allowance for doubtful debts	**2**	-	**-**	-
GST receivables	**1 736**	2 657	**534**	352
Total Current Receivables	**3 404**	3 866	**1 109**	517
Government/Non-Government Receivables				
Receivables from SA Government:				
Receivables	**1 106**	603	**566**	87
Total Receivables - SA Government Entities	**1 106**	603	**566**	87
Receivables from Non-SA Government Entities				
Receivables	**562**	605	**9**	78
GST receivables	**1 736**	2 657	**534**	352
Accrued revenue	**-**	1	**-**	-
Total Receivables - Non-SA Government Entities	**2 298**	3 263	**543**	430
Total Receivables	**3 404**	3 866	**1 109**	517

Correction of Error
Refer Note 18.

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.

Movement in the provision for doubtful debts (impairment loss):				
Carrying amount at 1 July	**-**	(14)	**-**	-
(Increase) Decrease in the provision	**(17)**	10	**-**	-
Amounts written off	**15**	4	**-**	-
Carrying Amount at 30 June	**(2)**	-	**-**	-

Interest Rate and Credit Risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Bad and Doubtful Debts
SAFECOM has recognised a bad and doubtful debt expense of $nil ($nil) and the consolidated entity $15 000 ($4000) in the Income Statement.

17. Non-Current Assets

(a) Property, Plant and Equipment

Consolidated as at 30 June 2007

	Cost/ Valuation $'000	**Accumulated Depreciation $'000**	**2007 Written Down Value $'000**
Land at independent valuation	**33 266**	**-**	**33 266**
Land at cost	**4 580**	**-**	**4 580**
Buildings at independent valuation	**85 207**	**3 496**	**81 711**
Buildings at cost	**9 564**	**677**	**8 877**
Vehicles at independent valuation	**79 371**	**8 371**	**71 000**
Vehicles at cost	**16 564**	**1 376**	**15 188**
Communications equipment at cost	**27 567**	**12 807**	**14 760**
Computer equipment at cost	**3 593**	**1 855**	**1 738**
Plant and equipment at cost	**10 394**	**5 579**	**4 815**
Work in progress	**10 214**	**-**	**10 214**
Total Property, Plant and Equipment	**280 320**	**34 161**	**246 159**

(a) Property, Plant and Equipment (continued)

	SAFECOM		
	Cost/ Valuation $'000	**Accumulated Depreciation $'000**	**2007 Written Down Value $'000**
Buildings at cost	**366**	**65**	**301**
Computer equipment at cost	**193**	**92**	**101**
Total Property, Plant and Equipment	**559**	**157**	**402**

	Consolidated		
	Cost/ Valuation $'000	Accumulated Depreciation $'000	2006 Written Down Value $'000
Land at independent valuation	31 051	-	31 051
Land at cost	3 441	-	3 441
Buildings at independent valuation	85 369	2 051	83 318
Buildings at cost	3 703	475	3 228
Vehicles at independent valuation	80 824	1 273	79 551
Vehicles at cost	4 693	1 314	3 379
Communications equipment at cost	28 195	10 826	17 369
Computer equipment at cost	7 154	3 767	3 387
Plant and equipment at cost	14 187	7 966	6 221
Work in progress	10 923	-	10 923
Total Property, Plant and Equipment	269 540	27 672	241 868

	SAFECOM		
	Cost/ Valuation $'000	Accumulated Depreciation $'000	2006 Written Down Value $'000
Buildings at cost	287	54	233
Computer equipment at cost	688	354	334
Plant and equipment at cost	8	4	4
Work in progress	3	-	3
Total Property, Plant and Equipment	986	412	574

Valuation of Land and Buildings

Independent valuations for land and buildings were obtained in 2006-07 from Liquid Pacific Holdings Pty Ltd and were determined on the basis of open market values for existing use.

Impairment

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

De-recognition of Assets

During 2006-07 SAFECOM de-recognised a number of minor assets with a gross value of less than $10 000, resulting in a write-down of assets of $3 190 000 for consolidated entity and $249 000 for SAFECOM. The asset de-recognition was approved by the SAFECOM Board and is consistent with APF III APS 2.15 which recommends that all non-current tangible assets with a value of $10 000 or greater be capitalised.

(b) Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07.

Consolidated	Land and Buildings $'000	Vehicles $'000	Communi-cations Equipment $'000	Computer Equip-ment $'000	Plant and Equip-ment $'000	Work in Progress $'000	**2007 Total $'000**
Carrying amount at 1 July	121 038	82 930	17 369	3 387	6 221	10 627	**241 572**
Correction of error	-	-	-	-	-	296	**296**
Restated carrying amount at 1 July	121 038	82 930	17 369	3 387	6 221	10 923	**241 868**
Additions	30	1	335	162	743	21 110	**22 381**
Disposals	(334)	(542)	(26)	-	(7)	-	**(909)**
Transfer of work in progress	8 843	12 199	243	179	355	(21 819)	**-**
Net adjustment on revaluation	2 465	-	-	-	-	-	**2 465**
Depreciation	(4 557)	(8 415)	(2 912)	(595)	(951)	-	**(17 430)**
Transfer from various parties	959	15	-	-	-	-	**974**
De-recognition of assets	-	-	(249)	(1 395)	(1 546)	-	**(3 190)**
Carrying Amount at 30 June	128 444	86 188	14 760	1 738	4 815	10 214	**246 159**

(b) Reconciliation of Non-Current Assets (continued)

SAFECOM	Land and Buildings $'000	Vehicles $'000	Communi-cations Equipment $'000	Computer Equip-ment $'000	Plant and Equip-ment $'000	Work in Progress $'000	**2007 Total $'000**
Carrying amount at 1 July 2006	233	-	-	334	4	3	**574**
Additions	-	-	-	43	-	76	**119**
Transfer of work in progress	79	-	-	-	-	(79)	**-**
Depreciation	(11)	-	-	(31)	-	-	**(42)**
De-recognition of assets	-	-	-	(245)	(4)	-	**(249)**
Carrying Amount at 30 June 2007	301	-	-	101	-	-	**402**

Correction of Error

Refer Note 25.

18. Payables

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
Current:	**$'000**	$'000	**$'000**	$'000
Creditors	**1 535**	2 817	**228**	199
Accrued expenses	**1 105**	991	**116**	136
Employment on-costs	**1 565**	1 510	**124**	133
Total Current Payables	**4 205**	5 318	**468**	468
Non-Current:				
Employment on-costs	**1 541**	1 284	**201**	168
Total Non-Current Payables	**1 541**	1 284	**201**	168
Total Payables	**5 746**	6 602	**669**	636

Government/Non-Government Payables

Payables to SA Government Entities:				
Creditors	**608**	1 238	**56**	47
Accrued expenses	**766**	718	**70**	63
Employment on-costs	**1 507**	1 375	**161**	150
Total Payables - SA Government Entities	**2 881**	3 331	**287**	260
Payables to Non-SA Government Entities:				
Creditors	**927**	1 578	**172**	152
Accrued expenses	**339**	274	**46**	73
Employment on-costs	**1 599**	1 419	**164**	151
Total Payables - Non-SA Government Entities	**2 865**	3 271	**382**	376
Total Payables	**5 746**	6 602	**669**	636

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. 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.

Correction of Error

Accrued expenses for the year ended 30 June 2006 were overstated by $75 000 for SAFECOM and $970 000 for the consolidated entity. This error had the effect of overstating payables and understating employee benefits as at 30 June 2006.

In addition, for the consolidated entity, payables of $1 180 300 were incorrectly recognised for the year ended 30 June 2006. This error had the effect of overstating payables by $1 180 300, overstating cash at bank by $1 073 000 and overstating receivables by $107 300 as at 30 June 2006.

The errors have been corrected by restating each of the affected financial statement line items for the prior year.

19. Employee Benefits

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
Current:	**$'000**	$'000	**$'000**	$'000
Annual leave	**7 485**	7 021	**650**	668
Long service leave	**1 405**	1 691	**40**	101
	8 890	8 712	**690**	769
Accrued salaries and wages	**824**	970	**52**	75
Total Current Employee Benefits	**9 714**	9 682	**742**	844
Non-Current:				
Long service leave	**16 043**	14 231	**2 088**	1 785
Total Non-Current Employee Benefits	**16 043**	14 231	**2 088**	1 785
Total Employee Benefits	**25 757**	23 913	**2 830**	2 629

19. Employee Benefits (continued)

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007 is $11 279 000 and $17 584 000 respectively for the consolidated entity and $866 000 and $2 289 000 respectively for SAFECOM.

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 10 years to 9.1 years.

	Consolidated		SAFECOM	
20. Provisions	**2007**	2006	**2007**	2006
Current:	**$'000**	$'000	**$'000**	$'000
Provisions for workers compensation	**1 897**	1 945	**89**	99
Total Current Provisions	**1 897**	1 945	**89**	99
Non-Current:				
Provision for workers compensation	**7 302**	7 705	**345**	396
Total Non-Current Provisions	**7 302**	7 705	**345**	396
Total Provisions	**9 199**	9 650	**434**	495
Carrying amount at 1 July	**9 650**	-	**495**	-
Transfer from Emergency Services sector	**-**	11 912	**-**	-
Additional provisions recognised	**2 171**	269	**(16)**	501
Payments	**(2 622)**	(2 531)	**(45)**	(6)
Carrying Amount at 30 June	**9 199**	9 650	**434**	495

SAFECOM and the consolidated entity has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. SAFECOM and the consolidated entity's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of SAFECOM has not been undertaken and if such a valuation was performed it may result in a different assessed liability. SAFECOM fully funds this provision.

21. Commitments

Capital Commitments

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

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**2 105**	10 383	**-**	-
Later than one year but not later than five years	**70**	273	**-**	-
Total Capital Commitments	**2 175**	10 656	**-**	-

These capital commitments are for vehicles, fire stations and other equipment.

Remuneration Commitments

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

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**1 792**	1 835	**756**	873
Later than one year but not later than five years	**3 515**	2 960	**1 070**	1 725
Total Remuneration Commitments	**5 307**	4 795	**1 826**	2 598

Amounts disclosed include commitments arising from executive contracts. SAFECOM does not offer fixed-term remuneration contracts greater than five years.

Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**3 423**	3 115	**491**	477
Later than one year but not later than five years	**4 856**	5 519	**602**	873
Later than five years	**152**	300	**-**	-
Total Operating Lease Commitments	**8 430**	8 934	**1 093**	1 350

Operating Lease Commitments (continued)
These operating leases are not recognised in the Balance Sheet as liabilities.

The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

Contractual Commitments
At the end of the reporting period there were the following commitments on contracts payable as follows:

	Consolidated		SAFECOM	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**1 713**	2 484	**34**	41
Later than one year but not later than five years	**140**	168	**136**	160
Later than five years	**25**	2 426	**25**	85
Total Contractual Commitments	**1 878**	5 078	**195**	286

Contractual commitments relate to a range of services and supplies including building repairs and maintenance, aerial bombing, cleaning and occupational welfare services.

22. Contingent Assets and Liabilities
SAFECOM has no known contingent liabilities however the consolidated entity has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2007-08 financial year, however the outcome cannot be reliably determined. There is also the possibility of a significant class action relating to the January 2005 Wangary (Eyre Peninsula) bushfire, the outcome and timing of which cannot be reliably determined.

SAFECOM is not aware of any contingent assets.

23. Board Members Remuneration
Board membership during the 2006-07 financial year comprised of:

South Australian Fire and Emergency Services Commission Board (refer section 10 of the *Fire and Emergency Services Act 2005*)

Mr Vincent Monterola
Ms Kathy Gramp
Ms Lena Grant*
Mr Derren Halleday
Mr Wayne Thorley
Mr Euan Ferguson*
Mr Grant Lupton*
Mr David Place*
Ms Giuilia Bernardi*
Ms Debra Contala*
Mr Andrew Lawson*
Mr Stuart Macleod*
Ms Louise Reynolds
Mr Kenneth Schutz
Mr Michael Smith*

The number of members whose income from the South Australian Fire and Emergency Services Commission Board falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**2**	1
$10 000 - $19 999	**1**	-
$20 000 - $29 999	**1**	1
$30 000 - $39 999	**2**	-
Total Number of Board Members	**6**	2

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 $108 000 ($35 000). For the year ended 30 June 2007, board/committee members were paid a total of $34 000 in arrears relating to duties performed during the 2005-06 financial year.

South Australian Fire and Emergency Services Commission Advisory Board (refer section 18 of the *Fire and Emergency Services Act 2005*)

Ms Linda Eldredge
Mr Roger Dowling*
Ms Doreen Erwin
Mr John Forster
Mr Derren Halleday
Ms Pip McGowan
Ms Dionie McNair
Mr Brett Raymond*
Ms Shiralee Reardon
Ms Louise Reynolds
Mr David Scarce*
Ms Wendy Shirley
Mr Cameron Stott*
Mr Wayne Thorley
Mr David Ward

South Australian Fire and Emergency Services Commission Advisory Board (continued)

The number of members whose income from the South Australian Fire and Emergency Services Commission Advisory Board falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**9**	-
Total Number of Board Members	**9**	-

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 $21 000 ($nil).

South Australian Fire and Emergency Services Commission Audit and Risk Management Committee (refer section 18 of the *Fire and Emergency Services Act 2005*)

Ms Kathy Gramp
Ms Lena Grant*
Ms Karen Hannon
Mr Mark Dawson*
Mr Stephen Rogers*
Mr Trevor Pearce*

The number of members whose income from the South Australian Fire and Emergency Services Commission Audit and Risk Management Committee falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**1**	-
Total Number of Board Members	**1**	-

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 $4000 ($nil).

South Australian Bushfire Prevention Advisory Committee (refer section 71 of the *Fire and Emergency Services Act 2005*)

G Benham*
J Brooks
J Corin
P Davis
P Dellaverde*
E Ferguson*
G MacPhie*
M Maguire
T Roocke
W Thorley
R Twisk*
R Underdown*
A Watson*
M Williams*

The number of members whose income from the South Australian Bushfire Prevention Advisory Committee falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**6**	6
Total Number of Board Members	**6**	6

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 $1000 ($2000).

Country Fire Service Board

The former Country Fire Service Board was dissolved upon the commencement of the *Fire and Emergency Services Act 2005* on 1 October 2005. Under this Act, the Country Fire Service continues to exist as the CFS.

The names of persons who held office as a member of the Board during the period 1 July 2005 to 30 September 2005 were:

Mr R Dundon
Mr R Peate
Ms L Loan*
Mr P J Forster
Mr R Branson
Mr B Treloar

The number of members whose income from the Country Fire Service Board falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**-**	4
Total Number of Board Members	**-**	4

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 $nil ($13 000).

South Australian Metropolitan Fire Service Disciplinary Committee (refer section 71 of the *Fire and Emergency Services Act 2005*)

Mr Bill Morris	Mr Peter van der Jeugt*
Mr Haydon Castle*	Mr Gregory Howard*

The number of members whose income from the South Australian Metropolitan Fire Service Disciplinary Committee falls within the following bands was:	**2007 Number of Members**	2006 Number of Members
$0 - $9 999	**1**	1
Total Number of Board Members	**1**	1

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 $6000 ($6000).

Other Non-Statutory Advisory Committees
CFS has a further 16 non-statutory advisory committees in existence for which sitting fees have been paid. 37 members have received less than $1000 in remuneration. The total remuneration received or receivable by members was $7000 ($12 000).

Members of all boards/committees, or their member-related entities, conducted transactions with SAFECOM within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect SAFECOM would have adopted with the member or member-related entity at arms-length in similar 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.

24. Cash Flow Reconciliation

	Consolidated		SAFECOM	
Reconciliation of Cash	**2007**	2006	**2007**	2006
Cash at 30 June as per:	**$'000**	$'000	**$'000**	$'000
Cash Flow Statement	**35 673**	32 985	**3 195**	2 026
Balance Sheet	**35 673**	32 985	**3 195**	2 026
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:				
Net cash provided by operating activities	**22 039**	23 147	**25**	274
Contributions from Community Emergency Services Fund	**(162 615)**	(149 916)	**(11 045)**	(8 180)
Add (Less): Non-cash items:				
Depreciation of property, plant and equipment	**(17 430)**	(18 075)	**(42)**	(74)
Net gain from disposal of assets	**153**	194	**-**	-
Assets received from local government and other sources	**974**	1 162	**-**	-
Changes in Assets and Liabilities:				
(Decrease) Increase in receivables	**(462)**	1 336	**592**	432
Decrease (Increase) in payables	**856**	11 269	**(33)**	(529)
(Increase) Decrease in provision for employee benefits	**(1 843)**	(4 001)	**(201)**	601
Decrease (Increase) in other provisions	**451**	(5 443)	**61**	(495)
Net Cost of Providing Services	**(157 877)**	(140 327)	**(10 643)**	(7 971)

25. Administrative Restructure

Transferred functions for the 2006-07 year comprise:

(1) Net assets transferred to SAFECOM and the consolidated entity in relation to the transferred functions of the Security and Emergency Management Office (SEMO) from the Department of the Premier and Cabinet ($1 263 000);

(2) Net assets transferred to the consolidated entity from the Department of the Premier and Cabinet in relation to the transferred functions of SEMO to the SES ($226 000), the Urban Search and Rescue (USAR) Program to MFS ($479 000).

	Consolidated	SAFECOM
Total assets and liabilities transferred were:	$'000	$'000
Current assets - Cash	1 968	1 263
Total Net Result from Administrative Restructure for 2006-07	1 968	1 263

Transferred functions for the 2005-06 year comprise:

(1) Net assets and liabilities transferred to the Consolidated Emergency Services sector from the CFS and MFS on 1 July 2005 and the former ESAU;

(2) Net assets and liabilities transferred from the former ESAU to SAFECOM.

25. Administrative Restructure (continued)

The total assets and liabilities transferred were:	Consolidated $'000	SAFECOM $'000
Current assets - Cash	38 267	1 908
Current assets - Receivables	2 530	85
Non-current assets - Property, plant and equipment	216 919	492
Current liabilities - Payables	(23 097)	(107)
Current liabilities - Employee benefits	(9 447)	(962)
Non-current liabilities - Employee benefits	(14 672)	(2 268)
Total Net Result from Administrative Restructure for 2005-06	210 500	(852)

Correction of Error

Net revenue from administrative restructure (1) for the year ended 30 June 2006 was understated by $296 000. This error had the effect of understating the consolidated entity Work in Progress as at 30 June 2006 and understating the consolidated entity retained earnings at 30 June 2006.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

Statement of Administered Income and Expenses for the year ended 30 June 2007

	Note 3(d)	**2007 $'000**	2006 $'000
INCOME:			
Community Emergency Services Fund revenue	26	**185 135**	21 752
Revenues from fees and charges		**363**	71
Interest revenues		**2 670**	810
Total Administered Income		**188 168**	22 633
EXPENSES:			
Community Emergency Services Fund payments	27	**183 602**	54 236
Grants	28	**3 550**	157
Other expenses	29	**7 052**	2 256
Total Administered Expenses		**194 204**	56 649
NET RESULT BEFORE RESTRUCTURE		**(6 036)**	(34 016)
Net income from administrative restructure		**-**	44 337
NET RESULT AFTER RESTRUCTURE		**(6 036)**	10 321

Net Result after restructure is attributable to the SA Government as owner

Statement of Administered Assets and Liabilities as at 30 June 2007

	Note 3(d)	**2007 $'000**	2006 $'000
CURRENT ASSETS:			
Cash and cash equivalents	30	**3 505**	10 372
Receivables	31	**3 008**	1 083
Total Current Assets		**6 513**	11 455
CURRENT LIABILITIES:			
Payables	32	**97**	1 134
Total Current Liabilities		**97**	1 134
NET ASSETS		**6 416**	10 321
EQUITY:			
Retained earnings		**6 416**	10 321
TOTAL EQUITY		**6 416**	10 321

Total Equity is attributable to the SA Government as owner

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

	Retained Earnings $'000	Total $'000
Balance at 30 June 2005	-	-
Net result after restructure for 2005-06	10 321	10 321
Total recognised income and expense for 2005-06	10 321	10 321
Balance at 30 June 2006	10 321	10 321
Change in accounting policy	2 131	2 131
Restated balance as at 30 June 2006	12 452	12 452
Net result for 2006-07	(6 036)	(6 036)
Total recognised income and expense for 2006-07	(6 036)	(6 036)
Balance at 30 June 2007	**6 416**	**6 416**

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

Statement of Administered Cash Flows for the year ended 30 June 2007

	Note 3(d)	**2007 Inflows (Outflows) $'000**	2006 Inflows (Outflows) $'000
CASH FLOWS FORM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Income form administrative restructure		**-**	44 337
Community Emergency Services Fund receipts		**184 859**	21 366
Fees and charges		**363**	71
Interest received		**3 211**	114
Cash generated from Operations		**188 433**	65 888
CASH OUTFLOWS:			
Community Emergency Services Fund payments		**(184 675)**	(53 163)
Grants		**(3 550)**	(157)
Other payments		**(7 075)**	(2 196)
Cash used in Operations		**(195 300)**	(55 516)
Net Cash (used in) provided by Operating Activities	33	**(6 867)**	10 372
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(6 867)**	10 372
CASH AND CASH EQUIVALENTS AT 1 JULY		**10 372**	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	30	**3 505**	10 372

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

26. Community Emergency Services Fund Revenue - Administered Items	**2007 $'000**	2006 $'000
Fixed property collections	**72 147**	902
Fixed property remissions	**69 326**	5 279
Mobile collections	**28 326**	7 400
Mobile remissions	**9 249**	2 255
Pensioner concessions	**6 087**	5 916
Total Community Emergency Services Fund Revenue	**185 135**	21 752

		2007	2006
27.	**Community Emergency Services Fund Payments - Administered Items**	**$'000**	$'000
	SAFECOM	**11 045**	1 935
	State Emergency Service	**12 513**	2 200
	Country Fire Service	**53 833**	12 895
	Metropolitan Fire Service	**85 224**	16 709
	SA Police	**16 465**	16 063
	SA Police - GRN	**687**	687
	Attorney-General's - State Helicopter Rescue	**524**	512
	SA Ambulance Service	**885**	864
	SA Ambulance Service - GRN	**209**	209
	Department for Environment and Heritage	**2 217**	2 162
	Total Community Emergency Services Fund Payments	**183 602**	54 236
28.	**Grants - Administered Items**		
	Surf Life Saving	**2 494**	-
	Volunteer Marine Rescue	**775**	82
	Shark Beach Patrol	**281**	75
	Total Community Emergency Services Fund Payments	**3 550**	157
29.	**Other Expenses - Administered Items**		
	RevenueSA collection costs	**5 926**	1 525
	DTEI collection costs	**680**	172
	Administration costs	**446**	458
	Other	**-**	101
	Total Community Emergency Services Fund Payments	**7 052**	2 256
30.	**Cash and Cash Equivalents - Administered Items**		
	Cash at bank	**3 505**	10 372
	Total Cash and Cash Equivalents	**3 505**	10 372

Interest Rate Risk

Cash on hand is non-interest bearing. Cash at bank and investments are bearing a floating interest rate between 5.68 percent and 6.10 percent (5.35 percent to 5.43 percent). The carrying amount of cash approximates fair value.

		2007	2006
31.	**Receivables - Administered Items**		
	Current:	**$'000**	$'000
	Receivables	**3 008**	1 083
	Total Current Receivables	**3 008**	1 083
	Government/Non-Government Receivables		
	Receivables from SA Government entities:		
	Receivables	**3 008**	1 083
	Total Receivables - SA Government Entities	**3 008**	1 083
32.	**Payables - Administered Items**		
	Payables comprise the following:		
	Current Liabilities		
	Creditors	**97**	1 134
	Total Current Payables	**97**	1 134
	Government/Non-Government Payables		
	Payables to SA Government entities:		
	Creditors	**97**	1 134
	Total Payables - SA Government Entities	**97**	1 134
33.	**Cash Flow Reconciliation - Administered Items**		
	Reconciliation of Cash		
	Cash at 30 June:		
	Cash Flow Statement	**3 505**	10 372
	Balance Sheet	**3 505**	10 372
	Reconciliation of Net Cash (used in) provided by Operating Activities to Net Result:		
	Net cash (used in) provided by operating activities	**(6 867)**	10 372
	Change in accounting policy - Refer Note 5	**(2 131)**	-
	Increase in receivables	**1 925**	1 083
	Decrease (Increase) in payables	**1 037**	(1 134)
	Net Result for 2006-07	**(6 036)**	10 321

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Forestry Corporation (the Corporation) is a Public Corporation, established under the *South Australian Forestry Corporation Act 2000* (the Act).

Functions

The object of the Act was to establish a statutory corporation as a business enterprise with the principal responsibility of managing plantation forests for the benefit of the people and the economy of the State. More specifically, the Act provides for the Corporation to:

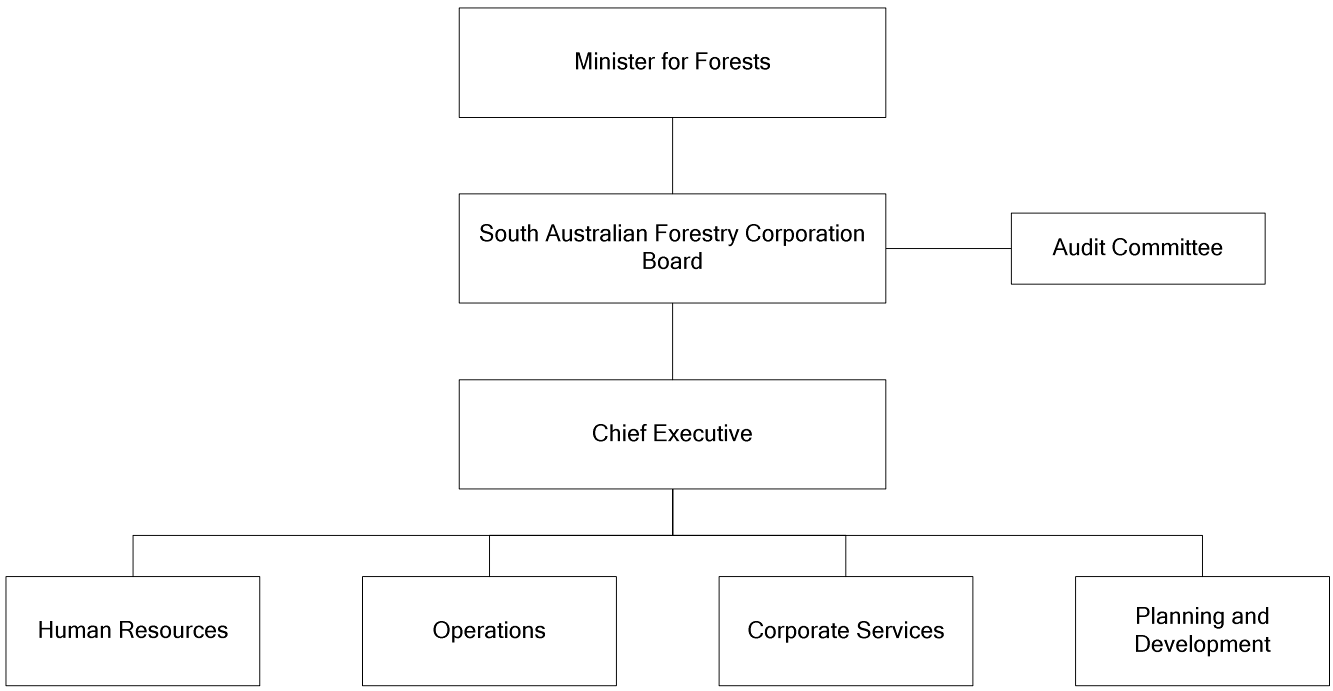
- manage plantation forests for commercial production;
- encourage and facilitate regionally based economic activities based on forestry and other industries;
- conduct research related to the growing of wood for commercial purposes;
- carry out any other function conferred on the Corporation by an Act or the Minister.

The Act specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

Under the PCA the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation's operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

Structure

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



Audit Committee

The Corporation has an Audit Committee comprising members of the Board and is attended by Internal and External Auditors as observers. The Audit Committee reports to the Board.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems. The responsibilities extend to monitoring risk management practices, approving and evaluating the internal audit program, reviewing the annual financial statements prior to approval of the Board and communicating on matters raised by the Auditor-General's Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 31(1)(b) of the PFAA and subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

Assessment of Controls

As required by subsection 36(1)(a)(iii) of the PFAA, the audit of the Corporation included an assessment of the controls exercised 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 on the financial statements and internal controls.

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

- revenue, receipting and banking
- expenditure, incorporating accounts payable and purchase cards
- payroll
- financial accounting
- forestry logging revenue
- forestry logging expenditure.

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 details the qualification to the Board's financial report.

> ***Basis for Qualified Auditor's Opinion***
>
> *The Corporation manages South Australia's plantation forests. The Corporation has adopted a market based method of revaluation for the Asset – Growing Timber, consistent with the requirements of Australian Accounting Standard AASB 141 Agriculture. Under this method, the inventory 'growing timber' is valued at its 'net market value' at the reporting date.*
>
> *The Corporation utilises a comprehensive computer based model to estimate the actual volume of timber standing in the forests. That is, the existence of the asset 'growing timber' is estimated via a predictive growth model. Market prices for timber products are then applied to the volume estimates to establish a value for 'growing timber' for financial reporting purposes.*
>
> *In recognition of the complexity of the estimation model and the need for Audit to attest to the existence of the asset, Audit has, several times over a number of years, engaged independent consultants with expertise in Forestry to examine the systems and processes*

used in the estimation of growing timber and to report on their auditability. While these reviews noted that the systems and processes used in the estimation of growing timber were generally of a high technical standard, a number of issues required resolution to enable the attestation of the estimates of the volume of standing timber. This has precluded the independent verification of these estimates within an acceptable level of audit confidence. Audit review of the status of issues in 2006-07 confirmed that some matters relating to the auditability of the estimation process were still being addressed. Therefore, consistent with prior years, I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

Qualified Auditor's Opinion

In my opinion, except for the effects of the matter referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the South Australian Forestry 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 Forestry 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 Forestry Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Corporation. Responses to the management letters were generally considered to be satisfactory.

Financial Management and Control

The principal matters raised with the Corporation were:

- the Corporation operates under an established framework of authority delegations. The financial delegations need formal approval by the responsible Minister as required by revised requirements of TI 8 which came into effect for the 2006-07 financial year;
- the need to review system accesses to the Accounts Payable system;
- the need for more timely reviews of key payroll reports;
- the need to ensure the maintenance of system reports and reconciliations in relation to forestry logging expenditure and revenue to provide evidence of controls performed.

Information Technology Management and Systems Operations

Last year's Report included comment on the outcomes of a review of certain aspects of the Corporation's information technology management and control, including the Forestry Logging System and its CPE.

During the year a follow up was undertaken of the status of implementation and operation of remedial actions as advised by the Corporation.

Findings from the follow up review showed that a number of improvements had been made by the Corporation and that actions had been taken to address each of the recommendations from the 2006 review. The more significant areas where improvements had been made include:

- strategic information technology and business continuity planning documents;
- user access arrangements and password controls;
- documentation of change management procedures and system interfaces;
- aspects of database security;
- offsite storage of backup media.

There remained certain matters requiring attention to improve controls and reduce risk. The matters were:

- Consultants had performed a 'gap analysis' between the Corporation's current security arrangements and the Government's ISMF requirements. At the time of preparation of this Report, the results of the gap analysis had not been fully considered by management and any risks to the Corporation identified and addressed;
- Revisions to documented change management procedures needed to be finalised and formally endorsed by the Chief Executive;
- Procedures to ensure that the Corporation's Organisational Unit group users are progressively reviewed need to be finalised.

The Corporation's response confirmed actions in place to finalise the matters.

Growing Timber Valuation

Introduction

The Corporation's Balance Sheet includes a value for growing timber and changes in the value of growing timber are reflected in the Income Statement. The impact of the value for Growing Timber reported in the financial statements is significant to the Corporation's financial position and operating result. The Auditor's Report on the Financial Report has qualified the growing timber valuation for many years. The passages below provide the background and reasons for the qualification.

Growing Timber Assets Valuation

Note 2(m) to the Corporation's financial statements provides a summary of the valuation methodology adopted by the Corporation in arriving at a value for growing timber. The value, in part, is based on volume estimates of growing timber. This is a matter of technical complexity and involves systems and databases to predict growing timber. That is, the existence of the asset 'growing timber' is estimated via a predictive growth model. Market prices for timber products are then applied to the volume estimates to establish a value for 'growing timber' for financial reporting purposes.

Audit of Growing Timber Valuation

Two important assertions that require attestation in the audit of growing timber are existence and valuation.

For valuation, Audit has noted that the Corporation has adopted a market based method consistent with the requirements of AASB 141. That is, the Corporation calculates the weighted average return for each log diameter class by sampling market prices over the 12 months preceding the balance date. As part of the financial statement review process Audit has been able to attest to the reasonableness of this calculation.

For the existence assertion, as noted above, a technically complex model is utilised to estimate the existence of the volume of growing timber at a point in time. In recognition of this complexity and the need to attest to the existence of the asset, Audit has, several times over a number of years, engaged independent consultants with expertise in forestry to examine the systems and processes used in the estimation of growing timber and to report on their auditability. The last review by an independent expert was during 2005-06.

A copy of the last Report prepared by the independent expert was issued to the Corporation and a response was received in early 2006-07. The response indicated concerns that some of the recommendations made by the independent expert did not appear to substantially address the identified audit issues.

The Corporation also advised that they had engaged an independent expert to review the yield regulation function. Audit understands that the purpose of this review held a broader purpose than resolving financial reporting matters, including the identification of some considerations related to the valuation of growing timber that require further assessment.

Information gathered from the various sources now needs to be brought together and further assessed to determine the work that needs to be performed which may enable Audit to gain sufficient assurance over the standing timber valuation. It is planned to progress this matter as soon as is practicable during the 2007-08 financial year.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

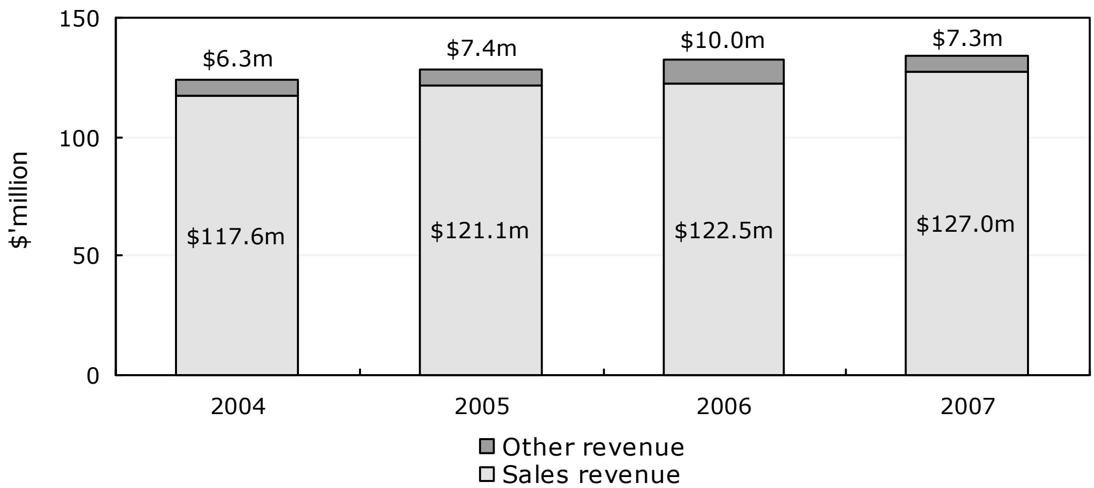
Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
INCOME			
Sales revenue	**127.0**	122.5	4
Revenues from SA Government	**2.7**	4.8	(44)
Other revenue	**4.6**	5.2	(12)
Total Income	**134.3**	132.5	1
EXPENSES			
Employee benefits expense	**16.1**	16.0	n/a
Contractors and suppliers	**56.8**	53.4	6
Other expenses	**17.6**	17.8	(1)
Total Expenses	**90.5**	87.2	4
Trading Profit before Revaluation of Growing Timber	**43.8**	45.3	(3)
Net Profit (after Revaluation and Income Tax Equivalents Expense)	**54.5**	14.2	284
NET CASH FLOW FROM OPERATING ACTIVITIES	**36.8**	32.4	14
ASSETS			
Current assets	**121.1**	124.5	(3)
Non-current assets	**995.2**	934.2	7
Total Assets	**1 116.3**	1 058.7	5
LIABILITIES			
Current liabilities	**15.9**	18.9	(15)
Non-current liabilities	**30.1**	12.2	147
Total Liabilities	**46.0**	31.1	48
EQUITY	**1 070.3**	1 027.6	4

Income Statement

Income

A structural analysis of revenues of the Corporation for the four years to 2007 is presented in the following chart.



Sales revenue has gradually increased over the period due to the strong demand in the housing industry over the last few years. The trend of the sales revenue over the last four years also reflects the stable nature of the Corporation's operations, due in part to the long-term supply sales agreements with the Corporation's customers.

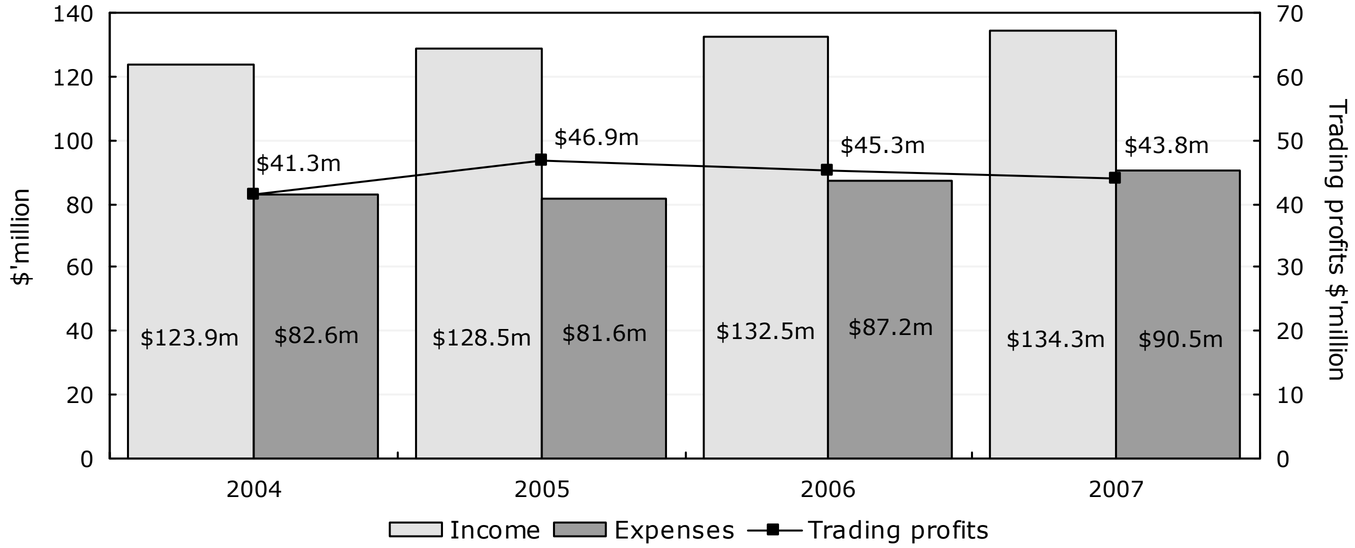
Other revenue has decreased in 2007 primarily as a result of reduced Community Service Obligation Funding received from the South Australian Government. Responsibility for some forestry related community service obligations were transferred from the Corporation to the Department of Primary Industries and Resources (SA) during the current year.

Expenses

Contractors and suppliers are the main expenditure items for the Corporation representing approximately 63 percent of expenditure. Contractors and suppliers predominantly include harvesting and transporting costs of $51.9 million ($49.5 million). The increase in harvesting and transport costs is a result of increased fuel prices and new contracts being established from 1 January 2007.

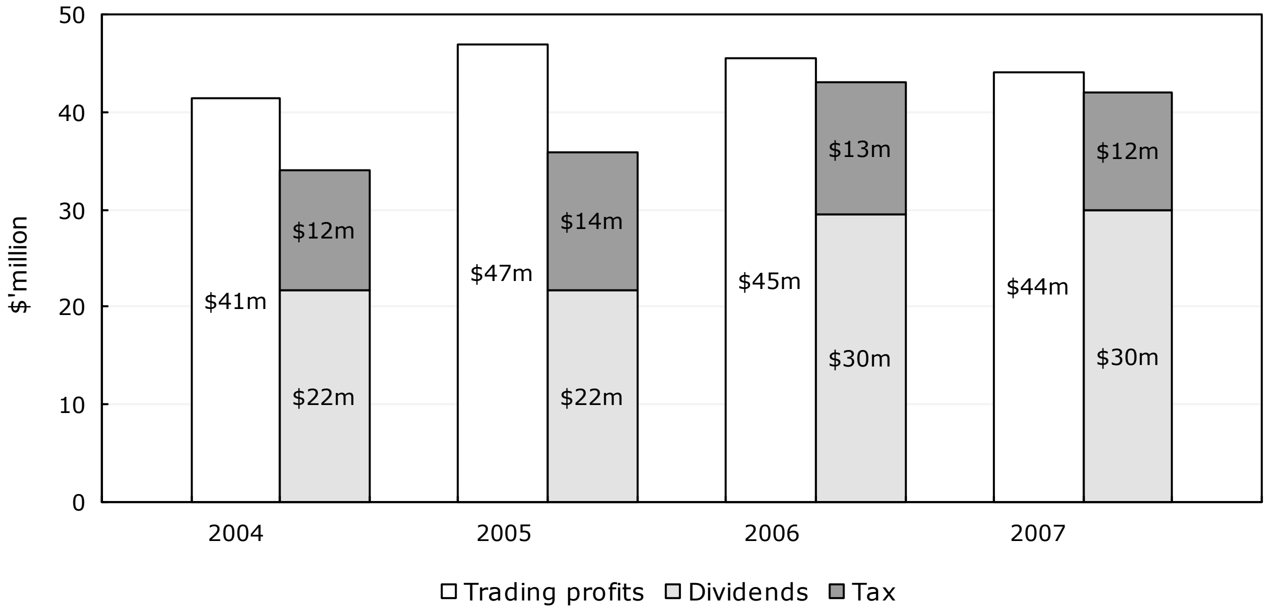
Trading Results

The Corporation's financial performance during the last few years has benefited from the strong demand for housing construction.



Distributions to Government

For the four years to 2007 an analysis of the Corporation's Trading Profits before revaluation of Growing Timber compared to returns to government is shown in the following chart.



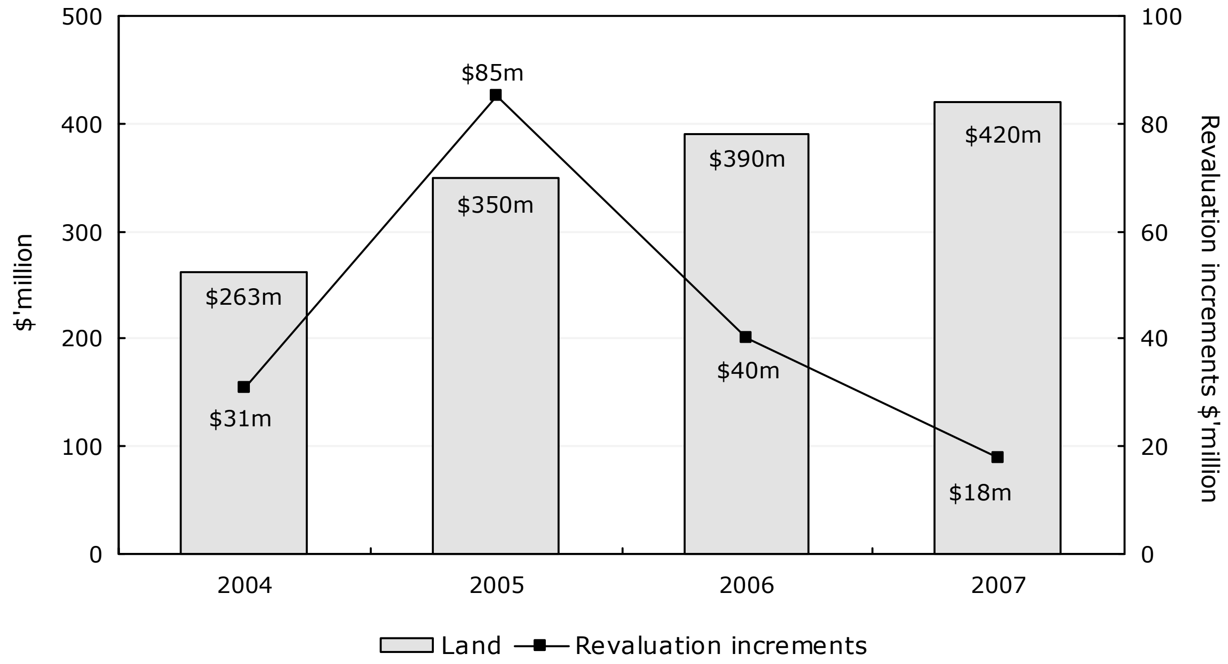
Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to the Government. Over the past two years, more than 90 percent of the Corporation's trading profit has been returned to government.

Balance Sheet

The two dominant items in the Balance Sheet are 'Growing Timber' and 'Land' which represent approximately 93 percent of the total assets of the Corporation. These are analysed below.

Land

An analysis of land balance for the four years to 2007 is presented in the following chart.



The valuation of land is undertaken each year by the Valuer-General at the current market value of unimproved land. The value of land has risen significantly over the past four years due mainly to the strong real estate market. The main reasons for the significant increases from 2005 to 2007 were adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the south east region of South Australia. In 2007 the Corporation has also acquired $12 million of additional parcels of land.

Growing Timber

Note 2(m) 'Forestry Accounting' to the financial statements explains the basis and main features of the Corporation's valuation methodology for growing timber.

The following table summarises valuations of growing timber for the past five years by region and revaluation increments (decrements). The table also highlights the major influence on the valuation.

	2007	2006	2005	2004	2003
	$'million	$' million	$' million	$' million	$' million
Region					
South East Region:					
Young plantations	**39.0**	38.1	39.2	26.5	29.1
Old plantations	**494.5**	473.7	491.2	515.9	496.4
Central and Northern Regions:					
Young plantations	**5.3**	5.2	5.3	3.5	3.9
Old plantations	**73.9**	73.3	73.3	87.1	88.8
	612.7	590.3	609.0	633.0	618.2

	2007	2006	2005	2004	2003
	$'million	$' million	$' million	$' million	$' million
Revaluations:					
Increment (Decrement)	**22.5**	(18.7)	(24.5)	14.8	21.0
Net increase (decrease) in value of unrealised growing timber due to:					
Change in volume	**0.0**	(5.7)	(15.6)	2.9	20.0
Change in prices (mature forests)	**21.5**	(11.8)	(23.4)	14.8	(0.6)
Change in young plantations valued at replacement cost	**1.0**	(1.2)	14.5	(2.9)	1.6
	22.5	(18.7)	(24.5)	14.8	21.0

The net change in the valuation of growing timber is a combination of the change in the volume of growing timber and the change in price. The change in volume also reflects the changes in the product mix (eg log size) of growing timber. Change in price reflects the movement in the market value rates for timber.

The factors contributing to the change in the value of growing timber include: updating information used to estimate standing timber for the south eastern forests; revising the estimate of product mix that can be extracted (ie sold) from the forest and revising the price (ie cost) for young plantations.

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	**36.8**	32.4	36.6	30.9
Investing	**(18.9)**	(6.7)	(10.3)	(2.6)
Financing	**(16.1)**	(29.4)	(8.5)	(22.0)
Change in Cash	**1.8**	(3.7)	17.8	6.3
Cash at 30 June	**35.4**	33.6	37.3	19.5

The Corporation's surplus cash generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid. Increased outflows for investing activities are the result of additional purchases of property during 2007. The decreased net outflows for financing activities in 2007 result from a $14 million increase in proceeds from borrowings.

Income Statement
for the year ended 30 June 2007

		2007	2006
INCOME:	Note	**$'000**	$'000
Sales - Timber products	5(i)	**127 032**	122 466
Revenues from SA Government	5(i)	**2 665**	4 798
Interest revenues	5(i)	**2 829**	2 281
Other revenues	5(i)	**1 614**	2 826
Government grants received		**15**	120
Gain on sale of non-current assets	5(iii)	**135**	31
Total Income		**134 290**	132 522
EXPENSES:			
Employee benefits costs	8	**(16 137)**	(16 012)
Contractors		**(48 832)**	(47 646)
Suppliers		**(7 999)**	(5 772)
Depreciation and amortisation		**(2 177)**	(2 174)
Council rates		**(1 093)**	(1 013)
Finance costs	5(ii)	**(884)**	(402)
Other expenses		**(12 873)**	(12 626)
Revaluation decrement on non-current assets		**(460)**	(1 560)
Total Expenses		**(90 455)**	(87 205)
Trading Profit before Revaluation of Growing Timber		**43 835**	45 317
Net unrealised change in value of growing timber	14	**22 985**	(18 582)
Profit before Income Tax Equivalents		**66 820**	26 735
Income tax equivalents expense	2(f),7	**(12 282)**	(12 563)
NET PROFIT AFTER INCOME TAX EQUIVALENTS		**54 538**	14 172

Net Profit after income tax equivalents is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash	10	**35 683**	33 847
Receivables	11	**14 331**	16 443
Inventories	12	**1 325**	1 328
Growing timber	14	**69 629**	72 560
Assets classified as held-for-sale	13	**175**	295
Total Current Assets		**121 143**	124 473
NON-CURRENT ASSETS:			
Receivables	11	**-**	76
Growing timber	14	**543 119**	517 689
Property, plant and equipment	15	**451 661**	416 023
Intangible assets	16	**446**	377
Total Non-Current Assets		**995 226**	934 165
Total Assets		**1 116 369**	1 058 638
CURRENT LIABILITIES:			
Payables	17	**9 382**	14 155
Employee benefits	18	**1 499**	1 425
Interest bearing loans	19	**1 943**	915
Tax liabilities	20	**2 970**	2 264
Other provisions	21	**95**	94
Total Current Liabilities		**15 889**	18 853
NON-CURRENT LIABILITIES:			
Payables	17	**611**	584
Employee benefits	18	**2 210**	2 121
Interest bearing loans	19	**27 049**	9 223
Other provisions	21	**276**	245
Total Non-Current Liabilities		**30 146**	12 173
Total Liabilities		**46 035**	31 026
NET ASSETS		**1 070 334**	1 027 612
EQUITY:			
Contributed capital		**4 984**	4 984
Reserves		**983 091**	939 394
Retained earnings		**82 259**	83 234
TOTAL EQUITY		**1 070 334**	1 027 612

Total Equity is attributable to the SA Government as owner

Commitments and contingencies 23

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

	Contributed Capital $'000	Asset Revaluation Reserve $'000	Growing Timber Reserve $'000	Fire Insurance Fund Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2005 before adjustments	4 984	332 274	577 782	2 483	82 173	999 696
Effect of adjustment	-	-	-	-	718	718
Balance at 1 July 2005 including adjustments	4 984	332 274	577 782	2 483	82 891	1 000 414
Gain on revaluation of property	-	43 036	-	-	-	43 036
Impairment of assets	-	(360)	-	-	-	(360)
Net income/expense recognised directly in equity	-	42 676	-	-	-	42 676
Net profit for the period	-	-	-	-	14 172	14 172
Total recognised income and expense for 2005-06	-	42 676	-	-	14 172	56 848
Dividend	-	-	-	-	(29 650)	(29 650)
Transfers to (from) equity	-	-	(18 725)	2 903	15 822	-
Total change for the period	-	42 676	(18 725)	2 903	344	27 198
Balance at 30 June 2006	4 984	374 950	559 057	5 386	83 235	1 027 612
Gain on revaluation of property plant and equipment	-	18 001	-	-	-	18 001
Net income/expense recognised directly in equity	-	18 001	-	-	-	18 001
Net profit for the period	-	-	-	-	54 538	54 538
Total recognised income and expense for 2006-07	-	18 001	-	-	54 538	72 539
Dividend	-	-	-	-	(29 817)	(29 817)
Transfers to (from) equity	-	(186)	22 499	3 384	(25 697)	-
Total change for the period	-	17 815	22 499	3 384	(976)	42 722
Balance at 30 June 2007	**4 984**	**392 765**	**581 556**	**8 770**	**82 259**	**1 070 334**

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)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers		**130 940**	121 847
Payments to suppliers and employees		**(86 989)**	(80 913)
Finance costs		**(884)**	(402)
Interest received		**2 791**	2 480
Receipts from SA Government		**2 665**	4 798
GST receipts on sales		**12 934**	12 470
GST payments on purchases		**(7 891)**	(7 018)
GST remitted to Australian Taxation Authority		**(5 213)**	(5 391)
Income tax equivalents paid		**(11 576)**	(15 515)
Net Cash flow from Operating Activities	10(ii)	**36 777**	32 356
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, including land		**(19 338)**	(7 128)
Proceeds from sale of fixed assets		**390**	455
Net Cash flow used in Investing Activities		**(18 948)**	(6 673)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**19 953**	5 860
Repayment of borrowings		**(1 100)**	(614)
Dividend paid		**(34 903)**	(34 665)
Net Cash flow used in Financing Activities		**(16 050)**	(29 419)
NET INCREASE (DECREASE) IN CASH HELD		**1 779**	(3 736)
CASH AT 1 JULY		**33 635**	37 371
CASH AT 30 JUNE	10(i)	**35 414**	33 635

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Corporate Information

Role and Function of the South Australian Forestry Corporation (SAFC)

SAFC was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. The SAFC is subject to the provisions of the PCA. SAFC has the key responsibilities of:

- Manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management.
- Undertake and, where appropriate, commercialise forestry related research for the benefit of the Corporation and the State.
- Maximise the value of the Corporation.
- Encourage and facilitate regionally based economic activities based on forestry and other industries.
- Support regional forest resource protection initiatives and programs.
- Support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility.
- Support cooperative research activities within the forestry industry.

In addition to its business operations, SAFC is funded by the SA Government for the provision of certain community service obligations (CSOs). These are:

- community use of forests
- native forest management
- community protection (including fire protection).

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

Statement of Compliance

AASs include AIFRS and AAS 29. SAFC has early-adopted the amendments to AASB 101 (refer to Note 2(d)).

SAFC'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 applicable valuation policy.

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 SAFC'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.

The preparation of the financial report requires 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:

(i) 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;

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

(iii) employee TVSP information;

(iv) 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 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 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.

(c) Rounding

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

(d) Changes in Accounting Policies

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

(e) Foreign Currency Transactions and Balances

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to profit and loss.

SAFC uses derivative financial instruments in the form of foreign exchange hedges to hedge its risks associated with foreign currency exposures. These derivative instruments do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenues and other expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from change in the fair value of derivatives are taken directly to the profit or loss for the year.

(f) Taxes

SAFC is liable for income tax equivalent payments, payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income Tax Equivalent
SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the South Australian Government Consolidated Account. The tax calculation method is prescribed by TI 22.

An amended TI 22 was approved in September 2005 requiring SAFC, as at 1 July 2005, to use the State Tax Equivalent Regime (STER). Under the STER the tax equivalent payment is calculated on the Accounting Profit Model. Therefore, AASB 112 does not apply to SAFC. The Department of Treasury and Finance provided SAFC with a ruling that excludes the treatment of unrealised gains and losses as part of the accounting profit. The Capital Gains Tax (CGT) division of the ITAA 1997 does not apply to SAFC under the STER.

Under the Accounting Profits Model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

GST
In accordance with the requirements of AASB Interpretation 1031, revenue, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC 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.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Balance Sheet.

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

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

(g) Income and Expenses
Income and Expenses are recognised in SAFC's Income Statement when and only when the flow or consumption or loss of economic benefit(s) has occurred 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.

Revenue from Sales
Revenue from Sales - Timber Products is derived from the provision of goods and services to customers. This revenue is driven by consumer demand.

Grants and Funding
Grants and funding for CSOs received from SA Government are recognised as income when the SAFC obtains control over the assets.

Interest Revenue
Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account.

Gain or Loss on Disposal of Assets
The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

Finance costs are recognised as an expense.

(h) Current and Non-Current Classification
Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular 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, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(i) Cash
Cash in the Balance Sheet includes cash at bank, cash on hand and cash administered on behalf of other organisations (refer Notes 10 and 24).

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.

Cash is measured at nominal value.

(j) Financial Assets

In accordance with the APF IV, SAFC measures financial assets and debt at historical cost.

(k) Trade and Other Receivables

Receivables include trade receivables, prepayments and other revenue accruals.

Receivables are recorded at amounts due to SAFC less a provision for doubtful debts. They are recorded as the debts fall due.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are due within one month after the issue of an invoice or the goods/services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public and other agencies.

If payment has not been received within the terms and conditions of the contractual arrangement, SAFC is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. No provision for doubtful debts has been raised.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102. Harvested log stocks represent timber harvested for sale and are disclosed as a current asset.

(m) Forestry Accounting

Growing timber of a marketable size is valued at its fair value and disclosed as a current asset for the portion expected to be realised within 12 months after the reporting date and as a non-current asset for the portion expected to be realised after 12 months after the reporting date. The growing timber is fair valued at its net market value. The net market value is defined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market. SAFC has determined the fair value by sampling market conditions over the 12 months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This policy is in accordance with the requirements of AASB 141. All amounts are calculated in pre-tax dollars in accordance with the TI.

Growing timber below a marketable size (classified as young forest in Note 14) is valued at fair value by a reasonable proxy by annually compounding the current replacement cost, from the date of preparation of the site for planting, at the current 10 year bond rate.

The difference between the fair value of the inventory of growing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Income Statement as the net change in value of growing timber. The value of growing timber realised during the period through sales is reported under Sales Revenue and under Other Expenses for the realised losses due to fire. All non-capital forest expenditure is recognised as an expense in the year the expenditure takes place.

The net change in the value of growing timber is unrealised and is therefore not available for distribution. This amount is accounted for in the movement in the Growing Timber Reserve.

The volume of growing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forests, the master database was last updated as at June 2004, affecting the growing timber valuation as at 30 June 2005. For the Mount Lofty Ranges forests and the Mid North forests, the master database was last updated in 2006, affecting the growing timber valuation as at 30 June 2006.

The method used to determine the volume of timber contained in the radiata and non-radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practice. This ensures that the net market value is based upon realisable volumes.

Due to the significant estimation and modelling used, there is inherent uncertainty in the standing volume estimate and resultant growing timber valuation and profit determination. This inherent uncertainty is endemic to all forest valuations.

(n) Property, Plant and Equipment

(i) Recognition and Measurement

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs 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.

(i) *Recognition and Measurement (continued)*

SAFC capitalises all non-current physical assets with a value of $1000 or greater in accordance with APF III, APS 2 'Asset Recognition', and a low value pool is created for assets between $300 and $1000 in accordance with the provisions of the ITAA 1997. Componentisation of complex assets is performed when the complex asset's fair value at the time of acquisition is greater than $1 million. These benchmarks are within the limits prescribed in APF III APSs 2.15 and 2.17.

Plant and Equipment and Roads and Land Improvements are stated at cost less accumulated depreciation and impairment losses.

Land and Buildings and Structures are measured at fair value less accumulated depreciation on Buildings and Structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, then the asset will be brought to account at its written down current cost.

(ii) *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Income Statement except for revalued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

(iii) *Non-Current Assets 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.

(iv) *Revaluation*

Land has been revalued as at 30 June 2007, whilst Buildings and Structures were revalued as at 30 June 2006. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of Land is the current site value of the unimproved land. In accordance with this policy, Land was revalued in 2006 and 2007 using valuations provided by the Valuer-General and/or local Councils. SAFC undertakes an annual revaluation of Land to fair value at the end of June. In accordance with APF III APS 3.10, SAFC has elected to take revaluation adjustments to the non-current assets on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's Buildings and Structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its Buildings and Structures in June 2006.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than $1 million and useful life greater than three years) as per APF III will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when 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 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, 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.

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.

(v) *Depreciation and Amortisation of Non-Current Assets*

All non-current assets, having a limited useful life, are systematically depreciated or 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 physical assets such as property, plant and equipment.

The useful lives of all major assets held by SAFC are reassessed 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, included in Plant and Equipment, 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:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Buildings and structures	Straight line	25-40
Leasehold improvements	Straight line	Life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	5-10

(vi) *Crown Land*

The value of Crown Land amounts to $375 million ($337 million). SAFC is entitled to the value of the Crown Land and has the use of the Crown Land for forestry purposes. Generally, the issue of title over Crown Land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown Land, as per the Premier and Cabinet Circular 114 'Purchase and Disposal of Government Real Property (including Crown Lands)'.

(o) Intangible Assets

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at fair value. Intangible assets below the revaluation threshold (refer to Note 2(n)) are deemed to have been revalued to their fair values immediately following recognition at cost.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to $1000.

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

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years, using the straight line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(p) Trade and Other Payables

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

Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

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

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 amounts are measured at their nominal amount and are normally settled within 30 days after the end of the month.

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

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the schemes have assumed these. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

(q) Employee Benefits

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

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

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the 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 undiscounted amount expected to be paid.

The liability for long service leave is recognised and measured using data from the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. In accordance with APF IV APS 5.10, SAFC applies six and a half years of service (seven years) by an employee as the benchmark at which a liability for long service leave is recognised. This calculation is consistent with SAFC's experience of employee retention and leave taken.

(r) Interest Bearing Loans

In accordance with APF IV APS 6.1, SAFC uses the historical cost measurement for interest bearing loans.

All loans are measured at the principal amount. Interest and guarantee fees are recognised as an expense as it accrues.

(s) Leases

SAFC has entered into operating leases but has not entered into any finance leases.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the lease items. Operating lease payments are charged to the Income Statement on a straight line basis, which is representative of the pattern of benefits derived from the leased assets.

(t) Insurance

SAFC has arranged, through South Australian Government Financing Authority (SAFA), SAICORP Division, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is $250 000 from an event or occurrence covered by the agreement.

SAFC is self insured for major fire losses of the forest (see Note 2(w)). In addition, SAFC is self insured for workers compensation.

(u) Provisions

Provisions are recognised when SAFC 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 SAFC 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.

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet of the estimated unsettled workers compensation claims.

(v) Contributed Equity

Contributions made by the SA Government through its role as owner of SAFC, which increase the net assets of the entity, are treated as contributions of equity.

(w) Fire Insurance Fund and Reserve

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes. The use of the Fire Insurance Fund available cash balance is restricted to fund annual fire losses to the plantation of greater than $250 000. These funds will provide cash for clearing, re-establishment and necessary cash flow. Monies in the Fire Insurance Fund are restricted and are therefore not available for distribution. The movement in the Fire Insurance Fund is transferred between Retained Earnings and the Fire Insurance Fund Reserve.

3. Financial Risk Management

SAFC has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits) and liabilities (borrowings from the SA Government). SAFC's exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the SAFC Board.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 87 percent of transactions for the financial year (84 percent) were transactions with the six largest of SAFC's customers.

As part of its financial risk management policies, SAFC manages and monitors log supply commitments to ensure the commitments are within the long-term forest yield forecasts, thereby maintaining SAFC's long-term viability and profitability.

4. Segment Information

SAFC has no separately identifiable geographic or business segments which require separate preparation and disclosure of segment information.

5. Income and Expenses

Profit from Ordinary Activities before Income Tax has been determined after:

	Note	**2007 $'000**	2006 $'000
(i) Crediting as Income			
Sales Revenue:			
Revenue realised from the sale of timber products		**75 078**	73 051
Other sales revenue (Recoup of harvesting and transport costs)		**51 954**	49 415
		127 032	122 466
Revenues from SA Government:			
Community service obligation funding received(1)	1	**2 665**	4 798
Interest received or receivable:			
Interest received or receivable related to cash balances(1)		**2 669**	2 219
Interest received or receivable related to trade receivables		**160**	62
		2 829	2 281
Other Revenues:			
Government Radio Network funding(1)		**350**	350
Other revenue from SA Government entities(1)		**275**	59
Other revenue from non-SA Government entities		**989**	2 417
		1 614	2 826

(1) To (From) SA Government entities.

In 2007 the Government Grants received included a grant of $350 000 for the Government Radio Network, which is supported by SAFC. In 2007 SAFC also received for the Government Radio Network the payment of the grant for the previous year of $350 000.

(ii) Charging as Expenses	Note	**2007 $'000**	2006 $'000
Interest paid or payable(1)	19	**884**	402
Depreciation of non-current assets	15	**2 082**	2 075
Amortisation	16	**94**	99
Rental expense on property operating leases(1)		**147**	122
Rental of plant and equipment		**933**	1 059
Consultants		**183**	246
Total Other Expenses related to SA Government Entities(1)		**2 746**	2 833

(1) To (From) SA Government entities.

(iii) Net Gain from Disposal of Assets	Note	2007	2006
Land and Buildings:			
Proceeds from disposal		**39**	455
Less: Net book value of assets disposed	15	**74**	219
Net (Loss) Gain from Disposal of Land and Buildings		**(35)**	236
Plant and Equipment:			
Proceeds from disposal		**376**	-
Less: Net book value of assets disposed	15	**206**	205
Net Gain (Loss) from Disposal of Plant and Equipment		**170**	(205)
Total Assets:			
Proceeds from disposal		**415**	455
Less: Net book value of assets disposed	15	**280**	424
Net Gain from Disposal of Total Assets		**135**	31

Transfer of Functions

As part of the SA Government reorganisation of the ministerial portfolios SAFC's operations in the areas of Policy, Legislative Support and Forestry Development, Forest Health and Development and some Community Forestry Operations have moved from SAFC to the Department of Primary Industries and Resources (PIRSA), as at 1 July 2006. As a consequence of the reallocation of these functions, 16 positions have moved from SAFC to PIRSA, some minor equipment has been transferred and SAFC has reported a reduced CSOs income in the 2006-07 financial year of $2 665 000 compared to an income of $4 798 000 in the 2005-06 financial year. Total income related to the CSOs operations discontinued within SAFC was $2 097 000 for the 2005-06 financial year and $1 644 000 for the 2004-05 financial year. As the CSOs income generally offsets CSOs related expenditure the discontinuing operations have no profit impact. The net transfer of functions has been included in Other Revenues.

SAFC and PIRSA continue to work closely together in the area of Community Forestry.

6. Adjustments and Revisions of Accounting Estimates

(a) Adjustment in Accounting for Tax Equivalent Payment on Contributions to the Fire Insurance Fund

SAFC's interpretation of the Fire Insurance Fund quarantining arrangement changed during the financial year and therefore required the adjustment of the comparative figures.

SAFC quarantines the Fire Insurance Fund annual lump sum contributions for both tax equivalent payments and dividend purposes, while in the previous financial years SAFC quarantined the Fire Insurance Fund annual lump sum contribution as well as the interest accrued on the fund but for dividend purposes only.

(b) Adjustment in Accounting for Tax Equivalent Payment on Realised Loss on Valuation due to Fires

In the 2006 financial statements the loss due to fire ($142 000) was included in the unrealised gains and losses relating to growing timber revaluations. This has been adjusted to include the loss as part of realised gains and losses within other expenses, recognising that the loss had been realised.

These adjustments have been made by restating each of the affected financial statement line items for the prior years, as follows:

For the Financial Year	2006 $'000	2005 $'000
Decrease in Tax Expense:		
Adjustment in relation to Fire Insurance Fund	790	718
Adjustment in relation to realised fire losses	43	-
	833	718
As at 1 July of the Financial Year		
Cumulative increase in Retained Earning and cumulative decrease in Tax Liability:		
Adjustment in relation to Fire Insurance Fund	1 508	718
Adjustment in relation to realised fire losses	43	-
	1 551	718

The adjustment also impacted on the dividend declared during the 2006-07 financial year. SAFC pays an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for non-cash movements in forest asset valuation and for savings in the fire insurance premiums, plus an income tax equivalent payment.

Based on this agreement SAFC declared an extra dividend of $76 000 for the 2004-05 financial year and an extra dividend of $1 317 000 for the 2005-06 financial year. As the dividend is only recognised upon declaration, which occurred in the current financial year, this had no impact on the previous financial years.

SAFC expects to include in the 2007-08 interim dividend an adjustment of $90 000 to the 2005-06 dividend in relation to the adjustment in accounting for tax equivalent payment on realised loss on valuation due to fires.

7. Income Tax Equivalents

As at 1 July 2005, as per South Australia's Department of Treasury and Finance determination, SAFC has become subject to the State Tax Equivalent Regime (STER). Under the STER SAFC uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with TI 22. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net profit/result from ordinary activities determined in accordance with AASB 101.

(i) The prima facie tax on operating profit is reconciled to the income tax equivalent payment provided in the accounts as follows:

Income Tax Equivalents

Accounting for income tax for the 2007 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the STER and the applicable accounting standards (refer to Note 2, not including AASB 112).

Income Tax Equivalents (continued)	**2007**	2006
Prima facie tax equivalent at 30 percent on trading profit before	**$'000**	$'000
revaluation of growing timber(1) and Fire Insurance Fund contributions(2)	**12 282**	12 805
Income tax adjustment for prior year in current year	**-**	(242)
Income Tax Expense	**12 282**	12 563

(1) The Under Treasurer has provided SAFC with written approval to exclude unrealised gains and losses relating to growing timber revaluations from the accounting profit before SAFC calculates its income tax equivalent payment.

(2) The contributions to the Fire Insurance Fund, which equate to $2 896 000 ($2 633 000) are treated as expenses for tax equivalent purposes.

(ii) The income tax equivalent expense comprises amounts set aside as:

	2007	2006
Income Tax attributable to the Current Year:	**$'000**	$'000
Income tax expense	**12 282**	12 563
Less: Paid during financial year related to financial year	**9 312**	10 299
Income Tax equivalent payable as at 30 June	**2 970**	2 264

8. Employee Benefits Expenses

Salaries and wages	**11 908**	12 178
Long service leave	**546**	337
Annual Leave	**1 162**	879
Employment on-costs - Superannuation	**1 546**	1 626
Employment on-costs - Other	**811**	835
Board fees	**164**	157
Total Employee Benefit Expenses	**16 137**	16 012

TVSPs

Amount paid to these employees	**-**	83
Annual leave and long service leave paid during the reporting period to employees who received a TVSP	**-**	40
	-	123
Recovery from the Department of the Premier and Cabinet	**-**	-

	2007	2006
	Number	Number
Number of employees who were paid TVSPs during the reporting period	**-**	2

9. Auditors' Remuneration

	2007	2006
Amount received, or due and receivable, by the auditors for	**$'000**	$'000
auditing the accounts	**103**	129

10. Cash

Cash	**1**	1
Deposit Account - SAFC	**26 958**	28 485
Fire Insurance Fund	**8 724**	5 361
	35 683	33 847

Included in the Deposit Account is $269 000 held on behalf of the National Sirex Fund ($212 000) (refer to Note 24).

The increase in the Fire Insurance Fund includes the annual contribution of $2 896 000 ($2 633 000) and the interest received during the year of $467 000 ($245 000).

Cash Flows

(i) Components of Cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and deposit account. Cash as shown in the Cash Flow Statement is reconciled to the beginning and end of period Balance Sheet as follows:

	2007	2006
	$'000	$'000
Cash excluding administered items	**35 414**	33 635
Cash related to administered items	**269**	212
Total Cash	**35 683**	33 847

(ii) *Reconciliation of Net Profit after Income Tax Equivalent Payments to Net Cash Inflow from Operations*

	2007 $'000	2006 $'000
Net profit	**54 538**	14 172
Other Reconciling Movements:		
Net realised change in value of growing timber	**486**	142
Net unrealised change in value of growing timber	**(22 985)**	18 582
Loss on revaluation of land	**460**	1 444
Loss on property, plant and equipment valuation (not land)	**-**	116
Depreciation and amortisation	**2 177**	2 174
Loss (Gain) on sale of assets	**(135)**	(31)
	(19 997)	22 427
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in debtors	**944**	(2 565)
(Increase) Decrease in GST receivable	**(200)**	(51)
(Increase) Decrease in interest receivable	**(39)**	(59)
(Increase) Decrease in other debtors and prepayments	**1 283**	334
(Increase) Decrease in inventories	**2**	(383)
(Increase) Decrease in FITB	**-**	1 483
(Decrease) Increase in trade creditors	**(205)**	1 468
(Decrease) Increase in GST payable	**29**	113
(Decrease) Increase in employee provisions	**239**	599
(Decrease) Increase in PDIT, deferred tax and income tax payable	**706**	(6 209)
(Decrease) Increase in other creditors	**(523)**	1 027
Net Cash Flows from Changes in Operating Balances	**2 236**	(4 243)
Net Cash Flows from Operating Activities	**36 777**	32 356

11. Trade and Other Receivables

	2007	2006
Current:		
Trade receivables	**13 948**	14 884
Less: Doubtful debts	**-**	-
Other receivables	**21**	488
Accrued revenue	**332**	1 028
Prepayments	**30**	43
	14 331	16 443

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 until after 30 days. 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.

	2007 $'000	2006 $'000
SA Government Receivables:		
Trade debtors	**46**	5
Other receivables	**239**	200
	285	205
Non-SA Government Receivables:		
Trade debtors	**13 903**	14 879
Other receivables	**143**	1 359
	14 046	16 238
Non-Current:		
Trade receivables	**-**	76

12. Inventories

	2007	2006
Current:		
Harvested log stocks	**50**	366
Chip stocks	**1 003**	431
Materials and stores	**272**	531
	1 325	1 328

Harvested log stocks are regarded as agricultural produce. The combination of the valuation at cost of the harvested log stocks under inventories and the valuation at net log revenue of the harvested log stocks as part of the growing timber valuation (see Note 14) presents the fair value less estimated point of sales cost of the harvested log stocks of $148 000 ($1 534 000).

13. Assets Classified as Held-for-Sale

	2007 $'000	2006 $'000
Non-Current Assets Classified as Held-for-Sale:		
Land for sale	**175**	175
Plant and equipment for sale	**-**	120
	175	295

14. Growing Timber

	2007	2006
	$'000	$'000
Opening balance	**590 249**	608 974
New plantings	**3 434**	3 703
Harvesting	**(73 529)**	(77 470)
Physical changes (ie growth)	**68 151**	66 655
Price changes	**24 443**	(11 613)
Closing Balance	**612 748**	590 249

The Growing Timber comprises the following:		
Fair value:		
Mature forest	**568 470**	546 960
Young forest	**44 278**	43 289
Total Fair Value	**612 748**	590 249

	2007	2006
Volume:	**'000 m^3**	'000 m^3
Mature forest	**18 150**	17 891
Young forest	**969**	960
Total Volume	**19 119**	18 851

	2007	2006
Area:	**ha**	ha
Mature forest	**54 542**	54 097
Young forest	**23 963**	23 112
Total Area	**78 505**	77 209

	2007	2006
Current Asset:	**$'000**	$'000
Current portion of growing timber valuation	**69 629**	72 560
Non-Current Asset:		
Non-current portion of growing timber valuation	**543 119**	517 689

The current portion of the closing Growing Timber valuation has been determined based on the budgeted sales volumes for the new financial year.

The fair value of the standing timber is a directors' valuation based on sampling market conditions over the 12 months preceding balance date.

15. Property, Plant and Equipment

Year ended 30 June 2007:	Land $'000	Buildings and Structures $'000	Roads and Land Improvmts $'000	Plant and Equipment $'000	**Total Fixed Assets and Land $'000**
As at 1 July 2006, net of accumulated depreciation and impairment	390 426	6 409	4 096	15 092	**416 023**
Additions	12 043	4 583	181	3 652	**20 459**
Disposals	(25)	(49)	-	(206)	**(280)**
Revaluation increments	18 001	-	-	-	**18 001**
Revaluation decrements	(460)	-	-	-	**(460)**
Depreciation charge for the year	-	(484)	(275)	(1 323)	**(2 082)**
Net of Accumulated Depreciation and Impairment	419 985	10 459	4 002	17 215	**451 661**
At 1 July 2006:					
Cost or fair value	390 426	6 409	6 402	25 697	**428 934**
Accumulated depreciation and impairment	-	-	(2 306)	(10 605)	**(12 911)**
Net Carrying Amount	390 426	6 409	4 096	15 092	**416 023**
At 30 June 2007:					
Cost or fair value	419 985	10 731	6 583	26 825	**464 124**
Accumulated depreciation and impairment	-	(272)	(2 581)	(9 610)	**(12 463)**
Net Carrying Amount	419 985	10 459	4 002	17 215	**451 661**

15. Property, Plant and Equipment (continued)

Year ended 30 June 2006:	Land $'000	Buildings and Structures $'000	Roads and Land Improvmts $'000	Plant and Equipment $'000	Total Fixed Assets and Land $'000
As at 1 July 2005, net of accumulated depreciation and impairment	350 697	2 425	3 860	14 300	371 282
Additions	1 348	2 006	497	2 763	6 614
Disposals	-	(219)	-	(205)	(424)
Assets reclassified to assets held-for-sale	(175)	-	-	(120)	(295)
Revaluation increments	40 000	2 481	-	-	42 481
Revaluation decrements	(1 444)	(116)	-	-	(1 560)
Depreciation charge for the year	-	(168)	(261)	(1 646)	(2 075)
Net of Accumulated Depreciation and Impairment	390 426	6 409	4 096	15 092	416 023
At 1 July 2005:					
Cost or fair value	350 697	4 713	6 390	23 732	385 532
Accumulated depreciation and impairment	-	(2 288)	(2 530)	(9 432)	(14 250)
Net Carrying Amount	350 697	2 425	3 860	14 300	371 282
At 30 June 2006:					
Cost or fair value	390 426	6 409	6 402	25 697	428 934
Accumulated depreciation and impairment	-	-	(2 306)	(10 605)	(12 911)
Net Carrying Amount	390 426	6 409	4 096	15 092	416 023

Revaluation of Land and Buildings and Structures
In 2006 SAFC engaged Maloney Field Services, an accredited independent valuer, to determine the fair value of its Buildings and Structures. SAFC uses the services of the Valuer-General to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms' length transaction as at the valuation date. The effective date of the Buildings and Structures revaluations were 30 June 2006, while land has been revalued at 30 June 2007.

Fair Value of Roads and Land Improvements and Plant and Equipment
The Roads and Land Improvements and Plant and Equipment asset classes contain no single asset with a purchase price (regarded as the fair value at the time of acquisition) of over $1 million. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value.

If Land and Buildings and Structures were measured using the cost model the carrying amounts would be as follows:

At 30 June 2007:	Land* $'000	Buildings and Structures $'000	Roads and Land Improvmts $'000	Plant and Equipment $'000	**Total Fixed Assets and Land $'000**
Cost	31 862	7 973	6 583	26 825	**73 243**
Accumulated depreciation and impairment	-	(2 973)	(2 581)	(9 610)	**(15 164)**
Net Carrying Amount	31 862	5 000	4 002	17 215	**58 079**
At 30 June 2006:					
Cost	20 022	3 478	6 402	25 696	55 598
Accumulated depreciation and impairment	-	(2 902)	(2 306)	(10 605)	(15 813)
Net Carrying Amount	20 022	576	4 096	15 091	39 785

* The cost of Land is the variance between the fair value of the Land and the Asset Revaluation related to Land.

The carrying value of Plant and Equipment held under finance leases at 30 June 2007 is $nil ($nil). Leasehold Improvements are included in Plant and Equipment.

Included in Buildings and Structures and Plant and Equipment at 30 June 2007 is an amount of $8 414 000 ($2 677 000) relating to expenditures for the new Head Office. Included in the Roads and Land Improvements and Plant and Equipment at 30 June 2007 are some plant and improvements in the course of construction.

Impairment
There were no indications of impairment of Roads and Land Improvements and Plant and Equipment assets at 30 June 2007.

16. Intangible Assets

	2007	2006
	$'000	$'000
As at 1 July, net of accumulated amortisation and impairment	**377**	279
Additions	**224**	232
Disposals	**-**	(12)
Others	**(61)**	(23)
Amortisation charge for the year	**(94)**	(99)
Net of Accumulated Amortisation and Impairment	**446**	377
As at 30 June:		
Cost or fair value	**1 263**	1 109
Accumulated amortisation and impairment	**(817)**	(732)
Net Carrying Amount	**446**	377

17. Trade and Other Payables

Current:		
Trade Payables	**7 481**	6 952
Accrued expenses	**1 350**	1 663
Dividend payable	**-**	5 085
Other payables	**269**	212
Other payables - Employee benefit on-costs	**276**	237
Other payables - Deferred income	**6**	6
	9 382	14 155
Non-Current:		
Other Payables - Employee benefit on-costs	**453**	443
Other Payables - Deferred income	**158**	141
	611	584
SA Government Payables:		
Trade payables	**251**	213
Accrued expenses	**103**	245
Dividend payable	**-**	5 085
	354	5 543

18. Employee Benefits

Current:		
Accrued salaries and wages	**309**	283
Long service leave	**390**	496
Annual leave	**800**	595
Other payables - Superannuation(1)	**-**	51
	1 499	1 425
Employee benefit on-costs(2)	**276**	237
	1 775	1 662
Non-Current:		
Long service leave	**2 210**	2 121
Employee benefit on-costs(2)	**453**	443
	2 663	2 564
Aggregate Employee Benefits and On-costs	**4 438**	4 226

(1) *Other Payables - Superannuation*
SAFC was notified by the SA Superannuation Board of a $2 490 000 ($3 639 000) payment requirement over a 15 year period to fund a deficit in their funding of the SAFC related superannuation liability. A new actuarial assessment of the potential liability is expected in late 2007. SAFC has questioned the validity of this amount and, based on external advice, SAFC has accounted for an expense of $208 000 ($304 000) for the financial year, related to the invoices received for the current financial year.

