

SOUTH AUSTRALIA

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

Second Session, Fifty-First Parliament

Part B: Agency Audit Reports

Volume V

By Authority: T. Goodes, Government Printer, South Australia

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

Volumes I, II, III, IV and V.....	1
Accounts of Public Authorities	1
2007 World Police and Fire Games Corporation	3
Adelaide Convention Centre Corporation	4
Adelaide Entertainments Corporation	20
Adelaide Festival Centre Trust.....	40
Adelaide Festival Corporation.....	59
Administrative and Information Services — Department for	69
Art Gallery Board	109
Attorney-General’s Department	127
Public Trustee.....	185
Residential Tenancies Fund.....	176
Auditor-General’s Department	239
Correctional Services — Department for.....	254
Courts Administration Authority	278

VOLUME II

Education and Children’s Services — Department of	307
Environment and Heritage — Department for.....	357
Environment Protection Authority	398
Families and Communities — Department for.....	422
Flinders University of South Australia.....	465
Further Education, Employment, Science and Technology — Department of.....	510
Health — Department of	535
HomeStart Finance.....	580
Judges’ Pensions Scheme.....	613
Land Management Corporation	621
Legal Services Commission.....	623

VOLUME III

Libraries Board of South Australia	641
Local Government Finance Authority of South Australia.....	660
Lotteries Commission of South Australia	677
Motor Accident Commission.....	704
Museum Board.....	730
Parliamentary Superannuation Scheme.....	746
Police Superannuation Scheme	757
Port Adelaide Maritime Corporation.....	770

**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

Premier and Cabinet — Department of the	788
Primary Industries and Resources — Department of	823
SA Ambulance Service Inc	879
South Australia Police	902
South Australian Aboriginal Housing Authority	938
South Australian Asset Management Corporation	957
South Australian Community Housing Authority	970

VOLUME IV

South Australian Country Fire Service	995
South Australian Fire and Emergency Services Commission	1015
South Australian Forestry Corporation	1044
South Australian Government Financing Authority	1073
South Australian Housing Trust	1105
South Australian Metropolitan Fire Service	1138
South Australian Motor Sport Board	1159
South Australian State Emergency Service	1176
South Australian Superannuation Board	1194
South Australian Ambulance Service Superannuation Scheme	1197
South Australian Superannuation Scheme	1207
Southern State Superannuation Scheme	1225
South Australian Tourism Commission	1241
South Australian Water Corporation	1260
State Electoral Office	1298
Superannuation Funds Management Corporation of South Australia	1311

VOLUME V

Trade and Economic Development — Department of	1339
TransAdelaide	1364
Transport, Energy and Infrastructure — Department for	1393
Treasury and Finance — Department of	1461
University of Adelaide	1504
University of South Australia	1551
Water, Land and Biodiversity Conservation — Department of	1592

Appendix

Treasurer's Financial Statements (Statements A-L)	
---	--

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

ACRONYMS

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

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

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

Agency	Matter	Page
Adelaide Festival Centre Trust	Catering Arrangements.....	42
	Control Environment	41
	Procurement Authority.....	42
	Requirement for a Charter and Performance Statement	42
Administrative and Information Services — Department for	Transfer of Employees and Functions.....	69
Attorney-General's Department	Changes to Functions and Structure	127
	Office of the Liquor and Gambling Commissioner	129
	Purchasing Cards	129
	Residential Tenancies Fund	128
	Retail Shop Leases Fund	129
	SACREDD DNA Database System	130
Courts Administration Authority	Budget Process	280
	Delegations of Authority	280
	Public, Private Partnership.....	282
	Risk Management.....	279
	Strategic and Business Planning.....	279
Education and Children's Services — Department of	Controls over Processing Expenditure	312
	Fee-Paying Overseas Students.....	309
	Maintenance.....	313
	Payroll	310
	Procurement.....	313
	Provision of Grants.....	309
Environment and Heritage — Department for	Fixed Assets - Accounting for Crown Land	359
	Qualified Auditor's Opinion	358
Families and Communities — Department for	Accounts Payable	427
	Administration of Concessions	425
	Changes to Function and Structure.....	423
	Common Ground Initiative	431
	DFC Budgetary Position and Cost Pressures.....	431
	Funding to NGOs.....	424
	Payroll	427
	Travel Expenditure	428
Flinders University of South Australia	Expenditure.....	466
	Payroll	466
Further Education, Employment, Science and Technology — Department of	Financial Management Reporting.....	512
	Hourly Paid Instructors	513
	Payroll	513
	Procurement.....	514
	Risk Management.....	512

Agency	Matter	Page
Health — Department of	Accounts Payable	542
	Changes to Country Health Services	546
	Financial Management Improvement Project	545
	Funding to Non-Government Organisations	540
	Legal Compliance Framework	538
	Modbury Hospital	546
	Payroll	541
	Risk Management	537
HomeStart Finance	Asset Quality – Non-Accrual Loans	586
	Asset Quality – Credit Risk	584
	Bad and Impaired Loans Expense	583
	Distributions to Government.....	586
	General Reserve for Credit Losses	585
	Loans and Advances.....	584
	Net Interest Income	582
	Provisions for Impairment	585
Judges’ Pensions Scheme	Transfer of \$12 million to the Consolidated Account	614
Land Management Corporation	Status of the Financial Report.....	621
Local Government Finance Authority of South Australia	Guarantee by the Treasurer	660
	Qualified Auditor’s Opinion	661
Lotteries Commission of South Australia	Distributions to Government.....	680
	Sales Revenue.....	679
	Unclaimed Prizes and Additional Prizes	681
Motor Accident Commission	Investment Result.....	708
	Investments.....	709
	Operating Result.....	708
	Outstanding Claims	709
	Solvency Level	710
	Underwriting Result.....	707
Parliamentary Superannuation Scheme	Transfer of \$18 million to the Consolidated Account	748
Police Superannuation Scheme	Liability for Accrued Benefits	760
Port Adelaide Maritime Corporation	Defence SA	774
	Navy’s Air Warfare Destroyers (AWD) project.....	773
	Techport Australia.....	773
Premier and Cabinet — Department of the	Changes in Organisational Arrangements	788
	Protocol Unit	789
	SafeWork SA - Health and Safety Workplace Partnership Programme	790
Primary Industries and Resources — Department of	Changes to Functions and Structure	823
	Expenditure	824
	Review of Petroleum and Mining Revenue	826
Public Trustee	Sale of Public Trustee Building	186
SA Ambulance Service Inc	Ambulance Cover Scheme.....	884
	Payroll Related Matters.....	880
South Australia Police	Expiation Fees	906
	Public, Private Partnerships – Police Facilities	907
South Australian Aboriginal Housing Authority	Changes to Functions and Structure	938
	Status of Matters Raised in Previous Years Audit.....	940
South Australian Community Housing Authority	Changes to Functions and Structure	971
	Contributions from Community Housing Organisations.....	974
	Unauthorised Sale of Property	972

Agency	Matter	Page
South Australian Fire and Emergency Services Commission	Accounting Systems and Processes	1017
	Community Emergency Services Fund	1018
	Legislative Compliance and Governance Arrangements	1017
South Australian Forestry Corporation	Growing Timber Valuation	1047
	Qualified Auditor's Opinion	1046
South Australian Government Financing Authority	Capital and Distributions	1077
	Changes to Functions and Structure	1074
	Common Public Sector Interest Rate (CPSIR)	1078
South Australian Housing Trust	Accounts Payable	1108
	Affordable Housing Innovations Fund	1110
	Changes to Function and Structure	1105
	Financial Delegations	1107
	Inventory and Fixed Asset Work in Progress	1107
	Maintenance Expenditure	1109
	Rent	1108
South Australian Metropolitan Fire Service	Budgetary Control	1140
	Risk Management	1140
	Strategic and Business Planning	1140
South Australian Motor Sport Board	Qualified Auditor's Opinion	1161
	Victoria Park (Bakkabakkandi) Masterplan	1163
South Australian State Emergency Service	Cash Management	1178
	Risk Management	1178
	Strategic and Business Planning	1178
South Australian Superannuation Board	South Australian Ambulance Service Superannuation Scheme	1195
South Australian Superannuation Scheme	Estimated Liability for Accrued Benefits	1209
South Australian Water Corporation	Capital Planning and Project Management	1263
	Contributions to the State Government	1269
Southern State Superannuation Scheme	Contribution Revenue	1227
Superannuation Funds Management Corporation of South Australia	Asset Allocation	1315
	Funds Under Management	1314
	Income from Investments	1315
	Net Income Earned from Investment Activities	1316
Trade and Economic Development — Department of	Defence SA	1342
TransAdelaide	Contract Income - Financial Dependence	1368
	Joint Venture Relationship	1370
Transport, Energy and Infrastructure — Department for	Building Management	1399
	Changes to Functions and Structure	1394
	Expensing of Exclusions	1396
	Information Technology Strategy and Management	1400
	Network Assets	1396
	Payroll	1397
	Qualified Auditor's Opinion	1395
	Rail Contract Management	1397
Treasury and Finance — Department of	Accrual Appropriation Excess Funds Account	1465
	Appropriation Disbursement Error	1465
	Changes to Structure	1462
University of Adelaide	Corporate Governance	1505
	Payroll	1506
	Procurement and Accounts Payable	1505

Agency	Matter	Page
University of South Australia	Government Grant Funding	1553
	Qualified Auditor's Opinion	1553
Water, Land and Biodiversity Conservation – Department of	Administered Grant Programs.....	1601
	Budgetary Management.....	1595
	Control Environment	1593
	Fixed Assets - Control and Recognition	1601
	Natural Resources Management Boards and Natural Resources Management Fund	1600
	Natural Resources Management Fund	1595
	Net Result.....	1598
	Payments from Administered Grant Funds.....	1596
	Save the River Murray Fund	1601
	Specific Control Matters	1594
	Water Information Licensing Management Application	1596

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

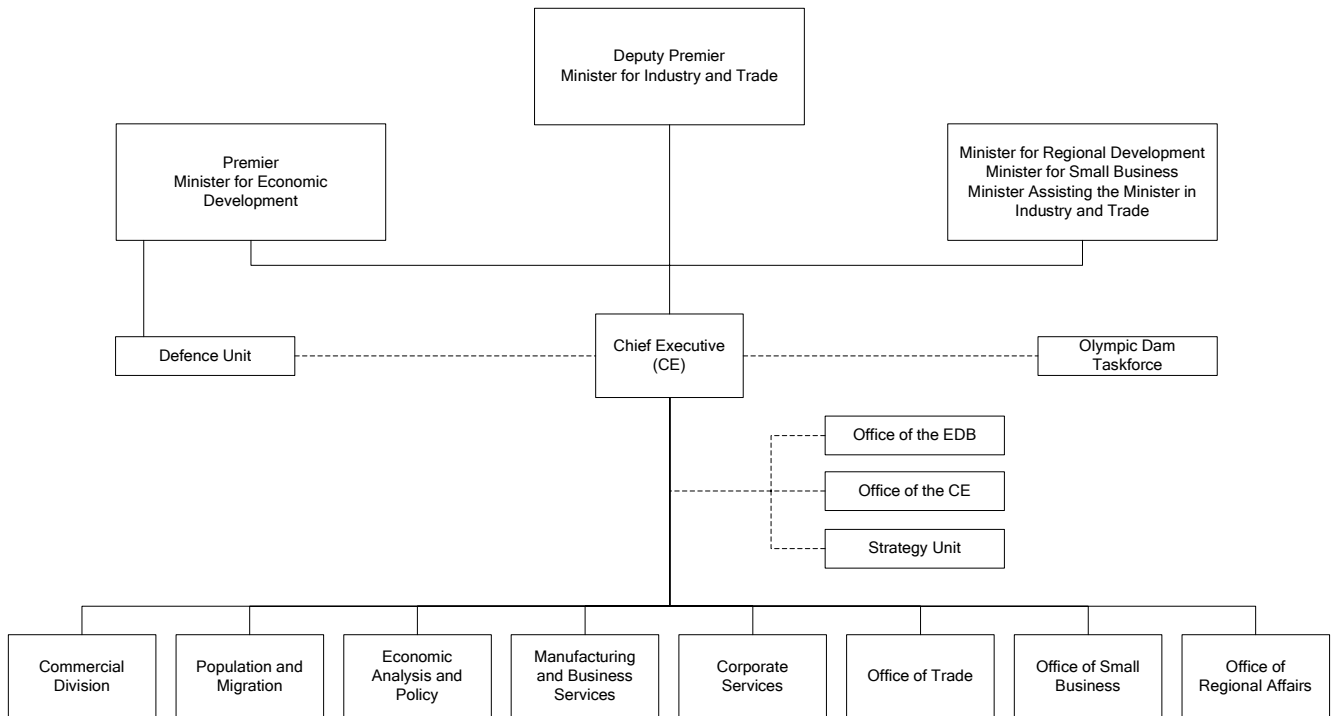
The Department of Trade and Economic Development (the Department) is an Administrative Unit established under the PSMAct.

Functions

The function of the Department is to promote economic development in the State by working with business and the community to create and retain jobs, maintain a competitive business climate, increase investment, facilitate major projects, encourage innovation and entrepreneurship, promote trade and ensure the development of a highly skilled work force to meet the needs of business. It also supports the role of the Economic Development Board (EDB).

Structure

The structure of the Department at 30 June 2007 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

During 2006 07, specific areas of audit attention included:

- cash at bank
- revenue collection
- expenditure
- grants and subsidies
- payroll and related payments
- fixed assets
- financial accounting
- Financial Management Framework 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 Department of Trade and Economic Development as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

The audit of the Department identified areas in which it was considered control practices and procedures could be enhanced and the recommendations for improvement were raised with the Chief Executive.

The main areas for improvement in the control environment raised with the Department were:

- the lack of consistency in use of requisitions and purchase orders to document purchasing transactions before entering commitments to purchase;
- the need to ensure purchases of all goods and services are authorised prior to the committal of financial resources.

The Department's responses to the matters raised were considered satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Interest revenues	0.1	1.3	n/a
Other	3.0	2.0	50
Total Income	3.1	3.3	(6)
EXPENSES			
Employee benefit expenses	17.3	16.1	7
Supplies and services	22.9	22.6	1
Grants and subsidies	22.8	23.3	(2)
Other expenses	0.7	0.3	-
Total Expenses	63.7	62.3	2

	2007	2006	Percentage
	\$'million	\$'million	Change
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	62.1	46.3	34
Payments to SA Government	(2.0)	-	n/a
Net Result before Restructuring	(0.5)	(12.7)	96.0
Net Expenses from administrative restructure	-	(6.2)	n/a
Net Result after Restructuring	(0.5)	(18.9)	97
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	3.1	9.6	n/a
ASSETS			
Current assets	29.6	28.2	5
Non-current assets	6.9	6.1	13
Total Assets	36.5	34.3	6
LIABILITIES			
Current liabilities	4.7	2.8	68
Non-current liabilities	2.4	1.6	50
Total Liabilities	7.1	4.4	61
EQUITY	29.4	29.9	(2)

Income Statement

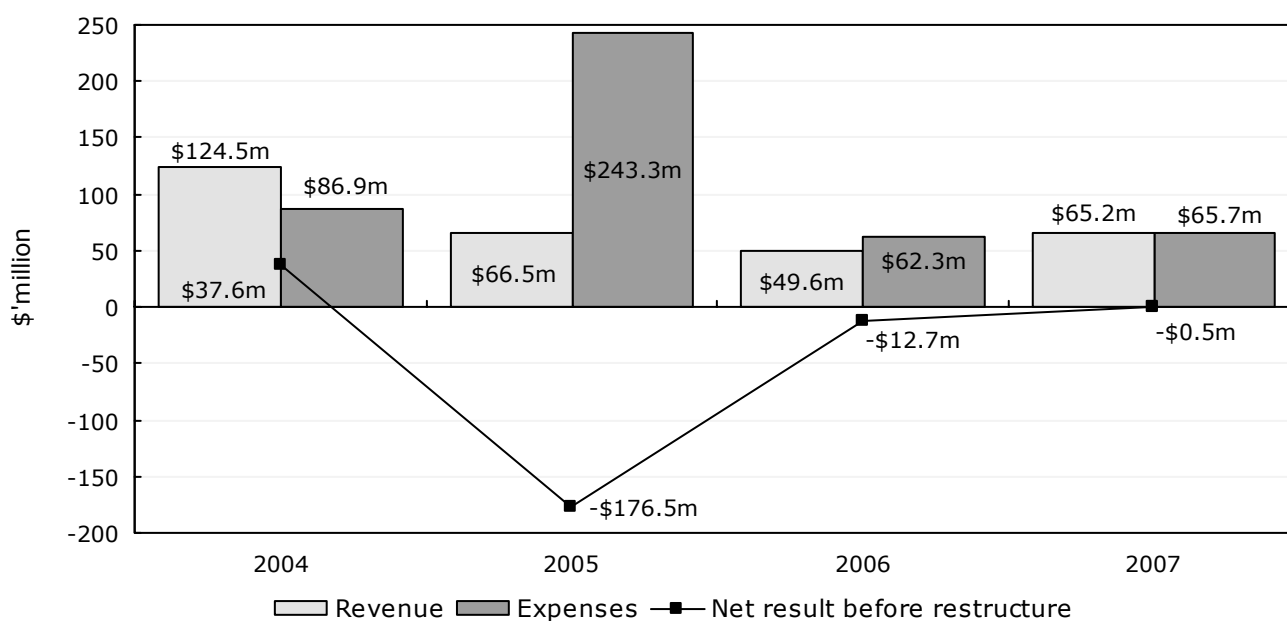
Revenues from (Payments to) SA Government

The reduction in the net deficit result before restructure from \$12.7 million to \$530 000 results from the increased revenue appropriation of \$15.8 million from Government for 2006-07.

In addition during 2006-07 the Department was required to pay \$2 million to the Treasurer in accordance with the Cash Alignment Policy.

Net Cost of Providing Services

The following chart shows the operating revenues, operating expenses and net result for the four years to 2007. The expenses for 2005 included the write-off of \$101.3 million from the balance of interest free loans.



Cash Flow Statement

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

	2007	2006
	\$'million	\$'million
Net Cash Flows		
Operations	3.1	(9.6)
Investing	0.6	1.8
Change in Cash	3.7	(7.8)
Cash at 30 June	17.8	14.1

The analysis of cash flows shows that the Department's cash reserves have increased due mainly to the increase in receipts from Government.

FURTHER COMMENTARY ON OPERATIONS

Defence SA

A new administrative unit, titled Defence SA, has been established with effect from 1 September 2007, pursuant to section 7 of the PSMAct.

The new administrative entity will subsume the Defence Unit investment facilitation and marketing activities of the Department and the existing operations of Port Adelaide Maritime Corporation (PAMC).

Defence SA will be responsible for:

- facilitating the development and growth of a sustainable defence industry in South Australia based on existing, created and new market opportunities in accordance with South Australia's Strategic Plan objectives;
- advising and delivering strategy and policy required to deliver defence industry growth in South Australia;
- delivering the State Government commitments in support of defence industry growth in South Australia.

An advisory Board will be established replacing the Defence Industry Advisory Board and the Corporation's Board.

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

	Note	2007	2006
		\$'000	\$'000
EXPENSES:			
Employee benefit expenses	6	17 296	16 112
Supplies and services	7	22 927	22 605
Finance costs		403	-
Depreciation	8	303	287
Grants and subsidies	9	22 754	23 300
Other expenses	10	9	-
Total Expenses		63 692	62 304
INCOME:			
Interest revenues	13	90	1 264
Net gain (loss) from disposal of assets	14	(121)	6
Recoveries	15	3 112	2 040
Total Income		3 081	3 310
NET COST OF PROVIDING SERVICES		(60 611)	(58 994)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	62 106	46 268
Payments to SA Government	16	(2 025)	-
Net Result Before Restructure		(530)	(12 726)
Net expenses from an administrative restructure	26	-	(6 203)
NET RESULT AFTER RESTRUCTURE		(530)	(18 929)

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

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash	17	17 792	14 073
Receivables	18	11 623	12 830
Financial assistance debtors	19	98	143
Other assets	20	104	58
		29 617	27 104
Non-current assets classified as held for sale	21	-	1 099
Total Current Assets		29 617	28 203
NON-CURRENT ASSETS:			
Receivables	18	5 272	4 546
Financial assistance debtors	19	720	791
Other assets	20	3	-
Property, plant and equipment	22	849	790
Total Non-Current Assets		6 844	6 127
Total Assets		36 461	34 330
CURRENT LIABILITIES:			
Payables	23	3 006	1 357
Short-term employee benefits	24	1 696	1 376
Short-term provisions	25	34	32
Total Current Liabilities		4 736	2 765
NON-CURRENT LIABILITIES:			
Payables	23	198	138
Long-term employee benefits	24	2 066	1 443
Long-term provisions	25	94	87
Total Non-Current Liabilities		2 358	1 668
Total Liabilities		7 094	4 433
NET ASSETS		29 367	29 897
EQUITY:			
Retained earnings		29 367	29 133
Asset revaluation reserve		-	764
TOTAL EQUITY		29 367	29 897

Total Equity is attributable to the SA Government as owner

Commitments for expenditure	27
Contingent assets and liabilities	28

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

	Asset		Total \$'000
	Revaluation Reserve \$'000	Retained Earnings \$'000	
	Balance at 30 June 2005	-	
Restated balance at 30 June 2005	-	50 367	50 367
Net income/expense recognised directly in equity for 2005-06	-	(12 726)	(12 726)
Net expense from an administrative restructure	-	(6 203)	(6 203)
Total Recognised Income and Expense for 2005-06	-	(18 929)	(18 929)
Increment (decrement) on revaluation of			
Non-current assets	764	-	764
Prior period adjustments	-	(2 305)	(2 305)
Balance at 30 June 2006	764	29 133	29 897
Net income/expense recognised directly in equity for 2006-07	-	(530)	(530)
Total Recognised Income and Expense for 2006-07	-	(530)	(530)
Increment (decrement) on revaluation of:			
Non-current assets	(764)	764	-
Balance at 30 June 2007	-	29 367	29 367

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

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	
Employee benefit payments	(16 391)	(15 998)
Supplies and services	(21 126)	(22 844)
Grants and subsidies	(22 754)	(23 110)
Finance costs	(403)	-
GST payments on purchases	(4 776)	(4 365)
GST remitted to Australian Taxation Office	(375)	(277)
Cash used in Operations	(65 825)	(66 594)
CASH INFLOWS:		
Interest received	110	1 331
GST recovered from Australian Taxation Office	5 019	3 676
GST receipts on receivables	349	300
Repayment of financial assistance	305	548
Receipts for restructured activities	-	197
Other receipts	3 064	4 710
Cash generated from Operations	8 847	10 762
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	62 106	46 268
Payments to SA Government	(2 025)	-
Cash generated from SA Government	60 081	46 268
Net Cash provided by (used) in Operating Activities	3 103	(9 564)
	30	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(8 393)	(414)
Cash used in Investing Activities	(8 393)	(414)
CASH INFLOWS:		
Proceeds from the sale of property, plant and equipment	9 009	2 183
Cash generated from Investing Activities	9 009	2 183
Net Cash provided by Investing Activities	616	1 769
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings	(8 878)	-
Cash used in Financing Activities	(8 878)	-
CASH INFLOWS:		
Proceeds from borrowings	8 878	-
Cash generated from Financing Activities	8 878	-
Net Cash provided by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH	3 719	(7 795)
CASH AT 1 JULY	14 073	21 868
CASH AT 30 JUNE	17 792	14 073
	17,30	

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

	(refer Note 5)	Program				
		1	2	3	4	5
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses		2 297	718	2 702	1 684	1 646
Supplies and services		1 214	2 417	1 896	5 285	2 082
Finance costs		-	-	-	-	-
Depreciation		-	-	-	-	-
Grants and subsidies		709	1 765	3 257	1 565	1 607
Other expenses		-	-	-	-	-
Total Expenses		4 220	4 900	7 855	8 534	5 335
INCOME:						
Interest revenues		-	-	-	21	-
Net gain (loss) from disposal of assets		-	-	-	-	(98)
Recoveries		402	1	341	485	884
Total Income		402	1	341	506	786
NET COST OF PROVIDING SERVICES		(3 818)	(4 899)	(7 514)	(8 028)	(4 549)

	(refer Note 5)	Program				2007
		6	7	8	9	Program Total
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs		4 116	1 274	1 344	1 515	17 296
Supplies and services		5 256	1 435	655	2 687	22 927
Finance costs		403	-	-	-	403
Depreciation		303	-	-	-	303
Grants and subsidies		9	1 410	9 971	2 461	22 754
Other expenses		9	-	-	-	9
Total Expenses		10 096	4 119	11 970	6 663	63 692
INCOME:						
Interest revenues		69	-	-	-	90
Net gain (loss) from disposal of assets		(23)	-	-	-	(121)
Recoveries		669	228	39	63	3 112
Total Income		715	228	39	63	3 081
NET COST OF PROVIDING SERVICES		(9 381)	(3 891)	(11 931)	(6 600)	(60 611)

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

	(refer Note 5)	Program				
		1	2	3	4	5
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expense		2 044	726	2 622	1 613	1 058
Supplies and services		695	3 136	2 265	4 732	887
Finance costs		-	-	-	-	-
Depreciation		-	-	-	-	-
Grants and subsidies		2 022	2 970	2 706	1 931	343
Other expenses		-	-	-	-	-
Total Expenses		4 761	6 832	7 593	8 276	2 288
INCOME:						
Interest revenues		-	-	-	10	-
Net gain (loss) from disposal of assets		-	-	-	37	-
Recoveries		151	345	174	75	19
Total Income		151	345	174	122	19
NET COST OF PROVIDING SERVICES		(4 610)	(6 487)	(7 419)	(8 154)	(2 269)

	(refer Note 5)	Program				2006
		6	7	8	9	Program Total
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expense		4 581	1 214	1 105	1 149	16 112
Supplies and services		5 309	1 809	540	3 232	22 605
Finance costs		-	-	-	-	-
Depreciation		287	-	-	-	287
Grants and subsidies		35	2 721	8 493	2 079	23 300
Other expenses		-	-	-	-	-
Total Expenses		10 212	5 744	10 138	6 460	62 304
INCOME:						
Interest revenues		1 254	-	-	-	1 264
Net gain (loss) from disposal of assets		(31)	-	-	-	6
Recoveries		1 073	115	59	29	2 040
Total Income		2 296	115	59	29	3 310
NET COST OF PROVIDING SERVICES		(7 916)	(5 629)	(10 079)	(6 431)	(58 994)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED) will facilitate the long-term sustainable economic development of South Australia by working in partnership with industry and other stakeholders, and provide leadership across government on economic development.