(2) Employee benefit related on-costs are disclosed as payables. (Refer Note 17.)

19. Interest Bearing Loans

	2007	2006
Current:	**$'000**	$'000
Unsecured (1)	**1 943**	915
	1 943	915
Non-Current:		
Unsecured (1)	**27 049**	9 223
	27 049	9 223

(1) To (From) SA Government entities.

Details of the fair value of SAFC's interest bearing liabilities are set out in Note 27.

Repayments of principal and interest are due monthly with the final payment due on the latest loan by 26 June 2017 (30 June 2016).

20. Tax Liabilities

	2007	2006
Current:	**$'000**	$'000
Income tax payable	**2 970**	2 264
	2 970	2 264

Upon transition to the AIFRS SAFC has not adopted AASB 112.

21. Other Provisions

Current:		
Workers compensation	**95**	94
	95	94
Opening balance	**94**	82
Payments	**(46)**	(73)
Increments in provision	**47**	85
Closing Balance	**95**	94
Non-Current:		
Workers compensation	**276**	245
	276	245
Opening balance	**245**	205
Payments	**-**	-
Increments in provision	**31**	40
Closing Balance	**276**	245

22. Equity

Equity represents the residual interest in the net assets of the SAFC. The SA Government holds the equity interest in SAFC on behalf of the community.

Since 2006 the requirement of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for non-cash movements in forest asset valuation and for savings in the fire insurance premiums, plus an income tax equivalent payment. SAFC declared a dividend of $27 108 000 for the 2006-07 financial year ($24 564 000). SAFC additionally declared a dividend of $76 000 for the 2004-05 financial year and an extra dividend of $2 634 000 for the 2005-06 financial year. Based on the above agreement SAFC proposes to include in the 2007-08 interim dividend an adjustment to the 2006-07 declared dividend of $1 317 000 and an adjustment of $90 000 to the 2005-06 dividend. In accordance with AASB 110 no receivable has been accounted for this amount.

In 2006 SAFC paid an extra dividend of $10 101 000 in relation to the 2003-04 financial year. In addition, SAFC declared an extra dividend of $5 085 000 for the 2004-05 financial year.

The balance of retained profits is reinvested in capital and transfers to (from) reserves.

23. Commitments and Contingencies

(a) Commitments

	2007	2006
	$'000	$'000
(i) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	**954**	839
Due later than one year but not later than five years	**1 026**	1 074
Total Operating Lease Commitments	**1 980**	1 913

These operating lease commitments are not recognised in the financial report as liabilities.

(ii) Remuneration Commitments		
Due not later than one year	**3 194**	3 229
Due later than one year but not later than five years	**3 327**	4 612
Due later than five years	**-**	-
Total Operating Lease Commitments	**6 521**	7 841

The remuneration commitments relate to employee agreements SAFC has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures only provide an indicative amount.

		2007	2006
(iii)	*Other Commitments*	**$'000**	$'000
	Due not later than one year	**36 078**	3 379
	Due later than one year but not later than five years	**133 756**	5 624
	Due not later than five years	**15 523**	-
	Total Operating Lease Commitments	**185 357**	9 003

SAFC's contracting commitments are for agreements for the harvesting and transport of log, silvicultural services and other commitments. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures only provide an indicative amount.

SAFC has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

(b) Contingent Liabilities

Legal Proceedings

SAFC is a defendant in proceedings taken by Auspine Limited in regard to a matter pertaining to the sale of log. SAFC is confident of a successful outcome with regards to this matter.

Defined Benefit Plans - Superannuation Board Payments

SAFC and the SA Superannuation Board entered into an arrangement at the time of incorporation of SAFC to allow officers and employees of SAFC, who were immediately before incorporation of SAFC, contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988.*

SAFC was notified by the South Australian Superannuation Board of a $2 490 000 ($3 639 000) payment requirement over a 15 year period to fund a deficit in their funding of the SAFC related superannuation liability. A new actuarial assessment of the potential liability is expected in late 2007. SAFC has questioned the validity of this amount and, based on external advice, SAFC has accounted for an expense of $208 000 for the 2006-07 financial year ($304 000), related to the invoices received for the current financial year.

24. Schedule of Administered Items

Sirex Fund

SAFC administers a fund on behalf of a collective group interested in the effective control of Sirex. The fund is for the research into Sirex. The only asset of the fund is cash and there are no liabilities at 30 June 2007 ($nil).

	2007	2006
Summary of Cash Flows:	**$'000**	$'000
Cash at 1 July	**212**	148
Net funds received	**41**	52
Interest received	**16**	12
Cash at 30 June	**269**	212

IPS Fund

SAFC administered a fund on behalf of a collective group interested in the effective control of the IPS beetle. The fund was for the publication of research findings. The Fund was closed last financial year.

	2007	2006
Summary of Cash Flows:	**$'000**	$'000
Cash at 1 July	**-**	11
Net funds received	**-**	(11)
Cash at 30 June	**-**	-

25. Directors and Executive Disclosures

(a) Details of Key Management Personnel

Executive

BW Farmer	Chief Executive
P Fuss	Executive General Manager
G Kensington	Executive General Manager
I Robertson	Executive General Manager
J O'Hehir	Executive General Manager – appointed 4 April 2007

(b) Compensation of Key Management Personnel

SAFC Review Committee

The Review Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the executive general managers, the chief executive officer and all other key management personnel.

SAFC Audit Committee
The Audit Committee is responsible for determining and reviewing sound corporate governance policies and practices within SAFC and for reviewing the SAFC's annual financial statements.

Compensation of Key Management Personnel	**2007**	2006
Short-term employee benefits paid or due and payable to	**$'000**	$'000
or on behalf of key management personnel	**671**	747
Superannuation benefits paid or due and payable to		
or on behalf of key management personnel	**116**	71
Total	**787**	818

(c) Compensation of Employees whose Income was over $100 000

	2007	2006
	Number of	Number of
The number of employees whose income was within the following bands:	**Employees**	Employees
$100 000 - $109 999	**3**	6
$110 000 - $119 999	**1**	1
$120 000 - $129 999	**1**	1
$140 000 - $149 999	**-**	1
$150 000 - $159 999	**1**	-
$160 000 - $169 999	**1**	-
$210 000 - $219 999	**-**	1
$220 000 - $229 999	**1**	-

Employee Remuneration	**2007**	2006
Income paid or due and payable to or on behalf of employees whose	**$'000**	$'000
income was $100 000 or more	**1 108**	1 215

26. Related Party Disclosures

The following persons held the position of director of SAFC during the financial year:

S Duncan
G Foreman
D Lloyd
J Meeking
J Ross - Chairperson

Transactions between SAFC and its directors are made at arm's length.

Directors' Remuneration	**2007**	2006
Income paid or due and payable to or on behalf of directors,	**$'000**	$'000
excluding superannuation benefits	**170**	163
Superannuation benefits paid or due and payable to or on behalf of directors	**10**	12
	180	175

	2007	2006
	Number of	Number of
The number of directors whose income was within the following bands:	**Directors**	Directors
$10 000 - $19 999	**-**	1
$20 000 - $29 999	**2**	2
$30 000 - $39 999	**2**	2
$40 000 - $49 999	**-**	1
$50 000 - $59 999	**1**	-

D Lloyd has declared conflict of interest relating to an associate's involvement in business with Auspine Limited.

27. Financial Instruments

(i) Credit Risk Exposures

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 87 percent of transactions for the financial year were transactions with the six largest of SAFC's customers.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts;
- a risk assessment process is used for customers with balances over $10 000;
- bank guarantees are obtained for specific customers.

(ii) Foreign Currency Risk Exposures

The Trade Receivables include receivables in US dollars (US$1 162 000, 2006: US$1 063 000).

SAFC is exposed to a foreign currency risk in the Trade Creditors in US dollars (US$922 000, 2006: US$686,000).

Foreign currency risk in trade receivables and trade payables is managed by taking out short-term foreign exchange hedges between the US dollar and the Australian dollar for the period of exposure.

(iii) Interest Rate Risk Exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

In addition to the interest rate SAFC pays a guarantee fee to SAFA of 0.65 percent on the daily balance of the outstanding loan amounts (0.75 percent). The guarantee fee at 1 July 2007 is 0.60 percent.

	Floating Rate	Non-Interest Bearing	Fixed Interest Maturing 1 year or less	Over 1 to 5 years	Over 5 years	**2007 Total**	2006 Total
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
Cash	35 414	-	-	-	-	**35 414**	33 635
Receivables	-	14 331	-	-	-	**14 331**	16 443
	35 414	14 331	-	-	-	**49 745**	50 078
Weighted average interest rate (percent)	6.17	-	-	-	-		
Financial Liabilities:							
Interest bearing loan	-	-	1 943	17 961	9 088	**28 992**	10 138
Payables	-	9 993	-	-	-	**9 993**	14 739
Tax Liabilities (net)	-	2 970	-	-	-	**2 970**	2 264
	-	12 963	1 943	17 961	9 088	**41 955**	27 141
Weighted average interest rate (percent)	-	-	6.18	6.19	6.51		
Net Financial Assets (Liabilities)	35 414	1 368	(1 943)	(17 961)	(9 088)	**7 790**	22 937

All financial assets and liabilities have been recognised at the balance date at their net fair value, except for the following:

	Carrying Amount **2007**	Carrying Amount 2006	Net Fair Value **2007**	Net Fair Value 2006
Financial Assets:	**$'000**	$'000	**$'000**	$'000
Other receivables – Long-term debtors	**-**	76	**-**	71
Financial Liabilities:				
Long-term borrowings	**27 049**	9 223	**24 907**	8 521

(iv) Financial Assets carried at an Amount in Excess of Net Fair Value

In 2006 Other receivables - Long-term debtors with a carrying value of $76 000 were carried in excess of their net fair value of $71 000.

(v) Financial Liabilities carried at an Amount in Excess of Net Fair Value

Non-current Interest Bearing Loans with a carrying value of $27 049 000 ($9 223 000) are recorded at the nominal principal amount to be settled. This is in excess of their net fair value of $24 907 000 ($8 842 000).

The resultant net fair values represent the best estimate of replacement cost. The cost of realising fair values is considered immaterial.

(vi) Net Fair Value of Financial Assets and Liabilities

The net fair value of Cash, Trade Receivables (excluding Accrued Revenue) and Trade Creditors approximates their carrying amount.

Short-term Accrued Revenue: The carrying amount approximates fair value because of their short-term to maturity.

Short-term Borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term Borrowings: The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowings.

(vii) Hedging Instruments

Hedges of Specific Instruments

SAFC entered into a number of short-term foreign exchange hedges between the US dollar and the Australian dollar during the financial year. No hedges were entered into in the previous financial year. There are no hedges open as per year end ($nil).

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Government Financing Authority (SAFA), a Body Corporate, was established under the *Government Financing Authority Act 1982* (the Act).

Functions

The functions of SAFA are:

- to develop and implement borrowing and investment programs for the benefit of semi-government authorities;
- to engage in such other financial activities as are determined by the Treasurer to be in the interests of the State;
- to administer the Government's insurance and risk management arrangements;
- to insure, co-insure and reinsure the risks of the Crown;
- to provide advice on the insurance and management of risks of the Crown.

SAFA functions as the central borrowing authority for the State of South Australia, and is responsible for managing the majority of the State's debt and for the implementation of the Government's Debt Management Policy as determined by the Treasurer of South Australia.

Pursuant to section 15 of the Act, the liabilities of SAFA are guaranteed by the Treasurer.

SAFA Advisory Board

The Act provides that SAFA is constituted of the Under Treasurer and establishes the South Australian Government Financing Advisory Board (the Advisory Board).

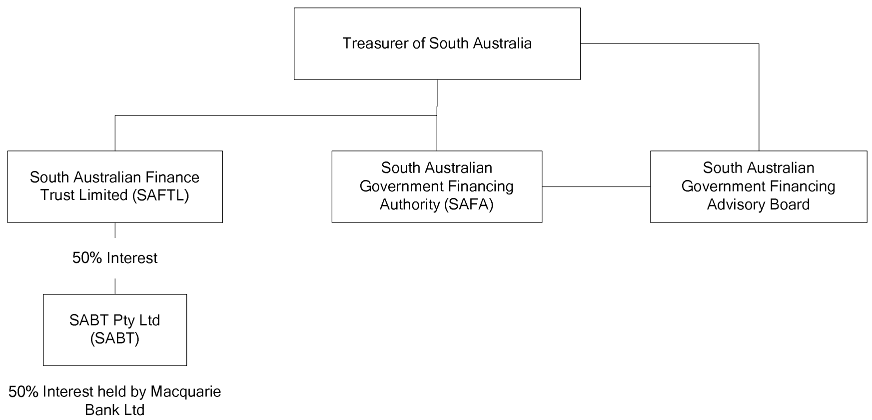
The Advisory Board comprises up to seven members one of whom is the Under Treasurer, who is also Presiding Member.

The function of the Advisory Board is to provide advice relating to the exercise by SAFA of its powers, functions and duties.

The Act provides that the Under Treasurer may request advice from the Advisory Board and consider any advice given. The Advisory Board may proffer advice, as it sees fit to the Treasurer or the Authority. The Annual Report of SAFA must include details of any advice of the Advisory Board that the Treasurer or SAFA has decided not to follow and the Treasurer's or SAFA's reason for that decision.

Structure

The following diagram reflects the relationship between the Treasurer of South Australia, SAFA and SAFA's controlled entities as at 30 June 2007.



Changes to Functions and Structure

Previous reports have discussed planned changes resulting from the reduction in subsidiary operations. The current status of these changes is as follows:

- SAFTL is now dormant and is expected to be wound up in 2007-08 following the wind up of SABT Pty Ltd.

- SABT Pty Ltd has been dormant since November 1999. A member's voluntary liquidation commenced 28 June 2006. SABT Pty Ltd is expected to be wound up in early 2007-08.

The above entities do not have a material impact on SAFA's financial position or performance. As a result, they were not consolidated with SAFA's results for 2006-07.

The *Government Financing Authority (Insurance) Amendment Act 2006* expanded SAFA's functions from 1 July 2006 to act as a captive insurer of the Crown. As a consequence of the Public Corporations (Dissolution of South Australian Government Captive Insurance Corporations) Regulations 2006 (promulgated under the PCA) the South Australian Government Captive Insurance Corporation (SAICORP) was dissolved on 1 July 2006 and its assets, rights and liabilities transferred to SAFA. Refer to Note 4.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 25(2) of the *Government Financing Authority Act 1982* and subsection 31(1) of the PFAA provide for the Auditor-General to audit the accounts of SAFA 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 SAFA 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:

- Treasury operations (including Insurance Investments), including:
  - transaction initiation
  - confirmation and settlement processes
  - management reporting of the activities undertaken.

- Risk management, monitoring and reporting, including:
  - interest rate risk management
  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management

- Common Public Sector Interest Rate (CPSIR) calculation

- Financial accounting for Financing and Insurance functions

- Insurance premium revenue

- Insurance claims expenditure

- Areas of the information technology environment, including:
  - information resource strategy and planning
  - business continuity planning

- — relationship with outsourced vendors
- — information security

- SAFA investment products and services.

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:

- Monthly findings of the Compliance Unit's review of operations.
- Half yearly reviews for the period ending 30 November 2006 and period ending 31 May 2007.
- Insurance Division review.

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 Government Financing 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 Government Financing Authority 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 Government Financing 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 General Manager. The response to the management letter was generally considered to be satisfactory. The principal matters raised with SAFA and the related responses are outlined below.

Policy and Procedure Manual – Insurance Function

For a number of years I have reported that the former SAICORP had been preparing a single Policy and Procedure Manual.

With the amalgamation of SAICORP and SAFA, a decision was made that SAICORP's policies and procedures should form part of SAFA's Policy and Procedure Manuals.

Interim policies and procedures were established for the SAFA insurance functions and approved by the Acting Treasurer on 28 June 2006.

Audit has been advised that integration of insurance policies and procedures into the SAFA Policy and Procedure Manuals is scheduled to be finalised by December 2007 and submitted to the Treasurer for approval.

Administration of Assistance to Industry – Rail Reform Transition Program

SAFA administer the Rail Reform Transition Program (RRTP) on behalf of the Department of Treasury and Finance. The RRTP is subject to a Deed of Conditions of Grant between the State and the Commonwealth. The RRTP was extended by the Commonwealth to 31 December 2005.

The audit identified the need to clarify with the Commonwealth:

- reporting arrangements relating to the RRTP
- the treatment of unspent RRTP funds
- the treatment of recovered RRTP funds.

SAFA responded that they will clarify the reporting and financial arrangements with the Commonwealth and finalise such reporting.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
Interest revenue	**844.6**	769.0	10
Interest expense	**812.3**	744.2	9
Net profit on financial instruments and derivatives	**30.5**	0.3	n/a
Net Interest Income	**62.8**	25.1	150
Net gain from amalgamation	**90.2**	-	n/a
Other revenue	**34.8**	33.4	4
Other expenses	**13.0**	6.7	94
Operating Profit before income tax	**174.8**	51.8	237
Income tax equivalent expense	**25.4**	15.4	65
Net Profit after Income Tax	**149.4**	36.4	310
ASSETS			
Cash, short term assets and investments	**3 550**	2 570	38
Loans, advances and receivables	**5 580**	5 384	4
Other assets	**19**	62	(69)
Total Assets	**9 149**	8 016	14
LIABILITIES			
Deposits and short term borrowings	**3 186**	3 106	3
Bonds, notes and debentures	**5 400**	4 727	14
Outstanding claims	**211**	-	n/a
Other liabilities	**80**	60	33
Total Liabilities	**8 877**	7 893	12
EQUITY	**272**	123	121

Income Statement

Net Income

Interest income and expense is determined on a market value accounting basis which combines actual interest revenue and expenses with realised and unrealised gains and losses arising from interest rate movements.

Interest revenue has increased by $75.6 million or 10 percent. This has been associated with a corresponding increase in interest expenses of $68.1 million or 9 percent. Net realised gains were $29.9 million ($4.3 million loss) in 2006-07. This change essentially results from the return on insurance assets, included in SAFA's activities for the first time in 2006-07. Net unrealised gains were $600 000 ($4.6 million) in 2006-07. Refer to Note 13 of the Financial Statements.

Revenue for 2006-07 includes insurance premiums, $31.3 million, for the first time. Other revenue decreased to $3.5 million ($33.4 million) due to a decrease in debt redemption assistance from the Commonwealth Government from $30 million to $8000.

Operating Profit

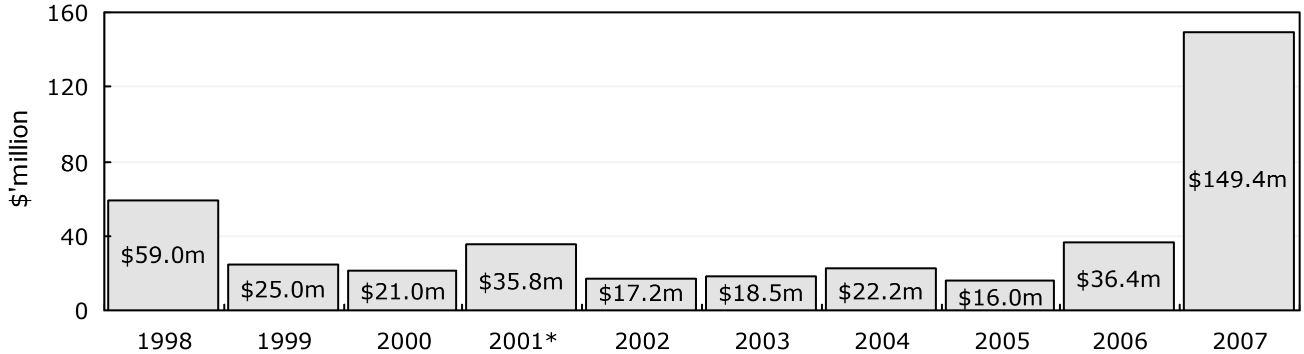
SAFA's operations in 2006-07 included an operating profit before income tax equivalent of $174.8 million ($51.8 million). This represents a $123 million increase from 2005-06.

The increase for 2006-07 is attributable to:

- the $90.2 million gain on amalgamation with SAICORP - being the net assets of the former SAICORP Section 1 Fund;
- the net realised gains of $29.9 million (mainly from insurance assets for the first time in 2006-07).

Operating profit was also supported by a reduction in the outstanding claims balance as at 30 June 2007 compared to the opening balance (transferred from SAICORP) as at 1 July 2006. This resulted in an insurance claim gain of $8.2 million which offset other expenses reported for the first time in SAFA's accounts.

The 10 year trend in SAFA's operating profit after income tax expense is demonstrated in the following chart.



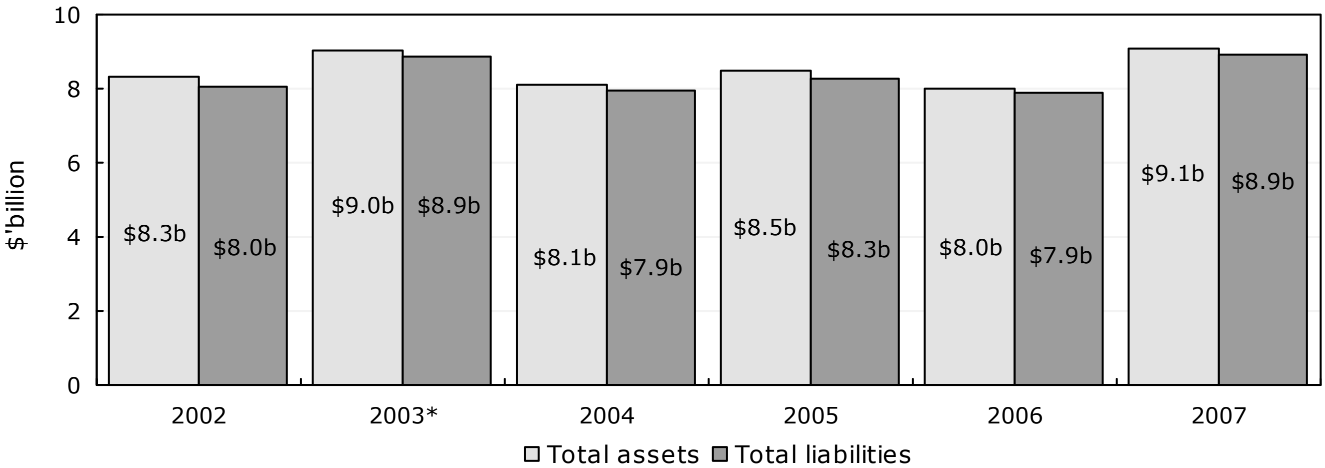
* The increase in 2001 was due primarily to the distribution of surpluses to SAFA from a subsidiary entity.

Another significant impact on the operating profit is the level of retained earnings, which are effectively invested by SAFA. During 2006-07 $nil ($87.5 million) distribution was made to the Treasurer (refer to later comments under 'Capital and Distributions').

Balance Sheet

Assets and Liabilities

A structural analysis of assets and liabilities for the six years to 2007 is shown in the following chart. The chart shows the level of assets and liabilities has remained relatively unchanged.



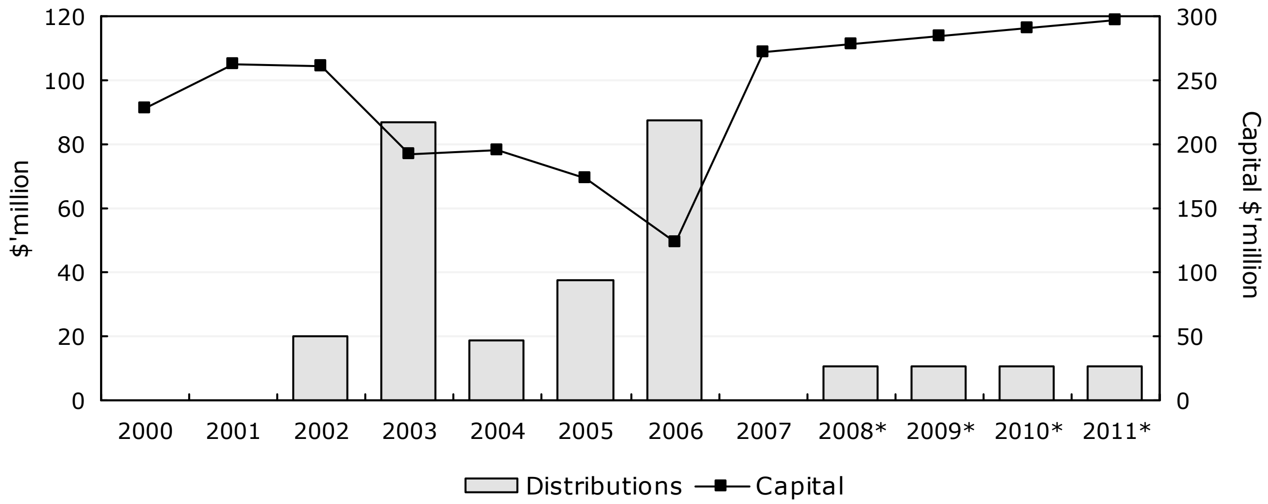
* Balances prior to 2003 do not reflect SAFA's current accounting policy with respect to repurchase agreements.

Capital and Distributions

SAFA has experienced a significant decrease in capital since 2000-01 reflecting a policy decision that excess capital be repaid to the State's Consolidated Account. At 30 June 2007, SAFA's capital reserves were represented solely by its Retained earnings, which stood at $272 million ($123 million). This includes the transferred net assets of the former SAICORP Section 1 Fund.

No distribution was made to the Treasurer from SAFA this financial year ($87.5 million).

The following chart sets out the level of capital and distributions to Government since the 1999-2000 financial year, including future amounts reflected in the 2007-08 Budget papers.



* Estimated amount.
** Future Capital levels have been calculated based on implied surpluses and distributions outlined in the 2007-08 Budget Papers.

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	**148**	92	82	96
Investing Activities	**(1 050)**	281	(318)	(389)
Financing Activities	**759**	(372)	369	228
Change in Cash	**(143)**	1	133	(65)
Cash at 30 June	**60**	203	202	69

The analysis of cash flows shows that although SAFA's cash position has fluctuated over the four years, there has been a steady inflow of cash from operating activities.

FURTHER COMMENTARY ON OPERATIONS

The Common Public Sector Interest Rate (CPSIR)

A major proportion of funding provided by SAFA is to the Treasurer at a common interest rate referred to as the Common Public Sector Interest Rate (CPSIR). The CPSIR is the quarterly charge out rate reflecting SAFA's average costs of borrowings sourced from domestic and international financial markets plus a margin to cover administration expenses.

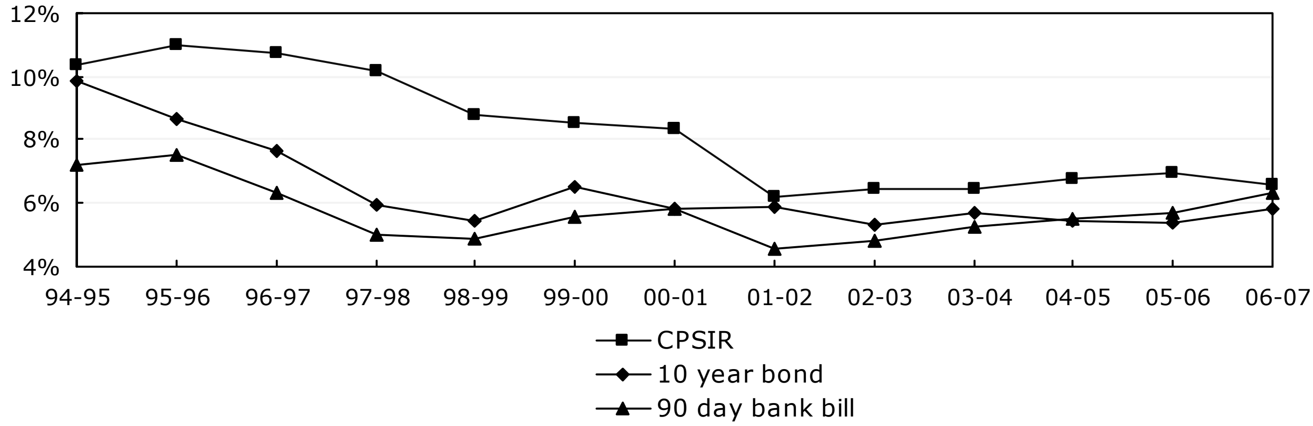
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are re-priced).

The average annual CPSIR for 2006-07 was approximately 6.56 percent (6.96 percent).

It is important to note that the objectives underlying the debt management policy of the Government, in effect, determine the CPSIR. SAFA manage debt in compliance with government policy such that the cost of debt is minimised over the medium to long term.

While there is no direct benchmark against which to compare the CPSIR rate, the following chart indicates the movements in the average CPSIR against the 90 day bank bill rate and the 10 year Bond rate:

Interest Rate Comparison



Business Risk Management

Operational Risk Management

Although SAFA do not have in place a formal risk management plan, they do have a number of mechanisms which enable the authority to manage operational risks, including:

- an annual risk assessment performed by the internal auditors addressing changes to SAFA's operating environment and financial markets they transact with. This assessment is used to determine the scope of the internal audit program;
- the establishment of a policy manual which details parameters within which SAFA pursues its core objectives; including dealings with financial markets, reporting requirements and management of assets and liabilities;
- the compliance unit performing daily, weekly and monthly reviews to ensure compliance with policy requirements.

Market Risk

In order to manage SAFA's financing operations and associated risks, SAFA has split its financing operations into a number of portfolios. The portfolio structure includes two Treasurer's portfolios, managed and passive.

The main task of the managed portfolio (representing $156.9 million at 30 June 2007) is to minimise interest rate risk within the portfolio with respect to the policy benchmark approved by the Treasurer. The management of this portfolio involves the use of measurements including:

- Value-at-Risk (VaR) — VaR is a single number estimate of how much an entity could lose due to the price volatility of the assets and liabilities it holds or is contracted to hold.
- Duration/Modified Duration — Duration is a weighted average measure of the present value of a series of cash flows. Modified duration is a measure of the sensitivity of a portfolio of interest bearing securities to changes in interest rates.
- Basis Point Sensitivity (PVO1) — PVO1 is the change in market value through a change in interest rates by one basis point.

The passive portfolio ($3.08 billion at 30 June 2007) contains transactions such as indexed liabilities and loans, Commonwealth housing loans, 2015 zero coupon bonds and rolling loans and deposits. These deals are not included in the managed portfolio due to the nature of the transactions and inability to readily manage these to the Treasurer's benchmarks.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. The result of this is that SAFA has no interest rate risk in regards to the Treasurer's portfolios.

In addition to the Treasurer's portfolio, a number of principal portfolios are maintained including:

- Domestic
- Offshore
- Adelaide Darwin Railway
- Reinvestment Portfolio
- Capital
- Foreign Exchange Hedging Service Portfolio
- Cash Management Fund
- Cash Enhanced Fund.

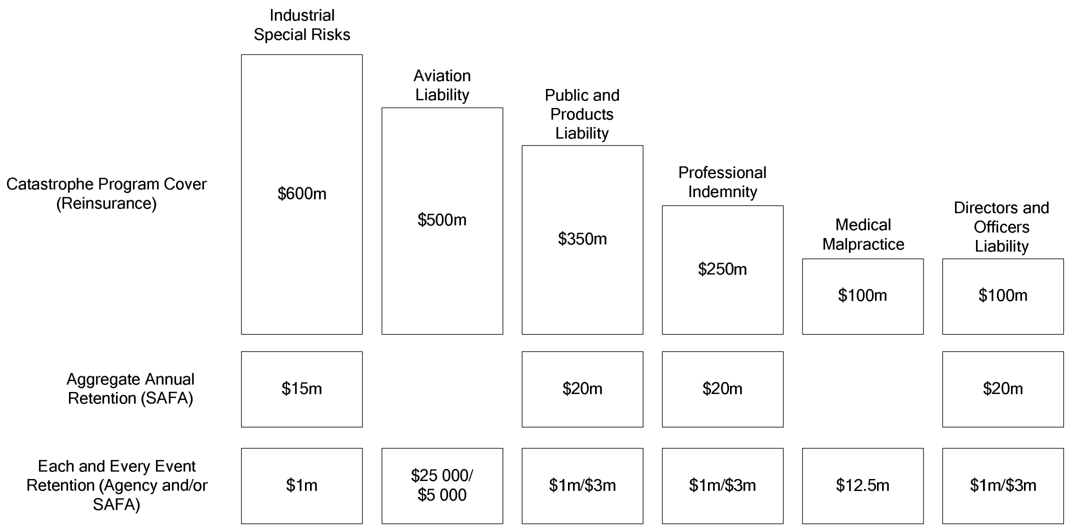
These portfolios (holding assets of $5.6 billion at 30 June 2007) are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from the other principal portfolios are recorded in SAFA's Income Statement.

Catastrophe Reinsurance Program

The State Government is fundamentally a self insurer. However, to protect the State's finances against a very large loss or claim or a series of large losses or claims in a year, a catastrophe reinsurance program is placed in the international insurance market through SAFA.

Reinsurance premium expense for 2006-07 was $7 million.

The structure of SAFA's catastrophe reinsurance program is depicted as follows:



Risk Management Activity Across the Public Sector

Throughout the year, SAFA provided a range of insurance and risk management services to Government agencies to assist in raising risk management awareness.

Clinical risk management within public hospitals has remained an issue that requires ongoing focus and evaluation as a result of the impact that this area has on SAFA's medical malpractice claim liabilities.

Income Statement
for the year ended 30 June 2007

	Note	**2007**	2006
REVENUE:		**$'million**	$'million
Interest revenue	13	**844.6**	769.0
Less: Interest expense	13	**812.3**	744.2
Net profit on financial instruments and derivatives	13	**30.5**	0.3
		62.8	25.1
Insurance premium revenue	13	**31.3**	-
Other revenue	13	**3.5**	33.4
Net gain from amalgamation	13	**90.2**	-
Total Revenue		**187.8**	58.5
EXPENSES:			
Insurance claim gain	14	**(8.2)**	-
Outward reinsurance premium expense	14	**7.7**	-
Payable to the Treasurer	14	**5.4**	-
Operating expense	14	**8.1**	6.7
Total Expenses		**13.0**	6.7
OPERATING PROFIT BEFORE INCOME TAX		**174.8**	51.8
Income tax equivalent expense		**25.4**	15.4
NET PROFIT AFTER INCOME TAX		**149.4**	36.4

Net Profit After Income Tax is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
ASSETS:		**$'million**	$'million
Cash and short-term assets	5	**2 189**	1 483
Investments	6	**1 361**	1 087
Loans, advances and receivables	7	**5 580**	5 384
Other assets	8	**19**	62
Total Assets		**9 149**	8 016
LIABILITIES:			
Deposits and short-term borrowings	9	**3 186**	3 106
Bonds, notes and debentures	10	**5 400**	4 727
Outstanding claims	11	**211**	-
Other liabilities	12	**80**	60
Total Liabilities		**8 877**	7 893
NET ASSETS		**272**	123
EQUITY:			
Retained earnings		**272**	123
TOTAL EQUITY		**272**	123

Total Equity is attributable to the SA Government as owner

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

	Retained Earnings $'million
Balance at 30 June 2005	173.8
Profit after income tax equivalent for 2005-06	36.4
Total recognised income and expense for 2005-06	36.4
Dividend as determined by Treasurer of South Australia	(87.5)
Balance at 30 June 2006	122.7
Profit after income tax equivalent for 2006-07	149.4
Total recognised income and expense for 2006-07	149.4
Dividend as determined by Treasurer of South Australia	-
Balance at 30 June 2007	**272.1**

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) $'million**	2006 Inflows (Outflows) $'million
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from:			
Interest received		**635**	562
Direct insurance placement		**3**	-
Premiums received		**32**	-
Derivatives net interest received		**2**	40
Stamp duty received from agencies		**4**	-
Cash from amalgamation		**28**	-
Amalgamation receipt from the Treasurer		**69**	-
Other income		**29**	29
Payments for:			
Interest paid		**(586)**	(517)
Claims paid		**(28)**	-
Outwards reinsurance premium paid		**(7)**	-
Direct insurance placement		**(3)**	-
Stamp duty paid to Revenue SA		**(4)**	-
Operating expenses paid		**(8)**	(7)
Income tax (TER) paid		**(18)**	(15)
Net Cash provided by Operating Activities	16.2	**148**	92
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from client loans		**(91)**	(177)
Purchase of investments		**(22 904)**	(25 199)
Proceeds from investments		**21 945**	25 657
Net Cash (used in) provided by Investing Activities		**(1 050)**	281
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Repayments of borrowings		**759**	(284)
Repayment to SA Government		**-**	(51)
Dividend paid as determined by Treasurer of South Australia		**-**	(37)
Net Cash provided by (used in) Financing Activities		**759**	(372)
NET (DECREASE) INCREASE IN CASH HELD		**(143)**	1
CASH AT 1 JULY		**203**	202
CASH AT 30 JUNE	16.1	**60**	203

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The South Australian Government Financing Authority is a Statutory Authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*, and is referred to as 'SAFA' in the financial report. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia, 5000. From 1 July 2006 SAFA amalgamated with the South Australian Government Captive Insurance Corporation (SAICORP) (Note 4).

1. Objectives (continued)

SAFA's objectives are:

- to develop and implement borrowing and investment programs for the benefit of semi-government authorities;
- to engage in such other financial activities as are determined by the Treasurer of South Australia (the Treasurer) to be in the interest of the State;
- administer the Government's insurance and risk management arrangements;
- insure, coinsure and reinsure the risks of the Crown;
- provide advice on the management of risks of the Crown.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the AASs and the requirements of the TIs relating to financial reporting by statutory authorities which are issued pursuant to the PFAA.

The financial report for SAFA does not include SAFA consolidated with its controlled entities. The inclusion of these entities would not have a material impact on the figures presented. Note 24 includes details of the entities.

These financial statements are prepared in accordance with AIFRS.

Statement of Compliance

AASs include AIFRS. Except for the amendments to AASB 101 and AASB 7, which SAFA has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2007.

SAFA's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are valued in accordance with the valuation policy applicable.

The preparation of the financial report requires 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).

SAFA's financial performance and position are detailed in the notes between the Finance and Insurance activities. Additionally, the Insurance activities are further broken down between those of Fund 1 and Fund 2.

1. Market Value Accounting

SAFA designates at initial recognition to account for all financial transactions at fair value (MV) through profit and loss. SAFA believes that this better reflects how SAFA manages its assets and liabilities and provides a better basis for making decisions and evaluating performance. Financial assets and liabilities (including derivatives) are recorded at fair value in the Balance Sheet. All financial instruments are revalued to reflect market movements with gains and losses, whether realised or unrealised, being recognised immediately in the Income Statement (Note 13). Financial instruments are revalued regularly (at least monthly) either at their quoted market price or their cash flows are discounted against the relevant yield curve.

2. Revenue and Expense Recognition

2.1 Interest

Interest income and expense is accrued in accordance with the terms and conditions of the underlying financial instrument and premiums and discounts are amortised over the life of the associated borrowings.

Net realised gains/losses and unrealised gains/losses are included in the Income Statement, but are separately identified in Note 13.

2.2 Other Revenue

Fee income in respect of services provided is recognised in the period in which the service is provided.

Income from the Commonwealth Government is provided under the terms and conditions of the *Financial Agreement Act 1994* (Cwlth) as compensation for refinancing of previous borrowings undertaken by the Commonwealth Government. The revenue is recognised on an accrual basis in the period to which it relates. 2006 was the final year compensation was payable (Note 13).

2.3 Premium Revenue

The earned portion of premiums received and receivable is recognised as premium revenue excluding amounts collected for stamp duties. Premium is treated as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written prior to year end on a daily pro-rata basis.

All SA Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be insured directly with a commercial insurance organisation, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial statements, these arrangements are referred to as Direct Insurance Placements.

2.4 Outwards Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment.

An amount of $7.728 million was expensed for cover provided under the Government's catastrophe reinsurance program. This program has been effected to safeguard the State finances against a very large loss or claim, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

2.5 Claims

Claims Expense is comprised of claim payments, deductible receipts and movements in underlying claim estimates.

2.6 Payable to the Treasurer

Due to the nature of Fund 2’s activities, the Treasurer has approved that any operating profit before tax will be nil. This is achieved by negating the operating profit with either a payable to or receivable from the Treasurer. In 2006-07, this policy resulted in a profit of $5.4 million being offset by a payable to the Treasurer for the same amount.

3. Assets and Liabilities

3.1 Cash and Short-Term Assets

Primarily, Short-Term Money Market Deposits and Negotiable Discount Securities, are held for liquidity and investment purposes.

3.2 Investments

Investments are assets originating outside the South Australian public sector, which are purchased as part of SAFA’s cash management products, for liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. SAFA does not hold investments for trading purposes.

In accordance with AASB 1023, SAFA's investments with Funds SA and the Cash Management Fund are measured at fair value as advised by the fund managers.

3.3 Common Public Sector Interest Rate (CPSIR) Loan

The CPSIR loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer’s Portfolio (refer Note 22). Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer’s Portfolio that fund the CPSIR loan are equally offset by a loss or gain on the CPSIR loan to the Treasurer.

3.4 Impairment of Loans and Advances

Loans and advances are recognised at fair value before assessing any required provisions for impairment. The Treasurer guarantees all loans and advances to South Australian public sector entities. The loan portfolio is reviewed regularly and an impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the relevant agreement. There are no impaired loans as at 30 June 2007.

3.5 Repurchase Agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in Deposits and Short Term Borrowings (refer Note 9).

3.6 Bonds, Notes and Debentures and Other Borrowings

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis.

3.7 Outstanding Claims

Insurance activities are segregated into two funds. Liabilities for outstanding claims for Fund 1 are recognised in respect of occurred incidents. The liabilities include claims incurred but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. In addition, SAFA has recognised a prudential margin of 10 percent of its outstanding claims liabilities for short tail business, 25 percent for medical malpractice and 20 percent for all other classes. Liabilities for outstanding claims for Fund 2 are recognised in respect of occurred incidents including the anticipated costs of settling these claims and a prudential margin as for Fund 1.

The claims liabilities are measured as the present values of the expected future claims payments. An inflation rate of 7.25 percent per annum (comprising 4.25 percent wage inflation plus 3 percent superimposed inflation) has been assumed. In the calculation of present values, discount rates of 6.4 percent per annum has been assumed across all classes.

Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of IBNR claims, SAFA has employed the 'Net Written Premium' method modified to allow for IBNER claims.

Indirect claim settlement costs are those claim settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent of the outstanding claims liabilities.

The above methodologies are used by SAFA as there is insufficient historical data to perform a portfolio analysis to derive a statistical methodology for the calculation of claims liabilities. Brett and Watson Pty Ltd - Consulting Actuaries have been engaged to consider the appropriateness of the above methodologies and to recommend appropriate discount and inflation rates, prudential margins and indirect claim settlement costs percentages to be used for annual financial reporting. Their recommendations were adopted for the preparation of these financial statements.

3.8 Derivative Instruments

SAFA utilises derivative instruments in fundraising, debt management and client activities. They are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Income Statement.

3.9 Other Assets and Liabilities

Other assets, including debtors, fee accruals, and other liabilities, including interest paid in advance, creditors, expense accruals and provisions, are all stated at cost.

Recoveries receivable on claims paid and claims reported but not yet paid are recognised as income and assets where they can be reliably measured.

Recoveries receivable are measured as the present values of the expected future recovery receipts. An inflation rate of 7.25 percent per annum (comprising 4.25 percent wage inflation plus 3 percent superimposed inflation) has been assumed. In the calculation of present values, discount rates of 6.4 percent per annum has been assumed across all classes.

(b) Foreign Currency Translation

Foreign currency assets and liabilities are brought into the financial report at the exchange rate applying at 30 June 2007. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial report. Revaluation of foreign currency assets and liabilities are recognised as unrealised gains or losses and are brought to account in the Income Statement.

Forward foreign exchange contracts are translated at the exchange rate applying at 30 June 2007. Resulting exchange differences are recognised in the Income Statement.

(c) Employee Benefits

SAFA does not employ any direct staff, but is provided with staff resources by the Department of Treasury and Finance (Treasury) through a Service Level Agreement (SLA). The responsibility to provide for employer contributions to superannuation benefits rests with Treasury and for this reason SAFA is not required to establish a provision. Treasury meets long service leave liabilities as they fall due.

(d) Taxation

Accounting Profits Model

SAFA and its controlled entities came under a Tax Equivalent Regime (TER) as from 1 July 1995 and are taxed at 30 percent using the Accounting Profits Tax Model. SAFA receives a credit against its TER liability for any income tax paid directly or by its controlled entities in Australia or in other jurisdictions. The Treasurer approved that the amalgamation profit, $90.15 million, was exempt from SAFA's TER calculation for 2006-07.

GST
SAFA is grouped with Treasury for GST purposes.

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

- where the GST is not recoverable, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables.

Stamp Duty
Amounts collected for stamp duty are excluded from premiums and on-paid monthly to Revenue SA.

(e) Comparatives
The comparative amounts provided for the previous year have been reclassified to facilitate comparison with changes in presentation in the current year.

(f) Transactions with SA Government
In accordance with the APF the financial report's body and notes to the accounts disclose any transactions with an entity within the SA Government as at the reporting date, classified according to their nature.

(g) Rounding
Unless otherwise indicated, all amounts have been rounded to the nearest million Australian dollars.

(h) Average Balances
The average balances presented in Note 21 refer to average month end balances and reflect the face value of the assets and liabilities of SAFA's activities. The average rate equals interest divided by the average balance of interest bearing assets and liabilities.

(i) Maturity of Assets and Liabilities
The maturity classification of the assets and liabilities is determined by the length of time from the date of the Financial Report, 30 June 2007, to the contractual repayment date of the individual assets and liabilities. The amounts shown represent the face value of the financial assets and liabilities as at 30 June 2007 (refer Note 22) for SAFA's Finance activities.

(j) Insurance Risk Assumptions
The Insurance division writes four broad classes of insurance: Property, Liability, Other Liability and Medical Malpractice. Full details of the actuarial assumptions and risk margins adopted for the Insurance activities are in Note 23.7.

3. Segment Information

Business Segments
SAFA operates in the following segments:

- Finance industry and lends funds and provides financial advice to the SA Government, semi-government authorities, South Australian Public Sector Financial Institutions and Government agencies.
- Insurance industry underwriting several types of general insurance for SA Government agencies.

The Insurance activities are further broken down into Fund 1 and Fund 2 (Note 23). Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 is used to meet claim payments in respect of incidents which occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments which fall outside the insurance cover provided under Fund 1.

		2007		
	Finance $'million	Insurance $'million	Eliminations $'million	**Total $'million**
Revenue	22.0	165.8	-	**187.8**
Expenses	(6.6)	(6.4)	-	**(13.0)**
Profit Before Tax	15.4	159.4	-	**174.8**
Income tax expense	(4.6)	(20.8)	-	**(25.4)**
Profit for the Year	10.8	138.6	-	**149.4**
Segment assets	8 865.6	369.2	(85.7)	**9 149.1**
Segment liabilities	(8 732.2)	(230.5)	85.7	**(8 877.0)**
Net Assets	133.4	138.7	-	**272.1**

Business Segments (continued)

	2006			
	Finance $'million	Insurance $'million	Eliminations $'million	Total $'million
Revenue	58.5	-	-	58.5
Expenses	(6.7)	-	-	(6.7)
Profit Before Tax	51.8	-	-	51.8
Income tax expense	(15.4)	-	-	(15.4)
Profit for the Year	36.4	-	-	36.4
Segment assets	8 016.0	-	-	8 016.0
Segment liabilities	(7 893.0)	-	-	(7 893.0)
Net Assets	123.0	-	-	123.0

4. Transferred Functions

The Public Corporations (Dissolution of South Australian Captive Insurance Corporation) Regulations 2006 promulgated pursuant to the PCA, came into operation on 1 July 2006. From 1 July 2006 SAICORP amalgamated with SAFA.

SAICORP assets and liabilities as at 30 June 2006 were transferred to SAFA and reported in accordance with APSs contained within APF II.

On amalgamation, SAFA recognised the transfer of the following assets and liabilities from SAICORP, together with the compensating amalgamation receipt from the Treasurer:

	Fund 1 $'million	Fund 2 $'million	**Total $'million**
Assets:			
Cash and short-term assets	15.0	12.6	**27.6**
Investments	226.8	-	**226.8**
Other assets	15.5	3.6	**19.1**
Total Assets	257.3	16.2	**273.5**
Liabilities:			
Outstanding claims	(158.6)	(85.6)	**(244.2)**
Other liabilities	(8.5)	-	**(8.5)**
Total Liabilities	(167.1)	(85.6)	**(252.7)**
Net Assets:	90.2	(69.4)	**20.8**
Amalgamation receipt from the Treasurer	-	69.4	**69.4**
Net Gain from Amalgamation	90.2	-	**90.2**

The amalgamation receipt from the Treasurer was compensation for assuming the net liability position of Fund 2.

5. Cash and Short-Term Assets

	2007 $'million	2006 $'million
Finance:		
Cash at bank	**2.4**	3.4
Deposits with Treasurer	**39.0**	49.9
Short-term money market deposits	**0.5**	150.6
Negotiable certificates of deposit	**2 128.9**	1 279.1
	2 170.8	1 483.0
Insurance:		
Deposits with Treasurer	**18.2**	-
	18.2	-
Total Cash and Short-Term Assets	**2 189.0**	1 483.0

6. Investments

Finance:		
Semi-government securities	**198.2**	181.2
Commonwealth government securities	**101.9**	138.5
Local government securities	**20.5**	22.2
Indexed securities	**66.9**	65.9
Bank and corporate securities	**627.6**	678.7
	1 015.1	1 086.5
Insurance:		
Growth Fund (Funds SA)	**278.6**	-
Bank and corporate securities	**67.6**	-
	346.2	-
Total Investments	**1 361.3**	1 086.5

		2007	2006
7.	**Loans, Advances and Receivables**	**$'million**	$'million
	Finance:		
	Loans to the Treasurer at market	**56.6**	61.6
	Loans to the Treasurer at CPSIR	**2 730.5**	2 653.1
	Loans to the SA Government	**206.5**	225.4
	Loans to public non-financial corporations	**1 383.4**	1 255.2
	Loans to public financial corporations	**1 203.1**	1 188.2
	Total Loans, Advances and Receivables	**5 580.1**	5 383.5

8.	**Other Assets**		
	Finance:		
	Derivatives - Receivable SA Government	**4.1**	9.1
	Derivatives - Receivable	**9.4**	53.0
	Sundry debtors SA Government	**0.2**	0.2
	Sundry debtors	**0.1**	0.1
		13.8	62.4
	Insurance:		
	Recoveries receivable	**3.1**	-
	Prepaid outwards reinsurance	**1.6**	-
	Sundry debtors SA Government	**0.1**	-
		4.8	-
	Total Other Assets	**18.6**	62.4

* Note SA Government includes the Treasurer.

9.	**Deposits and Short-term Borrowings**		
	Finance:		
	Call deposits	**152.8**	141.2
	Deposits from Treasurer	**1 768.0**	1 551.5
	Deposits from SA Government	**605.6**	617.4
	Repurchase agreements	**263.0**	300.1
	Commercial paper	**396.4**	495.5
	Total Deposits and Short-Term Borrowings	**3 185.8**	3 105.7

10.	**Bonds, Notes and Debentures**		
	Finance:		
	Select lines	**4 225.6**	3 519.8
	Retail stock	**131.2**	124.7
	Zero coupon	**202.5**	201.6
	Inflation linked bonds and securities	**288.7**	314.6
	Obligation to Commonwealth Government	**551.7**	566.5
	Total Bonds, Notes and Debentures	**5 399.7**	4 727.2

11.	**Outstanding Claims**		
	Insurance:		
	Outstanding claims	**186.9**	-
	Outstanding claims SA Government	**24.0**	-
	Total Outstanding Claims	**210.9**	-

12.	**Other Liabilities**		
	Finance:		
	Derivatives - Payable SA Government	**1.5**	2.1
	Derivatives - Payable	**34.7**	33.4
	Interest received in advance from the Treasurer	**21.4**	23.3
	Sundry creditors SA Government	**0.5**	-
	Sundry creditors	**2.2**	1.1
	TER payable	**0.6**	-
		60.9	59.9
	Insurance:		
	Stamp duty payable	**0.1**	-
	TER payable	**13.9**	-
	Other	**0.3**	-
	Payable to the Treasurer	**5.4**	-
		19.7	-
	Total Other Liabilities	**80.6**	59.9

* Note SA Government includes the Treasurer.

13. Revenue

	Note	2007 $'million	2006 $'million
Interest Income:			
External to SA Government:			
Cash and short-term assets		**102.8**	90.0
Investments		**71.3**	69.6
Other assets		**294.8**	248.7
Internal to SA Government:			
Cash and short-term assets		**1.6**	-
Loans, advances and receivables		**338.5**	335.5
Other assets		**35.6**	25.2
		844.6	769.0
Less: Interest Expense:			
External to SA Government:			
Deposits and short-term borrowings		**55.8**	62.3
Bonds, notes and debentures		**295.0**	299.4
Other liabilities		**304.7**	250.8
Internal to SA Government:			
Deposits and short-term borrowings		**127.0**	109.0
Other liabilities		**29.8**	22.7
		812.3	744.2
Net Profits on Financial Instruments and Derivatives:			
External to SA Government:			
Realised		**32.2**	(7.8)
Unrealised		**49.1**	110.3
Internal to SA Government:			
Realised		**(2.3)**	3.5
Unrealised		**(48.5)**	(105.7)
		30.5	0.3
		62.8	25.1
Premium Revenue:			
External to SA Government		**2.1**	-
Internal to SA Government		**29.2**	-
		31.3	-
Other Revenue:			
Other revenue external to SA Government		**1.4**	31.2
Brokerage external to SA Government		**0.2**	-
Management fees internal to SA Government		**1.9**	1.9
Dividends		**-**	0.3
		3.5	33.4
		97.6	58.5
Net gain from amalgamation	4	**90.2**	-
Total Revenue		**187.8**	58.5

* Note SA Government includes the Treasurer

14. Expenses

	Note	2007 $'million	2006 $'million
Insurance Claim Gain (Expense):			
External to SA Government		**(21.4)**	-
Internal to SA Government		**13.2**	-
		(8.2)	
Reinsurance and other recoveries expense external to SA Government		**7.7**	-
Payable to the Treasurer	2.6,23.1	**5.4**	-
Operating Expenses:			
SLA internal to SA Government		**6.8**	5.8
Program and debt management fees		**1.0**	0.8
Underwriting		**0.2**	-
Other		**0.1**	0.1
		8.1	6.7
Total Expenses		**13.0**	6.7

* Note SA Government includes the Treasurer

The SLA is between SAFA and Treasury. Treasury provides services to SAFA in order to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. Treasury provides SAFA with appropriately trained and skilled staff together with necessary infrastructure support including audit. The majority of the fee relates to staffing, accommodation, audit and network systems.

$956 124 from the SLA cost for insurance has been allocated directly to claims and acquisition expense. This reflects a more accurate underwriting result.

15. Contingent Assets and Liabilities

Contingent Assets

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

Contingent Liabilities

General

SAFA has provided an indemnity to SAFTL for the aggregate borrowing costs and expenses properly incurred in the normal course of business, where it is shown that income of SAFTL is insufficient. SAFTL has been dormant since 2003 and it is expected to be wound up in 2007-08 following the wind up of SABT Pty Limited, for which a member's voluntary liquidation commenced on 28 June 2006.

Other indemnities provided by SAFA have been primarily provided to third parties involved, either directly or indirectly, in financing arrangements with SAFA, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages. No indemnities have been given for income tax aspects of any financing arrangement undertaken since July 1988.

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 plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities different to those incorporated in these financial statements.

Guarantees

SAFA has guaranteed as at 30 June 2007:

- the South Australian Housing Trust's performance under certain letters of credit. These guarantees totalled $800 000;
- Land Management Corporation for the Port Waterfront Redevelopment. This guarantee totalled $5 million;
- the Department of the Premier and Cabinet:
  - 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.

Unused Loan Facilities

As at 30 June 2007, SAFA had extended loan facilities that were unutilised totalling $354.7 million.

16. Cash Flow Information

	2007	2006
1. Reconciliation of Cash	**$'million**	$'million
Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts	**59.6**	203.3

	2007	2006
2. Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax		
Net profit after income tax	**149.4**	36.4
Insurance investments on amalgamation	**(226.8)**	-
Add: Non-Cash Items:		
Change in net market value of financial instruments	**7.4**	6.0
Amortisation of financial instruments	**4.1**	48.8
Change in net market value of insurance investments	**(47.3)**	-
Changes in Assets and Liabilities:		
(Increase) Decrease in accrued interest receivable	**12.6**	13.2
(Increase) Decrease in recoveries receivable	**(3.1)**	-
(Increase) Decrease in sundry debtors and other assets	**(2.0)**	0.1
Increase (Decrease) in accrued interest payable	**23.9**	(12.0)
Increase (Decrease) in outstanding claims	**210.8**	-
Increase (Decrease) in sundry creditors and other liabilities	**18.4**	(0.1)
FX movement	**-**	-
Net Cash provided by Operating Activities	**147.4**	92.4

3. Non-Cash Financing and Investing Activities

During 2006-07, $1.1 million was adjusted against the Treasurer's debt for book losses arising from debt management activity.

17. Auditors' Remuneration

	2007	2006
	$'000	$'000
Audit fees paid to the Auditor-General's Department	**155**	102

18. Key Management Personnel

(a) *Board Members*

Remuneration:	**2007 Number of Members**	2006 Number of Members
$0	**2**	2
$20 001 - $30 000	**4**	3
$30 001 - $40 000	**1**	1
Total Number of Members	**7**	6

	2007 $	2006 $
Total Remuneration	**136 126**	108 521

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

Advisory Board
Mr J Wright (Presiding Member)*
Mr B Brownjohn
Mr L Foster
Ms A Howe*
Mr C Long
Ms Y Sneddon
Mrs J Tongs

Audit Committee
Ms Y Sneddon
Mr L Foster (appointed 31 August 2006)
Mr P Mendo*

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. Amounts paid to a superannuation plan for board/committee members was $9180 ($7263).

* Those members who are permanently employed under the PSMAct, or on similar terms, are not entitled to fees.

Unless otherwise disclosed, transactions with 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 arms length in the same circumstances.

(b) *Other Key Management Personnel*

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

Mr K Cantley	General Manager
Mr I Welch	Director, Finance
Mr B Daniels	Director, Insurance
Mr D Posaner	Director, Governance and Planning
Mr A Thompson	Director, Financial Markets and Client Services

The above are employed by Treasury and provided to SAFA through an SLA. Details of their remuneration are included in the Treasury financial statements.

19. Consultants

	2007 Number of Consultants	2006 Number of Consultants
Between $10 001 - $50 000	**1**	-
Total Consultants	**1**	-

	2007 $	2006 $
Total Consultants Expense	**33 010**	-

20. Fiduciary Activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities do not reside on SAFA's Balance Sheet. SAFA manages these assets and liabilities within prescribed risk limits as directed or agreed by the clients. SAFA is responsible for providing regular financial and management information with respect to its management of the clients' assets and liabilities. As at 30 June 2007, assets under management totalled $nil and liabilities total $1170.5 million ($nil and $1133.7 million).

SAFA provides a range of pooled investment portfolios to its clients that reflect their investment needs. The Cash Management Fund comprises cash and short term money market securities whilst the Cash Enhanced Fund is a market value fund that comprises term investments of high credit quality and marketability. Total market value of these portfolios as at 30 June 2007 was $665.7 million ($574.4 million). The assets and liabilities of these portfolios are reported within SAFA's Balance Sheet.

21. Average Balance Sheet and Margin Analysis

	2007 Average Balance $'million	Interest $'million	Average Rate Percent	2006 Average Balance $'million	Interest $'million	Average Rate Percent
Assets:						
Interest Earning Assets:						
Cash and short-term assets	**1 762.0**	**104.4**	**5.93**	1 680.8	90.0	5.35
Investments	**1 069.1**	**71.3**	**6.67**	1 112.8	69.6	6.25
Loans, advances and receivables	**5 326.5**	**338.5**	**6.36**	5 247.5	335.5	6.39
Other assets	**-**	**330.4**	**-**	-	273.9	-
Total Assets	**8 157.6**	**844.6**	**6.30**	8 041.1	769.0	6.16
Liabilities:						
Interest Bearing Liabilities:						
Deposits and short-term borrowings	**3 086.6**	**182.8**	**5.92**	3 118.5	171.3	5.49
Bonds, notes and debentures	**5 096.1**	**295.0**	**5.79**	5 005.2	299.4	5.98
Other liabilities	**-**	**334.5**	**-**	-	273.5	-
Total Liabilities	**8 182.7**	**812.3**	**5.84**	8 123.7	744.2	5.79

22. Specific Disclosure - Finance

22.1 Financial Risk Management

SAFA's core Finance functions are fundraising, asset and liability management and the provision of financial risk management and advisory services to its public sector clients. SAFA aims to undertake its functions in a manner that protects the interest of its owner and clients. To assist in the management of SAFA's operations and its associated risks, SAFA's business activities have been separated into portfolios. SAFA's portfolio structure consists of a number of Principal Portfolios and two portfolios comprising the Treasurer's Portfolio. Any profit and loss resulting from the operations of Principal Portfolios is for SAFA's account whilst net interest expenses and market revaluations in the Treasurer's Portfolio are for the account of the Treasurer. The Treasurer's Portfolio comprises assets and liabilities that together compose the CPSIR loan to the Treasurer. Effectively, the CPSIR loan mirrors the other assets and liabilities in that portfolio. The Principal Portfolios are managed within strict risk limits to minimise exposure to SAFA. The Treasurer's Portfolio is managed within duration limits and value at risk limits with all the risk being borne by the Treasurer.

Interest Rate Risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration/modified duration, and Value-at-Risk (VaR). The Under Treasurer and Treasurer approve interest rate risk limits for SAFA's portfolios. Limits on interest rate risk for portfolios managed on behalf of clients are set in consultation with the clients.

SAFA uses interest rate futures contracts, interest rate swaps, interest rate options and forward rate agreements to manage interest rate risk. The use of interest rate derivatives enables the management of the volatility of the portfolio of debt and assets without requiring transactions in physical securities.

(i) Interest Rate Futures Contracts

A futures contract is an obligation to buy or sell an underlying commodity or financial instrument of a standardised amount and quantity at a specified future date with the price being set by an open auction system at the time when the contract is made.

The futures contracts principally transacted by SAFA are 90-day bank bill futures contracts and 3-year and 10-year bond futures contracts traded on the Sydney Futures Exchange.

SAFA utilises futures contracts to manage interest rate exposures on a specific transaction or portfolio of transactions.

As at 30 June 2007, open interest rate futures positions represented a total notional principal of $305.5 million ($247 million).

The mark to market movement in futures contracts is taken to the Income Statement, except where it was undertaken as part of the Treasurer's Portfolios, and is passed onto the Treasurer as an adjustment to his debt level.

(ii) Interest Rate Swaps

An interest rate swap is a financial contract between two parties agreeing to exchange interest obligations over a fixed term on fixed dates. Interest amounts are calculated on a notional principal.

SAFA utilises interest rate swaps to manage interest rate exposures on a specific transaction or portfolio of transactions.

Contracts principally involve the payment or receipt of interest on a monthly, quarterly or semi-annual basis. As at 30 June 2007, the notional value of interest rate swaps totalled $5741.2 million negative MV $22.7 million ($5318 million MV $26.6 million).

(iii) Swaptions/Interest Rate Options
An interest rate option is a contract between two parties where one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an interest rate differs to a specific strike rate. As at 30 June 2007, there were no outstanding exchange traded interest rate option contracts.

(iv) Forward Rate Agreements (FRAs)
A forward rate agreement is a contractual agreement between two parties to lock in a preset interest rate on an agreed notional principal for a given period of time commencing at a specific future date.

SAFA utilises FRAs to manage interest rate exposures on a specific transaction or portfolio of transactions. The notional value of FRAs as at 30 June 2007 was $150 million ($nil).

The settled amount for FRAs is recognised immediately in the Income Statement, except where it was undertaken as part of the Treasurer's Portfolios, and is passed onto the Treasurer as an adjustment to his debt level.

(v) Sensitivity Analysis
SAFA manages the sensitivity of its portfolios for changes in market risk variables by calculating Value-at-Risk (VaR) daily and monitoring the calculated VaR against pre determined exposure limits. VaR is the calculation of the potential loss due to rate movements for any one day.

SAFA calculates VaR using the Historical Simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95 percent confidence level. VaR for the Domestic Portfolio is managed daily against an approved working limit of $500 000.

As at 30 June 2007 the computed VaR on SAFA's principal portfolios were:

- Domestic Portfolio $123 447
- Reinvestment Portfolio $14 686
- Cash Management Fund $10 885

Should future rates vary from those used in the historic rate horizon, profit/losses will vary from the expected results calculated under VaR.

All risk on the Treasurer's portfolios is borne directly by the Treasurer.

(vi) Market Value Movements Attributable to Changes in Credit Risk
The majority of SAFA's lending (over 75 percent) is to agencies and corporations of the SA Government. Consequently, SAFA's profit does not reflect any component that relates to credit movement for this part of its business. The profit or loss resulting from credit movements for the remainder have been examined and are immaterial.

Foreign Exchange Risk
SAFA has a policy of avoiding foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

(i) Currency Swaps
A cross currency swap is a financial contract between two parties agreeing to exchange interest obligations in two different currencies over a fixed term on fixed dates. Interest amounts are calculated on currency principals which are usually exchanged at the start of the transaction.

SAFA utilises cross currency swaps to eliminate foreign currency exposures associated with foreign currency borrowings. Currently SAFA has no cross currency swaps.

(ii) Foreign Exchange and Forward Exchange Contracts
A foreign exchange contract is an agreement between two parties to buy and sell one currency against another currency either on a spot basis or on a specified future date. A foreign exchange swap is an agreement to enter into both a spot foreign exchange transaction and a forward foreign exchange transaction.

SAFA utilises foreign exchange contracts (spot and forward) to manage foreign exchange risk associated with foreign currency borrowings and to manage exposures arising from the Foreign Exchange Hedging Service provided to South Australian public sector agencies and to hedge profits from overseas subsidiaries.

SAFA has entered into forward foreign exchange contracts to hedge exposures arising from the Foreign Exchange Hedging Service provided to Public Sector Clients. These transactions totalled $29.2 million in face value as at 30 June 2007 ($26.8 million).

(iii) Currency Exposures

The following table summarises SAFA's exposure to exchange risk. The value to be received under the currency contracts is designed to hedge the exposure to the net foreign currency liabilities.

	USD A$'million	GBP A$'million
Less Than One Year:		
Net foreign currency assets	-	1.5
Net derivatives	-	-
Net	-	1.5
Greater Than One Year:		
Net foreign currency assets	-	(1.2)
Net Derivatives	-	-
Net	-	(1.2)
Total Net	-	0.3

Liquidity Risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising of highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth notes, floating rate notes and negotiable discount securities. The level of financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of $250 million or the sum of debt maturities over the next 30 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk.

These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

22.2 Interest Rate Risk

SAFA's exposure to interest rate risk, repricing maturities and effective rates on financial instruments in Australian dollars is detailed below. The market value of the assets and liabilities and the historic yields have been used.

	Weighted Average Effective Interest Rate Percent	**2007** 0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	**Total $'million**
Assets:									
Cash and short-term assets	6.45	1 595.6	574.7	-	-	-	-	-	**2 170.3**
Investments	6.30	518.1	26.3	68.0	42.8	68.3	6.8	284.8	**1 015.1**
Loans, advances and receivables	6.37	4 310.1	213.3	270.8	258.3	98.5	88.1	340.7	**5 579.8**
Non-interest bearing assets	-	1.2	-	-	-	-	-	-	**1.2**
Total		6 425.0	814.3	338.8	301.1	166.8	94.9	625.5	**8 766.4**
Liabilities:									
Deposits and short-term borrowings	6.35	3 089.6	95.8	-	-	-	-	-	**3 185.4**
Bonds, notes and debentures	6.12	56.0	1 303.5	26.6	1 341.4	858.2	77.6	1 736.2	**5 399.5**
Non-interest bearing liabilities	-	25.4	-	-	-	-	-	-	**25.4**
Total		3 171.0	1 399.3	26.6	1 341.4	858.2	77.6	1 736.2	**8 610.3**
Net		3 254.0	(585.0)	312.2	(1 040.3)	(691.4)	17.3	(1 110.7)	**156.1**
Derivatives (off Balance Sheet)	(0.04)	(1 775.9)	97.5	(219.3)	936.2	645.4	(23.2)	316.6	**(22.7)**

	Weighted Average Effective Interest Rate Percent	2006 0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Assets:									
Cash and short-term assets	5.83	1 421.0	62.0	-	-	-	-	-	1 483.0
Investments	5.93	575.7	6.5	6.8	67.0	21.6	111.7	297.2	1 086.5
Loans, advances and receivables	6.22	4 185.5	212.0	251.7	248.7	81.5	100.8	303.3	5 383.5
Non-interest bearing assets	-	0.6	-	-	-	-	-	-	0.6
Total		6 182.8	280.5	258.5	315.7	103.1	212.5	600.5	7 953.6
Liabilities:									
Deposits and short-term borrowings	5.90	2 992.2	113.4	-	-	-	-	-	3 105.6
Bonds, notes and debentures	6.03	42.8	27.6	1 430.7	27.8	1 293.7	745.3	1 159.3	4 727.2
Non-interest bearing liabilities	-	23.4	-	-	-	-	-	-	23.4
Total		3 058.4	141.0	1 430.7	27.8	1 293.7	745.3	1 159.3	7 856.2
Net		3 124.4	139.5	(1 172.2)	287.9	(1 190.6)	(532.8)	(558.8)	97.4
Derivatives (off Balance Sheet)	0.75	(1 934.7)	(240.4)	892.6	(39.0)	967.3	696.8	(316.0)	26.6

22.3 Maturity Analysis of Financial Instruments

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

	2007							
Assets	0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	**Total $'million**
Cash and short-term assets	1 606.0	586.0	-	-	-	-	-	**2 192.0**
Investments	22.7	59.5	164.5	333.2	91.8	45.5	293.7	**1 010.9**
Loans, advances and other receivables	308.8	318.7	285.3	728.3	486.9	99.2	3 312.0	**5 539.2**
Total	1 937.5	964.2	449.8	1 061.5	578.7	144.7	3 605.7	**8 742.1**
Liabilities								
Deposits and short-term borrowings	3 040.8	96.3	-	-	-	-	-	**3 137.1**
Bonds, notes and debentures	57.9	1 305.0	62.3	1 365.3	924.0	16.1	1 877.9	**5 608.5**
Total	3 098.7	1 401.3	62.3	1 365.3	924.0	16.1	1 877.9	**8 745.6**
Net	(1 161.2)	(437.1)	387.5	(303.8)	(345.3)	128.6	1 727.8	**(3.5)**

	2006							
Assets	0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Cash and short-term assets	1 429.5	63.5	-	-	-	-	-	1 493.0
Investments	9.7	74.3	103.1	138.3	289.1	139.6	310.0	1 064.1
Loans, advances and other receivables	225.6	257.5	692.8	233.9	577.7	415.4	2 892.4	5 295.3
Total	1 664.8	395.3	795.9	372.2	866.8	555.0	3 202.4	7 852.4
Liabilities								
Deposits and short-term borrowings	2 958.6	114.5	-	-	-	-	-	3 073.1
Bonds, notes and debentures	44.8	36.1	1 427.6	56.2	1 305.5	790.8	1 180.8	4 841.8
Total	3003.4	150.6	1 427.6	56.2	1 305.5	790.8	1 180.8	7 914.9
Net	(1 338.6)	244.7	(631.7)	316.0	(438.7)	(235.8)	2 021.6	(62.5)

22.4 Credit Risk

Credit risk is the risk of financial loss and associated costs, resulting from the failure of a counterparty to meet its financial obligations as and when they fall due.

SAFA incurs credit risk through undertaking its core functions of fundraising, debt management and liquidity management.

SAFA's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely payment of principal and interest.

To minimise the potential for credit loss, SAFA complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties while limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to South Australian governmental entities.

No credit losses were incurred by SAFA over the reporting period.

SAFA measures credit risk for physical securities at face value and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements.

An analysis of credit risk exposure by country, counterparty class, asset class and credit rating as at 30 June 2007 and 30 June 2006 is detailed below.

	2007									
Total by Counter-party Class	Australia (AAA) $'million	Canada (AAA) $'million	Germany (AAA) $'million	Hong Kong (AA) $'million	Nether-lands (AAA) $'million	Supra-national (AAA) $'million	Switzer-land (AAA) $'million	United Kingdom (AAA) $'million	United States (AAA) $'million	**Total $'million**
SA Government	5 566.9	-	-	-	-	-	-	-	-	**5 566.9**
Commonwealth/ State Government	313.0	-	-	-	-	-	-	-	-	**313.0**
Banks	2 290.6	9.6	58.0	140.0	36.6	-	1.8	230.0	67.5	**2 834.1**
Corporate/Other	241.5	-	-	-	-	58.5	10.4	-	-	**310.4**
Total by Country	8 412.0	9.6	58.0	140.0	36.6	58.5	12.2	230.0	67.5	**9 024.4**

	2007									
Total by Asset Class	Australia $'million	Canada $'million	Germany $'million	Hong Kong $'million	Nether-lands $'million	Supra-national $'million	Switzer-land $'million	United Kingdom $'million	United States $'million	**Total $'million**
Loans/Investments	8 308.3	5.4	40.0	140.0	34.0	58.5	0.9	230.0	51.6	**8 868.7**
Interest rate swaps	101.2	4.2	18.0	-	2.6	-	11.3	-	15.9	**153.2**
FX contracts	2.5	-	-	-	-	-	-	-	-	**2.5**
Total by Country	8 412.0	9.6	58.0	140.0	36.6	58.5	12.2	230.0	67.5	**9 024.4**

22.4 Credit Risk (continued)

					2007 Rating					
Asset Class	AAA $'million	AA+ $'million	AA $'million	AA- $'million	A+ $'million	A $'million	A- $'million	BBB+ $'million	NR* $'million	**Total $'million**
Loans/Investments	888.9	52.4	1 961.5	45.4	308.5	-	-	29.0	5 583.0	**8 868.7**
Interest rate swaps	-	23.7	81.3	26.6	-	7.0	-	-	14.6	**153.2**
FX contracts	-	-	-	-	-	-	-	-	2.5	**2.5**
Total	888.9	76.1	2 042.8	72.0	308.5	7.0	-	29.0	5 600.1	**9 024.4**

* Includes loans to SA Government of $5 422.9 million.
NR Amounts not classified under particular ratings.

					2006					
Total by Counter-party Class	Australia (AAA) $'million	Canada (AAA) $'million	Germany (AAA) $'million	Nether-lands (AAA) $'million	Singa-pore (AAA) $'million	Supra-national (AAA) $'million	Switzer-land (AAA) $'million	United Kingdom (AAA) $'million	United States (AAA) $'million	Total $'million
SA Government	5 341.7	-	-	-	-	-	-	-	-	5 341.7
Commonwealth/ State Government	323.7	-	-	-	-	-	-	-	-	323.7
Banks	1 599.1	105.8	51.9	19.9	100.0	-	2.6	237.0	28.2	2 144.5
Corporate/Other	245.3	-	-	-	-	72.0	8.7	-	-	326.0
Total by Country	7 509.8	105.8	51.9	19.9	100.0	72.0	11.3	237.0	28.2	8 135.9

					2006					
Total by Asset Class	Australia $'million	Canada $'million	Germany $'million	Nether-lands $'million	Singa-pore $'million	Supra-national $'million	Switzer-land $'million	United Kingdom $'million	United States $'million	Total $'million
Loans/Investments	7 361.6	105.7	30.0	10.0	100.0	72.0	1.1	237.0	21.6	7 939.0
Interest rate swaps	144.5	-	21.9	9.9	-	-	10.2	-	6.6	193.1
FX contracts	3.7	0.1	-	-	-	-	-	-	-	3.8
Total by Country	7 509.8	105.8	51.9	19.9	100.0	72.0	11.3	237.0	28.2	8 135.9

					2006 Rating					
Asset Class	AAA $'million	AA+ $'million	AA $'million	AA- $'million	A+ $'million	A $'million	A- $'million	BBB+ $'million	NR* $'million	Total $'million
Loans/Investments	896.7	1.1	293.6	831.8	318.2	195.1	30.0	27.0	5 345.5	7 939.0
Interest rate swaps	-	8.2	5.0	142.2	0.1	15.9	-	-	21.7	193.1
FX contracts	-	-	-	-	0.1	-	-	-	3.7	3.8
Total	896.7	9.3	298.6	974.0	318.4	211.0	30.0	27.0	5 370.9	8 135.9

* Includes loans to SA Government of $5295.3 million.
NR Amounts not classified under particular ratings.

SAFA's credit guidelines also permit SAFA to undertake credit exposure transactions with counterparties from New Zealand, Norway, France and Luxembourg. As at 30 June 2007, SAFA did not have any credit exposure to these countries.

23. Specific Disclosure - Insurance

23.1 Income Statement

	Note	**Fund 1 2007 $'million**	**Fund 2 2007 $'million**
Net Earned Premium:			
Premium revenue		**31.3**	**-**
Outwards reinsurance expense		**(7.0)**	**-**
Outwards reinsurance fees		**(0.4)**	**-**
Outwards reinsurance brokerage		**0.2**	**-**
		24.1	**-**
Net Claims Incurred:			
Claims gain		**3.8**	**4.4**
Recoveries		**0.7**	**0.7**
Doubtful debts		**(0.3)**	**-**
		4.2	**5.1**
Underwriting Expense		**(0.2)**	**-**
Underwriting result		**28.1**	**5.1**
Investment revenue		**42.1**	**0.6**
Operating expense		**(0.9)**	**(0.3)**
Payable to the Treasurer	2	**-**	**(5.4)**
Operating Profit before Income Tax Equivalents		**69.3**	**-**

23.2 Net Claims Incurred

The following table provides further information in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

23.2 Net Claims Incurred (continued)

Fund 1

	In Respect of Current Year $'000	In Respect of Prior Years $'000	**2007 Total $'000**
Gross Claims Incurred and Related Expenses Undiscounted	40 731	(43 478)	**(2 747)**
Other recoveries undiscounted	-	(679)	**(679)**
Net Claims Incurred - Undiscounted	40 731	(44 157)	**(3 426)**
Discount and Discount Movement:			
Gross claims incurred	(17 264)	16 234	**(1 030)**
Other recoveries	-	263	**263**
Net Discount Movement	(17 264)	16 497	**(767)**
Net Claims Incurred	23 467	(27 660)	**(4 193)**

The net claims incurred during 2006-07 in respect of claims incurred prior to 30 June 2006 was a negative amount of $27.7 million. This is equivalent to 23 percent of the outstanding liability as at 30 June 2007 in respect of claims incurred prior to 30 June 2006. The net claims incurred of negative $27.7 million is a result of:

	2007 $'million
Interest on the 30 June 2006 provision less payments during 2006-07	**9.1**
Release of administration allowance and risk margin in respect of payments during 2006-07	**(2.3)**
Change in actuarial assumptions	**(3.6)**
Experience deviation from expected	**(30.9)**
	(27.7)

Fund 2

	In Respect of Current Year $'000	In Respect of Prior Years $'000	**2007 Total $'000**
Gross Claims Incurred and Related Expenses Undiscounted	37	(8 806)	**(8 769)**
Other recoveries undiscounted	-	220	**220**
Net Claims Incurred - Undiscounted	37	(8 586)	**(8 549)**
Discount and Discount Movement:			
Gross claims incurred	-	4 353	**4 353**
Other recoveries	-	(902)	**(902)**
Net Discount Movement	-	3 451	**3 451**
Net Claims Incurred	37	(5 135)	**(5 098)**

The net claims incurred during 2006-07 in respect of claims incurred prior to 30 June 2006 was a negative amount of $5.1 million. This is equivalent to 8 percent of the outstanding liability as at 30 June 2007 in respect of claims incurred prior to 30 June 2006. The net claims incurred of negative $5.1 million is a result of:

	2007 $'million
Interest on the 30 June 2006 provision less payments during 2006-07	**4.5**
Release of administration allowance and risk margin in respect of payments during 2006-07	**(3.8)**
Change in actuarial assumptions	**(1.2)**
Experience deviation from expected	**(4.6)**
	(5.1)

23.3 Total Outstanding Claims

Fund 1

	Central Estimate 2007 $'million	Risk Margin 2007 $'million	Indirect Claim Settlements Margin 2007 $'million	**2007 $'million**
Expected future claims payments (inflated/undiscounted)	178.6	40.6	8.8	**228.0**
Discount to present value	(63.8)	(15.3)	(3.2)	**(82.3)**
Total Outstanding Claims	114.8	25.3	5.6	**145.7**

23.3 Total Outstanding Claims (continued)

	2007
Current:	**$'million**
Liability:	
Medical malpractice	**6.3**
Other liability	**4.5**
Property	**7.9**
Total Current Outstanding Claims	**18.7**
Non-Current:	
Liability:	
Medical malpractice	**100.2**
Other liability	**18.9**
Property	**7.8**
Other	**0.1**
Total Non-Current Outstanding Claims	**127.0**
Total Outstanding Claims	**145.7**
Outstanding claims payable to entities internal to the SA Government	**15.7**
Outstanding claims payable to entities external to the SA Government	**130.0**
Total Outstanding Claims	**145.7**

The impact of the revision of the inflation and discount assumptions is detailed below:

	[(1)]Balance under 2006 Assumptions $'million	**Balance under 2007 Assumptions $'million**	Change due to Revision of Assumptions $'million
Medical Malpractice	108.4	**106.5**	(1.9)
Liability	23.7	**23.4**	(0.3)
Property	15.7	**15.7**	-
Other	0.2	**0.1**	(0.1)
Total Outstanding Claims	148.0	**145.7**	(2.3)

(1) The outstanding claims position, both current and non-current, as at 30 June 2007 and the economic assumptions as at 30 June 2006 have been used to identify the impact due to revision of those assumptions.

Fund 2	Central Estimate $'million	Risk Margin $'million	Indirect Claim Settlements Margin $'million	**2007 $'million**
Expected future claims payments (inflated/undiscounted)	67.2	14.4	3.3	**84.9**
Discount to present value	(15.4)	(3.6)	(0.8)	**(19.8)**
Total Outstanding Claims	51.8	10.8	2.5	**65.1**

	2007
Current:	**$'million**
Liability:	
Medical malpractice	**4.0**
Other liability	**12.1**
Property	**8.3**
Total Current Outstanding Claims	**24.4**
Non-Current:	
Liability:	
Medical malpractice	**34.5**
Other liability	**6.1**
Property	**0.1**
Total Non-Current Outstanding Claims	**40.7**
Total Outstanding Claims	**65.1**
Outstanding claims payable to entities internal to the SA Government	**8.4**
Outstanding claims payable to entities external to the SA Government	**56.7**
Total Outstanding Claims	**65.1**

23.3 Total Outstanding Claims (continued)

The impact of the revision of the inflation and discount assumptions is detailed below:

	[(1)]Balance under 2006 Assumptions $'million	**Balance under 2007 Assumptions $'million**	Change due to Revision of Assumptions $'million
Medical Malpractice	39.6	**38.5**	(1.1)
Liability	18.3	**18.2**	(0.1)
Property	8.3	**8.4**	0.1
Other	0.1	**-**	(0.1)
Total Outstanding Claims	66.3	**65.1**	(1.2)

(1) The outstanding claims position, both current and non-current, as at 30 June 2007 and the economic assumptions as at 30 June 2006 have been used to identify the impact due to revision of those assumptions.

23.4 Reconciliation of Movements in Outstanding Claims

Fund 1	2006 Balance $'million	Paid $'million	Reported Claims $'million	IBNR/ IBNER Reserve $'million	Risk Margin $'million	Indirect Claims Settlement Reserve $'million	**2007 Balance $'million**
Medical Malpractice	113.3	(6.6)	1.7	(0.2)	(1.4)	(0.3)	**106.5**
Liability*	36.8	(3.2)	(8.1)	0.6	(2.1)	(0.5)	**23.5**
Property	8.4	(1.6)	7.9	0.1	0.6	0.3	**15.7**
	158.5	(11.4)	1.5	0.5	(2.9)	(0.5)	**145.7**

Fund 2	2006 Balance $'million	Paid $'million	Reported Claims $'million	IBNR/ IBNER Reserve $'million	Risk Margin $'million	Indirect Claims Settlement Reserve $'million	**2007 Balance $'million**
Medical Malpractice	51.3	(10.9)	0.5	-	(2.0)	(0.4)	**38.5**
Liability*	25.8	(4.8)	(1.3)	-	(1.2)	(0.3)	**18.2**
Property	8.5	(0.5)	0.4	-	-	-	**8.4**
	85.6	(16.2)	(0.4)	-	(3.2)	(0.7)	**65.1**

* Includes other.

23.5 Claims Development

The following tables show the development of incurred cost on net undiscounted outstanding claims (Medical Malpractice, Liability and Property) relative to the ultimate expected estimate over the five most recent financial years.

Fund 1

Medical Malpractice

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	Paid to Date $'000	Undiscounted Liability June 2007 $'000	Discount to Present Value $'000
Prior	58 044	43 063	29 409	25 341	32 747	33 683	8 447	25 236	17 833
1998	15 370	9 599	14 692	13 524	13 269	11 713	1 432	10 281	7 040
1999	4 411	2 406	2 315	6 215	11 825	11 364	615	10 749	7 048
2000	7 965	6 190	5 518	9 471	15 422	10 960	6 877	4 083	2 562
2001	11 274	8 879	7 140	7 060	10 273	9 967	345	9 622	6 065
2002	16 522	15 038	13 328	7 581	10 253	9 625	78	9 547	5 798
2003		11 619	21 220	17 077	14 533	13 159	27	13 132	7 779
2004			14 397	12 260	9 012	3 355	12	3 343	1 618
2005				18 826	16 683	12 519	28	12 491	6 187
2006					21 363	17 896	14	17 882	8 671
2007						21 513	12	21 501	10 406
					Totals	155 754	17 887	137 867	81 007

Liability

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002	2003	2004	2005	2006	2007	Paid to Date	Undiscounted Liability June 2007	Discount to Present Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	3 495	4 102	4 778	5 013	6 098	5 716	4 164	1 552	1 386
1998	7 093	6 601	6 459	6 413	7 043	6 268	5 758	510	451
1999	3 877	3 106	3 097	3 132	3 347	2 890	2 590	300	254
2000	3 367	4 157	10 275	8 651	9 614	4 833	4 067	766	684
2001	2 045	2 606	4 214	4 931	7 892	4 784	3 877	907	788
2002	4 226	2 383	2 046	3 402	3 684	3 753	1 582	2 171	1 851
2003		4 670	2 792	2 593	2 280	2 237	1 164	1 073	849
2004			5 078	2 686	3 093	2 733	684	2 049	1 621
2005				6 283	5 187	4 407	460	3 947	3 101
2006					7 922	3 488	202	3 286	2 457
2007						7 366	130	7 236	5 356
					Totals	48 475	24 678	23 797	18 798

Property

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002	2003	2004	2005	2006	2007	Paid to Date	Undiscounted Liability June 2007	Discount to Present Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	10 155	4 919	4 919	4 919	4 915	4 752	4 755	(3)	(3)
1998	263	258	258	258	258	209	209	-	-
1999	361	361	361	361	360	312	312	-	-
2000	1 512	991	984	459	487	492	1 299	(807)	(783)
2001	808	1 256	1 146	1 418	1 386	1 190	1 180	10	10
2002	1 372	4 041	3 802	3 817	1 737	3 872	545	3 327	3 226
2003		1 162	853	586	426	668	668	-	-
2004			2 764	2 920	2 444	4 430	1 258	3 172	2 885
2005				12 812	4 035	4 027	551	3 476	3 113
2006					1 667	2 461	692	1 769	1 543
2007						3 269	305	2 964	2 538
					Totals	25 682	11 774	13 908	12 529

This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

23.6 Recoveries Receivable

Fund 1	**2007 $'million**
Total Discounted Recoveries Receivable before Provision for Doubtful Debts:	
Expected future recoveries (inflated/undiscounted)	**3.0**
Discount to present value	**(0.5)**
Total Discounted Recoveries Receivable before provision for Doubtful Debts	**2.5**
Provision for doubtful debts	**(0.8)**
Total Discounted Recoveries Receivable after Provision for Doubtful Debts	**1.7**
Current:	
Recoveries receivable	**1.4**
Provision for doubtful debts	**(0.2)**
Total Current Recoveries Receivable after Provision for Doubtful Debts	**1.2**
Non-Current:	
Recoveries receivable	**1.1**
Provision for doubtful debts	**(0.6)**
Total Non-Current Recoveries Receivable after Provision for Doubtful Debts	**0.5**
Total Recoveries Receivable after Provision for Doubtful Debts	**1.7**
Current recoveries from entities external to SA Government	**1.2**
Non-current recoveries from entities external to SA Government	**0.5**
Total Recoveries Receivable from Entities External to the SA Government	**1.7**
Total Recoveries Receivable	**1.7**

During some preceding years, the lead reinsurer for Modbury Hospital medical malpractice claims was HIH Insurance Ltd, with a co-reinsurer liable for 30 percent of these claims. It has been deemed prudent to provide a doubtful debt for the HIH Insurance Ltd expected recoveries in relation to this reinsurance. A significant part of the Provision for Doubtful Debts has been written off along with the corresponding recovery asset to more appropriately reflect the amount that might reasonably be expected to be received from the liquidators of HIH Insurance Ltd if a payout was to occur.

23.6 Recoveries Receivable (continued)

Fund 2	**2007 $'million**
Total Discounted Recoveries Receivable before Provision for Doubtful Debts:	
Expected future recoveries (inflated/undiscounted)	**2.0**
Discount to present value	**(0.6)**
Total Discounted Recoveries Receivable before provision for Doubtful Debts	**1.4**
Provision for doubtful debts	**-**
Total Discounted Recoveries Receivable after Provision for Doubtful Debts	**1.4**
Current:	
Recoveries receivable	**0.3**
Provision for doubtful debts	**-**
Total Current Recoveries Receivable after Provision for Doubtful Debts	**0.3**
Non-Current:	
Recoveries receivable	**1.1**
Provision for doubtful debts	**-**
Total Non-Current Recoveries Receivable after Provision for Doubtful Debts	**1.1**
Total Recoveries Receivable after Provision for Doubtful Debts	**1.4**
Current recoveries from entities external to SA Government	**0.3**
Non-current recoveries from entities external to SA Government	**1.1**
Total Recoveries Receivable from Entities External to the SA Government	**1.4**
Total Recoveries Receivable	**1.4**

23.7 Actuarial Assumptions and Methods

SAFA writes four broad classes of general insurance: Property, Liability, Other Liability and Medical Malpractice. Products included in those broad classes are detailed below:

Property (Short Tail)	*Liability (Long Tail)*	*Medical Malpractice*	*Other (Long Tail)*
Aviation Property	Aviation Liability	Medical Malpractice	Other
Buildings and Contents	General Liability		
Consequential Loss	Marine Liability		
Fidelity Guarantee	Other		
General Property	Professional Indemnity		
Machinery Breakdown	Volunteers		
Marine Property	Personal Accident/ Corporate Travel		
Motor Vehicle			
Standing Timber			

Percentage Risk Margin Adopted for Fund 1 and Fund 2

The percentage risk margin adopted to reflect the inherent uncertainty of the central estimate was applied at the following rates by broad class:

	2007 Percent
Liability:	
Medical malpractice	**25**
Other	**20**
Property	**10**
Other	**20**

The process used to determine the risk margin took into account the stochastic nature of insurance, uncertainty regarding the central estimate and environmental uncertainty including:

- random variation in the claim process;
- case estimates subject to movement up or down;
- uncertainty regarding economic and other assumptions used for the central estimate;
- impact of adverse changes in future rates of inflation and interest;
- court precedents for liability claims;
- social attitudes.

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of Australian Prudential Regulation Authority (APRA) guidelines for private sector insurers that a minimum of 75 percent probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75 percent probability that the provision for outstanding claims will be sufficient.

Discount/Inflation Rates

SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims:

	2007
For the succeeding year:	**Percent**
Inflation rate (which includes superimposed inflation)	**7.25**
Discount rate - Medical malpractice	**6.40**
Discount rate - Short tail classes	**6.40**
Discount rate - Long tail classes	**6.40**
For subsequent years:	
Inflation rate (which includes superimposed inflation)	**7.25**
Discount rate - Medical malpractice	**6.40**
Discount rate - Short tail classes	**6.40**
Discount rate - Long tail classes	**6.40**

	Fund 1	Fund 2
Weighted Average Expected Term to Settlement of Outstanding Claims from the Balance Date	**2007 Years**	**2007 Years**
Medical malpractice	**9.30**	**6.70**
Liability (other than medical malpractice)	**4.00**	**1.00**
Property	**1.60**	**0.50**

23.8 *Underwriting Expense*

Fund 1	**2007 $'million**
Underwriting Expense paid/payable to Entities internal to the SA Government:	
Acquisition costs	**(0.2)**
Direct insurance placement revenue	**2.5**
Total Underwriting Expense paid/payable to entities internal to the SA Government	**2.3**
Underwriting Expense paid/payable to Entities external to the SA Government:	
Brokerage revenue	**0.2**
Direct insurance placement revenue	**0.2**
Direct insurance placement expense	**(2.9)**
Total Underwriting Expense paid/payable to Entities external to the SA Government	**(2.5)**
Total Underwriting Expense	**(0.2)**

This information is not produced for Fund 2 as it is not appropriate for its activities.

23.9 *General Insurance Risk Management*

Insurance Risk

SAFA uses a variety of objectives, policies and processes for managing the risk associated with its activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims;
- premium setting methodologies that reflect the latest development in the risks SAFA Insurance division is insuring;
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events;
- regular review of the investment strategy for assets backing insurance liabilities.

23.10 *Financial Risk Management*

Interest Rate Risk

The insurance investments for Fund 1 present no interest rate risk as they are invested with Funds SA in the Growth product. The insurance investments for Fund 2 are invested in the Cash Management Fund. Interest rate risk is present on the cash balance held with Westpac. This account earns an overnight call rate.

Liquidity Risk

A sufficient cash balance is maintained in both Fund 1 and Fund 2 to meet claim payment projections and operational expenses for the current year. Surplus funds for Fund 1 are invested with Funds SA in the Growth product and surplus funds for Fund 2 are invested in the Cash Management Fund.

Credit Risk

The agencies of the SA Government present very little credit risk in the collection of premium revenue as it is mandated that SAFA be used as the Government's captive insurer. In addition, the operations of SAFA's Insurance division are backed by the Treasurer's Indemnity in the event that SAFA could not meet its obligations. Credit risk exists in the form of reinsurance recoveries. Should a participant on the government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

Sensitivity Analysis

The sensitivity analysis tests the sensitivity to key assumptions used in the valuation of outstanding claims liabilities. For this purpose, the case estimates, IBNR percentages, the discount rate and the inflation rate have been considered. The effect of varying the assumed payment pattern has not been considered as the results are not materially sensitive to this assumption. A large variation in the implied average terms to payment would be required to have a significant effect.

Fund 1

	2007			
	Present Value of Outstanding Liability Net of Recoveries	Present Value of Outstanding Liability Net of Recoveries after Analysis	Change from Central Estimate	Change from Central Estimate
1. Case Estimates:	$'000	$'000	$'000	Percent
10 percent increase	112 335	119 495	7 160	6.4
10 percent decrease	112 335	105 176	(7 159)	(6.4)
2. IBNR/IBNER:				
10 percent increase	112 335	116 410	4 075	3.6
10 percent decrease	112 335	108 261	(4 074)	(3.6)
3. Discount Rate:				
Decrease by 1 percent to 5.4 percent	112 335	119 469	7 134	6.4
4. Inflation Rate:				
Decrease by 1 percent to 6.25 percent	112 335	105 900	(6 435)	(5.7)

Fund 2

	2007			
	Present Value of Outstanding Liability Net of Recoveries	Present Value of Outstanding Liability Net of Recoveries after Analysis	Change from Central Estimate	Change from Central Estimate
1. Case Estimates:	$'000	$'000	$'000	Percent
10 percent increase	50 339	55 374	5 035	10.0
10 percent decrease	50 339	45 306	(5 033)	(10.0)
2. Discount Rate:				
Decrease by 1 percent to 5.4 percent	50 339	52 162	1 823	3.6
3. Inflation Rate:				
Decrease by 1 percent to 6.25 percent	50 339	48 655	(1 684)	(3.3)

24. Controlled Entities

SAFA controls certain entities either through ownership or management control. SAFA's controlled entities are:

	Place of Incorporation	Ownership Percent	Investment By SAFA $
South Australian Finance Trust Limited(1)	Aust	-	-
SABT Pty Limited(2)	Aust	-	1

(1) SAFTL is now dormant and it is expected to be wound up in 2007-08 following the wind up of SABT Pty Limited. It is anticipated that SAFTL can be wound up by 30 June 2008.

(2) SABT Pty Ltd was placed in member's voluntary liquidation on 28 June 2006, and a final distribution to the members was declared in May 2007. It is anticipated that the company will be wound up early in 2007-08.

25. Events after Balance Date

No event has arisen since 30 June 2007 that would be likely to materially affect the operations or the state of affairs of SAFA.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Housing Trust (the Trust) was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. The Act provides for the continuation of the Trust as the principal provider of public housing in the State.

Functions

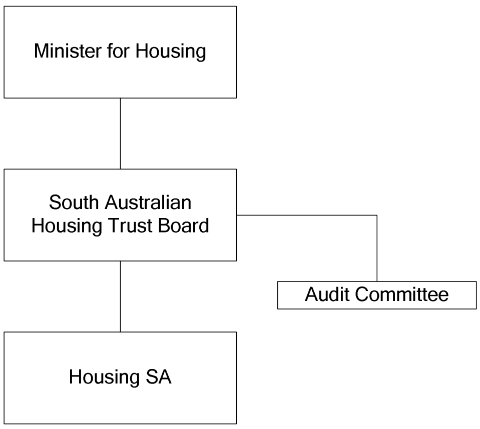
The functions of the Trust include the following:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust manages a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of grant programs managed is detailed in Note 11 to the Trust's financial statements.

Structure

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



Changes to Function and Structure

Arrangements in Place for 2006-07

In May 2006 the Minister for Housing announced a decision to reform housing governance arrangements including the restructure of South Australian housing agencies. To facilitate implementation of the reforms the Trust Board entered into a service level agreement with the Department for Families and Communities (DFC) for the provision of housing services for 2006-07 on behalf of the Trust.

Arrangements Effective 1 July 2007

Effective 1 July 2007, the Trust became responsible for operations previously controlled by the South Australian Aboriginal Housing Authority (SAAHA) and the South Australian Community Housing Authority (SACHA). The changes were effected by the *Statutes Amendment (Affordable Housing) Act 2007* which was proclaimed on 1 July 2007 and provided for dissolving SACHA and transferring the assets and liabilities of SACHA to the Trust. In addition, a regulation under the *Housing and Urban Development (Administrative Arrangements) Act 1995* was proclaimed which dissolved SAAHA and transferred the assets and liabilities of the SAAHA to the Trust with effect from 1 July 2007. The South Australian Housing Trust Board entered into a performance agreement with DFC for the provision of housing services on behalf of the Board effective from 1 July 2007.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

The *South Australian Housing Trust Act 1995* (the Act), subsection 27(2), requires the Trust to keep proper accounting records and to produce financial statements, in respect of each financial year. Section 31 of the PFAA and subsection 27(4) of the Act requires the Auditor-General to audit the accounts of the Trust 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 Trust 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 rent raising and recovery
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- borrowings
- fixed assets, including rental properties
- inventory
- fixed asset and inventory work in progress.

In addition, system operations and activities undertaken by the Department of Health and DFC on behalf of the Trust, which included corporate related services, payroll and aspects of accounts payable processing, were reviewed as part of the audit of those Departments.

Internal Audit

The DFC provide internal audit services to the Trust. Audits are performed by Departmental staff and by contractors from private sector firms. Work undertaken by Internal Audit for the Trust included investigation work and reviews of:

- the Affordable Housing Innovations Fund
- Housing stock management
- Housing allocation.

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 Housing Trust 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 Housing Trust 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 inventory and fixed asset work in progress, financial delegations, accounts payable, rent, maintenance expenditure and water and council rates, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Housing Trust 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 DFC. Major matters raised and the related responses are considered herein.

Inventory and Fixed Asset Work in Progress

The Trust's capital project systems support recording and reporting on the Trust's expenditure on housing projects covering a range of projects, from major urban renewal projects, such as the Westwood redevelopment project to small redevelopments of individual allotments. It is Audit's view that good systems support effective project management and early identification of problems associated with projects. It also supports reliable reporting of this activity in the Trust's financial statements. Account balances supported by these systems include inventory and fixed asset work in progress which were $38 million and $98 million respectively in 2007, and cost of sales for work in progress inventory which was $73 million in 2007 and which has a direct impact on the Net Result reported by the Trust.

The Trust's arrangements for management and control of Capital Projects, and particularly accounting for work in progress, have been the subject of review and comment by Audit in previous years. In prior years Audit has identified a number of weaknesses in controls over accounting for capital projects work in progress.

Audit review in 2006-07 found that the Trust continued to work to address the issues raised previously by Audit including:

- implementing the Project Accounting System (PAS) to record property details and costs for capital projects;
- developing and implementing policies and procedures to support the key processes;
- automating journals from PAS to the general ledger;
- automating some aspects of the work in progress substantiation process;
- increased integration of systems used to manage work in progress.

Whilst certain progress has been achieved there still remains weaknesses in a number of controls previously identified and raised by Audit. Specifically the 2006-07 review found that there was scope to improve:

- systems in place to monitor and review budget versus actual results for individual projects;
- review processes over work in progress account balances. For instance, a number of review processes (ie substantiation processes) which support the integrity of management reporting were not performed throughout the financial year;
- the automation and integration of systems used to manage and control work in progress account balances;
- the documentation of policies and procedures.

In response the Trust advised that it will continue to review the effectiveness of controls over work in progress balances and advised of specific action taken or proposed to address the matters raised by Audit.

Financial Delegations

The Trust has established and operates under a delegations of authority framework. Delegation requirements are also set by TI 8 which was revised with effect from 1 July 2006.

Audit review identified certain matters to be addressed in relation to the framework of delegations of authority developed and implemented by the Trust. The following summarises Audit's key observations:

- The Board had approved delegations for staff to authorise payments, however, the formal approval of the Minister for the Board to grant payment delegations was not obtained as required by TI 8.

- Amendments to the delegations approved by the Trust Board were not reflected in the Trust's documented delegations of authority and communicated to staff.

- The Trust's delegations for the approval of contracts were not consistent with procurement practices implemented.

- The Trust's delegations did not include monetary limits for authorising the payment of certain types of expenditure.

- The financial delegation limits incorporated in the Trust's key financial systems were not updated for changes to the Trust's delegations of authority.

The Trust responded advising the action taken to address the issues raised by Audit. The Trust advised that the revised TI presented a number of operational difficulties and advice is being sought regarding its application from the Department of Treasury and Finance and the Crown Solicitor's Office.

Accounts Payable

The Trust has developed specific systems to control processing and reporting of payments related to maintenance activities and for council and water rates. In addition to these specialised systems the Accounts Payable system controls processing and reporting of a significant volume and value of expenditure related to administration costs, financing costs, capital work in progress and inventory expenditure.

Prior year audits of the Trust's purchasing, approval and accounts payable processes highlighted areas where controls could be improved. Audit review in 2006-07 found many of the issues previously raised were not adequately addressed by the Trust. The more significant observations noted by Audit included:

- the Trust had yet to develop and implement effective monitoring and reporting of the use of the Online Purchase Order system versus the use of manual payment vouchers. Audit considers the Online Purchase Order System incorporates sound controls and the use of the system provides a stronger control environment than can be achieved using manual payment vouchers;

- instances where payments were not processed through the Online Purchase Order System in accordance with the Trust's Purchasing Policy;

- controls to ensure manual payment vouchers were authorised in accordance with the delegations of authority were ineffective;

- there was scope to improve controls to remove system access when Trust staff resign.

The Trust's response advised of measures to address the issues. In regard to the use of the Online Purchase Order system the Trust advised that enhancements to reporting will be implemented which will enhance the monitoring and review of payments.

Rent

The systems, policies and procedures which support raising and collection of rent from tenants are an important part of the Trust's operations and financial management activities. They support:

- recording tenant details and assessing their entitlement to rent rebates;

- periodic review of tenant's continuing entitlement to rent rebates which may change if household composition or income changes;

- control over the write off of tenant debt in accordance with Trust policies.

The audit of the Trust in the past has identified a number of areas for improvement in control procedures related to rent management. In 2006-07 the audit followed up these matters and identified the following areas which require improvement by the Trust.

- There was scope to improve controls to ensure all benefit reviews, which confirm tenants' ongoing entitlement to rent rebates, were performed.

- There was no control to ensure all exceptions recorded on the Income Confirmation Service (ICS) exception reports are investigated and appropriately actioned. The ICS enables the Trust to confirm tenants' incomes directly with Centrelink where the tenants are recipients of Centrelink benefits.

- Proof of Income reviews, which confirm current incomes for tenants who are not covered by the ICS process, were not performed every three months as required by Trust policy.

- There was no self assessment process over key business activities undertaken by the Benefit Review section.

- Rent calculation overrides processed by Benefit Review officers, which enable non-systematic adjustments to tenants' rent, were not independently reviewed.

- Instances were noted where credit notes were not appropriately authorised.

- Instances were noted where debtor write offs/outsourcing of debts were not approved in accordance with the delegations of authority.

- There was a need to improve policies and procedures.

In response the Trust advised of action taken or proposed to address the matters raised. The Trust advised a number of further refinements to the Rent Management System and processes will be implemented to address issues raised by Audit.

Maintenance Expenditure

The Trust manages the costs associated with ownership of Trust properties including their maintenance. Prior year audit reviews found that there was scope to improve contract planning and review processes. Audit review in 2006-07 found:

- maintenance policies and procedures do not adequately address processes which are integral to effective contract management such as evaluation of contractor performance, acquisition planning and succession planning;

- significant maintenance contracts were extended without testing developments in the market and recommendations for contract extensions did not include a formal risk assessment, did not document the alternatives to extending the contracts and did not review past contract performance.

In addition, audit review highlighted areas where it was considered that controls could be improved. The more notable findings included:

- access profiles in the maintenance system for approving orders and invoices were not updated to reflect changes in the Trust's delegations of authority;

- there was scope to improve processes to monitor and review compliance with Trust policy requiring inspection of work carried out by contractors;

- there was a lack of formal analysis of invoices inspected to assess maintenance contractors' performance;

- the review of user access levels within the Maintenance system was ineffective;

- the performance of pre-qualified contractors was not regularly reviewed and the registration of a number of pre-qualified contractors was extended for five years without reviewing their performance;

- instances where zone contracts were awarded to contractors without undertaking a public tender process as required by the Trust Board;

- a variation to the Maintenance Centre contract (ie an increase in the negotiated contract fee) was not approved in accordance with the Trust's delegations of authority.

The Trust responded advising of the actions being taken to address the issues raised by Audit. The Trust's indicated that procurement policies and procedures for contract planning and review processes will be reviewed as part of the implementation of the outcomes of the Maintenance Service Delivery Review and development of the Maintenance Works system.

Water and Council Rates

Water and Council Rates expenditure processed through the Water/Council Rate system represents a significant expenditure ($53 million in 2006-07) item for the Trust. Audit review in 2006-07 found that the Trust had not establish a mechanism to ensure all SA Water and Council rate payments are authorised prior to disbursement, some SA Water transactions were authorised subsequent to payment and Council rate transactions were checked but not formally authorised.

The Trust advised that it implemented an authorisation procedure for Water and Council rate payments to ensure compliance with the Trust's Levels of Authority.

Service Level Agreements

Audit review found that the Trust had entered into service level agreements with DFC for the provision of services to the Trust. Audit considers service level agreements ensure roles and responsibilities are clearly defined and agreed to by each party to the agreement. Audit review found that:

- performance reviews provided for in service level agreements were not performed;
- key performance indicators specified in the service level agreement for the provision of corporate services were not monitored or reported upon;
- billing arrangements detailed in service level agreements were not complied with;
- service level agreement fee schedules for corporate services were not agreed to and signed off on a timely basis.

In response the Trust advised the service level agreement was seen as an administrative document setting out reporting and approval processes and therefore it was considered that the review was unnecessary. It was also considered that the billing arrangements were unnecessary. It is expected that a new service level agreement will be established reflecting structural changes that have occurred following the implementation of legislative changes.

Affordable Housing Innovations Fund

The Affordable Housing Innovation Fund (the Fund) was established in 2004-05 with an upfront investment of $15 million from the State Government to facilitate the sale of existing Trust housing stock and the reinvestment of funds into new affordable and high need accommodation opportunities.

Audit review in 2006-07 included a review of the accounting arrangements for the Affordable Housing Innovations Fund which identified the following matters:

Policies and Procedures

The 2005-06 audit identified scope to improve documentation regarding the operation of the fund. Audit follow up in 2006-07 found that the Trust had not finalised, approved and promulgated to staff policies and procedures relating to the operation of the Fund.

SACHA and SAAHA EquityStart Contributions

The business case supporting the establishment of the Fund provided for housing agencies including SAAHA and SACHA to make contributions to the Fund from the proceeds of EquityStart sales. Audit review noted that SACHA and SAAHA did not make contributions to the Fund from proceeds of the sale of community and aboriginal housing assets as provided for in the EquityStart business case. Furthermore, Audit found that SACHA and SAAHA had not developed policies for EquityStart sale contributions.

Review by Internal Audit

During 2006-07 Internal Audit conducted a high level overview of progress made in establishing control processes for decision making, approvals, delegations, contractual arrangements and monitoring. Overall the review found that controls were in the formative or establishment stages. The review identified a number of areas for further improvement including:

- adopting all elements of the business judgement rule to assist in demonstrating due diligence in decision making;

- establishing more formal assessment of implementation feasibility as part of decision making;
- aligning contractual conditions with the risk profile of each proposal;
- establishing risk based monitoring.

The Trust advised that work had been undertaken developing policies and procedures for the Fund. Draft policies and procedures dealing with the administration of the Fund were prepared and are under consideration by the Trust. Further work and consultation will be undertaken on other policy areas.

Payroll

DFC was responsible for processing payroll transactions for staff assigned to the Trust in accordance with a service level agreement. Audit review of the Department's payroll function revealed that internal controls over the processing of the payroll transactions were ineffective in key areas including:

- bona fide certificate processes;
- leave recording and management processes;
- policies and procedures relating to variance reporting and investigation processes.

Further commentary on these matters is provided under the DFC section of this Report under the heading 'Communication of Audit Matters - Payroll'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

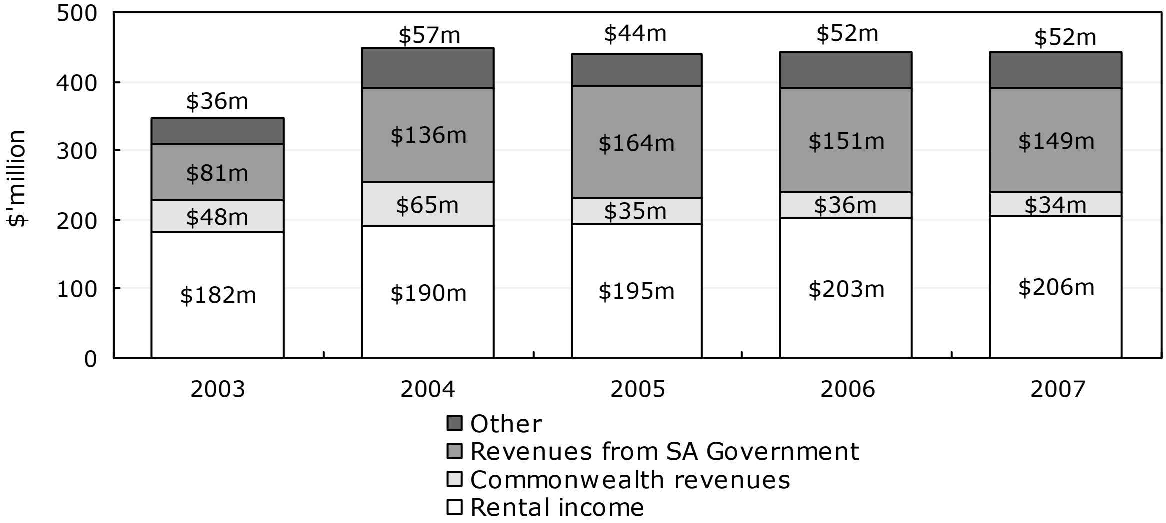
Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
INCOME			
Rental income	**206**	203	1
Commonwealth revenues	**34**	36	(6)
Revenues from SA Government	**149**	151	(1)
Other	**52**	52	-
Total Income	**441**	442	-
EXPENSES			
Staffing costs	**43**	43	-
Finance costs	**40**	42	(5)
Maintenance	**77**	74	4
Council rates and water charges	**53**	51	4
Land tax equivalent	**123**	116	6
Depreciation and amortisation	**60**	59	2
Other expenses	**101**	66	53
Total Expenses	**497**	451	10
Net Result	**(56)**	(9)	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(9)**	26	-
ASSETS			
Current assets	**190**	190	-
Non-current assets	**6 053**	5 786	5
Total Assets	**6 243**	5 976	4
LIABILITIES			
Current liabilities	**56**	54	4
Non-current liabilities	**747**	767	(3)
Total Liabilities	**803**	821	(2)
EQUITY	**5 440**	5 155	6

Income Statement

Income

For the five years to 2007 a structural analysis of Income for the Trust is presented in the following chart. The chart highlights that total income has remained relatively constant over the past four years. The chart also shows that over the past two years there has been a decline in State Government grants while Commonwealth Government grants has remained relatively constant.

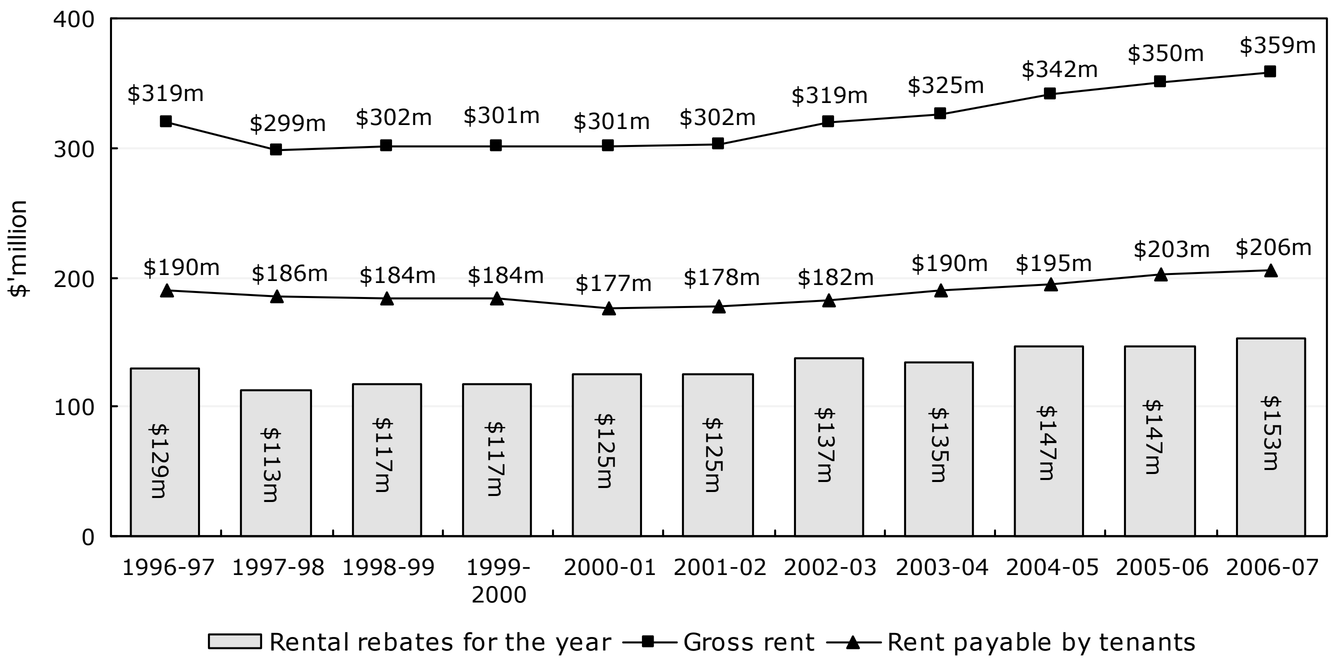


Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 6184 (7716) new applications for tenancies and was able to house 2953 (2995) new tenants during the year. The level of housing stock, excluding unlettable properties, was 44 886 (45 455) at 30 June 2007.

The trend identified in previous years, of a high proportion of Trust tenants being eligible for reduced rent due to low income, continued and, at 30 June 2007, 35 972 (36 618) tenants or 85 percent (85 percent) of all tenants paid reduced rent. Tenancy data excludes special needs housing. Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The continued trend is illustrated in the following chart:

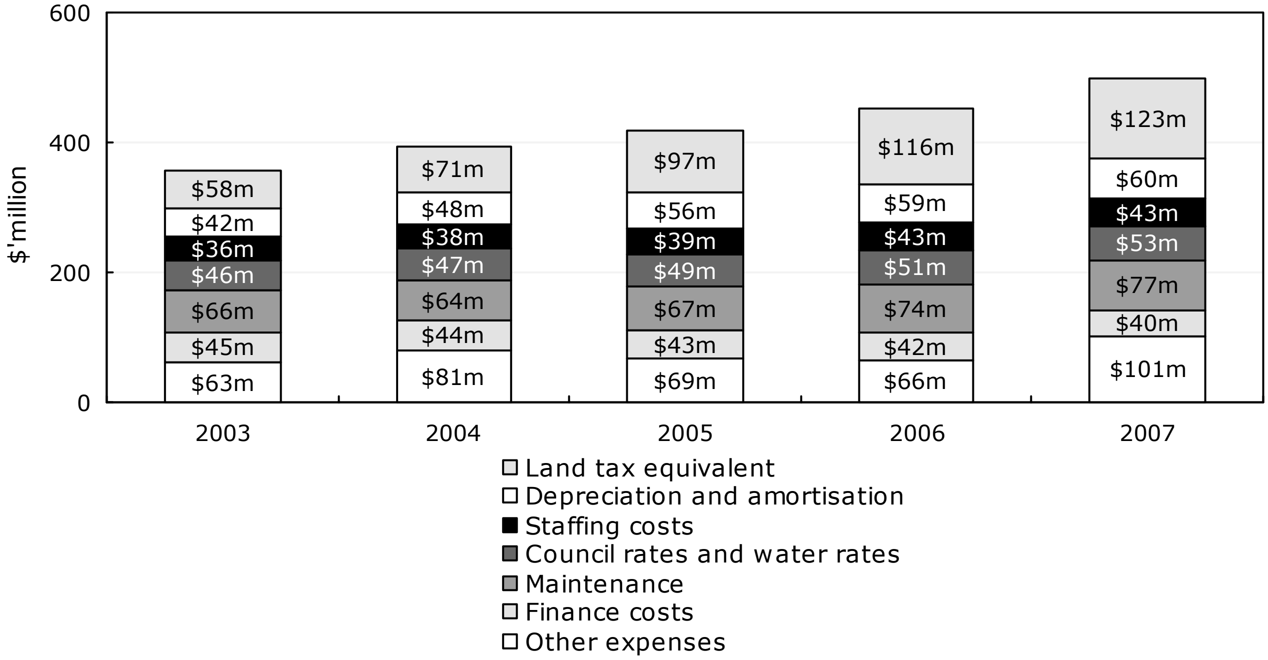
Trust Rental Income



The chart highlights that Gross Rent has steadily increased over the last four years due to increases in market rents. In 2007 Gross Rent increased 3 percent ($9 million), Rent Revenue increased 1 percent ($3 million) and Rent Rebates increased 4 percent ($6 million).

Expenses

For the five years to 2007, a structural analysis of the major expense items for the Trust is shown in the following chart.



The chart shows an upward trend in expenses, mainly as a result of higher Land Tax Equivalent expenses.

In 2007 total expenses increased by $46 million (10 percent). This increase was due mainly to increases in Land Tax Equivalent ($7 million) and Other Expenses ($35 million). The increase in the Land Tax Equivalent expense reflects increased values in Trust owned properties. The increase in Other Expenses was due mainly to a $20 million increase in grants paid during the year, an increase in asset write-offs ($9 million) and an increase in the Trust's bad and doubtful debts expense ($2 million).

Grant Funded Programs

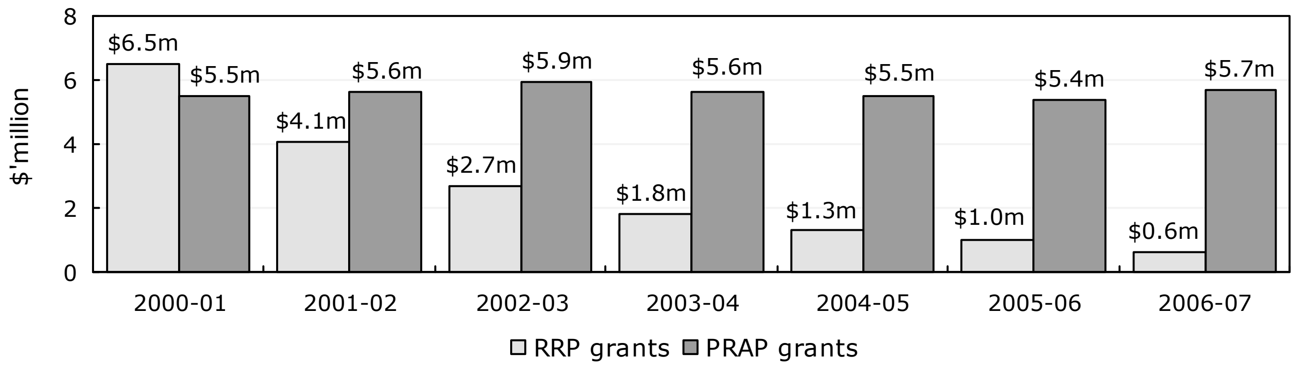
The Trust's recurrent direct expenditure with respect to grant funded programs was $37 million ($16 million). The $21 million increase was due mainly to:

- the transfer of $5 million to DFC to provide a non-recourse grant to a not for profit organisation for the Common Ground Project. The project is to provide accommodation for people who are homeless or at risk of homelessness;
- a grant totalling $18 million to the SACHA to repay outstanding Authority debt in accordance with the Financial Viability Strategy approved by Cabinet.

These increases were offset by decreases in Crisis Accommodation Program payments ($1.8 million) and Social Inclusion Initiative Program payments ($1.3 million).

Rent Relief Program and Private Rental Assistance Program

The following chart shows the changing level of grant funded spending (excluding administration costs) over the past seven years for the Rent Relief Program (RRP) and the Private Rental Assistance Program (PRAP).



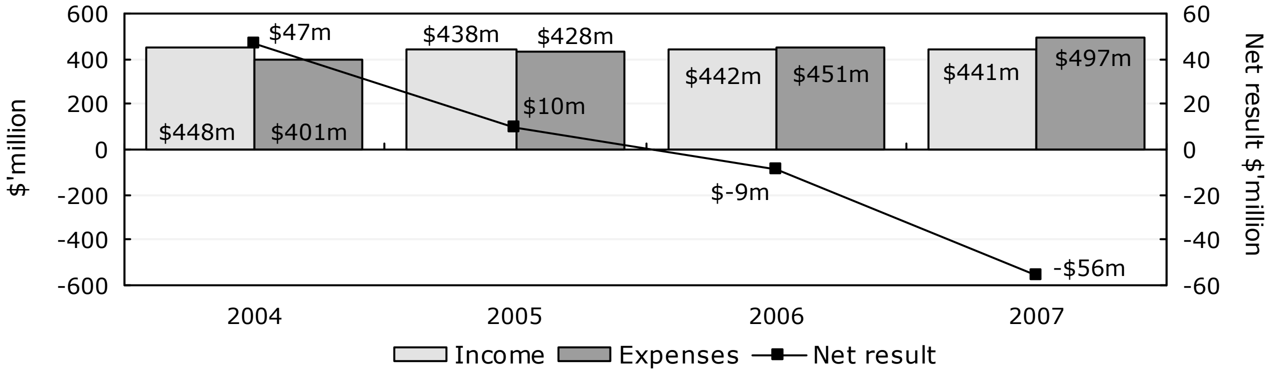
The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by providing payments to tenants, of amounts up to $25 per week. The graph shows an ongoing reduction in the number of beneficiaries following closure of the scheme to new entrants in May 2000 and the full closure of the scheme in February 2007. The number of recipients of assistance for the year to 30 June 2007 was 913 (990). This reduction resulted in a decrease in RRP grant payments of $427 000.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing an information service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short-term emergency accommodation in Trust houses. Grant payments for the program in 2007 increased by $249 000.

The PRAP includes a bond guarantee scheme which enables the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by $300 000 from $12.9 million to $13.2 million as at 30 June 2007.

Net Result

The following chart shows the income and expenses (including Income Tax Equivalent) and net result for the five years to 2007.



The chart demonstrates that the Trust recorded a deficit in 2003 followed by surpluses in 2004 and 2005 and losses in 2006 and 2007. The loss recorded in 2007 was $56 million.

The deficit recorded in 2007 is largely attributable to the reallocation of housing funds from Trust operations to other areas of State housing operations. This included:

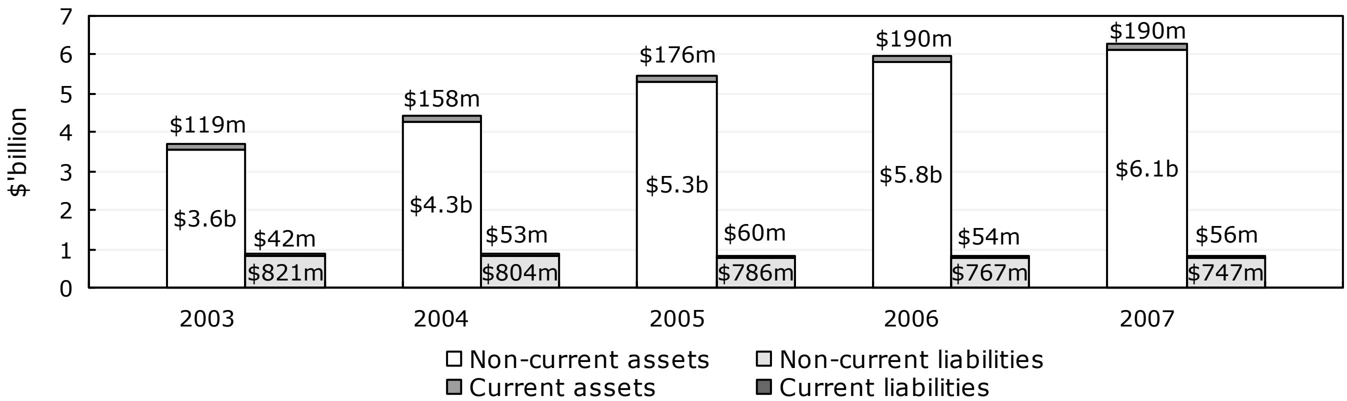
- a $5 million grant to DFC to support the Common Ground initiative;
- the transfer of $18 million to SACHA to fund the repayment of SACHA debt;
- payments totalling $5 million made to HomeStart Finance to meet the cost of subsidised home loans.

The deficit also reflects an increase in other expenses categories including asset write offs and an increase in the Trust's Bad and Doubtful debts expense. Refer to commentary provided under the 'Expenses' heading for further details.

In addition, excluding the effect of the Tax Equivalent Regime Funding, the Trust received $8.4 million less funding from the South Australian Government in 2007 compared to the previous year.

Balance Sheet

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



The analysis shows a decrease in liabilities of 7 percent ($60 million) over the period of review, in comparison to an increase in assets of 69 percent ($2.6 billion) over the same period.

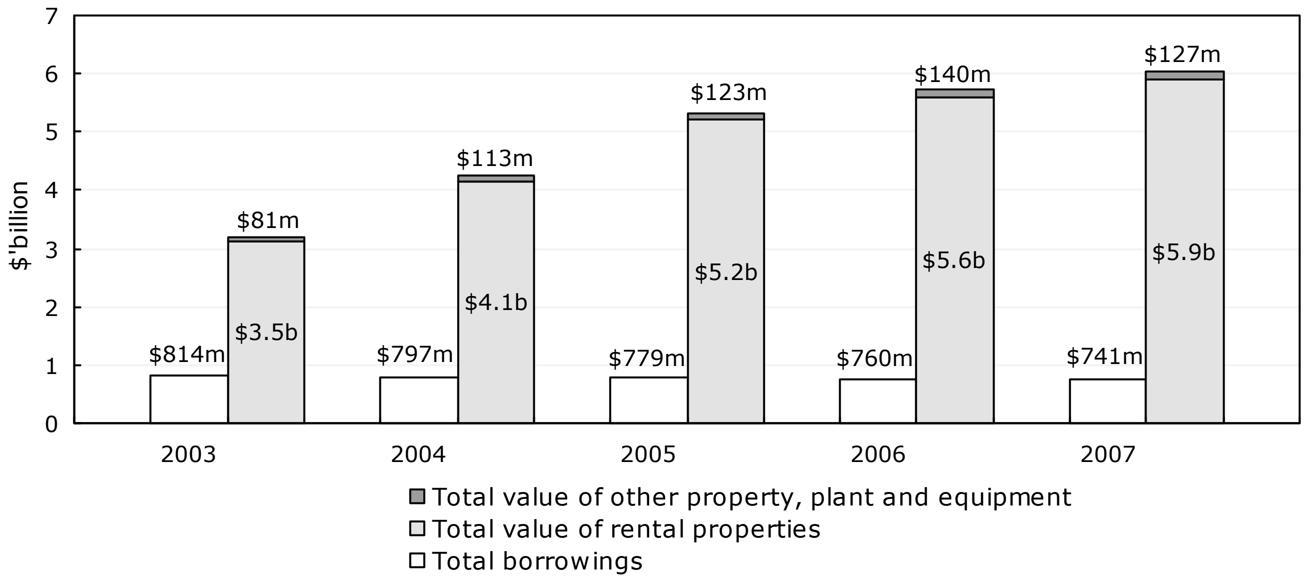
Over the period there has been a significant increase in the value of non-current assets which is due primarily to the continued upward trend in the property market. The value of Trust's rental property increased by $2.4 billion or 69 percent over this period. As at 30 June 2007 the value of the Trust's rental properties was $5.9 billion ($5.6 billion).

The increase in property values has occurred notwithstanding that there has been a reduction of 3385 in the number of properties held over the same period.

The decrease in liabilities over the period is due primarily to the reduction in Trust concessional interest rate borrowings due to principal repayments. Refer to further commentary under the 'Indebtedness' heading.

Indebtedness

The following chart demonstrates the ongoing reduction in Trust indebtedness over the past five years in comparison to the increase in the value of the Trust's assets. Notably, the chart highlights a 9 percent ($73 million) decrease in borrowings over the period against a 69 percent increase ($2.4 billion) in property values.



Cash Flow Statement

	2007 **$'million**	2006 $'million	2005 $'million	2004 $'million	2003 million
Net Cash Flows					
Operations	**(9)**	26	61	72	28
Investing	**28**	(3)	(31)	(29)	(10)
Financing	**(20)**	(19)	(17)	(17)	(16)
Change in Cash	**(1)**	4	13	26	2
Cash at 30 June	**97**	98	94	81	55

In 2007 the Trust recorded a small net cash deficit of $1 million compared to a net cash surplus of $4 million in 2006.

The change in net cash flows from operations is largely attributable to the transfer of funds from the Trust to other Housing agencies as is detailed under the 'Net Results' heading and a decrease in cash receipts from the State Government.

The Trust's operating cashflow deficit for 2007 was funded from a net cash inflow from Investing activities as the Trust realised $144 million from the sale of Property, Plant and Equipment and committed $116 million on investment in Trust assets.

Net cash outflows from Financing activities have increased consistently over the five years of review reflecting repayments of borrowings in accordance with repayment schedules.

Income Statement
for the year ended 30 June 2007

	Note	**2007** **$'000**	2006 $'000
EXPENSES:			
Staffing costs	6	**42 543**	42 822
Supplies and services	7	**20 528**	18 676
Business service fees	8	**16 948**	15 570
Rental properties expenses	9	**253 582**	242 412
Depreciation and amortisation	10	**59 895**	58 630
Grants and subsidies	11	**36 645**	16 483
Finance costs	12	**40 133**	41 725
Other expenses	13	**26 843**	15 269
Total Expenses		**497 117**	451 587
INCOME:			
Rental income	15	**205 594**	202 622
Interest Revenue	16	**6 688**	6 116
Net gain from disposal of assets	17	**29 543**	28 691
Recoveries	18	**11 969**	12 379
Commonwealth revenues	19	**34 372**	35 868
Other revenue	20	**3 840**	5 241
Total Income		**292 006**	290 917
Net Cost of Providing Services		**205 111**	160 670
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	21	**149 415**	151 361
Net Result Before Income Tax Equivalents		**(55 696)**	(9 309)
Income tax equivalent expense		**-**	-
NET RESULT AFTER INCOME TAX EQUIVALENTS		**(55 696)**	(9 309)

Net Result after Income Tax Equivalents is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash	33	**97 467**	98 114
Receivables	22	**14 042**	15 175
Inventories	23	**60 742**	70 924
Non-current assets classified as held-for-sale	24	**17 423**	6 213
Total Current Assets		**189 674**	190 426
NON-CURRENT ASSETS:			
Inventories	23	**846**	727
Property, plant and equipment	25	**6 043 185**	5 774 247
Intangible Assets	26	**8 759**	10 537
Receivables	22	**97**	218
Total Non-Current Assets		**6 052 887**	5 785 729
Total Assets		**6 242 561**	5 976 155
CURRENT LIABILITIES:			
Payables	27	**23 482**	23 132
Interest-bearing liabilities	28	**20 285**	19 663
Provisions	29	**4 034**	3 281
Other liabilities	30	**7 854**	8 275
Total Current Liabilities		**55 655**	54 351
NON-CURRENT LIABILITIES:			
Interest-bearing liabilities	28	**720 504**	740 789
Provisions	29	**17 611**	17 672
Payables	27	**5 993**	5 271
Other non-current liabilities	30	**2 677**	2 864
Total Non-Current Liabilities		**746 785**	766 596
Total Liabilities		**802 440**	820 947
NET ASSETS		**5 440 121**	5 155 208
EQUITY:			
Retained earnings		**1 045 898**	1 031 570
Asset revaluation reserve		**4 394 223**	4 123 638
TOTAL EQUITY		**5 440 121**	5 155 208

Total Equity is attributable to the SA Government as owner

Commitments for expenditure	31
Contingent assets and liabilities	32

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

	Note	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Restated Balance at 30 June 2005		3 647 871	975 036	4 622 907
Gain on revaluation of property during 2005-06:				
Decrement in rental houses due to revaluation:				
Transferred to capital works		(38 720)	-	(38 720)
Subject to sales contract		(816)	-	(816)
Increment in freehold land and buildings due to revaluation		581 146	-	581 146
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(65 843)	-	(65 843)
Realisation of asset revaluation reserve on sale of freehold land and buildings		-	65 843	65 843
Net income recognised directly in equity for 2005-06		475 767	65 843	541 610
Net Result After Income Tax Equivalent for 2005-06		-	(9 309)	(9 309)
Total Recognised Income and Expense for 2005-06		475 767	56 534	532 301
Balance at 30 June 2006		4 123 638	1 031 570	5 155 208
Gain on revaluation of property during 2006-07:				
Decrement in rental houses due to revaluation:				
Transferred to capital works		(36 684)	-	(36 684)
Subject to sales contract		(583)	-	(583)
Increment in freehold land and buildings due to revaluation		377 876	-	377 876
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(70 024)	-	(70 024)
Realisation of asset revaluation reserve on sale of freehold land and buildings		-	70 024	70 024
Net income recognised directly in equity for 2006-07		270 585	70 024	340 609
Net Result After Income Tax Equivalent for 2006-07		-	(55 696)	(55 696)
Total Recognised Income and Expense for 2006-07		270 585	14 328	284 913
Balance at 30 June 2007		**4 394 223**	**1 045 898**	**5 440 121**

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
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Staffing costs		**(43 465)**	(43 737)
Supplies and services		**(17 069)**	(25 741)
Business service fees		**(16 935)**	(17 229)
Rental property expenses		**(252 884)**	(242 299)
Grants and subsidies		**(36 645)**	(16 483)
Interest paid		**(33 871)**	(35 948)
Other finance costs		**(4 908)**	(4 588)
GST remitted to DFC		**(6 414)**	(2 586)
GST payments on purchase		**(3 439)**	(2 535)
Other payments		**(5 357)**	(645)
Cash used in Operations		**(420 987)**	(391 791)
CASH INFLOWS:			
Rent received		**197 762**	193 418
Recoveries received		**11 969**	12 379
Other receipts		**2 672**	2 914
Receipts from Commonwealth		**34 372**	35 868
Interest received		**6 587**	6 145
GST receipts on receivables		**3 852**	3 710
GST receipts from DFC		**5 334**	1 792
Cash generated from Operations		**262 548**	256 226
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**149 415**	161 120
Cash generated from SA Government		**149 415**	161 120
Net Cash (used in) provided by Operating Activities	33	**(9 024)**	25 555
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase or construction of property, plant and equipment		**(115 765)**	(130 249)
Purchase of intangibles		**(762)**	(3 812)
Cash used in Investing Activities		**(116 527)**	(134 061)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**144 311**	131 333
Proceeds from interest bearing receivables		**13**	102
Cash generated from Investing Activities		**144 324**	131 435
Net Cash provided by (used in) Investing Activities		**27 797**	(2 626)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(19 420)**	(18 559)
Cash used in Financing Activities		**(19 420)**	(18 559)
Net Cash (used in) provided by Financing Activities		**(19 420)**	(18 559)
NET (DECREASE) INCREASE IN CASH HELD		**(647)**	4 370
CASH AT 1 JULY		**98 114**	93 744
CASH AT 30 JUNE	33	**97 467**	98 114

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

	Tenancy Management		Asset Management		Private Rental Assistance		Program Total	
	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	**26 615**	26 934	**11 744**	11 464	**4 184**	4 424	**42 543**	42 822
Supplies and services	**13 339**	7 317	**5 298**	8 213	**1 891**	3 146	**20 528**	18 676
Business service fees	**9 591**	11 812	**5 751**	3 758	**1 606**	-	**16 948**	15 570
Rental property expenses	**2 279**	2 192	**251 280**	240 202	**23**	18	**253 582**	242 412
Depreciation and amortisation	**1 043**	1 309	**58 661**	57 002	**191**	319	**59 895**	58 630
Grants and subsidies	**1 321**	4 280	**29 309**	5 815	**6 015**	6 388	**36 645**	16 483
Finance costs	**821**	736	**39 189**	40 868	**123**	121	**40 133**	41 725
Other expenses	**6 126**	3 565	**18 999**	9 762	**1 718**	1 942	**26 843**	15 269
Total Expenses	**61 135**	58 145	**420 231**	377 084	**15 751**	16 358	**497 117**	451 587
INCOME:								
Rental income	**205 573**	202 602	**21**	20	**-**	-	**205 594**	202 622
Interest revenue	**-**	-	**6 688**	6 116	**-**	-	**6 688**	6 116
Net gain from disposal of assets	**-**	-	**29 543**	28 691	**-**	-	**29 543**	28 691
Recoveries	**1 695**	2 291	**6 824**	6 515	**3 450**	3 573	**11 969**	12 379
Commonwealth revenues	**26 692**	27 765	**-**	-	**7 680**	8 103	**34 372**	35 868
Other revenue	**2 379**	2 194	**1 335**	2 933	**126**	114	**3 840**	5 241
Total Income	**236 339**	234 852	**44 411**	44 275	**11 256**	11 790	**292 006**	290 917
Net Cost of Providing Services	**175 204**	176 707	**(375 820)**	(332 809)	**(4 495)**	(4 568)	**(205 111)**	(160 670)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**11 659**	14 771	**133 275**	131 917	**4 481**	4 673	**149 415**	151 361
NET RESULT BEFORE INCOME TAX EQUIVALENTS	**186 863**	191 478	**(242 545)**	(200 892)	**(14)**	105	**(55 696)**	(9 309)
Income tax equivalent expense	**-**	-	**-**	-	**-**	-	**-**	-
NET RESULT AFTER INCOME TAX EQUIVALENTS	**186 863**	191 478	**(242 545)**	(200 892)	**(14)**	105	**(55 696)**	(9 309)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Housing Trust

1.1 Objectives

The South Australian Housing Trust (the Trust) is the State's principal public housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act) and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement that defines the objectives and responsibilities of the Trust.

The role of the Trust is to assist low income and special needs households and individuals to access appropriate housing. This is achieved by direct provision of public housing and through a variety of programs and services. The *South Australian Housing Trust Act 1995* lists the key functions of the organisation as being to:

- assist people to secure and maintain affordable and appropriate housing;
- provide houses to meet public and community housing requirements;
- manage public housing assets so as to ensure acceptable rates of return and to protect the value of the assets over the longer term;
- undertake programs for the improvement of community housing within the State and to support various housing programs.

In achieving these functions, the Trust and its Board are accountable to the South Australian State Government through the Minister for Housing. Regular reporting is undertaken by the Trust on progress against programs and associated activities undertaken to achieve these programs.

1.2 Changes to Corporate Structure

Under section 17 of the Act the Trust 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 Trust delivers its services through DFC.

The role of Housing SA is to act as the agent for the Trust, 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. Housing SA, on behalf of the Trust, also has an expanding role as an urban renewal authority and as a partner in the development of affordable housing projects.

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 34 for further details.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- TIs and the APSs promulgated under the provision of the PFAA;
- applicable AASs;
- other mandatory professional reporting requirements in Australia;

AASs include AIFRS and AAS 29. The Trust has early-adopted the amendments to AASB 101. Refer to Note 4.

The Trust'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 have been revalued.

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 Trust's financial report includes only Trust items. The Trust's financial statements include assets, income, expenses and liabilities, controlled or incurred by the Trust in its own right.

2.3 Comparative Figures

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

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, the Trust is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit of the Trust.

The Trust is liable for payroll tax, FBT, GST, land tax equivalents and Emergency Services Levy on vacant properties.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is the DFC, which is responsible for paying GST and is entitled to claim input tax credits. Administrative arrangements between DFC and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Balance Sheet.

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 Trust as a purchaser that is not recoverable from the Australian Taxation Office (ATO) (through DFC) 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;
- 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.

2.6 Income and Expenses

Income and Expenses are recognised in the Trust'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 another 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.

Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no tenant will be required to pay more than 25 percent of their household income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Revenues received from SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

Grants received for any purpose have been included as revenue upon receipt.

Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer. Refer to Note 17 for further details.

When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

Recoveries for costs on-charged to tenants by the Trust are included as income.

Finance costs are recognised as an expense.

2.7 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Trust 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.

2.8 Receivables

The majority of receivables relate to rent in respect of rental properties. Rents are 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 services to other agencies and to the public are subject to 30 days settlement terms.

Under a new methodology the 2007 provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2007. The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 6.5 percent per annum, based on the risk free rate as at 30 June 2007, an estimate of future debt write off of 6.5 percent per annum and an assumption that 90 percent of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered.

2.9 Inventories

At 31 October 2006, the carrying amount of real property inventories, other than those subject to development as capital work in progress, have been compared with an independent valuation undertaken by the Valuer-General as at 1 July 2006 and where the carrying amount exceeded this valuation, the carrying amount has been reduced to reflect the independent valuation.

Inventories of stores are carried at cost.

2.10 *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. The Trust capitalises all non-current physical assets with a value of $5000 or greater in accordance with APF III.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet unless they are acquired as part of a restructuring of administrative arrangements, in which case they are recorded at the value recorded by the transferor prior to transfer.

Plant and equipment are carried at cost, which is deemed to be fair value.

Assets held for sale are disclosed as a separate asset class and are valued at the lower of carrying amount or net realisable value, allowing for selling costs.

2.11 *Capital Works in Progress*

Capital works in progress reflects assets under construction that will either be sold or utilised in the Trust's operations. The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses (Notes 6 and 7 disclose the amount of capitalised salary and administrative expenses) and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility/pre-construction costs. Once complete, the carrying value of a constructed asset is compared to its market value and an adjustment is effected to ensure that the carrying amount does not exceed fair value, in accordance with APF III.

2.12 *Revaluation of Non-Current Assets*

In accordance with APF III the Trust revalues all land and buildings annually at 31 October. Assets are revalued to reflect the Valuer-General's values (for rating purposes) issued as at 1 July where the Valuer-General's value is 'the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale' in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

The Trust, as part of its operations, transfers non-current assets from one class to another and in doing so also transfers the relevant asset revaluation component from one class to another within the Equity asset revaluation reserve accounts. However, if the transferred assets have a revaluation component attached to them and their new class has a previous un-recouped decrement, the assets revaluation component shall remain in the asset revaluation reserve balance but unattached to an individual asset.

2.13 *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 physical assets such as property, plant and equipment.

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

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

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

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Rental properties (dwellings) *	Straight line	50
Administrative properties	Straight line	10-30
Plant and equipment	Straight line	3-10
Intangibles	Straight line	3

* 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 capital works in progress and vacant properties (which consist mainly of land) are not depreciated.

2.14 *Intangible Assets*

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 and when the amount of expenditure is greater than or equal to $5000, in accordance with APF III APS 2.16.

All research and development projects that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of three years, commencing from the time the asset is put into production.

2.15 *Impairment*

An impairment loss was calculated by way of an actuarial review on the balance of receivables. Refer to Note 2.8 for details of the basis of assessing the provision for loss on receivables. The impairment loss of $7.661 million ($4.62 million) has been offset against receivables. This loss has been recognised in the Income Statement under 'Other Expenses'.

All other 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. If the amount by which the asset's carrying amount exceeds the recoverable amount is material it is recorded as an impairment loss.

A review of Intangible Work in Progress identified impairment losses totalling $5.294 million ($548 000) which have been recognised in the Income Statement under Other Expenses.

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

2.16 *Payables*

Payables include creditors, accrued expenses, amounts payable to DFC for employee entitlements, employment on-costs and workers compensation.

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 Trust.

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 amounts are measured at their nominal amount, are unsecured and are normally settled within 30 days in accordance with TI 11 after the Trust receives an invoice.

The Trust is an exempt employer under the WRCA.

The workers compensation provision relating to DFC employees who provide services to the Trust has been recognised in the Balance Sheet as an amount payable by the Trust to the Department.

The workers compensation liability recognised for the employees who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2007 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2007. For the 2006-07 financial year the Trust has reflected a workers compensation provision of $1.395 million ($1.332 million).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future. No provision for recovery of costs is included as it is expected to be immaterial.

2.17 *Employee Benefits*

The SAHT recognises in the Balance Sheet accruing entitlements of employees of the DFC who provide services on behalf of the Trust under a service level agreement as an amount payable by the Trust.

In determining the outstanding payable to DFC, the Trust 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 Trust 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.

2.18 Superannuation

The accruing superannuation entitlements of DFC employees who provide services to the Trust under a service level agreement have been recognised in the Balance Sheet as an amount payable by the Trust to the Department of Treasury and Finance.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary, but did not make employer contributions to Super SA to cover this liability. Consequently the Trust recognises a provision to the Department of Treasury and Finance for this superannuation liability. This liability is subject to annual payment, including interest, such that it will be extinguished by 31 December 2025 as advised by the Department of Treasury and Finance (Super SA).

The liability at 30 June 2007 is based on the last actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in June 2003. The Trust has been notified by Super SA that the scheduled actuarial review for 30 June 2007 could not be carried out due to contributors no longer being separately identified as relating to the Trust and so the liability remains based on the 30 June 2003 figure. The Trust is negotiating with the Department of Treasury and Finance to formally convert this provision to an interest-bearing liability with the Treasurer in 2007-08 at the currently reported value of $19.043 million.

Since 1 July 1995 the Trust has paid to the Department of Treasury and Finance (State Superannuation Fund) the incremental cost of its superannuation obligations as they are incurred.

During the year the Trust has provided for employer superannuation contributions at the average rate of 11 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 65 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

2.19 Insurance Provisions

The Trust has arranged, through the South Australian Government Financing Authority, SAICORP Division (SAICORP), to insure all major risk of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

The provision for Rental Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date and the unexpensed write-down estimate of properties that have not been repaired and may be sold in a damaged condition. The provision for Rental Purchase and Sale Under Agreement properties represents an estimate for future claim payments for claims incurred but not reported at balance date.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

2.20 Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Income Statement on a straight line basis, which is representative of the pattern of benefits derived from the leased items.

As at 30 June 2007 the Trust has no finance leases.

2.21 Unearned Revenue

Unearned revenue includes lump sums received for leases assigned on Trust properties that are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

3. Financial Risk Management

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt. Note 28 details the interest rates applicable to interest bearing liabilities and Note 33 details the interest rates applicable to the cash held in the bank accounts.

The Trust has significant non-interest bearing assets (cash on hand and on call, and receivables) and liabilities (payables); and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Trust's exposure to market risk and cash flow interest risk is minimal.

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

3. Financial Risk Management (continued)

The entity has calculated net fair value for concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

In relation to liquidity/funding risk, the continued existence of the Trust in its present form, and with its present programs, is dependent on Government policy for the Trust's administration and outputs.

4. Changes in Accounting Policies

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

5. Programs of the Trust

In achieving its objectives, the Trust has organised its operations into the following business programs:

Tenancy Management

Management of public housing tenancies including assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, tenancy management, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies.

Asset Management

Management of public housing assets including maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs.

Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

6. Staffing Costs

	2007	2006
	$'000	$'000
Salaries and wages	**33 613**	33 347
Superannuation	**4 488**	4 317
Annual leave	**3 242**	3 556
Payroll tax	**2 495**	2 501
Other employee expenses	**1 749**	1 680
Long service leave	**1 584**	1 506
Workers compensation	**547**	582
TVSPs	**-**	427
Board fees	**267**	152
Charged to capital program	**(5 442)**	(5 246)
Total Staffing Costs	**42 543**	42 822

TVSPs

Amount paid to these employees:		
TVSPs	**-**	427
Annual leave and long service leave paid during the reporting period	**-**	116
	-	543
Recovery from the Department of Treasury and Finance	**-**	427

Number of employees who were paid TVSPs during the reporting period was nil (5).

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2007** **Number**	2006 Number
$100 000 to $109 999	**9**	7
$110 000 to $119 999	**2**	1
$120 000 to $129 999	**1**	-
$130 000 to $139 999	**1**	-
$150 000 to $159 999	**1**	3
$160 000 to $169 999	**2**	-
$180 000 to $189 999	**-**	1
$190 000 to $199 999	**1**	-
$240 000 to $249 999	**1**	1
Total Number of Employees	**18**	13

Remuneration of Employees (continued)
The table includes all DFC employees who were paid by the Trust under the Service Level Agreement with DFC 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 $2.3 million ($1.7 million).

Remuneration of Board and Committee Members
Members that were entitled to receive remuneration for membership during 2006-07 for services provided to Boards and Committees were:

SAHT Governing Board (appointed by the Governor)	*South Australian Affordable Housing Trust Board* (appointed by the Board)	*Audit Committee*
M Marsland (Chair)	M Marsland	M Patetsos (Chair)
M Patetsos	M Patetsos	J Connolly
M Slatter (term expired 31 March 2007)	G Crafter	M Marsland
D Lee	T Byrt	D Lee
J Connolly	E Bowman	J Dance
J Dance	T Maras	G Foreman
G Foreman		

The following additional committees have been disclosed in accordance with APF II APS 4.12:

Homes for 100 Project Committee	*Westwood Urban Renewal Project Committee*
W Cossey (Chair)	M Kourakis (1)
G Starick (1)	D Lee
D Caudrey (1)	R Payze
P Fagan-Schmidt (1)	

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

The Trust Board comprises seven members appointed by the Governor. The fees paid to board members in their capacity as board members are set by Executive Council.

The number of board and committee members whose remuneration from the Trust falls within the following bands:	**2007 Number**	2006 Number
$0 - $10 000	**6**	4
$10 001 - $20 000	**4**	6
$20 001 - $30 000	**4**	1
$30 001 - $40 000	**2**	-
$40 001 - $50 000	**1**	-
	17	11

	2007 $'000	2006 $'000
Total remuneration received, or due and received by board and committee members	**209**	152
Amounts paid to a superannuation plan for board and committee members	**19**	15

Transactions between members were 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 within the SA Government:	Note	**2007 $'000**	2006 $'000
Insurance		**1 778**	1 577
Accommodation expenses		**3 992**	3 363
Debt management		**315**	278
Contractors		**139**	56
Motor vehicles		**14**	10
Audit fees	14	**287**	253
Total Supplies and Services - SA Government Entities		**6 525**	5 537

7. Supplies and Services (continued)

	2007	2006
Supplies and Services provided by Entities external to the SA Government:	**$'000**	$'000
Insurance	**3 418**	2 369
Contractors	**5 588**	5 325
Accommodation expenses	**2 901**	3 267
Printing, stationery and postage	**1 348**	1 478
Computer expenses	**698**	649
Agent fees	**1 306**	1 186
Administration expenses	**817**	1 096
Communications	**686**	902
Debt management	**259**	236
Travel and accommodation	**444**	497
Staff development	**240**	263
Consultants	**180**	237
Other customer related expenses	**210**	230
Tenant relocation	**298**	201
Charged to capital program	**(4 390)**	(4 797)
Total Supplies and Services - Non-SA Government Entities (2)	**14 003**	13 139
Total Supplies and Services	**20 528**	18 676

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Trust engaging in input taxed activities, not holding a valid tax invoice or reimbursing payments related to a third party.

(2) The total may include supplies and services paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less that $100 000.

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	**6**	**25**	8	30
Between $10 000 and $50 000	**6**	**155**	8	140
Above $50 000	**-**	**-**	1	67
Total Paid/Payable to the Consultants Engaged	**12**	**180**	17	237

8. Business Service Fees

	2007	2006
	$'000	$'000
Computing services and processing charges	**7 934**	7 362
Motor vehicles hire charges	**2 086**	1 866
Human resources services	**1 152**	1 840
Records management and mail services	**895**	785
GST expense	**831**	830
Geographical information services	**797**	-
Legal and financial services	**488**	229
Internal audit services	**475**	388
Payroll services	**471**	459
Administration premises management	**469**	459
Staff training	**461**	775
Telecommunications management and charges	**231**	-
Purchasing and supplies	**228**	313
Insurance	**160**	170
Business planning and quality assurance	**127**	-
Other	**143**	94
Total Business Service Fees	**16 948**	15 570

9. Rental Property Expenses

Rental Property Expenses provided by Entities within the SA Government:		
Land tax equivalent	**122 849**	115 898
Water rates	**21 850**	21 689
Stamp duty	**260**	639
Valuations	**133**	129
Emergency Services Levy	**134**	124
Total Rental Property Expenses - SA Government Entities	**145 226**	138 479
Rental Property Expenses provided by Entities external to the SA Government:		
Maintenance	**77 335**	74 079
Council rates	**30 718**	29 519
Property expenses	**303**	335
Total Rental Property Expenses - Non-SA Government Entities (3)	**108 356**	103 933
Total Rental Property Expenses	**253 582**	242 412

(3) The total may include Rental Property Expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than $100 000.

10. Depreciation and Amortisation

	2007	2006
	$'000	$'000
Depreciation:		
Rental properties	**58 053**	56 168
Plant and equipment	**179**	147
Administrative properties	**175**	99
Total Depreciation	**58 407**	56 414
Amortisation:		
Intangible assets	**1 047**	1 551
Leasehold improvements	**441**	665
Total Amortisation	**1 488**	2 216
Total Depreciation and Amortisation	**59 895**	58 630

11. Grants and Subsidies

Grants and Subsidies paid/payable to Entities within the SA Government:		
Common ground initiative payment to DFC	**5 000**	-
Affordable housing initiatives	**5 251**	5 811
Debt retirement funding (4)	**17 745**	-
Total Grants and Subsidies - SA Government Entities	**27 996**	5 811
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Private rental assistance	**5 654**	5 405
Affordable housing initiatives	**1 312**	-
Crisis accommodation	**805**	2 614
Social inclusion initiatives	**322**	1 663
Rent relief	**556**	983
Other	**-**	7
Total Grants and Subsidies - Non-SA Government Entities (5)	**8 649**	10 672
Total Grants and Subsidies	**36 645**	16 483

(4) Funds transferred to SA Community Housing Authority for repayment of SACHA debt prior to proclamation of *Statutes Amendment (Affordable Housing) Act 2007*.

(5) The total may include Grants and Subsidies paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than $100 000.

12. Finance Costs

	2007	2006
	$'000	$'000
Interest on borrowings	**33 871**	34 741
Treasurer's guarantee fee	**4 890**	5 777
Interest accrued against provision for superannuation	**1 372**	1 207
Total Finance Costs - SA Government Entities	**40 133**	41 725

13. Other Expenses

Other Expenses paid/payable to Entities external to the SA Government:		
Asset write-offs (6)(7)	**12 823**	8 668
Computer systems write offs (8)	**5 294**	549
Bad debts expense	**4 769**	5 915
Doubtful debts expense	**3 040**	(20)
Construction variances	**854**	103
Other	**63**	54
Total Other Expenses - Non-SA Government Entities (9)	**26 843**	15 269
Total Other Expenses	**26 843**	15 269

(6) The 2006-07 balance of Asset write-offs includes an immaterial amount of $418 000 ($607 000) relating to prior period adjustments.

(7) Expensing of book value of assets demolished.

(8) A review of Intangible Work in Progress identified impairment losses totalling $5.294 million ($548 000) which related to system development projects.

(9) The total may include Other Expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than $100 000.

14. Auditors' Remuneration

	2007	2006
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	**287**	253
Total Auditor's Remuneration - SA Government Entities	**287**	253

Other Services

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

15. Rental Income

	2007	2006
Rent received/receivable from Entities external to the SA Government:	**$'000**	$'000
Market rent income	**359 066**	350 316
Less: Rental rebates	**153 472**	147 694
Total Rental Income - Non-SA Government Entities [10]	**205 594**	202 622
Total Rental Income	**205 594**	202 622

(10) The total may include rental income received or receivable from SA Government entities where the amount received or receivable from the SA Government entity was less than $100 000.

16. Interest Revenue

Interest from entities within the SA Government	**6 506**	6 015
Interest from entities external to the SA Government	**182**	101
Total Interest Revenue	**6 688**	6 116

17. Net Gain from Disposal of Assets

Rental Properties:		
Proceeds from disposal	**46 931**	49 677
Net book value of assets disposed [11][12]	**41 329**	48 221
Net Gain from Disposal Rental Properties	**5 602**	1 456
Inventory - Capital Works in Progress:		
Proceeds from disposal	**96 627**	80 501
Net book value of assets disposed [12]	**72 951**	55 311
Net Gain from Disposal of Completed Projects	**23 676**	25 190
Inventory - Vacant Land:		
Proceeds from disposal	**657**	2 231
Net book value of assets disposed [12]	**392**	186
Net Gain from Disposal of Vacant Land	**265**	2 045
Total Assets:		
Total proceeds from disposal	**144 215**	132 409
Total value of assets disposed [12]	**114 672**	103 718
Net Gain from Disposal of Assets	**29 543**	28 691

(11) The cost of sales comprise the carrying amount of the properties at the depreciated Valuer-General's property valuations, plus the costs of marketing and agent fees and the cost of separating services and titles in respect to double units sold. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

(12) The balance of total value of assets disposed in 2006-07 includes an immaterial amount of $2.009 million ($1.618 million) relating to prior period adjustments.