DTED's key objectives are:

- maintain an internationally competitive business environment;
- increase business investment and facilitate major projects;
- foster the development of innovative, globally competitive businesses;
- increase international trade;
- develop a vibrant and entrepreneurial small business sector;
- ensure the supply of a highly skilled workforce to meet the needs of business;
- build sustainable communities in regional South Australia;
- deliver highly valued services and advice to government and industry;
- develop an organisational environment that is consistent with our guiding principles and enables them to do their business in an effective and efficient way.

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. DTED has early-adopted the amendments to AASB 101. Refer to Note 4.

The preparation of the financial reports requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying DTED's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of Treasurer's Instruction 19 Financial Reporting . 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.

DTED'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 based on a 12 month operating cycle and presented in Australian currency.

(b) Reporting Entity

The entity of DTED operated for the full 12 months ending 30 June 2007 and comprises Departmental activity, the operations of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices.

DTED's financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by DTED in its own right.

(c) Transferred Functions

There are no transferred functions during 2006-07. Refer to Note 26 for financial transactions relating to 2005-06.

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

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

(e) Rounding

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

(f) Taxation

DTED is not subject to income tax. DTED is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents. Income, expenses and assets are recognised net of the amount of GST except:

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

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the ATO are 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 expenses are recognised to the extent that it is probable that the flow of economic benefits to or from DTED 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 (Payments to) SA Government

Appropriations from program funding are recognised as revenues when DTED obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

Contributions Paid

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by DTED and the Commonwealth. There several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by DTED. Assistance packages may involve elements of assistance provided through other government agencies, with DTED assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

Finance Costs

All finance costs are recognised as expenses. Finance costs were paid to the South Australian Government Financing Authority for the purchase of land.

Recoveries

DTED recognises other revenues from the partial and full recovery of costs associated with the delivery of programs.

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. 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, DTED has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(i) Cash

Cash includes cash on hand, cash at bank and deposits held 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) Receivables

Receivables include amounts receivable from trade and other accruals.

Trade receivables arise from the partial or full recovery of costs associated with DTED's delivery of programs. 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 renewed 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 DTED will not be able to collect the debt.

Financial Assistance Debtors

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

(k) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, DTED measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

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

(l) Revaluation of Non-Current Assets

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

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

(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 revaluation reserve.

(n) 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. Depreciation is applied to tangible assets such as property, plant and equipment.

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

(n) Depreciation of Non-Current Assets (continued)

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

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

Land and assets held for sale are not depreciated.

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

<i>Class of Asset</i>	<i>Method</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Straight Line	Life of lease
Computer equipment	Straight Line	3-5
Plant and equipment	Straight Line	5-10
Furniture and fittings	Straight Line	3-10

(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 DTED.

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 had not been received prior to the end of the reporting period.

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

Employee on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. Employee on-costs are settled when respective employee benefits that they relate to are discharged.

DTED 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.

(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 six and a half years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance (DTF) 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 DTED's experience of employee retention and leave taken.

Provisions

Provisions are recognised when DTED has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions (continued)

When DTED 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) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. DTED has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. DTED has entered into an operating lease in relation to premises for its administrative and operating activities.

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

3. Financial Risk Management

DTED has non-interest bearing assets (cash on call and receivables) and liabilities (payables). DTED's exposure to market risk and cash flow interest risk is minimal.

DTED has no significant concentration of credit risk. DTED 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 DTED in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for DTED's administration and programs.

4. Changes in Accounting Policies

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

5. Programs of DTED

DTED has identified nine broad programs that reflect the nature of the services delivered to the South Australian community. These programs and their objectives are:

Program 1: Economic Strategy and Policy Development

The objective of this program is a clear strategic direction for the economic development of South Australia with a focus on 'workforce' and a business environment that is competitive and supports development. This will be achieved by promoting partnerships between industry, the community and other government departments and assessing opportunities and constraints on future growth. It will also assist in developing industry strategies and economic development policies.

Program 2: Defence Industry Development

The objective of this program is to double defence industry contribution to Gross State Product and increase defence employment in the State over the coming decade. To achieve these goals the Defence Unit will focus policy initiatives on detailed plan to help industry take advantage of defence business opportunities. This plan focuses on the four defence sectors - naval, land force, aerospace and electronics, as well as identifying strategic workforce development requirements within the South Australian defence industry.

Program 3: Business Growth

The objective of this program is to promote a competitive and vibrant manufacturing and trade services sector and work with industry and other stakeholders in addressing issues and promoting growth. This will be achieved by promoting the development and uptake of new technologies in partnership with tertiary institutions, facilitating import replacement, and maximising Australian content in major investment projects and developing and implementing the strategy for manufacturing.

Program 4: International Market Development

The objective of this program is to maximise export opportunities for South Australian based companies and to ensure that South Australia's interests are reflected in all trade agreements. This will be achieved by implementing export strategies, disseminating market intelligence, providing business matching services, promoting the value of exports to young South Australians and participating in national trade consultations.

Program 5: Investment Attraction

The objective of this program is to help facilitate major projects and secure new investment in South Australia. This will be achieved by identifying strategic investment opportunities, working across South Australian government to reduce impediments to investing in South Australia and providing high quality services to investors.

Program 6: Corporate Leadership, Governance and Support

The objective of this program is to deliver services that are customer focused, timely and effective and in support of all DTED divisions and offices.

Program 7: Small Business Growth

The objective of the Small Business program is to ensure that small business issues are represented at the State Government level and that their interests are taken into account in the delivery of programs or development of policies. Through partnerships and networks, this program will deliver advice and training on business management and skills, on the ground support in emergencies and the promotion of small business in South Australia.

Program 8: Regional Development

The objective of this program is to improve economic, social and environmental wellbeing in South Australia's regions. This will be achieved by working in partnership with the three spheres of government and local communities, in addition to the enhancement of community and business capacity and the improved coordination of government activities impacting on regions.

Program 9: Population and Migration

The objective of this program is to work in partnership with the Population Advisory Group and other government agencies to meet the targets in 'Prosperity through People - A Population Policy for South Australia'. This will be achieved by encouraging, promoting and supporting increased overseas/interstate migration to South Australia, through positive messages about South Australia's job opportunities, housing affordability, quality education systems, lifestyle and recreational advantages. The Population Policy Unit will also take a lead role across government in 'Prosperity through People - A Population Policy for South Australia'.

6. Employee Benefit Expenses

	Note	2007 \$'000	2006 \$'000
Salaries and wages		12 538	10 984
TVSP (refer below)		-	568
Long service leave		355	419
Annual leave		989	992
Employment on-costs - Superannuation		1 533	1 421
Employment on-costs - Other		996	955
Board fees	29	885	773
Total Employee Expenses		17 296	16 112

TVSPs

Amount paid to these employees:

TVSPs	-	568
Annual leave and long service leave accrued over the period	-	228
	-	796

Recovery from DTF

	-	534
--	---	-----

	2007 Number of Employees	2006 Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	6

Remuneration of Employees

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

\$100 000 - \$109 999	6	9
\$110 000 - \$119 999	9	5
\$120 000 - \$129 999	3	1
\$130 000 - \$139 999	5	3
\$140 000 - \$149 999	1	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	2	1
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	1	1
\$250 000 - \$259 999	1	1
\$260 000 - \$269 999	1	-
Total Number of Employees	30	23

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 \$4.064 million (\$2.997 million).

7. Supplies and Services			2007	2006
Supplies and Services provided by Entities within the SA Government:	Note		\$'000	\$'000
Accommodation and service costs			1 402	1 452
Accounting and audit fees	11		102	106
Advertising			19	8
Business mentoring and coaching			55	30
Communications and information technology expense			607	646
Contractors			108	5
Consultancies (refer below)			27	114
Property outgoings			364	-
Seminar costs (non-staff)			11	28
Staff related expenses			157	50
Travel and related expenses			431	343
Other office administration expenses			825	1 104
Total Supplies and Services - SA Government Entities			4 108	3 886
Supplies and Services provided by Entities external to the SA Government:				
Accommodation and service costs			672	452
Accounting and audit fees			412	164
Advertising			963	1 674
Business mentoring and coaching			779	538
Communications and information technology expense			1 245	963
Contractors			4 809	4 911
Consultancies (refer below)			1 369	1 830
Establishment costs of the Centre for Innovation			-	243
Overseas trade representation			475	591
Seminar costs (non-staff)			197	422
Staff related expenses			766	681
Travel and related expenses			1 622	1 333
Other office administration expenses			5 510	4 917
Total Supplies and Services - Non-SA Government Entities			18 819	18 719
Total Supplies and Services			22 927	22 605
The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to DTED not holding a valid tax invoice or payments related to third party arrangements.				
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:				
	2007	2006	2007	2006
	Number	Number	\$'000	\$'000
Below \$10 000	13	40	54	195
Between \$10 000 and \$50 000	20	28	481	715
Above \$50 000	8	8	861	1 034
Total Paid/Payable to the Consultants Engaged	41	76	1 396	1 944
8. Depreciation			2007	2006
			\$'000	\$'000
Plant and equipment			245	236
Buildings and improvements			58	51
Total Depreciation			303	287
9. Grants and Subsidies				
Grants and Subsidies paid/payable to Entities within the SA Government:				
Class of assistance:				
Industry development			4 945	5 218
Regional development boards			60	-
Other			316	197
Total Grants and Subsidies - SA Government Entities			5 321	5 415
Grants and Subsidies paid/payable to Entities external to the SA Government:				
Class of assistance:				
Industry development			6 987	9 426
Regional development boards			5 180	2 810
Regional infrastructure			4 281	5 080
Other			985	569
Total Grants and Subsidies - Non-SA Government Entities			17 433	17 885
Total Grants and Subsidies			22 754	23 300
10. Other Expenses				
Other Expenses paid/payable to Entities external to the SA Government:				
Bad and doubtful debts			9	-
Total Other Expenses - Non-SA Government Entities			9	-
Total Other Expenses			9	-

11. Auditors' Remuneration		2007	2006
		\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department		102	106
Total Audit Fees		102	106

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

12. Overseas Representative Offices			
The following table provides a summary of the financial transactions for the reporting period. The transactions relating to operating expenses and operating revenues have been included in the financial statements.			

	SATIC	Singapore	Dubai	2007	2006
	\$'000	\$'000	\$'000	Total	Total
				\$'000	\$'000
Operating expenses	1 058	705	769	2 532	2 200
Operating revenues	116	-	92	208	135
Funds advanced to overseas offices towards operating expenses	863	830	573	2 266	2 390

13. Interest Revenues		2007	2006
		\$'000	\$'000
Interest from entities within SA Government		-	1 242
Other - Financial assistance debtors		59	2
Other - Overseas offices		31	20
Total Interest Revenues		90	1 264

Interest on DTED's operating account ceased (effective 1 July 2006) as a result of a change to the Government interest arrangements.

14. Net Gain (Loss) from Disposal of Assets			
Plant and Equipment:			
Proceeds from disposal			9 009
Less: Net book value of assets disposed			9 130
Total Net (Loss) Gain from Disposal of Assets			(121)

15. Recoveries			
Recoveries received/receivable from Entities within the SA Government:			
Recoveries - Shared services			153
Recoveries - Other			569
Total Recoveries - SA Government Entities			722
Recoveries received/receivable from Entities external to the SA Government:			
Sponsorship revenues			45
Recoveries - Rental of property			856
Recoveries - Financial assistance grants			138
Recoveries - Commonwealth programs			315
Recoveries - Seminars			253
Recoveries Other			783
Total Recoveries - Non-SA Government Entities			2 390
Total Recoveries			3 112

16. Revenues from (Payments to) SA Government			
Revenues from SA Government:			
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>			62 106
Total Revenues from SA Government			62 106

Payments to SA Government:			
Return of surplus cash pursuant to cash alignment policy			2 025
Total Payments to SA Government			2 025

Appropriation received in 2006-07 reflects budgeted cash requirements.

17. Cash			
Deposits at call - Westpac			7 856
Deposits with the Treasurer			7 675
Deposits at call - Overseas offices			2 255
Other			6
Total Cash			17 792

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this account is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

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

18. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	10 495	11 732
Less: Provision for doubtful debts	59	437
	1 187	1 515
GST receivable		
Accrued interest on loans and deposits	-	20
Total Current Receivables	11 623	12 830
Non-current receivables	5 272	4 546
Total Non-Current Receivables	5 272	4 546
Total Receivables	16 895	17 376

Government/Non-Government Receivables

Receivables from SA Government Entities:

Receivables	15 593	15 503
Accrued revenues	-	20
Total Receivables from SA Government Entities	15 593	15 523

Receivables from Non-SA Government Entities:

Receivables	115	338
GST receivable	1 187	1 515
Total Receivables from Non-SA Government Entities	1 302	1 853
Total Receivables	16 895	17 376

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment losses) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the provision for Doubtful Debts (Impairment Loss):	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	(437)	(269)
Increase (Decrease) in the provision	369	(168)
Amounts written off	9	-
Carrying Amount at the 30 June	(59)	(437)

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing. 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

DTED has recognised a bad and doubtful debt expense of \$9000 in the Income Statement.

19. Financial Assistance Debtors	2007	2006
Current:	\$'000	\$'000
Financial assistance debtors	494	357
Less: Provision for doubtful debts	396	214
Total Current Financial Assistance Debtors	98	143
Non-Current:		
Financial assistance debtors	3 121	3 192
Less: Provision for doubtful debts	2 401	2 401
Total Non-Current Financial Assistance Debtors	720	791
Total Financial Assistance Debtors	818	934

Financial assistance is provided to non-SA Government entities only.

20. Other Assets	2007	2006
Current:	\$'000	\$'000
Prepayments	104	46
Other	-	12
Total Other Current Assets	104	58
Non-Current:		
Prepayments	3	-
Total Non-Current Assets	3	-
Total Other Assets	107	58

21. Non-Current Assets Classified as Held-for-Sale		
Current:		
Land	-	1 099
Total Non-Current Assets Classified as Held-for-Sale	-	1 099

Three lots of land at Monarto considered surplus to requirements at 30 June 2006 were sold during 2006-07.

22. Property, Plant and Equipment		
Leasehold Improvements:		
Building improvements at fair value	282	256
Accumulated depreciation	(109)	(51)
Total Leasehold Improvements	173	205
Capital Works in Progress:		
Works in progress at cost	205	-
Total Capital Works in Progress	205	-
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	1 200	1 212
Accumulated depreciation	(729)	(627)
Total Plant and Equipment	471	585
Total Property Plant and Equipment	849	790

Impairment

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

Reconciliation of Non-Current Assets

The following table shows the movement of Non-Current Assets during 2006-07.

	Land	Leasehold	Work in	Plant and	2007
	\$'000	Improvmts	Progress	Equipment	Total
		\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	205	-	585	790
Additions	8 000	26	205	162	8 393
Disposals	(8 000)	-	-	(31)	(8 031)
Depreciation	-	(58)	-	(245)	(303)
Carrying Amount at 30 June	-	173	205	471	849

23. Payables	2007	2006
Current:	\$'000	\$'000
Creditors and accrued expenses	2 739	962
GST payable	-	37
Employee on-costs	267	358
Total Current Payables	3 006	1 357
Non-Current:		
Employee on-costs	198	138
Total Non-Current Payables	198	138
Total Payables	3 204	1 495

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors and accrued expenses	507	261
Employee on-costs	465	406
Total Payables to other SA Government Entities	972	667

Payables to Non-SA Government Entities:		
Creditors and accrued expenses	2 232	701
GST payable	-	37
Employee on-costs	-	90
Total Payables to Non-SA Government Entities	2 232	828
Total Payables	3 204	1 495

24. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Accrued salaries and wages	241	207
Annual leave	1 082	894
Short-term long service leave	373	275
Total Current Employee Benefits	1 696	1 376
Non-Current:		
Long service leave	2 066	1 443
Total Non-Current Employee Benefits	2 066	1 443
Total Employee Benefits	3 762	2 819

The total current and non-current employees expense (ie aggregate employee benefit plus related on costs) for 2007 is \$1.963 million \$2.264 million respectively.

Based on an actuarial assessment performed by the DTF, the benchmark for the measurement of long service leave liability has been revised from seven years to six and a half years.

25. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	34	32
Non-Current:		
Provision for workers compensation	94	87
Total Provisions	128	119
Carrying amount at 1 July	119	96
Additional provisions recognised	61	65
Payments/other sacrifices of future economic benefits	(52)	(42)
Carrying Amount at 30 June	128	119

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet (DPC). These claims expected to be settled within the next financial year.

26. Transferred Functions **Comparative Figures**

There were no transferred functions in 2006-07.

A list of assets and liabilities transferred and assumed from other Departments in 2005-06 is detailed herein:

	DTF	DPC	PAMC	PIRSA	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Assets assumed (transferred):					
Cash	-	197	-	-	197
Receivables	(5 483)	-	-	-	(5 483)
Property, plant and equipment	-	4	(688)	(6)	(690)
Total Assets	(5 483)	201	(688)	(6)	(5 976)
Payables	-	(30)	6	-	(24)
Employee benefits	-	(236)	41	-	(195)
Provisions	-	(8)	-	-	(8)
Total Liabilities	-	(274)	47	-	(227)
Net Assets	(5 483)	(73)	(641)	(6)	(6 203)

Summary of Revenue and Expenses

The table below shows the revenue and expenditure from 1 July 2005 to 30 June 2006 relating to functions transferred for DPC and Department of Primary Industries and Resources (PIRSA).

In relation to transferred functions, transactions have only been recorded in the financial statements for the period that DTED had control over the transactions.

For the DPC transfer, transactions from 1 October 2005 to 30 June 2006 have been included in the DTED financial statements. For the PIRSA transfer, transactions from 1 July 2005 to 31 March 2006 have been included in the DTED financial statements.

	DPC	DTED	DTED	PIRSA	Total
	01.07.05 to 30.09.05 \$'000	01.10.05 to 30.06.06 \$'000	01.07.05 to 31.03.06 \$'000	01.04.06 to 30.06.06 \$'000	\$'000
Revenue	-	(28)	(889)	(296)	(1 213)
Expenses	979	4 604	1 079	254	6 916
Total	979	4 576	190	(42)	5 703

27. Commitments for Expenditure	2007	2006
Capital Commitments	\$'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	63	52
Later than one year but not longer than five years	-	63
Total Capital Commitments	63	115

DTED's capital commitments are for software development.

Remuneration Commitments

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

Within one year	4 374	3 842
Later than one year but not longer than five years	4 963	5 832
Total Remuneration Commitments	9 337	9 674

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

Operating Lease Commitments

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

Within one year	1 364	537
Later than one year but not longer than five years	1 970	1 107
Total Operating Lease Commitments	3 334	1 644

Representing:

Cancellable operating leases	378	216
Non-cancellable operating leases	2 956	1 428
	3 334	1 644

DTED's operating leases are for office accommodation and equipment. Office accommodation is leased from the Department for Transport, Energy and Infrastructure - Building Management Accommodation Services. The leases are non-cancellable with terms ranging up to three years with some leases having the right of renewal.

28. Contingent Assets and Liabilities

Contingent Assets

Where specific conditions relating to a financial assistance grant are not met, DTED may request the amount granted be repaid by the grantee.

Contingent assets that may arise from these present obligations are unquantifiable at 30 June 2007.

Transfer of Cast Metal Precinct

In previous years, DTED provided funds for the development of land and building Cast Metal Precinct Stage 2.

In the past, the Cast Metal Precinct Stage 2 land was transferred from the Department for Environment and Heritage to the Land Management Corporation. As at 30 June 2005, DTED recognised a receivable in the balance sheet of \$800 000 with the remaining \$190 000 recognised as a contingent asset. As at 30 June 2007 DTED has recognised a receivable in the balance sheet of \$1 026 000 with no contingent asset recognition.

Contingent Liabilities

Guarantees and Indemnities

DTED has provided indemnities at 30 June 2007 relating to various Industry Assistance packages totalling \$11 200 000.

29. Remuneration of Board and Committee Members

Board and Sitting Fees are paid to some members of the following Boards and Committees:

- Economic Development Board
- Defence Industry Advisory Board
- Manufacturing Consultative Council
- Small Business Development Council
- Regional Communities Consultative Council
- South Australian Export Council

Board fees are not paid to members of the following Boards and Committees:

- Business and Parliamentary Trust

* 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. These members are indicated by an asterisk next to their name.

29. Remuneration of Board and Committee Members (continued)

Members of the Economic Development Board during the financial year were:

David Simmons (Chairman)	John Bastian
Cheryl Bart	Grant Belchamber
Monsignor David Cappo	Bob Hawke
Wayne Jackson	Michael Keating
Michael Hickinbotham	Justin Milne
Mike Moore	Helen Nugent
Fiona Roche	Kevin Osborn
Leanna Read	

Members of the Defence Industry Advisory Board during the financial year were:

Peter Cosgrove (Chairman)	Mike Rann*
Kevin Foley*	Cheryl Bart
David Shackleton	Roxley McLennan*
Peter Young	John White (Resigned June 06)
Ian Chessell	Les Fisher
Graham Walters	Andrew Fletcher*
Malcolm Kinnaird	

Members of the Manufacturing Consultative Council during the financial year were:

Kevin Foley* (Chairman)	Karlene Maywald* (Deputy Chairman)
Geoff Blomfield	Leon Andrewartha
John Camillo	Chris Field
Lloyd Groves	Luisa Guthrie
Stephen Myatt	Trevor Smith
Meera Verma	Chris Stathy
Patricia Crook	Wayne Hanson

Members of the Small Business Development Council during the financial year were:

Karlene Maywald* (Chairman)	Liz Davies
Linda Eldredge	Debra Ferguson
Robert Ferguson	Chris Herrmann
Malcolm Johnson	Rosemary Kemp
Susan Lee	Conor McKenna
Philip Sims	Beverley Turner
Kym Webber	

Members of the Regional Communities Consultative Council during the financial year were:

Peter Blacker (Chairman)	Deb Agnew
Joy Baluch	Bill Boehm
Mark Braes	Jeff Burgess
Bill Clifford	Eugene Hurley
Phil Tyler*	Monica Klein
Jane Lowe	Bill McIntosh
Jeffrey Mincham	Heather Moore
Janet Sawyer	Ruth Schubert*
Claire Smith	Kym McHugh
Ian O'Loan	Craig Wickham
Jeanette Wormald	

Members of the South Australian Export Council during the financial year were:

Malcolm May (Chairman)	Angelo Kotses
Anthony Kittel	David Williams
Gail Fuller	Jamie Newlyn (Maritime Union representative)
Penny Gale (Business SA representative)	Paula Nagel

Members of the Business and Parliamentary Trust during the financial year were:

Mike Terlet (Joint Chairman)	Jack Snelling (Joint Chairman)
Tony Mitchell	Michelle Lensink
Carmel Zollo	Melissa Cadzow
Peter Vaughan	Christine Locher
Vicki Chapman	

29. Remuneration of Board and Committee Members (continued)

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

	2007	2006
	Number	Number
\$0 - \$ 9 999	19	21
\$10 000 - \$19 999	2	5
\$20 000 - \$29 999	1	2
\$30 000 - \$39 999	6	-
\$40 000 - \$49 999	9	11
\$60 000 - \$69 999	2	1
\$80 000 - \$89 999	1	-
Total Number of Members	40	40

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 \$929 700 (\$823 043).

Amounts paid to a superannuation plan for board/committee members was \$44 487 (\$50 463).

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

30. Cash Flow Reconciliation

For the purposes of the Cash Flow Statement, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day-to-day basis.

	2007	2006
	\$'000	\$'000
Reconciliation of Cash - Cash at 30 June as per:		
Deposits at call - Westpac	7 856	4 526
Deposits with the Treasurer	7 675	7 444
Deposits at call - Overseas offices	2 255	2 097
Other	6	6
Balance Sheet	17 792	14 073

Reconciliation Net Cash provided by (used in) Operating Activities to Net Cost of Providing Services:

Net cash provided by (used in) operating activities	3 103	(9 564)
(Loss) Gain from disposals of assets	(121)	6
<i>Add (Less): Non-Cash Items:</i>		
Depreciation of property, plant and equipment	(303)	(287)
Asset write-downs and transfers	-	(7 284)
Doubtful debts expense	(9)	-
Conversion of loan to grant	-	(250)
Prior period adjustments	-	976
Changes in Assets/Liabilities (net of restructure transfer):		
Decrease in receivables	(465)	(2 482)
Increase in other assets	48	44
Increase in payables	(1 773)	(95)
Increase in provisions	(9)	(15)
(Increase) Decrease in employee benefits	(1 001)	22
Net Cost of Providing Services from Operating Activities	(530)	(18 929)

31. Events After Balance Date

Pursuant to a proclamation in the Government Gazette dated 23 August 2007, employees of the Defence Unit within DTED were transferred to Defence SA effective 1 September 2007.

**Disclosure of Administered Items
as at 30 June 2007**

	2007	2006
	\$'000	\$'000
ADMINISTERED INCOME:		
Revenues from SA Government	-	395
Total Administered Income	-	395
ADMINISTERED EXPENSES:		
Employees benefit expenses	-	165
Total Administered Expenses	-	165
Net Operating Surplus (Deficit)	-	230

NOTES TO AND FORMING PART OF THE DISCLOSURE OF ADMINISTERED ITEMS

Administered Items of DTED

Administered Items relate to the Minister's salary.

The Government Gazette (dated 23 March 2006) reported the resignation of the previous Minister for Industry and Trade and the appointment of a new Minister . Due to the change, the former Minister for Industry and Trade's Office budget was transferred to PIRSA effective from 1 April 2006.

TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the Act) was proclaimed. The Act provides for the continuation of TransAdelaide as a Statutory Corporation to which the provisions of the PCA apply.

The Act establishes a Board of Directors as the governing body of TransAdelaide.