18. Recoveries

	2007	2006
Recoveries received/receivable from Entities within the SA Government:	**$'000**	$'000
Administrative services to other agencies	**3 569**	4 267
Total Recoveries - SA Government Entities	**3 569**	4 267
Recoveries received/receivable from Entities external to the SA Government:		
Maintenance	**3 746**	3 637
Private Rental Assistance Program	**2 784**	2 868
Water charges	**1 870**	1 607
Total Recoveries - Non-SA Government Entities	**8 400**	8 112
Total Recoveries	**11 969**	12 379

19. Commonwealth Revenues

Rebate subsidy grant	**23 580**	24 671
Private Rental Assistance Program	**7 097**	7 306
Crisis accommodation	**3 112**	3 093
Rent relief	**583**	798
Total Commonwealth Revenues	**34 372**	35 868

20. Other Revenue

Write-back of asset decrements	**1 127**	2 326
Bad debts recovered	**2 397**	2 134
Other	**316**	781
Total Other Revenue - Non-SA Government Entities	**3 840**	5 241

21. Revenues from SA Government

	2007	2006
	$'000	$'000
Tax equivalent reimbursement	**123 134**	116 640
CSHA general base funding	**11 530**	12 080
Other capital programs	**6 264**	4 609
Private rental assistance	**3 503**	3 608
General purpose	**3 200**	4 292
Social inclusion initiatives	**807**	2 667
Housing improvement and rent control	**730**	580
Rent relief	**247**	355
Affordable Housing Initiative	**-**	3 500
Partial GST compensation	**-**	3 030
Total Revenues from SA Government	**149 415**	151 361

22. Receivables

	2007	2006
Current:		
Receivables	**20 402**	17 616
Less: Provision for doubtful debts	**7 661**	4 620
GST receivable	**379**	792
Accrued revenues	**818**	774
TVSP recoverable	**-**	427
Prepayments	**89**	171
Interest bearing receivables	**15**	15
Total Current Receivables	**14 042**	15 175
Non-Current:		
Receivables	**41**	150
Interest bearing receivables	**56**	68
Total Non-current Receivables	**97**	218
Total Receivables	**14 139**	15 393

Government/Non-Government Receivables

	2007	2006
Receivables from SA Government Entities:		
Receivables	**5 471**	2 581
GST receivable from DFC	**379**	792
Accrued revenues	**668**	624
TVSP recoverable	**-**	427
Prepayments	**25**	-
Total Receivables - SA Government Entities	**6 543**	4 424
Receivables from Non-SA Government Entities		
Receivables	**14 973**	15 185
Accrued revenues	**150**	150
Prepayments	**63**	171
Interest bearing receivables	**71**	83
Less: Provisions for doubtful debts	**7 661**	4 620
Total Receivables - Non-SA Government Entities (13)	**7 596**	10 969
Total Receivables	**14 139**	15 393

(13) The total may include receivables from SA Government entities where the amount due from the SA Government entity was less than $100 000.

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days. 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 received on demand.

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

The Trust has some minor interest bearing receivables relating to Shared Home Ownership mortgages.

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 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.

Movements in the provision for doubtful debts (impairment loss):	**2007**
	$'000
Carrying amount at 1 July	**4 620**
Increase in the provision	**7 810**
Amounts written-off	**(4 769)**
Carrying Amount at 30 June	**7 661**

Bad and Doubtful Debts

The Trust has recognised a bad and doubtful debts expense of $7.809 million ($5.896 million) in the Income Statement.

23. Inventories

	2007	2006
Current:	**$'000**	$'000
Capital work in progress	**37 117**	45 843
Developed land	**21 378**	22 615
Vacant land	**2 247**	2 466
Total Current Inventories	**60 742**	70 924

The Trust does not have any inventories 'held for distribution' as defined in AASB 102.

Non-Current:		
Capital work in progress	**846**	727
Total Non-Current Inventories	**846**	727
Total Inventories	**61 588**	71 651

24. Non-Current Assets Classified as Held-for-Sale

Current:		
Rental properties:		
Land	**9 189**	2 835
Buildings	**8 234**	3 378
Total Non-Current Assets Classified as Held-for-Sale	**17 423**	6 213

Non-Current Assets classified as held-for-sale relate to rental properties that are no longer required for public rental. These properties are offered for sale to the existing tenant (if tenanted) in the first instance and then to the public through listing with an agent.

The properties included in this category have either been contracted for sale and settlement is anticipated to occur within the next 12 months, or are currently listed for sale with an agent. Historical evidence shows that properties listed for sale generally sell within 6-8 weeks of listing.

25. Property, Plant and Equipment

	2007	2006
Rental Properties:	**$'000**	$'000
Land:		
Land at Fair Value (14)	**3 025 029**	2 849 819
Buildings:		
Buildings at fair value (14)	**2 931 207**	2 821 520
Accumulated depreciation	**(39 659)**	(37 501)
Total Buildings	**2 891 548**	2 784 019
Total Rental Properties	**5 916 577**	5 633 838
Administrative Properties:		
Land:		
Freehold Land	**1 001**	785
Buildings:		
Buildings	**2 834**	2 196
Accumulated depreciation	**(141)**	(66)
Total Buildings	**2 693**	2 130
Leasehold improvements:		
Leasehold improvements	**5 014**	4 914
Accumulated depreciation	**(2 491)**	(2 049)
Total Leasehold Improvements	**2 523**	2 865
Total Administrative Properties	**6 217**	5 780
Vacant Land:		
Land:		
Freehold Land	**20 870**	15 294
Improvements:		
Improvements	**461**	25
Total Vacant Land	**21 331**	15 319
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**1 512**	1 551
Accumulated deprecation	**(737)**	(696)
Total Plant and Equipment	**775**	855
Capital Works in Progress:		
Freehold land	**64 853**	79 843
Buildings	**33 432**	38 612
Total Capital Works in Progress	**98 285**	118 455
Total Property, Plant and Equipment (15)	**6 043 185**	5 774 247

(14) Includes $30.879 million ($29.779 million) for properties subject to lease and management agreements and $13.227 million ($14.607 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme. It excludes $151 000 ($145 000) for a property transferred to the South Australian Aboriginal Housing Authority (SAAHA) that is subject to management agreement with the Trust.

(15) The 2006-07 balance of Total Property, Plant and Equipment includes an immaterial amount of $114 000 ($1.633 million) relating to prior period adjustments.

26. Intangible Assets

	2007	2006
Software:	**$'000**	$'000
Internally generated computer software	**7 881**	6 965
Accumulated amortisation	**(4 963)**	(4 523)
Total Computer Software	**2 918**	2 442
Work in progress computer system development	**5 841**	8 095
Total Intangible Assets	**8 759**	10 537

27. Payables

Current:		
Creditors	**12 502**	15 834
Employee entitlements	**3 725**	3 524
Accrued expenses	**6 481**	1 941
GST payable	**382**	1 462
Workers compensation	**392**	371
Total Current Payables	**23 482**	23 132
Non-Current:		
Employee entitlements	**4 721**	4 112
Workers compensation	**1 041**	961
Creditors	**231**	198
Total Non-Current Payables	**5 993**	5 271
Total Payables	**29 475**	28 403
Payables to SA Government Entities:		
Creditors	**1 366**	5 883
Employee entitlements	**8 446**	7 636
Workers compensation	**1 433**	1 332
Accrued expenses	**3 323**	1 721
GST payable to DFC	**382**	1 462
Total Payables - SA Government Entities	**14 950**	18 034
Payables to Non-SA Government Entities:		
Creditors	**11 366**	10 149
Accrued expenses	**3 159**	220
Total Payables to Non-SA Government Entities (16)	**14 525**	10 369
Total Payables	**29 475**	28 403

(16) The total may include Payables to SA Government Entities where the amount payable to the SA Government entity was less than $100 000.

Trade creditors and accruals are raised for all amounts due but unpaid. Creditors are normally settled within 30 days.

All creditors, employee entitlements, workers compensation, accrued expenses and taxes are non-interest bearing.

28. Interest Bearing Liabilities

	2007	2006
Current:	**$'000**	$'000
Borrowings - SA Department of Treasury and Finance	**20 042**	19 420
Managed houses scheme	**243**	243
Total Current Interest Bearing Liabilities	**20 285**	19 663
Non-Current:		
Borrowings - SA Department of Treasury and Finance	**717 043**	737 085
Managed Houses Scheme	**3 461**	3 704
Total Non-Current Interest Bearing Liabilities	**720 504**	740 789
Total Interest Bearing Liabilities - SA Government Entities	**740 789**	760 452

Department of Treasury and Finance loans consist of concessional interest rate borrowing (originally under the Commonwealth/State Housing Agreement), of $737.1 million ($756.5 million) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent to 5.73 percent (3.0 percent to 5.73 percent). The weighted average interest rate is 4.5 percent (4.5 percent).

The fair value of the Concessional Housing Loans is $590.541 million ($633.614 million).

29. Provisions

	2007	2006
Current:	**$'000**	$'000
Superannuation	**1 432**	1 377
Public risk	**1 424**	1 012
Insurance of rental and purchase agreement properties	**1 027**	700
Professional indemnity	**151**	192
Total Current Provisions - SA Government Entities	**4 034**	3 281
Non-Current:		
Superannuation	**17 611**	17 672
Total Non-Current Provisions - SA Government Entities	**17 611**	17 672
Total Provisions	**21 645**	20 953

	Super-annuation $'000	Insurance of of Rental and Purchase Agreement Properties $'000	Public Risk $'000	Professional Indemnity $'000	**2007 Total $'000**
Carrying amount at 1 July	19 049	700	1 012	192	**20 953**
Additional provisions recognised	1 371	3 013	1 738	2	**6 124**
Payments made	(1 377)	(2 686)	(1 326)	(43)	**(5 432)**
Carrying Amount at 30 June	19 043	1 027	1 424	151	**21 645**

30. Other Liabilities

	2007	2006
Current:	**$'000**	$'000
Rent received in advance	**5 116**	5 508
Deposits held:		
Tenant deposits held	**2 163**	2 116
Sale deposits held	**255**	528
Unearned revenue	**320**	123
Total Current Other Liabilities	**7 854**	8 275
Non-Current:		
Unearned revenue	**2 677**	2 864
Total Non-Current Other Liabilities	**2 677**	2 864
Total Other Liabilities	**10 531**	11 139
Other Liabilities - SA Government Entities:		
Rent received in advance	**126**	126
Unearned revenue	**1 794**	883
Total Other Liabilities - SA Government Entities	**1 920**	1 009
Other Liabilities - Non-SA Government Entities:		
Rent received in advance	**4 990**	5 382
Deposits held:		
Tenant deposits held	**2 163**	2 116
Sale deposits held	**255**	528
Unearned revenue	**1 203**	2 104
Total Other Liabilities - Non-SA Government Entities (17)	**8 611**	10 130
Total Other Liabilities	**10 531**	11 139

(17) The total may include Other Liabilities to SA Government Entities where the amount payable to the SA Government entity was less than $100 000.

31. Commitments for Expenditure

Capital Commitments

Capital expenditure contracted for 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	**43 604**	27 236
Later than one year but not later than five years	**989**	1 000
Later than five years	**-**	-
Total Capital Commitments	**44 593**	28 236

Recurrent Commitments

The Trust's recurrent commitments are for agreements for expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable, are as follows:

	2007	2006
	$'000	$'000
Not later than one year	**6 635**	6 850
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
Total Recurrent Commitments	**6 635**	6 850

Management Agreement Commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with Funds SA and Colonial First State (formerly Motor Accident Commission) which are contracted but not provided for and payable. The commitments are as follows:

	2007	2006
	$'000	$'000
Not later than one year	**1 070**	1 052
Later than one year but not later than five years	**4 554**	4 477
Later than five years	**15 111**	16 418
Total Management Agreement Commitments	**20 735**	21 947

Operating Lease Commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

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

	2007	2006
	$'000	$'000
Not later than one year	**4 999**	4 609
Later than one year but not later than five years	**11 302**	13 347
Later than five years	**2 035**	2 479
Total Operating Lease Commitments	**18 336**	20 435

32. Contingent Assets and Liabilities

Contingent Assets

The Trust does not have any contingent assets as at 30 June 2007.

Contingent Liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 65 of the properties included in the scheme are subject to mortgages with a collective loan balance of $1.915 million ($2.29 million). The tenants' share of the value of the properties subject to mortgage is estimated to be $6.128 million ($6.552 million), based on the Valuer-General's overall capital value.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and, due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $3.499 million ($3.9 million). These properties together with the Trust's and the SAAHA rental properties are subject to an agency agreement with the South Australian Government Financing Authority, SAICORP Division, and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the SAAHA to $1 million.

Properties Subject to Lease Agreement

The Trust transferred properties to the SAAHA that are subject to a lease/management agreement. The agreement provides for the Trust to purchase the properties on vacancy of the current SAAHA tenant. The total value of properties subject to this agreement is $151 000 ($145 000).

Bonding Agreements with Local Government

The Trust is required by the City of Port Adelaide Enfield to execute Bonding Agreements in relation to the Trust's Gilles Plains and Kilburn South projects. The Council requires the agreements to be supported by a guarantee from the South Australian Government Financing Authority. As at 30 June 2007 the bond stands at $943 000 ($882 000).

Bond Guarantee Scheme
Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The Trust recovers amounts reimbursed to the Residential Tenancies Branch from the private rental customer. The value of bond guarantees issued and outstanding at 30 June 2007 is $13.221 million ($12.861 million). The value of claims made this financial year is $2.654 million ($2.844 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

33. Cash Flow Reconciliation

	2007	2006
Reconciliation of cash - Cash at 30 June:	$'000	$'000
Cash Flow Statement	**97 467**	98 114
Balance Sheet:		
Deposits with the Treasurer	**24 354**	25 125
Cash held at SAFA Cash Management Fund	**70 779**	70 940
Cash - Development projects	**1 696**	1 423
Deposits at call with other entities	**597**	586
Cash on hand	**41**	40
Total Cash per Balance Sheet	**97 467**	98 114

	2007	2006
Reconciliation of Net Cash (used in) provided by Operating Activities to Net Cost of Providing Services:		
Net cash inflows from operating activities	**(9 024)**	25 555
Less: Revenues from SA Government	**149 415**	151 361
	(158 439)	(125 806)
Add (Less): Non-Cash Items:		
Depreciation and amortisation	**(59 895)**	(58 630)
Loan amortisation	**243**	243
Administrative charges to Systems Development Projects	**3 605**	2 622
Write-off of computer software	**(5 284)**	(580)
Buildings written-off	**(12 823)**	(8 668)
Provision for doubtful debts	**(3 041)**	20
Provision for insurance	**(698)**	(53)
Construction variance	**(854)**	(103)
Revaluation adjustment	**1 127**	2 326
Net gain from disposal of assets	**29 543**	28 691
Notional interest on superannuation provision	**(1 372)**	(1 207)
	(49 449)	(35 339)
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	**1 949**	(8 141)
(Increase) Decrease in payables	**(886)**	4 599
(Increase) Decrease in provisions	**1 378**	1 324
(Increase) Decrease in other liabilities	**336**	2 693
	2 777	475
Net Cost of Providing Services	**(205 111)**	(160 670)

Deposits with the Treasurer
Relates to working cash held in the Westpac Working account through the Department of Treasury and Finance.

Cash Held at South Australian Government Financing Authority (SAFA)
In August 2004 a policy decision was made to hold surplus cash in a Cash Management Fund at SAFA. The cash balance being held includes funds relating to the Affordable Housing Initiative.

Cash - Development Projects
Relates to ANZ accounts held for Playford and Westwood development projects.

Deposits at Call with Other Entities
Tenants can make payments through Australia Post. This account relates to monies received by Australia Post on behalf of the Trust that have not been transferred to the Westpac working account as at balance date.

Interest rates applicable at 30 June 2007:

Deposits with the Treasurer:	5.68 percent to 6.10 percent (5.10 percent to 5.40 percent)
Cash - Development Projects:	3.70 percent to 6.28 percent (2.58 percent to 5.67 percent)
Cash held at SAFA Cash Management Fund:	5.88 percent to 6.41 percent (5.60 percent to 5.70 percent)

34. Events After Balance Date

The *Statutes Amendment (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 SAAHA and SACHA. The assets and liabilities of SAAHA and SACHA will, from 1 July 2007, be included in the financial statements of the Trust. Housing SA of the DFC will provide the required housing services and functions on behalf of South Australian Housing Trust Board under a Performance Agreement and delegations.

The Trust is reviewing whether it will continue with the development of an in-house developed replacement maintenance works system. If the in-house development project does not proceed the Trust will expense relevant project costs incurred to date in 2007-08.

35. Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2006-07.

	Rental Properties		Admin Properties		
	Land $'000	Buildings $'000	Land $'000	Buildings $'000	Leasehold Improvements $'000
Carrying amount at 1 July	2 849 819	2 784 019	785	2 130	2 865
Additions	32 128	63 376	145	536	405
Maintenance upgrades	-	13 259	-	-	-
Assets classified as held for sale 2006-07	(6 354)	(4 857)	-	-	-
Disposals	(89 372)	(45 417)	-	-	(306)
Revaluation increment (decrement)	238 808	138 795	71	202	-
Depreciation and amortisation expenses	-	(58 053)	-	(175)	(441)
Depreciation and amortisation on disposals	-	426	-	-	-
Depreciation and amortisation on net revaluation decrements	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying Amount at 30 June	3 025 029	2 891 548	1 001	2 693	2 523

	Vacant Land			Capital Work in Progress		
	Land $'000	Improvements $'000	Plant & Equipment $'000	(18)Land $'000	(18)Buildings $'000	**Total Property Plant & Equipment $'000**
Carrying amount at 1 July	15 294	25	855	79 843	38 612	**5 774 247**
Additions	8 792	436	99	-	-	**105 917**
Maintenance upgrades	-	-	-	-	-	**13 259**
Assets classified as held for sale 2006-07	-	-	-	-	-	**(11 211)**
Disposals	(4 414)	-	(138)	(14 990)	(5 180)	**(159 817)**
Revaluation increment (decrement)	1 127	-	-	-	-	**379 003**
Depreciation and amortisation expenses	-	-	(179)	-	-	**(58 848)**
Depreciation and amortisation on disposals	-	-	138	-	-	**564**
Other movements	71	-	-	-	-	**71**
Carrying Amount at 30 June	20 870	461	775	64 853	33 432	**6 043 185**

(18) These movement amounts represent the net movement in Capital Works in Progress accounts.

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Metropolitan Fire Service (SAMFS) was established under the *South Australian Metropolitan Fire Service Act 1936*. On 1 October 2005, *the Fire and Emergency Services Act 2005* came into operation. That Act repealed the *South Australian Metropolitan Fire Service Act 1936* but continued the existence of SAMFS as a body corporate and established the South Australian Fire and Emergency Services Commission (SAFECOM). SAFECOM, in performing its functions, may give directions to the SAMFS, except in relation to matters dealing with emergency situations.

Functions

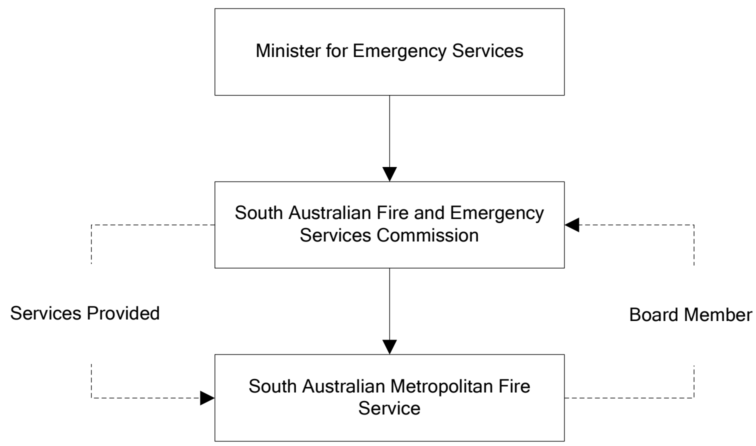
SAMFS has the following functions:

- To provide services with a view to preventing the outbreak of fires, or reducing the impact of fires in any fire district.
- To provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue.
- To protect life, property and environmental assets from fire or other emergencies in any fire district.
- To develop and maintain plans to cope with the effects of fires or emergencies in any fire district.
- To provide services or support to assist with recovery in the event of a fire or other emergency in a fire district.

Structure

The Chief Officer of SAMFS is responsible for the management and administration of SAMFS and is also a board member of SAFECOM.

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



SAFECOM provides various services in support of SAMFS's primary functions, including financial management and accounting services.

SAMFS's financial management is reliant on information and reporting provided by SAFECOM.

The operations of SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 52(2) of the *Fire and Emergency Services Act 2005* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of SAMFS 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 SAMFS 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 for SAMFS for 2006-07 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.

The audit included access to systems and information maintained by SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information. Specific areas of audit attention included:

- corporate governance
- budgetary control
- payroll
- expenditure
- revenue
- 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 Metropolitan Fire Service 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 Metropolitan Fire Service 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 outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire 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 a management letter to the Chief Officer of SAMFS. The response to the management letter was generally considered to be satisfactory. The matters raised with SAMFS and the related responses are outlined below.

As previously mentioned, SAMFS is reliant on financial management and information support from SAFECOM. In that context, in reviewing the following comments, reference should also be made to the audit commentary on matters raised with SAFECOM included in that particular section of this Report. Those matters relate to legislative compliance and governance and financial accounting systems and processes.

Strategic and Business Planning

Audit raised that the SAFECOM Board had endorsed a requirement for quarterly status reporting against business plans from business units to the Chief Officers/Chief Executive and to the SAFECOM Board. Although SAMFS provided monthly reports discussing activities undertaken for each strategic area of operations, these reports did not extend to performance against the timeframes set out in SAMFS strategic plan or business plan.

SAMFS responded that it is planning to review current reporting to ensure information concerning performance against agreed timeframes and required improvement actions is more readily apparent and accessible, including in relation to the information provided to the SAFECOM Board.

Risk Management

Although SAMFS advised Audit of risk management practices and systems utilised, Audit noted that SAMFS's risk management plan was, at the time of audit, outdated.

SAMFS advised of initiatives being taken to address risk management planning and that it will review the currency of its risk management documentation as a priority.

Budgetary Control

Audit observed that SAMFS had forecast a budget overspend early in 2006-07.

The main reason for the overspend reported to the Chief Officer and to the SAFECOM Board in monthly finance reports, was employee costs.

Audit noted that while there had been analysis identifying the cause of the budget overrun, this was not performed on a regular basis.

SAMFS advised that it is sourcing the provision of regular information about aspects of its employee costs which it will use to further support budget analysis explanations.

Audit noted the possibility of SAMFS using cash reserves, including reserves accumulated under previous legislative arrangements, to supplement contributions from the Fund to meet its expenditure. Audit recommended that SAMFS, together with SAFECOM and the Department of Treasury and Finance determine the purpose and use of its cash reserves to ensure they are appropriately applied and controlled.

SAMFS responded that, together with SAFECOM, it is taking steps to clarify this with the Department of Treasury and Finance.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007	2006	Percentage
	$'million	$'million	Change
INCOME			
Contributions from Community Emergency Services Fund	**85**	82	4
Other revenue	**7**	7	-
Total Income	**92**	89	3
EXPENSES			
Employee benefits expenses	**72**	63	14
Other expenses	**19**	18	6
Total Expenses	**91**	81	12
Net Result before Restructure	**1**	8	(88)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**8**	10	(20)

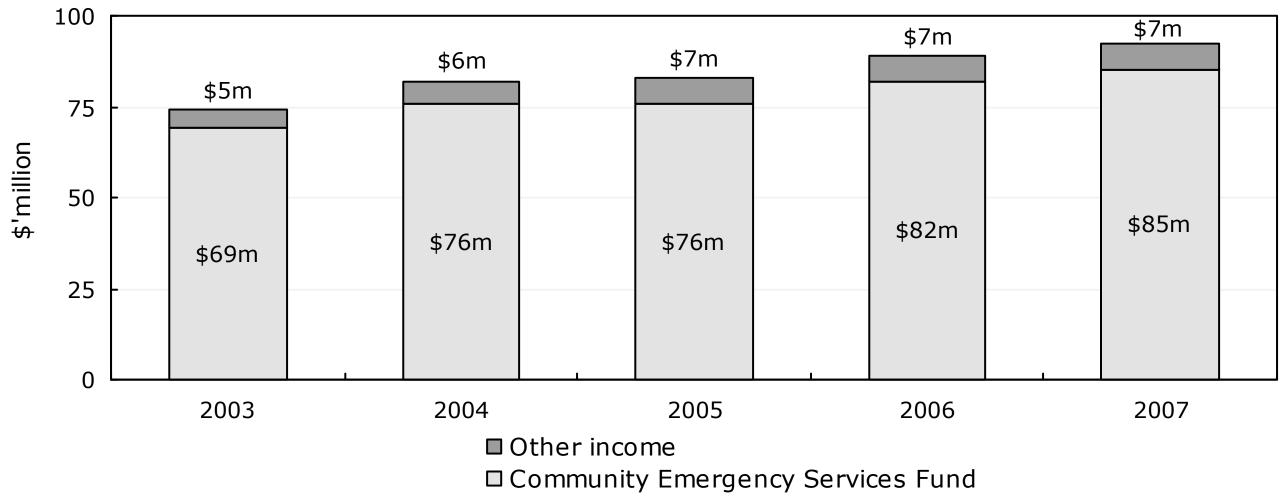
	2007 $'million	2006 $'million	Percentage Change
ASSETS			
Current assets	**26**	25	4
Non-current assets	**116**	114	2
Total Assets	**142**	139	2
LIABILITIES			
Current liabilities	**11**	11	-
Non-current liabilities	**17**	16	6
Total Liabilities	**28**	27	4
EQUITY	**114**	112	2

Income Statement

Income

For 2007, the contributions from the Fund increased by $2.9 million (4 percent) to $85.2 million which represents 93 percent of SAMFS's total income.

A structural analysis of income for SAMFS for the five years to 2007 is presented in the following chart.



The chart highlights that the contributions from the Fund have been steadily increasing over recent years.

Expenses

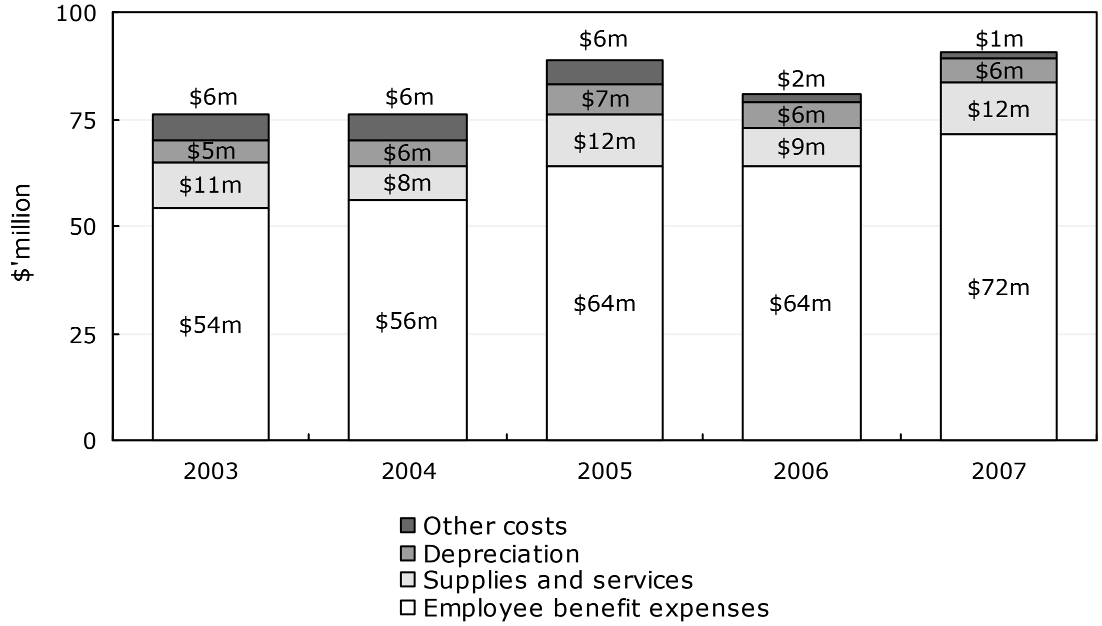
Total expenses increased by $10 million to $90.9 million compared to a $8.2 million decrease in 2006.

Employee benefits costs account for 79 percent of the total expenses of SAMFS. Employee benefits expenses increased by $8.1 million (13 percent) to $71.5 million. This is due primarily to increases in salaries and wages ($4.2 million) and increased annual and long service leave ($2.5 million). The increases reflect the once-off cost of supporting the World Fire and Police Games, an increase in the average number of staff (23), and the practicalities of the SAMFS Enterprise Bargaining Agreement (including a 2 percent wage increase for station officers from 1 July 2006 and a 3.5 percent wage increase for all classifications from 1 January 2007). In turn, as shown in Note 5, annual remuneration for a large number of SAMFS employees (including fire fighters) exceeded $100 000 for the first time in 2007.

Supplies and services increased by $3.5 million (41 percent) mainly as a result of higher additional provisions recognised for the workers compensation provision (up $1.9 million), and an increase in consumables and minor purchases ($500 000).

The increase was partly offset due to the Emergency Services Administrative Unit recharge no longer being applicable ($1 million) and a decrease in depreciation mainly as a result of the timing of assets being made available for use and the derecognition of assets (previously capitalised) below SAMFS's $10 000 capitalisation threshold ($1 million).

For the five years to 2007, a structural analysis of the main operating expense items for SAMFS is shown in the following chart.



Net Result before Restructure

SAMFS has recorded a surplus of $1 million in 2007 following the surplus of $8 million the previous year. As can be seen from the chart that follows, the net result for SAMFS has fluctuated over the past five years with differing factors contributing to the various results. The one constant factor is the impact that the annual level of funding received from the Fund has on the net result.

The decrease in the surplus in 2007 was a result of the increase in employee benefits expenses and supplies and services being only partly offset by the increased contributions from the Fund.

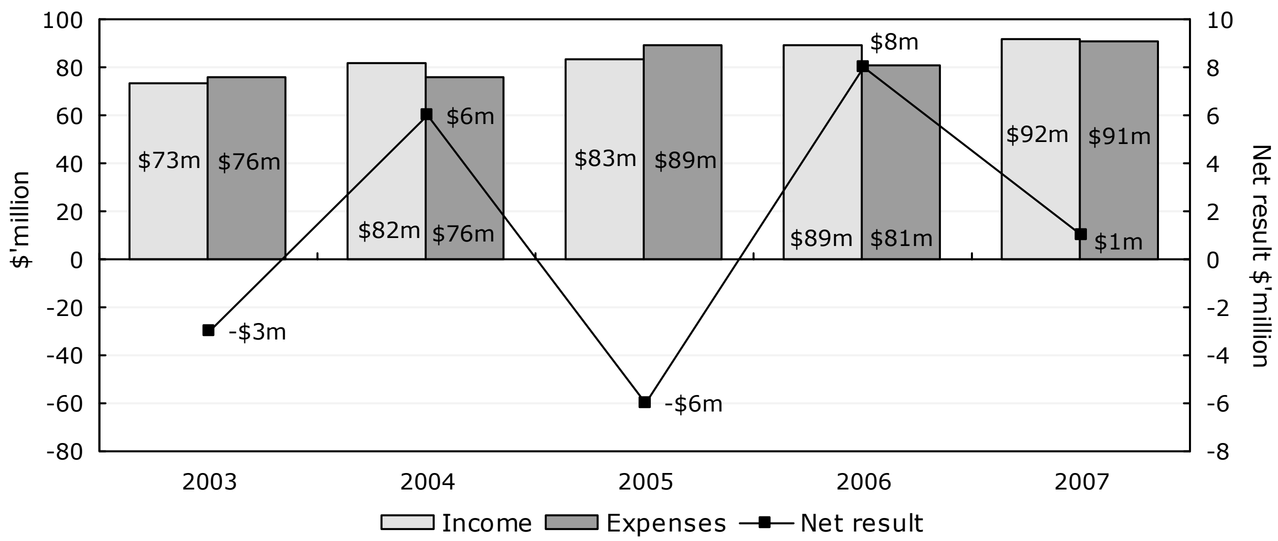
The surplus of $8 million in 2006 was a result of increased contributions from the Fund while administrative recharge costs and supplies and services expenses decreased.

The deficit of $6 million in 2005 came about mainly as a result of increased employee expenses and supplies and services costs.

In 2004 the surplus position was achieved through an increase in revenue from the Fund in that year.

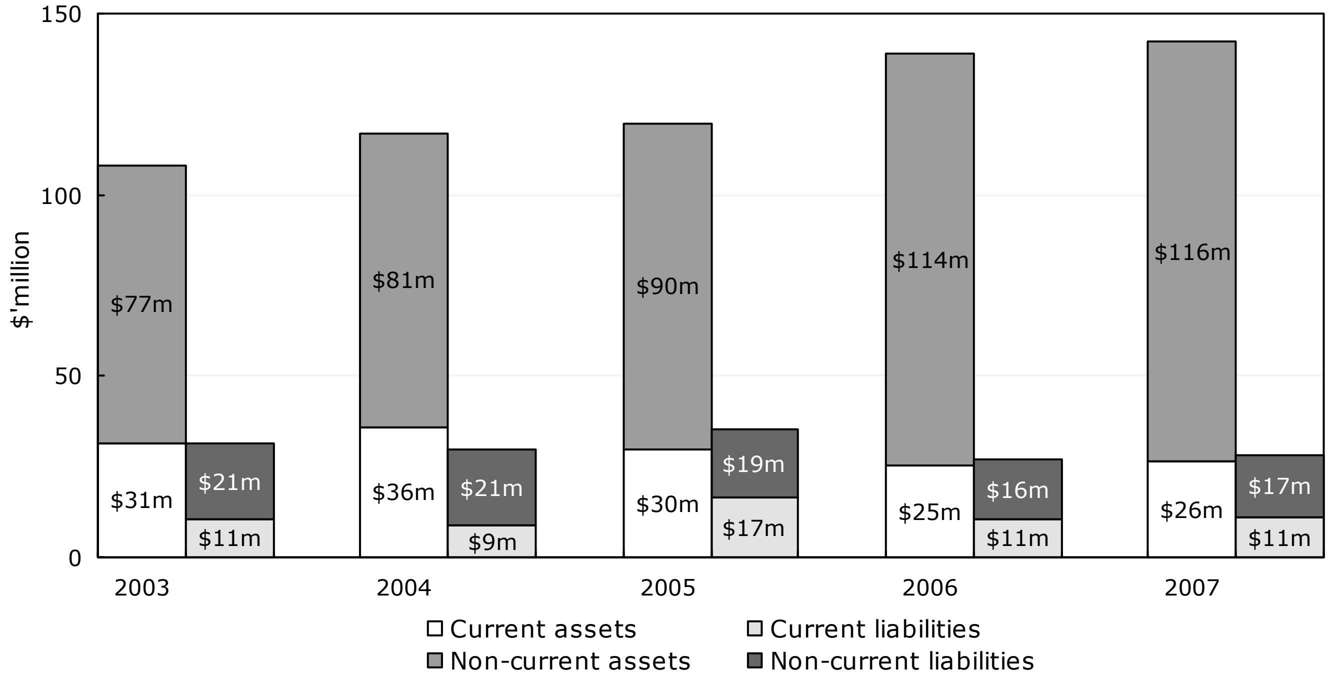
The deficit in 2003 primarily resulted from the increase in workers compensation expense which was a year end adjustment and as such was not considered when determining the appropriate level of funding from the Fund.

The following chart shows the income, expenses and net result for the five years to 2007.



Balance Sheet

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



SAMFS's financial position is dominated by the non-current asset 'property, plant and equipment' which has grown by 52 percent over the five year period primarily as a result of asset purchases and revaluations of assets. The decrease in current liabilities in 2006 is due mainly to settlement of an interest bearing liability.

The chart also demonstrates that SAMFS has had a strong position in relation to its coverage of current assets to current liabilities over the five year period.

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	**7.8**	10.2	7.5	9.4	5.5
Investing	**(7.1)**	(9.6)	(11.7)	(5.6)	(6.7)
Financing	**0.5**	(5.2)	-	-	-
Change in Cash	**1.2**	(4.6)	(4.2)	3.8	(1.2)
Cash at 30 June	**25.6**	24.4	29.0	33.2	29.4

Cash received from the Fund, which is accounted for in cash flows from operations, includes funding for capital expenditure which is accounted for in investing activities. Therefore a portion of the cash generated by operations is used to fund investing activities.

Over the period under review the cash holdings have fluctuated which reflects the timing differences between the receipt and use of funds for capital purposes.

In 2006 cash flows from financing activities represented the repayment of an outstanding loan held in relation to the SAMFS Headquarters building.

Overall, SAMFS's cash reserves are strong in comparison to annual net cash flows.

Income Statement
for the year ended 30 June 2007

	Note	**2007**	2006
		$'000	$'000
EXPENSES:			
Employee benefits expenses	5	**71 508**	63 452
Supplies and services	6	**12 228**	8 695
Government Radio Network expenses	8	**1 486**	1 413
Emergency Services Administrative Unit recharge		**-**	983
Depreciation	9	**5 652**	6 368
Total Expenses		**90 874**	80 911
INCOME:			
Net gain from disposal of assets	10	**60**	275
Revenue from fees and charges	11	**2 645**	2 307
Interest revenues		**1 565**	1 708
Other income	12	**1 885**	2 159
Total Income		**6 155**	6 449
NET COST OF PROVIDING SERVICES		**84 719**	74 462
REVENUES FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**85 224**	82 293
NET RESULT BEFORE RESTRUCTURE		**505**	7 831
Net revenue (expense) from administrative restructure	23	**479**	(115)
NET RESULT AFTER RESTRUCTURE		**984**	7 716

Net Result after Restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	13	**25 609**	24 418
Receivables	14	**860**	1 105
Total Current Assets		**26 469**	25 523
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**115 861**	113 560
Total Non-Current Assets		**115 861**	113 560
Total Assets		**142 330**	139 083
CURRENT LIABILITIES:			
Payables	16	**1 838**	1 714
Short-term and long-term employee benefits	17	**7 751**	7 608
Short-term provisions	18	**1 202**	1 215
Total Current Liabilities		**10 791**	10 537
NON-CURRENT LIABILITIES:			
Payables	16	**1 128**	937
Long-term employee benefits	17	**11 706**	10 543
Long-term provisions	18	**4 674**	4 847
Total Non-Current Liabilities		**17 508**	16 327
Total Liabilities		**28 299**	26 864
NET ASSETS		**114 031**	112 219
EQUITY:			
Retained earnings		**32 026**	32 364
Asset revaluation reserve		**82 005**	79 855
TOTAL EQUITY		**114 031**	112 219

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2005	59 692	24 648	84 340
Gain on revaluation of property during 2005-06	20 163	-	20 163
Net Result after restructure for 2005-06	-	7 716	7 716
Total Recognised Income and Expense for 2005-06	20 163	7 716	27 879
Balance at 30 June 2006	79 855	32 364	112 219
Gain on revaluation of property during 2006-07	2 150	-	2 150
Net Result after Restructure for 2006-07	-	984	984
Total Recognised Income and Expense for 2006-07	2 150	984	3 134
De-recognition of assets during 2006-07	-	(1 322)	(1 322)
Balance at 30 June 2007	**82 005**	**32 026**	**114 031**

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 payments		**(70 202)**	(63 654)
Supplies and services		**(12 499)**	(13 091)
Government Radio Network costs		**(1 450)**	(904)
Emergency Services Administrative Unit recharge		**-**	(983)
GST payments on purchases		**(1 523)**	(1 927)
Cash used in Operations		**(85 674)**	(80 559)
CASH INFLOWS:			
Contributions from Community Emergency Services Fund		**85 224**	82 293
Fees and charges		**2 645**	2 307
Interest received		**1 585**	1 708
GST receipts on receivables		**435**	569
GST input tax credits		**1 677**	1 755
Other receipts		**1 885**	2 159
Cash generated from Operations		**93 451**	90 791
Net Cash provided by Operating Activities	22	**7 777**	10 232
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(7 498)**	(11 667)
Proceeds from the sale of property, plant and equipment		**433**	2 052
Net Cash used in Investing Activities		**(7 065)**	(9 615)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of loans		**-**	(5 226)
Transfer from the Department of the Premier and Cabinet		**479**	-
Net Cash provided by (used in) Financing Activities		**479**	(5 226)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1 191**	(4 609)
CASH AND CASH EQUIVALENTS AT 1 JULY		**24 418**	29 027
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**25 609**	24 418

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian Metropolitan Fire Service (MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district;
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue;
- to protect life, property and environmental assets from fire or other emergencies in any fire district;
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district;
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district;
- to perform any other function assigned to the MFS by or under this or any other Act.

The *South Australian Metropolitan Fire Service Act 1936* was repealed at the proclamation of the new Act.

Funding
Funding of MFS is primarily derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

2. 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 provision of the PFAA.

Statement of Compliance
AASs include AIFRS and AAS 29. MFS has early-adopted the amendments to AASB 101. (Refer Note 4).

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying MFS'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.

MFS'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.

(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 has required a change. In some cases, prior period amendments have been made to improve the quality and consistency of information provided.

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

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

(d) Taxation (continued)

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 expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the MFS 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.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

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.

(f) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The MFS 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 MFS has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(g) 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 maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

(h) 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 MFS will not be able to collect the debt.

(i) 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.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(j) Revaluation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every three years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

(k) 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's revaluation reserve.

(l) Depreciation 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 made on a regular basis for all assets with annual reassessments for major items.

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	10
Vehicles	5-20
Plant and equipment	5-10
Computer equipment	5-10
Buildings	30-45

(m) Payables

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

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

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, are unsecured 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 MFS 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 superannuation funds.

(n) 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 of sick leave.

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9.1 (10) 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 MFS's experience of employee retention and leave taken.

(o) Provisions

Provisions are recognised when MFS 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 MFS 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.

(p) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(q) Administrative Restructuring

(i) Pursuant to structural reforms announced within the 2006-07 State Budget on 21 September 2006, functions of the Urban Search and Rescue (USAR) Program were transferred from the Department of the Premier and Cabinet to the MFS during the 2006-07 financial year (refer Note 23).

(ii) Pursuant to the Government Gazette (dated 29 September 2005) a number of employees of the former Emergency Services Administrative Unit (ESAU) were transferred to the MFS during the 2005-06 financial year (refer Note 23).

(r) Program Information

In achieving its objectives, the MFS provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled MFS.

3. Financial Risk Management

MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). MFS's exposure to market risk and cash flow interest risk is minimal.

MFS has no significant concentration of credit risk. MFS 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 MFS in its present form, and with its present programs, is dependent on government policy and on continuing payments from the Fund for MFS's administration and programs.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which the MFS has early adopted, the AASs 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 MFS 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.

5. Employee Benefits Expenses

	2007	2006
	$'000	$'000
Salaries and wages	**52 434**	48 210
Payroll tax	**3 581**	3 280
Superannuation	**5 973**	5 051
Long service leave	**2 556**	1 831
Annual leave	**6 607**	4 829
Other employee related expenses	**357**	251
Total Employee Benefits Expenses	**71 508**	63 452

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year fell within the following bands:

	2007 Number of Employees	2006 Number of Employees
$100 000 - $109 999	**69**	24
$110 000 - $119 999	**31**	9
$120 000 - $129 999	**9**	6
$130 000 - $139 999	**8**	1
$160 000 - $169 999	**1**	1
$200 000 - $209 999	**1**	-
$270 000 - $279 999	**-**	1
$290 000 - $299 999	**1**	-
Total Number of Employees	**120**	42

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 $13 581 000 ($4 810 000).

6. Supplies and Services

	2007	2006
Supplies and Services provided by Entities within the SA Government for the reporting period comprised:	**$'000**	$'000
Accommodation	**124**	119
Communication expenses	**1**	-
Computing costs	**224**	-
Consultancy, contractor and legal fees	**50**	73
Consumables and minor purchases	**80**	74
Operating lease costs	**677**	587
Other expenses	**333**	57
Repairs and maintenance	**291**	2
Travel and training	**298**	163
Total Supplies and Services - SA Government Entities	**2 078**	1 075
Supplies and Services provided by Entities external to the SA Government for the reporting period comprised:		
Accommodation	**8**	18
Communication expenses	**754**	751
Computing costs	**77**	441
Consultancy, contractor and legal fees	**939**	857
Consumables and minor purchases	**2 000**	1 471
Energy	**370**	395
Operating lease costs	**50**	63
Other expenses	**2 451**	183
Repairs and maintenance	**1 502**	1 526
Travel and training	**648**	709
Uniforms and protective clothing	**1 351**	1 206
Total Supplies and Services - Non-SA Government Entities	**10 150**	7 620
Total Supplies and Services	**12 228**	8 695

Consultancies

The number and dollar amount of consultancies paid/payable, included within Supplies and Services expenses, that fell within the following bands were:

	2007 Number of Consultancies	2006 Number of Consultancies
Less than $10 000	**11**	7
$10 000 - $50 000	**4**	1
Total Number of Consultants	**15**	8

	2007 $'000	2006 $'000
Less than $10 000	**35**	16
$10 000 - $50 000	**122**	51
Total Amount Paid/Payable to Consultants Engaged	**157**	67

7. Remuneration of Auditors

	2007	2006
The amount due and payable for audit services provided by the	**$'000**	$'000
Auditor-General's Department	**19**	19

The auditors provided no other services.

8. Government Radio Network (GRN) Expenses

The MFS has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

Contribution towards GRN - Voice	**971**	918
Contribution towards GRN - Paging	**515**	495
Total GRN Expenses	**1 486**	1 413

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:

Buildings	**2 614**	2 647
Computer equipment	**224**	381
Plant and equipment	**599**	683
Communications equipment	**672**	619
Vehicles	**1 543**	2 038
Total Depreciation	**5 652**	6 368

10. Net Gain from Disposal of Assets

Proceeds from disposal of assets	**433**	2 052
Less: Written down value of assets disposed	**373**	1 777
Net Gain from Disposal of Non-Current Assets	**60**	275

11. Revenue from Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government:		
Fire alarm monitoring fees	**-**	140
Fire attendance fees	**49**	144
Fire safety fees	**5**	7
Other recoveries	**-**	1
Total Fees and Charges - SA Government Entities	**54**	292
Fees and Charges received/receivable from Entities external to the SA Government:		
Fire alarm monitoring fees	**1 343**	1 136
Fire attendance fees	**971**	598
Fire safety fees	**192**	213
Other recoveries	**85**	68
Total Fees and Charges - Non-SA Government Entities	**2 591**	2 015
Total Fees and Charges	**2 645**	2 307

Correction of Error

Commonwealth revenues relating to Urban Search and Rescue were incorrectly classified as Fees and Charges — Other Recoveries during 2005-06. As a result, fees and charges for the year ended 30 June 2006 were overstated by $191 000. This error had the effect of overstating Fees and Charges and understating Other Income for the year ended 30 June 2006.

12. Other Income

	2007	2006
	$'000	$'000
Fuel rebate	**75**	63
Commonwealth revenues	**1 249**	1 129
Rent received	**113**	151
Transfer of capital funding for GRN	**-**	509
Other	**448**	226
Total Other Income	**1 885**	2 159

13. Cash and Cash Equivalents

Cash on hand	**10**	8
Cash at bank	**25 599**	24 410
Total Cash and Cash Equivalents	**25 609**	24 418

Interest Rate Risk

Cash on hand is non-interest bearing, cash at bank bears a floating interest rate between 5.68 percent and 6.10 percent (5.35 percent to 5.43 percent). The carrying amount of cash approximates fair value.

14. Receivables

	2007	2006
Current:	**$'000**	$'000
Receivables	**638**	516
Less: Allowance for doubtful debts	**2**	-
	636	516
GST receivables	**224**	589
Total Current Receivables	**860**	1 105

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**259**	176
Total Receivables - SA Government Entities	**259**	176
Receivables from Non-SA Government Entities:		
Receivables	**377**	340
GST receivables	**224**	589
Total Receivables - Non-SA Government Entities	**601**	929
Total Receivables	**860**	1 105

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.

Movements in the Provision for Doubtful Debts (Impairment Loss):		
Carrying amount at 1 July	**-**	(14)
Decrease (Increase) in the provision	**(17)**	10
Amounts written off	**15**	4
Carrying Amount at 30 June	**(2)**	-

Interest Rate and Credit Risk

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

Bad and Doubtful Debts

MFS has recognised a bad and doubtful debt expense of $15 000 ($4000) in the Income Statement.

15. Non-Current Assets

(a) Property, Plant and Equipment

2007	Cost/ Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	**24 608**	**-**	**24 608**
Land at cost	**4 440**	**-**	**4 440**
Buildings at independent valuation	**53 323**	**(2 230)**	**51 093**
Buildings at cost	**4 978**	**(266)**	**4 712**
Vehicles at independent valuation	**21 534**	**(1 446)**	**20 088**
Vehicles at cost	**3 209**	**(558)**	**2 651**
Communications equipment at cost	**4 979**	**(2 247)**	**2 732**
Computer equipment at cost	**1 410**	**(1 001)**	**409**
Plant and equipment at cost	**5 824**	**(3 523)**	**2 301**
Work in progress	**2 827**	**-**	**2 827**
Total Property, Plant and Equipment	**127 132**	**(11 271)**	**115 861**

2006	Cost/ Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	23 172	-	23 172
Land at cost	3 441	-	3 441
Buildings at independent valuation	54 000	(1 978)	52 022
Buildings at cost	1 113	(154)	959
Vehicles at independent valuation	22 121	(580)	21 541
Vehicles at cost	1 157	(709)	448
Communications equipment at cost	5 107	(1 774)	3 333
Computer equipment at cost	2 729	(1 803)	926
Plant and equipment at cost	8 248	(4 952)	3 296
Work in progress	4 422	-	4 422
Total Property, Plant and Equipment	125 510	(11 950)	113 560

Valuation of Land and Buildings
Independent valuations for land and buildings were obtained in 2006-2007 from Liquid Pacific Holdings Pty Ltd and were determined on the basis of open market values for existing use.

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

De-recognition of Assets
During 2006-07 MFS de-recognised a number of minor assets with a gross value of less than $10 000, resulting in a $1 322 000 write down of assets. The asset de-recognition was approved by the SAFECOM Board and is consistent with APF III APS 2.15 which recommends that all non-current tangible assets with a value of $10 000 or greater be capitalised.

(b) Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings	Vehicles	Communi-cation Equipment	Computer Equipment	Plant and Equipment	Work in Progress	**Total**
Carrying amount	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
at 1 July	79 594	21 989	3 333	926	3 296	4 422	**113 560**
Additions	30	-	-	32	577	6 859	**7 498**
Transferred from WIP	6 027	2 299	128	-	-	(8 454)	**-**
Disposals	(334)	(6)	(26)	-	(7)	-	**(373)**
Revaluation	2 150	-	-	-	-	-	**2 150**
Depreciation	(2 614)	(1 543)	(672)	(224)	(599)	-	**(5 652)**
De-recognition of assets	-	-	(31)	(325)	(966)	-	**(1 322)**
Carrying Amount at 30 June	**84 853**	**22 739**	**2 732**	**409**	**2 301**	**2 827**	**115 861**

The following table shows the movement of non-current assets during 2005-06.

	2006						
	Land and Buildings	Vehicles	Communi-cation Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total
Carrying amount	$'000	$'000	$'000	$'000	$'000	$'000	$'000
at 1 July	64 721	15 683	2 909	912	2 924	2 726	89 875
Additions	1 547	-	4	316	1 040	8 760	11 667
Transferred from WIP	3 643	2 273	1 039	83	26	(7 064)	-
Disposals	(1 762)	-	-	(4)	(11)	-	(1 777)
Revaluation	14 092	6 071	-	-	-	-	20 163
Depreciation	(2 647)	(2 038)	(619)	(381)	(683)	-	(6 368)
Carrying amount at 30 June	79 594	21 989	3 333	926	3 296	4 422	113 560

16. Payables

	2007	2006
Current Liabilities:	**$'000**	$'000
Creditors	**432**	342
Accrued expenses	**176**	172
Employment on-costs	**1 230**	1 200
Total Current Payables	**1 838**	1 714
Non-Current Liabilities:		
Employment on-costs	**1 128**	937
Total Non-Current Payables	**1 128**	937
Total Payables	**2 966**	2 651

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	**161**	70
Accrued expenses	**82**	146
Employment on-costs	**1 141**	1 051
Total Payables to SA Government Entities	**1 384**	1 267
Payables to Non-SA Government Entities:		
Creditors	**271**	272
Accrued expenses	**94**	26
Employment on-costs	**1 217**	1 086
Total Payables to Non-SA Government Entities	**1 582**	1 384
Total Payables	**2 966**	2 651

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. 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.

Correction of Error

Accrued salaries and wages were incorrectly classified in 2005-06. As a result accrued expenses for the year ended 30 June 2006 were overstated by $677 000. This error had the effect of overstating payables and understating employee benefits as at 30 June 2006.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

17. Employee Benefits

	2007	2006
Current Liabilities:	**$'000**	$'000
Annual leave	**5 834**	5 431
Long-term long service leave	**1 305**	1 500
	7 139	6 931
Accrued salaries and wages	**612**	677
Total Current Employee Benefits	**7 751**	7 608
Non-Current Liabilities:		
Long service leave	**11 706**	10 543
Total Non-Current Employee Benefits	**11 706**	10 543
Total Employee Benefits	**19 457**	18 151

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2007 is $8 981 000 and $12 834 000 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 10 years to 9.1 years.

18. Provisions

	2007	2006
Current Liabilities:	**$'000**	$'000
Provision for workers compensation	**1 202**	1 215
Total Current Provisions	**1 202**	1 215
Non-Current Liabilities:		
Provision for workers compensation	**4 674**	4 847
Total Non-Current Provisions	**4 674**	4 847
Total Provisions	**5 876**	6 062
Carrying amount at 1 July 2006	**6 062**	8 227
Additional provisions (released) recognised	**1 703**	(151)
Payments	**(1 889)**	(2 014)
Carrying Amount at 30 June 2007	**5 876**	6 062

MFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. MFS's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of MFS has not been undertaken and if such a valuation was performed it may result in a different assessed liability. MFS fully funds this provision.

19. Commitments

Capital Commitments

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

	2007	2006
	$'000	$'000
Within one year	**1 161**	3 831
Later than one year but not later than five years	**70**	273
Total Capital Commitments	**1 231**	4 104

These capital commitments are for property and equipment.

Remuneration Commitments

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

Within one year	**633**	559
Later than one year but not later than five years	**1 776**	1 044
Total Remuneration Commitments	**2 409**	1 603

Remuneration Commitments
Amounts disclosed include commitments arising from executive contracts. MFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments
Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	2007 **$'000**	2006 $'000
Within one year	**548**	407
Later than one year but not later than five years	**495**	351
Total Operating Lease Commitments	**1 043**	758

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Contractual Commitments
At the end of the reporting period MFS had the following commitments on contracts:

	2007 **$'000**	2006 $'000
Within one year	**4**	161
Later than one year but not longer than five years	**3**	8
Total Contractual Commitments	**7**	169

Contractual Commitments relate to building services.

20. Contingent Assets and Liabilities
MFS has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2007-08 financial year, however the outcome cannot be reliably determined.

MFS is not aware of any contingent assets.

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

South Australian Metropolitan Fire Service Disciplinary Committee (refer section 71 of the *Fire and Emergency Services Act 2005*)

Mr Bill Morris
Mr Haydon Castle *
Mr Peter van der Jeugt *
Mr Gregory Howard *

The number of members whose income from the South Australian Metropolitan Fire Service Disciplinary Committee falls within the following bands was:

	2007 Number of Members	2006 Number of Members
$0 - $9 999	**1**	1
Total Number of Board Members	**1**	1

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 $6000 ($6000).

* 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.

22. Cash Flow Reconciliation

Reconciliation of Cash	**2007** **$'000**	2006 $'000
Cash at 30 June as per:		
Cash Flow Statement	**25 609**	24 418
Balance Sheet	**25 609**	24 418

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services	**2007 $'000**	2006 $'000
Net cash provided by operating activities	**7 777**	10 232
Less: Contribution from Community Emergency Services Fund	**(85 224)**	(82 293)
Add (Less): Non-Cash Items:		
Depreciation	**(5 652)**	(6 368)
Net gain from disposal of assets	**60**	275
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	**(245)**	238
(Increase) Decrease in payables	**(315)**	1 087
(Increase) Decrease in provision for employee benefits	**(1 306)**	202
Decrease in provisions	**186**	2 165
Net Cost of Providing Services	**(84 719)**	(74 462)

23. Administrative Restructure

Transferred Functions for the 2006-07 year comprise:

Net assets transferred to MFS in relation to the transferred functions of the USAR Program from the Department of the Premier and Cabinet.

	2007 $'000
Current assets - Cash	**479**
Total Net Revenue from Administrative Restructure for 2006-07	**479**

Transferred functions for the 2005-06 year comprise:

Net assets and liabilities were transferred from the former ESAU to the South Australian State Emergency Service as at 31 December 2005.

	2006 $'000
Current liabilities - Employee benefits	(16)
Non-Current liabilities - Employee benefits	(99)
Total Net Expenses from Administrative Restructure for 2005-06	(115)

SOUTH AUSTRALIAN MOTOR SPORT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

Functions

The functions of the Board are:

- entering into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some other person approved by the Minister, are held in the State;
- undertaking on behalf of the State the promotion of motor sport events;
- establishing a temporary motor racing circuit and conducting and managing motor racing events promoted by the Board;
- providing advisory, consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State;
- undertaking such other functions as the Minister may from time to time approve.

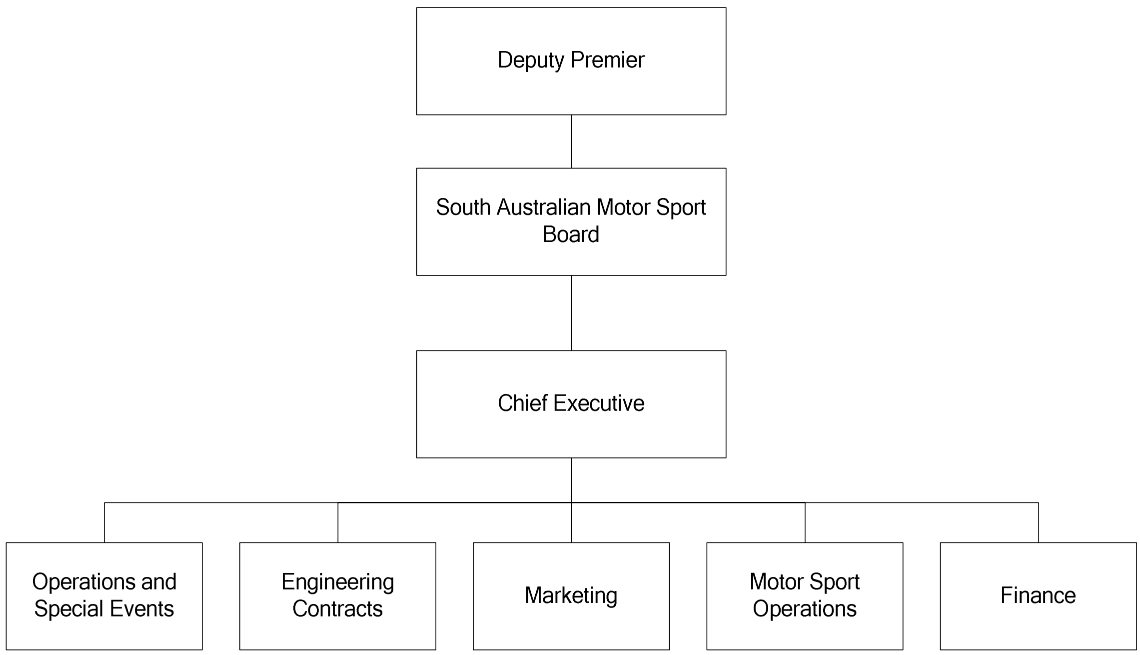
The Board comprises no more than nine members (nine members as at 30 June 2007) appointed by the Governor and is subject to the general control and direction of the Deputy Premier.

The Board secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'.

In addition, pursuant to a permit issued by the Confederation of Australian Motor Sport, the Board staged the 2006 'Toyota Rally of South Australia'. The Board did not stage the 2007 event.

Structure

The structure of the 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(3) of the SAMS Act provide for the Auditor-General to audit the accounts of the 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 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:

- payroll
- expenditure
- revenue
- cash at bank
- non-current assets.

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 details the qualification to the Board's financial report.

> **Basis for Qualified Auditor's Opinion**
>
> ***Amortisation of State Government Grant – Capital***
>
> *As detailed in Note 2.2 to the financial report, the South Australian Motor Sport Board have amortised capital grants received since 1999 and a loan forgiven in 2001-02 over a period of five years. The grants and loans have been recognised as a Deferred State Government Grant - Capital liability.*
>
> *As a result, of the total $10.04 million received by way of capital grants only $8.78 million has been recognised as revenue. The remaining $1.26 million is recognised as a liability as at 30 June 2007.*
>
> *The forgiven loan was fully amortised as at 30 June 2006. As a result only the 2005-06 financial year includes loan amortisation revenue.*
>
> *Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework APF V 'Income Framework' require that a contribution to a not-for-profit entity must be recognised as an asset and income when the Authority obtains control of the contributions and the income recognition criteria are met. Also, AASB 1004 'Contributions' requires the gross amount of a liability forgiven by a credit provider be recognised by the borrower as income.*

The financial effect of the Board not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:

2007
Income and the operating surplus are both overstated by $358 000. Total liabilities are overstated by $1.26 million. Equally total equity is understated by $1.26 million.

2006
Income and the operating surplus are both overstated by $817 000. Total Liabilities are overstated by $1.6 million. Equally total equity is understated by $1.6 million.

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraph, the financial report presents fairly, in all material respects, the financial position of the South Australian Motor Sport 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 South Australian Motor Sport 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 South Australian Motor Sport Board 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 Chief Executive. The matters related to the need to modify the Board's delegation instruments and for independent review of electronic funds disbursement. The Board's response was satisfactory, indicating they would address the audit matters.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007	2006	Percentage
	$'000	$'000	Change
INCOME			
State Government grants	**1 871**	1 900	(2)
User charges	**19 379**	18 285	6
Amortisation of capital grants	**758**	1 217	(38)
Other	**451**	356	27
Total Income	**22 459**	21 758	3
EXPENSES			
Supplies and services	**19 541**	18 841	4
Depreciation and amortisation	**1 089**	1 218	(11)
Salaries, wages and related payments	**812**	805	1
Other	**-**	2	-
Total Expenses	**21 442**	20 866	3
Surplus	**1 017**	892	14
NET CASH GENERATED FROM OPERATIONS	**1 398**	1 178	19

	2007 $'000	2006 $'000	Percentage Change
ASSETS			
Current assets	**5 051**	3 729	35
Non-current assets	**2 682**	3 355	(20)
Total Assets	**7 733**	7 084	9
LIABILITIES			
Current liabilities	**2 971**	2 991	(1)
Non-current liabilities	**699**	1 047	(33)
Total Liabilities	**3 670**	4 038	(9)
EQUITY	**4 063**	3 046	33

Income Statement

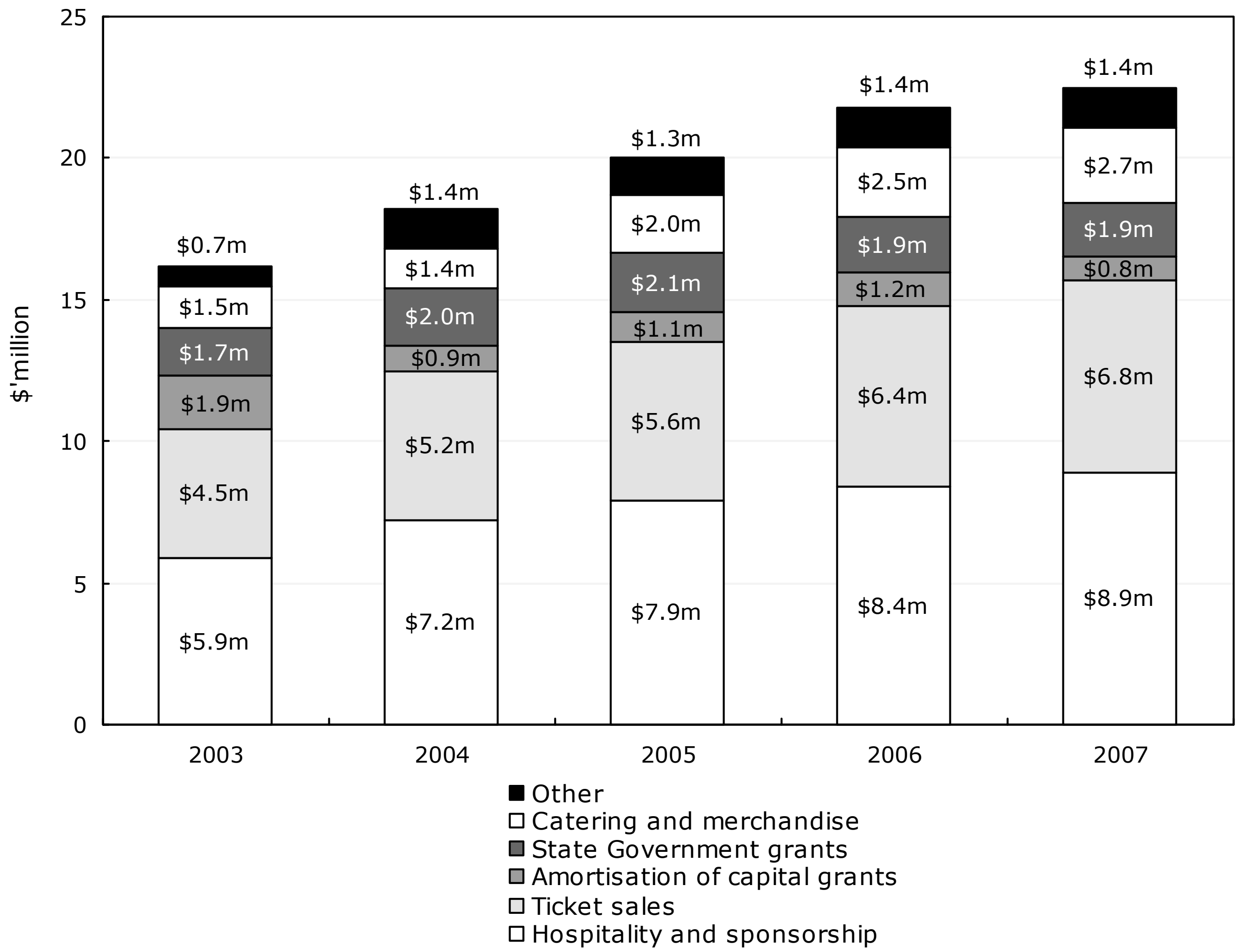
Income

The Income Statement of the Board for the period ended 30 June 2007 records an Operating Surplus of $1 million ($892 000).

The Board has not applied AASs and mandatory APFs when reporting its capital grant revenues. Reference should be made to Note 2.2 of the Board's financial report and to commentary provided above under the heading 'Auditor's Report on the Financial Report'.

The Board's decision not to apply APF V and AASB 1004, but to apply an International Accounting Standard, has resulted in an overstatement of income of $358 000 ($817 000).

A structural analysis of income for the Board for the five years to 2007 is presented in the following chart.



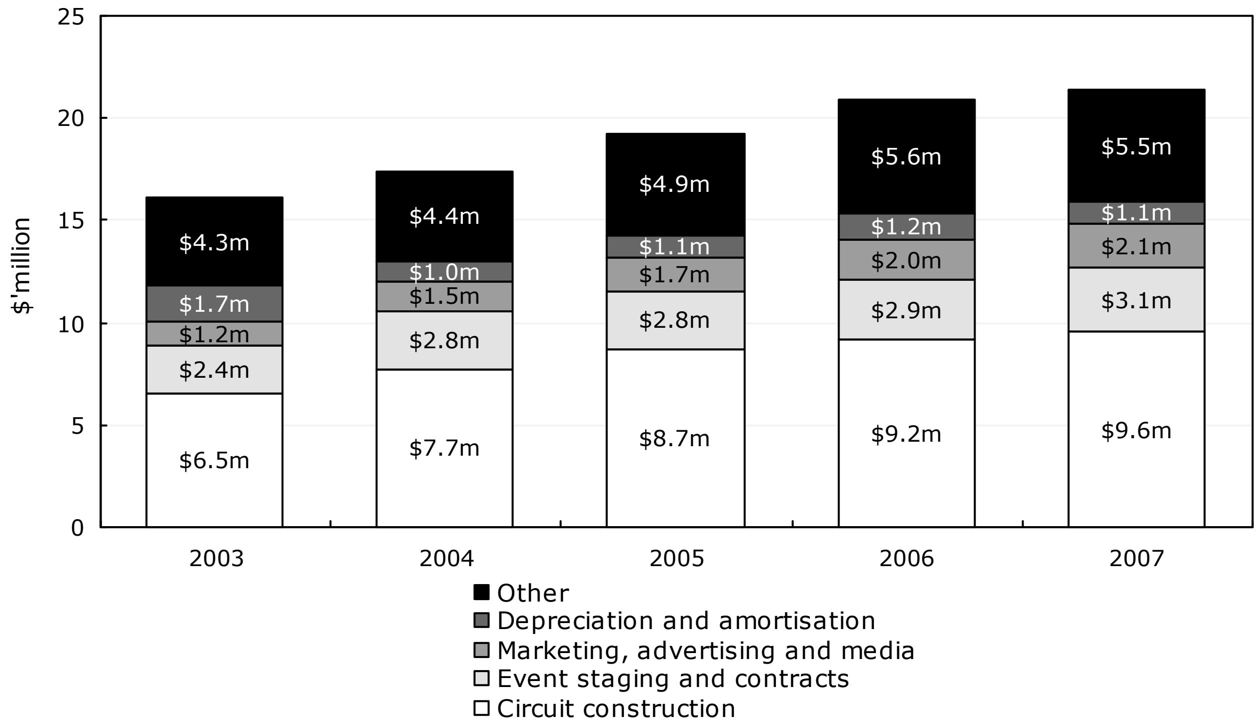
The chart illustrates that income from ticket sales and hospitality and sponsorship has increased each year since 2003 reflecting continued growth in the 'Clipsal 500 Adelaide'.

Expenses

Total expenses increased by $0.7 million (3 percent) to $21.4 million.

The Board's activities are predominately delivered through contracted services. Consequently, employee expenses are only a small proportion of total expenses.

For the five years to 2007, a structural analysis of the main expense items for the Board is shown in the following chart.



The chart demonstrates steady growth for most expense categories over the past five years.

Cash Flow Statement

The analysis of cash flows highlights that the operations of the Board generated a positive cash flow for the past four years. The Board is reliant upon support from the SA Government for its ongoing operations.

	2007	2006	2005	2004
	$'000	$'000	$'000	$'000
Net Cash Flows				
Operations	**1 398**	1 178	730	695
Investing	**(16)**	(182)	(236)	147
Financing	**-**	-	-	-
Change in Cash	**1 382**	996	494	842
Cash at 30 June	**3 899**	2 517	1 521	1 027

Administered Items

Victoria Park (Bakkabakkandi) Masterplan

The Board's financial report includes administered revenues and expenses relating to the proposed Victoria Park (Bakkabakkandi) redevelopment by the Board on behalf of the SA Government. Reference should be made to note 22 of the Board's financial report.

In August 2006 the Government approved the Board undertaking redevelopment works at Victoria Park Racecourse to provide a new multi-purpose building for both the South Australian Jockey Club (SAJC) and the Board on Adelaide City Council parkland. The proposed redevelopment includes relocation and rebuilding of the motor sport track and associated facilities and return of land to parklands.

The project was announced in December 2006.

The Government has stated that the SAJC will be responsible for funding and upgrading horse racing facilities, including a new track, and contributing to the development of the new multi purpose building. The Government has also stated that the Adelaide City Council has care and control of the parklands and has existing programs to upgrade the heritage listed grandstand and demolish existing derelict buildings and redundant infrastructure in Victoria Park.

The project is estimated to cost $55 million. The Government estimates it will contribute $33 million of the cost after contributions from the other parties.

Following its announcement in December 2006, the Government released revised plans in April 2007 to meet design parameters approved by the Adelaide City Council in March 2007.

$1.6 million was appropriated to the Board for the project in 2006-07.

In 2006-07 progress with the project included:

- preparation and revision of design, survey etc work;

- execution of a heads of agreement with SAJC in December 2006 to secure SAJC's commitment to the project.

The funds were expended on detailed design, development applications and investigations.

The remaining budget for the project is held within contingency provisions in the Administered Items for the Department of Treasury and Finance – Treasury and Finance Administered Items Account.

A number of important matters will need to be addressed, should the project proceed, to ensure it is based on sound legal foundations, complies with relevant evaluation and approval processes, and is subject to effective project development and control and management arrangements.

These matters would include the Government securing an appropriate site lease arrangement from the Adelaide City Council; obtaining relevant development planning approvals; determining ownership, control and access arrangements for the multi-purpose building; formalising appropriate legal and financing arrangements with the SAJC and any other relevant bodies; addressing applicable evaluation and approval process requirements (for example, Public Works Committee approval); and establishing appropriate project management and reporting arrangements for the development.

Income Statement
for the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
INCOME:			
State Government grants	1	**1 871**	1 900
Interest:			
Interest received from SA Government entities		**393**	321
Interest received from non-SA Government entities		**35**	35
User charges	3	**19 379**	18 285
Amortisation of capital grants	1,2.1,2.2,12	**758**	1 217
Provision for doubtful debts written back		**23**	-
Total Income		**22 459**	21 758
EXPENSES:			
Supplies and services	4	**19 541**	18 841
Depreciation and amortisation	9	**1 089**	1 218
Salaries, wages and related payments	2.12,5	**812**	805
Bad debts written off		**-**	2
Total Expenses		**21 442**	20 866
OPERATING SURPLUS		**1 017**	892

Operating Result is attributable to the SA Government as Owner

Balance Sheet
as at 30 June 2007

	Note	2007 $'000	2006 $'000
CURRENT ASSETS:			
Cash	7,15.1	**3 899**	2 517
Receivables	8	**1 131**	1 212
Prepayments		**21**	-
Total Current Assets		**5 051**	3 729
NON-CURRENT ASSETS:			
Concrete safety barriers, racing infrastructure, plant and equipment	9	**2 682**	3 355
Total Non-Current Assets		**2 682**	3 355
Total Assets		**7 733**	7 084
CURRENT LIABILITIES:			
Payables	10	**2 212**	2 239
Staffing entitlements and related provisions	11	**91**	74
Deferred State Government grant - Capital	12	**668**	678
Total Current Liabilities		**2 971**	2 991
NON-CURRENT LIABILITIES:			
Staffing entitlements and related provisions	11	**108**	108
Deferred State Government grant - Capital	12	**591**	939
Total Non-Current Liabilities		**699**	1 047
Total Liabilities and Deferred State Government Grant		**3 670**	4 038
NET ASSETS		**4 063**	3 046
EQUITY:			
Reserves	2.3	**1 000**	1 000
Accumulated surplus		**3 063**	2 046
TOTAL EQUITY		**4 063**	3 046

Total Equity is attributable to the SA Government as owner

Contingent liabilities	13
Commitments for expenditure	14
Administered item	22

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

	2007	2006
	$'000	$'000
RESERVES AND ACCUMULATED SURPLUS:		
Reserve for extreme weather:		
Balance at 1 July	**1 000**	1 000
Reserve for Extreme Weather at 30 June	**1 000**	1 000

The basis for the creation of this reserve is contained in Note 2.3

Accumulated surplus at 1 July	**2 046**	1 154
Operating surplus	**1 017**	892
Accumulated Surplus at 30 June	**3 063**	2 046
TOTAL RESERVES AND ACCUMULATED SURPLUS	**4 063**	3 046

Cash Flow Statement
for the year ended 30 June 2007

		2007	2006
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers and sponsors		**19 484**	18 118
GST receipts		**1 953**	1 950
Payments to suppliers and staff		**(20 385)**	(19 196)
GST payments		**(2 112)**	(1 988)
Refunds of GST		**750**	742
Payments of GST		**(591)**	(704)
Interest received		**428**	356
State Government contributions		**1 871**	1 900
Net Cash provided by Operating Activities	15.2	**1 398**	1 178
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for racing infrastructure, plant and equipment		**(416)**	(582)
State Government contributions		**400**	400
Net Cash used in Investing Activities		**(16)**	(182)
NET INCREASE IN CASH HELD		**1 382**	996
CASH AT 1 JULY		**2 517**	1 521
CASH AT 30 JUNE	15.1	**3 899**	2 517

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational Structure, Objectives and Funding

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a period of ten years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. Pursuant to a permit issued by the Confederation of Australian Motor Sport, the Board staged the 2006 Toyota Rally of South Australia. The Board will not be staging the 2007 event.

The Board received funding from the State Government of $1 871 000 for operating activities and $400 000 for capital in the year (refer Note 2.16). The State Government received signage and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

The Board's financial report includes both controlled and administered items. The financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by the Board in its own right. As administered items are insignificant in relation to the Board's overall financial performance and position, they have been disclosed in a schedule of administered items as Note 22 to the accounts. The administered item includes $1 602 000 received from the State Government for the redevelopment of Victoria Park.

2. Statement 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 except as described in Note 2.2 below in relation to the entity's financial accounting and reporting treatment of the Capital Grant funds provided by the State Government and the financial accounting and reporting treatment of the loan forgiven in November 2001.

Statement of Compliance
AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2007.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in 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 (as reported in the Income Statement);

  (c) staff 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 staff;

  (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 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 and do not take into account changing money values except where it is specifically stated.

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 *Amortisation of State Government Grant - Capital*

The State Government has since 1999 provided a total of $10.038 million for race staging capital. In addition, in November 2001 Cabinet forgave the $2.250 million loan granted in June 2001.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', grants received and the forgiven loan are being amortised over a period of five years. The grants and loan have been recognised as a deferred State Government Capital Grant liability.

AASB 1004 and APF V require that a contribution to a not-for-profit entity must be recognised as an asset and income when the Authority 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). The Board believes that application of this policy would incorrectly report the trading result. If AASB 1004 and APF V had been applied, the result for the reporting period would have been as follows:

	2007		2006	
	AASB 1004 APF V	**Board Policy**	AASB 1004 APF V	Board Policy
	$'000	**$'000**	$'000	$'000
Revenue - State Government Grant - Capital	**400**	**758**	400	767
Revenue - Forgiven loan	**-**	**-**	-	450
Operating Surplus	**659**	**1 017**	75	892
Assets	**7 733**	**7 733**	7 084	7 084
Liabilities	**2 411**	**3 670**	2 421	4 038
Equity	**5 322**	**4 063**	4 663	3 046

Therefore the application of AASB 1004 and APF V would result in an operating surplus for the year of $659 000. The application of IAS 20 results in an operating surplus of $1 017 000 which the Board believes to be a true reflection of the result for the year.

2.3 *Reserve for Extreme Weather*

The Directors believe that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board have considered that it is prudent and commercially sound to create a Reserve for Extreme Weather at future events. This Reserve ($1 million) has been created by transfers from Accumulated Surplus and will be utilised at events adversely affected by rain or extreme heat.

2.4 *Revenue Recognition*

Except as described in Note 2.2 above, revenues are recorded in the Income Statement at the time they are earned or at the time control passes to the Board. Interest revenues are recognised as they accrue.

2.5 *Non-Current Assets*

The Board does not own any land or permanent buildings.

All non-current assets controlled by the Board are reported in the Balance Sheet. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Board. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

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.

In prior years the Board has revalued its non-current assets every three years. This has been amended in accordance with APF III which requires a revaluation every five 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 revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value. In June 2004 the concrete safety barriers and debris fencing were valued based on fair value. The difference between the valuation and the carrying amount of the assets was not considered to be material and therefore no adjustment has been made in the Balance Sheet.

2.6 *Depreciation and Amortisation*

Depreciation is calculated on a straight line basis to write off the assets over their useful economic lives.

Racing Infrastructure, Plant and Equipment useful lives range from 1-20 years. Lease improvements are written off over the period of the lease or the estimated useful life of the asset, whichever is lower.

2.6 Depreciation and Amortisation (continued)

Concrete Safety Barriers' useful life is determined by reference to their likely rate of deterioration, namely from 10 to 20 years. This is supported by independent valuation of Concrete Barriers and Debris Fencing obtained by the Board as reported in the Note 2.5.

The extension of the term of the event and changes proposed in relation to the redevelopment of Victoria Park have resulted in a review of the estimated useful lives of certain Racing Infrastructure assets. This resulted in an increase in depreciation of $105 000 in 2006-07.

2.7 Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount.

2.8 Principles of Consolidation

There were no controlled entities during the reporting period.

2.9 Income Tax

The entity is exempt from income tax.

2.10 Leased Assets

The entity has no finance leases. In respect of Operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that it is representative of the pattern of benefits derived from the leased assets.

2.11 Staffing Entitlements

These benefits accrue for staff as a result of services provided up to the reporting date that remain unpaid. Long-term staffing benefits are measured at present value and short-term staffing 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 staff 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 annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

The liability for long service leave is recognised based on a staff member completing 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 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. The Board also accrues additional long service leave based on experience of staffing retention and leave taken.

2.12 Changes to Staffing Arrangements

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 SAMS Act to provide that the Chief Executive of the Department of Treasury and Finance is to be the 'employing authority' of all staff of the Board. Prior to the operation of the PSE Act, the Board had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of the Department of Treasury and Finance has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the SAMS Act.

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.

2.13 Cash on Hand and on Deposit

For purposes of the Cash Flow Statement, cash includes cash deposits, which are used in the cash management function on a day to day basis. Interest revenues are recognised as they accrue. The average interest rate for the reporting period was 5.6 percent (5.3 percent).

2.14 Financial Instruments

The Board's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2007, are as follows:

Financial Assets
Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises Cash on hand and at Bank and Deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk).

Credit terms, other than those specified in contractual agreements, are net 14 days.

Financial Liabilities
Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of staffing on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Interest Rate Risk
The Board's only exposure to interest rate risk relates to Cash. The average interest rate in relation to Cash is 5.6 percent (5.3 percent). All other Financial Assets and Financial Liabilities of the Board have no exposure to interest rate risk.

Credit Risk
The Board does not have any significant credit risk exposure to any single debtor.

The carrying amount of financial assets recorded in the financial statements, net of provisions for doubtful debts, represent the Board's maximum exposure to credit risk.

Net Fair Value
The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

2.15 GST

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);
- receivables and payables are stated with the amount of GST included.

The net GST payable to the ATO is included as part of payables in the Balance Sheet.

2.16 Economic Dependency

The ongoing activities of the Board in promoting and staging motor sport events within South Australia are dependent on the ongoing financial support by the SA Government.

2.17 Rounding

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

3. User Charges

User Charges	**2007**	2006
User Charges Received/Receivable from Entities within the SA Government:	**$'000**	$'000
Hospitality and sponsorship	**-**	26
Other income	**13**	24
Total User Charges - SA Government	**13**	50
User Charges Received/Receivable from Entities external to the SA Government:		
Hospitality and sponsorship	**8 865**	8 333
Ticketing sales	**6 760**	6 409
Catering and merchandise	**2 679**	2 489
Entry fees	**291**	311
Asset hire	**10**	5
Other	**761**	688
Total User Charges - Non-SA Government	**19 366**	18 235
Total User Charges	**19 379**	18 285

3.1 Circuit cost recoveries of $662 000 ($599 000), previously offset against the cost of circuit construction, is now included in Other revenue.

4. Supplies and Services

Supplies and Services provided by Entities within the SA Government:	Note	2007 $'000	2006 $'000
Hospitality, sponsorship and ticketing costs		**157**	204
Administration		**121**	124
Event staging and contracts		**60**	56
Marketing, advertising and media		**24**	105
Circuit construction	3.1	**60**	71
Total Supplies and Services - SA Government Entities		**422**	560
Supplies and Services provided by Entities external to the SA Government:			
Circuit construction	3.1	**9 507**	9 133
Hospitality, sponsorship and ticketing costs		**1 314**	1 216
Catering and merchandise costs		**1 170**	1 110
Event staging and contracts		**3 051**	2 819
Non-motor sport entertainment		**733**	701
Security and ground staff		**800**	794
Administration		**512**	581
Marketing, advertising and media		**2 032**	1 927
Total Supplies and Services - Non-SA Government Entities		**19 119**	18 281
Total Supplies and Services		**19 541**	18 841

5. Salaries, Wages and Related Payments

Salaries, wages and related payments comprise:			
Salaries, wages, annual and sick leave		**680**	655
Long service leave		**12**	32
Superannuation	6	**60**	65
Other staffing on-costs		**60**	53
Total	2.12	**812**	805

Total number of full time equivalent staff at reporting date was 7.8 (6.2).

6. Superannuation

The superannuation costs included in the Financial Statements relate to the Commonwealth Government's Superannuation guarantee legislation. The payments of $60 000 ($65 000) have been made to externally managed funds.

7. Cash on Hand and at Bank

	Note	2007 $'000	2006 $'000
Cash on deposit with SAFA		**3 448**	2 027
Cash on hand and at bank - Other		**451**	490
		3 899	2 517

8. Receivables

Current:			
Trade debtors		**9**	490
Amount owing by BASS for funds held in trust	10	**1 123**	987
Allowance for doubtful debts		**(1)**	(265)
		1 131	1 212
SA Government/Non-SA Government Receivables:			
Receivables from SA Government entities		**1 123**	987
Receivables from Non-SA Government entities		**8**	225
		1 131	1 212

Receivables amounting to $937 000 ($836 000) and the corresponding liability relating to Advanced ticket sales exclusive of GST for Year 2008 event have not been recognised as they have been treated as agreements equally proportionately unperformed.

9. Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements

	2007 $'000	2006 $'000
Concrete Safety Barriers:		
Gross carrying amount:		
Balance at 1 July	**1 441**	1 441
Balance at 30 June	**1 441**	1 441
Accumulated depreciation:		
Balance at 1 July	**(764)**	(664)
Depreciation expense	**(100)**	(100)
Balance at 30 June	**(864)**	(764)
Net Carrying Amount	**577**	677

	Note	2007 $'000	2006 $'000
9. Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements (continued)			
Other Racing Infrastructure, Plant and Equipment:			
Gross carrying amount:			
Balance at 1 July		**10 472**	10 097
Additions		**404**	375
Balance at 30 June		**10 876**	10 472
Accumulated depreciation:			
Balance at 1 July		**(7 991)**	(6 883)
Depreciation expense		**(958)**	(1 108)
Balance at 30 June		**(8 949)**	(7 991)
Net Carrying Amount		**1 927**	2 481
Leasehold Improvements:			
Gross carrying amount:			
Balance at 1 July		**207**	-
Additions		**12**	207
Balance at 30 June		**219**	207
Accumulated amortisation:			
Balance at 1 July		**(10)**	-
Amortisation expense		**(31)**	(10)
Balance at 30 June		**(41)**	(10)
Net Carrying Amount		**178**	197
Total Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements		**2 682**	3 355

10. Payables

	Note	2007 $'000	2006 $'000
Current:			
Trade creditors		**555**	444
Other creditors and accruals		**674**	936
Funds held in trust(i)		**983**	859
		2 212	2 239

(i) Advanced ticket sales exclusive of GST for Year 2008 event (refer Note 8).

11. Staff Benefits and Related On-Cost Liabilities

	Note	2007 $'000	2006 $'000
Annual Leave:			
Included in other creditors - Current	10	**12**	11
Provision for staff benefits - Current		**74**	70
		86	81
Long Service Leave:			
Included in other creditors - Current	10	**16**	15
Provision for staff benefits - Current		**17**	4
Provision for staff benefits - Non-Current		**108**	108
		141	127
Aggregate Staff Benefit and Related On-Cost Liabilities		**227**	208

12. Deferred State Government Grant - Capital

	Note	2007 $'000	2006 $'000
Deferred State Government Grant - Capital		**12 288**	11 888
Less: Accumulated amortisation		**11 029**	10 271
		1 259	1 617
Reconciled to:			
Current		**668**	678
Non-Current		**591**	939
		1 259	1 617

13. Contingent Liabilities

Contingent obligations are items in the nature of liabilities, which at the reporting date, are not recognised in the Balance Sheet because they have been assessed as being dependent on certain events taking place before a present obligation for the Board to make payments in respect of them will arise. The Board is not aware of any contingent liabilities.

14. Commitments for Expenditure

14.1 Operating Lease Commitments

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

	2007 $'000	2006 $'000
Within one year	**144**	130
Later than one year but not longer than five years	**626**	565
Later than five years	**84**	232
Total Operating Lease Commitments	**854**	927

The lease is for office accommodation leased from Perpetual Trustee Company Limited. The lease is non-cancellable with a term of seven years, having the right of renewal and rent is payable monthly in advance.

14.2 Event Staging Commitments

The Board has commitments for the staging of future events. Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:

	2007	2006
	$'000	$'000
Within one year	**8 489**	8 597
Later than one year but not longer than five years	**8 006**	10 915
Later than five years	**4 627**	6 025
Total Event Staging Commitments	**21 122**	25 537

15. Notes to the Cash Flow Statement

15.1 Reconciliation of Cash

Cash on hand	**4**	3
Cash at bank	**3 895**	2 514
	3 899	2 517

15.2 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

Operating surplus	**1 017**	892
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	**1 089**	1 218
Amortisation of State Government grant - Capital	**(758)**	(1 217)
Transfers to (from) provisions:		
Staff entitlements	**17**	37
Doubtful debts	**(23)**	2
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Receivables	**104**	(167)
Prepayments	**(21)**	-
(Decrease) Increase in liabilities:		
Payables	**(27)**	413
Net Cash provided by Operating Activities	**1 398**	1 178

16. Financing Arrangements

The State Government pledges financial support for the entity.

17. Staffing Remuneration

The number of officers who received or were due to receive total remuneration of $100 000 or more:	**2007 Number of Staff**	2006 Number of Staff
$120 000 - $130 000	**1**	1
$220 000 - $230 000	**-**	1
$230 000 - $240 000	**1**	-

The total remuneration (including superannuation, motor vehicles including FBT thereon and parking) amounted to $367 000 ($351 000).

18. Auditors' Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total $25 000 ($24 000).

19. Related Parties

19.1 Directors

The SAMS Act requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of director during the reporting period:

R Cook - Chairman
G Boulton - Deputy Chairman
B Carter
A Ford
R Hayward
A Moran
T Schenken
C Smerdon
J Turbill

19.2 Directors' Loans

There are no loans to directors.

19.3 Other Director Transactions

Directors of the economic entity and directors of its related parties, or their director related entities, conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

19.3 Other Director Transactions (continued)

T Schenken	CAMS Ltd	$110 289	License fees, permit fees and insurance
T Schenken	CAMS Ltd	$2 500	Sponsorship of CAMS award
C Smerdon	Kangaroo Island Sealink Pty Ltd	$34 872	Travel wholesaler commission
C Smerdon	Vectra Corporation	$1 500	Hospitality revenue
A Ford	Woods Bagot Pty Ltd	$39 650	Victoria Park Development costs
R Hayward, A Moran	Adelaide City Council	$56 773	Sponsorship revenue and signage
R Hayward, A Moran	Adelaide Festival Centre Trust	$162 400	Ticketing costs
R Hayward, A Moran	Adelaide City Council	$67 353	Circuit construction and sponsor costs

All corporate facilities purchased by directors or by related entities are at arm's-length rates.

20. Remuneration of Directors of the Board

	2007	2006
The number of directors who received, or were due to receive, remuneration (including superannuation) were:	**Number of Directors**	Number of Directors
$1 - $10 000	**1**	2
$10 001 - $20 000	**8**	8

The total remuneration of the Directors was $100 000 ($101 000). The aggregate amount paid to a superannuation fund amounted to $7000 ($7000).

21. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $4000 ($3000).

22. Disclosure of Administered Item for the Year Ended 30 June 2007

	2007	2006
Income:	**$'000**	$'000
State Government grants	**1 602**	-
Total Income	**1 602**	-
Expenses:		
Supplies and services - SA Government entities	**22**	-
Supplies and services - Non-SA Government	**1 578**	-
Total Expenses	**1 600**	-
Operating Surplus	**2**	-
Current Assets:		
Cash	**714**	-
Total Current Assets	**714**	-
Current Liabilities:		
Payables	**712**	-
Total Current Liabilities	**712**	-
Net Assets	**2**	-

22.1 Administered Revenues and Administered Cash Inflows

The Board receives funding from the South Australian Government for the Victoria Park redevelopment programme. The amounts are administered by the Board but are not recognised as revenue. These amounts are disclosed as administered revenues and administered cash inflows.

22.2 Administered Expenses and Administered Cash Outflows

The Board makes payments to various suppliers in the capacity of an agent responsible for the administration of the Victoria Park redevelopment programme. These transfers are disclosed as administered expenses and administered cash outflows.

22.3 Administered Assets and Liabilities

The Board manages various assets and liabilities on behalf of the Government. These amounts are disclosed as administered assets and liabilities.

22.4 Changes in Administered Equity

Changes in equity relate to the net operating surplus of the administered item.

22.5 Commitments

Commitments contracted at the reporting date but not recognised as liabilities amount to $1 069 000. These are payable within one year.

SOUTH AUSTRALIAN STATE EMERGENCY SERVICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian State Emergency Service (SASES) was established as a Body Corporate under the *Fire and Emergency Services Act 2005* (the Act) on 1 October 2005. Prior to the enactment of this legislation the State Emergency Service was in operation as an operating unit within the Emergency Services Administrative Unit (ESAU).

The Act provided for the State Emergency Service to continue in operation as the SASES whereas ESAU was dissolved. Upon dissolution of ESAU, the assets and liabilities in relation to the operation of the former State Emergency Service were transferred to the SASES.

The Act also established the South Australian Fire and Emergency Services Commission (SAFECOM). SAFECOM, in performing its functions, may give directions to the SASES, except in matters relating to the handling of emergency situations.

Functions

The functions of the SASES are as follows:

- To assist the Commissioner of Police in dealing with any emergency.

- To assist the South Australian Metropolitan Fire Service and the South Australian Country Fire Service in dealing with any emergency.

- To assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004.*

- To deal with any emergency:

  — where the emergency is caused by flood or storm damage; or

  — where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency.

- To deal with any emergency until such time as any other body or person that has lawful authority to assume control of operations for dealing with the emergency has assumed control.

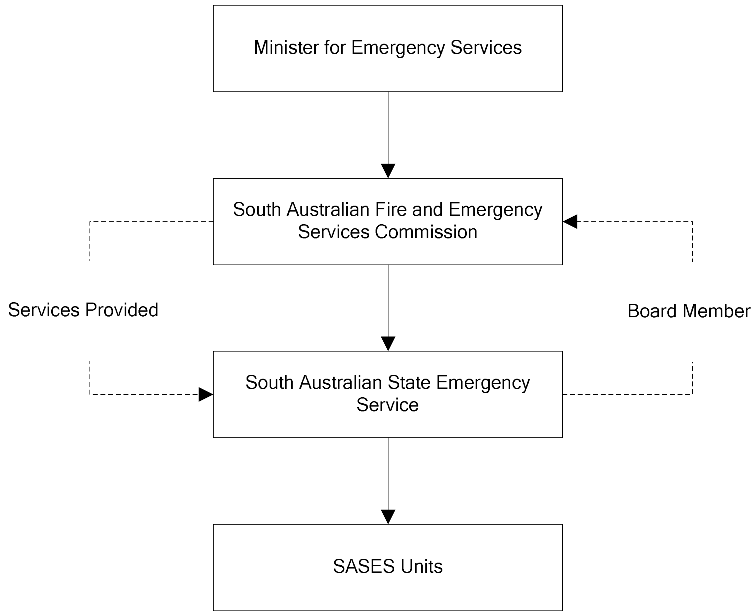
- To respond to emergency calls and, where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency.

- To undertake rescues.

Structure

The Chief Officer of SASES is responsible for the management, administration and operations of the SASES and is also a board member of SAFECOM.

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



SAFECOM provides various services in support of SASES's primary functions, including financial management and accounting services.

SASES's financial management is reliant on information and reporting provided by SAFECOM.

The operations of SASES are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 120(2) of the *Fire and Emergency Services Act 2005* provide for the Auditor-General to audit the accounts of the SASES 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 SASES 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 for SASES for 2006-07 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.

The audit included access to systems and information maintained by SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information. Specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- 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 State Emergency Service 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 State Emergency Service 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 outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian State Emergency 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 a management letter to the Chief Officer of SASES. The response to the management letter was generally considered to be satisfactory. The principal matters raised with SASES and the related responses follow.

As previously mentioned, SASES is reliant on financial management and information support from SAFECOM. In that context, in reviewing the following comments, reference should also be made to the audit commentary on matters raised with SAFECOM included in that particular section of this Report. Those matters relate to legislative compliance and governance and financial accounting systems and processes.

Strategic and Business Planning

Audit noted that SASES's strategic plan for 2006-07 combined both SASES's strategic and business planning. The short-term focus in the combined strategic and business plan may result in SASES not achieving its long-term strategic objectives.

SASES responded that it will review its strategic planning model to ensure its longer term objectives are supported by detailed short-term and business plans.

In addition, Audit raised that the SAFECOM Board had endorsed a requirement for quarterly status reporting against business plans from business units to the Chief Officers/Chief Executive and to the SAFECOM Board. Although performance against objectives is discussed in regular SASES senior management meetings, the review and monitoring process is not supported by formal reporting, including to the SAFECOM Board.

SASES advised that it has implemented processes to support its reporting against its strategic and business planning, including to the SAFECOM Board.

Risk Management

Although SASES advised Audit of risk management practices and systems utilised, Audit noted that SASES's risk management documentation was, at the time of audit, outdated.

SASES responded that it has commenced a review of its risk management plan with assistance from SAFECOM staff, including the use of a risk management data base, which will be updated and regularly reported against.

Cash Management

On 29 June 2007, SASES received $1.3 million from the Fund, approved by the Fund Manager (Chief Executive, SAFECOM) to meet creditor cash flow requirements. This was not an increase in SASES' approved budget for 2006-07. In view of the significance of the amount (ie approximately 10 percent of the year's funding) and timing, Audit reported a need for SASES to improve its cash management.

SASES advised that it will improve its monitoring of its cash position by giving greater attention to the management of the receipt and payment of invoices.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 $'million	* 2006 $'million
INCOME		
Contributions from Community Emergency Services Fund	**13**	**8**
Other income	**1**	**1**
Total Income	**14**	**9**
EXPENSES		
Employee benefit expenses	**3**	**2**
Supplies and services	**6**	**5**
Other expenses	**3**	**2**
Total Expenses	**12**	**9**
Net Result before Restructure	**2**	**0**
Net revenue from administrative restructure	**0**	**17**
Net Result after Restructure	**2**	**17**

* The SASES commenced operations from 1 October 2005. The figures shown represent transactions for the nine month period to 30 June 2006.

	2007 $'million	2006 $'million	Percentage Change
ASSETS			
Current assets	**2**	**2**	**-**
Non-current assets	**19**	**18**	**6**
Total Assets	**21**	**20**	**5**
LIABILITIES			
Current liabilities	**1**	**2**	**(50)**
Non-current liabilities	**1**	**1**	**-**
Total Liabilities	**2**	**3**	**(33)**
EQUITY	**19**	**17**	**12**

Income Statement

The main source of income for the SASES is the contribution from the Community Emergency Services Fund which accounts for 93 percent of total income.

In 2007, the Security and Emergency Management Office of the Department of the Premier and Cabinet (DPC) was abolished and certain functions transferred to SASES effective 1 December 2006. As a result, Commonwealth funding previously provided through DPC is now received directly by SASES (refer to Note 21 to the financial statements).

As part of the restructuring of the emergency services sector in 2006, assets and liabilities were transferred from the former Emergency Services Administrative Unit to SASES. The net revenue from this transfer totalled $17 million (refer to Note 21 to the financial statements).

Balance Sheet

The Balance Sheet is dominated by the non-current asset 'property, plant and equipment' which totalled $19 million in 2007. The written down value of the main asset classes held by the SASES were land and buildings ($6.8 million) and vehicles ($7.2 million).

Income Statement
for the year ended 30 June 2007

	Note 2(b)	**2007 $'000**	2006 $'000
EXPENSES:			
Employee benefit expenses	5	**2 988**	2 107
Supplies and services	6	**5 585**	4 909
Government Radio Network expenses	8	**1 793**	1 416
Depreciation	9	**1 292**	844
Total Expenses		**11 658**	9 276
INCOME:			
Net gain from disposal of assets	10	**37**	94
Interest revenues		**44**	68
Other income	11	**675**	653
Total Income		**756**	815
NET COST OF PROVIDING SERVICES		**10 902**	8 461
REVENUES FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**12 513**	8 587
NET RESULT BEFORE RESTRUCTURE		**1 611**	126
Net revenue from administrative restructure	21	**226**	16 880
NET RESULT AFTER RESTRUCTURE		**1 837**	17 006

Net Result after Restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	2007	2006
	2(b)	**$'000**	$'000
CURRENT ASSETS:			
Cash and cash equivalents	12	**1 207**	1 252
Receivables	13	**455**	446
Total Current Assets		**1 662**	1 698
NON-CURRENT ASSETS:			
Property, plant and equipment	14	**18 933**	18 646
Total Non-Current Assets		**18 933**	18 646
Total Assets		**20 595**	20 344
CURRENT LIABILITIES:			
Payables	15	**507**	1 392
Short-term and long-term employee benefits	16	**251**	304
Short-term provisions	17	**117**	99
Total Current Liabilities		**875**	1 795
NON-CURRENT LIABILITIES:			
Payables	15	**72**	54
Long-term employee benefits	16	**751**	614
Long-term provisions	17	**379**	339
Total Non-Current Liabilities		**1 202**	1 007
Total Liabilities		**2 077**	2 802
NET ASSETS		**18 518**	17 542
EQUITY:			
Retained earnings		**18 063**	17 006
Asset revaluation reserve		**455**	536
TOTAL EQUITY		**18 518**	17 542

Total Equity is attributable to the SA Government as owner

Commitments	18		
Contingent assets and liabilities	19		

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 October 2005	-	-	-
Gain on revaluation of property during 2005-06	536	-	536
Net result after restructure for 2005-06	-	16 710	16 710
Total Recognised Income and Expense for 2005-06	536	16 710	17 246
Balance at 30 June 2006	536	16 710	17 246
Error corrections	-	296	296
Restated balance as at 30 June 2006	536	17 006	17 542
Loss on revaluation of property during 2006-07	(81)	-	(81)
Net Result after restructure for 2006-07	-	1 837	1 837
Total Recognised Income and Expense for 2006-07	(81)	1 837	1 756
De-recognition of assets during 2006-07	-	(780)	(780)
Balance at 30 June 2007	**455**	**18 063**	**18 518**

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

Cash Flow Statement
for the year ended 30 June 2007

	Note	2007	2006
	2(b)	**Inflows**	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:		**$'000**	$'000
Employee benefit payments		**(2 904)**	(2 449)
Supplies and services		**(6 473)**	(3 410)
Government Radio Network payments		**(1 732)**	(1 355)
GST payments on purchases		**(626)**	(529)
Cash used in Operations		**(11 735)**	(7 743)
CASH INFLOWS:			
Contributions from Community Emergency Services Fund		**12 513**	8 587
Interest received		**53**	68
GST receipts on receivables		**29**	65
GST input tax credits		**597**	463
Other receipts		**603**	653
Cash generated from Operations		**13 795**	9 836
Net Cash provided by Operating Activities	20	**2 060**	2 093
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(2 457)**	(3 222)
Proceeds from the sale of property, plant and equipment		**126**	118
Net Cash used in Investing Activities		**(2 331)**	(3 104)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer from Emergency Services Administrative Unit		**-**	2 263
Transfer from the Department of the Premier and Cabinet		**226**	-
Net Cash provided by Financing Activities		**226**	2 263
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(45)**	1 252
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 252**	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**1 207**	1 252

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian State Emergency Service (SASES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- To assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency.
- To assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*.
- To deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency.
- To deal with any emergency until such time as any other body or person that has lawful authority to assume control of operations for dealing with the emergency has assumed control.
- To respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency.
- To undertake rescues.

The *State Emergency Service Act 1987* was repealed at the proclamation of the new Act.

Funding Arrangements

Funding of SASES is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

Funds generated by Units through fund raising activities are held locally for expenditure in the local community. These funds are recognised as part of Other Income within SASES's financial statements.

2. 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.

Statement of Compliance

AASs include AIFRS and AAS 29. SASES has early-adopted the amendments to AASB 101. Refer Note 4.

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SASES'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 accounting policy statements 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.

SASES'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.

(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 has required a change. In some cases, prior period amendments have been made to improve the quality and consistency of information provided.

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.

For 2006, SASES comparative amounts represent the period from 1 October 2005 to 30 June 2006.

(c) Rounding

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

(d) Taxation

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

(d) Taxation (continued)

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 expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the organisation 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.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Community Emergency Services Fund are recognised as income when SES obtains control over the funding. Control over funding is normally obtained upon receipt.

Resources Received Free of Charge

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

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.

(f) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The SES 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 SASES has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(g) 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 maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

(h) 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 organisation will not be able to collect the debt.

(i) 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.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(j) Revaluation of Non-Current Assets

Property, plant and equipment is brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every three years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

(k) 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's revaluation reserve.

(l) Depreciation 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 made on a regular basis for all assets with annual reassessments for major items.

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	10
Vehicles	5-20
Plant and equipment	6-10
Computer equipment	5
Buildings	30-45

(m) Payables

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

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

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, are unsecured 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 SASES 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.

(n) 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 of sick leave.

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9.1 (10) 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 SES's experience of employee retention and leave taken.

(o) Provisions

Provisions are recognised when SES 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 SES 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.

(p) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(q) Administrative Restructuring

(i) Pursuant to structural reforms announced within the 2006-07 State Budget speech on 21 September 2006, functions of the Security and Emergency Management Office (SEMO) were transferred from the Department of the Premier and Cabinet to the SASES during the 2006-07 financial year (refer Note 21).

(ii) Pursuant to the Government Gazette (dated 29 September 2005) a number of employees of the former Emergency Services Administrative Unit (ESAU) were transferred to the staff of the SASES during the 2005-06 financial year. After the 2005-06 financial statements of ESAU were audited, the remaining assets and liabilities were transferred to SAFECOM and SASES (refer to Note 21).

(r) Program Information

In achieving its objectives, the SASES provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'State Emergency Service'.

3. Financial Risk Management

SASES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SASES's exposure to market risk and cash flow interest risk is minimal.

SASES has no significant concentration of credit risk. SASES 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 SASES in its present form, and with its present programs, is dependent on government policy and on continuing payments from the Community Emergency Services Fund for SASES's administration and programs.

4. Changes in Accounting Policies

Except for the amendments to AASB 101, which the SASES has early-adopted, the AASs 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 SASES 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.

5. Employee Benefit Expenses

	2007 $'000	2006 $'000
Salaries and wages	**2 174**	1 579
Payroll tax	**127**	91
Superannuation	**284**	197
Long service leave expenses	**143**	74
Annual leave	**202**	134
Other employee related costs	**58**	32
Total Employee Benefit Expenses	**2 988**	2 107

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands:	2007 Number of Employees	2006 Number of Employees
$100 000 - $109 999	**1**	-
$110 000 - $119 999	**3**	-
$120 000 - $129 999	**2**	-
$130 000 - $139 999	**1**	-
$140 000 - $149 999	**2**	-
$170 000 - $179 999	**-**	-
Total Number of Employees	**9**	-

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1 112 000.

6. Supplies and Services

	2007 $'000	2006 $'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation	**5**	2
Communication expenses	**30**	31
Computing costs	**29**	34
Consultancy, contractor and legal fees	**35**	19
Consumables and minor purchases	**118**	12
Energy	**42**	6
Operating lease costs	**579**	61
Other expenses	**194**	48
Repairs and maintenance	**49**	4
Travel and training	**26**	4
Total Supplies and Services - SA Government Entities	**1 107**	221
Supplies and Services provided by Entities external to the SA Government:		
Accommodation	**12**	5
Communication expenses	**438**	261
Computing costs	**22**	7
Consultancy, contractor and legal fees	**448**	509
Consumables and minor purchases	**1 450**	1 190
Energy	**58**	43
Operating lease costs	**118**	416
Other expenses	**472**	817
Repairs and maintenance	**554**	680
Travel and training	**566**	435
Uniforms and protective clothing	**340**	325
Total Supplies and Services - Non-SA Government Entities	**4 478**	4 688
Total Supplies and Services	**5 585**	4 909

Consultancies

The number and dollar amount of consultancies paid/payable that fell within the following bands were:	2007 Number of Consultancies	2006 Number of Consultancies
Below $10 000	**4**	2
$10 000 - $50 000	**1**	1
Total Number of Consultants	**5**	3

	2007 $'000	2006 $'000
Below $10 000	**16**	8
$10 000 - $50 000	**35**	19
Total Amount Paid/payable to Consultants Engaged	**51**	27

7. Remuneration of Auditors

The amount due and payable for audit services provided by:		
Total Auditor-General's Department	**21**	19

The auditors provided no other service.

8. Government Radio Network (GRN) Expenses

SASES has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

	2007 $'000	2006 $'000
Contribution towards GRN - Voice	**1 642**	1 292
Contribution towards GRN - Paging	**151**	124
Total GRN Expenses	**1 793**	1 416

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:

Communications equipment	**167**	99
Vehicles	**512**	416
Plant and equipment	**152**	77
Buildings	**373**	159
Computer equipment	**88**	93
Total Depreciation	**1 292**	844

10. Net Gain from Disposal of Assets

Proceeds from disposal of assets	**126**	118
Written down value of assets disposed	**(89)**	(24)
Net Gain from Disposal of Assets	**37**	94

11. Other Income

Fundraising by SASES units	**46**	46
Commonwealth revenue	**370**	548
Transfer of capital funding for GRN	**-**	50
Assets received free of charge from Local Government	**72**	-
Other	**187**	9
Total Other Income	**675**	653

12. Cash and Cash Equivalents

Cash on hand	**2**	2
Cash at bank - Units	**794**	749
Cash at bank	**411**	501
Total Cash and Cash Equivalents	**1 207**	1 252

Interest Rate Risk

Cash on hand is non-interest bearing, cash at bank is bearing a floating interest rate between 5.68 percent and 6.10 percent (5.35 percent to 5.43 percent). The carrying amount of cash approximates fair value.

13. Receivables

	2007 $'000	2006 $'000
Current:		
Receivables	**289**	89
GST receivables	**166**	357
Total Current Receivables	**455**	446

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**270**	67
Total Receivables from SA Government Entities	**270**	67
Receivables from Non-SA Government Entities:		
Receivables	**19**	22
GST receivable	**166**	357
Total Receivables from Non-SA Government Entities	**185**	379
Total Receivables	**455**	446

Interest Rate and Credit Risk

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

14. Non-Current Assets

(a) Property, Plant and Equipment

	Cost/ Valuation $'000	Accumulated Depreciation $'000	2007 Written Down Value $'000
Land at independent valuation	**995**	**-**	**995**
Land at cost	**140**	**-**	**140**
Buildings at independent valuation	**4 323**	**(166)**	**4 157**
Buildings at cost	**1 629**	**(99)**	**1 530**
Vehicles at independent valuation	**6 568**	**(438)**	**6 130**
Vehicles at cost	**1 179**	**(80)**	**1 099**
Communications equipment at cost	**1 705**	**(988)**	**717**
Computer equipment at cost	**523**	**(212)**	**311**
Plant and equipment at cost	**1 541**	**(563)**	**978**
Work in progress at cost	**2 876**	**-**	**2 876**
Total Property, Plant and Equipment	**21 479**	**(2 546)**	**18 933**

	Cost/ Valuation $'000	Accumulated Depreciation $'000	2006 Written Down Value $'000
Land at independent valuation	857	-	857
Buildings at independent valuation	4 243	(20)	4 223
Buildings at cost	1 061	(73)	988
Vehicles at independent valuation	6 657	-	6 657
Vehicles at cost	738	(15)	723
Communications equipment at cost	2 191	(1 174)	1 017
Computer equipment at cost	1 404	(648)	756
Plant and equipment at cost	1 875	(571)	1 304
Work in progress at cost	2 121	-	2 121
Total Property, Plant and Equipment	21 147	(2 501)	18 646

Valuation of Land and Buildings
Independent valuations for land and buildings were obtained in 2006-07 from Liquid Pacific Holdings Pty Ltd and were determined on the basis of open market values for existing use.

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

De-recognition of Assets
During 2006-07 SASES de-recognised a number of minor assets with a gross value of less than $10 000, resulting in a $780 000 write-down of assets. The asset de-recognition was approved by the SAFECOM Board and is consistent with APF III APS 2.15 which recommends that all non-current tangible assets with a value of $10 000 or greater be capitalised.

Correction of Error
Refer Note 21.

(b) Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings $'000	Vehicle $'000	Communication Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	**2007 Total $'000**
Carrying amount at 1 July	6 068	7 380	1 017	756	1 304	1 825	**18 350**
Correction of error	-	-	-	-	-	296	**296**
Restated carrying amount at 1 July	6 068	7 380	1 017	756	1 304	2 121	**18 646**
Additions	-	1	51	1	16	2 388	**2 457**
Transfer from WIP	1 136	449	-	48	-	(1 633)	**-**
Disposals	-	(89)	-	-	-	-	**(89)**
Revaluation	(81)	-	-	-	-	-	**(81)**
Depreciation	(373)	(512)	(167)	(88)	(152)	-	**(1 292)**
Transfer from various parties	72	-	-	-	-	-	**72**
Asset de-recognition	-	-	(184)	(406)	(190)	-	**(780)**
Carrying Amount at 30 June	6 822	7 229	717	311	978	2 876	**18 933**

(b) Reconciliation of Non-Current Assets (continued)

The following table shows the movement of non-current assets during 2005-06.

	Land and Buildings $'000	Vehicle $'000	Communi-cation Equipment $'000	Computer Equip-ment $'000	Plant and Equip-ment $'000	Work in Progress $'000	2006 Total $'000
Carrying amount at 1 July	-	-	-	-	-	-	-
Additions	7	39	-	145	-	3 031	3 222
Transfer from WIP	295	1 250	58	-	343	(1 946)	-
Disposals	-	(22)	(1)	-	(1)	-	(24)
Revaluation	430	106	-	-	-	-	536
Depreciation	(159)	(416)	(99)	(93)	(77)	-	(844)
Acquisition through administrative restructuring	5 495	6 423	1 059	704	1 039	740	15 460
Carrying Amount at 30 June	6 068	7 380	1 017	756	1 304	1 825	18 350
Acquisition through administrative restructuring (correction of error)	-	-	-	-	-	296	296
Restated Carrying Amount at 30 June	6 068	7 380	1 017	756	1 304	2 121	18 646

15. Payables

	2007 $'000	2006 $'000
Current:		
Creditors	**230**	1 195
Accrued expenses	**236**	149
Employment on-costs	**41**	48
Total Current Payables	**507**	1 392
Non-Current:		
Employment on-costs	**72**	54
Total Non-Current Payables	**72**	54
Total Payables	**579**	1 446

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	**55**	967
Accrued expenses	**146**	56
Employment on-costs	**57**	52
Total Payables - SA Government Entities	**258**	1 075
Payables to Non-SA Government Entities:		
Creditors	**175**	228
Accrued expenses	**90**	93
Employment on-costs	**56**	50
Total Payables - Non-SA Government Entities	**321**	371
Total Payables	**579**	1 446

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. 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.

Correction of Error

Accrued salaries and wages were incorrectly classified in 2005-06. As a result, accrued expenses for the year ended 30 June 2006 were overstated by $31 000. This error had the effect of overstating payables and understating employee benefits as at 30 June 2006.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

16. Employee Benefits

	2007 $'000	2006 $'000
Current Liabilities:		
Annual leave	**207**	203
Long service leave	**20**	70
	227	273
Accrued salaries and wages	**24**	31
Total Current Employee Benefits	**251**	304
Non-Current Liabilities:		
Long service leave	**751**	614
Total Non-Current Employee Benefits	**751**	614
Total Employee Benefits	**1 002**	918

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2007 is $292 000 and $823 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long services leave liability has been revised from 10 years to 9.1 years.

17. Provisions

	2007	2006
Current:	**$'000**	$'000
Provision for workers compensation	**117**	99
Total Current Provisions	**117**	99
Non-Current:		
Provision for workers compensation	**379**	339
Total Non-Current Provisions	**379**	339
Total Provisions	**496**	438
Carrying amount at 1 July	**438**	-
Additional provisions recognised	**155**	452
Payments	**(97)**	(14)
Carrying Amount at 30 June	**496**	438

SASES has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. SASES's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of SASES has not been undertaken and if such a valuation was performed it may result in a different assessed liability. SASES fully funds this provision for both employees and volunteers.

18. Commitments

	2007	2006
Commitments for Capital Expenditure	**$'000**	$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	**154**	**-**
Total Capital Commitments	**154**	**-**

These capital commitments are for buildings.

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not yet recognised as liabilities are payable as follows:		
Within one year	**31**	193
Later than one year but not later than five years	**215**	49
Total Remuneration Commitments	**246**	242

Amounts disclosed include commitments arising from executive contracts. SASES does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Leases Commitments	**2007**	2006
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	**$'000**	$'000
Within one year	**624**	487
Later than one year but not later than five years	**904**	954
Later than five years	**-**	26
Total Operating Lease Commitment	**1 528**	1 467

The above mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

19. Contingent Assets and Liabilities

SASES has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2007-08 financial year, however the outcome cannot be reliably determined.

SASES is not aware of any contingent assets.

20. Cash Flow Reconciliation

	2007	2006
Reconciliation of Cash	**$'000**	$'000
Cash at 30 June as per:		
Cash Flow Statement	**1 207**	1 252
Balance Sheet	**1 207**	1 252

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services	**2007 $'000**	2006 $'000
Net cash provided by operating activities	**2 060**	2 093
Contributions from Community Emergency Services Fund	**(12 513)**	(8 587)
Add (Less): Non-cash items:		
Assets received from local government	**72**	-
Depreciation	**(1 292)**	(844)
Net gain from disposal of assets	**37**	94
Change in Assets and Liabilities:		
Increase in receivables	**9**	325
Decrease (Increase) in payables	**867**	(1 446)
(Increase) Decrease in provision for employee benefits	**(84)**	342
Increase in provisions	**(58)**	(438)
Net Cost of Providing Services	**(10 902)**	(8 461)

21. Administrative Restructure

Transferred functions for the 2006-07 year comprise net assets transferred to SASES in relation to the transferred functions of the Security and Emergency Management Office (SEMO) from the Department of the Premier and Cabinet.

	2007 $'000
Current assets - Cash	**226**
Total Net Revenue from Administrative Restructure for 2006-07	**226**

Transferred functions for the 2005-06 year comprise net assets and liabilities were transferred from the former Emergency Services Administrative Unit (ESAU) to the SASES as at 31 December 2005.

	2006 $'000
Current assets - Cash	2 263
Current assets - Receivables	121
Non-current assets - Property, plant and equipment	15 756
Current liabilities - Employee benefits	(413)
Non-current liabilities - Employee benefits	(847)
Total Net Revenue from Administrative Restructure for 2005-06	16 880

Correction of Error

Net revenue from administrative restructure for the year ended 30 June 2006 was understated by $296 000. This error had the effect of understating Work in Progress as at 30 June 2006 and understating retained earnings at 30 June 2006.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

SOUTH AUSTRALIAN SUPERANNUATION BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by subsection 6(2) of the *Superannuation Act 1988* (the Act).

Functions

The Board is responsible for the administration of the following three superannuation schemes.

South Australian Superannuation Scheme

The Act established an employer sponsored voluntary superannuation scheme to provide superannuation benefits for persons employed by the Government of South Australia and other prescribed persons. The Act does not apply to Members of Parliament, the judiciary or police officers who are provided for under separate legislation.

Under subsection 7(1) of the Act, the Board is responsible for the maintenance of:

- accounts in the name of all members of the South Australian Superannuation Scheme (the Scheme);
- proper accounts for each financial year on receipts of contributions and payment of benefits.

The Scheme has the following components:

- Old Scheme Division — For the provision of pension based benefits.
- New Scheme Division — For the provision of lump sum benefits.

In addition, Employer Contribution Accounts have been established to record the employer contributions towards their share of the emerging liability for benefit payments of the Scheme.

The Superannuation Funds Management Corporation of South Australia (Funds SA) has statutory responsibility for the investment and management of the Fund. This Fund comprises the contributions of employees and income earned from investment of those funds, less the Fund portion of benefits payable and administration expenses. Funds SA also invests and manages the employer contributions.

The Old Scheme and the New Scheme Divisions were closed to new membership in May 1986 and June 1994, respectively. The Scheme was replaced by the Southern State Superannuation Scheme (the Triple S Scheme) effective 1 July 1995.

Southern State Superannuation Scheme

The *Southern State Superannuation Act 1994* (Triple S Act) established the Triple S Scheme to provide an employer sponsored contributory superannuation scheme for persons employed in the public sector. The Triple S Scheme also includes members of the benefit scheme established by the *Superannuation (Benefits Scheme) Act 1992* and police officers who commenced employment from 1 July 1995.

The Triple S Scheme provides employer benefits for public sector employees who are not actively contributing to an employer sponsored superannuation scheme, in order to satisfy the minimum level required under the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. The Triple S Scheme also allows employees to make contributions.

The Board is responsible under the Triple S Act for the maintenance of:

- accounts in the name of all members of the Triple S Scheme;
- proper accounts for each financial year on the receipt of contributions and payment of benefits.

The Triple S Act establishes the Southern State Superannuation Fund (Triple S Fund) and the Southern State Superannuation (Employers) Fund (Triple S Employers Fund). The Triple S Fund comprises contributions of employees and the Triple S Employers Fund comprises employer contributions. Both Funds include income earned from investments of those funds, less the Funds' portion of benefits paid. Funds SA is responsible for the investment and management of both Funds.

Post-Retirement Investment

Under subsection 47(B) of the Triple S Act, the Board introduced two post-retirement investment products from 1 April 2005. These were:

- Super SA Allocated Pension — an investment product for retired members who want to maintain their money in a superannuation fund which provides a regular income stream.
- Super SA Flexible Rollover — an investment product for members to maintain their money in a superannuation fund while giving access at any time (subject to preservation rules).

The funds held in these products comprise the member's superannuation funds, other monies as determined by the Board, and income earned from investment of those funds less any benefits paid and administration expenses. These funds are managed and invested by Funds SA.

South Australian Ambulance Service Superannuation Scheme

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (SA Ambulance Service Scheme):

- a scheme and fund established under Schedule 3 of the Act;
- the Board as its Trustee;
- to be administered by Super SA;
- funds to be invested and managed by Funds SA.

The SA Ambulance Service Scheme is governed by a Trust Deed and Rules pursuant to the Act. The SA Ambulance Service Scheme is an employer sponsored contributory superannuation scheme to provide superannuation benefits for persons employed by the SA Ambulance Service Inc.

Under Schedule 3 of the Act, Super SA is responsible for maintaining:

- contribution accounts for individual members and the employer of the SA Ambulance Service Scheme;
- proper accounts for each financial year on receipt and payments of the SA Ambulance Service Scheme.

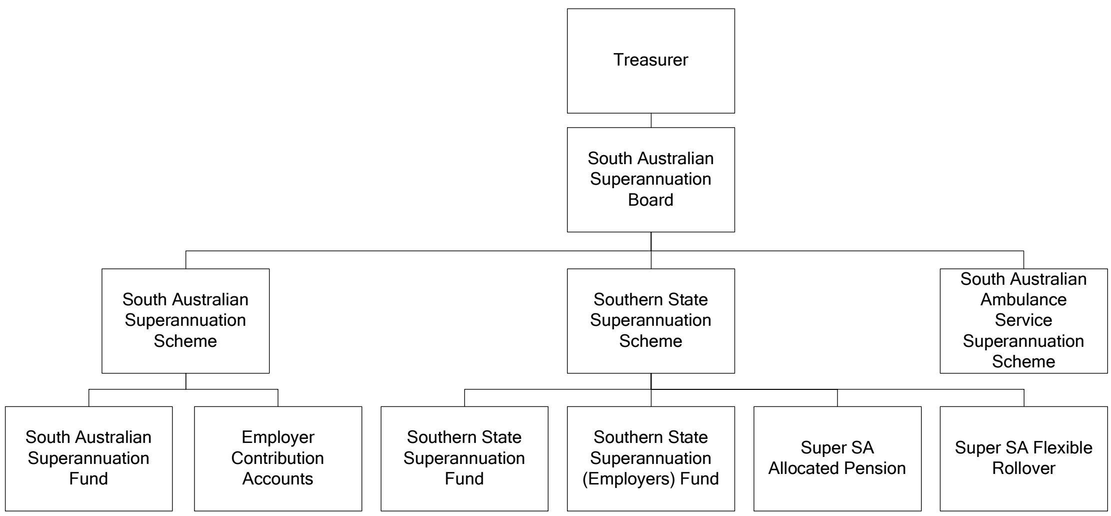
Contributory members are entitled to a defined benefit payment whereas non-contributory members' entitlement is the accumulated balances in the member's accounts. All member and employer contributions are deposited into the SA Ambulance Service Scheme which includes income earned from investment of those funds, less benefits paid.

Service Provision Arrangements

The Board has a service level contract with the Department of Treasury and Finance for superannuation administration services (Super SA). Super SA maintains individual member records, processes contributions and determines and processes benefit payments.

For further information on the investment and management of superannuation monies reference should be made to comments under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Structure



Audit Committee

The Board has an Audit Committee which comprises three members. The Audit Committee's primary function is to assist the Board in exercising due care, diligence and skill in discharging its oversight and monitoring responsibility. Audit representatives attended Audit Committee meetings as observers throughout the year.

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 Board for each financial year. The activities of the Board are reflected in the three schemes it administers. Details of the audit mandate for the audit of the financial report of these three schemes is provided under the 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme' and 'Southern State Superannuation Scheme' which directly follow this section of Part B of this Report.

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 enable an opinion to be formed on the financial statements and internal controls.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

Information on the audit coverage, findings and audit opinion on the financial reports of the individual superannuation schemes is provided under the 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme' and 'Southern State Superannuation Scheme' which directly follow this section of Part B of this Report.

The commentary under the heading 'Communication of Audit Matters' provides the overall issues that are not covered in the comments on the individual schemes.

Assessment of Controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of the Board have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit indicated that the internal controls over the Board's administration of the schemes were generally satisfactory.

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Board. Responses to the management letters were considered to be satisfactory.

SOUTH AUSTRALIAN AMBULANCE SERVICE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial statements of the South Australian Ambulance Service Superannuation Scheme (the Scheme) for each financial year.

Scope of Audit

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

During 2006-07, areas of review included:

- receipting and banking of contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the audit of the Superannuation Funds Management Corporation of South Australia (Funds SA).

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 South Australian Ambulance Service Superannuation Scheme as at 30 June 2007 and the changes in net assets for the year ended 30 June 2007.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Scheme. Responses to the matters raised were considered to be satisfactory. The audit indicated that internal controls over the Scheme's operations were satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the financial report comprises 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.

The Scheme was established on 1 July 2006. The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. As a result, there are no comparative figures.

Highlights of the Financial Report	**2007**
	$'000
CHANGES IN NET ASSETS	
Contribution revenue (including transfers from the former Scheme)	**105.8**
Investment revenue	**18.7**
Other revenue	**0.2**
Benefit expenses	**(4.4)**
Other expenses	**(1.0)**
Income tax expense	**(3.4)**
Net Increase in Funds	**115.9**
ASSETS	
Investments	**118.8**
Other assets	**0.6**
Total Assets	**119.4**
LIABILITIES	
Current liabilities	**2.7**
Non-current liabilities	**0.8**
Total Liabilities	**3.5**
Net Assets available to Pay Benefits	**115.9**

Statement of Changes in Net Assets

Contribution revenue amounted to $105.8 million which mainly comprises net assets transferred from the former scheme of $94.7 million and contributions from employers of $8.8 million.

Net Investment revenue amounted to $18.1 million. Investment returns are further discussed in the commentary for Funds SA.

FURTHER COMMENTARY ON OPERATIONS

Liability for Accrued Benefits

An actuarial review is undertaken every three years and the most recent was performed in 2004. The estimated liability for accrued benefits at 30 June 2005 was $78.4 million as disclosed in Note 9 of the financial report.

The vested benefits as at 30 June 2007 were $113.3 million. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members, and contributions received for the year were:

	2007
Non-contributory members	**60**
Contributory members	**1017**
Contributions from members received ($'000)	**1201**

Statement of Changes in Net Assets
for the year ended 30 June 2007

	Note	**2007** **$'000**
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY		**-**
INVESTMENT REVENUE		**18 692**
OTHER REVENUE		**184**
CONTRIBUTION REVENUE:		
Contributions by employers	3	**8 781**
Contributions by members		**1 201**
Rollovers from other schemes		**1 070**
Spouse contributions		**11**
Government co-contributions		**108**
Transfers from SA Ambulance Service Superannuation Fund	12	**94 675**
		105 846
DIRECT INVESTMENT EXPENSE		**(608)**
ADMINISTRATION EXPENSES	4	**(297)**
OTHER EXPENSES		**(75)**
BENEFITS EXPENSE	8	**(4 425)**
INCOME TAX EXPENSE	14(a),(b)	**(3 422)**
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE		**115 895**

Statement of Net Assets as at 30 June 2007

	Note	2007 $'000
INVESTMENTS:		
Inflation linked securities		**12 724**
Property		**10 908**
Australian equities		**42 462**
International equities		**27 047**
Fixed interest		**15 017**
Diversified strategies - Growth		**2 304**
Diversified strategies - Income		**4 424**
Cash		**3 960**
Total Investments		**118 846**
OTHER ASSETS:		
Cash and cash equivalents		**516**
Contributions receivable		**3**
Deferred tax assets	14(e)	**4**
Other assets		**35**
Total Other Assets		**588**
Total Assets		**119 404**
CURRENT LIABILITIES:		
Benefits payable		**38**
Other liabilities		**30**
Current tax liabilities	14(c)	**2 669**
		2 737
NON-CURRENT LIABILITIES		
Deferred tax liabilities	14(d)	**772**
Total Liabilities		**3 509**
NET ASSETS AVAILABLE TO PAY BENEFITS	15	**115 895**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) The South Australian Ambulance Service Superannuation Scheme

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (the Scheme) a scheme and fund established pursuant to Clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are only entitled to non-defined accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and Employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund).

No comparative figures have been prepared as this is the first year of operation of the Scheme.

(b) South Australian Superannuation Board

Pursuant to Clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (the Board) the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

Pursuant to Clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the financial statements of Funds SA.

(d) Funding Arrangements

For the year ended 30 June 2007, contributory members contributed 5 percent of salary from post tax salary or 5.9 percent of salary from pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 11.6 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 percent of salaries (3.72 percent for Elective services employees and Emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9 percent of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

From 1 July 2006, the insurance cover for Death, Total and Permanent Disablement and Income Protection was provided as a self-insurance arrangement within the fund, and funded by a specific additional contribution paid by the employer. The 11.6 percent employer contribution for the defined benefit members comprises: 1 percent for administration expenses, 1 percent for insurance premiums for Death and Total and Permanent Disablement cover, 1.2 percent premiums for Income Protection cover and 8.4 percent for defined benefit employer contributions. The components, which comprise contributions by employers are provided in Note 3.

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 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. A number of AASs 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 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 30 June 2007 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 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 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 balance date.

(c) ***Income Tax***
The Scheme is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936* and accordingly the concessional tax rate of 15 percent has been applied.

Current Tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(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.

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) 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.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by Super SA from external agencies on behalf of the SA Ambulance members.

(f) Receivables and Payables
Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the net market value of the amount payable.

(g) 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.

(h) Cash and Cash Equivalents
Cash and cash equivalents comprise cash at bank, demand deposits and short-term, highly liquid investments that are readily converted to known amounts of cash.

3. Contributions by Employers

	2007 $'000
Employer contributions	**7 433**
Group life premiums	**927**
Administration fees	**421**
	8 781

4. Administration Expenses

Administration fees (i)	**251**
Other	**46**
	297

(i) Administration fees represent the costs incurred in administering the Scheme, which are met in the first instance by the Department of Treasury and Finance. The Department of Treasury and Finance seeks reimbursement from the Scheme on a monthly basis.

5. Audit Expense

Amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period totalled $21 000.

6. Consultancy Expense

The number and dollar amounts of consultancies paid/payable that fell within the following bands:	2007 Number	2007 $'000
Below $10 000	**4**	**14**
Between $10 000 and $50 000	**2**	**44**
Above $50 000	**-**	**-**
Total Paid/Payable to Consultants	**6**	**58**

7. Direct Investment Expense

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.

8. Benefits Expense

Retirement	**2 207**
Resignation	**1 541**
Total and Permanent Disablement	**630**
Disability Income Protection	**33**
Temporary Disablement	**14**
	4 425

9. Liability for Accrued Benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least ever three years. The most recent actuarial valuation was undertaken as at 30 June 2005 and the next review to be undertaken as at 30 June 2008. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2005. The figure reported has been determined by reference to the expected future salary levels (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

The liability for accrued benefits as at 30 June 2005 was $78.4 million.

10. Vested Benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date. The figure reported has been determined by reference to the expected future salary levels (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2007 $'000
Vested benefits	**113 345**

11. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

12. Transfer from the Former Scheme

The former scheme was wound up on 30 June 2006 with all member entitlements being transferred to the Scheme administered by the State Superannuation Office. The following assets and liabilities were transferred at that date.

	2006
Assets:	$'000
Cash	1 173
Contributions receivable	1
Investments	94 462
GST receivable	4
Total Assets	95 640
Liabilities:	
Benefits payable	288
Creditors and accruals	224
Current tax liabilities	453
Total Liabilities	965
Net Assets Transferred	94 675

13. Insurance Reserve

	2007
	$'000
Opening balance of reserve	**-**
Add: Employer fees	**927**
Investment revenue	**72**
Less: Benefits payments	
Total and permanent disablement	**27**
Death	**-**
Temporary disablement	**14**
Closing Balance of Reserve	**958**

14. Taxation

(a) Major Components of Tax Expense

Current Income Tax:	
Current tax charge	**2 669**
Adjustment to current tax for prior periods	**(15)**
Deferred Income Tax:	
Relating to the originating and reversal of temporary differences	**768**
Income Tax Expense	**3 422**

(b) Income Tax Expense

Changes in net assets before tax	**119 317**
Tax applicable at the rate of 15 percent	**17 897**
Tax Effect of Income that is not assessable in determining Taxable Income:	
Investment income	**(158)**
Member contributions	**(198)**
Transfers in	**(95)**
Transfers in - SA Ambulance Superannuation Fund	**(14 201)**
Insurance proceeds	**(16)**
Tax Effect of Expenses that are not deductible in determining Taxable Income:	
Benefits expense	**664**
Tax Effect of Other Adjustments:	
Imputation and foreign tax credits	**(456)**
Over provision prior period	**(15)**
Income Tax Expense	**3 422**

(c) Current Tax Liabilities

Balance at 1 July	**-**
Income tax paid - Prior periods	**(438)**
Current years income tax provision	**2 669**
Transfer to successor fund - Prior period	**453**
Over provision - Prior period	**(15)**
Total Current Tax Liabilities	**2 669**

(d) Deferred Tax Liabilities

The amount of deferred tax liability recognised in the Statement of Net Assets:	
Interest receivable	**1**
Unrealised capital gains	**771**
Total Deferred Tax Liabilities	**772**

(e)	***Deferred Tax Assets***	**2007**
	The amount of deferred tax assets recognised in the Statement of Net Assets:	**$'000**
	Accrued Expenses	**4**

15. Net Assets Available to Pay Benefits

Funds held at 1 July		-
Add:	Contributions by members	**1 201**
	Contributions by employers	**8 781**
	Investment revenue	**18 692**
	Transfers from other schemes	**94 675**
	Rollovers from other schemes	**1 070**
	Spouse contributions	**11**
	Government co-contributions	**108**
	Other income	**184**
		124 722
Less:	Benefits expense	**4 425**
	Direct investment expense	**608**
	Administration expenses	**297**
	Other expenses	**75**
	Income tax expense	**3 422**
		8 827
	Funds Held at 30 June	**115 895**

16. Related Parties

(a) Trustee

The Trustee of the Scheme is the Board. The membership of the Board who served during the financial year, along with the period served is as follows:

Hedley Bachman	Presiding Member	1 July 2006 - 30 June 2007
Kevin Cantely (John Wright - Deputy)*	Appointed by the Governor	1 July 2006 - 30 June 2007
Virginia Deegan (Liz Hlipala - Deputy)*	Appointed by the Governor	1 July 2006 - 30 June 2007
Jan McMahon (Leah York - Deputy)	Elected by the Members	1 July 2006 - 30 June 2007
Ros Sumner (Joslene Mazel - Deputy)	Elected by the Members	1 July 2006 - 30 June 2007

(b) Board Member's Remuneration

The number of Board members whose remuneration was within the following bands is as follows:	**2007 Number of Members**
$1 - $10 000	**1**
$20 001 - $30 000	**3**
$30 001 - $40 000	**-**

Remuneration of members reflects all cost of performing Board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The Board is responsible for the administration of the South Australian Superannuation Scheme, the Southern State Superannuation Scheme and the Scheme. The total remuneration of the Board members of $75 000 is met by all three superannuation schemes. Of this amount, $1300 was met by the Scheme, which is included in the administration expense.

The total amount includes payments to a superannuation scheme for Board members of $6600.

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

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

17. 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.

SOUTH AUSTRALIAN SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 20AB(2) of the *Superannuation Act 1988* (the Act) provides for the Auditor-General to audit, for each financial year, the accounts kept by the South Australian Superannuation Board (the Board). The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

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:

- receipting and banking of employer and employee contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the Superannuation Funds Management Corporation of South Australia (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 South Australian 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).

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Scheme. Responses to the matters raised were considered to be satisfactory. 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			
Contribution revenue	**419**	440	(5)
Investment revenue	**945**	721	31
Other revenue	**30**	532	(94)
Total Operating Revenue	**1 394**	1 693	(18)
OPERATING EXPENDITURE			
Benefits expense	**914**	907	1
Direct investment expense	**33**	25	32
Other expenses	**18**	16	13
Total Operating Expenses	**965**	948	2
Operating result	**429**	745	(42)

	2007 $'million	2006 $'million	Percentage Change
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(105)**	452	-
ASSETS			
Investments	**5 509**	4 722	17
Other assets	**14**	18	(22)
Total Assets	**5 523**	4 740	17
LIABILITIES			
Liability for accrued benefits	**9 432**	9 059	4
Current liabilities	**12**	21	(43)
Non-current liabilities	**-**	9	(100)
Total Liabilities	**9 444**	9 089	4
EXCESS OF LIABILITIES OVER NET ASSETS	**(3 921)**	(4 349)	10

Operating Statement

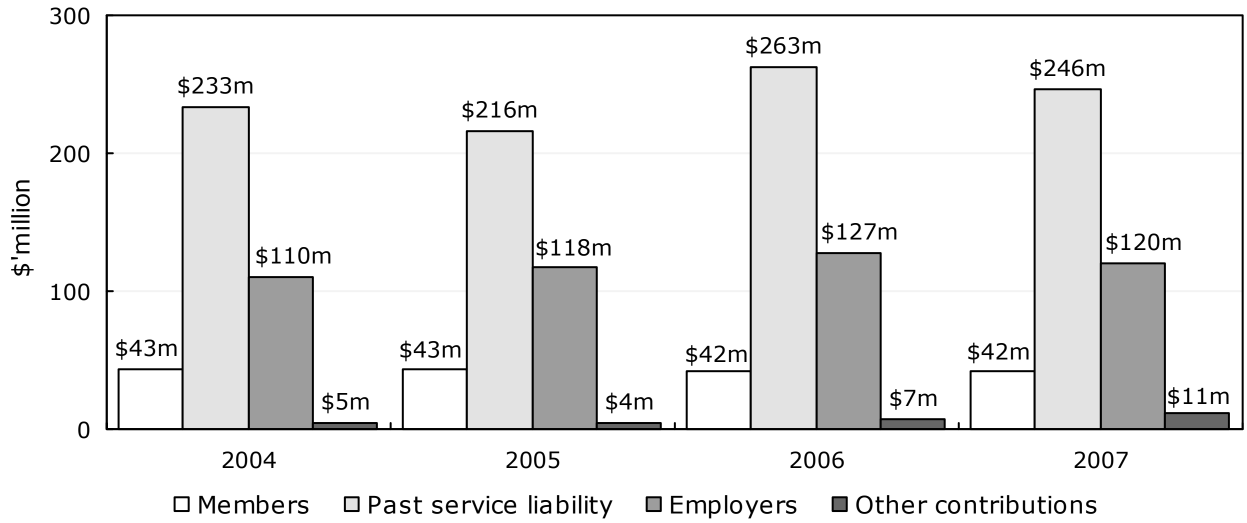
Revenues

Investment activity for the year resulted in a net return of $912 million compared to $696 million in the previous year. Investment returns are further discussed in the commentary for Funds SA.

Other Revenue decreased by $502.9 million to $29.5 million, due mainly to $464 million received from the Commonwealth Government in June 2006. An agreement between the Commonwealth and State Governments required the Commonwealth to fund an agreed portion of superannuation benefits of former state railway employees. In June 2006, the Commonwealth paid $464 million to the State to fully extinguish its superannuation liability. The amount was deposited in the SA Employer Account. Refer to Note 1(d)(iii) of the financial report.

Contribution revenue decreased by $21 million to $419 million, due mainly to decreases of $16.8 million in contributions for past service liability and $7.2 million in contributions by employers. During the year the Government transferred $244 million ($261 million) into the 'South Australian Superannuation Scheme Contribution Account' (the Employer Account) for past service liability funding. Employer contributions reduced due mainly to a decrease in the contributions from the Commonwealth Government for the former State railways employees. Refer to Note 1(d) of the financial report.

A structural analysis of contribution revenues of the Scheme for the four years to 2007 is presented in the following chart.

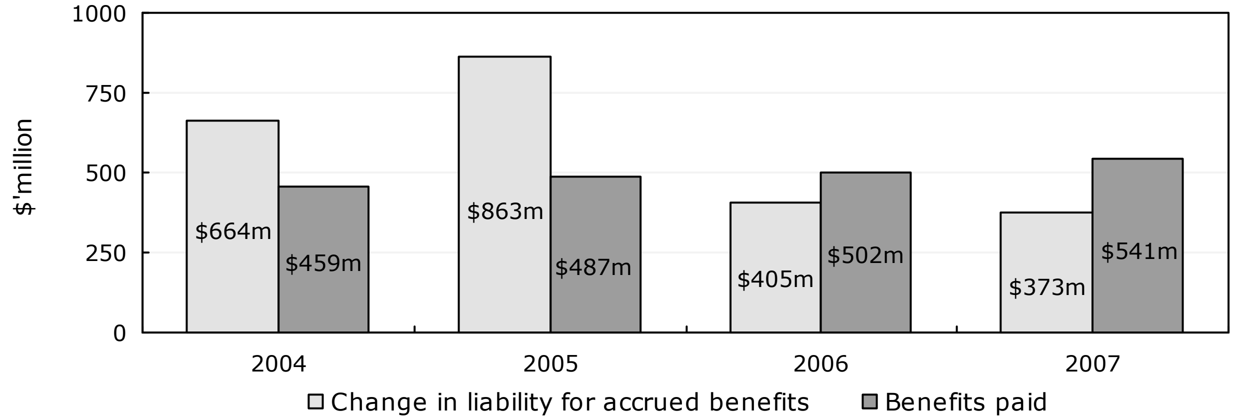


The chart shows that over the last four years employer and member contributions have remained relatively constant. This is expected as the new and old schemes are closed schemes with no new contributors. Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which increased by $6.2 million to $913.7 million for the year.

For the four years to 2007 a structural analysis of the components of benefits expense is shown in the following chart.



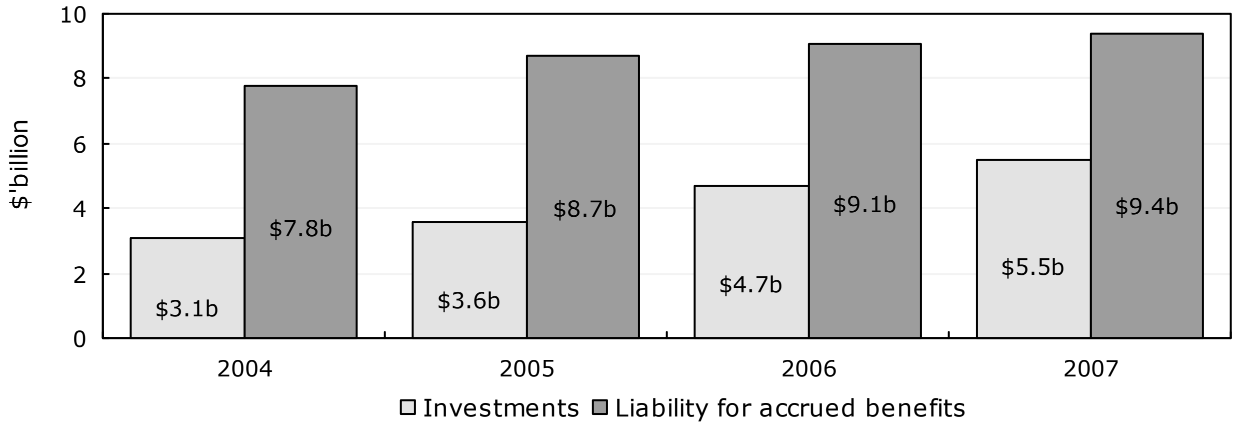
Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability is provided below under the heading 'Statement of Financial Position'.

Over the period of review there has been a steady increase in benefits paid. This is expected as the benefits paid are affected by increases in final salary and inflation adjustments to pensions.

Statement of Financial Position

The estimated liability for accrued benefits increased by $373 million to $9.4 billion ($9.1 billion) for which net assets of $5.5 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $3.9 billion. The 2004 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, increasing the Liability for Accrued Benefits by $373 million. The liability has increased as there is an additional year of past service which has accrued at reporting date. Refer to Note 8 'Liability for Accrued Benefits' to the financial report for further details.

For the four years to 2007 a structural analysis of investments and liability for accrued benefits is shown in the following chart. Over the period of review there has been a steady growth in investments as a result of: the decision by the Government to move to full funding of the public sector superannuation liability; increase in contributions; and accumulation of strong investment earnings in recent years.



Statement of Cash Flows

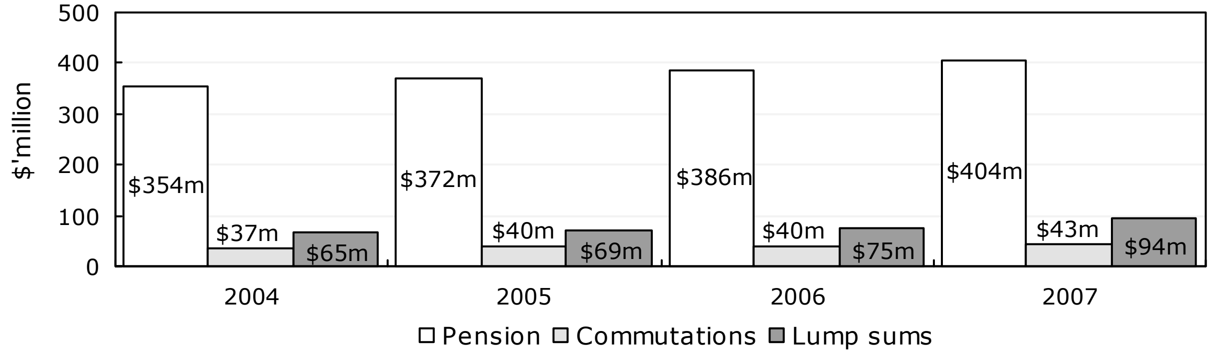
The following table summarises the net cash flows for the four years to 2007.

	2007	2006	2005	2004
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**(105.4)**	452.0	(49.0)	(32.1)
Investing	**108.9**	(450.8)	48.2	24.8
Change in Cash	**3.5**	1.2	(0.8)	(7.3)
Cash at 30 June	**7.2**	3.7	2.5	3.3

The operating and investing cash flows decreased in 2006-07. This was due to the one off amount of $464 million that was received from the Commonwealth Government in 2005-06. Refer previous comment under the heading 'Revenues' of this section of this Report and Note 17 of the financial report.

In 2006-07 total benefits paid amounted to $542 million ($500 million), which included $404 million ($386 million) paid as pensions. Details of benefits paid/payable are disclosed in Note 7 of the Financial Report.

The following chart analyses benefits paid for the four years to 2007.



The chart shows an increasing amount of pensions and lump sums paid as more members reach retirement age. Pensions are adjusted for increases in inflation.

FURTHER COMMENTARY ON OPERATIONS

Funding of Benefit Payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government employer account.

The SA Superannuation Fund portion of a benefit is fully funded. Member contributions are deposited with Funds SA and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge;
- contribute fortnightly to Employer Contribution Accounts managed by Funds SA, in this way funding their accruing liability; or
- make cash contributions to the Treasurer, who in turn forwards these monies to Funds SA.

Note 1(d) to the financial report provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a Special Deposit Account established for that purpose.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2007	2006	2005	2004
Pensioners	**14 940**	14 842	14 855	14 713
Pensions paid ($'million)	**404**	386	372	354

Contributions by Members

The number of contributors and contributions received from members for the past three years were:

		2007			
	Old Scheme	**New Scheme**	**Total**	2006 Total	2005 Total
Contributors (excludes preserved members)	**4 098**	**6 588**	**10 686**	11 362	11 999
Contributions received ($'000)	**15 932**	**26 163**	**42 095**	42 490	43 468

Operating Statement
for the year ended 30 June 2007

		2007	2006
INVESTMENT REVENUE:	Note	**$'000**	$'000
Investment revenue		**945 125**	720 778
CONTRIBUTION REVENUE:			
Contribution for past service liability		**246 117**	262 942
Contributions by employers		**120 058**	127 336
Contributions by members		**42 095**	42 490
Rollovers from other schemes		**7 023**	4 437
Government co-contributions	18	**4 073**	2 578
		419 366	439 783
OTHER REVENUE	17	**29 547**	532 471
DIRECT INVESTMENT EXPENSE	4	**(32 955)**	(25 167)
CO-CONTRIBUTIONS TRANSFERRED TO OTHER SCHEME	18	**(4 073)**	(2 578)
HIGHER EDUCATION SUPERANNUATION COSTS	20	**(8 427)**	(8 008)
ADMINISTRATION EXPENSE	5	**(5 672)**	(4 368)
AUDIT EXPENSE	21	**(105)**	(120)
CONSULTANCY EXPENSE		**(22)**	(11)
BENEFITS EXPENSE	8	**(913 696)**	(907 499)
OPERATING RESULT		**429 088**	745 281

Statement of Financial Position as at 30 June 2007

	Note	2007 $'000	2006 $'000
INVESTMENTS:	10		
Inflation linked securities		**422 399**	403 258
Property		**558 874**	445 969
Australian equities		**1 875 933**	1 577 972
International equities		**1 741 338**	1 580 296
Fixed interest		**254 058**	206 509
Diversified Strategies - Growth		**223 304**	161 377
Diversified Strategies - Income		**203 219**	174 097
Cash		**230 224**	172 227
		5 509 349	4 721 705
FIXED ASSETS		**-**	191
OTHER ASSETS:			
Cash and cash equivalents	12	**7 206**	4 560
Contributions receivable	3	**2 882**	9 065
Other income receivable	16	**4 140**	4 151
Sundry debtors		**114**	238
		14 342	18 014
Total Assets		**5 523 691**	4 739 910
CURRENT LIABILITIES:			
Benefits payable	19	**11 621**	12 712
Sundry creditors	13	**137**	8 410
PAYG withholding tax	14	**133**	118
		11 891	21 240
NON-CURRENT LIABILITIES:			
Loan and finance facilities - Funds SA		**-**	8 759
Total Liabilities		**11 891**	29 999
NET ASSETS AVAILABLE TO PAY BENEFITS	6	**5 511 800**	4 709 911
Less: **LIABILITY FOR ACCRUED BENEFITS**	8	**9 431 901**	9 059 100
RESERVES	22	**1 057**	651
EXCESS OF LIABILITIES OVER NET ASSETS		**(3 921 158)**	(4 349 840)

Statement of Cash Flows
for the year ended 30 June 2007

		2007	2006
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Contributions received:			
Contributions for past service liability		**245 792**	262 892
Contributions by employers		**125 904**	122 517
Contributions by members		**42 758**	42 266
Rollovers from other schemes		**7 044**	4 437
Government co-contributions		**4 073**	2 578
		425 571	434 690
Other income:			
Reimbursement from other sources:			
Commonwealth Government and Public Authorities		**28 557**	532 091
Temporary disability reimbursements		**123**	81
Refund to Board reserves		**344**	-
Interest received		**366**	378
Other		**16**	-
		29 406	532 550
GST recoup received		**446**	313
Benefits paid:			
Pensions		**(404 353)**	(386 050)
Commutation of pension benefits		**(43 265)**	(39 520)
Lump sums		**(94 400)**	(74 791)
PAYG withholding tax		**15**	111
		(542 003)	(500 250)
Administration expense		**(6 141)**	(4 606)
Audit expense		**(116)**	(118)
Co-contributions transferred to other scheme		**(4 073)**	(2 578)
Higher Education Superannuation costs		**(8 427)**	(8 008)
Consultancy expense		**(24)**	(23)
Net Cash (used in) provided by Operating Activities	11	**(105 361)**	451 970
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**390 700**	294 750
Payments to Funds SA		**(281 800)**	(745 550)
Net Cash provided by (used in) Investing Activities		**108 900**	(450 800)
NET INCREASE IN CASH HELD		**3 539**	1 170
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 667**	2 497
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**7 206**	3 667

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) South Australian Superannuation Scheme

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the Government of South Australia and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian Superannuation Board

The Act charges the South Australian 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 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 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 South Australian Superannuation Scheme Contribution Account (the Account), 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 section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account, or a Special Deposit Account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 43A of the Act. During the year ended 30 June 2007 payments were made from a Special Deposit Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 24 percent (24 percent) for old scheme contributors and 13.5 percent (13.5 percent) for new scheme contributors.

(d) Funding Arrangements (continued)

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangement with employers are:

(i) State Government Departments

State Government Departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period $93.1 million ($94.8 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2007 the Government transferred a total of $244 million ($260.9 million) into the Account. The Government will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory Authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government Liability for Statutory Authorities*

  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments, based on actuarial assessment, to the Treasurer. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).

- *Employer Contribution Accounts*

  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

  The South Australian Housing Trust has implemented a 30 year program of funding its accrued superannuation liabilities. An amount of $1.377 million ($1.324 million) was received during 2007 representing accrued past service superannuation liabilities. Additional contributions of $740 000 ($718 000) have also been received from SA Water, WorkCover and Forestry SA to fund their accrued superannuation liabilities.

- *Public Authorities Accounts (Universities)*

  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from Statutory Authorities, $26.3 million ($31.9 million) relates to amounts received or receivable from SA Government entities and $668 000 ($626 000) relates to amounts received from non-SA Government entities.

(iii) Commonwealth Government

Prior to the 2006-07 financial year, the Commonwealth Government met an agreed portion of benefits where the employer proportion of a payment related to former State Government (railways) employees. The Commonwealth contribution was made pursuant to the Rail Transfer Agreement between the Commonwealth and State Governments. No balances were maintained in the Account for this purpose and the Treasurer sought reimbursement directly from the Commonwealth Government as benefits were paid. In June 2006, the State Government accepted a payment of $464 million from the Commonwealth Government to fully extinguish the Commonwealth Government's superannuation liability in respect of former State Rail employees. The Treasurer deposited these monies into the SA Government Employer Account.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in these statements represents the amount available to meet these future benefits.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with applicable AAS, 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. 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 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 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*
  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 balance date.

(vi) *Diversified Strategies – Growth*
The 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*
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*
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. Therefore no income tax has been brought to account in this financial report.

(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 members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account 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) 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.

(f) 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.

(g) 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 or the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

3. Contributions Receivable

	2007	2006
	$'000	$'000
Contributions by members	**566**	1 229
Contributions by employers	**2 316**	7 836
	2 882	9 065

4. Investment Expenses

Direct investment expenses comprise fees paid to Funds SA and investment managers. Funds SA advises the amount applicable to the Scheme based on the Scheme's proportionate investment with the relevant investment managers.

5. Administration Expenses

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. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

	2007		Total	
	Old Scheme Division	**New Scheme Division**	**2007**	2006
	$'000	**$'000**	**$'000**	$'000
Total Administration Expenses	**3 132**	**2 540**	**5 672**	4 368

6. Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) SA Superannuation Fund Account (Employee Component)

		2007		Total	
		Old Scheme Division	**New Scheme Division**	**2007**	2006
		$'000	**$'000**	**$'000**	$'000
Funds held at 1 July		**1 514 458**	**595 362**	**2 109 820**	1 811 869
Add:	Contributions	**15 932**	**26 163**	**42 095**	42 490
	Rollovers from other schemes	**513**	**6 510**	**7 023**	4 437
	Investment revenue	**298 139**	**119 741**	**417 880**	360 144
	Government co-contributions	**730**	**3 343**	**4 073**	2 578
	Other income - Interest received	**65**	**54**	**119**	113
	Other income - Refund to Board Reserves	**58**	**48**	**106**	-
		315 437	**155 859**	**471 296**	409 762
Less:	Benefits paid	**77 071**	**30 298**	**107 369**	95 297
	Direct Investment expense	**10 414**	**4 203**	**14 617**	12 597
	Co-contributions transferred to other scheme	**730**	**3 343**	**4 073**	2 578
	Administration expenses	**931**	**762**	**1 693**	1 303
	Audit expenses	**17**	**14**	**31**	36
		89 163	**38 620**	**127 783**	111 811
	Funds Held at 30 June	**1 740 732**	**712 601**	**2 453 333**	2 109 820

(b) SA Superannuation Scheme Contribution Account (Employer Component)

		2007	2006
		$'000	$'000
Funds held at 1 July		**2 600 091**	1 747 861
Add:	Employer contributions:		
	State Government Departments	**93 096**	94 785
	Statutory Authorities	**26 962**	32 551
	Contribution for past service liability	**246 117**	262 942
		366 175	390 278
	Investment revenue	**527 245**	360 634
	Other income - Commonwealth and Public Authorities	**28 658**	532 012
	Other income - Temporary disability	**125**	81
	Other income - Interest received	**277**	265
	Other income - Other	**16**	-
	Other income - Refund to Board Reserves	**246**	-
		922 742	1 283 270

(b) ***SA Superannuation Scheme Contribution Account (Employer Component) (continued)***	**2007 $'000**	2006 $'000
Less: Benefits paid:		
Old Scheme contributors	**381 465**	361 630
New Scheme contributors	**52 061**	45 672
Direct Investment expense	**18 338**	12 570
Higher Education Superannuation costs	**8 427**	8 008
Consultancy expenses	**22**	11
Administration expenses	**3 979**	3 065
Audit expenses	**74**	84
	464 366	431 040
Funds Held at 30 June	**3 058 467**	2 600 091
Total Net Assets	**5 511 800**	4 709 911

7. Benefits Paid/Payable

	2007			2006		
Pensions:	**Old Scheme Division**	**New Scheme Division**	**Total**	Old Scheme Division	New Scheme Division	Total
Funded from:	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
SA Superannuation Fund	**66 906**	**92**	**66 998**	61 808	87	61 895
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**40 720**	**442**	**41 162**	41 826	447	42 273
Public authorities	**26 854**	**-**	**26 854**	26 282	1	26 283
Commonwealth Government	**-**	**-**	**-**	34 539	-	34 539
SA Government employer account	**270 560**	**242**	**270 802**	222 085	331	222 416
Gross Scheme Costs	**405 040**	**776**	**405 816**	386 540	866	387 406
Commutations:						
Funded from:						
SA Superannuation Fund	**7 054**	**-**	**7 054**	6 372	-	6 372
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**6 605**	**-**	**6 605**	6 668	-	6 668
Public authorities	**710**	**-**	**710**	2 645	-	2 645
Commonwealth Government	**-**	**-**	**-**	3 532	-	3 532
SA Government employer account	**28 243**	**-**	**28 243**	20 535	-	20 535
Gross Scheme Costs	**42 612**	**-**	**42 612**	39 752	-	39 752
Lump Sums:						
Funded from:						
SA Superannuation Fund	**1 935**	**29 074**	**31 009**	1 309	25 415	26 724
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**1 088**	**14 249**	**15 337**	555	16 597	17 152
Public authorities	**92**	**989**	**1 081**	-	339	339
SA Government employer account	**3 600**	**34 448**	**38 048**	2 416	27 780	30 196
Gross Scheme Costs	**6 715**	**78 760**	**85 475**	4 280	70 131	74 411
Retrenchments:						
Funded from:						
SA Superannuation Fund	**2**	**290**	**292**	9	55	64
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**-**	**196**	**196**	58	-	58
Public authorities	**35**	**426**	**461**	16	109	125
Gross Scheme Costs	**37**	**912**	**949**	83	164	247
Targeted Separation Packages:						
Funded from:						
SA Superannuation Fund	**1 174**	**842**	**2 016**	188	54	242
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**-**	**112**	**112**	473	-	473
SA Government employer account	**2 958**	**957**	**3 915**	-	68	68
Gross Scheme Costs	**4 132**	**1 911**	**6 043**	661	122	783
Total Benefit Paid/Payable	**458 536**	**82 359**	**540 895**	431 316	71 283	502 599

8. Liability for Accrued Benefits

The accrued liabilities of the Scheme as determined by the State Superannuation Office of the Department of Treasury and Finance are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2007 based on membership data as at 30 June 2006.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2007.

The expected future benefit payments have been determined using the 2004 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. 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 of 4.5 percent per annum above the CPI.