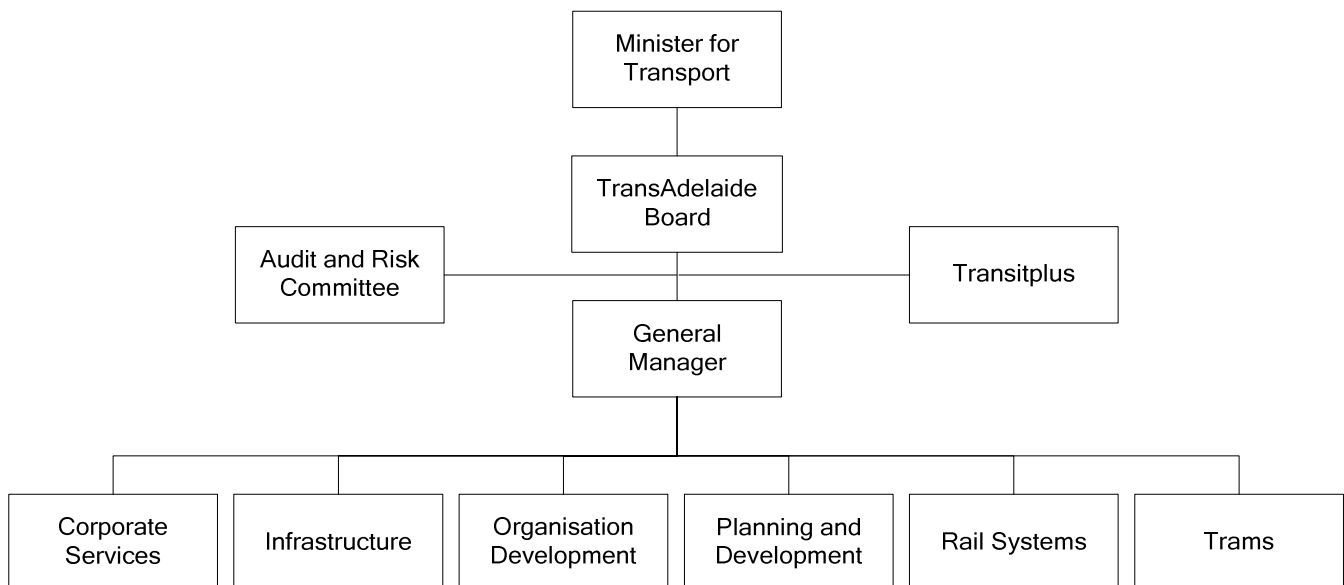
Functions

TransAdelaide's primary functions are to provide rail passenger transport services under a rail contract; and to act as the custodian of the State's rail passenger transport infrastructure. TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers;
- undertake activities which build customer support and use of the rail passenger transport system;
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

Structure

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



Joint Venture

A Joint Venture Agreement has been established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the former Passenger Transport Board. The joint venture is known as the TransAdelaide/ATE joint venture. Commentary on the joint venture relationship is included later under the heading 'Further Commentary on Operations'.

Contract to provide Passenger Transport Services

In 2005, TransAdelaide renewed an agreement with the Department for Transport, Energy and Infrastructure (DTEI) for the provision of rail (ie train and tram) passenger transport services. The term of the agreement is for a further five years.

Further commentary on the passenger transport contract is detailed later under the heading 'Interpretation and Analysis of the Financial Report'.

Audit and Risk Committee

Section 31 of the PCA, requires a public corporation to establish an Audit Committee which includes members of the corporation's Board.

TransAdelaide has established an Audit and Risk Committee comprising three TransAdelaide Board members.

The primary function of the Audit and Risk Committee 'is to assist the Board in effectively fulfilling responsibilities for financial reporting, risk management, internal control and achieving good corporate governance'.

Audit representatives attend Audit and Risk Committee meetings as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts of TransAdelaide 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 TransAdelaide 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 statements and internal controls.

During 2006-07, areas of review included:

- salaries and wages
- accounts payable
- revenue
- receipting and banking
- non-current assets
- inventories.

Audit sought an understanding of internal audit activities to assist in:

- identifying and assessing the risks of material misstatement of the financial report;
- the design and performance of audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of TransAdelaide as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Public Corporations Act 1993*, and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by TransAdelaide 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: Policies and Procedures; Payroll; and Non-Current Assets as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide 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 and Audit and Risk Committee. The response to the management letter was generally considered to be satisfactory. Major matters raised with TransAdelaide and the related responses are considered herein.

Policies and Procedures

Audit observed a lack of up-to-date documented policies and procedures in the areas of payroll, fixed assets and expenditure. Although in some cases revised draft procedures had been prepared they had not been approved. In addition, the corporate governance framework needed to be formalised into a Corporate Governance Policy.

Payroll

The audit of payroll identified the following issues:

- A lack of independent checking of new and terminated employees on the payroll system resulted in the risk that invalid employees may be input to the payroll system and be paid.
- There is a lack of independent checking of the validity of all current employees.
- There is no review of payroll data processed to the payroll system which may identify input errors.

Non-Current Assets

The audit of non-current assets identified the following issues:

- A number of system depreciation errors were noted, together with a lack of timely independent review and correction of depreciation calculations and rates.
- TransAdelaide has not adjusted the Fixed Asset Register to reflect previously capitalised assets that fall below its revised asset threshold, which is required by both the current and previous Accounting Standards.

TransAdelaide Response

TransAdelaide responded positively and in detail to all the audit issues raised. The response indicated either acceptance of issues raised with corrective action implemented or consideration of the matter in the context of its assessment of risk and resource availability.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

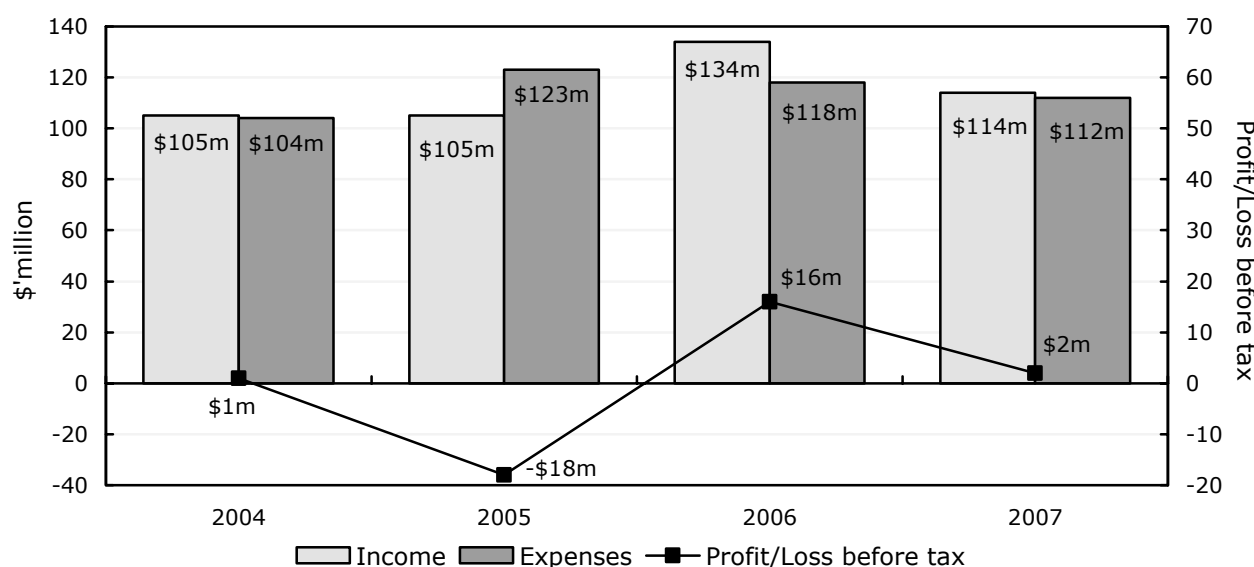
	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Government Funding	2.7	2.4	13
Provision of services	97.2	96.8	-
Other revenue	14.1	34.9	(60)
Total Income	114.0	134.1	(15)

	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Employment benefit expenses	42.4	40.1	6
Supplies and services	43.1	40.2	7
Depreciation and amortisation	19.8	21.1	(6)
Other expenses	7.1	16.5	(57)
Total Expenses	112.4	117.9	(5)
Profit before Income Tax Equivalents	1.6	16.2	(90)
Income Tax Equivalent Expense	0.5	-	-
Net Profit	1.1	16.2	-
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	22.1	51.0	(57)
ASSETS			
Current assets	28.0	29.0	(3)
Non-current assets	649.4	651.8	-
Total Assets	677.4	680.8	-
LIABILITIES			
Current liabilities	21.4	23.3	(8)
Non-current liabilities	105.6	102.9	3
Total Liabilities	127.0	126.2	1
EQUITY			
	550.4	554.6	(1)

Income Statement

Profit Before Tax Equivalent

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



In 2005 the \$18 million loss was due to the recognition of revaluation decrements of \$18.4 million following the implementation of AIFRS and the assessment of revaluation changes for individual non-current as distinct from a 'class of assets'.

In 2006, TransAdelaide achieved a \$16.2 million profit result before tax. Income increased significantly due to an amount of \$24.6 million in other revenue brought to account (refer to comments under Income) offset by the change in taxation policy write-off of \$10.5 million (refer to comments under 'Expenses').

Income

As TransAdelaide’s primary functions are to provide rail passenger transport services under a contract, its main operating revenue is Provision of Services with Government funding and other revenue being less significant.

The previous table, ‘Highlights of the Financial Report’, shows a consistency of operating revenues for the provision of services due to the minimal increases allowable under the passenger transport contract.

Contract Income - DTEI Contract

The DTEI contract requires TransAdelaide to provide passenger services in the specified service area in return for contract payments. The contract payments are based on a fixed component plus an incentive component based on patronage. There are also penalties for late running. All ticket revenue collected by TransAdelaide is remitted to DTEI.

In addition, under the contract TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Contract Income - Financial Dependence

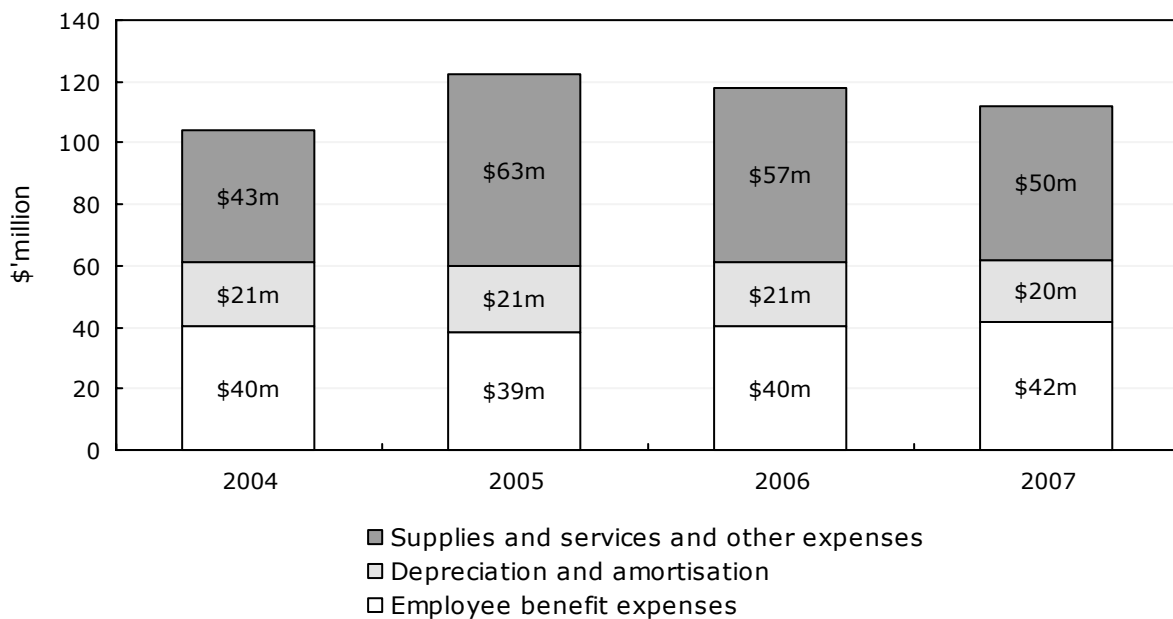
Income of \$93.6 million (\$93.1 million) from DTEI for the provision of passenger services represented 82 percent (69 percent) of TransAdelaide’s income. A high degree of financial dependency relates to maintaining and securing future contracts of service.

Other Revenue

The decrease in other revenue of \$20.8 million for 2007 was due predominately to the write-back of capitalised grants to revenue of \$24.6 million in the 2006 year. This money was received from DTEI for upgrading the Glenelg Tram Line infrastructure assets. The upgraded infrastructure assets were sold to DTEI during 2006 and funding that was recorded as a liability in the Balance Sheet was written-back to revenue in that year.

Expenses

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



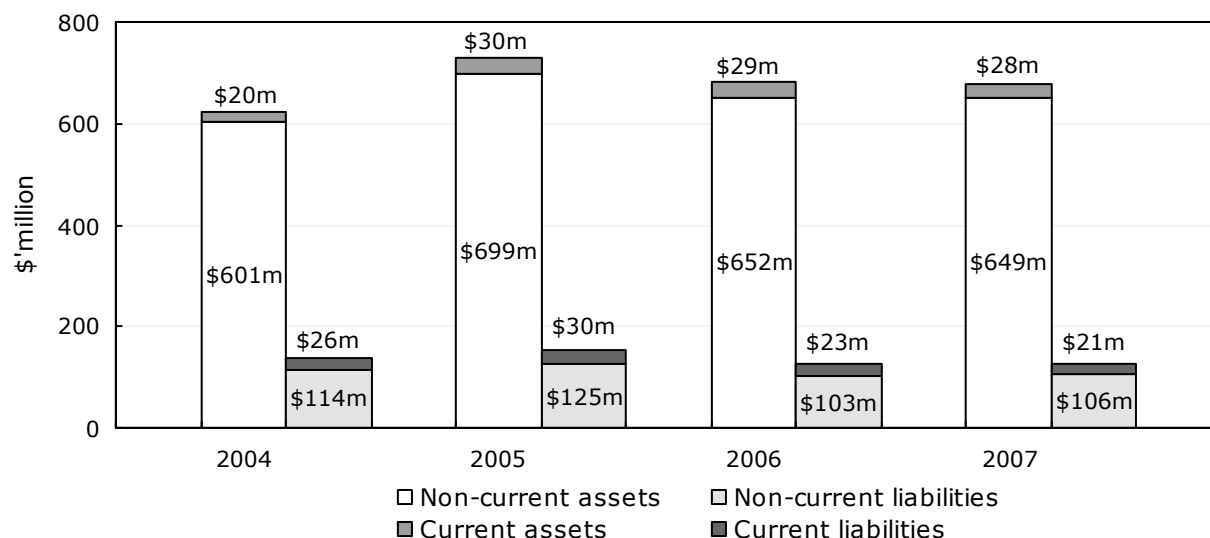
The chart indicates the following:

- The consistency of the costs incurred for employment expenses.
- The consistency of the depreciation charge.

- A decrease of \$7 million in supplies and services and other expenses in 2007. In 2006, a \$10.5 million expense was recorded for the net future tax benefit write-off following TransAdelaide's change in taxation policy from the Deferred Tax Accounting model in 2005 to the Accounting Profits model in 2006 in compliance with TI 22.
- Supplies and services and other expenses were significantly higher in 2005 due to the revaluation decrements of \$18.4 million (see previous comments on Profit Before Tax Equivalent).

Balance Sheet

For the four years to 2007, a structural analysis of assets and liabilities is shown in the following chart.



Assets and Liabilities

The reduction in non-current assets from 2005 to 2006 reflects the transfer of the Glenelg Tram Line infrastructure assets from TransAdelaide to DTEI.

The increase in non-current assets from 2004 to 2005 reflects the revaluation of those assets.

Cash Flow Statement

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

	2007 \$'million	2006 \$'million	2005 \$'million	2004 \$'million
Net Cash Flows				
Operations	22.1	51.0	25.1	17.0
Investing	(18.2)	(2.5)	(14.3)	(9.7)
Financing	(5.3)	(40.9)	(7.7)	(7.7)
Change in Cash	(1.4)	7.6	3.1	(0.4)
Cash at 30 June	20.7	22.1	14.5	11.4

The inflow from operating activity decrease in 2007 of \$28.9 million was due to government funding provided in the previous year (on a cash basis) of \$27.5 million mainly for the upgrade of the Glenelg tram line prior to its disposal in 2006.

The cash flow from operations reflects the fact that a smaller profit result is converted to a larger cash inflow from operating activities as a result of the add-back of the main non-cash item being depreciation and amortisation of \$20 million. In 2007, cash flow from operating activities of \$22.1 million and a reduction in cash of \$1.4 million was used to finance the following:

- Purchases of property, plant and equipment \$19.7 million
- Dividend payments of \$5.3 million.

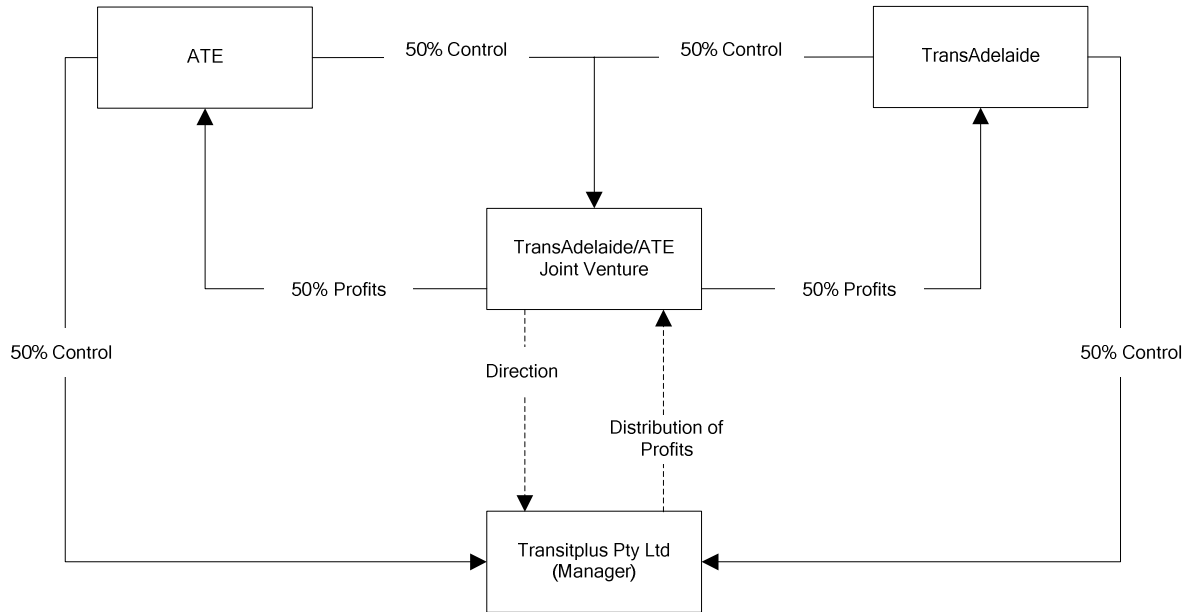
FURTHER COMMENTARY ON OPERATIONS

Joint Venture Relationship

In 1999-2000 TransAdelaide and ATE equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide Hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the Hills metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

The following diagram illustrates the joint venture relationship:



In 2007, TransAdelaide has brought to account \$942 000 (\$972 000) for its share of net profit from the joint venture.

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

		2007	2006
INCOME:	Note	\$'000	\$'000
Revenues from the provision of services	7	97 166	96 779
Appropriation from SA Government	8	2 669	2 356
Financial income	9	1 400	984
Net gain (loss) from the disposal of assets	10	376	(891)
Other revenues	11	11 473	33 846
Income from joint venture	26	942	972
Total Income		114 026	134 046
EXPENSES:			
Employee benefit expenses	12	42 450	40 118
Supplies and services	15	43 123	40 181
Depreciation and amortisation expense	16	19 806	21 123
Finance costs	17	5 411	5 956
Other expenses	18	1 621	(20)
Change in taxation policy	19	-	10 531
Total Expenses		112 411	117 889
Profit before income tax equivalents		1 615	16 157
Income tax equivalent expense	19	(484)	-
NET PROFIT AFTER INCOME TAX EQUIVALENTS		1 131	16 157

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

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	20	20 670	22 106
Receivables	21	2 393	2 550
Inventories	22	4 886	4 309
Total Current Assets		27 949	28 965
NON-CURRENT ASSETS:			
Property, plant and equipment	23	638 763	640 461
Investment property	24	10 322	11 074
Intangible assets	25	156	114
Investment accounted for using the equity method	26	200	200
Total Non-Current Assets		649 441	651 849
Total Assets		677 390	680 814
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	28	10 883	12 404
Short-term employee benefits	30	7 627	7 646
Short-term provisions	31	2 655	2 837
Other current liabilities	32	271	419
Total Current Liabilities		21 436	23 306
NON-CURRENT LIABILITIES:			
Long-term borrowings	29	75 205	75 205
Long-term employee benefits	30	11 094	10 531
Long-term provisions	31	10 520	10 551
Government grants	33	8 735	6 656
Total Non-Current Liabilities		105 554	102 943
Total Liabilities		126 990	126 249
NET ASSETS		550 400	554 565
EQUITY:			
Contributed capital		-	-
Asset revaluation reserve	34	469 278	474 510
Retained earnings		81 122	80 055
TOTAL EQUITY		550 400	554 565
Total Equity is attributable to the SA Government as owner			
Commitments for expenditure	35		
Contingent assets and liabilities	36		

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

	Note	Asset		Total \$'000
		Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005		482 635	91 397	574 032
Error correction	18	-	(806)	(806)
Restated balance at 30 June 2005		482 635	90 591	573 226
Loss on revaluations during 2005-06	34	(61)	-	(61)
Net income (expense) recognised directly in equity for 2005-06		(61)	-	(61)
Profit after income tax equivalent for 2005-06		-	14 855	14 855
Total Recognised Income and Expenses for 2005-06		(61)	14 855	14 794
Transferred to retained profits amounts realised on disposal of assets	34	(8 064)	8 064	-
Dividends to SA Government		-	(34 757)	(34 757)
Balance at 30 June 2006		474 510	78 753	553 263
Error correction	18,24	-	1 302	1 302
Restated balance at 30 June 2006		474 510	80 055	554 565
Profit after income tax equivalent for 2006-07		-	1 131	1 131
Total Recognised Income and Expenses for 2006-07		-	1 131	1 131
Transferred to retained profits amounts realised on disposal of assets	34	(5 232)	5 232	-
Dividends to SA Government	8(b)	-	(5 296)	(5 296)
Balance at 30 June 2007		469 278	81 122	550 400

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

**Cash Flow Statement
for the year ended 30 June 2007**

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Receipts from the sale of goods and services	97 322	97 852
Interest received	1 383	970
Receipts from SA Government	5 454	20 832
Dividends received	999	971
GST input tax credits claimed	10 700	15 772
Other receipts	10 821	16 813
Cash generated from Operations	126 679	153 210
CASH OUTFLOWS:		
Employee benefit payments	(42 489)	(41 311)
Supplies and services	(41 850)	(42 831)
Interest paid	(5 434)	(5 992)
Income tax equivalents paid	(694)	-
GST payments on purchases	(5 863)	(6 756)
GST remitted to Australian Taxation Office	(8 303)	(5 283)
Cash used in Operations	(104 633)	(102 173)
Net Cash provided by Operating Activities	22 046	51 037
	37	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	34	34 388
Proceeds from sale of investments	1 588	-
Cash generated from Investing Activities	1 622	34 388
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(19 667)	(36 894)
Purchase of intangibles	(141)	-
Cash used in Investing Activities	(19 808)	(36 894)
Net Cash used in Investing Activities	(18 186)	(2 506)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Dividends paid	(5 296)	(34 757)
Repayment of borrowings	-	(6 166)
Net Cash used in Financing Activities	(5 296)	(40 923)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1 436)	7 608
CASH AND CASH EQUIVALENTS AT 1 JULY	22 106	14 498
CASH AND CASH EQUIVALENTS AT 30 JUNE	20 670	22 106
	20	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of TransAdelaide

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. TransAdelaide also has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

TransAdelaide is a Body Corporate subject to the provisions of the PCA. The *TransAdelaide (Corporate Structure) Act 1998* provides that TransAdelaide's principal activity is to operate passenger transport services, an activity that continued to be the primary focus throughout the year.

2. Summary Of Significant Accounting Policies

(a) Basis of Accounting

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

AASs include AIFRS. TransAdelaide has early-adopted the amendments to AASB 101. Refer to Note 4.

TransAdelaide'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 preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying TransAdelaide's accounting policies. The areas involving high degrees 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;
 - (c) employee TVSP information;
 - (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The financial report has been prepared 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) Taxation

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

TransAdelaide 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;
- receivable 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 Australian Tax 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 Tax Office is classified as part of the operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Tax Office. If GST is not payable to, or recoverable from, the Australian Tax Office, 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 entity will occur and can be reliably measured.

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

The notes accompanying the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

Revenues from Fees and Charges and from the Provision of Services

Revenues from fees and charges and the provision of services are derived from goods and services to the public and other SA government agencies. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Services directly related to the provision of rail services are disclosed under Note 7. Other services provided on an ad hoc basis are disclosed as 'Other Income' under Note 11.

Revenues from Sales

Revenues from sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser.

Rental Income

Rental income arising on investment properties is accounted for on a straight line basis over the lease term.

Revenues from the SA Government

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

Government grants relating to capital expenditure are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Income Statement on a straight line basis over the expected lives of the related assets.

Where money has been received in the form of a loan, TransAdelaide has recorded a loan receivable. Where money has been received in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of TransAdelaide and the funding is recorded as contributed equity.

Other Contributions

All contributions from non-government entities are recognised as income when TransAdelaide obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

All contributions paid by TransAdelaide have been unconditional.

Disposal of Non-Current Assets

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

Resources received/provided Free of Charge

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

Maintenance Expenses

TransAdelaide undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

Finance Costs

All finance costs are recognised as an expense.

(f) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. TransAdelaide 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, TransAdelaide 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 which are subject to insignificant risk of changes of value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(h) Receivables

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

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

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 TransAdelaide may not be able to collect the debt.

(i) Inventories

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average cost method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

Inventories include train, tram and infrastructure spare parts.

(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. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where payment for an asset is deferred, TransAdelaide measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

All non-current tangible assets with a value of \$4000 or above are capitalised.

(k) Revaluation of Property, Plant and Equipment

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

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

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

(k) Revaluation of Property, Plant and Equipment (continued)

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 revaluation reserve for that asset class.

TransAdelaide uses the gross method of revaluation where the gross asset value and the accumulated depreciation are both restated to the revalued amounts of the assets.

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

(l) Impairment

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

For revalued assets an impairment loss is offset against the asset revaluation reserve to the extent of any revaluation credit for that asset within the reserve.

(m) Depreciation and Amortisation of Non-Current Assets

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

Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

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

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

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

Land and assets held for sale are not depreciated.

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

<i>Class of Assets</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Rollingstock:		
Railcars	Straight line	20 - 42
Tramcars	Straight line	10 - 87
Buildings	Straight line	10 - 100
Permanent way	Straight line	20 - 242
Machinery, plant and equipment	Straight line	3 - 100
Intangibles	Straight line	3

(n) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. TransAdelaide only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and reliable measurement and when the amount of expenditure is greater than or equal to \$4000).

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

Subsequent expenditure on intangible assets has not been capitalised. This is because TransAdelaide has been unable to attribute this expenditure to the intangible asset rather than to TransAdelaide as a whole.

(o) Investment Property

Investment property, principally comprising of freehold land, is held for a long-term yield and is not occupied by TransAdelaide. Investment property is carried at fair value. Changes in fair value are recorded in the Income Statement as part of other income.

(p) 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 TransAdelaide.

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

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

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

TransAdelaide 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.

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

(r) Leases

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

Operating Leases

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

(s) Insurance

TransAdelaide has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of TransAdelaide, excluding the Adelaide Railway Station Building, which is insured through Aon Services Pty Ltd (Aon).

The excess payable with Aon varies depending on the aspect of risk insured. There is a standard \$1 million excess on all insurance cover with SAICORP.

(t) Joint Venture

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Income Statement from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per AASB 128.

3. Financial Risk Management

TransAdelaide is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk.

Risk management is carried out by the Corporate Services unit and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

TransAdelaide has 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).

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

TransAdelaide has no significant concentration of credit risk. TransAdelaide 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 TransAdelaide in its present form, and with its present segments/services, is dependent on SA Government policy and on continuing capital appropriations by Parliament to maintain TransAdelaide's asset base/programs.

4. Changes in Accounting Policies

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

5. Segment Information

TransAdelaide operations fully relate to the provision of public transportation services in the Adelaide metropolitan area.

6. Reclassifications

Reclassification of Income and Expenses

To better reflect the total income and expenses:

- contract penalties previously reported as expenses have been reclassified to show as a reduction to revenues from the provision of services from entities within SA Government;
- revenue from ad hoc project work previously netted against various expense items have been identified and shown as other revenue, resulting in an offsetting increase to the underlying employee benefits and supplies and services expense items.

Reclassification between Income Lines

To better reflect the true nature of the income received:	Note	2006 \$'000
Other Revenues from Entities within SA Government:	11	
Other services provided to Department for Transport, Energy and Infrastructure (DTEI)		1 655
Amortisation of capitalised funding grants		305
Write-off of capitalised grants when asset disposed		24 558

Other services provided to DTEI includes items previously classified as recurrent grants, other income and provision of other services, the classification has been changed as the income is received for the provision of services outside of the provision of rail services.

Other Revenues from Entities external to SA Government:		2006 \$'000
Property rental		514

Advertising revenue previously classified as revenues from the provision of services is now included in Property rental in Other Revenues.

Reclassification of Costs

The following reclassifications have occurred to reflect the true nature of costs incurred.

Supplies and Services:	Note	2006 \$'000
Other employment costs	12,15	487

These costs now included within Employee Expenses had previously been accounted for within Supplies and Services.

7. Revenues from the Provision of Services		2007	2006
	Note	\$'000	\$'000
Services received by entities within SA Government		93 555	93 127
Services received by entities external to the SA Government		3 611	3 652
Total Revenues from the Provision of Services	6	97 166	96 779
8. Revenues from (Payments to) SA Government			
(a) Revenues from SA Government			
Included in the Income Statement:			
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>		2 669	2 356
Included in Balance Sheet movements:			
Grants for capital expenditure	33	2 753	20 060
(b) Payments to SA Government			
Dividends paid		5 296	34 757
Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and TransAdelaide's Minister.			
<i>Special Dividends paid during 2006-07</i>			
\$2.3 million relates to an ongoing arrangement, \$1.4 million for the tram asset sale and \$660 000 for the sale of land. These special dividends were paid to the SA Government's Consolidated Account on 29 June 2007.			
An ordinary dividend of \$971 000 was paid by TransAdelaide for 2006-07.			
9. Financial Income		2007	2006
		\$'000	\$'000
Interest received/receivable from entities within SA Government		1 400	984
Total Financial Income		1 400	984
10. Net (Loss) Gain from the Disposal of Assets			
Rollingstock:			
Proceeds from disposal		8	78
Less: Net book value of assets disposed		95	96
Net Loss from Disposal of Rollingstock		(87)	(18)
Permanent Way:			
Proceeds from disposal*		-	31 485
Less: Net book value of assets disposed		86	32 200
Net Loss from Disposal of Permanent Way		(86)	(715)
Land and Buildings:			
Proceeds from disposal		18	2 619
Less: Net book value of assets disposed		48	2 619
Net Loss from Disposal of Land and Buildings		(30)	-
Other Property, Plant and Equipment:			
Proceeds from disposal		8	143
Less: Net book value of assets disposed		7	152
Net Gain (Loss) from Disposal of Other Property, Plant and Equipment		1	(9)
Investment Properties:			
Proceeds from disposal		1 588	-
Less: Net book value of assets disposed		1 010	149
Net Gain (Loss) from Disposal of Investment Properties		578	(149)
Total Assets:			
Total proceeds from disposal*		1 622	34 325
Less: Total value of assets disposed		1 246	35 216
Total Net Gain (Loss) from Disposal of Assets		376	(891)

* On 26 June 2006 the Acting Treasurer approved the sale of tram related infrastructure assets by TransAdelaide to DTEI for consideration of \$32.5 million. These asset sales include Permanent Way, Land and Buildings and Other Plant and Equipment asset classes.

11. Other Revenues		2007	2006
Other Revenues from Entities external to the SA Government:	Note	\$'000	\$'000
Property rental		4 250	3 711
Fair value adjustment to investment properties		258	496
Other revenue		2 290	2 325
Total Revenues from Entities external to the SA Government		6 798	6 532
Other Revenues from Entities within the SA Government:			
Other services provided to DTEI	6	3 071	1 655
Property rental		930	796
Amortisation of capitalised funding grants	6	521	305
Write-off of capitalised grants when asset disposed	6	153	24 558
Total Revenues from Entities within the SA Government		4 675	27 314
Total Other Revenue		11 473	33 846

Future minimum payments receivable from non-cancellable operating leases of non-investment properties are:

- (i) within one year \$2 992 000
- (ii) between two and five years \$8 480 000
- (iii) later than five years \$24 456 000

Leases include advertising and display sites, mobile telephone transmitters and real estate with tenancies ranging from monthly to 95 years, whilst providing for regular reviews.

12. Employee Benefit Expenses		2007	2006
	Note	\$'000	\$'000
Salaries and wages		31 260	28 573
TVSPs (refer below)		-	183
Long service leave		1 393	1 688
Annual leave		3 033	2 991
Block book off		564	581
Retiring and death gratuity		7	14
Employee on-costs - Superannuation		3 526	3 411
Employee on-costs - Payroll tax		1 796	2 051
Employee on-costs - Other	6	733	487
Board fees		138	139
Total Employee Benefit Expenses	6	42 450	40 118

TVSPs

Amounts paid to these Employees:

TVSPs	-	183
Annual leave and long service leave paid during the reporting period	-	89
	-	272
Recovery from the Department of Treasury and Finance	-	(183)

	Number of Employees	Number of Employees
Number of employees who were paid TVSPs during the reporting period	-	1

Remuneration of Employees

	2007	2006
	\$'000	\$'000
Total Remuneration for employees greater than \$100 000	3 954	3 188

	2007	2006
The number of employees whose remuneration falls within the following remuneration bands were:	Number of Employees	Number of Employees
\$100 000 - \$109 999	16	7
\$110 000 - \$119 999	4	7
\$120 000 - \$129 999	3	3
\$130 000 - \$139 999	4	3
\$140 000 - \$149 999	1	-
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	2	1
\$190 000 - \$199 999	-	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	-
\$280 000 - \$289 999	-	1
	32	24

This 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.
- a TVSP payment in 2006 (included in \$280 000 - \$289 999 band).

13. Key Management Personnel**(a) Board Members**

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

Ms V Hickey	Mr K Bengger
Ms F Magill	Ms L Kosmala
Mr R Jowett	

(b) Other Key Management Personnel

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

Bill Watson	General Manager
Suzanne Ridding	Executive Manager - Corporate Services
Vi Nguyen	Executive Manager - Infrastructure
Fiona Kidd	Executive Manager - Organisation Development
Randall Barry	Executive Manager - Planning and Development
Valdis Evele	Executive Manager - Rail Systems
James Hall	Executive Manager - Trams
Dean Phillips	Acting Executive Manager - Rollingstock

(c) Key Management Personnel Compensation

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

The key management personnel are the board members and the senior management team (including the General Manager) who have responsibility for the strategic direction and management of TransAdelaide.

	2007	2006
	\$'000	\$'000
Short-term employee benefits	1 301	1 250

(d) Remuneration of Board Members

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

	2007	2006
	Number of	Number of
	Board	Board
	Members	Members
\$20 000 - \$29 999	3	3
\$30 000 - \$39 999	1	1
\$40 000 - \$49 999	1	1
	5	5

The total remuneration received and receivable by those board members was \$138 000 (\$139 000) which includes fringe benefits and superannuation contributions.

Amounts paid to a superannuation plan for board members was \$44 000 (\$31 000)

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.

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

Remuneration of Committee Members

The following board members were also committee members on the TransAdelaide Audit and Risk Committee:

Ms V Hickey	Mr K Bengger
Ms F Magill	

No remuneration was received or receivable by board members for being on this committee.

Board members Ms V Hickey and Mr K Bengger were also on the board of Transit Plus Pty Ltd in which TransAdelaide has a 50 percent interest. Board fees relating to these positions are paid to the board members by TransAdelaide and are included in the remuneration above.

14. Related Party Disclosures

TransAdelaide is controlled by the SA Government. Transactions and balances between TransAdelaide and related parties (other SA Government controlled entities) are disclosed in the notes accompanying the financial statements where applicable.

TransAdelaide has a 50 percent interest in a joint venture entity Transit Plus Pty Ltd. TransAdelaide received an annual management fee of \$126 000 (\$126 000) and profit distributions from the joint venture entity of \$942 000 (\$972 000).

15. Supplies and Services			2007	2006
Supplies and Services provided by Entities external to the SA Government:	Note		\$'000	\$'000
Security			1 489	1 504
Rollingstock maintenance			9 988	9 676
Rollingstock fuel and power			9 453	9 869
Other supplies and services			17 837	13 885
Total Supplies and Services - Non-SA Government Entities			38 767	34 934
Supplies and Services provided by Entities within SA Government:				
Accommodation and telecommunication			1 957	2 118
Audit fees			165	155
Legal costs			32	40
Accreditation fees			81	62
Vehicle leasing and fuel costs			527	831
Insurance			604	727
Security			409	430
Other supplies and services	6		581	884
Total Supplies and Services - SA Government Entities			4 356	5 247
Total Supplies and Services	6		43 123	40 181
Consultants				
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		3	18	5
\$10 000 - \$50 000		1	14	4
Above \$50 000		1	81	-
Total paid/payable to the Consultants Engaged		5	113	9
				127
Auditor's Remuneration			2007	2006
Audit fees paid/payable to the Auditor-General's Department			\$'000	\$'000
Total Auditor's Remuneration			165	155
			165	155
Other Services				
No other services were provided by the Auditor-General's Department.				
16. Depreciation and Amortisation Expense				
Depreciation:				
Rollingstock			8 125	9 801
Permanent way			7 578	7 216
Buildings			2 673	2 672
Other property, plant and equipment			1 332	1 251
Total Depreciation			19 708	20 940
Amortisation:				
Intangible assets			98	183
Total Amortisation			98	183
Total Depreciation and Amortisation			19 806	21 123
17. Finance Costs				
Interest on borrowings			4 922	5 381
Treasury guarantee fee			489	575
Finance costs - SA Government			5 411	5 956
Total Finance Costs			5 411	5 956
18. Other Expenses				
Other Expenses paid/payable to Entities external to the SA Government:				
Net bad and doubtful debts			-	(20)
Write-down of inventories to net realisable value			37	-
Property, plant and equipment write-offs *			1 584	-
Restated Total Other Expenses - Non-SA Government Entities			1 621	(20)
Restated Total Other Expenses			1 621	(20)

* A capital work in progress write off adjustment for \$1.6 million was made to reflect the discontinuation of a bi-directional signalling project on the Noarlunga Centre railway line. This project was discontinued following the approval for a major upgrade of this railway line in future years excluding bi-directional signalling.

Correction of Errors

Due to an error in estimation of the amount of income receivable from appropriations for the year ended 30 June 2005, income was overstated by \$806 000 in 2004-05. This error had the effect of overstating receivables as at 30 June 2005 and understating the net cost of providing services by \$806 000 in 2004-05 and overstating retained earnings by \$806 000 as at 30 June 2005.

This receivable was then fully provided for in 2005-06. This had the effect of overstating other expenses by \$806 000 and understating the net costs of providing services by \$806 000 in 2005-06 and understating retained earnings by \$806 000 as at 30 June 2006.

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

19. Income Tax Equivalent Expense	2007	2006
	\$'000	\$'000
Profit before income tax expense	1 615	16 157
Prima facie tax (if profit) thereon at 30 percent	(484)	(4 457)
Tax exempt revenue items	-	4 457
Income Tax Equivalent Expense - SA Government	(484)	-
Change in Taxation Policy:		
Adjustment to deferred tax Balance Sheet items as a result of policy change	-	(10 531)
Total Change in Taxation Policy	-	(10 531)

Policy Change

On 23 August 2005, the Treasurer approved amendments to TI 22. These amendments included the requirement for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent expense from 1 July 2005.

As a result, the tax related assets identified above in the Balance Sheet as at 30 June 2005 were not able to be realised and were written off in the 2005-06 financial year as part of the income tax equivalent expense calculation.

20. Cash and Cash Equivalents	2007	2006
	\$'000	\$'000
Cash at bank	20 634	22 071
Imprest account/cash on hand	36	35
Total Cash and Cash Equivalents	20 670	22 106

Interest Rate Risk

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

21. Receivables		2007	2006
Current:	Note	\$'000	\$'000
Gross accrued income		2 001	2 664
Less: Provision for doubtful debts		4	182
Tax equivalent refund		210	-
Prepayments		186	68
Total Receivables	18	2 393	2 550
Receivables from SA Government Entities:			
Accrued income		537	711
Tax equivalent refund		210	-
Prepayments		34	11
Total Receivables from SA Government Entities		781	722
Receivables from Non-SA Government Entities:			
Accrued income		1 464	1 953
Less: Provision for doubtful debts		4	182
Prepayments		152	57
GST receivables		-	-
Total Receivables from Non-SA Government Entities		1 612	1 828
Total Receivables		2 393	2 550

The total receivable figure does not include 'non-current receivables' as TransAdelaide does not have any receivables that meet the definition of non-current. Any 'non-current receivables' would be disclosed in this Note.

Provision for Doubtful Debts

The provision for doubtful debts is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Provision for Doubtful Debts (continued)

		2007	2006
	Note	\$'000	\$'000
Movements in the provision for doubtful debts:			
Carrying amount at 1 July		182	202
Amounts written off		(20)	(20)
Reduction in provision for amounts recovered		(158)	-
Carrying Amount at 30 June	18	4	182

Interest Rate and Credit Risk

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

Bad and Doubtful Debts

TransAdelaide has recognised a bad and doubtful debt expense of \$nil (\$20 000) in the Income Statement.

22. Inventories

	2007	2006
	\$'000	\$'000
Stores inventories	4 886	4 309
Net Stores Inventories	4 886	4 309

23. Property, Plant and Equipment**ROLLINGSTOCK:****Railcars:**

Spare parts and associated equipment at fair value	5 184	5 229
Less: Accumulated depreciation	2 182	2 033
Railcar Equipment at Fair Value	3 002	3 196

Railcars at fair value	1 970	-
At independent valuation 1 July 2004	402 500	402 500
Less: Accumulated depreciation	214 581	207 029
Railcars at Valuation	189 889	195 471
Total Railcars	192 891	198 667

Tramcars:

Spare parts at fair value	79	79
Less: Accumulated depreciation	33	29
Tramcar Spares at Fair Value	46	50

Tramcars at fair value	243	243
At independent valuation 1 July 2004	17 375	48 525
Less: Accumulated depreciation	14 632	45 314
Tramcars at Valuation	2 986	3 454
Total Tramcars	3 032	3 504
TOTAL ROLLINGSTOCK	195 923	202 171

LAND AND BUILDINGS:**Freehold Land:**

At fair value	1 388	1 370
At independent valuation 1 July 2004	131 432	131 450
Total Land	132 820	132 820

Buildings:

At fair value	7 819	2 670
At independent valuation 1 July 2004	183 439	183 642
Less: Accumulated depreciation	101 735	99 080
Total Buildings	89 523	87 232
TOTAL LAND AND BUILDINGS	222 343	220 052

PERMANENT WAY:

At fair value	27 621	18 858
At independent valuation 1 July 2004	376 866	383 939
Less: Accumulated depreciation	204 517	202 633
TOTAL PERMANENT WAY	199 970	200 164

OTHER PROPERTY, PLANT AND EQUIPMENT:

At fair value	19 722	19 831
Less: Accumulated depreciation	11 349	12 937
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	8 373	6 894

23. Property, Plant and Equipment (continued)	2007	2006
ASSETS UNDER CONSTRUCTION	\$'000	\$'000
Land and buildings	4 885	2 089
Railcars	1 857	327
Permanent way	4 718	5 365
Other property, plant and equipment	694	3 399
TOTAL ASSETS UNDER CONSTRUCTION	12 154	11 180
TOTAL PROPERTY, PLANT AND EQUIPMENT	638 763	640 461

Carrying amounts of Property, Plant and Equipment that would have been recognised if these assets were stated at cost:

Rollingstock	91 383	94 827
Land and buildings	70 578	67 817
Permanent way	97 425	94 054
Other property, plant and equipment	8 613	7 204
TOTAL PROPERTY, PLANT AND EQUIPMENT AT COST	267 999	263 902

All major non-current assets are revalued every five years on an existing use, fair value basis in the financial statements at the revalued amounts.

The most recent independent valuation was undertaken by Valuations Chambers during 2004-05 financial year and included the major asset classes being trams, trains, land, buildings and permanent way.

In accordance with the Treasurer's APF, TransAdelaide has assessed that assets recorded at cost reflect fair value where such assets have not been independently revalued.

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

24. Investment Property	2007	2006
	\$'000	\$'000
Opening balance at fair value	11 074	11 074
Less: Disposals	1 010	-
Net gain from fair value adjustment	258	-
Restated Closing Balance at Fair Value	10 322	11 074

Valuation Basis

Investment properties are measured at fair value, being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar property. A valuation was performed by Valuation Chambers in the 2004-05 financial year. During the year a further revaluation was conducted on the disused railway corridor land located between Dry Creek and Pooraka resulting in an increment based on the Valuer-General's valuation. One parcel of land in the corridor was subsequently sold.

Correction of Errors

Vacant land assets with a fair value of \$496 000 were omitted from the Investment Property assets in 2005-06. This had the effect of understating Investment Property and Retained Earnings by this value as at 30 June 2006.

25. Intangible Assets	2007	2006
Computer Software:	\$'000	\$'000
Internally developed computer software	87	51
Less: Accumulated amortisation	49	23
Other computer software	1 185	1 084
Less: Accumulated amortisation	1 067	998
Total Intangible Assets	156	114

26. Investments Accounted for using the Equity Method	2007	2006
Ownership Interest	Percent	Percent
Joint Venture:		
Transitplus Pty Ltd	50	50
Investment in Related Entities:	2007	2006
Transitplus Pty Ltd	\$'000	\$'000
	200	200
Principal Activities:	200	200
Transitplus Pty Ltd - Provision of bus services		
Investment in Transitplus Pty Ltd:	2007	2006
Carrying amount at 1 July	200	200
Share of net profit	942	972
Less: Distributions received or receivables	942	972
Carrying Amount at 30 June	200	200

For reasons of commercial sensitivity TransAdelaide is unable to provide any further financial information on Transitplus Pty Ltd.

27. Reconciliation of Asset Carrying Amounts

	Rolling- stock \$'000	Land and Buildings \$'000	Permanent Way \$'000	Other PP&E \$'000	Assets Under Const- ruction \$'000	Total Property Plant and Equipment \$'000
Carrying amount at 1 July	202 171	220 052	200 164	6 894	11 180	640 461
Transfers	-	-	-	-	-	-
Restatement for error	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-
Restated carrying amount at 1 July	202 171	220 052	200 164	6 894	11 180	640 461
Additions	-	18	-	836	19 147	20 001
WIP write-offs	-	-	-	-	(1 584)	(1 584)
Disposals	(95)	(48)	(86)	(7)	-	(236)
Transfers	1 972	4 994	7 470	1 982	(16 558)	(140)
Transfers to inventory	-	-	-	-	(31)	(31)
Revaluation increment	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-
Reversals of recoverable amount write-downs	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Depreciation	(8 125)	(2 673)	(7 578)	(1 332)	-	(19 708)
Carrying Amount at 30 June	195 923	222 343	199 970	8 373	12 154	638 763

	Investment Property \$'000	Intangible Assets \$'000	Total Non- Current Assets \$'000
Carrying amount at 1 July	10 578	114	651 153
Transfers	-	-	-
Restatement for error	496	-	496
Change in accounting policy	-	-	-
Restated carrying amount at 1 July	11 074	114	651 649
Additions	-	-	20 001
WIP write-offs	-	-	(1 584)
Disposals	(1 010)	-	(1 246)
Transfers	-	140	-
Transfers to inventory	-	-	(31)
Revaluation increment	258	-	258
Recoverable amount write-downs	-	-	-
Reversals of recoverable amount write-downs	-	-	-
Impairment losses	-	-	-
Depreciation	-	(98)	(19 806)
Carrying Amount at 30 June	10 322	156	649 241

New assets resulting from completed Assets Under Construction have been treated as transfers.

28. Payables

Current:	2007	2006
	\$'000	\$'000
Creditors	4 640	1 949
Accrued expenses	4 587	4 887
Accrued employment on-costs	698	635
GST payable	36	3 502
	9 961	10 973
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	922	1 431
Total Current Payables	10 883	12 404
Payables to SA Government Entities:		
Creditors	544	529
Accrued expenses	831	906
Employment on-costs	1 620	2 066
Total Payables to SA Government Entities	2 995	3 501
Payables to Non-SA Government Entities:		
Creditors	4 096	1 420
Accrued expenses	3 756	3 981
GST payable	36	3 502
Total Payables to Non-SA Government Entities	7 888	8 903
Total Payables	10 883	12 404

Interest Rate and Credit Risk

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

29. Borrowings	2007	2006
Non-Current:	\$'000	\$'000
Borrowings from SA Government	75 205	75 205
Total Borrowings	75 205	75 205

Borrowings are recognised at cost and have no maturity date. The interest rate is determined by the Treasurer. The rate was 6.5 percent (7 percent).

30. Employee Benefits		
Current:		
Annual leave	3 021	3 093
Long service leave	903	976
Block book off	783	728
Retiring and death gratuity	19	198
Total Current Employee Benefits Provisions	4 726	4 995
Accrued wages and salaries	1 213	1 132
	5 939	6 127
Expected to be paid more than 12 months after reporting date:		
Annual leave	1 604	1 519
Retiring and death gratuity	84	-
Total Short-term Employee Benefits	7 627	7 646
Non-Current:		
Long service leave	11 094	10 531
Total Long-term Employee Benefits	11 094	10 531
Total Employee Benefits	18 721	18 177
Employee benefits as above	18 721	18 177
Add: Related on-costs included in current payables	1 620	2 066
Aggregate Employee Benefits plus Related On-Costs	20 341	20 243

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.

31. Provisions	2007	2006
Current:	\$'000	\$'000
Workers compensation claims	1 399	1 470
Third party accident damage	975	996
Railcar maintenance debt	281	371
Total Short-term Provisions	2 655	2 837
Non-Current:		
Workers compensation claims	7 785	7 866
Third party accident damage	2 735	2 685
Total Long-term Provisions	10 520	10 551
Total:		
Workers compensation claims	9 184	9 336
Third party accident damage	3 710	3 681
Railcar maintenance debt	281	371
Total Provisions	13 175	13 388

(a) Reconciliation of Provisions Movements

	Workers Comp Claims \$'000	Third Party Accident Damage \$'000	Railcar Maintnce Debt \$'000	Total \$'000
Carrying amount at 1 July	9 336	3 681	371	13 388
Recognised expense in 2006-07	1 027	144	-	1 171
Less: Net provisions used during the year	1 179	115	90	1 384
Movement	(152)	29	(90)	(213)
Carrying Amount at 30 June	9 184	3 710	281	13 175

Workers Compensation

This liability reflects unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of outstanding claims by Brett & Watson Pty Ltd at 30 June 2007.

Third Party Accident Damage

This liability reflects TransAdelaide's partial self insurance for this operational risk. The third party accident damage provision is based on an actuarial assessment of outstanding claims performed by Brett & Watson Pty Ltd as at 30 June 2007. TransAdelaide has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997 and exceeding \$1 million for claims since 1 July 1997.

Railcar Maintenance Debt

This liability relates to work being performed by Bombardier Transportation Ltd on the 2000 and 3000 class bogies for which, under the Railcar maintenance and service contract, TransAdelaide has agreed to pay a portion. This work is due to be finalised this year.