	2007			2006		
Changes in the liability for accrued benefits:	**Old Scheme Division $'000**	**New Scheme Division $'000**	**Total $'000**	Old Scheme Division $'000	New Scheme Division $'000	Total $'000
Liability for accrued benefits at 1 July	**7 554 600**	**1 504 500**	**9 059 100**	7 336 000	1 318 200	8 654 200
Add: Benefits expense[(i)]	**641 436**	**272 260**	**913 696**	649 916	257 583	907 499
Less: Benefits paid[(ii)]	**458 536**	**82 359**	**540 895**	431 316	71 283	502 599
Liability for Accrued Benefits at 30 June	**7 737 500**	**1 694 401**	**9 431 901**	7 554 600	1 504 500	9 059 100
Represented by:						
SA Superannuation Fund	**1 306 100**	**712 601**	**2 018 701**	1 271 200	595 400	1 866 600
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**1 048 000**	**314 500**	**1 362 500**	935 700	286 400	1 222 100
SA Government employer account	**5 094 500**	**653 400**	**5 747 900**	5 057 400	609 700	5 667 100
Public authorities	**288 900**	**13 900**	**302 800**	290 300	13 000	303 300
Total	**7 737 500**	**1 694 401**	**9 431 901**	7 554 600	1 504 500	9 059 100

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.
(ii) Refer to Note 7.

Although the total liability for accrued benefits shown above is $9.4 billion, the SA Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2004 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 27 June 2005, to the Minister was tabled in Parliament on 19 October 2005. These 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.

9. 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) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

When contributors resign they have two options in the Old Scheme Division (Pension Scheme) and three options in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

9. Vested Benefits (continued)

As for accrued benefits, vested benefits have been calculated as at 30 June 2007 based on membership data as at 30 June 2006.

	2007			2006		
	Old Scheme Division $'000	**New Scheme Division $'000**	**Total $'000**	Old Scheme Division $'000	New Scheme Division $'000	Total $'000
SA Superannuation Fund	**1 268 400**	**712 600**	**1 981 000**	1 234 800	595 400	1 830 200
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**998 400**	**351 700**	**1 350 100**	888 900	309 700	1 198 600
SA Government employer account	**4 900 000**	**763 900**	**5 663 900**	4 863 200	687 600	5 550 800
Public authorities	**286 300**	**9 300**	**295 600**	287 800	8 200	296 000
Total	**7 453 100**	**1 837 500**	**9 290 600**	7 274 700	1 600 900	8 875 600

10. Summary of Investment Holdings

The interests of the Fund and the South Australian Superannuation Scheme Contribution Account in the unitised investment portfolio of Funds SA are as follows:

	2007			Total	
	Fund - Old Scheme Division $'000	**Fund -New Scheme Division $'000**	**Scheme Contribution Accounts $'000**	**2007 $'000**	2006 $'000
Inflation linked securities	**133 146**	**54 099**	**235 154**	**422 399**	403 258
Property	**176 056**	**71 879**	**310 938**	**558 873**	445 969
Australian equities	**590 939**	**241 318**	**1 043 677**	**1 875 934**	1 577 972
International equities	**548 605**	**223 823**	**968 910**	**1 741 338**	1 580 296
Fixed interest	**79 372**	**34 504**	**140 182**	**254 058**	206 509
Diversified Strategies - Growth	**70 289**	**28 875**	**124 140**	**223 304**	161 377
Diversified Strategies - Income	**63 892**	**26 485**	**112 842**	**203 219**	174 097
Cash	**72 360**	**30 066**	**127 798**	**230 224**	172 227
Total	**1 734 659**	**711 049**	**3 063 641**	**5 509 349**	4 721 705

11. Reconciliation of Operating Result to Net Cash (used in) provided by Operating Activities

	2007 $'000	2006 $'000
Operating result	**492 088**	745 281
Increase in liability for accrued benefits	**372 801**	404 900
Investment revenue	**(945 125)**	(720 778)
Direct investment expense	**32 955**	25 167
Decrease (Increase) in other income receivable	**11**	(35)
Decrease (Increase) in contributions receivable	**6 183**	(5 094)
Increase in PAYG withholding tax	**15**	111
(Decrease) Increase in benefits payable	**(1 091)**	2 231
(Increase) Decrease in other debtors	**(45)**	27
(Decrease) Increase in other creditors	**(153)**	160
Net Cash (used in) provided by Operating Activities	**(105 361)**	451 970

12. Reconciliation of Cash and Cash Equivalents

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 $'000	2006 $'000
Cash and cash equivalents	**7 206**	3 667
Cash and cash equivalents - Funds SA	**-**	893
	7 206	4 560

13. Sundry Creditors

Audit fees	**109**	120
Administration expense	**2**	57
Other income refundable to Commonwealth	**-**	113
Rollin payable to Southern State Superannuation Scheme	**21**	-
GST payable	**5**	-
Funds SA sundry creditors	**-**	8 120
	137	8 410

14. PAYG Withholding Tax

The PAYG withholding tax represents taxation due on benefit payments made in June 2007 which had not been remitted to the Commissioner of Taxation as at 30 June 2007. This amount was forwarded to the Commissioner of Taxation early in the 2007-08 financial year.

15. Guaranteed Benefits

Contributors' benefit entitlements are specified by the *Superannuation Act 1988*.

16. Other Income Receivable

	2007	2006
	$'000	$'000
Temporary disability debtors	**58**	57
Public authorities	**4 082**	4 094
	4 140	4 151

17. Other Revenue

	2007	2006
Bank account interest	**396**	378
Commonwealth and public authorities (i)	**28 658**	532 012
Temporary disability	**125**	81
Other	**16**	-
Refund of Board reserves	**352**	-
	29 547	532 471

(i) The 2006 value for Commonwealth and public authorities includes a payment of $464 million from the Commonwealth Government to fully extinguish its superannuation liability for former State Rail employees. Refer to Note 1.

The other revenue relating to temporary disability and refund of reserves relates to amounts received or receivable from SA Government entities.

18. Government Co-contributions

During the 2006-07 financial year, the Scheme received co-contributions from the ATO amounting to $4 million ($2.6 million). Whilst members of the Scheme are eligible to receive the co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Benefits Payable

	2007	2006
	$'000	$'000
Benefits payable by SA Superannuation Fund	**2 239**	2 581
Benefits payable by SA Superannuation Scheme Contribution Account	**9 382**	10 131
	11 621	12 712

20. Higher Education Superannuation Costs

An amount of $8.427 million ($8.008 million) was paid to the Commonwealth Government which related to the South Australian share of the 2006-07 higher education superannuation costs under the Commonwealth – State agreement. This provides that the employer component of the superannuation benefits payable to former employees of a South Australian University who were members of one of the main State Schemes, be shared.

21. Audit Expense

Amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period totalled $105 000 ($119 900).

22. Reserves

The Board Reserve account is included in the excess of liabilities over net assets value and represents amounts which have been put aside for the provision for future capital and development costs ($803 000) and a provision for three yearly board election costs ($85 000) and an administration reserve ($169 000). These amounts are to be used on the approval of the Board for the purposes specified above.

During the 2006-07 financial year the implementation costs for the SA Ambulance Service Superannuation Scheme were paid from the Scheme's Capital Replacement Reserve. This amount will be returned to the Scheme over a three year period.

23. Related Parties

(a) Board Members

The following are members of the Super SA Board who served during the course of the 2006-07 financial year, along with the period served.

Hedley Bachmann	Presiding Member	1 July 2006 - 30 June 2007
*Kevin Cantley (John Wright - Deputy)	Appointed by the Governor	1 July 2006 - 30 June 2007
*Virginia Deegan (Liz Hlipala - Deputy)	Appointed by the Governor	1 July 2006 - 30 June 2007
Jan McMahon (Leah York - Deputy)	Elected by the Members	1 July 2006 - 30 June 2007
Ros Sumner (Joslene Mazel - Deputy)	Elected by the Members	1 July 2006 - 30 June 2007

(b) Board Members' Remuneration

	2007	2006
The number of Board members whose remuneration was within the following bands is as follows:	**Number of Members**	Number of Members
$1 - $10 000	**1**	1
$20 001 - $30 000	**3**	2
$30 001 - $40 000	**-**	1

(b) Board Members' Remuneration (continued)

Remuneration of members reflects all cost of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement.

The Board is responsible for the administration of the South Australian Superannuation Scheme, the Southern State Superannuation Scheme, and the SA Ambulance Service Superannuation Scheme. The remuneration of the Board members of $75 000 ($75 000) is met by all three superannuation schemes. Of this amount, $31 500 ($32 500) was met by the South Australian Superannuation Scheme which is included in the administration expense. The total amount includes payments to a superannuation scheme for board members of $6600 ($6700).

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

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

24. 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.

SOUTHERN STATE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 8 of the *Southern State Superannuation Act 1994* (Triple S Act) provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (the Scheme) for each financial year.

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:

- receipting and banking of contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the Superannuation Funds Management Corporation of South Australia (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 Southern State Superannuation Scheme as at 30 June 2007, and its financial performance and its cash flows for the year 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).

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Scheme. Responses to the matters raised were considered to be satisfactory. 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	2006	Percentage
	$'million	$'million	Change
OPERATING REVENUE			
Investment revenue	**894**	670	33
Contribution revenue	**740**	575	29
Other revenue	**1**	1	-
Total Operating Revenue	**1 635**	1 246	31
OPERATING EXPENDITURE			
Direct investment expenses	**33**	25	32
Other expenses	**17**	11	55
Total Operating Expenses	**50**	36	39
Benefits Accrued as a Result of Operations	**1 585**	1 210	31

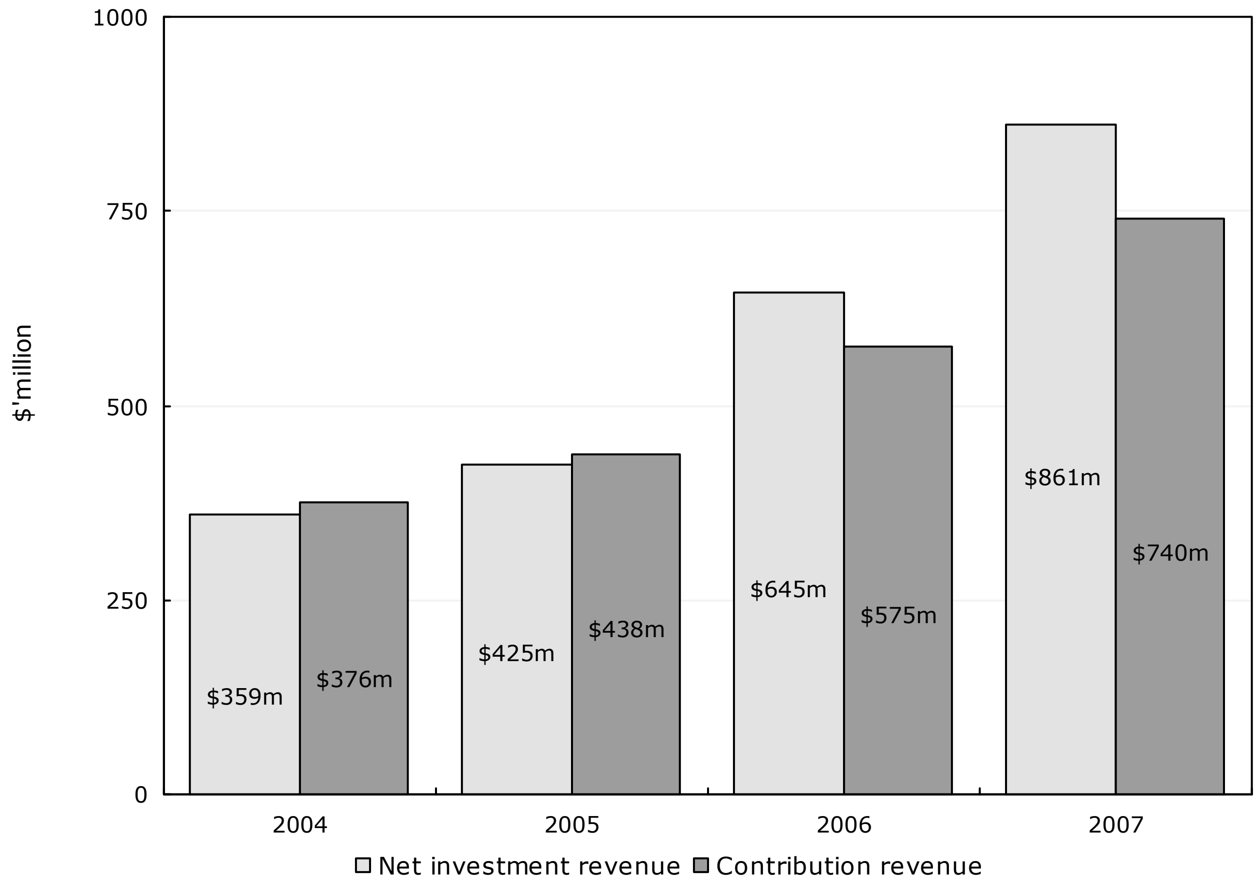
	2007 $'million	2006 $'million	Percentage Change
NET CASH FLOWS FROM OPERATING ACTIVITIES	**568**	448	27
ASSETS			
Investments	**5 982**	4 584	30
Other assets	**37**	25	48
Total Assets	**6 019**	4 609	31
LIABILITIES			
Current liabilities	**5**	15	(67)
Non-current liabilities	**1**	8	(88)
Total Liabilities	**6**	23	(74)
NET ASSETS AVAILABLE TO PAY BENEFITS	**6 013**	4 586	31
LIABILITY FOR ACCRUED BENEFITS	**6 013**	4 586	31

Operating Statement

Operating Revenues

Total operating revenue increased by $389 million. Net investment revenue (investment revenue less direct investment expenses) increased by $216 million.

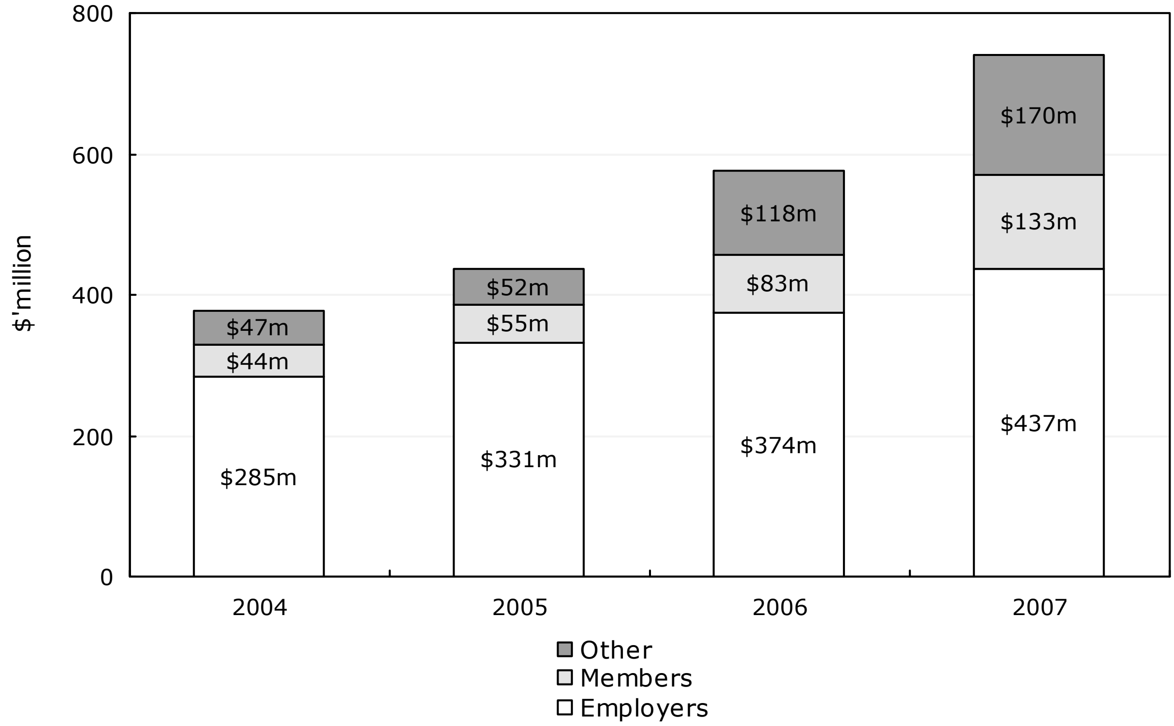
A structural analysis of net investment revenue and contribution revenue of the Scheme for the four years to 2007 is presented in the following chart.



The chart indicates that revenue from contributions has risen rapidly over the last four years due to an increase in both the value of contributions and number of contributors to the Scheme. Net investment revenue has generally fluctuated, experiencing high returns over the past four years. Investment returns are further discussed in the commentary for Funds SA.

Contribution Revenue

Members of the Scheme can elect to make contributions. Employers are required to make contributions for all members of the Scheme. An analysis of amounts contributed by members and employers for the four years to 2007 is presented in the following chart.



The chart indicates that the value of contributions by employers has increased over the four year period by $152 million (53 percent). This is predominantly a result of increased number of members in the Scheme and salary increases. Contributions by members has increased over the same period by $89 million due mainly to increases in the numbers of members contributing.

Membership statistics for the last three years are depicted in the following table. Over the period of review, the proportions of contributory and non-contributory members has remained constant as the number of members has increased.

	2007	2006	2005
	Numbers	Numbers	Numbers
Contributory	**29 241**	25 665	23 271
Non-contributory	**70 180**	71 052	66 674

	2007	2006	2005
	Percent	Percent	Percent
Contributory	**29.4**	26.5	25.9
Non-contributory	**70.6**	73.5	74.1

In 2007 other contributions increased by $51.9 million, due to:

- an increase of $40.3 million in rollovers from other schemes. Of this amount, $19.7 million represents an increase in monies into the Post Retirement Products;
- an increase of $11.6 million in Government co-contributions. These payments are made pursuant to the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*. The co-contribution applies to members who make after-tax contributions post 1 July 2003. The co-contribution amount has been paid straight into the member's superannuation account. As a result of the 2007 Federal Budget, a one-off additional payment to eligible members was made.

Statement of Financial Position

Over the past four years there has been a steady growth in investments and liability for accrued benefits. This is indicative of the accumulative nature of the Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Scheme means that it is fully funded. The net assets available to pay benefits over the last four years were:

Year	$'billion
2004	2.7
2005	3.5
2006	4.6
2007	**6.0**

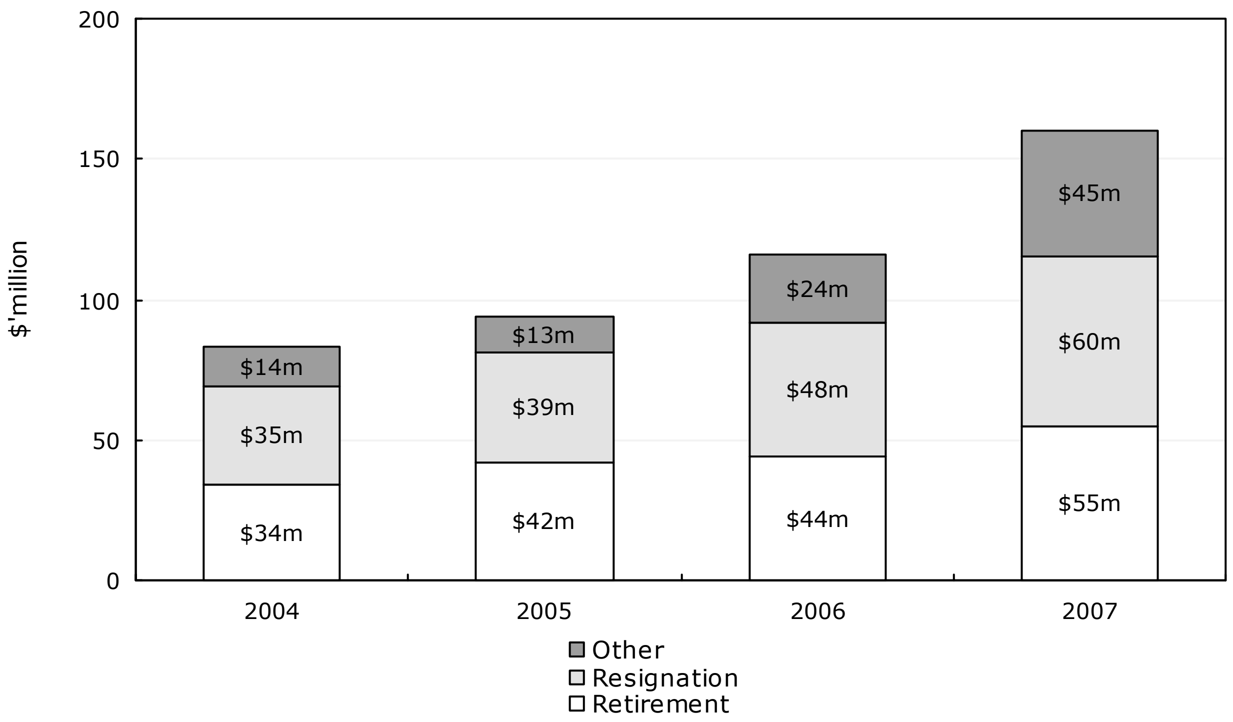
Statement of Cash Flows

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	**567.9**	448.3	331.6	288
Investing	**(551.1)**	(443.0)	(327.2)	(293.4)
Change in Cash	**16.8**	5.3	4.4	(5.4)
Cash at 30 June	**28.2**	11.4	6.1	1.7

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment. At 30 June 2007 the cash balance was high due to the receipt of the additional government co-contribution in late June.

Total benefits paid amounted to $159.7 million ($115.7 million). The following chart analyses benefits paid for the four years to 30 June 2007 and shows an increasing trend in benefits paid. This is expected in an open scheme which was established 12 years ago and with the introduction of post retirement products.



Operating Statement
for the year ended 30 June 2007

	Note	**2007** **$'000**	2006 $'000
INVESTMENT REVENUE		**894 043**	670 109
CONTRIBUTION REVENUE:			
Contributions by members		**133 311**	83 121
Contributions by employers		**436 541**	373 757
Government co-contributions		**24 551**	12 959
Rollovers from other schemes		**145 840**	105 516
		740 243	575 353
OTHER REVENUE		**1 372**	543
DIRECT INVESTMENT EXPENSE	7	**(32 845)**	(24 620)
INSURANCE ADMINISTRATION	9	**(567)**	(388)
ADMINISTRATION EXPENSE	8	**(7 696)**	(5 708)
AUDIT EXPENSE	19	**(55)**	(75)
BENEFITS ACCRUED		**1 594 495**	1 215 214
INCOME TAX EXPENSE	12(a),(b)	**(8 814)**	(5 076)
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		**1 585 681**	1 210 138

Statement of Financial Position
as at 30 June 2007

	Note	**2007** **$'000**	2006 $'000
INVESTMENTS:			
Inflation linked securities		**584 549**	408 302
Property		**554 724**	387 398
Australian equities		**1 838 864**	1 370 208
International equities		**1 675 455**	1 366 564
Fixed interest		**593 693**	533 414
Diversified strategies:			
Growth		**245 639**	158 732
Income		**229 223**	177 024
Cash		**260 033**	181 913
		5 982 180	4 583 555
FIXED ASSETS		**-**	201
OTHER ASSETS:			
Cash and cash equivalents	14	**28 231**	12 400
Contributions receivable	3	**9 031**	12 395
Deferred tax assets	12(e)	**-**	21
Sundry debtors		**97**	256
		37 359	25 072
Total Assets		**6 019 539**	4 608 828
CURRENT LIABILITIES:			
Benefits payable	4	**2 627**	4 114
Sundry creditors	16	**85**	7 435
PAYG withholding tax		**186**	110
Current tax liabilities	12(c)	**2 012**	2 863
		4 910	14 522
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	12(d)	**757**	180
Loan and finance facilities		**-**	7 655
Total Liabilities		**5 667**	22 357
NET ASSETS AVAILABLE TO PAY BENEFITS	5,6	**6 013 872**	4 586 471
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to members' accounts	17	**5 890 071**	4 473 816
Not Allocated to members' accounts	18	**3 238**	10 201
		5 893 309	4 484 017
Reserves:			
Death, invalidity and income protection insurance reserve	9	**111 672**	95 349
Other reserves	10	**8 891**	7 105
		120 563	102 454
		6 013 872	4 586 471

Statement of Cash Flows
for the year ended 30 June 2007

		2007	2006
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
Contributions received:	Note	**$'000**	$'000
Contributions by members		**133 237**	82 805
Contributions by employers		**439 977**	370 933
Government co-contributions		**24 551**	12 956
Rollovers from other schemes		**145 820**	105 516
		743 585	572 210
GST recoup received		**634**	441
Other revenue		**1 309**	543
Benefits paid:			
Retirement		**(55 285)**	(43 961)
Resignation		**(60 256)**	(47 862)
Retrenchment		**(554)**	(6)
Invalidity		**(10 053)**	(9 590)
Death		**(8 629)**	(6 366)
Payments to Unclaimed Monies		**(27)**	(9)
Temporary disability		**(1 360)**	(1 162)
Allocated pension		**(3 379)**	(972)
Flexible rollover product		**(20 148)**	(5 767)
		(159 691)	(115 695)
Insurance Administration expense		**(608)**	(417)
Administration expense		**(8 204)**	(6 171)
Audit expense		**(55)**	(73)
Income tax expense		**(9 066)**	(2 545)
Net Cash provided by Operating Activities	13	**567 904**	448 293
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**1 709**	528
Payments to Funds SA		**(552 839)**	(443 479)
Net Cash used in Investing Activities		**(551 130)**	(442 951)
NET INCREASE IN CASH HELD		**16 774**	5 342
CASH AND CASH EQUIVALENTS AT 1 JULY		**11 457**	6 115
CASH AND CASH EQUIVALENTS AT 30 JUNE	14	**28 231**	11 457

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Southern State Superannuation Scheme

The Southern State Superannuation Scheme (the Scheme/Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 1994* (the Act).

The Scheme commenced from 1 July 1995 for contributory members only. Effective 1 July 1998, the *Southern State Superannuation (Merger of Schemes) Amendment Act 1998* merged the schemes established under the *Act and the Superannuation (Benefit Scheme) Act 1992.* At that time, all members of the State Superannuation Benefit Scheme were effectively transferred into the Scheme and the State Superannuation Benefit Scheme ceased to exist.

(a) Southern State Superannuation Scheme (continued)

Members can elect to make contributions to the Scheme based on a percentage of their salary ranging from 1 percent to 10 percent, under section 25 of the Act. A member of the police force must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member contributions are deposited by the Treasurer into the Southern State Superannuation Fund (the Employee Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 26 of the Act. The employer contributes 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the 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 member. Employer contributions are deposited by the Treasurer into the Southern State Superannuation (Employers) Fund (the Employers Fund) which is managed and invested by Funds SA.

Benefits, represented by the balances of member accounts, are available for employees who retire, resign, are retrenched or die and for those who terminate their employment because of invalidity. The balance of individual member entitlements is provided on annual statements forwarded to each member.

In accordance with section 47(B) of the Act the South Australian Superannuation Board (the Board) introduced the Super SA Flexible Rollover Product and the Super SA Allocated Pension from 1 April 2005. These products form part of and are consolidated with the Scheme for financial reporting purposes at 30 June 2007. From 1 July 2006 a Non-Commutable Allocated Pension option was made available to members.

During December 2006, Legislation was passed that enabled Triple S members to establish spouse accounts, and provided members with the ability to split contributions. These changes came into effect from 12 April 2007, and during the period of April 2007 to June 2007, 159 members elected to create a spouse account. A total of 27 members also elected to split eligible contributions relating to the period of 1 January 2006 to 30 June 2006.

(b) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 13 of the Act to keep accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board determines a rate of return to be credited to member accounts pursuant to section 7A of the Act. In determining the rate the Board considers the net rate of return achieved by the investment of the Employee Fund.

Pursuant to sections 7A and 11, where a member or members have nominated a class of investments, or combination of classes of investments, the Board determines a rate of return on the investments of their class, or combination of classes.

The Board is required under sections 7A and 27, respectively, to credit interest earnings to member accounts and employer contribution accounts based on the earnings of the Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. Since the introduction of investment choice, the amount of interest credited is determined by the change in unit price.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

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.

The Treasurer had directed that the Southern State Superannuation (Employers) Fund also be managed and invested by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA disclose the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government Entity).

(d) Funding Arrangements

The Act requires that member contributions, rollovers and transfers from other schemes be paid to the Treasurer, who in turn deposits these amounts into the Employee Fund.

The Act requires that employer payments be made to the Treasurer, who in turn deposits these amounts into the Employers Fund. All employer contributions are received from SA Government Entities.

Under section 12 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 current reporting period payments were made from a Special Deposit Account.

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 AASs are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs 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 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 30 June 2007 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

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 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 balance date.

(c) Income Tax

The Board is a body corporate established under the *Superannuation Act, 1988* and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds under section 267 of the *Income Tax Assessment Act 1936*, Regulation 177 and Schedule 14 of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. All funds are constitutionally protected superannuation funds except for the Super SA Flexible Rollover Product and Super SA Allocated Pension.

The Super SA Flexible Rollover Product and Super SA Allocated Pension commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current Tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax
Deferred tax is accounted for using the comprehensive Balance Sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(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.

(d) Operation of Investment Portfolio (continued)

During the financial year all of the above investment options were available to members of the Southern State Superannuation Scheme.

Members of the post-retirement products, the Super SA Flexible Rollover Product and the Super SA Allocated Pension, have the same seven investment options as other members, but the asset allocations differ slightly.

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) 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.

(f) 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 comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(g) 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.

3. Contributions Receivable	**2007**	2006
	$'000	$'000
Contributions from members	**1 487**	1 414
Contributions from employers	**7 544**	10 981
	9 031	12 395

4. Benefits Payable		
Benefits payable by Southern State Superannuation (Employee) Fund	**827**	836
Benefits payable by Southern State Superannuation (Employers) Fund	**1 744**	3 256
Benefits payable by Allocated Pension	**56**	22
	2 627	4 114

5. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2007	2006
	$'000	$'000
Liability for accrued benefits at 1 July	**4 586 471**	3 486 216
Add: Increase in accrued benefits	**1 585 681**	1 210 138
Less: Benefits paid and payable	**158 280**	109 883
Liability for Accrued Benefits at 30 June	**6 013 872**	4 586 471

6. Net Assets Available to Pay Benefits

(a) Southern State Superannuation (Employee) Fund

Funds held at 1 July	**758 928**	530 982
Add: Contributions by members	**108 312**	71 428
Government co-contributions	**24 393**	12 945
Rollovers from other schemes	**89 002**	68 362
Spouse Contributions	**1 427**	-
Investment income	**153 894**	106 175
Other revenue	**91**	54
	377 119	258 964
Less: Benefits paid and payable	**25 728**	17 584
Internal transfers (i)	**15 064**	9 478
Direct investment expense	**5 706**	3 956
	46 498	31 018
Funds Held at 30 June	**1 089 549**	758 928

		2007	2006
(b)	***Southern State Superannuation (Employers) Fund***	**$'000**	$'000
	Funds held at 1 July	**3 760 062**	2 955 234
	Add: Employer contributions	**436 541**	373 757
	Investment income	**721 136**	559 634
	Other revenue	**1 265**	489
		1 158 942	933 880
	Less: Benefits paid and payable	**108 992**	91 241
	Internal transfers (i)	**20 338**	11 370
	Direct investment expense	**26 455**	20 484
	Administration expense	**7 487**	5 494
	Audit expense	**55**	75
	Insurance administration	**567**	388
		163 894	129 052
	Funds Held at 30 June	**4 755 110**	3 760 062
(c)	***Allocated Pension***		
	Funds held at 1 July	**20 667**	2 051
	Add: Rollovers from other schemes	**3 701**	6 486
	Internal transfers (i)	**24 399**	12 921
	Investment income	**5 659**	1 318
	Other revenue	**4**	-
		33 763	20 725
	Less: Benefits paid and payable	**3 413**	994
	Direct investment expense	**198**	60
	Administration expense	**149**	151
	Internal transfers (i)	**506**	-
	Income Tax	**688**	904
		4 954	2 109
	Funds Held at 30 June	**49 476**	20 667
(d)	***Flexible Rollover Product***		
	Funds held at 1 July	**46 814**	3 652
	Add: Contributions by members	**21 657**	9 558
	Government co-contributions	**158**	14
	Rollovers from other schemes	**53 138**	30 668
	Internal transfers (i)	**27 612**	15 313
	Spouse contributions	**1 915**	2 135
	Investment income	**13 354**	2 982
	Other revenue	**12**	-
		117 846	60 670
	Less: Benefits paid and payable	**20 148**	5 767
	Direct investment expense	**486**	120
	Administration expense	**60**	63
	Internal transfers (i)	**16 103**	7 386
	Income Tax	**8 126**	4 172
		44 923	17 508
	Funds held at 30 June	**119 737**	46 814
	Total Net Assets	**6 013 872**	4 586 471

(i) Internal transfers relates to transfers between the Employee Fund, the Employer Fund, the Allocated Pension and the Flexible Rollover Product and do not appear in the Operating Statement as they are within the Scheme.

7. Direct 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.

8. Administration Expenses

Section 27 of the Act provides for an administrative charge to be debited each year to members' employer contribution accounts and section 9 of the Act requires the amount to be paid from the Employers Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2007 the charge is $1 per week ($1 per week) per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's Employer Account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2007 the amount charged to members' employer contribution accounts was $7.8 million ($7.1 million).

8. Administration Expenses (continued)

Administration expenses incurred by the Board in administering the Scheme 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 Board monthly. The charge for the year ended 30 June 2007, based on actual costs of administering the Scheme, amounted to $7.7 million including GST ($5.7 million). Of this amount, $8000 represented payments to consultants for taxation advice. The increase in administration expenses is mainly due to the costs involved in the relocation of the Super SA office during the 2007 year.

9. Death, Invalidity and Income Protection Insurance Reserve

The Scheme provides an insurance benefit based on units of cover, with a few exceptions, in the event of death before age 65 or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The Standard Insurance benefit of one unit of cover costs $0.75 per week ($0.75 per week) and is compulsory for most members of the scheme except some casual employees who opt out of insurance and those who are special category members in terms of section 14 (4)-(6) of the Act. Police Officers are required to have at least five units of Standard Insurance cover. The value of a unit under Standard Insurance for members up to age 34 years is $75 000 ($75 000). The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is also a table of Fixed Insurance with costs increasing with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1 000 000 ($1 000 000) and casual employees up to $500 000 ($500 000).

Triple S insurance changes were introduced from 1 February 2007. These changes enhanced the attractiveness of Triple S insurance offerings, and included the following changes: extending the age for invalidity insurance through to age 65, extending the age limit for income protection payments to age 60, increasing income protection benefits to 75 percent of salary, abolishing the need to exhaust all sick leave prior to making an income protection claim and replacing this with a 30 day waiting period, an increase in the benefit payment period and enabling non-contributory members to opt in for income protection insurance. The enhancements to the insurance offerings had a significant impact on take up rates, with applications for insurance doubling on average since the February introduction.

As required by section 13A of the Act, the Treasurer received a report on the costs and liabilities of the insurance arrangements in existence as at 30 June 2004. The actuary has concluded that the current premiums charged in respect of the various types of insurance offered by Triple S are adequate to meet likely claims at present, and in the foreseeable future. A review of this reserve is due as at 30 June 2007.

In the event of invalidity, the Basic and Additional units of insurance are paid to the member. In the event of death, the Basic and Additional units of insurance are paid to the member's spouse, otherwise to the member's estate.

To be eligible for the Income Protection Insurance benefit, a member must be contributing from post-tax salary or have an employer contribution that is greater than the minimum Superannuation Guarantee for at least a year.

	2007	2006
	$'000	$'000
Opening balance of the Death, Invalidity and Income Protection Insurance Reserve	**95 349**	80 862
Add: Investment earnings on insurance reserve	**16 797**	14 225
Contributions	**8 428**	7 905
	25 225	22 130
Less: Benefit Payments:		
Invalidity	**3 810**	3 723
Death	**3 170**	2 345
Disability pensions	**1 355**	1 187
Less: Administration costs(i)	**567**	388
	8 902	7 643
Net Transfer Value to the Death, Invalidity and Income Protection Insurance Reserve	**16 323**	14 487
Closing Balance of Reserve	**111 672**	95 349

(i) The amount of $567 000 ($388 000) relates to the annual administration charge paid to the Department of Treasury and Finance for administering the insurance arrangements. The implementation of the enhanced insurance arrangements on 1 February 2007 resulted in additional costs for the 2006-07 year.

10. Other Reserves

These reserves have been set aside to provide for future requirements. The following table reflects the total movements of the reserves for the year ended 30 June 2007.

	Administration Cost Reserve(i)	Investment Reserve(ii)	Board Reserve(iii)	**2007 Total**	2006 Total
	$'000	$'000	$'000	**$'000**	$'000
Balance as at 1 July	6 234	404	467	**7 105**	4 863
Transfers to reserves	8 886	68	618	**9 572**	8 340
Transfers out of reserves	(7 542)	(44)	(200)	**(7 786)**	(6 098)
Balance as at 30 June	7 578	428	885	**8 891**	7 105

10. Other Reserves (continued)

(i) Section 27 of the Act requires an administrative charge to be deducted from the members employer accounts. These monies are credited to the Administration Cost Reserve. At the end of the financial year the cost incurred in administering the scheme (including audit fees) is debited to the Administration Cost Reserve. Further information is included in Note 8 to the financial statements. The amount of $1.4 million is the excess of actual administration recovery from members ($7.8 million plus an interest component of $1.1 million) over the cost to administer the scheme of $7.5 million (including GST).

(ii) Prior to the merger of the Scheme and the State Superannuation Benefit Scheme (refer Note 1(a)) the interest that was credited to member accounts was the average of the 10 year bond rates declared by the South Australian Government Financing Authority on the first day of each month. This differed from the amount earned by Funds SA and the balance of the investment earnings was credited to the Investment Reserve. Transfers from the Investment Reserve represent adjustments processed to member accounts to correct data integrity issues, while transfers to the Investment Reserve are due to interest income. While the level of data integrity adjustments is now minimal, the Board has endorsed the maintenance of the reserve for a period of three years to cover any shortfall in legal liability cover from the South Australian Government Financing Authority, SAICORP Division.

(iii) The Board Reserve Account represents amounts which have been put aside for the provision for future capital replacement costs ($550 000), a provision for three yearly board election costs ($115 000) and an office administration reserve ($220 000). These amounts are to be used on the approval of the Board for the purposes specified above. During the year unspent funds were returned to the reserve.

The costs of setting up the Allocated Pension and Flexible Rollover products were funded from the Capital Replacement Reserve. Further to this, the Board has agreed that the ongoing costs of these products will be funded from the reserve until such time as member fees cover costs. Therefore, an amount of $680 000 is owed to the Board Reserve Account from those products as at 30 June 2007 (represented by costs and interest of $858 000 less member fee revenue of $178 000).

11. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any other 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.

	2007	2006
Vested Benefits:	**$'000**	$'000
Triple S	**5 719 417**	4 398 727
Allocated Pension	**49 993**	20 993
Flexible Rollover Product	**120 661**	47 174
	5 890 071	4 466 894

12. Income Tax

(a) Major Components of Tax Expense

Current Income Tax:		
Current tax charge	**8 304**	4 928
Adjustment to current tax for prior periods	**(89)**	(12)
Deferred Income Tax:		
Relating to the originating and reversal of temporary differences	**599**	160
Income Tax Expense	**8 814**	5 076

(b) Income Tax Expense

Benefits accrued before tax	**1 594 404**	1 215 214
Changes in net assets related to constitutionally protected schemes	**(1 443 794)**	(1 134 208)
Total change in net assets related to retirement products	**150 610**	81 006
Tax applicable at the rate of 15 percent	**22 591**	12 150
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	**52**	32
Tax effect of income that is not accessible in determining taxable income:		
Investment income	**(312)**	14
Member contributions	**(12 378)**	(6 808)
Exempt pension income	**(577)**	(170)
Tax effect of other adjustments:		
Imputation and foreign tax credits	**(473)**	(130)
Over provision prior period	**(89)**	(12)
Income Tax Expense	**8 814**	5 076

(c) *Current Tax Liabilities*

	2007	2006
	$'000	$'000
Balance at 1 July	**2 863**	492
Income tax paid - Current period	**(6 292)**	(2 065)
Income tax paid - Prior periods	**(2 774)**	(480)
Current years income tax provision	**8 304**	4 928
Over provision prior period	**(89)**	(12)
	2 012	2 863

(d) *Deferred Tax Liabilities*

The amount of deferred tax liability recognised in the Statement of Financial Position:

Net unrealised capital gains (discounted)	**757**	180

(e) *Deferred Tax Assets*

The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:

Accrued expenses	**-**	21

13. Reconciliation of Benefits Accrued as a Result of Operations to Net Cash provided by Operating Activities

Benefits accrued as a result of operations	**1 585 681**	1 210 138
Benefits paid and payable	**(158 280)**	(115 586)
Investment revenue	**(894 043)**	(670 109)
Direct investment expense	**32 845**	24 620
Decrease (Increase) in contributions receivable	**3 364**	(3 143)
Increase in sundry debtors	**(7)**	(50)
Decrease (Increase) in deferred tax assets	**21**	(19)
(Decrease) Increase in current tax liabilities	**(851)**	2 371
Increase in deferred tax liabilities	**577**	180
Increase in sundry creditors	**8**	3
Increase in PAYG withholding tax	**76**	8
Decrease in benefits payable	**(1 487)**	(120)
Net Cash provided by Operating Activities	**567 904**	448 293

14. 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
Cash and Cash Equivalents:	**$'000**	$'000
Triple S	**24 902**	8 285
Flexible Rollover Product	**1 817**	3 679
Allocated Pension	**1 512**	436
	28 231	12 400

15. Guaranteed Benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 1994*.

16. Sundry Creditors

Audit fees payable	**75**	75
Other	**10**	2
Funds SA sundry creditors	**-**	7 358
	85	7 435

17. Allocated to Members' Accounts

The value of funds which have been formally allocated to member accounts equals the Vested Benefits as per Note 11. The formal allocation of earnings to members' accounts has been determined for the 2007 year.

18. Not Allocated to Members' Accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members on a cash basis.

19. Audit Expense

Amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period totalled $55 000 ($75 000).

20. Related Parties

(a) Board Members

The following are members of the Board who served during the course of the 2006-07 financial year, along with the period served.

Hedley Bachmann	Presiding Member	1 July 2006 - 30 June 2007
*Kevin Cantley (John Wright, Deputy)	Appointed by the Governor	1 July 2006 - 30 June 2007
*Virginia Deegan (Liz Hlipala, Deputy)	Appointed by the Governor	1 July 2006 - 30 June 2007
Jan McMahon (Leah York, Deputy)	Elected by the Members	1 July 2006 - 30 June 2007
Ros Sumner (Joslene Mazel, Deputy)	Elected by the Members	1 July 2006 - 30 June 2007

(b) Board Members' Remuneration

The number of Board members whose remuneration was within the following bands is as follows:	**2007 Number of Members**	2006 Number of Members
$1 - $10 000	**1**	1
$20 001 - $30 000	**3**	2
$30 001 - $40 000	**-**	1

Remuneration of members reflects all cost of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The Board is responsible for the administration of the South Australian Superannuation Scheme, the Southern State Superannuation Scheme and the SA Ambulance Service Superannuation Scheme. The total remuneration of the Board members of $75 000 ($75 000) which is met by all three superannuation schemes. Of this amount, $42 000 ($42 500) was met by the Southern State Superannuation Scheme, which is included in the administration expense.

The total amount includes payments to a superannuation scheme for board members of $6600 ($6700).

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

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

21. 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.

SOUTH AUSTRALIAN TOURISM COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Tourism Commission (the Commission), a Body Corporate, is established pursuant to the *South Australian Tourism Commission Act 1993*.

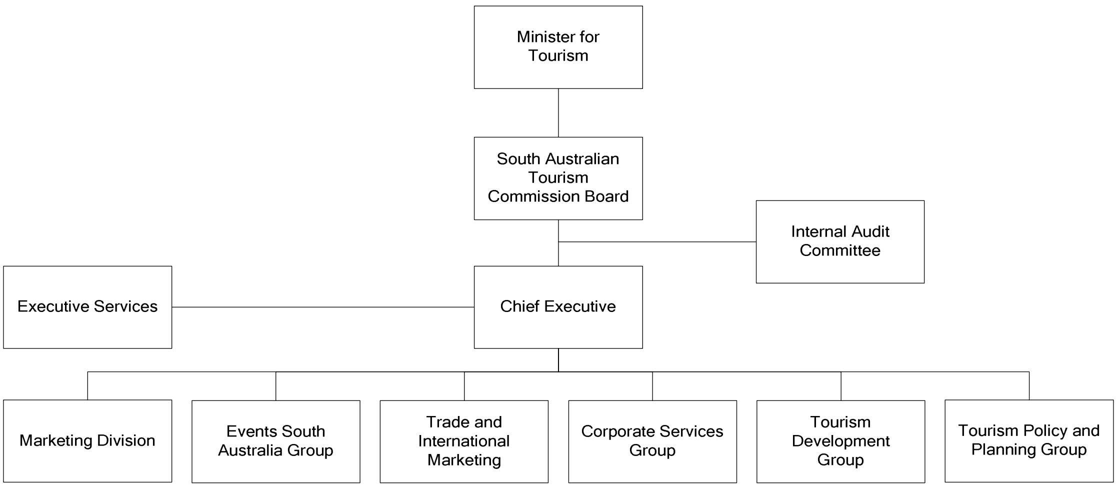
Functions

The functions of the Commission are as follows:

- Increase visitor numbers to and within the State by creating awareness of South Australia and its tourism assets in key target markets.
- Facilitate the development of a competitive and profitable tourism industry.
- Contribute to the preparation and implementation of economic development relating to the tourism industry of the State.
- Build strong networks and partnerships with relevant stakeholders for mutual benefit.
- Assist regional bodies engaged in tourism promotion.

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 23(3) of the *South Australian Tourism Commission Act 1993* provides 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:

- corporate governance
- expenditure
- payroll
- revenue
- cash
- general ledger.

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 Tourism 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

In my opinion, the controls exercised by the South Australian Tourism 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 South Australian Tourism Commission have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were reported in a management letter to the Chief Executive of the Commission. The matters arising were relatively minor and the response to the management letter was considered to be satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
INCOME			
Revenue from Government	**43.9**	46.6	(6)
Other	**6.7**	7.9	(15)
Total Income	**50.6**	54.5	(7)
EXPENSES			
Staff benefits	**12.8**	13.0	(2)
Advertising and promotion	**14.4**	18.0	(20)
Industry assistance	**9.5**	9.7	(2)
Other	**14.1**	15.3	(8)
Total Expenses	**50.8**	56.0	(9)
Net Result	**(0.2)**	(1.5)	n/a
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(0.3)**	1.8	n/a

	2007 **$'million**	2006 $'million	Percentage Change
ASSETS			
Current assets	**5.1**	5.7	(11)
Non-current assets	**2.1**	2.2	(5)
Total Assets	**7.2**	7.9	(9)
LIABILITIES			
Current liabilities	**3.9**	4.3	(9)
Non-current liabilities	**1.4**	1.5	(7)
Total Liabilities	**5.3**	5.8	(9)
EQUITY	**1.9**	2.1	n/a

Income Statement

Income

Income for the year totalled $50.6 million ($54.5 million). This includes revenue appropriated from Government for operating purposes which totalled $43.9 million ($46.6 million) and represents 87 percent (86 percent) of total income. The Commission is dependent on the ongoing financial support of the State Government as expressed in Note 1 to the Financial Statements. The government funding is based on estimated expenses less income generated by the Commission.

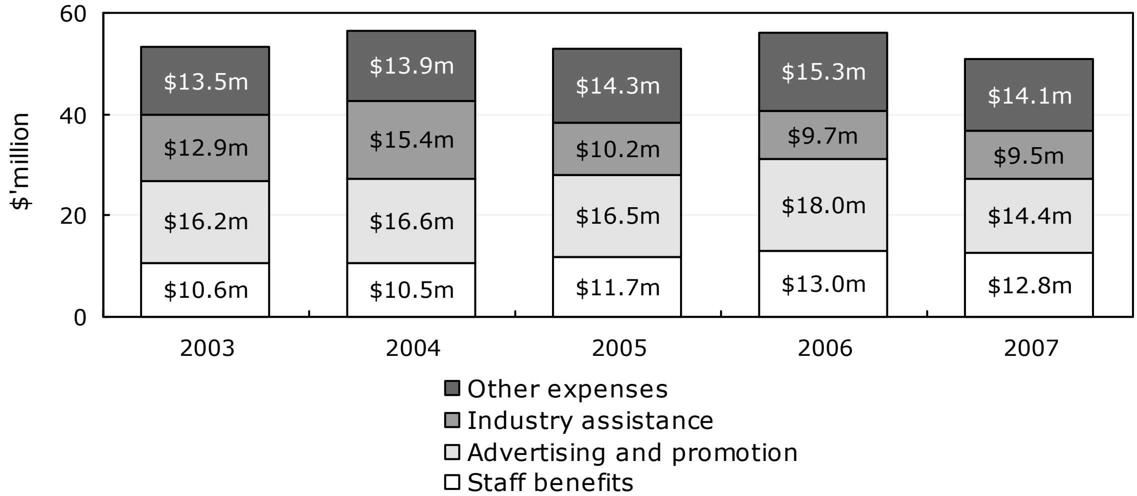
Other income predominantly consists of participation fees, event entry fees, refunds/recoups of salaries, expenses and grants. The decrease in other income is mainly as a result of a decrease in participation fees partly offset by an increase in event entry fees and refunds/recoups of salaries, expenses and grants.

The decrease in participation fees reflects that in 2005-06 biennial events involving cooperative marketing schemes and contra arrangements occurred (eg Panasonic World Solar Challenge, Tasting Australia). In addition, the major sponsor of the Tour Down Under withdrew its funding for 2006-07.

The increase in event entry fees and refunds/recoups of salaries, expenses and grants reflects that in 2006-07 the biennial Great Australian Cattle Drive was held. Further, the Commission recouped the salaries of the additional staff provided to regional marketing groups.

Expenses

For the five years to 2007, a structural analysis of the main expense items for the Commission is shown in the following chart.



Expenses decreased mainly as a result of a decrease in advertising and promotion costs and other expenses.

The decrease in advertising and promotion costs was mainly as a result of hosting the Australian Tourism Exchange and associated functions, as well as a higher number of trade shows and cooperative marketing schemes, in 2005-06. In addition, in 2006-07, brochure printing was rationalised.

Other expenses decreased mainly as a result of the bad and doubtful debt expense in 2005-06 in relation to the staging of the Le Mans event. Refer Note 12 to the financial statements regarding this matter.

Income Statement
for the year ended 30 June 2007

	Note	**2007** **$'000**	2006 $'000
EXPENSES:			
Staff benefits expenses	5	**12 752**	13 047
Advertising and promotion		**14 442**	18 000
Industry assistance	6	**9 499**	9 735
Administration and accommodation	7	**9 198**	8 874
Event operations		**4 495**	4 191
Depreciation and amortisation	8	**364**	360
Finance costs		**46**	58
Bad and doubtful debts expense	12	**4**	1 718
Net loss from the disposal of non-current assets		**22**	11
Total Expenses		**50 822**	55 994
INCOME:			
Participation fees	9	**2 523**	4 590
Interest from the SA Government		**-**	409
Commission on sales		**779**	596
Other revenue	10	**3 368**	2 345
Total Income		**6 670**	7 940
NET COST OF PROVIDING SERVICES		**44 152**	48 054
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	11	**43 948**	46 565
Total Revenues from SA Government		**43 948**	46 565
NET RESULT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**(204)**	(1 489)

Balance Sheet
as at 30 June 2007

	Note	2007	2006
ASSETS:		**$'000**	$'000
CURRENT ASSETS:			
Cash and cash equivalents	24	**3 265**	3 922
Receivables	12	**1 228**	1 690
Prepayments	13	**591**	37
Total Current Assets		**5 084**	5 649
NON-CURRENT ASSETS:			
Plant and equipment	14	**1 594**	1 729
Intangible assets	15	**88**	98
Investment in Australian Tourism Data Warehouse Ltd	16	**400**	400
Total Non-Current Assets		**2 082**	2 227
Total Assets		**7 166**	7 876
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	17	**2 214**	2 993
Other current liabilities	18	**211**	43
Short-term and long-term staff benefits	19	**1 291**	1 144
Short-term borrowings	20	**169**	158
Total Current Liabilities		**3 885**	4 338
NON-CURRENT LIABILITIES:			
Payables	17	**81**	72
Long-term staff benefits	19	**874**	768
Long-term borrowings	20	**424**	592
Total Non-Current Liabilities		**1 379**	1 432
Total Liabilities		**5 264**	5 770
NET ASSETS		**1 902**	2 106
EQUITY:			
Retained earnings		**1 902**	2 106
TOTAL EQUITY		**1 902**	2 106

The Total Equity is attributable to the SA Government as owner

Commitments	21		

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

	Note	Retained Earnings $'000
Balance at 30 June 2005		3 595
Total recognised income and expense for 2005-06		(1 344)
Balance at 30 June 2006		2 251
Error correction	5	(145)
Restated balance at 30 June 2006		2 106
Total recognised income and expense for 2006-07		(204)
Balance at 30 June 2007		**1 902**

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)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Staff benefit payments		**(12 508)**	(12 917)
Supplies and services		**(39 027)**	(39 631)
Interest paid		**(46)**	(58)
GST payments on purchases		**(3 194)**	(3 346)
Cash used in Operations		**(54 775)**	(55 952)
CASH INFLOWS:			
Fees and charges		**2 523**	4 965
Commission earned		**779**	596
Interest received		**-**	409
GST recovered from Australian Taxation Office		**2 876**	2 428
GST receipts on receivables		**642**	789
Other receipts		**3 748**	1 993
Cash generated from Operations		**10 568**	11 180
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**43 948**	46 565
Cash generated from SA Government		**43 948**	46 565
Net Cash (used in) provided by Operating Activities		**(259)**	1 793
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of plant and equipment		**(241)**	(373)
Net Cash used in Investing Activities		**(241)**	(373)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of Borrowings		**(157)**	(148)
Net Cash used in Financing Activities		**(157)**	(148)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(657)**	1 272
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 922**	2 650
CASH AND CASH EQUIVALENTS AT 30 JUNE	24	**3 265**	3 922

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Tourism Commission

Objectives

The purpose of the South Australian Tourism Commission (the Commission) established under the *South Australian Tourism Commission Act 1993* (SACT Act) is, on behalf of the Government, to work in partnership with the private sector in productively marketing South Australia's tourism product intrastate, interstate and internationally to ensure that South Australia is a compelling part of any Australian holiday. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians;

- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia;

Objectives (continued)

- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure;
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial Arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a Special Deposit Account pursuant to section 21 of the PFAA.

Administered Funds

The Commission is responsible for the administration of the funds described below. These funds are not recorded in the Income Statement or Balance Sheet as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities are detailed separately in Note 26. Administered items comprise:

(i) *South Australian Visitor and Travel Centre*

The Commission operates the South Australian Visitor and Travel Centre (SAV&TC) which arranges bookings of tourism products such as accommodation, transfers and tours on behalf of Tourism Operators. The SAV&TC administers the collection of money from customers and forwards payments to operators. Previously only the commission earned from these transactions were reported in the Commission's Financial Statements and accompanying notes. For the first time in the financial statements the administered income, expenditure, assets and liabilities have been included in the Administered Schedule in Note 26.

(ii) *2007 World Police and Fire Games*

The 2007 World Police and Fire Games Corporation was established on 1 October 2003. The Commission managed the finances of the Corporation until the 30 June 2004. The balance of assets and liabilities held at 30 June 2004 were transferred to the Corporation in 2004-05. The Commission continued to be responsible for the transfer of Government Appropriation to the Corporation amounting to $2 160 000 ($1 401 000) during 2006-07.

(iii) *SA Motor Sport Board*

The Commission administered the appropriation transfers from the Department of Treasury and Finance to the SA Motor Board until 30 June 2002. During 2005-06, the Commission returned the remaining $476 000 of administered cash to the Department of Treasury and Finance.

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.

Statement of Compliance

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

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 Commission'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 the 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) staff TVSP information

  (d) staff 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 staff;

  (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 Commission'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.

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

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

(b) Reporting Entity

The Commission's financial report includes both Commission and administered items. The Commission's financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by the Commission in its own right. As administered items are insignificant in relation to the Commission's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

(c) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a material prior period error, improvement in the information provided, or 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 impractical. The restated comparative amounts do not replace the original financial report for the preceding period.

(d) Rounding

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

(e) Taxation

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

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

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

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

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

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

(f) Income and Expenses

Income and expense are recognised to the extent that it is probable that the flow of economic benefits to or from the Commission 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.

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

Commission
Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items.

Participation Fees
The Commission earns income from participants in the Tourism Industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees. This income is recognised as it accrues.

Other Revenue
Other Revenue comprises event entry fees, merchandise sales, recoups of expenditure from regional marketing boards and other government agencies. In 2006-07 expenditure was recouped from other government agencies for seconded staff. A grant was received from another government agency for an externally managed event.

Borrowing Costs
All borrowing costs are recognised as expenses.

(g) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission 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.

(h) 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 Commission will not be able to collect the debt.

(i) Inventories

Consumable supplies are not recognised in the Balance Sheet as the value of these supplies is not considered material.

(j) Non-Current Asset Acquisition, Recognition and Revaluation

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.

Items of plant and equipment controlled by the Commission with an individual value greater than $5000 are recognised as non-current assets in the Balance Sheet. Items of plant and equipment are recorded at historic cost less accumulated depreciation.

Minor items of plant and equipment with an individual value less than $5000 are expensed in the Income Statement at the time of acquisition.

All Pageant Floats, regardless of their value, are recognised as non-current assets in the Balance Sheet. Pageant Floats are recorded at historic cost less accumulated depreciation.

Asset revaluation would occur if the fair value at the time of acquisition was greater than $1 million and estimated useful life was greater than three years.

(k) 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 plant and equipment.

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

	Years
General plant and equipment	3-5
Pageant plant and equipment	5-15

Fitouts are depreciated over the shorter of the length of the lease or the useful life of the fitout using the straight line method. The useful lives of all major assets held by the Commission are reviewed and adjusted if appropriate, on an annual basis.

(l) 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.

Goodwill and intellectual property arising from acquisition of the Christmas Pageant is accounted for at cost and is amortised on a straight line basis over 20 years, the period in which the benefits are expected to arise.

(m) Payables

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

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

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, are unsecured 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.

(n) Staff Benefits

Provision has been made in the financial statements for the Commission's liability for staff benefits arising from services rendered by staff to 30 June. Related on-costs consequential to the employment of staff have been included in payables. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

Salaries and Wages

Salaries and wages reflect remuneration received or due and receivable by staff as at the balance date.

Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid, calculated on current pay rates plus an inflation allowance of four percent.

Long Service Leave

The liability for long service leave is recognised after a staff member 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 staff 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 Commission's experience of staff retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the Commission does not have an 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.

Sick Leave

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

Superannuation

The Commission 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.

During 2006-07 a total of $944 000 ($941 000) was paid or payable to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Commission's staff. In addition, $99 000 ($100 000) was paid to other externally managed superannuation schemes.

(o) Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material and therefore have not been disclosed separately in the Income Statement.

(p) Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2007, are as follows:

Financial Assets

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises cash on hand and at Treasury and deposits at call. Cash is recorded at nominal amounts. Effective 1 July 2006 the Commission's Special Deposit Account was changed to a non-interest bearing account.

Shares in Australian Tourism Data Warehouse Ltd are recognised at cost.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk). Credit terms are net 14 days.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of staff on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Borrowings are recognised at their principal amounts. Interest is expensed as it accrues. The term of the loan is 10 years commencing in 2000-01. The borrowings were for working capital purposes.

3. Financial Risk Management

The Commission has significant non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing liabilities (borrowings from the SA Government). The Commission's exposure to market risk and cash flow interest risk is minimal.

The Commission is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk. The Commission's exposure to cash flow interest risk is minimal. The Commission has no significant concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Commission in its present form, and with its present services, is dependent on State Government policy and on continuing appropriations by Parliament.

Risk management is carried out by the Commission and risk management policies and practices are in accordance with Australian Risk Management Standards.

In accordance with government policy the Commission enters into hedges for all contracted expenditure in a foreign currency over A$100 000. The South Australian Financing Authority manages the foreign currency hedges on the Commission's behalf.

4. Program Class Schedule of Expenses and Income for the year ended 30 June 2007

The Commission has identified four broad program classes that reflect the nature of the services delivered to the South Australian community. These are:

Program Class 1: ***Strategic Advice***
To assist the tourism industry by providing tourism forecasting data and statistical research advice and evaluation, and industry policy and planning services.

Program Class 2: ***Tourism Development***
To provide advice and assistance to tourism operators and develop sustainable tourism products and infrastructure to raise the standard of tourism services and facilities across the State.

Program Class 3: ***Tourism Events***
To bid for and stage major events in South Australia.

Program Class 4: ***Tourism Marketing***
To provide high quality marketing services and development of marketing strategies and campaigns that increase the number of visitors to South Australia.

Expenses and income by Program Class for the year are as follows:

	Strategic Advice	Tourism Dvlpmt	Tourism Events	Tourism Marketing	**2007 Total**	2006 Total
Expenses:	$'000	$'000	$'000	$'000	**$'000**	$'000
Staff benefit expenses	871	1 217	2 236	8 428	**12 752**	13 047
Advertising and promotion	720	107	972	12 643	**14 442**	18 000
Industry assistance	363	2 455	1 627	5 054	**9 499**	9 735
Administration and accommodation	318	426	2 897	5 557	**9 198**	8 874
Event operations	-	-	4 487	8	**4 495**	4 191
Depreciation and amortisation	17	19	131	197	**364**	360
Interest on borrowings	3	3	8	32	**46**	58
Bad and doubtful debts expense	-	-	-	4	**4**	1 718
Net loss from the disposal of non-current assets	1	2	6	13	**22**	11
Total Expenses	2 293	4 229	12 364	31 936	**50 822**	55 994
Income:						
Participation fees	6	14	1 720	783	**2 523**	4 590
Interest	-	-	-	-	**-**	409
Commission on sales	-	-	-	779	**779**	596
Other revenue	11	68	1 444	1 845	**3 368**	2 345
Total Income	17	82	3 164	3 407	**6 670**	7 940
Net Cost of Providing Services	2 276	4 147	9 200	28 529	**44 152**	48 054
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	2 255	4 177	8 797	28 719	**43 948**	46 565
Total Revenues from SA Government	2 255	4 177	8 797	28 719	**43 948**	46 565
NET RESULT	(21)	30	(403)	190	**(204)**	(1 489)

5. Staff Benefit Expenses

	2007	2006
	$'000	$'000
Salaries and wages	**9 826**	10 002
TVSPs	**-**	218
Long service leave	**305**	250
Annual leave	**778**	742
Employment on-costs - Superannuation	**1 056**	1 042
Employment on-costs - Other	**672**	681
Board fees	**110**	107
Other staff related expenses	**5**	5
Total	**12 752**	13 047

Changes to Staffing Arrangements
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 SATC Act to provide that the Chief Executive of the South Australian Tourism Commission is to be the 'employing authority' of all staff of the Commission. Prior to the operation of the PSE Act, the Commission had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of the Commission has delegated all of his powers and functions relating to the employment of staff to the Commission. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Commission to make payments with respect to any matter arising in connection with the employment of a person under the SATC Act.

As a consequence of these changes, the total staffing expenses reflected in this financial report comprise the employee expenses of the Commission for the period 1 July 2006 to 31 March 2007 and the staffing expenses of the Commission for the period 1 April to 30 June 2007.

Correction of Errors
Due to inaccurate calculation of long service leave for the year ended 30 June 2006, staff benefit expenses were understated by $145 000 in 2005-06. This error had the effect of understating current and non-current long-term employee benefits and payables at 30 June 2006 and net cost of providing services by $145 000 in 2005-06 and overstating retained earnings at 30 June 2006.

In accordance with AASB 108, the error has been corrected by restating each of the affected financial statement line items for the prior year.

TVSPs	**2007**	2006
Amount paid to these staff members:	**$'000**	$'000
TVSPs	**-**	218
Annual leave and long service leave accrued over the period	**-**	76
Balance 30 June	**-**	294
Recovered from the Department of Treasury and Finance	**-**	218
Number of staff who were paid TVSPs during the reporting period	**-**	3

Remuneration of Staff	**2007**	2006
The number of staff whose remuneration received or receivable falls within the following bands:	**Number**	Number
$100 000 - $109 999	**2**	1
$110 000 - $119 999	**1**	2
$120 000 - $129 999	**1**	2
$130 000 - $139 999	**1**	1
$140 000 - $149 999	**1**	1
$150 000 - $159 999	**-**	1
$160 000 - $169 999	**1**	-
$170 000 - $179 999	**1**	-
$230 000 - $239 999	**1**	1
Total Number of Staff	**9**	9

The table includes all staff who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs of employment and includes salary and wages, superannuation contributions, non-monetary benefits, associated FBT and any other salary sacrifice benefits. The total remuneration received by these staff members for the year was $1 308 000 ($1 245 000).

6. Industry Assistance

	2007	2006
Industry Assistance provided to Entities external to the SA Government:	**$'000**	$'000
Sponsorship of events	**4 223**	4 391
Tourism infrastructure grants	**2 143**	1 835
Tourism marketing boards/information centre grants	**1 796**	1 843
Marketing/industry support	**1 194**	1 557
Membership of tourism industry bodies	**20**	14
Trade show subsidies	**123**	95
Total	**9 499**	9 735

7. Administration and Accommodation

	2007	2006
Administration and Accommodation provided by Entities external to the SA Government:		
Communication and computing	**1 779**	1 481
Stationery, postage, couriers and freight	**589**	705
Contractors and consultants	**1 431**	1 000
Taxis, hire cars and car parking	**285**	318
Domestic and international travel	**634**	772
Seminars, courses and training	**181**	275
Accommodation and service costs	**1 105**	1 355
Other	**756**	670
	6 760	6 576
Administration and Accommodation provided by Entities within the SA Government:		
Accommodation and service costs	**1 196**	1 141
Motor vehicle	**608**	463
Computer processing	**365**	397
Insurance	**107**	141
Audit, legal and other fees	**162**	156
	2 438	2 298
Total	**9 198**	8 874

Consultants

The number and dollar amount of consultancies paid/payable (included in Administration and Accommodation) that fell within the following bands:	**2007 Number of Consultants**	**2007 $'000**	2006 Number of Consultants	2006 $'000
Between $10 000 and $50 000	**2**	**50**	1	22
	2	**50**	1	22

8. Depreciation and Amortisation

	2007	2006
Depreciation:	**$'000**	$'000
General plant and equipment	**71**	84
Fitouts	**210**	192
Pageant assets	**73**	74
	354	350
Amortisation:		
Christmas Pageant goodwill	**10**	10
	10	10
Total	**364**	360

9. Participation Fees

	2007	2006
Participation Fees from Entities external to the SA Government:		
Cooperative marketing/advertising	**979**	1 349
Sponsorship revenue	**1 348**	2 511
Workshop/training	**14**	7
Trade/consumer show participation	**116**	309
Contra transactions	**66**	414
Total	**2 523**	4 590

10. Other Revenue

	2007	2006
Other Revenue from Entities external to the SA Government:		
Event entry fees	**909**	452
Refunds/recoups of expenses	**716**	413
Service fees	**38**	13
Salary recoups	**513**	522
Familiarisation expenditure recouped	**130**	142
Sales of merchandise	**85**	74
Sundry income	**478**	229
	2 869	1 845
Other Revenue from Entities within the SA Government:		
Grants	**350**	500
Recoups	**149**	-
	499	500
Total	**3 368**	2 345

11. Revenues from the SA Government

	2007	2006
	$'000	$'000
Appropriation from Consolidated Account pursuant to the *Appropriation Act*	**43 948**	46 565
Total	**43 948**	46 565

12. Receivables

	2007	2006
Current:		
Receivables	**646**	707
Less: Provision for doubtful debts	**11**	30
	635	677
GST receivable	**530**	780
Sundry	**63**	233
Total	**1 228**	1 690
Non-Current:		
Receivables	**-**	1 870
Less: Provision for doubtful debts	**-**	1 870
Total	**-**	-

All receivables at 30 June 2007 (2006) related to transactions with entities external to the SA Government.

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 'bad and doubtful debts expense' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2007	2006
Movement in the Provision for Doubtful Debts (Impairment Loss):	**$'000**	$'000
Carrying amount at 1 July	**1 900**	16
Increase in the provision	**-**	1 880
Amounts written off	**1 889**	4
Carrying Amount at 30 June	**11**	1 900

On 7 September 2006, a contested legal claim relating to the staging of the Le Mans event in Adelaide was settled and $1.87 million was written off in 2006-07. This was previously recognised as a provision for doubtful debts in 2005-06.

Bad and Doubtful Debts

The Commission has recognised a bad and doubtful debt expense of $4000 ($1 718 000) in the Income Statement.

13. Prepayments

	2007	2006
	$'000	$'000
Other	**591**	37
Total	**591**	37

14. Plant and Equipment

	General Plant & Equipment	Fitouts	Pageant Plant & Equipment	2007 Total
Gross Carrying Amount:	$'000	$'000	$'000	**$'000**
Balance at 1 July	704	2 409	874	**3 987**
Purchases	124	-	118	**242**
Disposals	(108)	-	(7)	**(115)**
Balance at 30 June	720	2 409	985	**4 114**
Accumulated Depreciation:				
Balance at 1 July	376	1 399	483	**2 258**
Depreciation expense	71	210	73	**354**
Disposals	(86)	-	(6)	**(92)**
Balance at 30 June	361	1 609	550	**2 520**
Net Book Value:				
As at 30 June 2007	**359**	**800**	**435**	**1 594**
As at 30 June 2006	328	1 010	391	1 729

15. Intangible Assets

	Christmas Pageant Goodwill	
	2007	2006
Gross Carrying Amount:	**$'000**	$'000
Balance at 1 July	**200**	200
Balance at 30 June	**200**	200
Accumulated Amortisation:		
Balance at 1 July	**102**	92
Amortisation expense	**10**	10
Balance at 30 June	**112**	102
Net Book Value:		
As at 30 June	**88**	98

16. Investment in Australian Tourism Data Warehouse

The Australian Tourism Data Warehouse (ATDW) is a joint project of all State and Territory tourism authorities working with the Australian Tourism Commission (ATC) to present and market Australian tourism product to the world through the ATC's website. Operators listed on the ATDW have their details uploaded onto the new consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in the Company does not give the Commission controlling interest in the Company.

17. Payables

	2007	2006
	$'000	$'000
Current:		
Trade creditors	-	476
Accrued expenses	1 895	2 250
Staff on-costs	179	201
GST payable	140	66
Total	**2 214**	2 993
Non-Current:		
Staff on-costs	81	72
Total	**81**	72

All payables at 30 June 2007 (2006) related to transactions with entities external to the SA Government.

In 2005-06, the majority of accrued salaries and wages were incorrectly classified as payables. This error had the effect of overstating payables and understating staff benefits by $228 000. In 2006-07 accrued salaries and wages have been reclassified as staff benefits. The comparative amount has also been reclassified.

18. Other Liabilities

	2007	2006
	$'000	$'000
Current:		
Unclaimed monies	13	30
Unearned revenue	198	13
Total	**211**	43

19. Staff Benefits

	2007	2006
Current:		
Annual leave	769	738
Short-term long service leave	285	178
Accrued salaries and wages	237	228
Total	**1 291**	1 144
Non-Current:		
Long-term long service leave	874	768
Total	**874**	768

The total current and non-current staff benefit liabilities (ie aggregate staff benefit plus related on-costs) for 2007 are $1 470 000 ($1 345 000) and $955 000 ($840 000) respectively.

Change in Accounting Estimates

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. This has had the effect of increasing the long service leave liability compared to what would have been recorded in previous years.

20. Borrowings

	2007	2006
	$'000	$'000
Balance 1 July	750	898
Less: Repayments	157	148
Balance 30 June	**593**	750
Represented by:		
Current borrowings	169	158
Non-current borrowings	424	592
Total	**593**	750

All borrowings held at 30 June 2007 were payable to SA Government. Borrowings are recognised at cost and have a maturity date of 21 September 2010. The interest rate is 6.72 percent for the life of the loan.

21. Commitments

(a) Operating Lease Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2007	2006
	$'000	$'000
Within one year	1 165	1 130
Later than one year but not longer than five years	2 506	3 191
Later than five years	1 219	1 368
Total	**4 890**	5 689

(a) Operating Lease Commitments (continued)

These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable in arrears.

The weighted average interest rate implicit in the non-cancellable operating lease is 4 percent. Where lease agreements refer to a market rate of CPI, a rate of 4 percent has been applied.

(b) Other Commitments

The Commission has entered into agreements in the nature of liabilities which, as at the reporting date, are not recognised in the Balance Sheet because they have been assessed as giving rise to a future rather than a present obligation for payment. These commitments are summarised as follows:

	2007	2006
	$'000	$'000
Within one year	**10 886**	8 225
Later than one year but not longer than five years	**7 670**	5 749
Later than five years	**235**	7
Total	**18 791**	13 981

The Commission's commitments are for grants to Regional Tourism Marketing Boards, international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts.

(c) 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	**3 201**	3 173
Later than one year but not longer than five years	**1 639**	2 254
Total	**4 840**	5 427

The Commission does not offer remuneration contracts greater than five years.

22. Auditors' Remuneration

Amounts received and receivable by the Auditor-General's Department for auditing of the accounts	**60**	60

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

23. Remuneration of Board Members

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

R Foord (appointed 5 October 2006)
A Skipper
M Butler
J Clarke
F Connor
J Ellison (appointed 5 October 2006)
I Horne (appointed 5 October 2006)
J James
L Tuit (appointed 5 October 2006)
P Hoffmann (term expired 30 September 2006)
D Alexander (term expired 30 September 2006)
P Collins (term expired 30 September 2006)

The number of Directors whose total remuneration received or due and receivable fell within the following bands was:	2007	2006
	$'000	$'000
$0 - $9 999	**6**	3
$10 000 - $19 999	**6**	7

Remuneration received or receivable by members was $117 000 ($113 000). The total remuneration includes board sitting fees, superannuation contributions, non-monetary benefits and associated FBT and any other salary sacrifice arrangements.

Amounts paid to a superannuation plan for board members was $24 000 ($19 000).

Transactions with Board members have been carried out under conditions no more favourable than those that it is reasonable to expect the Commission would have adopted if the transactions were carried out at arm's length in the same circumstances.

24. Notes to the Cash Flow Statement

(a) *Reconciliation of Net Cash(used in) provided by Operating Activities to Net Cost of Providing Services*

	2007 $'000	2006 $'000
Net cash (used in) provided by operating activities	**(259)**	1 793
Less: Revenues from SA Government	**(43 948)**	(46 565)
Less: Non-cash items:		
Depreciation and amortisation expense	**(364)**	(360)
Net loss from the disposal of non-current assets	**(22)**	(11)
Change in assets and liabilities:		
Increase (Decrease) in prepayments	**554**	(608)
Decrease in receivables	**(462)**	(2 098)
Increase in staff benefits	**(244)**	(134)
(Increase) Decease in other liabilities	**(168)**	177
Decrease (Increase) in payables	**761**	(248)
Net Cost of Providing Services	**(44 152)**	(48 054)

(b) *Reconciliation of Cash*

For the purpose of the Cash Flow Statement, cash includes cash on hand and at Treasury and deposits at call. Deposits at call include 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. Cash 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 on hand and at Treasury (unexpended balance)	**1 911**	2 658
Deposits at call (accrual appropriation funds)	**1 354**	1 264
Total	**3 265**	3 922

25. Financial Instruments

(a) *Interest Rate Risk*

The following table details the Commission's exposure to interest rate risk.

2007

			Fixed Interest Rate Maturity				
	Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 5 Years	Greater than 5 Years	Non-Interest Bearing	**Total**
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash - operating account	-	-	-	-	-	1 911	**1 911**
Cash - accrual appropriation funds	-	-	-	-	-	1 354	**1 354**
Receivables	-	-	-	-	-	1 228	**1 228**
Shares	-	-	-	-	-	400	**400**
Total	-	-	-	-	-	4 893	**4 893**
Financial Liabilities:							
Payables	-	-	-	-	-	2 246	**2 246**
Borrowings	6.72	-	169	424	-	-	**593**
Total	-	-	169	424	-	2 246	**2 839**

2006

			Fixed Interest Rate Maturity				
	Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 5 Years	Greater than 5 Years	Non-Interest Bearing	Total
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	$'000
Cash - Operating account	5.66	2 658	-	-	-	-	2 658
Cash - Accrual appropriation funds	5.71	1 264	-	-	-	-	1 264
Receivables	-	-	-	-	-	1 690	1 690
Shares	-	-	-	-	-	400	400
Total		3 922	-	-	-	2 090	6 012
Financial Liabilities:							
Payables	-	-	-	-	-	2 998	2 998
Borrowings	6.72	-	158	592	-	-	750
Total		-	158	592	-	2 998	3 748

(b) Interest Rate and Credit Risk

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. There is no concentration of 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 staff benefit that they relate to is discharged. All payables are non-interest bearing. The Commission does not have any significant credit risk exposure to any single creditor.

(c) Net Fair Value

The carrying amount of receivables approximates net fair value due to being receivable on demand. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(d) Credit Standby Arrangements

The Commission has a $273 000 ($287 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2007 was $195 000 ($194 000).

(e) Hedging

The hedges in 2006-07 were for payment of representation fees in overseas offices, event staging fees and prize money for the staging of the Tour Down Under. In 2006-07 the Commission entered into nine (five) hedging contracts totalling A$469 000 (A$746 000). As at 30 June 2007 the Commission had no hedge cash flow contracts outstanding. As with all hedges there are minimal financial risks. Cash flows from the hedges in 2006-07 are included in the Income Statement.

26. Schedule of Administered Items

(a) Schedule of Administered Income and Expenses for the year ended 30 June 2007

	2007 World Police and Fire Games		SA Visitor and Travel Centre		SA Motor Sport Board		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Administered Income:								
State Government	**2 160**	1 401	**-**	-	**-**	-	**2 160**	1 401
Gross sales revenue	**-**	-	**7 045**	4 923	**-**	-	**7 045**	4 923
Total Administered Income	**2 160**	1 401	**7 045**	4 923	**-**	-	**9 205**	6 324
Administered Expenses:								
Commission paid to the SATC	**-**	-	**907**	691	**-**	-	**907**	691
Expenditure to Tourism Operators	**-**	-	**6 138**	4 232	**-**	-	**6 138**	4 232
Transfer to 2007 World Police and Fire Games	**2 160**	1 401	**-**	-	**-**	-	**2 160**	1 401
Transfers to Department of Treasury and Finance	**-**	-	**-**	-	**-**	**476**	**-**	476
Total Administered Expenses	**2 160**	1 401	**7 045**	4 923	**-**	**476**	**9 205**	6 800

(b) Schedule of Administered Assets and Liabilities as at 30 June 2007

	2007 World Police and Fire Games		SA Visitor and Travel Centre		SA Motor Sport Board		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Administered Assets:								
Cash	**-**	-	**916**	1 187	**-**	-	**916**	1 187
Receivables	**-**	-	**1**	2	**-**	-	**1**	2
Total Administered Assets	**-**	-	**917**	1 189	**-**	-	**917**	1 189
Administered Liabilities								
Creditors	**-**	-	**846**	942	**-**	-	**846**	942
Deposits on bookings	**-**	-	**12**	43	**-**	-	**12**	43
Commission payable to the SATC	**-**	-	**57**	200	**-**	-	**57**	200
GST payable to SATC	**-**	-	**2**	4	**-**	-	**2**	4
Total Administered Liabilities	**-**	-	**917**	1 189	**-**	-	**917**	1 189

Correction of Error

In 2005-06, administered cash, receivables, creditors and deposits on bookings were incorrectly recorded in the Commission's Balance Sheet. This error had the effect of overstating cash by $1 187 000 and receivables by $2000, creditors by $942 000 and deposits on bookings by $43 000. The errors and subsequent correction have had no effect on the retained earnings of the Commission.

In accordance with AASB 108, the error has been corrected by restating each of the affected financial statement line items for the prior year.

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Water Corporation (the Corporation) was established pursuant to the *South Australian Water Corporation Act 1994* (the Act).

Application of the *Public Corporations Act 1983*

The Corporation is a public corporation subject to the provisions of the PCA. That Act requires a charter and performance statement to be prepared by the Corporation's Minister and the Treasurer after consultation with the Corporation. The charter for the Corporation outlines:

- the nature and scope of commercial and non-commercial activities, including financial investment activities;
- financial standards and reporting, including interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices;
- the operating environment of the Corporation, asset management and control and the basis for setting fees and charges.

Objectives and Functions

The key objectives of the Corporation are to:

- provide value for money water services within South Australia;
- develop and commercialise leading water and related services, including technology solutions;
- assist in promoting economic development in South Australia;
- manage the assets (including intellectual property) of the Corporation prudently and effectively and provide agreed returns to government;
- optimise the value of the Corporation whilst achieving other key requirements of the Government.