32. Other Liabilities	2007	2006
Current:	\$'000	\$'000
Revenue received for future services:		
From entities with SA Government	207	357
From entities external to the SA Government	64	62
Total Current Other Liabilities	271	419

33. Government Grants		
Non-Current:		
Capital grants from entities within the SA Government:		
Grants received	9 726	6 973
Less: Accumulated amortisation	991	317
Total Government Grants	8 735	6 656

The accounting policies adopted and the description of government grants received by TransAdelaide, including the conditions attached to the grants, have been disclosed in Note 2.

Movement in Government Grants:		
Carrying amount at 1 July	6 656	11 460
Additional capital grants received	2 753	20 060
Amortisation	(521)	(24 864)
Written-back on disposal of asset	(153)	-
Carrying Amount at 30 June	8 735	6 656

In accordance with AASB 120, government grants received for capital expenditure are amortised over the life of the resulting asset. During the current financial year TransAdelaide received such grants for work performed on the Marion Oaklands Transport Interchange projects and various security and safety upgrades.

34. Reserves	2007	2006
Asset revaluation reserve	\$'000	\$'000
	469 278	474 510
Movements During the Year		
Asset Revaluation Reserve:		
Balance at 1 July	474 510	464 730
Changes in accounting policy	-	17 906
Restated Balance at 1 July	474 510	482 636
Revaluation increment on non-current assets:		
Land and buildings	-	-
Infrastructure	-	(61)
Rollingstock	-	-
Transferred to retained profits amounts realised on disposal of:		
Land and buildings	(5)	(320)
Infrastructure	(485)	(6 713)
Rollingstock	(4 742)	(1 032)
Restated Reserves at 30 June	469 278	474 510

Nature and Purpose of Reserves

The asset revaluation reserve includes the net revaluation increments (decrements) arising from the revaluation of non-current assets in accordance with AASB 116. Asset decrements are expensed where no previous revaluation reserve increment exists for that asset.

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to retained profits.

35. Commitments	2007	2006
Capital Commitments	\$'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	1 056	1 953
Later than one year but not longer than five years	-	-
Later than five years	-	-
Total Capital Commitments	1 056	1 953
Net Capital Expenditure Incurred	20 001	31 263

TransAdelaide's capital commitments are for the upgrading of railway stations, pedestrian crossings, railway lines and for the implementation of security improvements throughout the suburban railway network.

Remuneration Commitments

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

	2007	2006
	\$'000	\$'000
Within one year	1 699	927
Later than one year but not later than five years	1 160	869
Total Remuneration Commitments	2 859	1 796

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

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
Not later than one year	501	606
Later than one year but not later than five years	365	477
Later than five years	-	-
Total Operating Lease Commitments	866	1 083
Operating Lease Expenses Paid	1 966	2 198

TransAdelaide leases property under operating leases expiring from one month to four years. The leases generally provide TransAdelaide with a right of renewal at which time all terms are negotiated. Contingent rental payments are based upon either movements in the Consumer Price Index or operating criteria.

36. Contingent Assets and Contingent Liabilities

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The life of various elements of the indemnities vary between two and seven years from when AUSTRICS was sold in 2004-05. As at balance date, this could not be reliably measured.

TransAdelaide has fifty 3000/3100 class railcars subject to a cross border lease which expires in April 2023. Encumbrances exist within this agreement which give rise to financial consequences in the event of loss or destruction of these leased railcar assets. The South Australian Government Financing Authority monitor the majority of foregoing obligations. To balance date, no event has occurred which would give rise to the encumbrances/consequences.

37. Reconciliation of Cash and Cash Equivalents	2007	2006
(a) Reconciliation of Cash	\$'000	\$'000
Cash at 30 June	20 670	22 106
(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense		
Net profit	1 131	16 157
Add (Less): Non-cash Items:		
Depreciation	19 708	20 939
Amortisation	98	184
(Gain) Loss on disposal of assets	(376)	891
Amortisation of grant funding	(521)	(305)
Write-back of 30 June 2005 unamortised capital grants		
on disposal of underlying assets	(153)	(9 844)
Write-off of 30 June 2005 income tax related balances	-	10 531
Write-off of work in progress project	1 584	-
Revaluation (increments)	(258)	(496)
Net Cash provided by Operating Activities before Change in Assets and Liabilities	21 213	38 057

(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense (continued)	2007	2006
	\$'000	\$'000
Movements in:		
Receivables	157	8 037
Stores inventories	(577)	369
Payables	(1 656)	(254)
Interest payable	(23)	(37)
Employee benefits provisions	544	1 358
Other provisions	(216)	(1 599)
Other liabilities	2 604	5 106
Net Cash provided by Operating Activities after Related Income Tax Equivalent Expense	22 046	51 037

The effective interest rate on cash deposits held throughout the year was 6.45 percent.

38. After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of TransAdelaide, to affect significantly the operations of TransAdelaide, the results of those operations, or the state of affairs of TransAdelaide in future financial years.

DEPARTMENT FOR TRANSPORT, ENERGY AND INFRASTRUCTURE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department for Transport, Energy and Infrastructure (the Department) is an Administrative Unit established pursuant to the PSMAct.

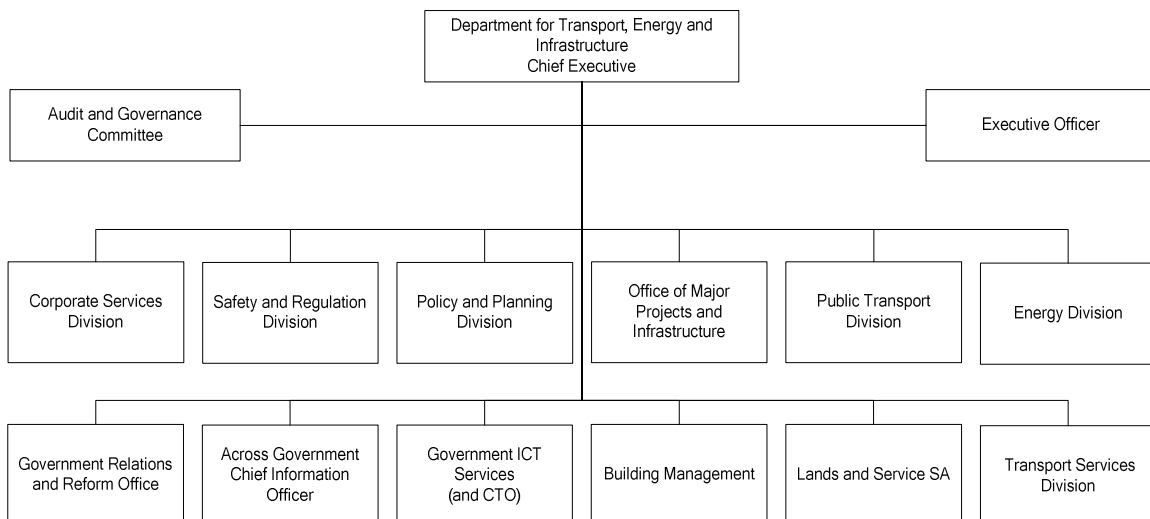
Functions

The Department has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning for South Australia. Its functions include:

- providing leadership in the development of transport options by providing policy, planning and investment advice to assist the Government to achieve its strategic objectives;
- delivering and supporting safe, sustainable and secure transport that underpins the economic and social growth of South Australia;
- providing improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility to enhance the quality of life of all South Australians;
- providing policy advice on energy issues, and delivering energy programs and regulatory services for the competitive, safe and reliable supply and use of energy, for the benefit of the South Australian community, including an efficient transition towards a sustainable energy future;
- identifying strategic infrastructure priorities for the State, coordinate infrastructure planning and development across government and facilitate timely delivery of key projects that support the economic and social development of the State;
- providing project risk management, building asset management, procurement and contract services;
- delivering capital building works and major projects;
- providing information technology policy, support and management services;
- providing land valuation, survey and registration.

Structure

An overview of the structure of the Department as at 30 June 2007 is illustrated in the following chart.



Changes to Functions and Structure

Pursuant to a proclamation on 28 September 2006, the administrative restructure of the former Department for Administrative and Information Services (DAIS) was initiated with all its functions transferring to a number of other government departments including the transfer of the following functions to the Department:

- Building Management
- Government ICT Services
- Land Services
- Parliamentary Network Support Group
- Commercial and Government Services
- Service SA.

While the transfer of employees was effective from 1 October 2006, the transfer of functions was effective from 1 January 2007.

The effects of these transfers have been reported in the Department's financial statements for the year ended 30 June 2007. Refer to Note 2 and Note 42.

The effects of these transfers on the Department's administered functions are provided in Notes A2 and A25 of the Department's administered financial statements.

Audit and Governance Committee

The Department has an Audit and Governance Committee which comprises the Chief Executive, senior management and one external member. The Committee has a Charter which requires it to assist the Chief Executive in overseeing the Department's operations. The Committee is responsible for reviewing the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Department's process for monitoring compliance with laws and regulations and its own code of business conduct.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

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

- Expenditure including:
 - e-procurement
 - accounts payable
 - corporate purchase cards
 - bus contract payments
 - commissions
 - office and residential property expenses (lease, maintenance and other accommodation expenses)
 - facilities management payments
 - information and telecommunication expenses

- Payroll
- Revenue including:
 - registration and licensing fees
 - Metroticket sales
 - office and residential property rents
 - Government Radio Network
 - data and phone services
 - contract management fees
 - facilities management charges
 - land regulatory fees and charges
- Fixed Assets including:
 - network assets
 - land, buildings and facilities
 - plant and equipment
 - work in progress
 - office and residential rental properties
 - Government Radio Network
 - phone and data communication
- Job costing
- Project and contract management
- Facilities Management Contract
- General ledger.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2006-07 Independent Auditor's Report, which details the qualification to the Department's financial report.

Qualification

The Department has recognised grants of \$11.19 million received in June 2007 (\$100 million in June 2006) from the Commonwealth Government as liabilities representing revenue received in advance. The amount is reported as Deferred Income.

In my opinion, the grants meet the recognition criteria of income as specified in AASB 1004 and APF V. The grants represent contributions with unconditional stipulations and as such should be recognised as income upon receipt.

As a result, the following financial statement lines have been misstated:

- *Total Income, Net Result After Restructure and Accumulated Surplus have been understated by \$11.19 million (\$100 million for the year ended 30 June 2006);*
- *Other Current Liabilities have been overstated by \$25.4 million (\$4.3 million as at 30 June 2006);*
- *Other Non-Current Liabilities have been overstated by \$85.8 million (\$95.7 million as at 30 June 2006).*

The Department has disclosed its accounting treatment of the grant in Note 39 'Other Liabilities'.

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 Department for Transport, Energy and Infrastructure as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department for Transport, Energy and Infrastructure in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the network assets, Government Information Communications and Technology Services, Building Management and Service SA, are sufficient to provide assurance that the financial transactions of the Department for Transport, Energy and Infrastructure have been conducted properly and in accordance with law.

Communication of Audit Matters

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

Network Assets

Audit has previously identified and reported on the adequacy of controls over the recognition and valuation of network assets particularly road assets.

The Department has responded to the Audit recommendations which in 2006-07 included:

- documenting formal policies and procedures;
- increasing the frequency of key reconciliations;
- improving the capture, analysis and adjustment of exclusion costs within work in progress.

An area that the Department still needs to address to further strengthen the internal control environment relates to the:

- *Timely Capitalisation of Completed Projects.*
While this year's audit review identified that there has been an improvement in the completion and submission of 'investing cost management' (ICM) forms by Project Managers, accounting transactions to transfer completed assets from work-in-progress to network assets for completed projects were not processed by Finance in a timely manner. Similar to previous years, the majority of capitalisation transactions occurred in the latter part of the financial year.

This matter was raised with the Department who advised that from 2007-08 all ICM forms will be required to be actioned within one month of being received by Financial Operations.

- *Reconciliation of the Masterpiece Fixed Asset Register (MPFAR) to AssetCap*
Audit has recommended in the past that the 'Like for Like' reconciliation of AssetCap and MPFAR be performed in both directions to provide assurance that the two systems record identical assets. The Department currently reconciles the AssetCap system to the MPFAR.

The Department has agreed to review this reconciliation process.

Expensing of Exclusions

Last year Audit reviewed the arrangements for identifying project costs incurred by the Department which do not meet the asset recognition criteria. These costs are referred to as 'Exclusions' by the Department. The audit identified that the Department's approach to accounting for capital works expenditure resulted in the recognition of assets (capital works in progress), which include costs that did not meet the asset recognition criteria and was inconsistent with the requirements of AASs.

Audit recommended that the Department review its accounting policies, procedures and systems for recording capital works expenditure to ensure the Department complies with the requirements of the AASs.

The Department established a Steering Committee in 2006-07 to review and address the issues raised by Audit.

As a result of the work of the Steering Committee, the Department developed a policy and implemented an interim manual process for 2006-07 to identify and expense exclusion costs for projects with a value greater than \$1 million. The value of exclusions identified as part of this process was \$41 million of which \$17.3 million has been expensed in 2006-07 and the remaining \$23.7 million has been recognised as an adjustment to equity as it relates to prior period expenditure.

Further work is being undertaken by the Steering Committee to further improve this process for 2007-08 onwards.

Audit will continue to monitor future developments.

Reconciliations

Past audits of the Department have identified significant delays in the preparation and independent review of a number of key reconciliations including the bank reconciliation. This impacted on the effectiveness of the Department's overall control environment. Audit recommended that the Department implement processes to ensure that the bank reconciliation and other reconciliations of key financial systems to the General Ledger are undertaken at the end of each month and in a timely manner.

The Department has put in place certain accountability processes including performance monitoring and reporting to senior management. These processes have resulted in key reconciliations being performed and independently reviewed in a timely manner for each month throughout the 2006-07 year.

Rail Contract Management

Schedule 11 of the service contract between TransAdelaide and the Public Transport Division (PTD) provides a structure for performance assessment for the delivery of the services, including a subset of critical indicators to be used as Termination Performance Benchmarks.

The Key Performance Indicators (KPIs) are both significant individually and as part of a composite assessment approach incorporated in the contract which provides for penalties if the contractor does not meet 9 of the 12 KPIs.

Audit reviewed the effectiveness of the Department's procedures for evaluating contractors' performance against the KPIs.

The audit identified gaps in the performance assessment for the TransAdelaide contract in relation to Rail Vehicle Inspections. Audit found that the PTD does not test this KPI as part of the quarterly audits. For the quarter ending December 2006 the PTD indicated that TransAdelaide had met this KPI, however, no assessment was undertaken.

The Department has advised that it will ensure that this KPI is assessed as part of its quarterly audits.

Payroll

Bona Fide Certificates and Leave Return Reports

The Department distributes Bona Fide Certificates (BFCs) and Leave Return reports to all areas of the Department each fortnight. Established procedures require managers to review and return the reports to payroll in a timely manner for correction of any errors. The Department relies on this control to provide assurance that transactions are completely and accurately processed to the payroll system.

Audit has previously identified and reported that the BFCs and Leave Return reports were not being reviewed in a timely manner and in some instances not returned to payroll at all. Further there was no effective follow up of outstanding BFCs and Leave Return reports by payroll.

This year's audit identified that the Department has implemented a number of changes to improve processes across the Department which have resulted in improvements. The audit established that the majority of areas were reviewing, confirming and returning the BFCs and Leave Return reports to payroll. However, this did not occur on a timely basis.

The Department has advised that it will monitor the return process on a more frequent basis (fortnightly instead of monthly).

Excessive Recreation Leave Balances

In line with the requirements of the PSMAct, the Department's current policy requires the deferral of recreation leave to be approved by a Chief Executive delegate for balances in excess of one service year's entitlement.

Review of the Recreation Leave Balances Register at 30 June 2007 identified that some 750 employees had leave balances in excess of one service year's entitlement (150 hours) of which 110 employees had balances in excess of 300 hours. The leave balance for one employee at 30 June 2007 was 780 hours.

For a sample of excessive leave balances Audit could not locate approvals for deferral of leave.

The Department has advised that processes will be put in place to ensure that excessive leave balances are identified and monitored and deferring leave is appropriately approved.

E-Procurement and Accounts Payable

Audit has, since the implementation of the E-Procurement System in 2003-04, reported on the need for the Department to ensure that:

- authorised users recorded in the system are reviewed on a regular and timely basis to confirm that they remained valid in line with the Department's Delegation Authority;
- exception reports which detailed orders where goods or services were received but not invoiced or not received are produced or reviewed on a regular basis.

While the Department has implemented procedures to address the issues raised above, Audit found that the reports that the Department procedures require to be produced and reviewed on a monthly basis are not always produced and reviewed by all areas.

The Department has advised that processes have been put in place to address the above issues.

Mobile Phone Review

Last year Audit reviewed the policies and procedures for the control of mobile telephones issued to staff, including approving the issue of phones, their use and checking accounts for payment. The audit identified a number of issues that were reported to the Department.

This year's Audit has identified that the Department has made progress in addressing the main issues raised by Audit including:

- implementing procedures for allocating and approving mobile phones;
- introducing a mobile phone management software system to distribute accounts to staff which will enable staff to identify personal calls and reimburse the Department.

Government ICT Services

Government Radio Network

During 2007 a Government Radio Network (GRN) infrastructure charge was invoiced for specified agencies that receive Emergency Services Levy (ESL) funding. Information provided to Audit indicated that this charge was to cease during 2006 and there was no specific approval for the continuance of the charge. Consequently, infrastructure charges may be invalidly invoiced. Audit recommended that the charging arrangements for the GRN be reviewed.

The Department responded that it will seek formal advice from the Department for Treasury and Finance (DTF) on the continuance of the GRN infrastructure charge.

Telecommunications Billing System

The Telecommunications Billing System (TBS) is used mainly to capture and record charges for the use of the Government PABX system and State-net infrastructure. TBS replaced a previously used system in November 2006. The audit revealed several control weaknesses including:

- procedures for internal controls were not documented;
- reconciliations between a subsidiary system and TBS were incomplete;
- checks performed on some key reports were not adequately evidenced;
- there was no procedure to bill for missed days/events;
- some input was not independently checked for completeness and accuracy.

The Department advised that it would develop a framework for TSB to include controls to ensure the accuracy and completeness of information processed.

Building Management

Facilities Services

Facilities Services provides maintenance, minor work and other facilities services to government entities. The audit revealed controls could be improved over the use of financial delegations, compliance with minor works policies and procedures, and access to the computer system used to process works (MACS).

The Department's response indicates that action is to be taken to address the matters raised.

Major Projects

Building Management manage major building projects on behalf of other government agencies. Testing of a sample of major projects revealed examples where approval to extend project funding was not obtained until the project was complete. Existing government policy requires approval for additional expenditure before incurring costs.

The response from the Department advised that staff have been reminded to adhere to the Government policy requirements.

Facilities Management Contract

A new Facilities Management Contract commenced in July 2006. The Cabinet approval for the new contract included making the Facilities Management Client Board (Board) responsible for supporting the implementation and successful operation of the new contract. At the time of audit, the Board was in the process of clarifying how it intends to meet the objectives as approved by Cabinet.

Building Management has documented a Management Plan and associated Management Framework for the new Facilities Maintenance Contract. At the time of audit processes to monitor and report the completion of activities prescribed by the Management Plan and associated Management Framework were not documented.

The Department responded that actions had been identified for further work by the Board, including work on:

- clarification of the role of the Board
- a strategic plan
- key drivers for success
- performance indicators
- a communication/engagement strategy.

These actions are planned to be completed by March 2008.

The Department also advised planned action to document, monitor and report contract management activities.

Accommodation Services

Accommodation Services provide commercial and residential property accommodation to government entities. Audit observed controls could be improved over:

- completeness of commercial property revenue;
- compliance with the Department of the Premier and Cabinet Circular 18 'Government Office Accommodation Framework';
- access to the system used to manage residential properties.

The Departmental response indicated that action is in progress to address the matters raised.

Service SA

Service SA provides receipting services for a range of clients. Monies received by Service SA are banked into the Service SA bank account and disbursed to clients. The 2004-05 audit revealed that the Service SA bank reconciliation was not complete because the individual items that comprise the variance between the receipting (and disbursing) system and the bank statement were not identified. The 2005-06 audit revealed that additional procedures had been implemented to identify reconciliation items. Notwithstanding these additional procedures, there remained a minor unexplained component of the reconciliation.

DAIS responded in 2005-06 that a business case for automating the bank reconciliation process would be completed in early 2006-07 with project finalisation anticipated over the next 12 months, depending on funding approval.

The 2006-07 audit revealed the business case did not proceed, there remains an unexplained component of the reconciliation and there were no documented procedures for the reconciliation.

The Department advised that Service SA has received project approval to build the Service SA receipting and bank reconciliation requirements into the TRUMPS system. The Department recognised the unexplained variance, however, considered that due to the size and nature of the variance and current control processes in place, there is no justification to commit additional resources to improve the manual reconciliation process. The Department also advised procedures for the reconciliation process would be reviewed.

Information Technology Strategy and Management

Last year's Report commented on the status of the then DAIS ICT strategic planning arrangements and certain other matters. It was indicated that a number of matters had not reached a stage of finalisation. Notably:

- the ICT Plan remained to be finalised and endorsed;
- overall risk assessment for all business units would be completed over a twenty four month period;
- the Information Security Management System had yet to be fully implemented;
- business continuity plans would be further developed.

As commented a number of business units were transferred from the former DAIS to the Department. ICT support for certain business unit systems is provided by the DTF.

In May 2007, Audit obtained an update on matters previously raised with both the Department and DAIS. That communication also sought a current high level understanding of the Department's overall management and control arrangements for information technology and systems.

The Department's response in May 2007 provided a comprehensive update. The response advised that:

- some organisational changes were still occurring as result of the administrative restructure of the Department;
- work on the ICT Strategic Plan would continue in 2007-08 and reflect the integration of the business units from the former DAIS;
- a number of the Department's security policies were approved by the Chief Executive and published in November 2006;
- a review of policies against the Information Security Management System was underway;
- business continuity plans would be reviewed and updated in line with organisational changes.

Audit will continue to monitor the developing area of the Department's organisational changes in respect of the overall management and control of ICT during 2007-08.

In addition to obtaining a high level update on ICT strategy and management, Audit also reviewed a number of important information systems and environments of particular Departmental business units during the year. Details of these reviews are provided below.

Building Management Information Systems and Environments

During 2006-07, a number of audit observations were raised in relation to certain systems and CPEs within the Building Management business unit. The systems were the Maintenance and Construction System (MACS), the Fee and Resource Management System (FARMS), and the Office Accommodation Management Information System (OAMIS).

These systems are supported by the ICT Support unit of the Department of Treasury and Finance. Resolution by the Department of some of the matters commented on below includes the involvement of that business unit.

MACS and FARMS Systems

In November 2006, Audit formally communicated a number of observations to the Department regarding the MACS and FARMS systems. A response was provided in January 2007.

Audit's observations indicated the need for:

- revising formal business continuity and disaster recovery plans and testing the plans;
- updating formal documentation relating to change management processes for some aspects of the systems;
- updating of formal user and operational procedures, including system user access arrangements.

The Department's January 2007 response advised of actions being taken to address the matters raised. In mid 2007 Audit reviewed the status of remedial actions.

It was noted that a number of documentation and procedural improvements for MACS and FARMS and their IT environments had been made by Building Management. Notably, the:

- updating of user and operational documentation;
- updating of formal documentation for changed logical security user access arrangements for the systems;
- updating formal documentation relating to change management processes for some aspects of FARMS;
- updating of the Business Continuity Plan for MACS.

The Department would also continue to:

- maintain the currency of the business continuity plans and develop improved documentation;
- look at opportunities to test planning for continuity of operations;
- discuss with ICT Support aspects of business continuity planning and testing.

OAMIS System

In September 2006 Audit obtained an update from the then DAIS regarding remedial actions being implemented as a result of an earlier Audit review of the OAMIS system. The update indicated that action had been taken:

- to investigate the automation of a data integrity event logging process;
- a number of system software fixes had been applied;
- OAMIS user documentation had been developed;
- system administration and operational procedures had been prepared.

In August 2007 Audit confirmed that a remaining matter was still being progressed, namely the discussions with the system vendor for automation of a data integrity event logging process within OAMIS.

Land Services Group – LOTS

The Department, through its Land Services Group (LSG), is responsible for key land administration functions in South Australia. The major components of that responsibility are discharged through the operation of the LOTS.

Last year's Report indicated that Audit had commenced a review of certain aspects of the LOTS system in June 2006. The LOTS review principally addressed the data flows and associated reconciliations, and security and control arrangements for access to and maintenance of the electronic record of certificate of title, and the record of assessed values.

The findings of the review were formally communicated to the then DAIS in October 2006. The LSG was subsequently transferred to the Department and a comprehensive response was received from the Department in December 2006.

The LOTS system is supported by the ICT Support unit of the DTF. Resolution by the Department of some of the matters raised includes the involvement of that business unit.

The review revealed that while the LSG had in place certain controls over system operation and information processing, there were a number of matters to be addressed for the continuing security and integrity of the LOTS operations.

The control measures to prevent unauthorised access to the LOTS electronic record of certificate of title, and the record of assessed values were not considered of a sufficient standard in some circumstances. This had the potential to compromise the integrity, confidentiality and availability of the LOTS system and its data. In particular the review found there were higher than required access levels and functions within LOTS given to certain employees and a lack of regular review of such access.

In addition, the review identified insufficient documented understanding of security arrangements and system operations, and a lack of up-to-date and comprehensive documentation relating to current internal and external interfaces to LOTS. It was also found that attention was required to the operation and management of interfaces to LOTS and associated reconciliations of valuation information with external entities.

Other matters identified included a need for regular user access reviews over LOTS and a need for improvement in password control arrangements over key LOTS databases, the testing of the business continuity plan and the formal documentation of alternative business procedures.

Due to the significance of LOTS in the management of land and land title information, it was considered important that the issues identified by Audit were appropriately addressed.

The Department's response acknowledged that the LOTS environment was a complex legacy system and the response included a detailed plan of action to address all matters raised. For the matter of inappropriate access and functions provided to some users, prompt action was taken by the LSG to remove the inappropriate access provided and a review of all other users was undertaken.

The Department advised that a number of other matters would be addressed by interim measures pending more appropriate resolution through the future stages of the Land Services Business Reform Program (formerly the ATLAS program). The overall program is directed to the replacing/modernising of the LOTS and provides for significant components addressing security.