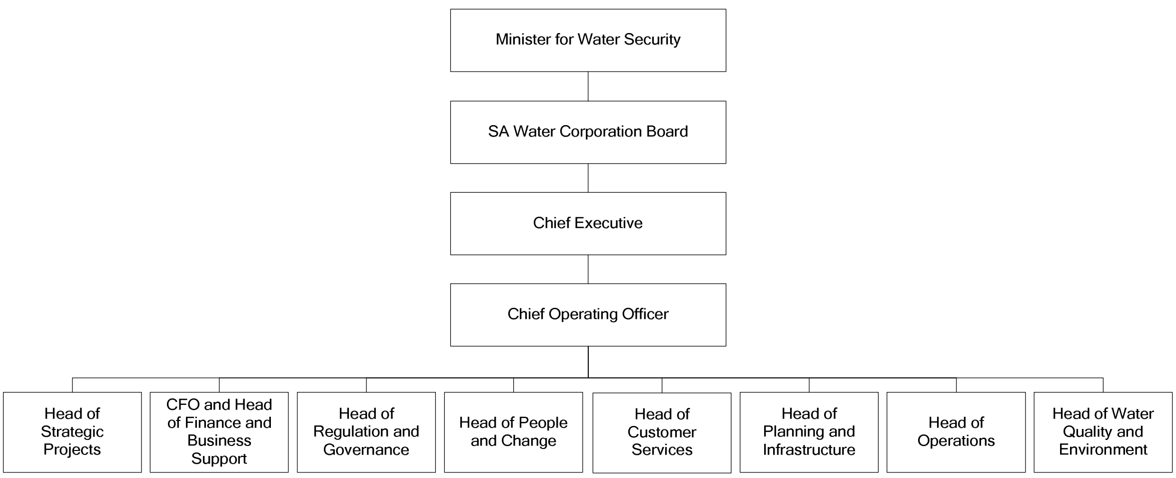
The primary functions of the Corporation in accordance with the Act are to provide services for the:

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

Additional functions of the Corporation as set out in the Act include researching and undertaking works to improve water quality and wastewater treatment; developing and marketing commercially viable products, processes and intellectual property; and encouraging and facilitating private or public sector investment and participation in the provision of water and wastewater services and facilities.

Structure

The structure of the Corporation 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 32(4) of the PCA provides for the Auditor-General to audit the accounts of the Corporation 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 Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

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

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

- contract management
- asset management and control
- revenue raising including cash receipting and banking
- expenditure including accounts payable and payroll
- budgetary control and management reporting.

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

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 Water 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 Water Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure and capital planning and project management, outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Water Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive and, by arrangement, copies were forwarded to the Chair of the Corporation's Audit Committee. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Corporation and the related responses are considered herein.

CHRIS HRMS CPE

Audit reviewed a number of areas relating to the CPE of the CHRIS HRMS. The review scope focussed on information systems operations, business continuity and disaster recovery planning, information security including aspects of physical security and logical security access authorisation and authentication practices, application systems implementation and maintenance, and systems software, network and hardware support. The review also addressed compliance to a service level agreement between the Corporation and the external service provider.

The salient observations arising from the review principally related to the need for the Corporation to:

- review and update the service level agreement between the Corporation and the external service provider to reflect the current working practices;

- establish a formal performance review structure for contract management of the service level agreement;
- develop, implement and test business continuity plans for business units in the event of unavailability of computer infrastructure or the CHRIS HRMS system;
- review and formalise a number of corporate or CHRIS specific procedures;
- confirm implementation of a formalised agreement with a third party agent to hold a current copy of the CHRIS HRMS software source code in escrow.

The Corporation indicated in their response that some matters had been addressed and that resolution of the remainder of the action items would be addressed by early 2007-08.

The remedial action being taken by the Corporation in relation to these outstanding matters will be reviewed in 2007-08.

Purchase Cards

The audit of the use of purchase cards revealed that improvements could be achieved in the timeliness of transaction coding, supervisor authorisation and return of supporting documentation.

In response the Corporation indicated that staff would be reminded of the need to finalise their transactions on a timely basis and that additional reporting to management would be implemented to highlight those cardholders who have not complied with their responsibilities.

Expenditure

The audit of the expenditure function highlighted the potential for duplicate payments to be made particularly in relation to contract payments where an invoice had not been forwarded by the supplier.

The Corporation responded that procedures will be implemented to address the risk of duplicate payments being made.

Major and Minor Plant Assets

Audit review of the controls in operation in relation to major and minor plant assets revealed that improvement could be achieved in relation to updating of procedures, the frequency of reconciliation between the general ledger and the asset register and the checking of stocktake results to the asset register.

In response the Corporation indicated that action would be taken to address the issues raised.

Payroll

The audit of the payroll function revealed that improvements could be achieved in relation to the management of excessive annual leave and flexitime balances and the processes surrounding recording of leave. The issue of management of excessive leave has been raised with the Corporation previously. An issue was also raised in relation to a system problem that resulted in incorrect leave accruals for staff who had taken leave without pay and the need to ensure that all adjustments were made prior to the end of the financial year.

In relation to the management of excessive leave the Corporation indicated that leave management plans would be developed for staff with excessive annual leave and that revised policies would assist in improving controls.

With respect to the issue of incorrect system recording of leave, the Corporation advised that reconciliations of incorrect calculations had been completed and that further action was being planned to upgrade the system to overcome the faults identified.

Audit noted that as at 30 June 2007 not all adjustments for incorrect leave balances had been made in the system.

Revenue

The Customer Service Information System is the Corporation's main revenue system. Its function includes the billing and recovery cycle process, the recording of customer property valuations and the application of customer rates and exemptions to charges. The system is highly automated and is characterised by on-line processing, checking and authorisation of transactions. Accordingly, there is a significant reliance on automated system controls.

Over a number of years Audit has raised issues with the Corporation regarding the potential for incorrect billing to customers as a result of incorrect rating codes within the system. Over that period of time the

Corporation has implemented a range of actions aimed to address the issue. Given the nature of this system and the large number of customer accounts this is an area of ongoing risk. In 2006-07 the Corporation undertook a comprehensive assessment of the risks in relation to this issue and developed a range of strategies which could be implemented. A number of these strategies either have been or are in the process of being implemented. The Corporation has indicated an ongoing commitment to monitor the outcomes of the action taken.

The results of the 2006-07 audit indicated that improvements were required in relation to the completion and certification of various reconciliations and the need to ensure the timely completion of service orders for metropolitan and country works.

In response the Corporation indicated that action would be taken to address the issues raised.

Capital Planning and Project Management

The Corporation is responsible for maintaining and improving water and sewer infrastructure assets within South Australia. The value of the infrastructure assets as at 30 June 2007 was $7.8 billion comprising:

- Water - $4.6 billion
- Sewer - $2.7 billion
- Other - $582 million.

Proposed capital spending in 2006-07 was $165.3 million. Actual spending as at 30 June 2007 was $171.5 million.

The audit looked at the quality of and adherence to, the Corporation's policies and procedures for project management and capital planning and aspects of project management.

Audit focused on major infrastructure projects managed by reviewing a sample of capital projects in progress during 2006-07.

A number of issues were identified that needed to be addressed by the Corporation. Without improvement in most of these areas, the Corporation has a higher risk of projects exceeding budgets and timeframes without timely awareness by senior management that this has occurred. The nature of the issues included revision and subsequent consistent application of policies, procedures and guidelines and the use and relationships between financial reporting systems. As such there was a resulting immediate need for training of relevant project managers. Audit considered the findings in the report may serve as a basis for that training.

Audit was advised by Towards 2010 project staff in the course of the review that the Corporation was in the process of implementing the findings of the 2010 project and this may address a number of Audit's concerns.

The main findings of the review together with Audit's recommendations and the Corporation's responses are detailed below.

The audit findings and responses of the Corporation will be followed-up in 2007-08.

Policies and Procedures

There were outdated/superseded policies, procedures and guidelines for capital planning and project management on the intranet. Audit noted capital planning policies and procedures were being updated and approved at the time of audit. Audit found in some instances the policies, procedures and guidelines for project management did not reflect what was actually performed or there was inconsistency between similar documents.

Audit recommended the Corporation remove all outdated policies and procedures from the intranet and update the policies, procedures and guidelines to reflect the current processes and ensure the consistency of documents.

The Corporation accepted the Audit recommendations advising the removal of outdated policies and procedures and update of project management policies and procedures together with training for appropriate staff and comprehensive links to associated documentation.

Recording and Approval of Contract Variations

- Recording

Approved contract variations are not always updated to the payment system, Ellipse, in a timely manner. Project managers monitor project costs using their own recording methods, which vary between project managers, rather than Ellipse.

Audit recommended that project managers ensure Ellipse is updated for contract variation amounts when approved, uniform approval documentation be retained and Ellipse be used as the primary source of financial information.

In response the Corporation indicated that Ellipse would be updated as soon as possible where appropriate, exceptions being difficult instances like hard rock costs and inclement weather and that documentation will be retained although differing depending on the project type. The Corporation accepted that Ellipse should be the primary source of financial information although there may be circumstances where other information was important and would be used eg breakdown of provisional sums.

- Approval

Project managers can approve contract variations within a project's contingency amount without reference to or the need to obtain approval from an engineer. If there is no approval from an employee with appropriate expertise, unnecessary or incorrect changes may be agreed by the project manager.

Audit recommended that where a variation is a substantial amount the project manager should obtain approval from an engineer or employee with appropriate expertise before agreeing to a variation.

The Corporation indicated that project managers who have suitable expertise are granted appropriate levels of financial delegated authority to approve variations.

Overpayments and Double Payments

Where a contractor is not supplying an invoice as per the contract agreement a substitute invoice is created to facilitate payment. However there are instances where a contractor will also submit an invoice creating a risk of double payments. Audit noted instances of double payments and overpayments which were not identified and corrected in a timely manner. For one sampled project an overpayment of $792 000 was made in June 2006 and an invoice for $111 000 was paid twice in March 2006. These payments were not corrected until January 2007.

Audit recommended that procedures be developed to ensure that officers approving invoices ensure that no prior payment has been made before approving and submitting an invoice for payment.

In response the Corporation advised that it will review the use of substitute invoices and will also strengthen procedures surrounding the approval of contract payments.

Approval of Tender Specifications for United Water Managed Projects

United Water undertake construction and project management roles on behalf of the Corporation. For one sampled project, the Corporation was responsible for approving the contract cost estimate and detailed design for the project. Audit noted that the Corporation approved United Water calling tenders before the project specifications were reviewed and approved.

Audit recommended that specifications be approved prior to the calling of tenders.

In response the Corporation advised that it will develop a procedure outlining what actions are required from United Water and what review requirements will be undertaken by the Corporation. SA Water indicated that it was successfully using a procurement method where projects managed by United Water are largely based on outcomes rather than specifications and as a result the Corporation does not always review or approve specifications.

Updating of the Capital Asset and Planning System (CAPS)

Audit noted that CAPS is not updated on a regular basis by all project managers. This is a risk to project management. Audit noted that the Corporation was training project managers on the value of keeping CAPS up to date.

Audit recommended that the training provided to project managers continue and that the Corporation monitor the updating of CAPS to ensure it is undertaken regularly.

The Corporation indicated that the training will continue and that it will give consideration to producing an exception report on a periodic basis which shows projects that have not been updated.

Review of Projects by Senior Management

Audit noted that there was no standard process for senior manager review of project management. The standard and regularity of review differed between senior managers and in some cases it was difficult to determine what had been done.

Audit recommended that a procedure be established outlining what reviews are to be performed, the frequency and the level of documentation required.

In response the Corporation indicated that the extent of review is determined by a number of factors including project value, complexity, risks and project profile. It advised that guidelines are in place to ensure all strategic and significant projects have as a minimum criteria, a defined review template. For all other projects the extent and scope of review will continue to be on a needs basis.

Information Supplied by the Corporation to the Board

Audit noted that Board information included projects that had not commenced or were in the development stage and not relevant in monitoring the current capital budget.

Audit recommended that Board information include the top projects for the current and following financial year.

The Corporation accepted Audit's recommendation and implemented the changes.

Project Close Out

At the completion of each project a close out report is prepared which provides an assessment of the project and the contractor efficiency and effectiveness. Audit noted that the information within the close out report is not collated and made available to all relevant employees. There was also a recently introduced post implementation review process that reviews one project a month.

Audit recommended a mechanism be developed to make the findings of the close out reports and post implementation reviews available to all project managers to improve project management processes.

In response the Corporation advised that it will consider publishing the close out reports on the intranet to ensure the findings are used to improve the project management processes. Post implementation review results are published on the intranet site and key findings requiring action are assigned to relevant staff in the business unit concerned.

Provision of Project Information

Some information requested by Audit took five weeks to be provided in its entirety.

Audit recommended that dockets be filed in a manner that enables easy and timely retrieval for management.

The Corporation indicated all dockets are filed using a records management system. It will develop a checklist of key items that should be in the docket for each project.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
INCOME			
Rates and charges	**578**	550	5
Community service obligations	**156**	152	3
Other	**124**	131	(5)
Total Income	**858**	833	3
EXPENSES			
Employment expenses	**83**	79	5
Depreciation and amortisation expense	**147**	132	11
Finance cost	**90**	86	5
Other expenses	**224**	209	7
Total Expenses	**544**	506	8
Net Profit after Income Tax Expense	**220**	229	(4)
NET CASH FLOWS FROM OPERATIONS	**308**	400	(23)

	2007 $'million	2006 $'million	Percentage Change
ASSETS			
Current assets	**93**	90	3
Non-current assets	**7 860**	7 134	10
Total Assets	**7 953**	7 224	10
LIABILITIES			
Current liabilities	**195**	187	4
Non-current liabilities	**2 089**	1 852	13
Total Liabilities	**2 284**	2 039	12
EQUITY	**5 669**	5 185	9

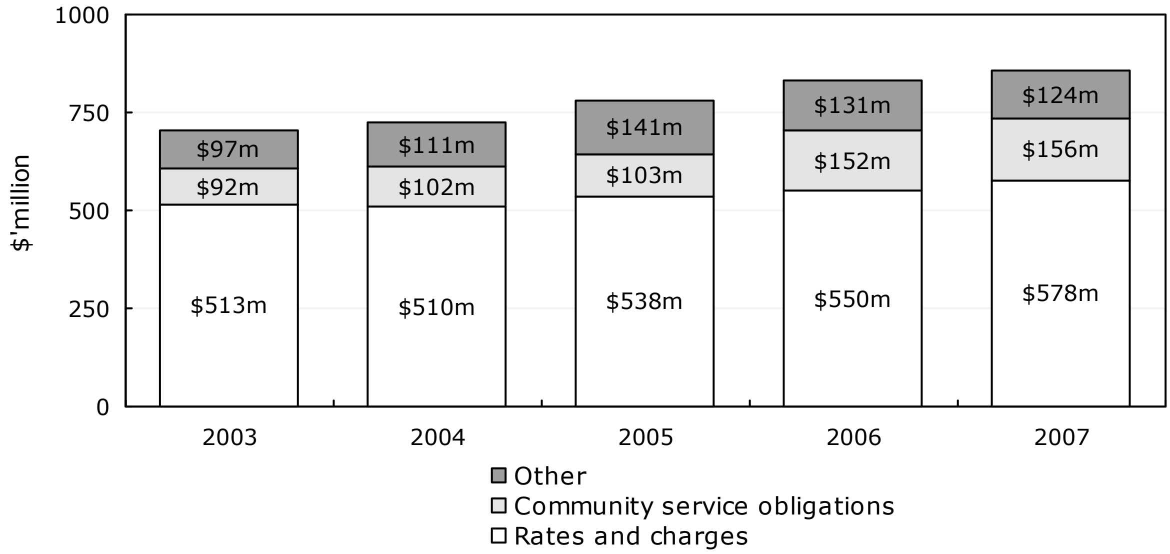
Income Statement

Income

Total income increased by $25.4 million to $858.1 million. The increase was due mainly to income from rates and charges (up by $27.9 million or 5 percent) offset by a decrease of $6.5 million in contributed assets. The increase in rates and charges income related mainly to price increases and increased water sales. SA Water's analysis of increased water sales indicated that in the period July to October 2006 before water restrictions started to be effective, water consumption was 28 percent higher than for the same period the previous year. From November 2006 onward, with water restrictions in place, consumption was 4 percent below the comparable period the previous year.

Over the period under review total income has increased steadily. Using 2003 as a base year, 2007 total income is $156 million or 22 percent higher. Rates and charges increased by $65 million (12.7 percent) and community service obligations (CSO) by $64 million (69.6 percent). The increase in CSO is due to revised funding arrangements implemented in 2005-06 under the Financial Ownership Framework agreed with the Department of Treasury and Finance which resulted in a higher overall level of payment received by the Corporation on an ongoing basis. The changed arrangements resulted in an increase in community service obligation funding in 2005-06 of $49 million with an offsetting return of funds to the government through increased dividends and repayment of capital.

A structural analysis of operating revenues for the Corporation in the five years to 2007 is presented in the following chart.



Expenses

Total expenses increased by $37.7 million to $544 million.

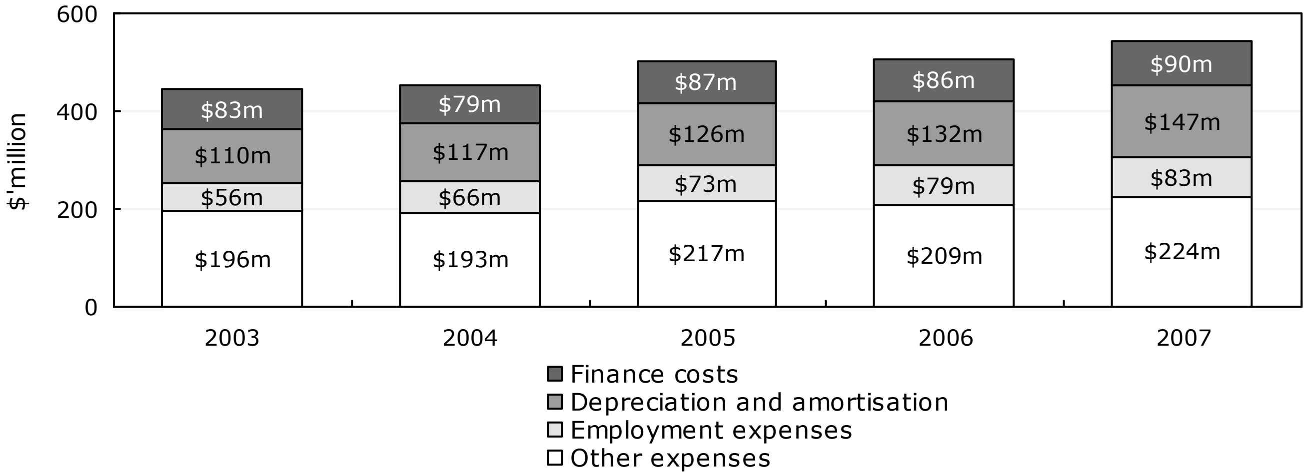
Depreciation and amortisation increased by $14.7 million to $146.5 million (27 percent of total expenses) as a result of higher asset values. Over the past five years this expense has increased by $37 million in line with annual asset revaluations.

Finance costs increased by $3.6 million (4.2 percent) in 2007 primarily as a result of increased interest expenses due to a higher level of borrowings and increased interest rates.

Employment expenses increased by $4.6 million (5.9 percent) in 2007 due mainly to increased pay rates and increased staffing levels to meet workload demand from water restrictions and drought initiatives. Employment expenses have increased by $27 million (48 percent) over the past five years.

Other expenses increased by $14.8 million primarily as a result of increased electricity costs, up $9.5 million, and increased costs for operational and service contracts, up $11.5 million, both of which were impacted by the drought. The increase in electricity costs was due to additional pumping of water to storage from the River Murray and operational and service contracts rose primarily on account of additional payments for repairs of burst water mains as a result of dry conditions as well as increased advertising and communication costs in relation to water restrictions. These increases were offset by a decrease in services and supplies, down $6.2 million, which was due mainly to the inclusion in 2005-06 of costs related to the provision for remediation of Thebarton land once the Corporation vacates these premises and moves to new accommodation.

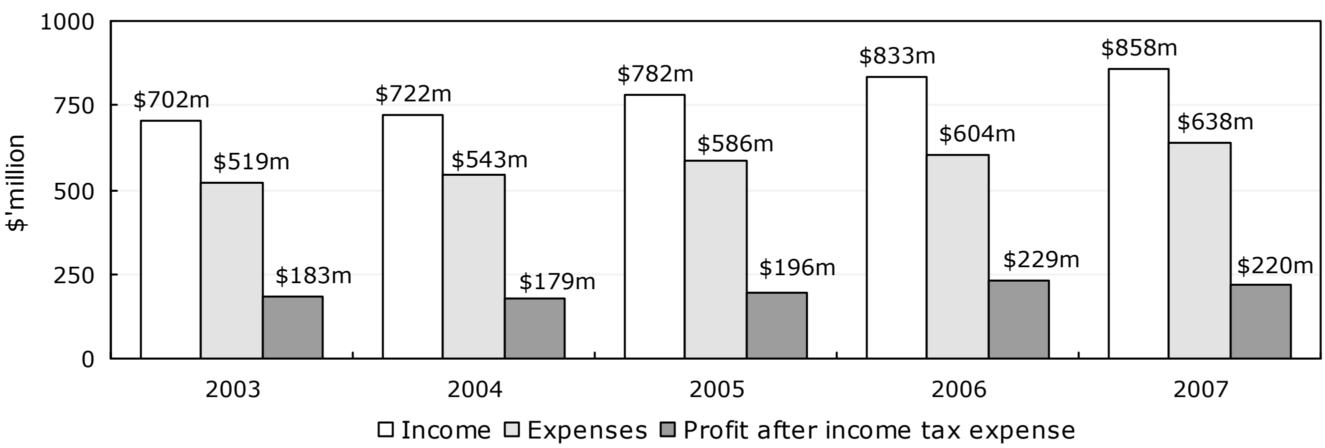
A structural analysis of the main expense items for the Corporation for the five years to 2007 is shown in the following chart.



Operating Result

The Corporation's profit after income tax has decreased by $8.7 million or 3.8 percent compared with a $32.6 million (16.6 percent) increase the previous year. Total income and total expenses both increased in 2007, up $25.4 million and $37.7 million respectively and although there was a decrease in income tax equivalent expenses of $3.6 million, the greater increase in expenses over income resulted in the decrease in overall profit. The biggest impact on Corporation's profit has been the drought which has been the primary cause of higher operating costs as discussed under the heading 'Expenses'.

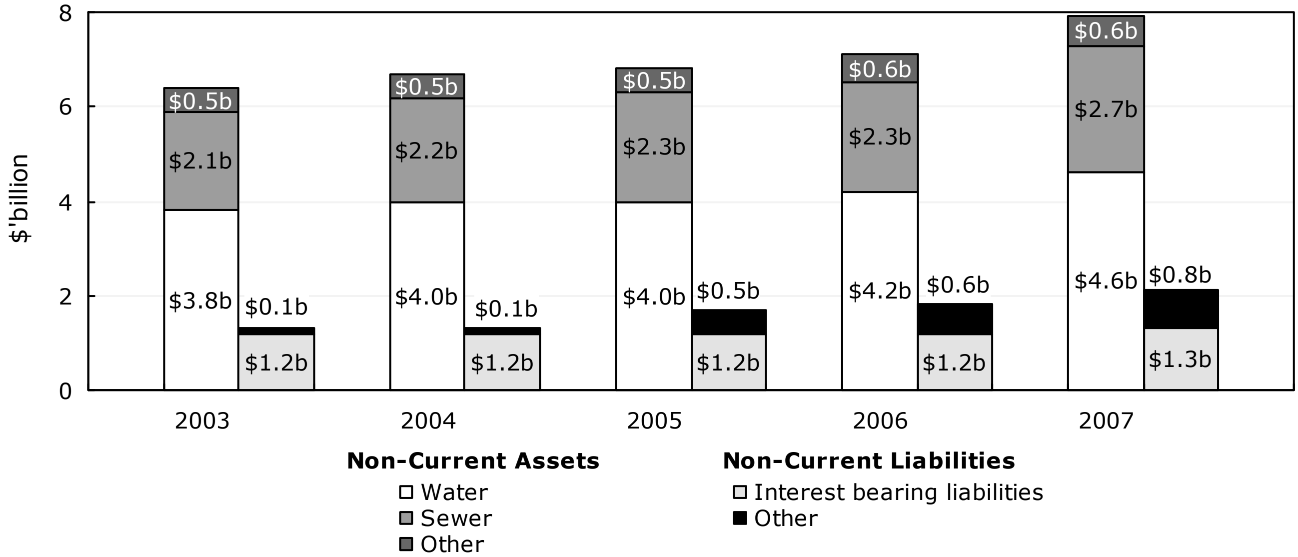
The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2007.



Balance Sheet

The Corporation's financial position is dominated by non-current infrastructure assets and related borrowings. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2007 current liabilities amounted to $195 million, exceeding current assets of $94 million by $101 million. While such a large deficiency in working capital can be of concern, the Corporation has a strong cash flow position from operating activities which would enable all of its current liabilities to be met.

A structural analysis of non-current assets and non-current liabilities for the five years to 2007, is shown in the following chart.



Non-current assets increased by $726 million (10 percent) in 2007 to $7.9 billion. Infrastructure, plant and equipment assets increased by $724 million (10 percent) with $664 million of this increase due to revaluation of assets ($638 million in relation to water and sewer assets) and $204 million was from payments for construction and purchase of assets. These increases were offset by depreciation expense of $144 million.

Note 1(e) to the financial statements details the Corporation's revaluation policies. Revaluation of assets is based on independent valuation for certain asset classes or director's valuation determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. In 2007 there have been a number of factors which have resulted in higher contract rates and indexation factors being used in the revaluation process. These factors include an increase in fuel costs and labour costs. Also an increase in the demand for pipes resulted in a higher contract rate.

The value of all other assets and liabilities remained relatively unchanged over the period under review.

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	**307 510**	400 436	276 844	272 371	266 890
Investing	**(160 108)**	(105 893)	(114 613)	(184 293)	(123 253)
Financing	**(144 749)**	(290 455)	(162 689)	(88 310)	(143 462)
Change in Cash	**2 653**	4 088	(458)	(232)	175
Cash at 30 June	**4 762**	2 109	**(1 979)	*906	1 148

* Cash held previously included amounts relating to the Administered Item Pensioner Concessions which has no longer been included in the cash balance due to a change in accounting policy. Balances of cash held for this item for previous years have not been adjusted.

** Cash held previously included amounts relating to the Administered Items United Water Compensation Payments and the Cooperative Research Centre which has no longer been included in the cash balance due to a change in accounting policy. Balances of cash held for these items for previous years have not been adjusted.

The analysis of cash flows shows that net cash from operations fell by $92.9 million in 2007 following steady increases in the previous four years. Cash receipts from customers increased by $33.2 million, however, receipts from community service obligation funding decreased by $69.9 million following an unusually high level of receipts in 2006 as a result of changed CSO funding arrangements. Payments to suppliers and employees increased by $34.3 million and income taxes paid increased by $16.5 million.

The Corporation continues to invest in its infrastructure, plant and equipment assets as can be seen by the cash outflows on investing activities. The amount invested in 2007 increased by $54.2 million while net outlays over the five year period totalled $688.2 million.

Cash flows used in financing activities primarily reflect the payment of dividends to Government, the outcome of borrowing activities and the repayment of capital. In 2007 these payments totalled $144.7 million, a decrease of $145.7 million over the previous year. In 2007 the dividends paid to the Government were $208.1 million ($217.5 million) while there was no repayment of capital compared with a $74.3 million repayment in 2006 made as a result of revised CSO funding arrangements. The outcome of borrowing activities was a net increase in borrowings of $63.3 million ($1.3 million).

FURTHER COMMENTARY ON OPERATIONS

Performance Charter

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

Two key financial performance measures agreed to in the Performance Statement are set out in the following table:

Performance measure	Target 2006-07	Actual Result 2006-07
Profit after tax ($m)	**222.4**	**219.8**
Rate of return on assets (percent) [(1)]	**5.5**	**4.6**

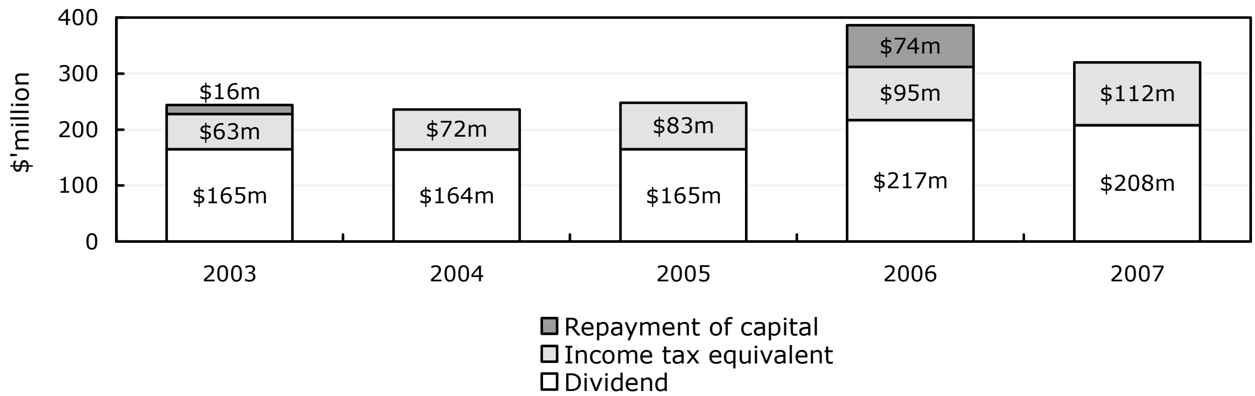
(1) Earnings before interest, tax and dividend divided by the total infrastructure assets (excluding plant and equipment).

The Corporation has not achieved either of its agreed performance measures. Both have been impacted by the drought which has reduced profit and the rate of return on assets has also been affected by the increase in asset values primarily as a result of revaluation.

Contributions to the State Government

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

A structural analysis of particular contributions (dividends, capital repayments, income tax equivalent) paid to the Government for the five years to 2007 is shown in the following chart.



The Corporation operates under a Financial Ownership Framework developed by the Department of Treasury and Finance for Public Non-Financial Corporations which was implemented in 2005-06. The main features of the framework are:

- debt to total assets ratio range of 15-25 percent for the next four to five years;
- dividend payout ratio of 95 percent based on after tax profit;
- arrangements for the government to purchase non-commercial services for which community service obligation payments are made.

In 2007 the Corporation made no repayment of capital ($74 million in 2006). There was also a decrease in dividend payment (down $9 million) as a result of a lower net profit, offset by an increase in income taxes paid of $17 million.

The following table summarises movements in the major items influencing borrowings and the debt to asset (gearing) ratio.

	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
Net cash inflows from operating activities	**307 510**	400 436	276 844	272 371	266 890
Net cash outflows from investing activities	**(160 108)**	(105 893)	(114 613)	(184 293)	(123 253)
Surplus cash from operations after investing activities	**147 402**	294 543	162 231	88 078	143 637
Repayments to owners	**(208 059)**	(291 795)	(165 189)	(164 110)	(180 845)
Shortfall in funds available to pay owners	**60 657**	(2 748)	2 958	76 032	37 208
Net increase in borrowings	**63 310**	1 340	2 500	75 800	37 383
Debt/Asset Ratio (percent)	**17.2**	18.1	18.4	19.0	18.7

For four of the last five years net cash generated from operating activities was sufficient to cover the net cash used in investing activities (ie essentially the purchase of property plant and equipment and latterly the purchase of water allocations), but insufficient to enable the payment of the level of dividend and return of capital required by the Department of Treasury and Finance.

Although the level of repayments to the Government in 2007 fell, primarily due to no repayment of capital ($74 million in 2006), for the Corporation to maintain or increase the level of capital expenditure it will have to increase its level of borrowings. The Corporation's ability to generate cash from its operations is not sufficient to fund its payment commitments to the Government and maintain its current level of capital works.

This is demonstrated in the foregoing table which shows that in 2007 net cash outflows from investing activities increased significantly as did the net increase in borrowings. A similar situation occurred in 2004.

Notwithstanding, as shown in the table, the debt/asset ratio remains below the target of 20 percent in the Financial Ownership Framework. Although borrowings have increased the value of assets has also increased and by a greater rate, primarily due to revaluation of assets. This has had the affect of decreasing the debt/asset ratio in 2007.

Income Statement
for the year ended 30 June 2007

	Note	**2007**	2006
INCOME:		**$'000**	$'000
Revenue from ordinary activities	4	**854 756**	828 109
Other income	5	**3 301**	4 528
Total Income		**858 057**	832 637
EXPENSES:			
Depreciation and amortisation expense	6	**146 468**	131 804
Finance costs	6	**90 187**	86 563
Electricity expense		**36 085**	26 587
Services and supplies		**85 946**	92 193
Operational and service contracts		**102 033**	90 495
Salaries and employee benefits expense		**83 288**	78 641
Total Expenses		**544 007**	506 283
PROFIT BEFORE INCOME TAX		**314 050**	326 354
Income tax expense	7	**(94 217)**	(97 809)
NET PROFIT AFTER INCOME TAX		**219 833**	228 545

Net Profit after Income Tax is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	29	**4 762**	2 109
Receivables	9	**81 130**	82 178
Inventories	10	**4 833**	3 873
Other current assets	11	**2 924**	2 335
Total Current Assets		**93 649**	90 495
NON-CURRENT ASSETS:			
Available-for-sale financial assets	12	**7 968**	7 378
Deferred tax assets	13	**17 927**	18 469
Intangible assets	14	**27 789**	25 037
Infrastructure, plant and equipment	15	**7 805 225**	7 081 431
Other non-current assets	16	**1 119**	1 649
Total Non-Current Assets		**7 860 028**	7 133 964
Total Assets		**7 953 677**	7 224 459
CURRENT LIABILITIES:			
Payables	18	**81 655**	70 611
Interest bearing liabilities	19	**77 360**	65 789
Current tax liabilities	20	**23 638**	38 656
Provisions	21	**11 417**	10 361
Other current liabilities	22	**1 328**	1 381
Total Current Liabilities		**195 398**	186 798
NON-CURRENT LIABILITIES:			
Payables	23	**1 440**	1 417
Interest bearing liabilities	24	**1 291 950**	1 243 735
Derivative financial instruments	25	**4 425**	6 844
Deferred tax liabilities	26	**763 148**	573 553
Provisions	27	**27 678**	26 151
Other non-current liabilities	28	**497**	497
Total Non-Current Liabilities		**2 089 138**	1 852 197
Total Liabilities		**2 284 536**	2 038 995
NET ASSETS		**5 669 141**	5 185 464
EQUITY:			
Contributed equity	31	**173 610**	173 610
Reserves	32(a)	**5 338 038**	4 866 486
Retained profits	32(b)	**157 493**	145 368
TOTAL EQUITY		**5 669 141**	5 185 464

Total Equity is attributable to the SA Government as owner

Commitments 33

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

	Note	**2007** **$'000**	2006 $'000
Total equity at 1 July		**5 185 464**	5 096 197
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Retained profits	32(b)	**-**	(6 259)
Restated Total Equity at 1 July		**5 185 464**	5 089 938
Movements in deferred tax liability	32(a)	**(192 686)**	(56 646)
Infrastructure, plant and equipment write down	32(a)	**-**	88
Revaluation increment on infrastructure, plant and equipment assets	32(a)	**664 176**	214 951
Fair value movement in available-for-sale financial assets, net of tax	32(a)	**413**	383
Net income and expense recognised directly in equity		**471 903**	158 776
Profit after income tax for the year		**219 833**	228 545
Total recognised income and expense for the year		**691 736**	387 321
Dividends provided for or paid	38	**(208 059)**	(217 455)
Repayment of capital	31	**-**	(74 340)
		(208 059)	(291 795)
Total Equity at 30 June		**5 669 141**	5 185 464

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:			
Receipts from customers		**678 591**	645 350
Payments to suppliers and employees		**(343 641)**	(309 315)
Receipts from Community Service Obligation funding		**155 826**	225 720
Receipts from contributions		**22 632**	25 101
Interest received		**559**	165
Finance costs		**(94 496)**	(91 156)
Income taxes paid	20	**(111 961)**	(95 429)
Net Cash Inflow from Operating Activities	30	**307 510**	400 436
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for construction and purchase of infrastructure, plant and equipment		**(159 157)**	(112 883)
Payments for intangible assets		**(1 864)**	(11 402)
Proceeds from sale of intangible assets		**-**	15 309
Proceeds from disposal of infrastructure, plant and equipment		**913**	3 083
Net Cash Outflow from Investing Activities		**(160 108)**	(105 893)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**706 006**	568 340
Repayment of borrowings		**(642 696)**	(567 000)
Repayment of capital	31	**-**	(74 340)
Dividends paid	38	**(208 059)**	(217 455)
Net Cash Outflow from Financing Activities		**(144 749)**	(290 455)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2 653**	4 088
CASH AND CASH EQUIVALENTS AT 1 JULY		**2 109**	(1 979)
CASH AND CASH EQUIVALENTS AT 30 JUNE	29	**4 762**	2 109

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a state owned statutory Corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. Property, rights, powers and liabilities of the Minister for Water Security, arising from the operation of the *Sewerage Act 192*9 and the *Waterworks Act 1932*, were vested in the Corporation.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with applicable AASs, Interpretations, TIs and APFs issued pursuant to the PFAA.

The financial statements were authorised for issue by the Directors on 10 September 2007.

Statement of Compliance

AASs include AIFRS. Compliance with AIFRS ensures that the financial statements and Notes comply with International Financial Reporting Standards (IFRS).

Reclassification of Information

During the 2007 financial year, the Corporation modified the Income Statement classification of realised/unrealised net fair value gains on derivatives from interest expense to other income which resulted in reclassification of comparative information for the 2006 financial year. Net gains on derivatives are reported as other income and not as a reduction in interest expense.

Historical Cost Convention
The financial report has been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant Notes.

Critical Accounting Estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also 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 complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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

(b) Change in Accounting Policies
Fair Value Gains for Investment in Unlisted Shares and Amendments to AASB 139
On transition to AIFRS and the adoption of AASB 139 a free choice option was available to use the fair value through profit and loss (FVTPL) designation for any financial asset and this designation was adopted for the investment in the Virginia Pipeline Scheme (VPS). As a result during 2005-06 all fair value gains of the investment in the VPS were credited to the Income Statement.

AASB 2004-5 'Amendments to Australian Accounting Standards' (effective from financial years beginning on or after 1 January 2006) now require the Corporation to de-designate the investment in unlisted shares from the FVTPL category to a classification of available-for-sale. This change in accounting policy requires the investment in unlisted shares to be measured at fair value with all subsequent gains and losses arising from changes in fair value to be recognised as a separate component of equity, 'the Available-for-sale revaluation reserve'. The effective date of the revised fair value treatment is 1 July 2006 with the comparative information to be re-stated on the basis that the VPS Class B shares were available-for-sale.

The financial effect on the Income Statement of the de-designation from FVTPL to available-for-sale is a reduction in net profit after income tax of $413 000 in 2006-07 and $383 000 for 2005-06. As a result of this change in accounting policy the available-for-sale revaluation reserve increased by $413 000 in 2006-07 and $383 000 in 2005-06. The amount of deferred tax recognised in the Income Statement reduced by $177 000 in 2006-07 and $164 000 in 2005-06. The amount of deferred tax recognised in equity increased by $177 000 in 2006-07 and $164 000 in 2005-06.

(c) Jointly Controlled Operations
The Corporation's interest in the joint venture operation is brought to account by including its proportionate share of the joint venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint venture operation see Note 34.

(d) Revenue Recognition
Rates and Charges
Revenue from water usage is based on water consumed by customers and other rates and charges are based on amounts billed during the financial year ended 30 June.

Community Service Obligations (CSOs)
The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. SA Water is compensated for the non-commercial component of these services through CSO payments from the Government. The main CSOs relate to under recovery of country water and wastewater services and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed Assets
Contributed assets principally arise from:

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

(ii) subdividers who make contributions where either:

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

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

Contributed assets and contributions to assist in the construction of assets are recognised as revenue at the fair value of the asset received when the Corporation gains control of the asset.

Disposal of Non-Current Assets
The gain or loss on disposal of non-current assets is included as income at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

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

(e) Non-Current Assets

(i) Infrastructure, Plant and Equipment

- *Acquisition*

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

  Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

- *Valuations*

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

  To reflect the change in values, the Corporation annually revalues its non-current assets at Directors' valuation or independent valuation, with effect from 1 July each year. The Directors' valuation is performed using the Producer Price Index (PPI). The PPI measures changes over time in the price of new construction outputs. The component prices are as close as possible to a market price and reflect not only labour, material and plant input costs, but also subcontractor's margin. Prices exclude GST, land value and any subsidies.

  Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial review. The most recent independent review was completed by Hunter Water Corporation Pty Ltd in November 2004. The review concluded that there was, in general, a good correlation between the two organisations in terms of the methodology used and the modern equivalent replacement asset types adopted.

  Accordingly the Corporation has adopted the following asset valuation methods:

  (i) Infrastructure Assets
  The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded.

  (a) Water mains, water meters and sewer mains - Directors' valuations are predominantly based on current contract rates. These rates are applied to the actual lengths of predefined modern equivalent asset types for water mains and sewer mains.

  (b) Water and wastewater pumping stations, bores and wells, water and wastewater connections were independently valued by Currie and Brown.

  (c) Other infrastructure assets - Directors' valuations based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

  (ii) Land and Buildings
  Land is brought to account at market value using valuations provided from the State Valuer-General.

  Buildings were indexed by the PPI for the year ended 30 June 2007.

  (iii) Plant and Equipment
  Plant and equipment is brought to account at historical cost.

  (iv) Other Assets
  Other assets are brought to account at cost and indexed annually using the PPI.

- *Depreciation*

  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight line method over their estimated useful lives ranging from 2 to 160 years. The useful lives of assets are reviewed annually and have been assessed as follows:

- *Depreciation (continued)*

	Years
Water and sewer assets	7-160
Water and sewer leased assets	40-50
Buildings	50
Other	2-50
Plant and equipment	5-15

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

(ii) *Available-for-Sale Financial Assets*
The Corporation's investment in non-voting class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme (VPS) have been measured at fair value, in accordance with AASB 139 (refer Note 12). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the fair value of the pipeline assets in 2018 discounted to their net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the 'available-for-sale revaluation reserve'.

(iii) *Intangibles*

- *Water Allocations*
  The Corporation has purchased a series of tradeable water allocations. The allocations are accumulated onto a single licence issued by the SA Government.

  Water allocations are measured at cost on the date of acquisition. The water allocations have an indefinite useful life and as such, are not subject to amortisation.

- *Issued Water Licences*
  The Corporation has considered the valuation of water licences which have been issued to SA Water by the SA Government, under the NRMA. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences is unable to be determined at this time. The details of these water licences are as follows:

  — Licence 2333 River Murray Licence for Metropolitan Adelaide.
  — Licence 2334 River Murray Licence for Country Adelaide.
  — Various other River Murray licences that can be used for Adelaide, Country or other purposes.
  — Various South East Region licences.
  — Various Murray Mallee Area licences.
  — Various Eyre Peninsula Region licences.
  — Licence 4484 McLaren Vale Licence for the Aldinga Wastewater Treatment Plant.
  — Licence 5706 Northern Adelaide Plains Licence for the Bolivar Wastewater Treatment Plant.

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

(iv) *Preliminary Investigations*
Preliminary investigations relates to expenditure incurred to assess the performance and potential improvement of infrastructure assets, as well as options for broadening services to customers. Where the expenditure leads to new or improved infrastructure assets, the costs are transferred to infrastructure assets. Preliminary investigation expenditure is reviewed annually to ensure the accuracy of classification as either capital or operating in nature.

(f) Impairment of Assets
All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. SA Water's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows under the assumption of consisting of two cash generating units. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the asset revaluation reserve.

The Corporation has reviewed the impairment triggers as at 30 June 2007 and given no indication of a trigger event, no impairment losses have been identified.

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

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

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

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

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

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

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

(i) Taxes
Taxation Equivalents
The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office (ATO).

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

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

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

The charge for land tax and council rate equivalents has been calculated by RevenueSA - Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

GST
Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as a cost of acquisition of the asset or as an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as 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 activities, which is recoverable from or payable to the ATO, is classified as an operating cash flow.

(j) Finance Costs

Finance costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges. Finance costs are expensed as incurred.

(k) Cash and Cash Equivalents

Cash on hand and at bank is stated at nominal value. For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.

(l) Receivables

Receivables for rates and charges are normally settled within 21 days, with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. A provision for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(m) Inventories

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work in progress, on a full absorption cost basis. Inventories are valued at the lower of cost and net realisable value.

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

(n) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liability is settled. The related on-costs for annual leave have been recognised in the Balance Sheet as payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long Service Leave

Liabilities arising in respect of long service leave expected to be settled within 12 months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Balance Sheet as payables.

The Corporation's long service leave liability is valued by Mr C Papanicolas BSc, (Ma) (Hons), ASIA, FIAA of Professional Financial Consulting Pty Ltd.

Superannuation

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

(o) Workers Compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the WRCA and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr L Brett BSc FIA, FIAA of Brett and Watson Pty Ltd.

(p) Insurance

The South Australian Government Financing Authority (SAFA), SAICORP Division, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation’s property or claims made against the Corporation and/or the SA Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

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

(q) Payables

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

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

(r) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event which is required to be settled and the amount has been reliably estimated.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Removal of Bio-Solids

A provision is recognised for the disposal and management of a prior accumulation of bio-solid products resulting from the operation of the Bolivar Waste Water Treatment Plant.

The Corporation has a present obligation under the *Environmental Protection Act 1993* (EPA) to ensure no harm is caused to the environment. The removal of bio-solids is administered in accordance with the 1996 Bio-solids Guidelines issued by the EPA.

Estimated future cash flows are based on the processing and administration costs associated with the preparation and loading of bio-solids from the stockpile for disposal offsite. These costs have been determined based on current costs, current legal requirements and current technology.

Significant uncertainties exist as to the amount and timing of expected future obligations required to settle the obligation due to the uncertainty as to the quantity of bio-solids expected to be disposed offsite and the impact of changes in environmental legislation and technology.

Damages and Claims

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

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

Asset Disposal and Decommissioning

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

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

(s) Interest Bearing Liabilities

All loans are measured at the principal amount. Short-term borrowings are carried in the Balance Sheet at their face value and long-term borrowings are valued at their historical yield. Interest expense is accrued at contract rates on a daily basis and include costs incurred in restructuring borrowings.

SA Water's interest bearing liabilities are categorised as 'held-to-maturity' under AASB 139. The Corporation's debt has a fixed or determinable payment stream. This means that it has a fixed maturity and is held with the intent to hold until the maturity date.

The Corporation has a fully utilised long-term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

(t) Derivatives

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

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives were taken to retained earnings.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments - Note 25
- Retained profits - Note 32

The Corporation's Treasury Risk Management Policies provides a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk.

(t) Derivatives (continued)

Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate debt management strategies. Of the derivative types, interest rate swaps are the most commonly used however interest rate futures contracts have been transacted where deemed appropriate.

All derivatives are categorised as 'held for trading' under AASB 139. All policy benchmarks and discretionary limits relating to the management of SA Water's debt are met by transacting in derivative products only. Derivatives are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage exposure. The Corporation does not trade physical debt other than as necessary to rebalance the portfolio to the debt benchmark. This is necessary to facilitate the Corporation's election to account for debt at historical cost under AASB 139.

Fair value movements in the market values of financial derivatives are recognised as gains or losses in the Income Statement.

Derivative financial instruments are not held for speculative purposes.

- *Interest Rate Swaps*
  Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Income Statement as an adjustment to interest expense. Gains or losses on early termination of the swap transaction will be recognised immediately as an adjustment to other income or interest expense in the Income Statement.

  The net fair value for interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

- *Interest Rate Futures Contracts*
  Interest rate futures contracts are purchased to manage interest rate exposures. Any gains or losses are recognised immediately as an adjustment to other income or interest expense in the Income Statement.

(u) Segment Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities mainly comprise tax assets, interest bearing liabilities, tax liabilities and corporate assets and liabilities that cannot be allocated to segments on a reasonable basis.

Segment capital expenditure is the total cost recognised during the period to acquire and construct segment assets that are expected to be used for more than one annual reporting period.

(v) Administered Items

The following administered items are not recognised in the Corporation's Income Statement, Balance Sheet and Cash Flow Statement, but are separately disclosed in Note 43 as administered items.

River Murray Levy
During the reporting period the Corporation was responsible for administering the Save the River Murray Levy. The River Murray Levy billed and collected on behalf of government is not controlled by the Corporation.

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

Cooperative Research Centre for Water Quality and Treatment (CRC)
The CRC was formed on 14 June 1995, as an Unincorporated Joint Initiative between 17 participants including SA Water to conduct research and education programs on the quality of water for urban communities in Australia. SA Water provides accounting services to the CRC by administering the collection of funds and payment of accounts. The Corporation does not have discretionary control over CRC funds.

Compensation Payments from United Water
In 2005-06, the State Government consented to a change in the ownership of United Water International (United Water). As part of the change in ownership negotiation, United Water agreed to make payments to the Government (through SA Water) in settlement of United Water being released from a condition of the contract to relocate Thames Water Asia Pacific to South Australia and a requirement for Australianisation. The United Water contract requires these payments be made to the Minister for Water Security. SA Water receives these payments which are then forwarded to the Department of Treasury and Finance.

Rainwater Tank Plumbing Rebate Scheme
During the year the Minister for Water Security approved the introduction of a Rainwater Tank Plumbing Rebate Scheme. The scheme is administered by SA Water on behalf of the Minister for Environment and Conservation.

(w) New Accounting Standards and Interpretations

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

- AASB 8 replaces the presentation requirements of segment reporting in AASB 114. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and early-adoption is permitted. It is expected to be early-adopted for the 2007-08 financial year and is not expected to have an impact on the financial results of the Corporation as the standard is only concerned with disclosures.

2. Financial Risk Management

The Corporation monitors its financial risks and has in place appropriate risk management policies which are approved by the Board and Treasurer. The Corporation has both interest and non-interest bearing assets including cash on hand and receivables. Liabilities include payables and short and long-term borrowings from SAFA.

The Corporation's exposure to foreign exchange and commodity price risk is minimal. The Corporation is exposed to interest rate price risk as maturing debt is repriced or if new debt is drawn. The exposure is mitigated through active debt management by SAFA which includes the application of interest rate swaps.

(a) Credit Risk

The Corporation has no significant concentration of credit risk. Policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. All debt management activities are directly undertaken by SAFA on behalf of the Corporation.

(b) Liquidity Risk

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

The Current Ratio (CUR) is an indicator of the Corporation’s ability to meet short-term obligations. While the CUR for 2007 of 0.5 indicates a weaker position, this ratio is based on the results for 30 June 2007, representing a point in time. A review of the CUR over the 12 months of the 2006-07 year shows that the average CUR for the period was in excess of 1.1, indicating a far stronger position. This is also reflected in the strong net cash inflows from operating activities outlined in the Cash Flow Statement. An end of year CUR of 0.5 is not unusual for the water industry and is consistent with ratios reported by the major water utilities across Australia.

3. Critical Accounting Estimates and Judgements

Critical Judgements in Applying the Corporation’s Accounting Policies

Held-to-Maturity Liabilities

The Corporation classifies its debt portfolio (non-derivative financial liabilities) with fixed or determinable payments as held-to-maturity. This classification is in accordance with the AASB 139 guidelines. In making this judgement, the Corporation evaluates its intention and ability to hold such debt to maturity.

4. Revenue from Ordinary Activities

	Note	**2007**	2006
		$’000	$’000
Community service obligations		**156 210**	152 180
Rates and charges		**577 676**	549 780
Recoverable works		**41 066**	40 075
Fees and charges		**18 593**	18 790
Miscellaneous		**139**	689
Contributed assets		**58 890**	65 417
Rents		**1 265**	1 017
Interest		**917**	161
		854 756	828 109

5. Other Income

	2007	2006
Net gain on disposal of infrastructure, plant and equipment	**491**	2 153
Fair value gains on financial derivatives	**2 217**	1 952
Reversal of prior year infrastructure, plant and equipment revaluation decrement	**593**	423
	3 301	4 528

6. Expenses

Profit before income tax includes the following specific expenses:	Note	**2007 $'000**	2006 $'000
Depreciation:	15		
Buildings		**2 473**	2 120
Plant and equipment		**3 279**	2 925
Other		**6 703**	7 954
Infrastructure assets - Water		**87 140**	79 414
Infrastructure assets - Sewer		**44 742**	38 338
Amortisation - Computer software	14	**2 131**	1 053
Total Depreciation and Amortisation		**146 468**	131 804
Finance Costs:			
Interest expense		**75 785**	72 946
Finance charges on capitalised leases		**14 402**	13 617
Total Finance Costs		**90 187**	86 563
Finance lease contingent rentals		**2 629**	2 289
Rental expense relating to operating leases - minimum lease payments		**3 270**	3 328
Net bad and doubtful debts expense including movements in allowance for doubtful debts		**12**	(444)
Write-down in value of infrastructure, plant and equipment		**18**	211
Write-off value of capital works in progress		**107**	228
Superannuation contributions		**8 952**	8 512
Expenditure on behalf of State Government:			
Water Industry Best Practice Program		**495**	518
Cooperative Research Centre for Water Quality and Treatment		**150**	150
		645	668

7. Income Tax Expense

(a) Income Tax Expense

	Note	2007	2006
Current tax		**96 918**	102 009
Deferred tax		**(2 702)**	(4 569)
Amounts under provided in prior years		**1**	369
		94 217	97 809
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease in deferred tax assets	13	**389**	1 012
Decrease in deferred tax liabilities	26	**(3 091)**	(5 581)
		(2 702)	(4 569)

(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	2007	2006
Profit before income tax expense	**314 050**	326 354
Tax at the Australian tax rate of 30 percent (30 percent)	**94 215**	97 906
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss on transfer of water allocations	**-**	63
Net loss (gain) on sale of land	**1**	(583)
Adjustments for finance leases, depreciation and other adjustments	**-**	54
	94 216	97 440
Amounts under provided in prior years	**1**	369
Total Income Tax Expense	**94 217**	97 809

(c) Amounts Recognised Directly in Equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited (credited) to equity:	2007	2006
Net deferred tax - (Credited) directly to retained earnings	**-**	(2 683)
Net deferred tax - Debited directly to asset revaluation reserve	**192 686**	56 646
Net deferred tax - Debited directly to available-for-sale revaluation reserve	**177**	164
	192 863	54 127

8. Segment Information

(a) Description of Segments

Business Segments

The Corporation comprises the following main business segments based on the Corporation's management reporting system:

Metropolitan Water
Manage, operate and maintain metropolitan water filtration plants and pipelines that deliver water to customers.

Country Water
Manage, operate and maintain country reservoirs, pipelines and water filtration plants delivering peak and off-peak water to customers.

Metropolitan Sewer
Manage, operate and maintain metropolitan wastewater treatment plants and pipelines that remove wastewater from customer properties.

Country Sewer
Manage, operate and maintain country wastewater treatment plants and pipelines that remove wastewater from customer properties.

Other
Revenue and expenses associated with the Murray Darling Basin Commission, the Australian Water Quality Centre, engineering workshops and water industry business development.

(b) Business Segments

Business Segments	Metro Water $'000	Country Water $'000	Metro Sewer $'000	Country Sewer $'000	Other $'000	**2007 Total $'000**
Income:						
Rates and charges	212 947	101 283	236 345	27 101	-	**577 676**
Community service obligations	1 388	124 952	8 133	20 716	1 021	**156 210**
Contributed assets	13 361	11 446	25 156	8 927	-	**58 890**
Other revenue	11 310	7 741	8 720	1 283	33 093	**62 147**
Unallocated revenue	-	-	-	-	-	**3 134**
Total Segment Income	239 006	245 422	278 354	58 027	34 114	**858 057**
Segment result	88 851	102 612	166 483	31 671	(2 914)	**386 703**
Unallocated expense net of unallocated revenue						**(72 653)**
Profit before income tax						**314 050**
Income tax expense						**(94 217)**
Profit for the Year						**219 833**
Assets:						
Segment assets	2 458 319	2 458 051	2 409 532	532 177	66 441	**7 924 520**
Unallocated assets						**29 157**
Total Assets						**7 953 677**
Liabilities:						
Segment liabilities	31 038	157 674	34 671	8 680	7 266	**239 329**
Unallocated liabilities						**2 045 207**
Total Liabilities						**2 284 536**
Acquisition and construction of non-current assets	34 336	78 265	24 422	7 992	26 574	**171 589**
Depreciation and amortisation expense	48 039	48 929	40 578	8 922	-	**146 468**
Other non-cash expenses	781	1 063	550	268	275	**2 937**

Business Segments	Metro Water $'000	Country Water $'000	Metro Sewer $'000	Country Sewer $'000	Other $'000	2006 Total $'000
Income:						
Rates and charges	199 708	95 985	228 000	26 087	-	549 780
Community service obligations	1 405	121 249	8 234	20 336	956	152 180
Contributed assets	21 543	12 314	25 049	6 511	-	65 417
Other revenue	11 841	8 093	7 088	1 560	34 565	63 147
Unallocated revenue	-	-	-	-	-	2 113
Total Segment Income	234 497	237 641	268 371	54 494	35 521	832 637
Segment result	102 068	106 185	162 477	29 977	(3 520)	397 187
Unallocated expense net of unallocated revenue						(70 833)
Profit before income tax						326 354
Income tax expense						(97 809)
Profit for the Year						228 545
Assets:						
Segment assets	2 252 450	2 321 628	2 127 869	430 879	66 812	7 199 638
Unallocated assets						24 821
Total Assets						7 224 459
Liabilities:						
Segment liabilities	26 946	160 141	26 745	8 010	7 189	229 031
Unallocated liabilities						1 809 964
Total Liabilities						2 038 995
Acquisition and construction of non-current assets	33 658	46 696	23 009	9 182	14 282	126 827
Depreciation and amortisation expense	43 304	45 565	35 943	6 992	-	131 804
Other non-cash expenses	631	854	521	251	225	2 482

9. Current Assets - Receivables

	2007 $'000	2006 $'000
Rates receivable (water and wastewater)	**53 657**	53 827
Allowance for doubtful debts	**(287)**	(288)
	53 370	53 539
Sundry debtors	**17 694**	18 986
Allowance for doubtful debts	**(135)**	(164)
	17 559	18 822
Community service obligations	**10 201**	9 817
	81 130	82 178

10. Current Assets - Inventories

	2007	2006
Raw materials and stores	**5 261**	4 068
Allowance for obsolete stock	**(853)**	(615)
	4 408	3 453
Work in progress - Sundry debtors	**425**	420
	4 833	3 873

11. Current Assets - Other Current Assets

	2007	2006
Interest receivable	**411**	54
Prepayments	**2 513**	2 281
	2 924	2 335

12. Non-Current Assets - Available-for-Sale Financial Assets

	2007	2006
Unlisted shares at fair value	**7 968**	7 378

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

13. Non-Current Assets - Deferred Tax Assets

The balance comprises temporary differences attributable to:	Note	2007 $'000	2006 $'000
Amounts recognised in Profit or Loss:			
Doubtful debts		**126**	136
Obsolete stock		**256**	184
Unlisted shares at fair value		**2 406**	2 406
Infrastructure, plant and equipment		**2 201**	2 810
Pooled assets		**112**	67
Payables		**887**	784
Audit fee payable		**79**	79
Employee benefits		**8 953**	8 126
Provision for decommissioning		**1 290**	1 290
Provision for asset disposal		**86**	101
Provision for damages and claims		**354**	339
Provision for removal of bio-solids		**190**	257
Derivative financial instruments		**(1 355)**	(629)
		15 585	15 950
Amounts recognised directly in Equity:			
Derivative financial instruments		**2 683**	2 683
Unlisted shares at fair value		**(341)**	(164)
Net Deferred Tax Assets		**17 927**	18 469
Movements:			
Balance at 1 July		**18 469**	16 962
(Charged) to the Income Statement	7	**(389)**	(1 012)
(Charged) credited to equity		**(177)**	2 519
Amounts under provided in prior years		**24**	-
Balance at 30 June		**17 927**	18 469
Deferred tax assets to be recovered within 12 months		**4 092**	3 656
Deferred tax assets to be recovered after more than 12 months		**13 835**	14 813
		17 927	18 469

14. Non-Current Assets - Intangible Assets

	Computer Software $'000	**Purchased Water Allocations $'000**	**2007 Total $'000**	Computer Software $'000	Purchased Water Allocations $'000	2006 Total $'000
Cost	**35 963**	**20 347**	**56 310**	31 213	20 214	51 427
Accumulated amortisation	**(28 521)**	**-**	**(28 521)**	(26 390)	-	(26 390)
Net Book Amount	**7 442**	**20 347**	**27 789**	4 823	20 214	25 037

14. Non-Current Assets - Intangible Assets (continued)

	Computer Software $'000	Purchased Water Allocations $'000	2007 Total $'000	Computer Software $'000	Purchased Water Allocations $'000	2006 Total $'000
Balance at 1 July	**4 823**	**20 214**	**25 037**	4 450	25 369	29 819
Additions	**4 750**	**133**	**4 883**	1 426	10 364	11 790
Disposals	**-**	**-**	**-**	-	(15 519)	(15 519)
Amortisation charge	**(2 131)**	**-**	**(2 131)**	(1 053)	-	(1 053)
Balance at 30 June	**7 442**	**20 347**	**27 789**	4 823	20 214	25 037

15. Non-Current Assets - Infrastructure, Plant and Equipment

	2007 $'000	2006 $'000
Infrastructure Assets:		
Water:		
Water Infrastructure	**7 951 823**	7 361 774
Accumulated depreciation	**(3 509 225)**	(3 238 849)
	4 442 598	4 122 925
Leased water infrastructure	**149 071**	139 570
Accumulated depreciation	**(26 285)**	(21 820)
	122 786	117 750
Sewer:		
Sewer infrastructure	**4 138 106**	3 594 719
Accumulated depreciation	**(1 503 089)**	(1 279 395)
	2 635 017	2 315 324
Leased sewer infrastructure	**24 057**	22 524
Accumulated depreciation	**(1 634)**	(997)
	22 423	21 527
Land and Buildings:		
Land	**277 381**	254 020
Buildings	**42 914**	38 677
Accumulated depreciation	**(28 390)**	(24 632)
	14 524	14 045
Other	**79 621**	72 165
Accumulated depreciation	**(34 157)**	(30 921)
	45 464	41 244
Plant and equipment	**43 785**	41 866
Accumulated depreciation	**(21 293)**	(20 689)
	22 492	21 177
Capital work in progress	**222 540**	173 419
Total Infrastructure, Plant and Equipment	**7 805 225**	7 081 431

Reconciliations

Reconciliations of the carrying amounts for each class of infrastructure, plant and equipment are set out below:

	2007	2006
Water Infrastructure:		
Carrying amount at 1 July	**4 122 925**	3 913 240
Additions	**77 173**	100 140
Depreciation	**(84 159)**	(76 623)
Net revaluation increment	**326 659**	186 168
Carrying Amount at 30 June	**4 442 598**	4 122 925
Leased Water Infrastructure:		
Carrying amount at 1 July	**117 750**	115 946
Depreciation	**(2 981)**	(2 791)
Net revaluation increment	**8 017**	4 595
Carrying Amount at 30 June	**122 786**	117 750
Sewer Infrastructure:		
Carrying amount at 1 July	**2 315 324**	2 271 491
Additions	**61 836**	89 401
Depreciation	**(44 141)**	(38 010)
Net revaluation increment (decrement)	**301 998**	(7 558)
Carrying Amount at 30 June	**2 635 017**	2 315 324
Leased Sewer Infrastructure:		
Carrying amount at 1 July	**21 527**	2 931
Additions	**-**	18 792
Depreciation	**(601)**	(328)
Net revaluation increment	**1 497**	132
Carrying Amount at 30 June	**22 423**	21 527

Reconciliations (continued)

	Note	2007 $'000	2006 $'000
Land:			
Carrying amount at 1 July		**254 020**	226 748
Additions		**575**	46
Disposals		**(73)**	(419)
Net revaluation increment		**22 859**	27 645
Carrying Amount at 30 June		**277 381**	254 020
Buildings:			
Carrying amount at 1 July		**14 045**	15 262
Additions		**1 923**	217
Depreciation		**(2 473)**	(2 120)
Net revaluation increment		**1 029**	686
Carrying Amount at 30 June		**14 524**	14 045
Other:			
Carrying amount at 1 July		**41 244**	34 114
Additions		**8 213**	11 377
Net revaluation increment		**2 710**	3 707
Depreciation		**(6 703)**	(7 954)
Carrying Amount at 30 June		**45 464**	41 244
Plant and Equipment:			
Carrying amount at 1 July		**21 177**	18 443
Additions		**4 892**	6 140
Disposals		**(280)**	(276)
Depreciation		**(3 279)**	(2 925)
Asset write down		**(18)**	(205)
Carrying Amount at 30 June		**22 492**	21 177
Capital Work in Progress:			
Balance at 1 July		**173 419**	224 042
Additions		**171 567**	130 697
Transfers		**(122 339)**	(181 092)
Asset write down		**(107)**	(228)
Balance at 30 June		**222 540**	173 419
Total Infrastructure, Plant and Equipment		**7 805 225**	7 081 431

Carrying Amounts that would have been recognised if Revalued Assets were stated at cost
If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2007 $'000	2006 $'000
Land:		
Cost	**22 028**	21 455
Buildings:		
Cost	**37 211**	35 289
Accumulated depreciation	**(21 906)**	(20 195)
Net Book Amount	**15 305**	15 094
Water Infrastructure:		
Cost	**1 543 310**	1 473 129
Accumulated depreciation	**(660 615)**	(606 946)
Net Book Amount	**882 695**	866 183
Sewer Infrastructure:		
Cost	**1 203 102**	1 169 898
Accumulated depreciation	**(480 399)**	(528 455)
Net Book Amount	**722 703**	641 443
Other:		
Cost	**69 397**	61 403
Accumulated depreciation	**(29 188)**	(26 750)
Net Book Amount	**40 209**	34 653

16. Non-Current Assets - Other Non-Current Assets

	Note	2007 $'000	2006 $'000
Preliminary investigations	1(e)	**1 119**	1 649

17. Current and Non-Current Assets - Financial Assets

(a) Interest Rate Risk

The Corporation's exposure to interest rate risk and the effective weighted average interest rates are set out in the following tables:

2007	**Floating Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Interest Rate Percent**
Cash and cash equivalents	**4 762**	**-**	**4 762**	**5.99**
Current receivables	**-**	**70 929**	**70 929**	
Community Service Obligation receivable	**-**	**10 201**	**10 201**	
Available-for-sale financial asset	**-**	**7 968**	**7 968**	
Interest receivable	**411**	**-**	**411**	**6.15**
	5 173	**89 098**	**94 271**	

2006	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate Percent
Cash and cash equivalents	2 109	-	2 109	5.49
Current receivables	-	72 361	72 361	
Community Service Obligation receivable	-	9 817	9 817	
Available-for-sale financial asset	-	7 378	7 378	
Interest receivable	54	-	54	5.65
	2 163	89 556	91 719	

18. Current Liabilities - Payables

	Note	**2007 $'000**	2006 $'000
Interest payable		**10 010**	9 775
Trade creditors		**62 779**	50 617
Other creditors		**8 866**	10 219
		81 655	70 611

19. Current Liabilities - Interest Bearing Liabilities

	Note	**2007 $'000**	2006 $'000
Lease liability	33	**6 022**	5 761
Short-term borrowings	24	**71 338**	60 028
		77 360	65 789

The Corporation has a $75 million short-term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by SAFA.

Interest Rate Risk Exposures

Details of the Corporation's exposure to interest rate changes on borrowings are set out in Note 24.

20. Current Tax Liabilities

Provision for current income tax movements during the year were as follows:	**2007 $'000**	2006 $'000
Balance at 1 July	**38 656**	31 707
Income tax paid	**(111 961)**	(95 429)
Current year's income tax provision	**96 918**	102 009
Amounts under provided in prior year	**25**	369
	23 638	38 656

21. Current Liabilities - Provisions

	2007 $'000	2006 $'000
Employee benefits	**9 016**	7 985
Asset disposal	**48**	45
Damages and claims	**1 178**	1 132
Workers compensation	**831**	699
Removal of bio-solids	**344**	500
	11 417	10 361

Movements in Provisions

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

	Asset Disposal	Damages and Claims	Workers Compen-sation	Removal of Bio-solids	**2007 Total**
Current:	$'000	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July	45	1 132	699	500	**2 376**
Payments made during the year	(50)	(210)	(791)	(313)	**(1 364)**
Transfer from non-current provision	53	-	-	157	**210**
Re-measurement adjustments	-	256	133	-	**389**
Additional provision recognised	-	-	790	-	**790**
Carrying Amount at 30 June	48	1 178	831	344	**2 401**

22. Current Liabilities - Other Current Liabilities

	Note	**2007**	2006
		$'000	$'000
Deposits from contractors		**1 328**	1 381

23. Non-Current Liabilities - Payables

Other payables		**1 440**	1 417

24. Non-Current Liabilities - Interest Bearing Liabilities

Lease liabilities	33	**120 384**	123 613
Long-term borrowings		**1 171 566**	1 120 122
		1 291 950	1 243 735

Current and Non-Current Financial Liabilities

(a) Interest Rate Risk Exposures

The Corporation's financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective weighted average interest rates as at balance date. All amounts shown are capital value.

2007

			Fixed Interest Maturing In					
	Note	Floating Interest Rate $'000	1 Year or Less $'000	Over 1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**2007 Total $'000**	Weighted Average Interest Rate Percent
Short-term borrowings	19	71 338	-	-	-	-	**71 338**	6.38
Long-term borrowings	24	275 064	210 980	469 332	216 190	-	**1 171 566**	6.11
Payables	18,23	-	-	-	-	83 095	**83 095**	
External deposits	22	-	-	-	-	1 328	**1 328**	
Non-business advances	28	-	-	-	-	497	**497**	
Lease liabilities	19,24,33	-	6 022	17 168	103 216	-	**126 406**	11.22
Interest rate swaps*	25	(4 000)	(50 000)	74 000	(20 000)	-	**-**	**0.56
		342 402	167 002	560 500	299 406	84 920	**1 454 230**	

* Notional principal amounts
** Net weighted average interest rate receivable

2006

			Fixed Interest Maturing In					
	Note	Floating Interest Rate $'000	1 Year or Less $'000	Over 1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	2006 Total $'000	Weighted Average Interest Rate Percent
Short-term borrowings	19	60 028	-	-	-	-	60 028	5.88
Long-term borrowings	24	309 705	157 190	482 227	171 000	-	1 120 122	5.42
Payables	18,23	-	-	-	-	72 028	72 028	
External deposits	22	-	-	-	-	1 381	1 381	
Non-business advances	28	-	-	-	-	497	497	
Lease liabilities	19, 24, 33	-	5 761	15 367	108 246	-	129 374	11.22
Interest rate swaps*	25	(57 500)	27 500	(18 000)	48 000	-	-	**1.42
		312 233	190 451	479 594	327 246	73 906	1 383 430	

* Notional principal amounts
** Net weighted average interest rate receivable

- Interest Rate Sensitivity

  The impact on the fair value of SA Water's managed debt of a 1 percent increase in market rates at 30 June 2007 would be a decrease of $21.6 million ($22.4 million). The annual increase in interest costs arising from a 1 percent rate increase is estimated at $3.3 million ($500 000). This increase in interest expense is estimated by assuming all debt is renewed at the applicable market rate on the earlier of the next repricing date or the maturity date.

(b) Net Fair Values of Financial Liabilities

Net fair value of financial liabilities is the amount at which the liability could be settled in a current transaction between willing parties after allowing for transaction costs.

- *Recognised Financial Instruments*
  The carrying amounts and estimated net fair values of financial liabilities held at balance date are given below.

	2007		2006	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
On-Balance Sheet	**$'000**	**$'000**	$'000	$'000
Non-Traded Financial Liabilities:				
Payables	**83 095**	**83 095**	72 028	72 028
External deposits	**1 328**	**1 328**	1 381	1 381
Non-business advances	**497**	**497**	497	497
Short-term borrowings	**71 338**	**71 338**	60 028	60 028
Long-term borrowings	**1 171 566**	**1 157 377**	1 120 122	1 117 334
Lease liabilities	**126 406**	**126 406**	129 374	129 374
	1 454 230	**1 440 041**	1 383 430	1 380 642

25. Derivative Financial Instruments

	Note	**2007**	2006
Non-Current Liabilities:		**$'000**	$'000
Interest rate swaps - Market value		**4 425**	6 844

26. Non-Current Liabilities - Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

	Note	**2007**	2006
Amounts recognised in profit or loss:			
Prepayments		**255**	175
Rates receivable		**7 356**	7 211
Interest receivable		**123**	16
Depreciation and amortisation		**76 615**	80 039
		84 349	87 441
Amounts recognised directly in equity:			
Revaluation of infrastructure, plant and equipment		**678 799**	486 112
Net Deferred Tax Liabilities		**763 148**	573 553
Movements:			
Balance at 1 July		**573 553**	522 488
(Credited) to the Income Statement	7	**(3 091)**	(5 581)
Charged to equity	32	**192 686**	56 646
Balance at 30 June		**763 148**	573 553
Deferred tax liabilities to be settled within 12 months		**7 734**	7 402
Deferred tax liabilities to the be settled after more than 12 months		**755 414**	566 151
		763 148	573 553

27. Non-Current Liabilities - Provisions

Employee benefits	**20 827**	19 103
Site decommissioning costs	**4 301**	4 301
Workers compensation	**2 022**	2 097
Removal of bio-solids	**288**	357
Asset disposal	**240**	293
	27 678	26 151

Movements in Provisions

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

	Site Decomm Costs	Workers Comp-ensation	Removal of Bio-Solids	Asset Disposal	**2007 Total**
Non-Current:	$'000	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July	4 301	2 097	357	293	**7 048**
Transfer to current provision	-	-	(157)	(53)	**(210)**
Re-measurement adjustments	-	(75)	88	-	**13**
Carrying Amount at 30 June	4 301	2 022	288	240	**6 851**

28. Non-Current Liabilities - Other Non-Current Liabilities

	2007	2006
	$'000	$'000
Non-business advances	**497**	497

29. Reconciliation of Cash

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

	2007	2006
	$'000	$'000
Cash and cash equivalents	**4 762**	2 109

30. Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	Note	2007 $'000	2006 $'000
Profit for the year		**219 833**	228 545
Add (Less): Non-cash items:			
Depreciation and amortisation		**146 468**	131 804
Contributed assets		**(36 619)**	(40 580)
Net gain on disposal of infrastructure, plant and equipment		**(561)**	(2 207)
Infrastructure, plant and equipment revaluation increment		**(593)**	(423)
Write-down of capitalised expenditure		**125**	439
Provision for employee benefits		**2 755**	2 582
Provision for workers compensation		**57**	(539)
(Decrease) Increase in provision for income taxes payable		**(15 018)**	6 948
Decrease in deferred tax asset		**365**	1 012
(Decrease) in provision for deferred income tax		**(3 091)**	(5 580)
Add (Less): Changes in assets and liabilities:			
Decrease in rates and sundry receivables		**4 882**	80 354
(Increase) in inventories		**(1 232)**	(231)
(Increase) in prepayments		**(232)**	(1 199)
(Increase) Decrease in other operating assets		**(26)**	178
(Decrease) Increase in trade creditors		**(2 560)**	5 111
(Decrease) in other operating liabilities		**(7 327)**	(6 362)
Increase in other provisions		**284**	584
Net Cash Inflow from Operating Activities		**307 510**	400 436

31. Contributed Equity

Balance at 1 July		**173 610**	247 950
Repayment of capital		**-**	(74 340)
Balance at 30 June		**173 610**	173 610

Repayment of capital is included as part of the total distribution to Government.

32. Reserves and Retained Profits

(a) Reserves

Infrastructure, plant and equipment revaluation reserve		**5 337 242**	4 866 103
Available-for-sale revaluation reserve		**796**	383
Balance at 30 June		**5 338 038**	4 866 486
Movements:			
Infrastructure, plant and equipment revaluation reserve:			
Balance at 1 July		**4 866 103**	4 707 809
Revaluation - gross	15	**664 176**	214 951
Movements in deferred tax liability	26	**(192 686)**	(56 646)
Write down		**-**	88
Transfer to retained profits on disposal		**(351)**	(99)
Balance at 30 June		**5 337 242**	4 866 103
Available-for-sale revaluation reserve:			
Balance at 1 July		**383**	-
Revaluation of investment in unlisted shares		**590**	547
Movements in deferred tax asset	13	**(177)**	(164)
Balance at 30 June		**796**	383

(b) Retained Profits

Movements in retained profits were as follows:

Balance at 1 July		**145 368**	140 438
Profit for the year		**219 833**	228 545
Dividends	38	**(208 059)**	(217 455)
Adjustment on adoption of AASB 132 and 139 net of tax		**-**	(6 259)
Transfers from infrastructure, plant and equipment revaluation reserve		**351**	99
Balance at 30 June		**157 493**	145 368

(c) Nature and Purpose of Reserves

(i) Infrastructure, Plant and Equipment Revaluation Reserve

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

(ii) Available-for-sale Revaluation Reserve

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

33. Commitments

(a) Capital Commitments

Total capital expenditure contracted for at balance date but not recognised in the financial report and payable:

	2007 $'000	2006 $'000
Within one year	**117 308**	36 686
Later than one year but not later than five years	**36 813**	1 028
Later than five years	**250**	-
	154 371	37 714

(b) Operating Leases and Other Expenditure Commitments

Future operating leases and other expenditure commitments not provided for in the financial report and payable:

	2007	2006
Within one year	**85 713**	72 642
Later than one year but not later than five years	**210 614**	225 972
Later than five years	**93 753**	92 655
	390 080	391 269

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for the relocation of accommodation effective from 2008-09 which is non-cancellable and expires after 15 years with a renegotiation in year 10. The lease has escalation clauses and no purchase options.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and waste water networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing the services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

(c) Finance Leases

Commitments in relation to finance leases are payable as follows:

	Note	2007 $'000	2006 $'000
Within one year		**24 961**	25 146
Later than one year but not later than five years		**78 248**	77 550
Later than five years		**211 627**	228 794
Minimum lease payments		**314 836**	331 490
Less: Future lease finance charges and contingent rentals		**188 430**	202 116
Total Lease Liabilities		**126 406**	129 374
Representing lease liabilities:			
Current	19	**6 022**	5 761
Non-Current	24	**120 384**	123 613
		126 406	129 374

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities. The leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. The amount of contingent rentals paid and payable during the year is disclosed in Note 6.

(d) Other Finance Lease Commitments

Finance lease contracted for at balance date but not recognised in the financial report as liabilities, payable:

	2007 $'000	2006 $'000
Within one year	**526**	-
Later than one year and not later than five years	**2 296**	-
Later than five years	**7 225**	-
	10 047	-

Other finance lease expenditure commitments contracted as at 30 June 2007 include amounts contracted with a private company to construct additional infrastructure for various water treatment facilities. The lease commitment is represented by total minimum lease payments of $10.047 million which includes future finance charges of $6.8 million. The facilities are expected to be commissioned during 2007-08.

34. Interests in Joint Venture

Jointly Controlled Operations

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

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

	2007	2006
Current Assets:	**$'000**	$'000
Cash and cash equivalents	**35**	19
Receivables	**4**	25
Total Current Assets	**39**	44
Non-Current Assets:		
Infrastructure, plant and equipment	**1 511**	1 452
Total Non-Current Assets	**1 511**	1 452
Total Assets	**1 550**	1 496
Current Liabilities:		
Payables	**23**	28
Total Current Liabilities	**23**	28
Total Liabilities	**23**	28
Net Assets	**1 527**	1 468

35. Employee Benefits

Aggregate liability for employee benefits, including on-costs:

Current:		
Accrued wages and salaries including on-costs included in other creditors	**2 043**	1 906
Annual Leave:		
On-costs included in other creditors	**1 195**	1 063
Provision for employee benefits	**6 638**	5 954
	7 833	7 017
Long Service Leave:		
On-costs included in other creditors	**155**	133
Provision for employee benefits	**2 378**	2 031
	2 533	2 164
Total Current Employee Benefits	**12 409**	11 087
Non-Current:		
Long Service Leave:		
On-costs included in other creditors	**1 440**	1 417
Provision for employee benefits	**20 827**	19 103
Total Non-Current Employee Benefits	**22 267**	20 520
Total Employee Benefits	**34 676**	31 607

36. Remuneration of Auditors

Amounts received and receivable by the Auditors for auditing the accounts	**264**	264

The Auditors received no other benefits.

37. Consultancy Costs

During the year ended 30 June 2007, the Corporation paid $300 000 ($2 million) as a result of engaging consultants. Assignments undertaken by consultants included work for operating and capital projects.

38. Dividends

	2007	2006
	$'000	$'000
Dividends paid	**208 059**	217 455

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

39. Remuneration of Employees

The number of employees whose remuneration received and receivable falls within the following bands is:	**2007 Number of Employees**	2006 Number of Employees
$100 000 - $109 999	**38**	32
$110 000 - $119 999	**28**	23
$120 000 - $129 999	**23**	12
$130 000 - $139 999	**14**	8
$140 000 - $149 999	**6**	3
$150 000 - $159 999	**2**	2
$160 000 - $169 999	**2**	3
$170 000 - $179 999	**2**	1
$180 000 - $189 999	**2**	4
$190 000 - $199 999	**3**	3*
$200 000 - $209 999	**2**	1
$210 000 - $219 999	**2**	-
$220 000 - $229 999	**1**	1
$230 000 - $239 999	**-**	2
$250 000 - $259 999	**2**	1
$260 000 - $269 999	**1**	-
$290 000 - $299 999	**-**	1
$310 000 - $319 999	**1**	-
$360 000 - $369 999	**1**	-
$370 000 - $379 999	**-**	1*

The total remuneration received and receivable by those employees was $17.2 million ($13.1 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance.

* It should be noted that the items annotated above include long service leave payments for the year ended 2006.

40. Remuneration of Directors

The number of Directors of the Corporation whose remuneration received and receivable falls within the following bands is:	**2007 Number of Directors**	2006 Number of Directors
$40 000 - $49 999	**5**	5
$80 000 - $89 999	**1**	1
$360 000 - $369 999	**1**	-
$370 000 - $379 999	**-**	1*

The total remuneration received and receivable by those Directors was $670 000 ($680 000) which includes fringe benefits and superannuation contributions. These figures include the Chief Executive Ms Anne Howe who is also included in Note 39.

* It should be noted that the items annotated above include long service leave payments for the year ended 2006.

41. Related Party Disclosures

(a) Directors

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

G B Allison
F T Blevins
S M Doyle
A D Howe
P W Pledge
R J Owens
A F C Digance

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison, a Principal of Allison Partners Pty Ltd, and is on the Investment Committee of the Australian Water Infrastructure Fund. He is also a Director of the Kangaroo Island Natural Resources Management Board.

Ms Digance is a Director of Australian Central Credit Union and a member of the Dental Professional Conduct Tribunal.

Ms Doyle is the Chairman of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme and a member of the board of the Future Fund Management Agency.

Ms Howe is a Director of the Water Services Association of Australia (WSAA) and the CRC for Water Quality and Treatment. She is also a member of the advisory boards of the South Australian Government Financing Authority and Infrastructure Partnerships Australia.

Ms Owens is a member of the National Executive of the Australian Labour Law Association Inc, Deputy Member of the Working Women's Centre SA Inc and a Trustee of the ASKM Adelaide Recitals Trust.

Mr Pledge is a consultant to Sportsmed SA, Chairman of the Federal and State Government's Innovation and Investment Fund for South Australia and a South Australian Chair of TEC.

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

(b) Key Management Personnel Compensation

Key management personnel compensation for the years ended 30 June 2007 and 2006 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Management Team who have responsibility for the strategic direction and management of the Corporation.

	Number of Key Management Personnel	Short-Term Benefits $'000	Post-Employment Benefits $'000	Total $'000
2007	**16**	**2 340**	**433**	**2 773**
2006	16	2 296	361	2 657

42. Targeted Separation Packages (TVSPs and TVERs)

In accordance with Government policy, there were 2 employees (no employees) that were paid a TVSP during the period, at a total value of $150 000 with an additional $40 000 in accrued annual leave and long service leave entitlements. There were no employees (1 employee) that were paid a Targeted Voluntary Early Retirement (TVER) package. In 2006 $70 000 was paid as a TVER with $30 000 in accrued annual leave and long service leave entitlements.

43. Statement of Administered Items

	River Murray Levy $'000	Pensioner Concessns $'000	United Water Payments $'000	Co-operatv Research Centre $'000	Rainwater Tank Rebates $'000	**2007 Total $'000**	2006 Total $'000
Administered Income:							
Revenue	21 011	29 000	474	5 491	201	**56 177**	54 033
Total Administered Income	21 011	29 000	474	5 491	201	**56 177**	54 033
Administered Expenses:							
Expenses	21 011	29 000	474	5 491	201	**56 177**	54 033
Total Administered Expenses	21 011	29 000	474	5 491	201	**56 177**	54 033
Operating Surplus	-	-	-	-	-	**-**	-
Current Assets:							
Cash and cash equivalents	142	1 600	-	2 627	-	**4 369**	2 426
Receivables	954	-	-	-	9	**963**	987
Total Current Assets	1 096	1 600	-	2 627	9	**5 332**	3 413
Total Administered Assets	1 096	1 600	-	2 627	9	**5 332**	3 413
Current Liabilities:							
Payables	1 096	1 600	-	2 627	-	**5 323**	3 413
Bank overdraft	-	-	-	-	9	**9**	-
Total Administered Liabilities	1 096	1 600	-	2 627	9	**5 332**	3 413
Net Assets	-	-	-	-	-	**-**	-
Cash Flows from Operating Activities:							
Cash inflows	21 044	29 000	474	7 060	193	**57 771**	54 398
Total Cash Inflows	21 044	29 000	474	7 060	193	**57 771**	54 398
Cash outflows	21 113	28 253	474	5 793	202	**55 835**	54 795
Total Cash Outflows	21 113	28 253	474	5 793	202	**55 835**	54 795
Net Cash inflows (outflows) from Operating Activities	(69)	747	-	1 267	(9)	**1 936**	(397)
Net (decrease) increase in cash and cash equivalents held	(69)	747	-	1 267	(9)	**1 936**	(397)
Cash and cash equivalents at 1 July	211	853	-	1 360	-	**2 424**	2 821
Cash and Cash Equivalents at 30 June	142	1 600	-	2 627	(9)	**4 360**	2 424

44. SA Government/Non-SA Government Transactions

(a) Income	**2007 $'000**	2006 $'000
Income received/receivable from Entities external to the SA Government:		
Rates and charges	**540 607**	512 876
Contributed assets	**58 890**	65 417
Recoverable works	**37 055**	34 941
Fees and charges	**18 553**	17 290
Miscellaneous	**90**	658
Interest received	**136**	71
Rents	**961**	732
Other income	**1 084**	2 576
Total Income - Non-SA Government Entities	**657 376**	634 561

		2007	2006
(a)	***Income (continued)***		
	Income received/receivable from Entities within the SA Government:	**$'000**	$'000
	Rates and charges	**37 069**	36 904
	Community service obligations	**156 210**	152 180
	Recoverable works	**4 011**	5 134
	Fees and charges	**40**	1 500
	Miscellaneous	**49**	31
	Interest received	**781**	90
	Rents	**304**	285
	Other income	**2 217**	1 952
	Total Income - SA Government Entities	**200 681**	198 076
	Total Income	**858 057**	832 637
(b)	***Expenses***		
	Supplies and Services:		
	Supplies and services provided by entities external to the SA Government:		
	Operational services	**29 039**	29 300
	Materials and other	**11 491**	10 768
	Administration	**14 123**	21 094
	Total Supplies and Services - Non-SA Government Entities	**54 653**	61 162
	Supplies and services provided by entities within the SA Government:		
	Operational services	**19 161**	18 829
	Materials and other	**9 625**	9 337
	Administration	**2 507**	2 865
	Total Supplies and Services - SA Government Entities	**31 293**	31 031
	Total Supplies and Services	**85 946**	92 193
	Operational and Service Contracts:		
	Provided by entities external to the SA Government:		
	Operational and service contracts	**95 524**	84 074
	Total Operational and Service Contracts - Non-SA Government Entities	**95 524**	84 074
	Provided by entities within the SA Government:		
	Operational and service contracts	**6 509**	6 421
	Total Operational and Service Contracts - SA Government Entities	**6 509**	6 421
	Total Operational and Service Contracts	**102 033**	90 495
	Finance Costs:		
	Finance costs provided by entities external to the SA Government:		
	Interest expense	**141**	103
	Finance lease charges	**14 402**	13 617
	Total Finance Costs - Non-SA Government Entities	**14 543**	13 720
	Finance costs provided by entities within the SA Government:		
	Interest expense	**75 644**	72 843
	Total Finance Costs - SA Government Entities	**75 644**	72 843
	Total Finance Costs	**90 187**	86 563
(c)	***Receivables***		
	Receivables from SA Government Entities:		
	Community service obligations	**10 201**	9 817
	Rates receivable (water and wastewater)	**404**	300
	Sundry debtors	**2 753**	2 210
		13 358	12 327
	Receivables from Non-SA Government Entities:		
	Rates receivable (water and wastewater)	**52 966**	53 240
	Sundry debtors	**14 806**	16 611
		67 772	69 851
	Total Receivables	**81 130**	82 178

	2007	2006
(d) Payables		
Current:	**$'000**	$'000
Payables to SA Government Entities:		
Trade creditors	**10 262**	9 441
Interest payable	**10 010**	9 775
Other creditors	**1 360**	2 860
	21 632	22 076
Payables to Non-SA Government Entities:		
Trade creditors	**52 517**	41 128
Other creditors	**7 506**	7 407
	60 023	48 535
Total Current Payables	**81 655**	70 611
Non-Current:		
Payables to SA Government Entities:		
Other creditors	**1 060**	1 069
Payables to Non-SA Government Entities:		
Other creditors	**380**	348
Total Non-Current Payables	**1 440**	1 417

STATE ELECTORAL OFFICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The State Electoral Office (the Office) is the Administrative Unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties.

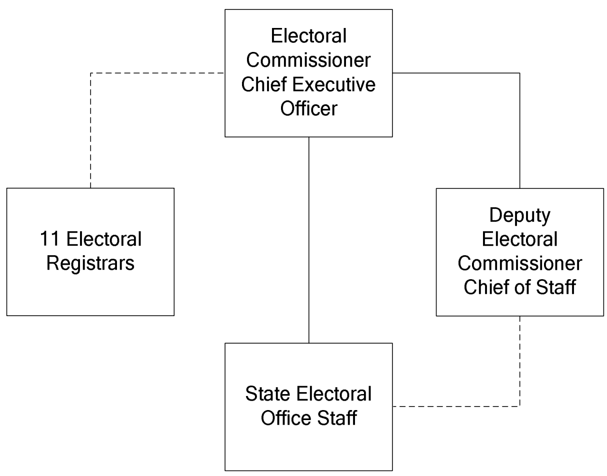
Functions

The functions of the State Electoral Office are as follows:

- To administer all South Australian parliamentary electoral events.
- To conduct elections for all Local Government Authorities and other organisations.
- To provide assistance in the formulation of appropriate election rules and procedures.
- To provide electoral rolls for local government elections and industrial ballots.
- To encourage community participation and promote an awareness of electoral matters.
- To provide support for parliamentary and council boundary reviews.

Structure

The structure of the State Electoral Office is illustrated in the following organisation chart.



The operations of the State Electoral Office are funded by annual appropriation from Treasury on behalf of the Treasurer as authorised by Parliament. The funding is provided to conduct Parliamentary elections. Costs for Local Government and non-government elections are recouped from councils or the organisation for which electoral services are provided.

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 State Electoral Office 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 State Electoral Office 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:

- payroll
- accounts payable
- revenue
- financial accounting
- budgetary control
- 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 State Electoral Office 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 Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the State Electoral Office 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 State Electoral Office 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 officers responsible for the governance of the Office. Response to the management letter was generally considered to be satisfactory. A notable matter raised with the Office related to risk management.

Risk Management

In relation to risk management, Audit noted that the risk management plan for ongoing office operation was not monitored, reviewed and updated on a regular basis. This issue was raised in 2005-06 and the Office responded that a risk management committee would be established to perform ongoing risk management review. However, Audit noted that as at February 2007 the committee was yet to be established.

In response the Office indicated that a Risk Management Committee was established in April 2007 to undertake regular monitoring, review and updating of risk management plans.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 $'million	2006 $'million	Percentage Change
OPERATING EXPENDITURE			
Employment expenses	**2.0**	5.4	n/a
Other	**3.8**	5.4	n/a
Total Operating Expenses	**5.8**	10.8	n/a
OPERATING REVENUE			
Revenues from SA Government	**2.0**	10.1	n/a
Other	**3.8**	0.8	n/a
Total Operating Revenue	**5.8**	10.9	n/a
NET RESULT	**-**	0.1	n/a

	2007 $'million	2006 $'million	Percentage Change
ASSETS			
Current assets	**1.3**	1.3	-
Non-current assets	**0.3**	0.3	-
Total Assets	**1.6**	1.6	-
LIABILITIES			
Current liabilities	**0.3**	0.6	(50.0)
Non-current liabilities	**0.4**	0.3	33.3
Total Liabilities	**0.7**	0.9	(22.2)
EQUITY	**0.9**	0.7	28.6

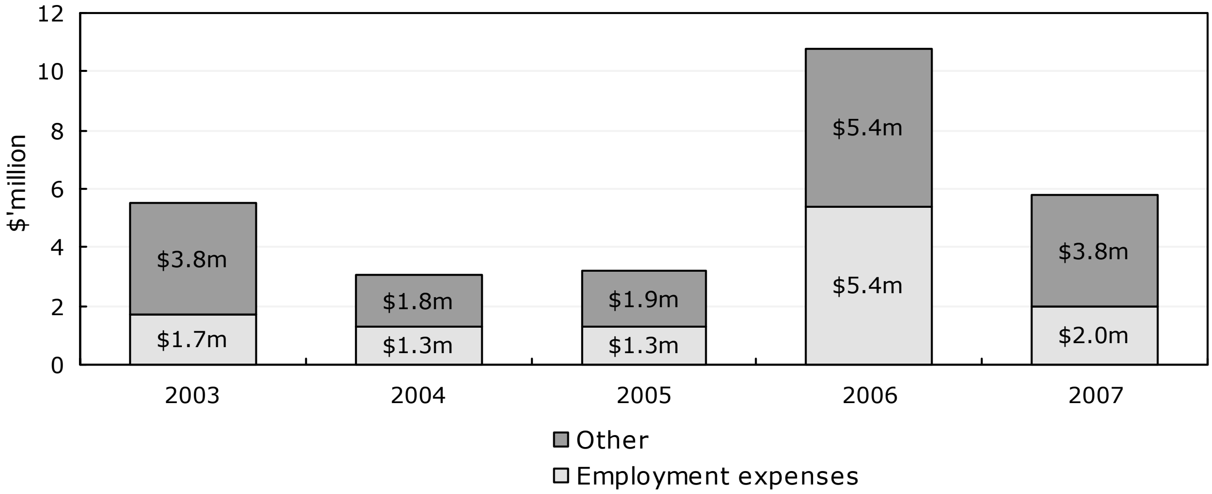
The level of financial operations of the State Electoral Office are affected by the timing of the State Government elections and to a much lesser extent the timing of the Local Government elections. A State Government election was held in 2005-06, while Local Government elections were held in 2006-07.

Income Statement

Operating Expenses

The total expenses for the current year decreased significantly due to higher expenses incurred in 2005-06 as a result of the State Government election. Employment expenses decreased by $3.4 million while other expenses decreased by $1.6 million. In 2006-07 Local Government elections were held which increased some elements of costs such as postage, up $559 000 and printing and stationery, up $442 000 while other costs decreased such as advertising, down $1.1 million and election inventories, down $465 000 as a result of no state election being held this year.

The following chart shows for the five years 2003 to 2007, total operating expenses, segregated between employment expenses and other expenses.



Income Statement
for the year ended 30 June 2007

	Note	**2007**	2006
EXPENSES:		**$'000**	$'000
Employee benefits expenses	7	**2 051**	5 361
Supplies and services	8	**3 471**	4 973
Depreciation	9	**86**	67
Other expenses		**236**	350
Total Expenses		**5 844**	10 751
INCOME:			
Revenues from fees and charges	11	**3 848**	689
Interest		**-**	66
Total Income		**3 848**	755
NET COST OF PROVIDING SERVICES		**1 996**	9 996
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	12	**2 044**	10 101
NET RESULT		**48**	105
THE NET RESULT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**48**	105

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	13	**1 103**	856
Receivables	14	**71**	340
Inventories		**82**	100
Total Current Assets		**1 256**	1 296
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**272**	258
Total Non-Current Assets		**272**	258
Total Assets		**1 528**	1 554
CURRENT LIABILITIES:			
Payables	16	**153**	385
Short term employee benefits	17	**153**	167
Total Current Liabilities		**306**	552
NON-CURRENT LIABILITIES:			
Payables	16	**36**	46
Long term employee benefits	17	**324**	296
Total Non-Current Liabilities		**360**	342
Total Liabilities		**666**	894
NET ASSETS		**862**	660
EQUITY:			
Contributed capital		**154**	-
Retained earnings		**708**	660
TOTAL EQUITY		**862**	660
Commitments	18		

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

	Contributed Capital $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2005	-	555	555
Net Result for 2005-06	-	105	105
Balance at 30 June 2006	-	660	660
Equity contribution from SA Government	154	-	154
Net Result for 2006-07	-	48	48
Balance at 30 June 2007	**154**	**708**	**862**

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 benefit payments		**(2 063)**	(5 261)
Supplies and services		**(3 778)**	(5 427)
GST payments to Australian Taxation Office		**(419)**	(73)
GST payment on purchases		**(403)**	(588)
Cash used in Operations		**(6 663)**	(11 349)
CASH INFLOWS:			
Fees and charges		**4 008**	554
Interest received		**4**	63
GST input tax credits		**426**	545
GST receipts on sales		**383**	93
Cash generated from Operations		**4 821**	1 255
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**2 044**	10 101
Cash generated from SA Government		**2 044**	10 101
Net Cash provided by Operating Activities	19	**202**	7
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of plant and equipment		**(109)**	(89)
Net Cash used in Investing Activities		**(109)**	(89)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from SA Government		**154**	-
Net Cash provided by Financing Activities		**154**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**247**	(82)
CASH AND CASH EQUIVALENTS AT 1 JULY		**856**	938
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**1 103**	856

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

(Refer Note 6)	Program 1		Program 2		Program Total	
	2007	2006	**2007**	2006	**2007**	2006
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**910**	5 041	**1 141**	320	**2 051**	5 361
Supplies and services	**1 540**	5 056	**2 167**	267	**3 707**	5 323
Depreciation	**54**	45	**32**	22	**86**	67
Total Expenses	**2 504**	10 142	**3 340**	609	**5 844**	10 751
INCOME:						
Revenues from fees and charges	**382**	154	**3 466**	535	**3 848**	689
Interest	**-**	66	**-**	-	**-**	66
Total Income	**382**	220	**3 466**	535	**3 848**	755
NET COST OF PROVIDING SERVICES	**2 122**	9 922	**(126)**	74	**1 996**	9 996
GOVERNMENT:						
Revenues from SA Government	**2 044**	10 051	**-**	50	**2 044**	10 101
NET RESULT	**(78)**	129	**126**	(24)	**48**	105

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the State Electoral Office

The State Electoral Office (the Office) is an administrative unit which has been established to assist the Electoral Commissioner to discharge statutory duties in accordance with the provisions of the *Electoral Act 1985.*

The objectives of the Office are to promote in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

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. AASs include AIFRS.

The Office's Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention except where stated.

2.2 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.3 Rounding

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

2.4 Taxation

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

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

- the amount of GST incurred by the Office 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.

2.5 Income and Expenses

Income and expense are recognised to the extent that it is probable that the flow of economic benefits to or from the Office 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 another accounting standard.

Income from fees and charges are recognised upon the completion of services to customers. Fees charged to local government and other third parties are in relation to the conduct of elections and industrial ballots.

Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.

2.6 Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Office obtains control over the funding. Control over appropriations is normally obtained upon receipt and are accounted for in accordance with TI 3.

2.7 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Office 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.

2.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits at the bank and is used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

2.9 Receivables

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

Receivables arise in the normal course of providing services to other agencies and to the public. Receivables are payable within 30 days after the issue of an invoice.

The provision for doubtful debts is based on a review of balances within receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.10 Inventories

Inventories are election consumables such as ballot paper and polling booth items that are held for potential by-elections and where applicable Local Government elections and industrial ballots. Inventory items are not held for resale and are stated at the lower of cost or replacement cost.

2.11 Non-Current Asset Acquisition and Recognition

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

The Office capitalises all non-current physical assets with a value of $1000 or greater.

All non-current assets are tested for indication of impairment at each reporting date. When there is indication of impairment, the asset is written down to its recoverable amount.

2.12 Depreciation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

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

Depreciation for non-current assets is determined as follows:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Office equipment and furniture and fittings	Straight line	5-10
Computer equipment	Straight line	3

2.13 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 Office.

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 amounts are measured at their nominal amount and are normally settled within 30 days from the date of invoice or date the invoice is 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 employee benefits are measured at nominal amounts.

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

2.14 Employee Benefits (continued)

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.

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 was undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. It was 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.

The Office makes contributions to three 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 the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

2.15 Provisions

No liability has been reported on workers compensation as the Office has no workers compensation claims pending or outstanding.

2.16 Operating Leases

The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

2.17 Administered Items

The Office has included a Schedule of Administered Items as Notes to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Office's overall Income Statement and Balance Sheet.

The Office administers, but does not control, certain resources on behalf of the SA Government. The Office is accountable for the transactions involving these administered items, but does not have any discretion to deploy resources for achievement of its objectives. For these items, the Office acts only on behalf of the SA Government.

Transactions and balances relating to these administered items are not recognised as income, expenses, assets or liabilities of the Office but are disclosed in Note 20.

There are three administered items namely:

Electoral Districts Boundaries Commission
The Office administers the receipts and payments of the Electoral District Boundaries Commission.

Special Acts
The Electoral Commissioner and Deputy Electoral Commissioner are appointed as Statutory Officers pursuant to the provisions of the Act. The Office receives a separate appropriation for the payment of salaries and allowances for Statutory Officers which is an administered item.

Other
Other includes administered revenue which is collected on behalf of other government agencies and forwarded to them when received. Administered income comprises non-voter expiation fees as provided in the Act.

3. Risk Management

The State Electoral Office has non-interest bearing assets (cash and cash equivalents and receivables) and liabilities (payables). The Office's exposure to market risk and cash flow is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Office in its present form, and with its present programs, is dependent on continuing appropriations by Parliament for the Office's administration and programs.

4. Changes in Accounting Policies

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

5. Change in Accounting Estimate

Long Service Leave Liability Calculation
The benchmark for the measurement of long service leave liability has been revised from seven years to six and a half years service. The benchmark revision has had no impact on the long service leave entitlements provision calculated.

6. Programs of the Office

The Office provides electoral services and this is achieved through two programs and their broad terms are as follows:

Program 1: ***Parliamentary Electoral Services***

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Program 2: ***Non-Parliamentary Electoral Services***

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to local government authorities.

7. Employee Benefit Expenses

	2007	2006
	$'000	$'000
Salaries and wages	**1 663**	4 608
Long service leave	**29**	47
Annual leave	**72**	129
Employment on-costs - Superannuation	**174**	298
Employment on-costs - Other	**113**	279
Total Employee Benefits Expenses	**2 051**	5 361

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
$130 000 to $139 999	**1**	1
$140 000 to $149 999	**-**	1
$170 000 to $179 999	**1**	-
Total Number of Employees	**2**	2

The table includes all employees whom received remuneration of $100 000 or more during the year. Remuneration of employees reflect all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was $308 000 ($274 000).

The Office on average employed 24 (27) people throughout the year.

8. Supplies and Services

	2007	2006
Supplies and Services provided by Entities within the SA Government:	**$'000**	$'000
Rental accommodation services	**416**	482
Advertising, printing and stationery	**52**	24
Communication and information technology	**48**	217
Hire, rental and other	**27**	33
Total Supplies and Services - SA Government Entities	**543**	756
Supplies and Services provided by Entities external to the SA Government:		
Advertising	**130**	1 222
Production and maintenance of electoral rolls	**823**	758
Printing and stationery	**914**	472
Postage	**767**	208
Communications and information technology	**161**	539
Distribution, storage and hire rental	**63**	397
Election inventories/ballot paper	**-**	465
Education and research	**62**	112
Training and development	**8**	44
Total Supplies and Services - Non-SA Government Entities	**2 928**	4 217
Total Supplies and Services	**3 471**	4 973

The number and dollar amount of consultancies paid/payable that fell within the following band:	**Number of Consultancies 2007**	**2007 $'000**	2006 $'000
$10 000 to $50 000	**1**	**18**	13

9. Depreciation

	2007 $'000	2006 $'000
Office equipment and furniture and fittings	**51**	44
Computer equipment	**35**	23
Total Depreciation	**86**	67

10. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**22**	26

Other Services

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

11. Revenues from Fees and Charges

Fees and Charges Received/Receivable from Entities within the SA Government:		
Industrial elections	**221**	22
User fees and charges	**169**	43
Total Fees and Charges - SA Government Entities	**390**	65
Fees and Charges Received/Receivable from Entities external to the SA Government:		
Other local government services	**339**	344
Industrial elections	**24**	41
Local government elections	**2 883**	123
User fees and charges	**212**	116
Total Fees and Charges - Non-SA Government Entities	**3 458**	624
Total Fees and Charges	**3 848**	689

12. Revenues from SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**2 044**	10 101
Total Revenues from SA Government	**2 044**	10 101

13. Cash and Cash Equivalents

Deposits with the Treasurer	**1 102**	855
Imprest account/cash on hand	**1**	1
Total Cash	**1 103**	856

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account and Surplus Cash Working Account balances. The balances of these funds are not available for general use ie Funds can only be used in accordance with the Treasurer's/Under Treasurer's approval and are non-interest bearing.

14. Receivables

	2007 $'000	2006 $'000
Current:		
Receivables	**12**	262
Prepayments	**22**	24
GST receivable	**37**	54
Total Current Receivables	**71**	340
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	**4**	110
Other receivables	**-**	33
Total Receivables from SA Government Entities	**4**	143
Receivables from Non-SA Government entities:		
Receivables	**8**	116
Prepayments	**22**	24
GST receivable	**37**	54
Other receivables	**-**	3
Total Receivables from Non-SA Government Entities	**67**	197
Total Receivables	**71**	340

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 prepayments are non-interest bearing. 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
Office Equipment and Furniture and Fittings:	**$'000**	$'000
Office equipment and furniture and fittings at cost (deemed fair value)	**562**	471
Accumulated depreciation	**341**	290
Total Office Equipment and Furniture and Fittings	**221**	181
Computer Equipment:		
Computer equipment at cost (deemed fair value)	**267**	387
Accumulated depreciation	**216**	310
Total Computer Equipment	**51**	77
Total Property, Plant and Equipment	**272**	258

Impairment

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

	Office Equipment Furniture Fittings $'000	**Computer Equipment $'000**	**2007 Total $'000**	2006 Total $'000
Carrying amount at 1 July	**181**	**77**	**258**	238
Additions	**100**	**9**	**109**	89
Disposals	**(9)**	**-**	**(9)**	(2)
Depreciation	**(51)**	**(35)**	**(86)**	(67)
Carrying Amount at 30 June	**221**	**51**	**272**	258

16. Payables

	2007	2006
Current:	**$'000**	$'000
Creditors	**35**	68
Accrued expenses	**83**	139
Prepaid revenue	**-**	104
GST payable	**1**	29
Employment on-costs	**34**	45
Total Current Payables	**153**	385
Non-Current:		
Employment on-costs	**36**	46
Total Non-Current Payables	**36**	46
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors	**10**	41
Accrued expenses	**27**	48
Prepaid revenue	**-**	100
Total Payables to Other SA Government Entities	**37**	189
Payables to Non-SA Government entities:		
Prepaid revenue	**-**	4
Creditors	**25**	26
Accrued expenses	**56**	93
GST payable	**1**	29
Employment on-costs	**70**	90
Total Payables to Non-SA Government Entities	**152**	242
Total Payables	**189**	431

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.

17. *(a) Employee Benefits*

	2007	2006
Current:	**$'000**	$'000
Annual leave	**97**	115
Long service leave	**56**	52
Total Current Employee Benefits	**153**	167
Non-Current:		
Long service leave	**324**	296
Total Non-Current Employee Benefits	**324**	296
Total Employee Benefits	**477**	463

(b) *Employee Benefits and Related On-Costs*

	2007	2006
Accrued Salaries:	**$'000**	$'000
On-costs included in payables - Current	**10**	16
Accrued salaries included in payables - Current	**20**	24
	30	40
Annual Leave:		
On-costs included in payables - Current	**17**	21
Provision for employee benefits - Current	**97**	115
	114	136
Long Service Leave:		
On-costs included in payables - Current	**7**	8
Provision for employee benefits - Current	**56**	52
	63	60
On-costs included in payables - Non-current	**36**	45
Provision for employee benefits - Non-current	**324**	297
	360	342
Aggregate Employee Benefits and Related On-Costs	**567**	578

18. Commitments

Operating Lease Commitments

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

Within one year	**214**	251
Later than one year but not longer than five years	**146**	14
Total Operating Lease Commitments	**360**	265

The Office's operating lease is for office accommodation and leased through Real Estate Management. The current lease expires on 27 February 2008 and the lease commitments shown are over two years. A new lease was negotiated during 2006-07 by Real Estate Management for one year with one year right of renewal with the building owner expiring on 27 February 2009. The amount of rental expense for minimum lease payments during the financial year was $209 000.

19. Cash Flow Reconciliation

	2007	2006
Reconciliation of Cash - Cash at 30 June as per:	**$'000**	$'000
Cash Flow Statement and Balance Sheet	**1 103**	856

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

Net cash provided by operating activities	**202**	7
Less: Revenues from SA Government	**(2 044)**	(10 101)
Add (Less): Non-cash items:		
Depreciation	**(86)**	(67)
Disposal of assets	**(9)**	-
Change in assets/liabilities:		
(Decrease) Increase in receivables	**(269)**	271
(Decrease) Increase in inventories	**(18)**	20
Decrease (Increase) in payables	**242**	(35)
(Increase) in employee benefits	**(14)**	(91)
Net Cost of Providing Services	**(1 996)**	(9 996)

20. Administered Items

Income Statement of Administered Items for the year ended 30 June 2007

	2007				2006
	Electoral Districts Boundaries Commission	Special Acts	Other	**Total**	Total
Income:	$'000	$'000	$'000	**$'000**	$'000
Revenues from SA Government	355	283	-	**638**	326
Interest	2	-	-	**2**	-
Fees and charges	-	-	83	**83**	53
Total Income	357	283	83	**723**	379
Expenses:					
Employee expenses	23	297	-	**320**	250
Supplies and services	313	-	-	**313**	86
Fees and charges	-	-	83	**83**	53
Total Expenses	336	297	83	**716**	389
Net Result	21	(14)	-	**7**	(10)

20. Administered Items (continued)

Balance Sheet of Administered Items as at 30 June 2007

	2007			2006
	Electoral Districts Boundaries Commission	Special Acts	**Total**	Total
Current Assets:	$'000	$'000	**$'000**	$'000
Cash	27	-	**27**	16
Receivables	7	128	**135**	134
Total Administered Assets	34	128	**162**	150
Current Liabilities:				
Payables	22	9	**31**	40
Employee benefits	-	33	**33**	28
Total Current Liabilities	22	42	**64**	68
Non-Current Liabilities:				
Payables	-	7	**7**	7
Employee benefits	-	74	**74**	65
Total Non-Current Liabilities	-	81	**81**	72
Total Administered Liabilities	22	123	**145**	140
Net Assets	12	5	**17**	10
Administered Equity:				
Accumulated surplus	12	5	**17**	10
Total Administered Equity	12	5	**17**	10

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

	Electoral Districts Boundaries Commission $'000	Special Acts $'000	Total $'000
Balance at 30 June 2005	2	18	20
Net Result 2005-06	(11)	1	(10)
Balance at 30 June 2006	(9)	19	10
Net Result 2006-07	21	(14)	7
Balance at 30 June 2007	**12**	**5**	**17**

Cash Flow Statement of Administered Items for the year ended 30 June 2007

	2007 Inflows (Outflows)	2006 Inflows (Outflows)
Cash Flows from Operating Activities:		
Cash Outflows:	**$'000**	$'000
Employee benefit payments	**(283)**	(251)
Supplies and services	**(462)**	(114)
Cash used in Operations	**(745)**	(365)
Cash Inflows:		
GST input tax credits	**33**	-
Interest received	**2**	-
Fees and charges	**83**	53
Cash generated from Operations	**118**	53
Cash Flows from SA Government:		
Receipts from SA Government	**638**	326
Cash generated from SA Government	**638**	326
Net Cash provided by Operating Activities	**11**	14
Net Increase in Cash and Cash Equivalents	**11**	14
Cash and Cash Equivalents at 1 July	**16**	2
Cash and Cash Equivalents at 30 June	**27**	16

SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

Functions

The functions of Funds SA, as detailed in section 5 of the Act are:

- to invest and manage the public sector superannuation funds, the nominated funds of approved authorities and other funds (funds under management) pursuant to strategies formulated by Funds SA;
- such other functions as are assigned to Funds SA by this Act or any other Act.

Section 7 of the Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level;
- the need for liquidity in the funds;
- such other matters as are prescribed by regulation.

Restrictions on Operations

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

Funds SA has broad powers over the investment of funds under management. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the Act impose restrictions on the investment of funds under management as follows:

- Funds SA must not invest in property outside Australia or in real property outside the State, unless the Minister has authorised the investment specifically or by reference to the class of investment to which it belongs.

- Funds SA must not enter into derivative transactions (eg futures contracts, forward contracts, swaps), unless the contract or dealing has been authorised by the Minister specifically or by reference to the class of contracts or dealings to which it belongs.

Funds Under Management

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

Funds SA is not responsible for the administration (ie receipt of contributions and payment of benefits) of any of the public sector superannuation funds. This responsibility rests with the following entities:

- The South Australian Superannuation Board — South Australian Superannuation Scheme, Southern State Superannuation Scheme and South Australian Ambulance Service Superannuation Scheme.

- The Police Superannuation Board — Police Superannuation Scheme.

- The South Australian Parliamentary Superannuation Board — Parliamentary Superannuation Scheme.

- The Department of Treasury and Finance — the Governors' Pensions Scheme and the Judges' Pensions Scheme.

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

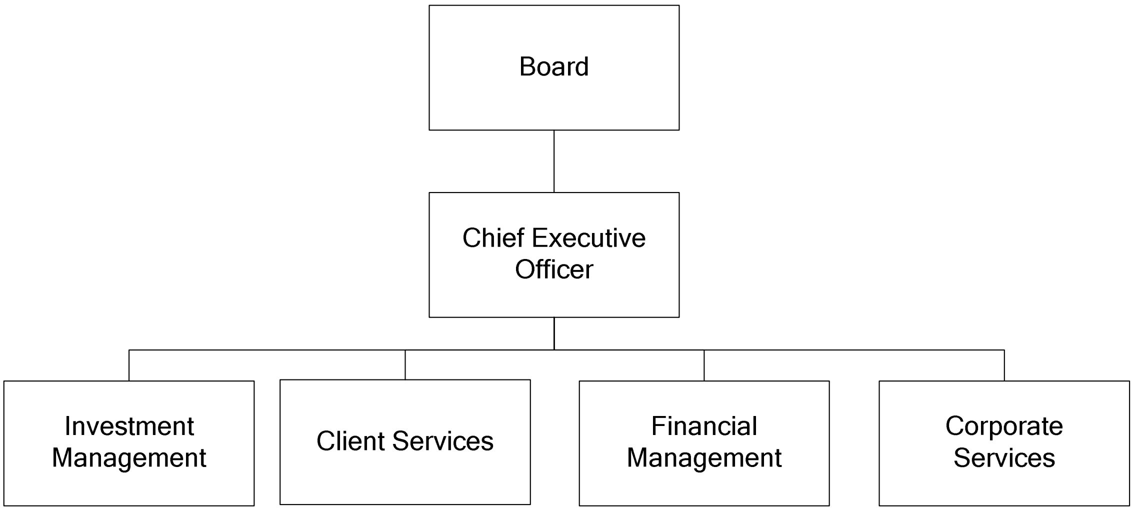
In addition, in accordance with the Act, the following have been declared prescribed authorities for the purpose of investing funds with Funds SA.

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority.

Funds SA did not invest and manage any funds of the Adelaide Cemeteries Authority for the financial year ending 30 June 2007. Further, the Treasurer declared the SA Metropolitan Fire Service Superannuation Scheme a scheme and fund established under Schedule 3 of the *Superannuation Act 1988* and that its funds be invested and managed by Funds SA from 1 August 2007.

Structure

The structure of Funds SA is illustrated in the following organisation chart.



Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external fund management firms. Fund managers are utilised for all investment types, and there is a single custodian (who is responsible for holding, valuing and accounting for the assets) for the majority of those fund managers. Each fund manager and the custodian is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements.

Audit Committee

The Audit Committee comprises four Board members and is responsible for: assessing the quality of both internal and external financial reporting; assessing the effectiveness of Funds SA's internal control structure; and maintaining an effective and efficient liaison with both internal and external audit. Audit representatives attended Audit Committee meetings as observers throughout the year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 28 of the Act provides for the Auditor-General to audit the accounts of Funds SA 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 Funds SA in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether 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, the review included:

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

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Superannuation Funds Management Corporation 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 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 Superannuation Funds Management Corporation of South Australia have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit of Funds SA indicated that the internal controls over its operations were satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Changes to the Act in late 2005 broadened Funds SA's investment mandate to include the nominated funds of approved authorities. Under this expanded mandate, Funds SA reassessed whether for accounting purposes it had control over the funds under management. The Directors of the Board determined that Funds SA does not have control and restructured its corporate activities on 1 July 2006 to create a clearer distinction between its role as an investment manager and the funds under its management. Funds SA is operationally responsible for the development and implementation of the investment strategies for funds under management. The major change is the investment activities (that is asset balances and investment income and expenses) are not reported as controlled in Funds SA's financial statements but disclosed in a schedule to the financial report. Note 1(c) to the financial report provides further information on the changes.

Highlights of the Financial Report

	2007	2006	Percentage
	$'million	$'million	Change
INCOME			
Revenue from fees and charges	**4.7**	2.8	68
Total Income	**4.7**	2.8	68
EXPENSES			
Employee benefit costs	**2.1**	1.8	17
Supplies and services	**1.0**	0.9	11
Other	**0.1**	0.1	-
Total Expenses	**3.2**	2.8	14
Net Surplus	**1.5**	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**238**	(7)	-

	2007 $'million	2006 $'million	Percentage Change
ASSETS			
Current assets	**1.9**	0.4	-
Non-current assets	**0.4**	0.4	-
Total Assets	**2.3**	0.8	-
LIABILITIES			
Current liabilities	**0.4**	0.4	-
Non-current liabilities	**0.4**	0.4	-
Total Liabilities	**0.8**	0.8	-
EQUITY	**1.5**	-	-

Income Statement

The operating result for the year was a surplus of $1.5 million which represents an increase in:

- revenues from fees and charges of $1.9 million. This represents the administration fee charged to the entities/schemes which place their monies under Funds SA's management. The Board has established the Administration Fee Rebate reserve to provide a rebate to these entities. An amount of $588 000 has been transferred from retained earnings to this reserve;

- employee costs of $300 000.

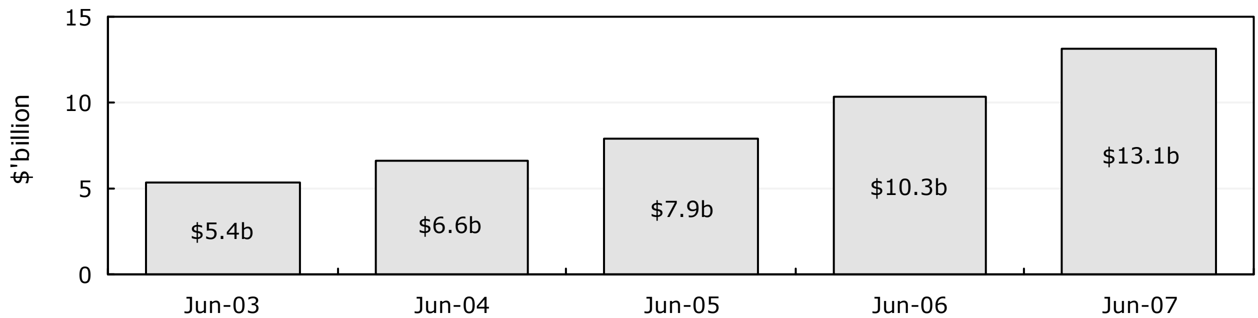
FURTHER COMMENTARY ON OPERATIONS

Funds Under Management

As previously mentioned, Funds SA invests and manages the public sector superannuation funds and the nominated funds of approved authorities. The public sector superannuation funds represents 98 percent of total net funds under management. The total net funds managed by Funds SA continues to grow as a result of:

- the decision by the Government to move to full funding of the public sector superannuation liability;
- the introduction of new superannuation products;
- increase in contributions;
- increase in approved authorities;
- accumulation of investment earnings.

The following chart illustrates the growth in net funds under management.



In 2007 the net funds under management increased by $2.8 billion to $13.1 billion which was due mainly to:

- net income earned from investing activities of $2 billion (further commented on under the heading 'Income from Investments');

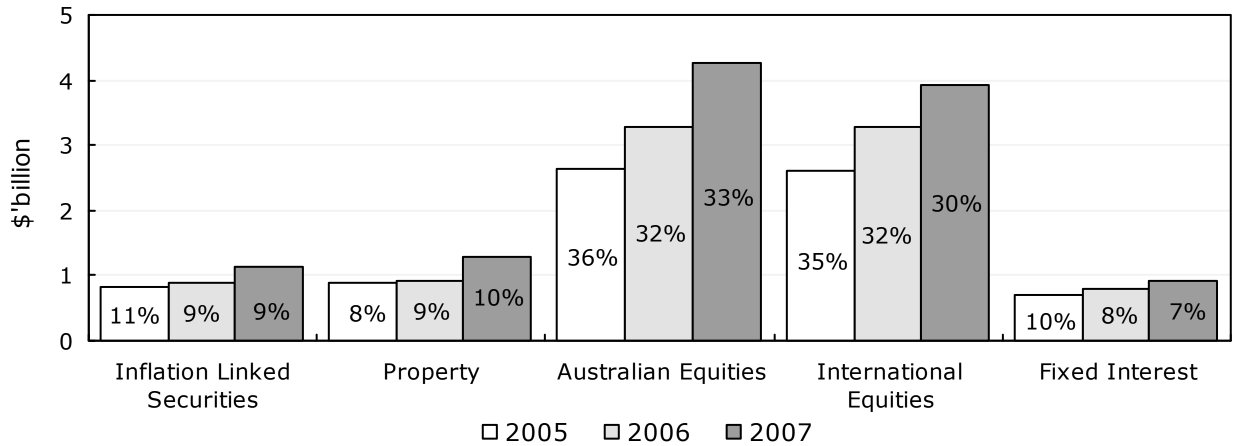
- $244 million was paid by the Treasurer for the accruing employers' superannuation liabilities for the South Australian Superannuation Scheme. Further information on these amounts is available in the commentary under 'South Australian Superannuation Scheme' elsewhere in Part B of this Report;

- the implementation of new investment mandates, namely $277 million from the South Australian Government Financing Authority, SAICORP Division and $103 million from the South Australian Ambulance Service Superannuation Scheme. These funds came under Funds SA's management since 1 July 2006;

- $108 million increase from Southern State Superannuation Scheme. Further information on this amount is available in the commentary under 'Southern State Superannuation Scheme' elsewhere in Part B of this Report.

Asset Allocation

An investment policy drives decisions about how funds will be invested. Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. Funds SA manages some of its financial risks through the diversification of investments where funds under management are invested in eight asset classes. The value of each asset class (excluding cash and diversified strategies which in total only represents 11 percent of total funds under management) and the holding of each asset class as a percentage of total funds under management at 30 June for the last three financial years is illustrated in the following chart.



Income from Investments

Net income from investment activities was $1993 million ($1511 million). This result includes the valuation of funds at fair value where net unrealised gains were $873 million or 44 percent of net income ($696 million or 46 percent).

The strong investment returns of 2007 are attributable to:

- the global (including Australian) equity market has continued its strong performance producing total returns of $1541 million ($1260 million). During 2006-07, unrealised gains on the valuation of investments increased by $205 million and other income earned from investments increased by $97 million. The global equity market's strong performance derives from solid economic growth of all major economies; the continuing industrialisation of China and strong demand for industrial raw materials and commodities;
- returns on property increased significantly due mainly to an increase in realised gains of $65.6 million and unrealised gains of $66.9 million. This is consistent with the increase in property market values;
- returns on inflation linked securities decreased significantly with unrealised losses of $26.5 million (unrealised losses of $2.6 million);
- returns on fixed interest increased significantly due mainly to increases in realised gains of $33.1 million and income earned on investments of $10.2 million. Income earned has increased with the increase in interest rates;
- returns on both the diversified strategies investment classes increased due mainly to increases in realised gains of $70.7 million and income earned on investments of $42.8 million.

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

The following table shows a structural analysis of net income earned for the four years to 2007.

Net Income Earned From Investment Activities

	2007	2006	2005	2004
	$'million	$'million	$'million	$'million
Inflation Linked Funds	**25.7**	59.2	92.8	16.6
Property	**232.3**	87.5	74.3	65.2
Australian Equities	**972.4**	630.0	553.2	404.6
International Equities	**569.0**	630.4	203.7	425.8
Fixed Interest	**29.0**	19.2	66.7	19.8
Cash and other	**164.8**	85.1	21.5	8.2
	1 993.2	1 511.4	1 012.2	940.2

The above table reflects that Funds SA's investment strategy is weighted towards equity holdings. The volatile nature of equities will cause returns from these investments to fluctuate from year to year consistent with prevailing economic conditions. Over the last four years, the equity investment classes have produced strong returns.

Investment Expenses

In 2007 investment expenses amounted to $75.5 million of which $65.2 million (86 percent) were fund management fees.

Year	$'million
2004	25.3
2005	33.5
2006	50.0
2007	**65.2**

Although fund manager fees have increased over the past four years they remain at 0.5 percent of average funds under management. The increases in the fund management fees correlates with the increase in funds under management; strong investment performance and the additional investment classes which were introduced in late 2004-05.

Income Statement
for the year ended 30 June 2007

	Note	**2007**	2006
		$'000	$'000
INCOME:			
Revenues from fees and charges		**4 699**	2 792
Interest revenues		**47**	-
Net gain from the disposal of assets		**-**	6
Total Income		**4 746**	2 798
EXPENSES:			
Employee benefits costs	3	**2 144**	1 759
Supplies and services	4	**1 028**	935
Depreciation and amortisation expense	5	**92**	104
Finance costs		**30**	-
Total Expenses		**3 294**	2 798
NET SURPLUS		**1 452**	-

Net Surplus is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2007

	Note	**2007**	2006
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents		**606**	421
Receivables - administration fee		**1 288**	-
Other current assets		**14**	-
Total Current Assets		**1 908**	421
NON-CURRENT ASSETS:			
Property, plant and equipment	7	**394**	433
Total Non-Current Assets		**394**	433
Total Assets		**2 302**	854
CURRENT LIABILITIES:			
Payables	8	**205**	265
Employee benefits	9	**184**	129
Provisions - Lease incentive		**25**	25
Total Current Liabilities		**414**	419
NON-CURRENT LIABILITIES:			
Employee benefits	9	**427**	401
Provisions - Lease incentive		**9**	34
Total Non-Current Liabilities		**436**	435
Total Liabilities		**850**	854
NET ASSETS		**1 452**	-
EQUITY:			
Retained earnings		**864**	-
Administration fee rebate reserve	10	**588**	-
TOTAL EQUITY		**1 452**	-

Total Equity is attributable to the SA Government as owner

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

	Administration Fee Rebate Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	-	-	-
Changes in accounting policy	-	-	-
Restated Balance at 30 June 2006	-	-	-
Surplus for 2006-07	-	1 452	1 452
Transfer to Administration Fee Rebate Reserve	588	(588)	-
Balance at 30 June 2007	**588**	**864**	**1 452**

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 INFLOWS:			
Receipts from fees and charges		**3 411**	2 792
Interest received		**47**	-
Cash generated from Operations		**3 458**	2 792
CASH OUTFLOWS:			
Employee benefit payments		**(2 063)**	(1 890)
Supplies and services		**(1 127)**	(909)
Interest paid		**(30)**	-
Cash used in Operations		**(3 220)**	(2 799)
Net Cash provided by (used in) Operating Activities	14	**238**	(7)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		**1**	7
Cash generated from Investing Activities		**1**	7
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(54)**	(41)
Cash used in Investing Activities		**(54)**	(41)
Net Cash used in Investing Activities		**(53)**	(34)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**1 000**	-
Cash generated from Financing Activities		**1 000**	-
CASH OUTFLOWS:			
Repayment of borrowings		**(1 000)**	-
Cash used in Financing Activities		**(1 000)**	-
Net Cash provided by Financing Activities		**-**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**185**	- (41)
CASH AND CASH EQUIVALENTS AT 1 JULY		**421**	462
CASH AND CASH EQUIVALENTS AT 30 JUNE		**606**	421

Schedule 1: Asset Sector Funds Under Management

This schedule provides information in relation to assets under Funds SA's management as at balance date. The valuation policies applied to this information is provided at Note 1(c), with the sources of valuations provided below.

This schedule provides the following information:

- Investment Valuation Sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Assets Under Management
- Financial Instruments and Management of Portfolio Risk.

Investment Valuation Sources
Discretely Managed Portfolios
Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

Managed Funds
Pooled/Unlisted Unit Trusts
Investments in pooled funds and other unlisted unit trusts have been valued in accordance with the valuations supplied by the relevant fund managers.

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

Currency Hedge Overlay
The value of the currency hedge overlay, as at 30 June 2007, is supplied by the currency hedge manager (Barclays Global Investors) and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally Managed Investments
Directly Held Property
The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.

Internally Managed Inflation-Linked Bonds
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.

Statement of Income and Expenses of Assets Under Management

			2007		
	Rent Interest and Dividends	Realised Gains (Losses)[1]	Unrealised Gains (Losses)[2]	Expenses	**Total**
Asset Sector:	$'000	$'000	$'000	$'000	**$'000**
Inflation linked securities	56 934	(3 266)	(26 504)	(1 443)	**25 721**
Property	52 278	68 876	117 073	(5 948)	**232 279**
Australian Equities	186 440	206 216	603 594	(23 845)	**972 405**
International Equities	159 125	192 701	240 206	(23 017)	**569 015**
Fixed Interest	40 874	34 990	(44 190)	(2 641)	**29 033**
Diversified Strategies:					
Growth	71 950	28 551	4 868	(13 465)	**91 904**
Income	35 732	35 306	19 480	(4 546)	**47 012**
Cash	29 115	-	(2 677)	(607)	**25 831**
Total	632 448	563 374	872 890	(75 512)	**1 993 200**

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

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

Statement of Income and Expenses of Assets Under Management (continued)

	Rent Interest and Dividends	Realised Gains/ (Losses)	2006 Unrealised Gains/ (Losses)	Expenses	Total
Asset Sector:	$'000	$'000	$'000	$'000	$'000
Inflation linked securities	61 664	604	(2 551)	(500)	59 217
Property	38 476	3 287	50 145	(4 383)	87 525
Australian Equities	140 603	118 044	390 058	(18 683)	630 022
International Equities	108 290	292 984	248 672	(19 539)	630 407
Fixed Interest	30 667	1 902	(10 675)	(2 708)	19 186
Diversified Strategies:					
Growth	38 003	(1 900)	19 973	(7 761)	48 315
Income	26 886	(4 929)	565	(2 048)	20 474
Cash	16 477	-	126	(288)	16 315
Total	461 066	409 992	696 313	(55 910)	1 511 461

Statement of Net Assets Under Management

	Discretely Managed Portfolios	Managed Funds	Internally Managed Investments	**2007** Currency Hedge Overlay	Other Assets	Liabilities	**Total**
Asset Sector:	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Inflation linked securities	729 949	-	408 095	-	3 411	(9 203)	**1 132 252**
Property	962 439	309 801	12 679	-	1 853	(11 597)	**1 275 175**
Australian Equities	3 984 381	295 650	-	-	4 768	(17 284)	**4 267 515**
International Equities	3 342 041	553 851	-	32 175	3 493	(6 334)	**3 925 226**
Fixed Interest	929 625	-	-	-	1 487	(1 169)	**929 943**
Diversified Strategies:							
Growth	-	518 596	-	6 972	7 876	(1 513)	**531 931**
Income	85 106	399 993	-	4 277	3 069	(1 051)	**491 394**
Cash	-	555 391	-	-	905	(148)	**556 148**
Total	10 033 541	2 633 282	420 774	43 424	26 862	(48 299)	**13 109 584**

	Discretely Managed Portfolios	Managed Funds	Internally Managed Investments	2006 Currency Hedge Overlay	Other Assets	Liabilities	Total
Asset Sector:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Inflation linked securities	472 514	-	431 807	-	1	(6 094)	898 228
Property	669 426	239 931	11 099	-	3	(9 134)	911 325
Australian Equities	3 032 665	255 753	-	-	17	(9 833)	3 278 602
International Equities	2 891 821	405 817	-	(10 040)	139	(5 031)	3 282 706
Fixed Interest	784 125	-	-	-	-	(504)	783 621
Diversified Strategies:							
Growth	-	355 282	-	(410)	-	(619)	354 253
Income	-	387 156	-	1 422	-	(11)	388 567
Cash	-	391 137	-	-	2 251	(1)	393 387
Total	7 850 551	2 035 076	442 906	(9 028)	2 411	(31 227)	10 290 689

Financial Instruments and Management of Portfolio Risk

Use of Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depend on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

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

The fair value of all derivative positions as at 30 June 2007 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market Risk

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

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

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

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

Funds SA manages liquidity risk as follows:

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

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

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

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.

- Foreign currency exposures in the international equities asset sector are 33 1/3 percent hedged to Australian dollars.

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

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

Funds SA manages interest rate risk through:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Funds SA

(a) Objectives of Funds SA

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

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

(a) to invest and manage:

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

  pursuant to strategies formulated by the Corporation;

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

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

The object of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

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

(b) Purpose of the Financial Report

The purpose of the financial report is to discharge Funds SA's reporting obligations in respect of its financial affairs under subsection 26(1) of the Act, and in respect of each of the funds, as required by subsection 26(2) of the Act.

As at 30 June 2007, Funds SA managed the following funds:

Public Sector Superannuation Funds:

- South Australian Superannuation Scheme
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Account

- Police Superannuation Scheme
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Fund (New Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account

- Southern State Superannuation Scheme
  - Southern State Superannuation Fund
  - Southern State Superannuation (Employers) Fund
  - Super SA Flexible Rollover Product
  - Super SA Allocated Pension

- Parliamentary Superannuation Scheme

- Judges' Pensions Scheme

- Governors' Pensions Scheme

Eligible Superannuation Funds:

- South Australian Ambulance Service Superannuation Scheme

Nominated Funds of Approved Authorities:

- South Australian Government Financing Authority

(c) Changes in the Format and Content of Funds SA's Financial Report

In previous years, the financial report was prepared in accordance with AAS 25 as the funds managed comprised exclusively of superannuation funds. The Directors of the Board believed that this policy best disclosed the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities.

In late 2005, changes to the Act broadened Funds SA's investment mandate to include the nominated funds of approved authorities. Under this expanded role, Funds SA reassessed whether it had control over the funds under management. The Directors of the Board determined that Funds SA does not have control and restructured its corporate activities on 1 July 2006 to create a clearer distinction between its role as an investment manager and the funds under its management.

(c) Changes in the Format and Content of Funds SA's Financial Report (continued)

As a result, Funds SA has made the following changes to the format and content of its financial report:

- adopted the format and content of the Model Financial Report developed by the Department of Treasury and Finance, replacing the previous format prepared under AAS 25;
- the Balance Sheet does not incorporate the funds under its management as assets of Funds SA. The Income Statement does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under Note 17 in accordance with subsection 26(2) of the Act.
- Schedule 1 to the financial report provides financial information on the asset class investments. The disclosure of this information is voluntary. The basis of valuation of asset class investments for 2007 is fair value as required under AASB 139. The comparatives are valued at net market value in accordance with AAS 25. The difference between net market value and fair value is immaterial.
- Controlled entities have not been consolidated into Funds SA's Balance Sheet as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, the *Superannuation Funds Management Corporation of South Australia Act 1995*, TIs and APSs promulgated under the provision of the PFAA.

AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Funds SA for the reporting period ending 30 June 2007. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

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

(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 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.

(c) Income and Expenses

Income and expenses are recognised in Funds SA'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.

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

Revenues from Fees and Charges

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

(d) Current and Non-Current Classification

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents recorded in the Balance Sheet includes cash on hand and at bank. Cash is measured at nominal value.

(f) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals. Trade receivables arise in the normal course of providing services to the clients.

(g) 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.

(h) Impairment

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

(i) Depreciation and Amortisation of Non-Current Assets

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter. Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Leasehold improvements	Straight line	10
Computer and office equipment:		
Computers, hardware and software	Diminishing value	3
Office furniture	Straight line	10

(j) Payables

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

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

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

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

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

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.

(k) Employee Benefits

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

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

Liability for 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.

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. The benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years. This calculation is consistent with Funds SA's experience of employee retention and leave taken.

(l) Leases

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

The aggregate benefit of lease incentives received by Funds SA in respect of the leased premises have been recorded as a reduction of rental expense over the lease term on a straight line basis.

(m) Insurance

Funds SA has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of Funds SA. The excess payable under this arrangement varies depending on each class of insurance held.

(n) Taxation

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

(o) Valuation basis of Client Funds Under Management

Note 17 provides financial statements in respect of each client fund under the management of Funds SA for the 2006-07 financial year.

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

- For superannuation scheme clients, investments have been valued at net market value in accordance with AAS 25.
- All other clients' investments have been valued at fair value in accordance with AASB 139.

3. Employee Benefits Cost

	2007	2006
	$'000	$'000
Salaries and wages	**1 596**	1 295
Board Fees	**214**	205
Employee on-costs	**334**	259
Total Employee Benefits Costs	**2 144**	1 759

Remuneration of Employees	**2007**	2006
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$100 000 - $109 999	**2**	2
$110 000 - $119 999	**1**	1
$140 000 - $149 999	**2**	-
$170 000 - $179 999	**-**	1
$180 000 - $189 999	**1**	-
$270 000 - $279 999	**-**	1
$290 000 - $299 999	**1**	-
Total Number of Employees	**7**	5

The table includes all employees who received or are due 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 $1.106 million ($773 000).

4. Supplies and Services

	2007	2006
	$'000	$'000
Computing and communication	**111**	134
Human resource expenses	**62**	74
Board expenses	**181**	233
Staff development	**50**	38
Subscription and publications	**56**	55
External audit fees	**81**	83
Travel and accommodation	**107**	62
Legal and advisory expenses	**156**	55
Office rent	**129**	123
Office supplies and printing	**61**	63
Other	**34**	15
Total Supplies and Services (1)	**1 028**	935

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

4. 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 Number**	**2007 $'000**	2006 Number	2006 $'000
Below $10 000	**12**	**45**	9	28
Between $10 000 and $50 000	**4**	**52**	3	34
Above $50 000	**1**	**75**	-	-
Total Paid/Payable to the Consultants Engaged	**17**	**172**	12	62

5. Depreciation and Amortisation

	2007 $'000	2006 $'000
Depreciation:		
Computer and office equipment	**62**	77
Amortisation:		
Leasehold improvements	**30**	27
Total Depreciation and Amortisation	**92**	104

6. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**81**	83
Total Audit Fees - SA Government Entities	**81**	83

Other Services

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

7. Property, Plant and Equipment

Leasehold Improvements:		
Leasehold improvements at fair value	**294**	290
Accumulated amortisation	**(65)**	(35)
Total Leasehold Improvements	**229**	255
Computer and Office Equipment:		
Computer and office equipment at fair value	**555**	519
Accumulated depreciation	**(390)**	(341)
Total Computer and Office Equipment	**165**	178
Total Property, Plant and Equipment	**394**	433

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets:

	2007			2006		
	Leasehold Improve-ments $'000	**Computer and Office Equipment $'000**	**Non-Current Assets Total $'000**	Leasehold Improve-ments $'000	Computer and Office Equipment $'000	Non-Current Assets Total $'000
Carrying amount at 1 July	**255**	**178**	**433**	282	215	497
Additions	**4**	**50**	**54**	-	41	41
Disposals eg sales, write-off	**-**	**(1)**	**(1)**	-	(1)	(1)
Depreciation and amortisation	**(30)**	**(62)**	**(92)**	(27)	(77)	(104)
Carrying Amount at 30 June	**229**	**165**	**394**	255	178	433

8. Payables

	2007 $'000	2006 $'000
Current:		
Creditors	**67**	131
Accrued expenses	**138**	134
Total Current Payables	**205**	265

9. Employee Benefits

Current:		
Annual leave	**72**	51
Long service leave	**6**	19
Accrued salaries and wages	**106**	59
Total Current Employee Benefits	**184**	129
Non-Current:		
Long service leave	**427**	401
Total Non-Current Employee Benefits	**427**	401
Total Employee Benefits	**611**	530

The total current and non-current employee benefits (ie aggregate employee benefit plus related on costs) for 2007 is $134 000 and $529 000 respectively.

10. Administration Fee Rebate Reserve

	2007 $'000	2006 $'000
Balance 1 July	**-**	-
Transfer from surplus	**588**	-
Total Administration Fee Rebate Reserve 30 June	**588**	-

The Administration Fee Rebate Reserve was established to provide for the rebate of a portion of excess Administration Fees charged to Funds SA clients during the year. The amount transferred to the reserve from retained earnings for the year ended 30 June 2007 was approved by the Board on 30 July 2007.

11. Key Management Personnel

(a) Board Members

The following persons held the position of governing Board Member during the financial year.

Helen Nugent	Chairman	Throughout the year
Julie Brennan	Director	Throughout the year
Kevin Crawshaw	Director	Ceased September 2006
Leigh Hall	Director	Throughout the year
Jan McMahon	Director	Throughout the year
Jim Wright	Director	Throughout the year
Anne De Salis	Director	Throughout the year
Ros Sumner	Director	October 2006 onwards

(b) Sub-Committees

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

Audit Committee:

Leigh Hall	Chairman	Throughout the year
Helen Nugent	Member	Throughout the year
Julie Brennan	Member	Throughout the year
Ros Sumner	Member	October 2006 onwards
Kevin Crawshaw	Member	Ceased September 2006

Human Resource Committee:

Helen Nugent	Chairman	Throughout the year
Jim Wright*	Member	Throughout the year
Jan McMahon	Member	Throughout the year
Anne De Salis	Member	Throughout the year

* As a South Australian Government employee Jim Wright is not entitled to and does not receive remuneration for membership of the Board and the Human Resource Committee.

(c) Other Key Management Personnel

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

Richard Smith	Chief Executive Officer
John Piteo	Chief Financial Officer

(d) Key Management Personnel Compensation

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

	2007 $'000	2006 $'000
Short-term employee benefits	**669**	614
Long-term employee benefits	**24**	36
Total	**693**	650

(e) Remuneration of Governing Board Members

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board sub-committees. Directors' fees for the 2006-07 year were set by the Governor of South Australia. The aggregate remuneration of directors was $204 000 ($198 000).

In 2006-07, the aggregate amount paid, or due and payable for Directors, to the Southern State Superannuation Scheme totalled $7000 ($6000). In 2006-07, the periodic amounts paid, or due and payable, to private superannuation funds totalled $95 000 ($16 000).

In accordance with the Department of the Premier and Cabinet Circular 16, Board members who are government employees did not receive any remuneration for board/committee duties during the financial year.

(e) *Remuneration of Governing Board Members (continued)*

The number of governing Board Members whose remuneration received or receivable falls within the following bands:	**2007 Number of Directors**	2006 Number of Directors
$1 - $10 000	**1**	-
$10 001 - $20 000	**-**	1
$20 001 - $30 000	**2**	2
$30 001 - $40 000	**3**	2
$50 001 - $60 000	**1**	1
Total	**7**	6

(f) *Transactions with Directors and Director-Related Entities*

The Chairman of Funds SA, Dr Helen Nugent, is a Non-Executive Director of the Macquarie Bank Group Limited. Macquarie Bank Group Limited (or its wholly-owned subsidiaries) has provided funds management and other services to Funds SA during 2006-07 on normal commercial terms and conditions. Dr Nugent has taken no part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Bank Group Limited (or its wholly-owned subsidiaries). Dr Nugent has also advised the Board that she did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

12. Commitments

Funds SA's operating lease is for office accommodation. The lease is non-cancellable expiring on 4 November 2008. Rent is payable in arrears.

Non-Cancellable Operating Lease Commitments	**2007**	2006
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	**$'000**	$'000
Within one year	**158**	153
Later than one year but not longer than five years	**54**	206
Total Non-Cancellable Operating Lease Commitments	**212**	359

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 as follows:

Within one year	**1 044**	372
Later than one year but not longer than five years	**2 512**	3 556
Total Remuneration Commitments	**3 556**	3 928

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

13. Contingent Assets and Liabilities

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

14. Cash Flow Reconciliation

Reconciliation of Net Cash provided by (used in) Operating Activities to Surplus

Net surplus	**1 452**	-
Add: Non-cash items:		
Depreciation and amortisation expense	**92**	104
Net gain from disposal of assets	**-**	(6)
Changes in Assets/Liabilities:		
Increase in receivables	**(1 288)**	-
Increase in other current assets	**(14)**	-
(Decrease) Increase in payables	**(60)**	45
(Increase) Decrease employee benefits	**81**	(125)
Decrease in provisions	**(25)**	(25)
Net Cash provided by (used in) Operating Activities	**238**	(7)

15. Financial Instruments

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

Current Assets:	Note	Weighted Average Interest Rate Percent	Floating Interest Rate $'000	Non-Interest Bearing $'000	**2007 Total $'000**	Floating Interest Rate $'000	Non-Interest Bearing $'000	2006 Total $'000
Cash	14	5.80	606	-	**606**	492	-	492
Receivables			-	1 288	**1 288**	-	-	-
Other Assets			-	14	**14**	-	-	-
Total Current Assets			606	1 302	**1 908**	492	-	492
Current Liabilities:								
Payables	8		-	149	**149**	-	216	216
Total Current Liabilities			-	149	**149**	-	216	216

Interest Rate and Credit Risk

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

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

16. Events After Balance Date

On 30 July 2007 the Board approved the rebate of $588 000 in administration fees. There were no other events occurring after the reporting date which, in the opinion of the Directors, are required to be disclosed in either the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity or the Notes to the Financial Statements.

17. Client Funds Under Management

Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various client funds. For the year ending 30 June 2007, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

Each client fund holds units in an investment option, which in turn holds units in each of the asset sectors according to the target strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the net market value of underlying investments.

Under subsection 26(1) of the Act, Funds SA are require to 'prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year'.

These client fund financial statements are explained and disclosed below:

- Each client fund's allocation of total net investment income is disclosed in the Statement of Receipts and Payments.
- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each client fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.

(a) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**2 603 584**	1 753 304
Add: Receipts	**275 300**	743 500
Net investment income	**508 907**	348 064
	784 207	1 091 564
Less: Payments	**324 150**	241 284
Funds Under Management at 30 June	**3 063 641**	2 603 584

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**3 063 641**	2 603 584
Funds Under Management at 30 June	**3 063 641**	2 603 584

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**1 043 677**	873 478
International equities	**968 910**	874 763
Property	**310 938**	246 910
Inflation linked bonds	**235 154**	223 437
Fixed interest	**140 182**	113 332
Diversified strategies income	**112 842**	96 161
Diversified strategies growth	**124 140**	89 250
Cash	**127 798**	94 904
Other Assets	**-**	691
	3 063 641	2 612 926
Less: Liabilities	**-**	9 342
Funds Under Management at 30 June	**3 063 641**	2 603 584

(b) South Australian Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**1 507 986**	1 310 992
Add: Receipts	**2 200**	2 700
Net investment income	**287 724**	250 844
	289 924	253 544
Less: Payments	**63 250**	56 550
Funds Under Management at 30 June	**1 734 660**	1 507 986

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**1 734 660**	1 507 986
Funds Under Management at 30 June	**1 734 660**	1 507 986

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**590 939**	505 915
International equities	**548 605**	506 660
Property	**176 056**	143 010
Inflation linked bonds	**133 147**	129 414
Fixed interest	**79 372**	65 643
Diversified strategies income	**63 892**	55 696
Diversified strategies growth	**70 289**	51 691
Cash	**72 360**	54 968
Other assets	**-**	400
	1 734 660	1 513 397
Less: Liabilities	**-**	5 411
Funds Under Management at 30 June	**1 734 660**	1 507 986

(c) South Australian Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**594 511**	495 373
Add: Receipts	**9 700**	9 484
Net investment income	**115 538**	96 704
	125 238	106 188
Less: Payments	**8 700**	7 051
Funds Under Management at 30 June	**711 049**	594 510

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
High growth	**19 639**	12 986
Growth	**672 837**	569 797
Balanced	**10 313**	5 756
Moderate	**1 673**	-
Conservative	**4 769**	3 837
Capital defensive	**1 403**	1 723
Cash	**415**	411
Funds Under Management at 30 June	**711 049**	594 510

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**241 318**	198 579
International equities	**223 823**	198 872
Property	**71 879**	56 049
Inflation linked bonds	**54 099**	50 407
Fixed interest	**34 504**	27 536
Diversified strategies income	**26 485**	22 240
Diversified strategies growth	**28 875**	20 434
Cash	**30 066**	22 355
Other Assets	**-**	162
	711 049	596 634
Less: Liabilities	**-**	2 124
Funds Under Management at 30 June	**711 049**	594 510

(d) Southern State Superannuation Scheme - Employers Funds

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**3 747 453**	2 946 303
Add: Receipts	**292 700**	262 000
Net investment income	**694 680**	539 150
	987 380	801 150
Less: Payments	**-**	-
Funds Under Management at 30 June	**4 734 833**	3 747 453

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
High growth	**336 381**	237 588
Growth	**110 830**	66 609
Balanced	**4 236 190**	3 389 049
Moderate	**1 681**	-
Conservative	**40 711**	44 838
Capital defensive	**4 679**	3 053
Cash	**4 361**	6 316
Funds Under Management at 30 June	**4 734 833**	3 747 453

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**1 448 501**	1 121 319
International equities	**1 332 644**	1 123 386
Property	**439 559**	318 210
Inflation linked bonds	**469 880**	338 286
Fixed interest	**470 144**	439 039
Diversified strategies income	**180 786**	144 334
Diversified strategies growth	**197 036**	131 026
Cash	**196 283**	143 129
Other Assets	**-**	1 033
	4 734 833	3 759 762
Less: Liabilities	**-**	12 309
Funds Under Management at 30 June	**4 734 833**	3 747 453

(e) Southern State Superannuation Fund

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**755 623**	529 279
Add: Receipts	**174 525**	124 125
Net investment income	**148 188**	102 219
	322 713	226 344
Less: Payments	**-**	-
Funds Under Management at 30 June	**1 078 336**	755 623

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	$'000	$'000
High growth	**164 706**	106 424
Growth	**42 843**	23 299
Balanced	**825 322**	590 436
Moderate	**2 069**	-
Conservative	**31 998**	27 687
Capital defensive	**2 436**	1 485
Cash	**8 962**	6 292
Funds Under Management at 30 June	**1 078 336**	755 623

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	$'000	$'000
Australian equities	**332 713**	227 375
International equities	**305 795**	227 783
Property	**100 393**	63 831
Inflation linked bonds	**97 984**	63 413
Fixed interest	**102 136**	84 574
Diversified strategies income	**42 353**	30 393
Diversified strategies growth	**45 270**	26 760
Cash	**51 692**	33 742
Other Assets	**-**	242
	1 078 336	758 113
Less: Liabilities	**-**	2 490
Funds Under Management at 30 June	**1 078 336**	755 623

(f) Southern State Superannuation Scheme - Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**45 839**	3 551
Add: Receipts	**63 221**	39 803
Net investment income	**11 578**	2 860
	74 799	42 663
Less: Payments	**1 338**	375
Funds Under Management at 30 June	**119 300**	45 839

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	$'000	$'000
High growth	**10 629**	1 245
Growth	**25 401**	10 234
Balanced	**60 703**	26 135
Moderate	**4 584**	-
Conservative	**10 368**	4 851
Capital defensive	**2 231**	1 198
Cash	**5 384**	2 176
Funds Under Management at 30 June	**119 300**	45 839

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**41 100**	14 744
International equities	**26 442**	10 555
Property	**10 510**	3 656
Inflation linked bonds	**11 490**	4 410
Fixed interest	**14 648**	6 398
Diversified strategies income	**4 349**	1 569
Diversified strategies growth	**2 429**	663
Cash	**9 622**	3 964
Other Assets	**-**	28
	120 590	45 987
Less: Liabilities	**1 290**	148
Funds Under Management at 30 June	**119 300**	45 839

(g) Southern State Superannuation Scheme - Super SA Allocated Pension

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**20 936**	2 279
Add: Receipts	**22 393**	17 553
Net investment income	**5 615**	1 257
	28 008	18 810
Less: Payments	**370**	153
Funds Under Management at 30 June	**48 574**	20 936

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
High growth	**1 546**	294
Growth	**7 542**	3 019
Balanced	**31 448**	13 989
Moderate	**1 627**	-
Conservative	**4 665**	2 559
Capital defensive	**1 088**	914
Cash	**658**	161
Funds Under Management at 30 June	**48 574**	20 936

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**16 549**	6 770
International equities	**10 575**	4 840
Property	**4 261**	1 701
Inflation linked bonds	**5 196**	2 193
Fixed interest	**6 764**	3 403
Diversified strategies income	**1 735**	728
Diversified strategies growth	**904**	283
Cash	**2 436**	1 077
Other Assets	**154**	8
	48 574	21 003
Less: Liabilities	**-**	67
Funds Under Management at 30 June	**48 574**	20 936

(h) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**137 638**	134 569
Add: Receipts	**3 516**	3 801
Net investment income	**26 613**	25 748
	30 129	29 549
Less: Payments	**23 480**	26 480
Funds Under Management at 30 June	**144 287**	137 638

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
High growth	**595**	-
Growth	**142 919**	137 437
Balanced	**595**	56
Capital defensive	**178**	145
Funds Under Management at 30 June	**144 287**	137 638

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**49 112**	46 138
International equities	**45 587**	46 206
Property	**14 633**	13 046
Inflation linked bonds	**11 069**	11 827
Fixed interest	**6 668**	6 042
Diversified strategies income	**5 323**	5 080
Diversified strategies growth	**5 851**	4 714
Cash	**6 044**	5 043
Other Assets	**-**	36
	144 287	138 132
Less: Liabilities	**-**	494
Funds Under Management at 30 June	**144 287**	137 638

(i) Judges' Pension Scheme

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**134 512**	128 883
Add: Receipts	**3 370**	3 530
Net investment income	**25 900**	24 629
	29 270	28 159
Less: Payments	**18 300**	22 530
Funds Under Management at 30 June	**145 482**	134 512

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**145 482**	134 512
Funds Under Management at 30 June	**145 482**	134 512

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**49 561**	45 128
International equities	**46 010**	45 194
Property	**14 765**	12 756
Inflation linked bonds	**11 166**	11 544
Fixed interest	**6 657**	5 855
Diversified strategies income	**5 358**	4 968
Diversified strategies growth	**5 898**	4 611
Cash	**6 067**	4 903
Other Assets	**-**	36
	145 482	134 995
Less: Liabilities	**-**	483
Funds Under Management at 30 June	**145 482**	134 512

(j) Governors' Pension Scheme

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**763**	733
Add: Receipts	**-**	-
Net investment income	**139**	135
	139	135
Less: Payments	**110**	105
Funds Under Management at 30 June	**792**	763

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**792**	763
Funds Under Management at 30 June	**792**	763

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**270**	256
International equities	**251**	256
Property	**80**	72
Inflation linked bonds	**61**	65
Fixed interest	**36**	33
Diversified strategies income	**29**	28
Diversified strategies growth	**32**	26
Cash	**33**	28
	792	764
Less: Liabilities	**-**	1
Funds Under Management at 30 June	**792**	763

(k) South Australian Ambulance Superannuation Scheme

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**-**	-
Add: Receipts	**103 377**	-
Net investment income	**17 113**	-
	120 490	-
Less: Payments	**3 110**	-
Funds Under Management at 30 June	**117 380**	-

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Balanced	**117 380**	-
Funds Under Management at 30 June	**117 380**	-

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**42 462**	-
International equities	**27 047**	-
Property	**10 908**	-
Inflation linked bonds	**12 724**	-
Fixed interest	**15 017**	-
Diversified strategies income	**4 424**	-
Diversified strategies growth	**2 304**	-
Cash	**3 960**	-
	118 846	-
Less: Liabilities	**1 466**	-
Funds Under Management at 30 June	**117 380**	-

(l) Police Superannuation Fund - Employer Contribution Account

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**377 181**	290 446
Add: Receipts	**39 510**	37 109
Net investment income	**79 963**	57 781
	116 473	94 890
Less: Payments	**14 540**	8 155
Funds Under Management at 30 June	**479 114**	377 181

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**479 114**	377 181
Funds Under Management at 30 June	**479 114**	377 181

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**163 217**	126 541
International equities	**151 525**	126 727
Property	**48 627**	35 770
Inflation linked bonds	**36 775**	32 369
Fixed interest	**21 923**	16 418
Diversified strategies income	**17 647**	13 931
Diversified strategies growth	**19 414**	12 930
Cash	**19 986**	13 749
Other assets	**-**	100
	479 114	378 535
Less: Liabilities	**-**	1 354
Funds Under Management at 30 June	**479 114**	377 181

(m) Police Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**21 531**	17 008
Add Receipts	**1 045**	1 195
Net investment income	**4 133**	3 388
	5 178	4 583
Less: Payments	**360**	60
Funds Under Management at 30 June	**26 349**	21 531

Statement of Funds Under Management - by Investment Option

	2007	2006
Investment Option:	**$'000**	$'000
Growth	**26 349**	21 531
Funds Under Management at 30 June	**26 349**	21 531

Statement of Funds Under Management - by Asset Sector

	2007	2006
Asset Sector:	**$'000**	$'000
Australian equities	**8 976**	7 223
International equities	**8 333**	7 234
Property	**2 674**	2 042
Inflation linked bonds	**2 022**	1 848
Fixed interest	**1 206**	937
Diversified strategies income	**971**	795
Diversified strategies growth	**1 068**	738
Cash	**1 099**	785
Other assets	**-**	6
	26 349	21 608
Less: Liabilities	**-**	77
Funds Under Management at 30 June	**26 349**	21 531

(n) Police Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2007	2006
	$'000	$'000
Funds under Management at 1 July	**342 640**	288 297
Add: Receipts	**2 200**	495
Net investment income	**66 062**	55 788
	68 262	56 283
Less: Payments	**5 365**	1 940
Funds Under Management at 30 June	**405 537**	342 640

Statement of Funds Under Management - by Investment Option

	2007 $'000	2006 $'000
Investment Option:		
Growth	**405 537**	342 640
Funds Under Management at 30 June	**405 537**	342 640

Statement of Funds Under Management - by Asset Sector

	2007 $'000	2006 $'000
Asset Sector:		
Australian equities	**138 152**	114 952
International equities	**128 255**	115 122
Property	**41 159**	32 494
Inflation linked bonds	**31 128**	29 405
Fixed interest	**18 556**	14 915
Diversified strategies income	**14 937**	12 655
Diversified strategies growth	**16 433**	11 746
Cash	**16 917**	12 490
Other assets	**-**	91
	405 537	343 870
Less: Liabilities	**-**	1 230
Funds Under Management at 30 June	**405 537**	342 640

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

Statement of Receipts and Payments

	2007 $'000	2006 $'000
Funds under Management at 1 July	**-**	
Add: Receipts	**277 318**	-
Net investment income	**1 766**	-
	279 084	-
Less: Payments	**-**	-
Funds Under Management at 30 June	**279 084**	-

Statement of Funds Under Management - by Investment Option

	2007 $'000	2006 $'000
Investment Option:		
Growth	**279 084**	-
Funds Under Management at 30 June	**279 084**	-

Statement of Funds Under Management - by Asset Sector

	2007 $'000	2006 $'000
Asset Sector:		
Australian equities	**95 059**	-
International equities	**88 424**	-
Property	**28 289**	-
Inflation linked bonds	**21 367**	-
Fixed interest	**12 741**	-
Diversified strategies income	**10 263**	-
Diversified strategies growth	**11 315**	-
Cash	**11 626**	-
Funds Under Management at 30 June	**279 084**	-

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2007

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