Actions to be taken in regard to most other matters including the LOTS interfaces and related reconciliations were planned to be finalised by June 2007.

In early 2007-08 Audit is to undertake a follow up review of certain matters. That follow up will consider certain legislative requirements associated with the function of land administration in South Australia.

EDS (Australia) Managed Computing Facilities

A number of mainframe and mid-range computing environments managed by EDS (Australia) Limited (EDS) are located at the South Australian Government owned and managed information processing bureau site at Glenside. These computer environments process major systems for many government agencies.

The Department is the agency responsible for the overall contract management of these arrangements with EDS and in managing the Glenside site. Audit has an ongoing program for testing and reviewing the controls over the management of agency systems and computing processing environments at the Glenside site.

In 2006-07 Audit completed reviews of two specific CPEs at the Glenside site. The first environment related to the Department of Education and Children's Services' Valeo Human Resource Management System. The second environment related to the Department for Families and Communities mainframe environment which principally supports the housing applications of the South Australian Housing Trust and the Financial Management System of the Department for Families and Communities. Audit commentary for these two reviews are included in the relevant agency sections of Part B of this Report.

The Department is responsible for addressing some matters arising from the review.

A specific matter was also raised with the Department's Building Management in regard to the monitoring of physical security access to the computers and the provision of automated alarms for temperature and humidity.

The Department's responses advised of actions being taken to address all matters raised.

CHRIS

Over a number of years, Audit has undertaken reviews of the organisational management, procedures and associated internal control environment for the then DAIS CHRIS Human Resource Management System (HRMS) processed at the bureau service managed by an external service provider. The reviews have also addressed compliance with a Bureau Service Agreement between the Minister for Administrative and Information Services and the service provider.

Last year's Report raised important matters from earlier reviews where remedial action was in progress, notably:

- DAIS was consulting with the Department of Health to complete a security review of the service provider CPE in the 2006 calendar year;
- DAIS Central Support Unit (CSU) Disaster Recovery Plan was to be updated;
- DAIS CSU was continuing to liaise with government agencies for agency specific business continuity plans.

During 2006, the functions of the former DAIS HRMS CSU had been transferred to the Department.

At the time of preparing this Report, an update was being sought from the Department on these matters relating to CHRIS HRMS.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

It is important to note that the interpretation and analysis of the Income Statement for 2007 includes the activity for the six month period 1 January 2007 to 30 June 2007 of the former DAIS functions which transferred to the Department on 1 January 2007. Refer Note 2.

Highlights of the Financial Report

	2007	2006	Percentage
	\$'million	\$'million	Change
EXPENSES			
Employee benefits expenses	154	121	27
Supplies and services	547	450	22
Depreciation and amortisation	163	139	17
Other expenses	98	75	31
Total Expenses	962	785	23
INCOME			
Fees and charges	359	338	6
Commonwealth revenues	112	92	22
Sale of goods and services	92	15	n/a
Rental income	76	6	n/a
Other income	78	69	14
Total Income	717	520	38
Net Cost of Providing Services	245	265	(8)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	378	378	-
Payments to SA Government	6	4	50
Total Revenues from (Payments to) SA Government	372	374	(1)
Net Result before Restructuring	127	109	17
NET CASH PROVIDED BY OPERATING ACTIVITIES	338	341	(1)

	2007 \$'million	2006 \$'million	Percentage Change
ASSETS			
Current assets	511	395	29
Non-current assets	6 151	5 409	14
Total Assets	6 662	5 804	15
LIABILITIES			
Current liabilities	190	101	88
Non-current liabilities	218	194	12
Total Liabilities	408	295	38
EQUITY	6 254	5 509	14

Income Statement

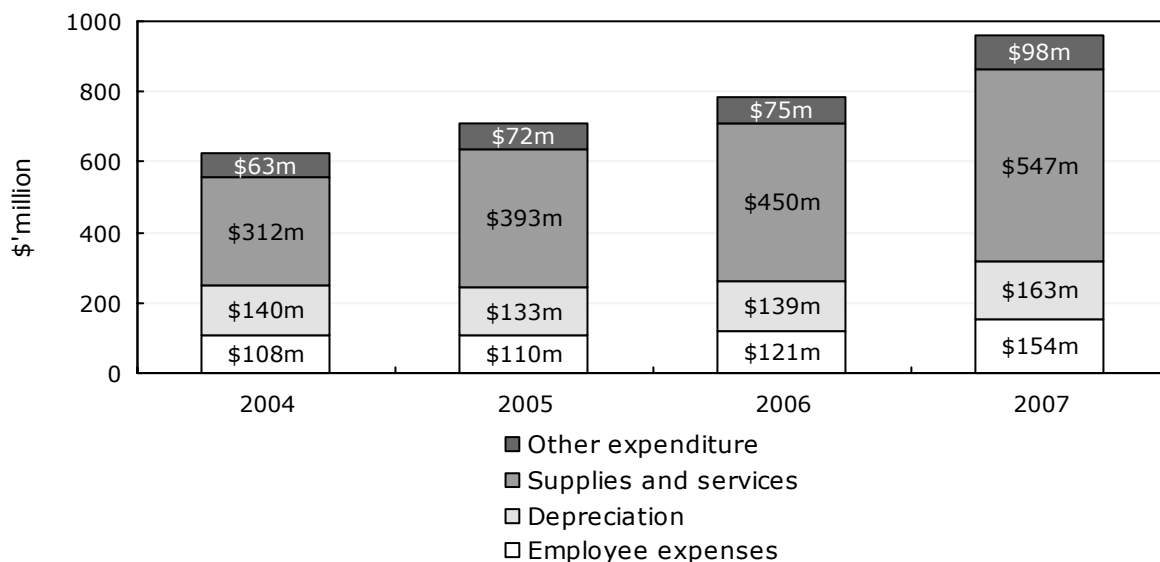
Expenses

Total expenses for the year increased by \$178 million (23 percent) of which \$179 million relates to the activity for the six month period 1 January 2007 to 30 June 2007 for the functions transferred to the Department from the former DAIS.

Expenses for the year totalled \$962 million (\$785 million) and are mainly attributable to:

- employee benefit expenses of \$154 million (16 percent);
- supplies and services expenses of \$547 million (57 percent) of which \$221 million (40 percent) relates to the bus and rail service contract payments and \$118 million (22 percent) to the cost of major infrastructure and other service contracts;
- depreciation and amortisation expense of \$163 million (17 percent) of which \$118 million (72 percent) relates to network asset depreciation.

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



Income

Total income for the year increased by \$198 million (38 percent) of which \$163 million relates to the activity for the six month period 1 January 2007 to 30 June 2007 for the functions transferred to the Department from the former DAIS.

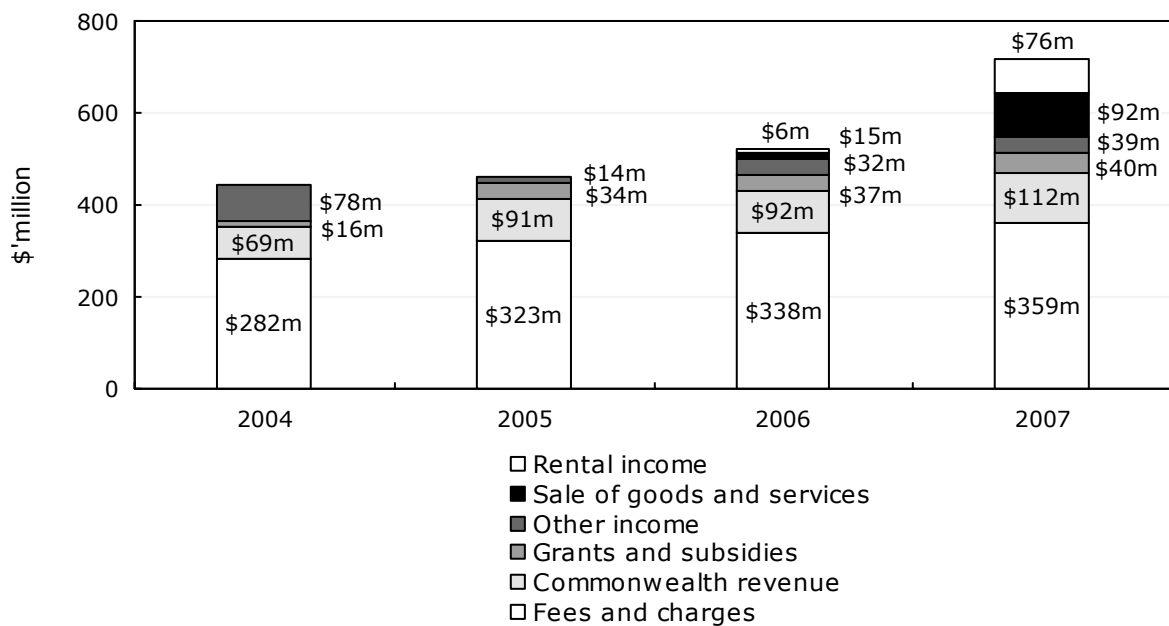
Income for the year totalled \$718 million (\$520 million) and represents:

- Fees and charges of \$359 million (50 percent) of which \$273 million (76 percent) relates to driver and vehicle registration income and \$71 million (20 percent) to Metroticket income.
- Commonwealth revenues of \$112 million (16 percent) of which \$30 million relates to funding received for the Port River Expressway Stage 2 and 3.

Specific funding received in 2006-07 of \$11.19 million for the Auslink Strategic Regional Programme has not been included in commonwealth revenues as the Department has recognised this funding as 'deferred income'. Refer Note 39.

- Sale of goods and services of \$92 million (13 percent) of which \$34 million relates to facilities maintenance services provided to government agencies and \$26 million is mainly attributable to charges for the use of the government radio, telephone and data networks.
- Rental income of \$76 million (11 percent) comprising \$59 million office accommodation and \$17 million residential accommodation.

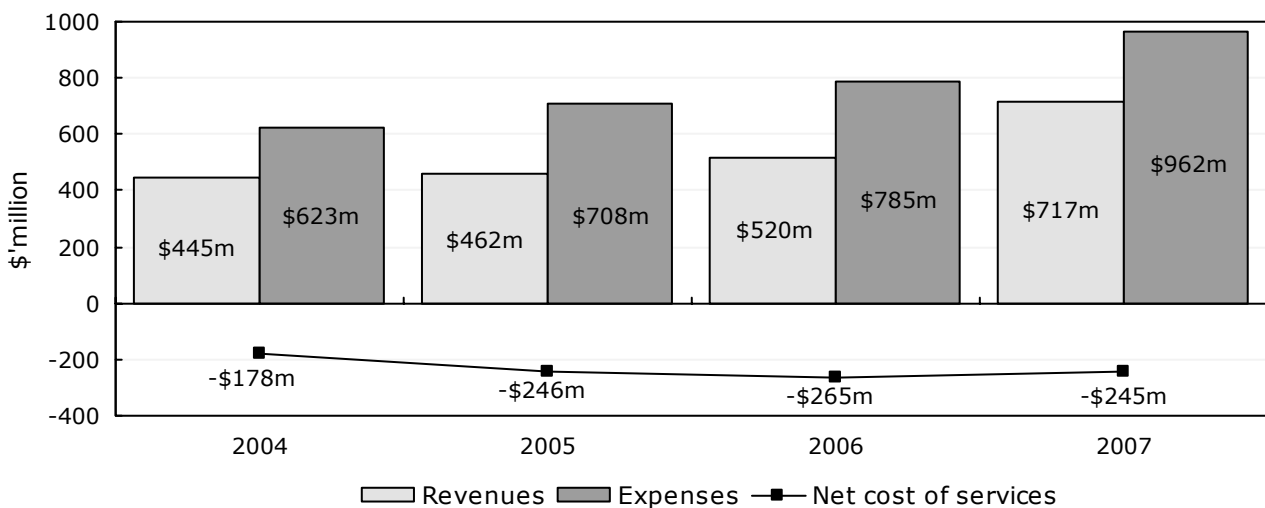
A structural analysis of income for the Department in the four years to 2007 is presented in the following chart.



Net Cost of Services from Ordinary Activities

The Net Cost of Providing Services for the year was a deficit of \$245 million as compared to a deficit of \$265 million the previous year.

The following chart shows the income, expenses and net cost of providing services for the four years to 2007.



Revenues from SA Government

Revenues from SA Government totalled \$377.9 million (\$378.4 million).

Despite the fact that the Department received new appropriation funds in 2006-07 of \$31.5 million for the functions transferred from the former DAIS, total Revenues from Government decreased by \$538 000 in 2006-07. This decrease reflects the one off \$33 million appropriation funding to the Transport Services Division received in 2005-06 to purchase trams and related infrastructure from TransAdelaide.

Balance Sheet

The net assets of the Department as at 30 June 2007 totalled \$6.3 billion (\$5.5 billion), of which \$4.5 billion (\$4.6 billion) represents the written down value of the network assets.

Network Assets

Network assets represent 73 percent (85 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of \$2.1 billion (46 percent) and earthworks with a written down value of \$1.5 billion (33 percent).

The written down value of network assets decreased by \$62 million to \$4.5 billion. The decrease is attributable mainly to:

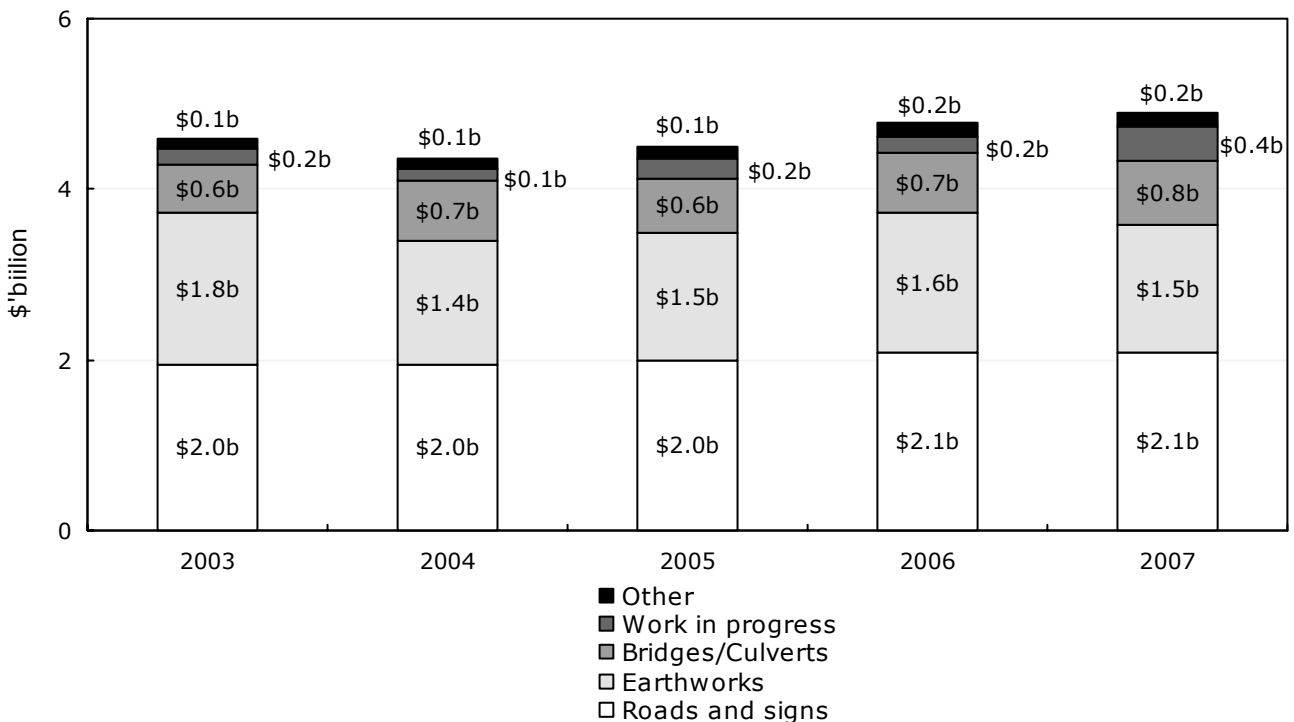
- a revaluation of components of network assets during the year resulting in a revaluation decrement of \$8 million which reflects mainly:
 - a revaluation increment of \$46 million for roads and signs;
 - a revaluation decrement of \$141 million for earthworks (Refer Note 32);
 - a revaluation increment of \$75 million for bridges and culverts;
- the capitalisation of a number of key projects totalling \$52 million of which \$8.7 million relates to the capitalisation of the Mawson Lakes Interchange;
- depreciation and amortisation expense of \$117.6 million.

Capital Works in Progress

The value of capital works in progress increased by \$200.5 million to \$390 million.

The increase reflects a number of major capital projects currently underway and including the Bakewell Bridge upgrade (\$28.3 million), Stages 2 and 3 of the Port River Expressway project (\$140.4 million), the South Road/Anzac Highway underpass (\$47.7 million) and Northern Expressway (\$25.4 million).

For the five years to 2007, a structural analysis of the written down value of network asset and work in progress is shown in the following chart.



The major sources of funding to maintain and develop the network were from the annual collection of registration and licence fees of \$272.6 million (\$259.9 million) and grants from the Commonwealth Government of \$112.2 million (\$91.6 million). This regular source of funding explains the low level of outstanding borrowings which totalled \$47.8 million (\$47.8 million) recorded in the Balance Sheet.

Land, Buildings and Facilities

The value of land, buildings and facilities increased by \$489 million to \$945 million.

The increase relates mainly to the land, building and facilities transferred to the Department on 1 January 2007 from the former DAIS. The written down value of these assets at 30 June was \$475 million.

Land for Current Projects

During the year the Department created a new asset category, land for current projects, within the land, buildings and facilities asset class. Land for current projects includes land and buildings held or acquired for current road projects. Buildings transferred to this asset category are not depreciated.

This accounting policy change reflects the fact that the Department acquires buildings principally for the purpose of acquiring the land for road projects. For further details on the change in this accounting policy refer Note 5.2.

The value of Land for Current Projects at 30 June 2007 was \$29 million.

Administered Items

The Department collects money through its Registration and Licensing function on behalf of third parties including:

- Compulsory Third Party Insurance on motor vehicles on behalf of the Motor Accident Commission;
- Stamp Duty on behalf of the DTF.

In 2006-07 amounts collected on behalf of third parties totalled \$655 million (\$657 million) and included \$414 million (\$416 million) for Compulsory Third Party Insurance, \$133 million (\$133 million) for Stamp Duty and \$29 million (\$28 million) for the ESL.

Registration and licensing receipts represents 87 percent (86 percent) of revenues administered by the Department.

FURTHER COMMENTARY ON OPERATIONS

Community Road Safety Fund

The Community Road Safety Fund was established in 2002-03 and became effective from 1 July 2003. The Fund receives monies from the Consolidated Account from speeding fine revenue collected by Police and the Courts Administration Authority. The money credited to the Fund is used by the Department to fund road safety related initiatives.

The Fund received \$69.1 million (\$59.3 million) from monies collected from speeding fines, additional Appropriation from the Consolidated Account, and interest of \$395 000 (\$810 000) which was credited to the Fund during the year.

During the year the Department spent \$66.8 million (\$59.3 million) on road safety related initiatives that were met entirely from the Fund.

The balance of the Fund at 30 June 2007 was \$2.745 million (\$463 000). Refer Note 48.

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

	Note	2007	2006
		\$'000	\$'000
EXPENSES:			
Employee benefits expenses	7	154 340	121 494
Supplies and services	8	546 965	449 851
Depreciation and amortisation	9	162 909	138 527
Grants and subsidies	10	80 889	66 203
Finance costs	11	4 313	3 992
Other expenses	12	12 994	4 612
Total Expenses		962 410	784 679
INCOME:			
Fees and charges	14	358 925	337 765
Commonwealth revenues	15	112 242	91 602
Sale of goods and services	16	91 548	14 997
Rental income	17	75 503	6 054
Grants and subsidies	18	40 361	36 736
Interest	19	9 453	4 660
Commissions received	20	11 168	9 783
Net gain or loss on disposal of assets	21	5 580	984
Resources received free of charge	22	660	-
Other income	23	12 098	17 037
Total Income		717 538	519 618
NET COST OF PROVIDING SERVICES		244 872	265 061
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	24	377 858	378 396
Payments to SA Government	24	5 781	4 372
Net Revenues from (Payments to) SA Government		372 077	374 024
NET RESULT BEFORE RESTRUCTURE		127 205	108 963
Net revenue (expenses) from administrative restructure	42	577 035	6 260
NET RESULT AFTER RESTRUCTURE		704 240	115 223

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

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	25	394 577	333 600
Receivables	26	89 922	35 028
Inventories	27	5 489	5 761
Other current assets	28	6 519	11 049
Non-current assets classified as held-for-sale	29	15 106	9 807
Total Current Assets		511 613	395 245
NON-CURRENT ASSETS:			
Receivables	26	7 613	40
Land, buildings and facilities	30	945 178	456 115
Plant and equipment	31	271 818	173 708
Network assets	32	4 517 772	4 580 212
Capital works in progress	33	389 994	189 534
Intangible assets	34	18 544	9 153
Total Non-Current Assets		6 150 919	5 408 762
Total Assets		6 662 532	5 804 007
CURRENT LIABILITIES:			
Payables	35	107 921	62 865
Interest bearing liabilities	36	1 694	696
Employee benefits	37	22 100	13 745
Provisions	38	14 556	9 905
Other current liabilities	39	44 183	13 434
Total Current Liabilities		190 454	100 645
NON-CURRENT LIABILITIES:			
Payables	35	4 837	3 045
Interest bearing liabilities	36	68 697	48 929
Employee benefits	37	50 582	31 856
Provisions	38	7 860	7 640
Other non-current liabilities	39	85 992	102 700
Total Non-Current Liabilities		217 968	194 170
Total Liabilities		408 422	294 815
NET ASSETS		6 254 110	5 509 192
EQUITY:			
Accumulated surplus		4 403 758	3 721 779
Asset revaluation reserve		1 620 349	1 574 156
Contributed capital		230 003	213 257
TOTAL EQUITY		6 254 110	5 509 192
Commitments	43		
Contingent assets and liabilities	44		

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

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Accum- ulated Surplus \$'000	Total \$'000
Note				
Balance at 30 June 2005	197 011	1 240 139	3 620 139	5 057 289
Changes in accounting policy	-	(125)	114	(11)
Other accounting policy changes	-	-	(15 084)	(15 084)
Asset related adjustments	-	39	8 641	8 680
Other prior year adjustments	-	-	(4 287)	(4 287)
Restated balance at 30 June 2005	197 011	1 240 053	3 609 523	5 046 587
Gain on revaluation of property during 2005-06	-	334 103	-	334 103
Net income/expense recognised directly in equity for 2005-06	-	-	-	-
Net result after restructure for 2005-06	(3 754)	-	115 223	111 469
Total Recognised Income and Expense for 2005-06	(3 754)	334 103	115 223	445 572
Equity contribution from SA Government	20 000	-	-	20 000
Balance at 30 June 2006	213 257	1 574 156	3 724 746	5 512 159
Asset related adjustments	-	-	(3 596)	(3 596)
Other prior year adjustments	-	-	629	629
Restated balance at June 2006	213 257	1 574 156	3 721 779	5 509 192
Gain on revaluation of property during 2006-07	-	46 193	-	46 193
Net result after restructure for 2006-07	-	-	704 240	704 240
Total recognised income and expense for 2006-07	-	46 193	704 240	750 433
Equity contribution from SA Government	16 746	-	-	16 746
Payment of dividend to SA Government	-	-	(22 261)	(22 261)
Balance at 30 June 2007	230 003	1 620 349	4 403 758	6 254 110

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

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefit payments	(145 750)	(116 462)
Supplies and services	(620 768)	(451 730)
Grants and subsidies	(83 798)	(66 601)
Finance costs	(4 313)	(3 992)
Construction work payments	(43 714)	-
GST payments on purchases	(3 014)	-
Other payments	(8 311)	(5 391)
Cash used in Operations	(909 668)	(644 176)
CASH INFLOWS:		
Fees and charges	358 925	337 765
Receipts from Commonwealth	123 432	191 602
Rental income	91 442	12 858
Sale of goods and services	165 826	5 190
Grants and subsidies	41 061	31 496
Interest received	8 976	4 660
Commissions	13 526	8 388
Construction work reimbursement	56 056	-
GST receipts on receivables	-	1 126
Other receipts	14 651	14 541
Cash generated from Operations	873 895	607 626
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	377 858	378 396
Payments to SA Government	(3 611)	(988)
Total cash flows from SA Government	374 247	377 408
Net Cash provided by Operating Activities	338 474	340 858
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(79 327)	(79 952)
Purchase of network assets	(231 883)	(158 082)
Cash used in Investing Activities	(311 210)	(238 034)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	19 889	14 922
Cash generated from Investing Activities	19 889	14 922
Net Cash used in Investing Activities	(291 321)	(223 112)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Payment of dividend to Government	(22 261)	-
Repayment of finance leases	(1 250)	-
Repayment of borrowings	-	(1 149)
Cash used in Financing Activities	(23 511)	(1 149)
CASH INFLOWS:		
Capital contributions from Government	16 747	20 000
Cash proceeds from restructuring activities	20 588	165
Cash generated from Financing Activities	37 335	20 165
Net Cash provided by Financing Activities	13 824	19 016
NET INCREASE IN CASH AND CASH EQUIVALENTS	60 977	136 762
CASH AND CASH EQUIVALENTS AT 1 JULY	333 600	196 838
CASH AND CASH EQUIVALENTS AT 30 JUNE	394 577	333 600

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

	Transport Policy and Planning		Transport Infrastructure Services		Transport Safety and Regulation Services		Public Transport Services	
	2007	2006	2007	2006	2007	2006	2007	2006
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	9 414	11 536	61 235	63 375	24 702	26 989	9 513	9 589
Supplies and services	3 098	6 256	123 239	132 882	27 274	43 307	242 602	242 230
Depreciation and amortisation	122	27	125 785	119 188	2 396	458	20 909	18 576
Grants and subsidies	1 930	617	5 056	40 524	-	-	22 171	16 652
Finance costs	13	-	281	64	55	-	3 349	3 928
Other	27	375	8 187	3 823	151	64	1 206	257
Total Expenses	14 604	18 811	323 783	359 856	54 578	70 818	299 750	291 232
INCOME:								
Fees and charges	18	-	7 284	7 162	279 300	266 194	70 808	64 319
Commonwealth revenue	-	-	102 983	90 152	597	1 210	-	102
Interest	-	-	8 894	3 152	284	212	-	1 296
Net Gain (Loss) from disposal of assets	-	-	5 151	687	(17)	-	(114)	301
Commissions	-	-	47	42	11 121	9 741	-	-
Grants and subsidies	-	-	-	-	-	-	40 361	36 736
Resources received free of charge	-	-	660	-	-	-	-	-
Rental income	-	-	5 764	5 549	-	-	510	505
Sale of goods and services	98	71	3 788	6 728	5 169	4 883	2 136	2 163
Other	36	22	2 915	9 290	2 189	1 891	851	1 046
Total Income	152	93	137 486	122 762	298 643	284 131	114 552	106 468
NET COST OF PROVIDING SERVICES	(14 452)	(18 718)	(186 297)	(237 094)	244 065	213 313	(185 198)	(184 764)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	3 018	2 646	52 073	80 948	72 188	61 879	192 837	197 131
Payments to SA Government	-	-	2 569	4 371	-	-	-	1
NET REVENUES FROM (PAYMENTS TO) SA GOVERNMENT	3 018	2 646	49 504	76 577	72 188	61 879	192 837	197 130
NET RESULT BEFORE RESTRUCTURING	(11 434)	(16 072)	(136 793)	(160 517)	316 253	275 192	7 639	12 366

Program Schedule of Income and Expenses for the year ended 30 June 2007 (continued)

	Energy Policy and Regulation		State Infrastruc- ture Facilitation		Information & Communication Technology Services		Building Management	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:								
Employee expenses	7 545	7 269	2 829	2 736	6 319	-	10 675	-
Supplies and services	6 955	7 310	8 207	17 866	21 389	-	93 170	-
Depreciation and amortisation	453	277	5	1	7 073	-	5 577	-
Grants and subsidies	6 052	8 410	9 337	-	-	-	-	-
Finance costs	-	-	-	-	17	-	556	-
Other	239	48	198	45	33	-	2 793	-
Total Expenses	21 244	23 314	20 576	20 648	34 831	-	112 771	-
INCOME:								
Fees and charges	92	90	-	-	-	-	-	-
Commonwealth revenue	67	138	4 263	-	1 162	-	-	-
Interest	-	-	-	-	-	-	274	-
Net Gain (Loss) from disposal of assets	-	(4)	-	-	(2)	-	557	-
Commissions	-	-	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	69 229	-
Sale of goods and services	1 724	1 152	19	-	29 367	-	35 287	-
Other	3 898	3 244	247	1 544	463	-	353	-
Total Income	5 781	4 620	4 529	1 544	30 990	-	108 700	-
NET COST OF PROVIDING SERVICES	(15 463)	(18 694)	(16 047)	(19 104)	(3 841)	-	(4 071)	-
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	14 143	16 688	12 062	19 104	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	3 212	-
NET REVENUES FROM (PAYMENTS TO) SA GOVERNMENT	14 143	16 688	12 062	19 104	-	-	(3 212)	-
NET RESULT BEFORE RESTRUCTURING	(1 320)	(2 006)	(3 985)	-	(3 841)	-	(7 283)	-

**Program Schedule of Income and Expenses
for the year ended 30 June 2007 (continued)**

	Community Services		Support Services to Government		Road Safety Policy, Planning & Services		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
EXPENSES:								
Employee expenses	15 092	-	970	-	6 046	-	154 340	121 494
Supplies and services	9 232	-	2 152	-	9 647	-	546 965	449 851
Depreciation and amortisation	329	-	115	-	145	-	162 909	138 527
Grants and subsidies	43	-	-	-	36 300	-	80 889	66 203
Finance costs	-	-	-	-	42	-	4 313	3 992
Other	79	-	17	-	64	-	12 994	4 612
Total Expenses	24 775	-	3 254	-	52 244	-	962 410	784 679
INCOME:								
Fees and charges	66	-	-	-	1 357	-	358 925	337 765
Commonwealth revenue	-	-	-	-	3 170	-	112 242	91 602
Interest	1	-	-	-	-	-	9 453	4 660
Net Gain (Loss) from disposal of assets	-	-	5	-	-	-	5 580	984
Commissions	-	-	-	-	-	-	11 168	9 783
Grants and subsidies	-	-	-	-	-	-	40 361	36 736
Resources received free of charge	-	-	-	-	-	-	660	-
Rental income	-	-	-	-	-	-	75 503	6 054
Sale of goods and services	10 957	-	3	-	-	-	91 548	14 997
Other	856	-	290	-	-	-	12 098	17 037
Total Income	11 880	-	298	-	4 527	-	717 538	519 618
NET COST OF PROVIDING SERVICES	(12 895)	-	(2 956)	-	(47 717)	-	(244 872)	(265 061)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	31 537	-	-	-	-	-	377 858	378 396
Payments to SA Government	-	-	-	-	-	-	5 781	4 372
NET REVENUES FROM (PAYMENTS TO) SA GOVERNMENT	31 537	-	-	-	-	-	372 077	374 024
NET RESULT BEFORE RESTRUCTURING	18 642	-	(2 956)	-	(47 717)	-	127 205	108 963

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Transport, Energy and Infrastructure

The Department for Transport, Energy and Infrastructure (the Department) has diverse responsibilities in relation to transport system and services, energy policy and regulation, and infrastructure planning for South Australia.

The goal of the Department is to ensure that South Australia's future needs and demands for the safe and efficient movement of people and freight, and safe and efficient energy, transport and other infrastructure, are met in an ecologically sustainable and cost effective way.

The Department's goal is achieved by the following objectives:

- identifying strategic infrastructure priorities for the state;
- coordinating infrastructure and land use planning and development across government;
- facilitating timely delivery of key projects that support the economic and social development of the state, including the development of South Australia's regions;
- providing policy advice on major energy market reforms and strategic issues relating to electricity and gas infrastructure;
- assisting in the delivery of the Government's policy on sustainable energy;
- managing and advising on state-owned transport, property, building, and ICT assets;
- providing leadership in the development of transport options;
- managing traffic on the arterial road network;
- regulating the access, behaviour and security of transport system users;
- investing in integrated transport solutions that increase the safety, effectiveness and efficiency of the state's transport, infrastructure and services for all users;
- providing South Australia's input to Commonwealth aviation safety regulatory change and aligning the state's strategies for air services and airport development with regulatory changes made by the Commonwealth;
- providing improved public transport services;
- conducting an annual review, audit and approval of energy industry safety and technical management plans and promotion of safety;
- increasing the overall efficiency and effectiveness of the government's current and future ICT investments;
- providing statutory services and information to the community in relation to land titling, survey, valuation and advice on land administration issues;
- providing government services and information to the community through a choice of integrated online, phone and face-to-face delivery channels;
- ensuring that we have the right people with the right skills in the right jobs to deliver projects and programs that fulfil the Department's contribution to the targets of South Australia's Strategic Plan.

2. Departmental Organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all business areas and enables an open and steady flow of information between these areas. The Offices and Divisions of the Department are:

- Across Government CIO
- Building Management
- Energy
- Government ICT Services
- Government Relations and Reform Office
- Lands and Service SA
- Office of Major Projects and Infrastructure
- Policy and Planning
- Public Transport
- Safety and Regulation
- Transport Services
- Corporate Services

2. Departmental Organisation (continued)

The Executive Directors of the Offices and Divisions within the Department report to the Chief Executive, Department for Transport, Energy and Infrastructure.

During 2006-07 there were significant changes to the Department's structure.

On the 28 September 2006, the Government announced the administrative restructure of the Department for Administrative and Information Services with all of its functions transferring to a number of other government departments, namely:

- Department for Transport, Energy and Infrastructure;
- Department of the Premier and Cabinet;
- Department of Treasury and Finance;
- Attorney-General's Department.

For accounting and reporting purposes, the financial transfer of these functions including the transfer of assets, liabilities and equities was to take effect from 1 January 2007 as reported in the Government Gazette, dated 28 September 2007. Revenues and expenses reported for the period 1 January to 30 June 2007 are detailed under Note 42.

Effective from that date, financial accountability for the following business units or functions transferred to this Department:

- Building Management, incorporating:
 - Building Services
 - Commercial Property Management
 - Government Employee Residential Property Management
- Government ICT Services
- Lands and Service SA
- Parliamentary Network Support group, now incorporated within the Corporate Services Division.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

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

AASs include AIFRS and AAS 29.

The Department's statement of compliance with AASs and Interpretations is detailed under Note 5.1.

The Department's compliance with APSs issued pursuant to section 41 of the PFAA is by authority of TI 19.

In the interest of public accountability and transparency the APSs have required the following note disclosures to be included in this financial report:

- (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
- (b) Expenses incurred as a result of engaging consultants (as reported in the Income Statement);
- (c) Employee TVSP information;
- (d) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
- (e) Board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The preparation of the financial report has also required the use of certain accounting estimates where management is required to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements have been outlined in the applicable notes.

The Department's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been valued in accordance with specific applicable valuation policies described under this note.

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

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

3.2 Reporting Entity

The Department has produced both departmental and administered financial statements. The departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. The administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

3.3 Comparative Information

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

3.4 Rounding

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

3.5 Service Provider Operations

Service provider units are individual work units that operate on a fee for service basis. Service provider units predominantly have as their clients other units or divisions within the Department and may also undertake some work for external parties. Some service provider units charge actual costs directly to projects or functions, while others retain actual costs within a working account prior to on-charging those costs to their customer groups. The recurrent or capital nature of these costs is therefore not readily apparent. A reliable means of allocating these costs between investing and operating activities has been established based on the history of work performed or an apportionment relevant to the underlying nature of the Service Provider's unit operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Income Statement. Revenue and expenses arising from intra-division operations have been eliminated.

3.6 Business Overheads

The Department adopts a full cost approach to the costing of its infrastructure capital and recurrent works. This methodology entails the allocation of a proportionate share of overheads to these activities based on a regime of cost drivers. Costs that are typically allocated using these cost drivers include general engineering and field related expenses, and goods or services that support the resources directly engaged in working on these activities (eg accommodation rental, payroll services, finance, contract management, etc).

Business overheads relating to those functions or areas responsible for the management and control of property, building, ICT assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and outputs in line with the Department's full cost approach methodology.

Costs normally associated with the establishment and operation of governance frameworks designed to support the role of Executive Management are not attributed to individual specific works and are borne by the Department as a whole.

3.7 Taxation

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

Under the National Competition Policy principles (Tax Equivalent Regime), state government business enterprises in competition with private industry are liable for payment of Commonwealth, State and Local Government taxes with an equivalent payment to be made to the Department of Treasury and Finance (DTF).

GST

In accordance with the requirements of Interpretation 1031, revenues and expenses are recognised net of the amount of GST, and receivables and payables are stated with the amount of GST included.

The amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense. The GST due from or payable to the Australian Taxation Office is recognised 'net' in the departmental Balance Sheet.

Taxation Equivalents

Under the tax equivalents regime the Department is liable to pay income tax equivalents in relation to the commercial operations of the Building Management Division.

In determining its tax equivalent commitments, the Department utilises the 'Accounting Profits' model. Under this model, income tax expense is calculated separately for each taxable entity by applying the income tax rate (currently 30 percent) to the accounting profit for the year.

3.8 Transferred Functions

Assets, liabilities and contributed capital transferred to or from the Department under government restructuring arrangements have been reported in accordance with APSs contained within APF II, AAS 29 and Interpretation 1038.

3.9 Income and Expenses

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

Income and expenses have been classified based on their nature in accordance with APF II and with the exception of some items such as rebates or refunds and have not been offset unless required or permitted by another accounting standard.

Fees and Charges

Revenues from registration and licence fees are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Revenues from other fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of those goods and services to the customers.

Disposals and Contribution of Assets

Gains or losses from the disposal of non-current assets are recognised on a net basis on the face of the Income Statement when control of the asset has passed to the buyer.

Assets contributed by the Department to other entities at no value or minimal consideration are disclosed separately in the Notes to the Income Statement.

Assets provided to the Department at no value or minimal value are also recorded on the face of the Income Statement as resources received free of charge at an amount equal to the fair value of the assets received.

Borrowing Expenses

In accordance with AASB 123, borrowing costs are recognised as expenses in the period in which they are incurred.

Grants

Grant revenue is recognised as income at the time the Department obtains control over the grant funds or obtains the right to receive the grant funds. For grants with unconditional stipulations, control generally occurs at the earlier time of when the Department has been formally advised that the grant has been approved, the agreement has been signed, and/or the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Grants received by the Department from the Commonwealth are generally monies given to fund capital or recurrent activities. Such grants are recognised as Commonwealth Revenues and are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

Grants provided to other entities for general assistance or for a particular purpose are therefore recognised as expenses, prepayments or payables depending on the nature of the grant and the recipient entity's level of control or right to receive the grant. Grants provided by the Department to other entities are generally unconditional in nature and are recognised as expenses in the period in which they are paid.

Agency Relationships

The Department acts as agent in the payment of goods or services to a third party on behalf of other government agencies (ie contract manager for the EDS contract). Costs are paid by the Department and then subsequently billed or invoiced to the client/customer agencies.

Revenues and expenses arising from the payment and billing of costs to client/customer agencies are disclosed at their full gross amount in the Income Statement under Administered Items and have not been offset.

The Department may charge a commission or management fee for the provision of these services. Such commissions or management fees are reported as revenues for the period within the Income Statement for controlled items.

Administered Items

Other transactions and balances that relate to activities administered by the Department on behalf of SA Government have been excluded from the departmental operations of the Department. Revenues and expenses arising from those activities are recognised in the Income Statement for administered items.

3.10 Revenues from (Payments to) SA Government

Revenues from SA Government include monies appropriated to the Department under the *Appropriation Act* or other Acts. These appropriations are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Payments to SA Government include payments to the DTF for Indentured Ports paid directly to the Treasurer through the Consolidated Account (refer Note 46).

3.11 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that will be realised as part of the 12 month operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3.12 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and deposits at call that are readily converted to cash and are used in the day-to-day cash management function of the Department. Cash is measured at nominal value.

Administered cash is reported separately in the administered financial statements.

Cash Alignment Policy

In October 2003 the Government introduced a policy with respect to aligning departmental cash balances with appropriation and expenditure authority. This policy came into effect during 2003-04 and has continued operation through to 2006-07. The Department was not required to transfer any cash balances in 2005-06 or 2006-07.

3.13 Receivables

Trade Debtors

Trade receivables arise in the normal course of providing goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or from when the goods/services have been provided under a contractual arrangement. Other debtors arise outside the normal course of providing goods and services to other agencies and to the public.

If payment from a debtor has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

In accordance with AASB 139, the Department determines a provision for doubtful debts based on an annual review of balances for trade receivables. The provision balance is calculated as that amount of specific trade receivables that have been assessed as impaired or uncollectible at reporting date.

Loan Receivables

In accordance with the requirements of APF IV, the Department measures financial assets such as loan receivables at their historic cost, except interest free loans which are measured at the present value of expected repayments.

Finance Lease Receivables

The Department has entered into a number of finance lease arrangements as lessor for the purpose of providing housing and accommodation. Receivables to be derived from these lease arrangements have been brought to account in the Balance Sheet in the accordance with the requirements of AASB 117.

3.14 Inventories

Inventories held-for-sale are stated at the lower of cost or their net realisable value. Inventories held for distribution are measured at the lower of cost or replacement value.

Inventories such as metrotickets consist of tickets held-for-sale or distribution and are valued at cost. Inventories of roadside materials are valued at historic cost and stores are valued on a weighted average historic cost basis. Inventories comprising works in progress performed for clients external to the Department are valued at cost.

3.15 Non-Current Asset Acquisition and Recognition

The Department capitalises non-current physical assets with a value of \$10 000 or greater in accordance with policies that are consistent with APF III and the requirements of AASB 116. Exceptions to this policy relate to assets under construction, land and buildings, as described below.

The Department's activities with respect to assets under construction are such that these costs are capitalised and transferred to the Balance Sheet at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed. For those projects equal to or greater than \$1 million, this expensing of costs occurs during the life of the project. For all other projects, costs to be expensed are identified at/or near the date of practical completion.

The Department recognises land separately from buildings and other improvements, and land acquired for current road projects separately from other land.

In accordance with APF III APS 9.6 the Department has elected not to recognise in its Balance Sheet the value of land under roads and land under water because of the inherent difficulty in the reliable measurement of all land within these categories.

Buildings or other structures residing on land acquired for current road projects are not recognised in the Balance Sheet. The costs incurred in acquiring the buildings in these instances are deemed to be part of the costs of acquiring the land.

3.15 Non-Current Asset Acquisition and Recognition (continued)

The Department also recognises as assets outlays on building fit-outs although the acquisition of furniture and some office fittings under upgrades or modifications are not capitalised due to the inherent difficulty in separately tracking these items for depreciation and replacement purposes.

The Department performs separate recognition of the components of specific assets it owns or controls only when the fair value of the asset at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets. With the exception of its Walkerville administrative office building, where the lifts and the air-conditioning system have been recognised separately, the Department's assets have been appropriately classified and grouped to warrant no further recognition of components.

Most assets acquired and recognised by the Department are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs incurred with the acquisition.

Where the Department acquires assets at no value, or minimal value, these items are recorded at their fair value in the Balance Sheet. If the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor entity prior to the transfer.

Where the payment for an asset is deferred, the Department measures its value at the present value of the future outflow, discounted using the interest rate of a similar period for borrowing.

3.16 Non-Current Assets Held-for-sale

Assets held-for-sale generally consist of land and buildings that have been declared surplus to the needs of the Department for which a plan of sale has been determined. Assets held-for-sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell in accordance with AASB 5.

3.17 Contracts in Progress

The Department acts as project manager for major capital works in relation to government buildings or government accommodation and for a range of minor and maintenance type activities associated with its role of facilities manager.

Profits on these contracts are brought to account on a percentage of completion basis as determined under current engineering estimates and in accordance with AASB 111. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

3.18 Non-Current Works in Progress

The Department is a key provider of infrastructure for the State and constructs or modifies assets as part of its role in coordinating or facilitating the delivery of transport related and other key strategic or priority projects.

When capitalised, works in progress result in the recognition of non-current assets such as network assets and other items of property, plant or equipment in the Balance Sheet.

In accordance with AASB 116, all works in progress arising from these activities are valued at cost.

3.19 Intangible Assets

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with AASB 138, existing Departmental policies and where the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III.

Costs associated with the development or implementation software applications that do not meet the criteria for asset recognition (eg training expenses, research costs, etc) are expensed.

Under these requirements the Department has recognised at cost assets relating to the following significant items of software:

- Transport Regulation User Management Processing System (TRUMPS) (Phase 1)
- Strategic Asset Management Information System (SAMIS)
- Office Accommodation Management Information System (OAMIS)
- Telecommunication Billing System (TBS)
- Web Based Purchasing Interface (with ICT vendors)

In accordance with AASB 138, the Department has also recognised as intangibles the value of licence agreements held with ETSA Utilities for use of broadband fibre at regional centres (Port Augusta, Whyalla and Port Lincoln).

3.20 Revaluation of Non-Current Assets

In accordance with APF III APS 3.1 and 3.3, the Department revalues all its non-current physical assets to their estimated fair value. Revaluations are performed only in instances where the fair value of the asset or asset group at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

3.20 Revaluation of Non-Current Assets (continued)

The Department revalues land, buildings, leasehold improvements and major plant every two or three years depending on the nature or purpose for which that property is held. Office or building fit-outs that qualify for separate asset recognition are not revalued and are therefore carried at their historic cost.

With the exception of the Government Radio Network system, PABX and transmission equipment, the Department does not revalue its information technology/communication and minor plant assets, as these items do not meet the revaluation threshold.

When depreciable non-current assets are revalued, the Department uses the 'gross method' in accounting for the accumulated depreciation on revaluation.

If at any time the carrying amount of an asset materially differs from its fair value, then the Department revalues the asset regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are either held at cost until the next valuation, or revalued if the fair value is likely to be materially different from the acquisition value.

Revaluation increments are credited directly to the Asset Revaluation Reserve. If within an asset class, an increment reverses a revaluation decrement previously recognised as an expense in the Income Statement within that class, the increment is recognised as revenue in the Income Statement, but only to the extent of the decrement previously recognised in this financial statement.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for a particular class of asset and any remaining balance is expensed.

When entire classes or groups of assets are sold, the revaluation increments relating to those assets are transferred to Retained Earnings in accordance with APF III APS 3.11.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

Land, Buildings and Facilities

Land and buildings that are subject to commercial leases and held for the provision of government agency accommodation are revalued every two years based on independent valuations.

Land and buildings that are subject to residential leases and held for the provision of housing of government employees in remote areas are revalued annually using the Valuer-General of South Australia assessment adjusted by an index for the average gains/losses in real property values experienced over the previous four years.

All other land, buildings and facilities held by the Department are valued on a three year rolling basis.

All other land, except for land under roads, land under water and land acquired for current road projects is valued at fair value based on Valuer-General's assessments or from independent valuations. Land under roads and land under water are not recognised, and land acquired for current road projects is carried at historic cost.

All other buildings and facilities are generally valued at written down replacement cost as determined under independent valuations or by suitably qualified valuation officers of the Department.

Where Valuer-General information is used to measure the value of buildings, that value is based on the Valuer-General's assessment of the building being the difference between the capital value and the site value of the property.

Network Assets

With the exception of earthworks, all network assets are valued at written down replacement cost either by independent valuers, or by suitably qualified officers of the Department. These assets have no market and are therefore measured at written down replacement cost which is considered to be equivalent to fair value. The reasonableness of this valuation approach for road pavements and earthworks was agreed upon under the advice from an independent engineering consultant (L B Dowling & Associates) in 2001-02.

The Department's methodology for valuing road pavements includes the recognition of salvage values to ensure that depreciation expense on road pavements is in accordance with the treatment prescribed in AASB 116.

Plant and Equipment

Plant and equipment subject to revaluation is valued at written down replacement cost. Plant and equipment, which does not meet the threshold for revaluation, is valued at historic cost. In these instances, historic cost is deemed to be the fair value of these assets.

Non-Current Works in Progress

Non-current works in progress is not revalued but carried at historic cost.

Assets Acquired under Government Restructures or Other Changes in Administrative Arrangements

- *Former Australian National Rail Land and Associated Assets*

These assets have been progressively defined, valued and recorded in the Department's asset register as assets vested in or transferred to the Minister for Transport.

Land and buildings on major rail yards subject to commercial leases is based on the Valuer-General's determination of market value, or the latest Valuer-General assessment depending on the terms of the lease. All other rail-related land and buildings are valued using the Valuer-General's assessment of site value for land and the difference between capital value and site value of the property for buildings.

The value for land under rail or rail reserves on Interstate Mainline awaiting title and/or division is based on net present value of future income flows (nominal only).

- *Former Energy SA Land and Associated Assets*

On 1 July 2005, the functions of Energy SA transferred to the Department. Assets subject to this transfer included land, buildings, plant and equipment associated with the operation of local township power stations. In accordance with APF III APS 2.12, these assets were brought to account at amounts equal to the value recorded by the transferor entity as at 30 June 2005 with a view that all assets be defined, titled and revalued using valuation principles applied to similar assets.

In May 2007, the Department initiated a revaluation of the former Energy SA assets. As at 30 June 2007, all land had been subsequently defined, titled and revalued using Valuer-General's assessments. The revaluation of buildings, plant and equipment via independent valuation assessments is expected to be completed in September 2007.

- *Purchase of Tram Infrastructure from TransAdelaide*

On 30 June 2006, the Department acquired from TransAdelaide a number of tram related assets. These assets included the existing tram infrastructure and extensive upgrades or improvements to the tram tracks, electrical network, buildings, plant and equipment supporting the Adelaide-Glenelg Tram Line and Glengowrie Tram Barn.

For 30 June 2006, the tram infrastructure assets were brought to account or recognised in the Department's system records and ledger at a summarised level only. As at 30 June 2007, all assets subject to the purchase had been individually defined, titled and revalued.

- *Former DAIS Land, Buildings and other Assets*

On 1 January 2007, the Department assumed financial responsibility for a number of functions from the restructuring of DAIS. In accordance with APF III APS 2.12, the assets were brought to account at amounts equal to the value recorded by the transferor entity (DAIS) as at 31 December 2006.

The transfer of these assets assumed that subsequent revaluations of the assets would be performed in an orderly manner in accordance with schedules that existed prior to the transfer.

As at 30 June 2007, the assets have continued to be defined, valued and recorded in the asset registers vested and maintained by or on behalf of the business areas. Revaluations have been performed as scheduled.

Amendments or Variations to Departmental Revaluation Methodologies and Schedules

- *Weigh Bridges/Weigh Slabs and Navigational Aids*

The Department has deferred its planned revaluation of weigh bridges, weigh slabs and navigational aids to the 2007-08 financial year.

The Department is currently undertaking an extensive program of upgrading these assets which may involve the decommissioning and replacement of some items. Revaluations will therefore be performed at the completion of these upgrades. The written down replacement cost for weigh stations and weigh slabs as at 30 June 2007 is \$118 000.

The Department is currently pursuing a major physical inspection program for all navigational aids installed in South Australian waters. Revaluations are expected to be performed as part of that program. The written down replacement cost for navigational aids as at 30 June 2007 is \$123 000.

- *O'Bahn Busway Interchanges*

A lack of sufficiently qualified resources has resulted in the deferral of the revaluation of the Busway Interchange assets to the 2007-08 financial year.

As an interim revaluation strategy for reporting Busway Interchange assets as at 30 June 2007, the Department has opted to increase the current carrying amount of existing assets using the Road and Bridge Construction Index from ABS, applicable to each of the last three financial years, to arrive at a revised carrying amount for Busway Interchanges of \$9.811 million.

- Agency and Marine related Buildings and Facilities*
 The Department revaluation policy requires the carrying amount of agency and marine related buildings and facilities to be re-valued every three years. In late February 2007, the Department engaged an independent valuer (Liquid Pacific Holdings Pty Ltd) for the purpose of reassessing the values of approximately 900 different sites or structures.

As at 30 June 2007, management had not had the opportunity to thoroughly review or resolve all matters pertaining to the estimates submitted by the valuer in the draft Valuation Report. The Department has therefore deferred the bringing to account of the latest estimates for this revaluation until sign off can be achieved. The Department is committed to completing this revaluation by November 2007.

Timing of Asset Revaluations

The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

Asset Class	Last Valued/ Revalued	By Whom
Network		
Roads pavements, including small signs, pavement marking and median kerbing	30 June 2007	Amando Reyes, BSEng (Civil), Grad Dip (Project Management)
Earthworks	30 June 2007	Amando Reyes, BSEng (Civil), Grad Dip (Project Management)
Bridges/Culverts	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science
Major signs	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science
Ferry landings	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science
Traffic signals	30 June 2005	Brendan McIntosh, BEng (Electrical)
Drainage	30 June 2006	Bill Lipp, BTech Civil Eng, Grad Dip Maths
Road lighting	30 June 2005	Rick Burt, (Cert in Electrical Eng)
Weighbridges and weigh slabs	30 June 2004	Modern Weighbridge and Scale Service Pty Ltd and various departmental officers
Rail and Track		
Busway track and structures	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science
Busway interchanges	30 June 2007	[Management assessment - indexed]
Adelaide-Glenelg tram line	1 July 2006	Rushton Valuers Pty Ltd
Land		
Rail land	30 June 2007	Valuer-General
Marine land	30 June 2006	Valuer-General
Bus Depot land	30 June 2006	Liquid Pacific Holdings Pty Ltd
Government employee housing	30 June 2006	Valuer-General plus index
Government agency accommodation	1 July 2006	Frank Knight Valuations
All other land	30 June 2006	Valuer-General
Buildings and Facilities		
Marine related	30 June 2004	Liquid Pacific Holdings Pty Ltd
Rail related	30 June 2005	Various
Bus depots	30 June 2007	Liquid Pacific Holdings Pty Ltd
Glengowrie Tram Depot	1 July 2006	Rushton Valuers Pty Ltd
Residential Buildings:		
Future road construction	30 June 2006	Valuer-General
Government employee housing	30 June 2006	Valuer-General plus index
Commercial Buildings:		
Future road construction	30 June 2006	Qualified departmental officers
Government agency accommodation	1 July 2006	Frank Knight Valuations
Other departmental	30 June 2004	Liquid Pacific Holdings Pty Ltd
Plant and Equipment		
Buses	30 June 2007	Liquid Pacific Holdings Pty Ltd
Tram Cars	1 July 2006	Rushton Valuers Pty Ltd
Bus depot plant and equipment	30 June 2006	Evans and Clarke
Glengowrie Depot plant and equipment	1 July 2006	Rushton Valuers Pty Ltd
Government Radio Network	30 June 2005	Gibson Quai
PABX and transmission equipment	30 June 2005	Gibson Quai
Other information technology	Not applicable	
Towing vessel	28 February 2007	K. Tech Marine
Ferries (including modules)	30 June 2005	Gary Harvey, BEng (Mechanical Eng)
Navigational aids	30 June 2004	Alex Colligan
Minor plant	Not applicable	

3.21 Revaluation of Intangible Assets

Software applications that have been specifically developed for the Department and cannot be actively traded in the market place are not revalued. These intangibles will continue to be reported at their historic cost less accumulated amortisation in accordance with AASB 138.

3.22 Depreciation and Amortisation of Assets

Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful life of an asset is generally determined on the basis of 'economic useful life to the entity'. The useful lives of all major assets held by the Department are reassessed on an annual basis.

With the exception of land, earthworks and works in progress, all non-current assets having a limited useful life are systematically depreciated/amortised over their estimated useful lives in a manner that reflects the consumption of their service potential.

Land, earthworks and work in progress are not depreciated. Buildings residing on land acquired for current road projects are not recognised and therefore are not depreciated.

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. Similarly, the value of finance lease assets is amortised over the shorter of the lease term and the underlying asset's useful life.

Capitalised software is amortised over the useful life of the intangible asset, with a maximum period for amortisation of 10 years.

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

Asset Class	Method	Estimated Useful Life
Land Improvements		
Land remediation (capitalised)	Straight line	3 years
Leased Assets		
Computers and network printers	Straight line	3-4 years
State core network	Straight line	3-5 years
Network Assets		
Roads	Straight line	40-58 years
Roads (unsealed)	Straight line	15-35 years
Bridges/Culverts	Straight line	30-200 years based on individual structures
Major signs	Straight line	36-60 years
Traffic signals	Straight line	15 years
Road lighting	Straight line	25 years
Other	Straight line	Useful life depends on individual asset items
Rail and Track		
Busway (including interchanges)	Straight line	4-100 years based on individual structures
Adelaide - Glenelg Tram Line	Straight line	5-155 years based on individual structures
Buildings, Fitouts and Facilities		
Glengowrie tram depot	Straight line	7-50 years
Bus depots	Straight line	15-40 years
Government agency accommodation	Straight line	40 years
Government employee housing	Straight line	66 years
Building fitouts	Straight line	15 years
Other	Straight line	3-100 years based on individual asset items
Plant and Equipment		
Tram cars	Straight line	30 years
Glengowrie depot plant and equipment	Straight line	15-20 years based on individual asset items
Buses	Diminishing value	25 years
Bus depot plant and equipment	Straight line	3-25 years based on individual asset items
Other plant and equipment	Straight line	5-99 years based on individual asset items
Government Radio Network:		
Towers/masts and other structures	Straight line	30-40 years
Data and voice net equipment	Straight line	10-15 years
Other GRN equipment	Straight line	3-10 years
PABX equipment	Straight line	3-7 years
Transmission equipment	Straight line	5-20 years
Information technology equipment	Straight line	3 years
Intangible Assets	Straight line	5-25 years

3.23 Remediation of Non-Current Assets

Land remediation costs are capitalised and depreciated only where the resultant costs incurred in performing that remediation have met the definition and recognition criteria of an asset. Land remediation undertaken within the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under the AASB 'Framework for the Preparation of Financial Statements', paragraphs 89-90 'Recognition of Assets'. These costs are therefore expensed in the period in which they are incurred. Where the remedial work is to be performed in response to a present obligation, either under legislation or under a contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with the requirements of AASB 137.

3.24 Payables

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

Creditors represent the amounts owed by the Department for goods and services provided by other entities that are unpaid at the end of the reporting period where an invoice has been received.

Accrued expenses represent amounts owed by the Department for goods and services provided by other entities that are unpaid at the end of the reporting period 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.

The Department also makes contributions 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 the South Australian Superannuation Board (SASB) has assumed these obligations. The only payable outstanding at reporting date relates to any contributions due but not yet paid to the SASB.

All payables are measured at their nominal amount. Creditors are normally settled within 30 days after the Department receives an invoice in accordance with TI 11.

3.25 Interest Bearing Liabilities

Interest bearing liabilities consists of borrowings or loans and liabilities associated with assets held under finance leases.

Borrowings are recognised when issued at the full amount received and carried at this value less any repayments until the loan is settled. Intra-division borrowings (or loans) are non-interest bearing and are eliminated upon consolidation.

Interest charges on borrowings and finance leases are not applied to the balance of the loan due. These costs are recognised separately as 'borrowing costs' in the Income Statement.

3.26 Leases

The Department has entered into finance leases and operating leases both as lessor and lessee and has recognised assets, liabilities, revenues and expenses associated with these business dealings in accordance with AASB 117 and the 'Government Leasing Guidelines' as issued by the DTF.

Finance Leases - the Department as Lessor

- *Recreational Jetties*
The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where 29 jetties have been leased to Councils throughout the State. Peppercorn rentals of \$1 per annum apply over the 50 or 99-year lease term for each lease.

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets are also no longer recorded on the Department's asset register.

- *Government Employee Housing*
The Department provides housing services on a leasehold basis to government employees based in remote areas of the State. As lessor, the Department recognises finance lease receivables in relation to these properties at an amount equal to its net investment in the lease. Finance lease interest income is recognised based on the periodic rate of return on that net investment. Lease payments from the lessee are applied against the gross investment in the lease to reduce both the principle and the unearned interest income.

Finance Leases - the Department as Lessee

- *Government Accommodation - Roma Mitchell Building*
The Department is responsible for the finance lease in relation to government office accommodation for Roma Mitchell House, North Terrace and has recognised assets and liabilities at the fair value of the leased property. Lease liabilities under these arrangements are classified as both current and non-current, with the minimum lease payments allocated between interest expense/borrowing costs and the reduction of lease liability for the period.

- *Government Accommodation - Roma Mitchell Building (continued)*
The 40 year lease on Roma Mitchell House commenced in July 1987. Ownership of the building will transfer to the Department on payment of a nominal sum at the end of the lease. The lease agreement includes a half-way buy-out option at 1 July 2007 for the lessee which the Department has chosen not to exercise. Under the terms and conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide Consumer Price Index.
- *Personal Computers and Network Printers*
The Department has entered into various lease arrangements as lessee with respect to the use of its computer equipment. Under the AASs and Government Leasing Guidelines, such agreements are treated as finance leases.
- *State Core Network*
The Department has numerous finance leases with EDS for information technology computer hardware and software. The lease terms are generally three to five years and are non-cancellable. At the end of the lease, ownership of the leased property is transferred to the Department upon payment of a nominal sum.

Operating Leases – the Department as Lessor

The Department leases commercial and residential properties to external parties through operating leases. Income derived from these leases is recognised as rental income in the Income Statement in the period in which it is earned, and in the case of commercial properties, is representative of the patterns of benefits derived from the leased assets.

Operating Leases - the Department as Lessee

The Department has a number of operating lease agreements as lessee for plant, motor vehicles, office equipment and office accommodation. Operating lease payments are charged to the Income Statement on a basis that is representative of the pattern of benefits derived from the leased assets.

3.27 Employee Benefits

Benefits accrue to employees as a result of services provided up to reporting date and generally consist of unpaid salaries and wages, annual and long service leave.

The liability for salaries and wages is measured as the amount unpaid at 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 and is measured at nominal amounts.

In accordance with APF IV, the liability for long service leave is recognised by the Department after an employee has completed six and a half years of service. The provision for this liability is calculated using current remuneration rates. The liability payable within 12 months has been measured at nominal value, while the liability payable later than 12 months has been measured at a discounted value in accordance with AASB 119 and APF IV.

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.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Payables in the Balance Sheet.

3.28 Provisions

Liabilities have been reported to reflect workers compensation claims not settled, amounts provided for and payable under the Tax Equivalent Regime (TER), and future remediation work required on land under the Ports Corp Business and Sale Agreement.

The workers compensation provision is based on an actuarial assessment co-ordinated by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The provision for TER payments is based on the income tax expense payable at the current income tax rate of 30 cents. (Refer to Note 3.7).

The land remediation provision has been calculated on the basis of revised project manager estimates of the value of future remedial work required to meet agreed environmental standards. Given that the remaining work has been scheduled to be performed over a period of four years from 2007-08, these estimates are discounted at their net present value in accordance with the requirements of paragraph 45 of AASB 137.

3.29 Other Current Liabilities

The Department receives monies in advance in the form of conditional grants to undertake specific infrastructure works in future periods (ie AusLink Advance Specific Projects, Rail Facilitation Advance). As these works are completed the amounts received are recognised as revenues in the Income Statement. The balance of any unspent grant monies as at 30 June is recognised as a liability in the Balance Sheet.

3.29 Other Current Liabilities (continued)

The Department receives incentive monies from building owners that are applied towards the costs of office fitouts performed on commercial properties occupied by other government agencies. These monies are recognised as revenues when works are completed with the balance of unspent funds recognised as current liabilities.

3.30 Transactions by the Government as Owner

Where monies have been appropriated to the Department under the *Appropriation Act* in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department. Monies issued or applied in this manner are therefore recorded as equity contributions from SA Government in accordance with TI 3.

4. Financial Risk Management

The Department holds interest bearing financial assets and liabilities where its exposure to fair value (market) risk and cash flow interest risk is considered minimal.

Interest bearing financial assets include funds in the form of cash deposits at call where interest revenue is calculated using the Common Public Sector Interest Rate (CPSIR) and/or other rates as determined by the Treasurer. The Department accrues all interest revenue and does not apply that revenue to its expenditure programs unless permitted by whole of government budget priorities and ministerial approvals, or by authorities within specific legislative provisions and/or funding agreements. The Department's expenditure approvals are not dependent on the amount of interest revenue earned on these financial assets.

Interest bearing financial liabilities consist of finance leases and borrowings. The interest expense implicit in any finance lease payments is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by the South Australian Government Financing Authority (SAFA). Interest expense on the Department's borrowings is calculated using the CPSIR. Repayments on loans are negotiated with SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest or loan repayment commitments on interest bearing liabilities.

The Department's maximum exposure to credit risk at reporting date is reflected in the carrying amount of its receivables in the Balance Sheet. The Department has no significant concentration of credit risk associated with these financial assets. The Department has credit management policies and procedures in place to ensure that business transactions continue to occur with customers with appropriate credit history.

The Department enters into business transactions that require the payment of goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of obtaining forward cover contracts through the SAFA. This forward cover aims to hedge against losses arising from any foreign currency price fluctuations at the date of settlement.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy, the operation of current fee and charges structures, and continuing appropriations from various acts.

5. Changes in Accounting Policies**5.1 Statement of Compliance**

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

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB 7	'Financial Instruments: Disclosures'	New standard replacing the disclosure requirements of AASB 132	1 January 2007	AASB 7 is a disclosure standard and is not expected to have a direct impact on the amounts disclosed in the Department's financial statements	1 July 2007
AASB 2005-10	Amendments to AAS arising from AAS 7 (AASBs 132, 101, 114, 117, 133 139, 1, 4, 1023 & 1038)	Amendments to other applicable standards that arise from the release of AASB 7 in August 2005.	1 January 2007	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments entail requirements or corrections for references to AASB 7 that will have no impact on the amounts disclosed in the Department's financial statements	1 July 2007

5.1 Statement of Compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB Interpretation 4	Determining whether an arrangement contains a lease (revised)	Specific criteria for determining whether an arrangement is or contains a lease. Determination is based on an assessment of whether the arrangement is dependent on the use of a specific asset and whether the arrangement conveys right to the asset	1 January 2008	The Department would not enter into any arrangement for the use of an asset in return for payment unless the arrangement takes the legal form of a lease. Amendments are not expected to alter existing accounting practices or to have any impact on the Department's financial statements.	1 July 2008
AASB Interpretation 12 and UIG 129	'Service Concession Arrangements and Service Concession Arrangement Disclosures'	Interpretation provides accounting guidance for operators participating in public to private service concession arrangements but no guidance for grantors. UIG 29 details disclosures required by both operators and grantors	1 January 2008	The Department's future participation in service concession arrangements is unknown. Unless AASB approves 'mirror' accounting treatment for operators and grantors, these amendments are not expected to have an impact on the amounts disclosed in the Department's financial statements	1 July 2007
AASB 2007-2	Amendments to AAS arising from AASB Interpretation 12 (AASBs 1, 117, 118, 120, 121, 127, 131 & 139)	Amendments provide for an exemption from AASB 1 requirements, ie prior period information be restated as if the requirements of AASB Interpretation 12 had always applied. Exemption allows a first time adopter to apply AASB Interpretation 12 to a service concession arrangement essentially from the start of the earliest period presented. Amendments to other standards involve references to interpretations rather than UIG's.	28 February 2007	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments to AASB 1 are not expected to have an impact on the Department's financial statements unless the AASB approves 'mirror' accounting treatment for both operators and grantors. Amendments to other standards are editorial in nature and will therefore have no substantive impact on the financial statements.	1 July 2008
AASB 2007-4	Amendments to AAS arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)	Amendments include options that currently exist under IFRS to be included in the Australian Standards, as well as a number of editorial changes. Amendments to AASB 107 specifically provide a choice in using the direct or indirect method for presenting the Cash Flow Statement.	April 2007	Not all amended standards are relevant to the operations of the Department. With respect to AASB 107, the Department does not expect the option to use the direct or indirect method to materially alter the presentation format of the Cash Flow Statement as the Department will continue to use the Model Financial Reports as its guide in preparing that financial statement.	1 July 2007

5.1 Statement of Compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB 2007-5	Amendments to Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)	Amendments require inventories held for distribution to be measured (when applicable) at cost adjusted for any loss of service potential and disclosure of the basis for determining that loss.	May 2007	The Department already includes factors such as obsolescence in the value determination of its inventories. The amendments to AASB 102 are therefore expected to have only a minor impact on the Department's financial statement disclosures.	1 July 2007
AASB 2007-6	Amendments to AAS arising from AASB 123 (AASB 1, 101, 107, 111, 116 & 138 and Interpretations 1 & 12)	Amendments to other applicable standards that arise from the reissue of AASB 123 in June 2007. Specifically amendments include the removal of references to expensing borrowing costs on qualifying assets as such costs can now be capitalised.	June 2007	The Department does not normally hold assets which would meet the definition of 'qualifying assets' under AASB 123. The amendments to other standards are not expected to have an impact on the Department's financial statements as all borrowing costs are required to be expensed in accordance with the requirements of APS 3.3 of APF II.	January 2009
AASB 2007-7	Amendments to AASB 1, 2, 4, 5, 107 & 128)	Further amendments arising from the issue of AASB 2007-4 in May 2007. With respect to AASB 5, the amendments consist of minor editorial changes. With respect to AASB 107, the amendments remove the encouragement to adopt a particular format for the Cash Flow Statement.	June 2007	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments to AASB 5 and AASB 107 will have no impact on the Department's financial statements.	1 July 2007

5.2 Other Changes to Accounting Policies

Asset Recognition

During 2006-07 the Department amended a number of its asset recognition policies to improve financial reporting and minimise inconsistent accounting practices across divisions. All asset policy changes were applied to the Department's operations from 1 July 2006.

- Asset Capitalisation Threshold and Grouping Arrangements*
The Department amended asset recognition policies by increasing the asset capitalisation threshold for plant and equipment from \$2000 to \$10 000 for individual items and clarifying grouping provisions for these items. This change in policy resulted in the write-off of minor asset balances with a written down value of \$195 000 for the 2006-07 financial year.
- Recognition of Building Fitouts*
The Department amended the accounting and reporting treatment for building fitouts. Previously the cost of building fitouts was expensed on the basis that items forming part of upgrades could not be effectively tracked for replacement, depreciation and revaluation purposes. The expansion of the Department's commercial and residential property management functions under recent restructuring arrangements required a reassessment of this treatment.

Under the revised policy, the Department will recognise assets fitouts on owned or leased buildings subject to materiality and/or other criteria for recognition of these items in the Balance Sheet. The Department will not be revaluing building fitouts.

- **Recognition of Buildings on Land Acquired for Road Purposes**
The Department has reviewed the accounting and reporting treatment for buildings residing on land acquired for current road projects. Previously, buildings acquired through the purchase of properties were recognised separately from the land. Under the revised policy the value or purchase price for the property is now attributed all to the land, with no separate recognition of buildings. The new treatment is based on the view that the outlay incurred is principally for the purpose of acquiring the land for current road projects.

In accordance with this change in policy, the Department transferred the value of buildings brought to account on current road projects such as the South Road upgrade, Northern Expressway, Port River Expressway and replacement of the Bakewell Bridge. The total amount transferred was \$10 346 million of which \$3192 million relates to the value of buildings purchased prior to 2006-07. With this transfer, the Department also recorded a downward adjustment of \$1023 million against the opening balance of its Retained Earnings in the Balance Sheet. This adjustment represented the write off for the accumulated depreciation as at 30 June 2006 associated with those buildings which the Department had previously recognised separately from the land.

6. Programs of the Department

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

- Program 1** **Transport Policy and Planning**
Development and provision of an effective policy framework, advice and strategic planning services surrounding legislation committed to the Minister.
- Program 2** **Transport Infrastructure Services**
The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities.
- Program 3** **Transport Safety and Regulation Services**
Provision of services that regulate access to the transport system under legislation committed to the Minister and to provide advice on transport safety matters.
- Program 4** **Public Transport Services**
Provision of efficient, equitable and accessible public transport services in metropolitan Adelaide and assisting regional councils and communities to deliver diverse passenger transport services to meet local needs.
- Program 5** **Energy Policy and Regulation**
Provision of policy advice on energy issues, energy program delivery and regulatory services for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community.
- Program 6** **State Infrastructure Facilitation**
Review of infrastructure needs and provision of services in relation to prioritisation of across government infrastructure development and the delivery of key projects for the State Government.
- Program 7** **Road Safety Policy, Planning and Services**
Provision of policy, planning and services to improve road safety in South Australia.
- Program 8** **ICT Services**
Provision of strategic government services, primarily across the public sector, including strategic advice on, and coordination of, agency and sector specific ICT initiatives to assist agencies in the efficient delivery of services to the government and the community.
- Program 9** **Building Management**
Provision of services to government agencies in relation to the construction, maintenance and management of building assets.
- Program 10** **Community Services**
Provision of specialised services and support, information and policy to the community, government, industry and the Minister in the areas of land administration and the provision of wider access to government information, services and transactions.
- Program 11** **Support Services to Government**
Provision of a comprehensive range of ICT services to the Parliament of South Australia including Members and their staff while in Parliament House and at other locations in the State including electorate and home offices.

7. Employee Benefit Expenses	2007	2006
	\$'000	\$'000
Salaries and wages	110 541	89 401
Board and committee (refer below)	105	125
Employment on-costs ⁽¹⁾	21 661	16 168
Annual leave	12 253	8 568
Long service leave	6 323	3 367
Workers compensation expenses	1 890	1 697
TVSP separation payments (refer below)	-	1 609
Other employee related expenses	1 594	559
Total Employee Benefit Expense	154 340	121 494

(1) Employment on-costs is made up of Superannuation of \$13.821 million (\$10.049 million) and Payroll Tax of \$7.840 million (\$6.119 million).

TVSPs

TVSPs paid to employees during the reporting period	-	1 609
Annual leave and long service leave accrued over the period	-	495
Recovery from the Department of Treasury and Finance	-	1 609

	2007	2006
	Number of	Number of
	Employees	Employees
Number of employees that were paid TVSPs during the reporting period	-	18

The Department is not owed any monies in relation to TVSPs as at 30 June 2007.

Remuneration of Employees

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

\$100 000 - \$109 999	45	34
\$110 000 - \$119 999	21	15
\$120 000 - \$129 999	7	11
\$130 000 - \$139 999	13	5
\$140 000 - \$149 999	4	3
\$150 000 - \$159 999	4	4
\$160 000 - \$169 999	2	3
\$170 000 - \$179 999	2	1
\$180 000 - \$189 999	3	2
\$190 000 - \$199 999	1	3
\$200 000 - \$209 999	2	-
\$210 000 - \$219 999	1	-
\$220 000 - \$229 999	1	-
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	-	1
\$280 000 - \$289 999	1	-
\$300 000 - \$309 999	1	-
\$510 000 - \$519 999	-	1
Total Number of Employees	108	84

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration for the 108 employees (84 employees) was \$13.81 million (\$11.11 million) and reflects all costs of employment including salaries and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages for those with salaries over \$100 000.

A number of functions from the former DAIS were transferred to the Department effective from 1 January 2007. The remuneration table above includes two officers who received remuneration of \$100 000 or more during the period 1 January 2007 to 30 June 2007.

Below is a table showing all employees of the former DAIS transferred to the Department who received remuneration of \$100 000 or more during the financial year from 1 July 2006 to 30 June 2007.

Remuneration of Former DAIS Employees

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

	2007 Number of Employees
\$100 000 - \$109 999	21
\$110 000 - \$119 999	7
\$120 000 - \$129 999	1
\$130 000 - \$139 999	3
\$140 000 - \$149 999	8
\$150 000 - \$159 999	3
\$160 000 - \$169 999	2
\$170 000 - \$179 999	2
\$190 000 - \$199 999	1
\$200 000 - \$209 999	3
Total Number of Employees	51

Remuneration of Board and Committee Members

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

Government Office Accommodation Committee

David McArdle (expired 30 June 2007)

Passenger Transport Standards Committee

Ms Gerada Bader
Mr Ian Bassham
Mr David Gunner*
Ms Margaret Heylen
Mr John Jackson
Ms Kathleen Johnston
Ms Branka King
Mr David King
Mr Geoffrey Krieger
Mr John Mc Kenzie
Ms Deborah Myhill
Mr Frank Pearce
Ms Josephine Tiddy
Mr Denis Hehir (resigned 31 December 2006)
Mr Gordon Porter (resigned 31 December 2006)

Road Safety Advisory Council

Mr Alex Gallacher
Mr Jack McLean
Sir Eric Neal

Major Projects Facilitation Group

Mr Grant Belchamber (expired 1 January 2007)
Mr John Bastian (expired 1 January 2007)
Mr Malcolm Kinnaird (expired 1 January 2007)
Mr Franco Moretti (expired 1 January 2007)
Mr Andrew Vernon Fletcher (expired 1 January 2007)*

South Australian Boating Facility Advisory Committee

Mr Rodney Payze

Stormwater Management Committee

Mr Nick Bolkus (14 September 2006 - 30 June 2007)
Mr William Woods (14 September 2006 - 30 June 2007)

Energy Consumers Council

Mr Max Baldock
Mr Owen Covick
Ms Jane Fisher (appointed 27 March 2007)
Ms Karen Grogan
Ms Rose Linh Le (appointed 27 March 2007)
Mr Anthony Moore
Mr Nathan Paine (appointed 27 March 2007)
Mr John Pike (appointed 27 March 2007)
Ms Carol Vincent (appointed 27 March 2007)

	2007 Number of Members	2006 Number of Members
\$0 - \$9 999	34	31
\$10 000 - \$19 999	1	2
\$30 000 - \$39 999	-	1
Total Number of Members	35	34

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and other salary sacrifice arrangements. The total remuneration received or receivable by members was \$105 000 (\$125 000).

Amounts paid to a superannuation plan for board/committee members was \$7000 (\$10 000).

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

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

8. Supplies and Services		2007	2006
Supplies and Services provided by Entities within the SA Government:	Note	\$'000	\$'000
Bus and rail service contracts		93 494	93 695
Other service contracts		12 127	11 843
Operating leases		7 049	6 255
Property expenses		1 284	1 446
Plant, equipment and vehicle expenses		71	4 682
Information technology		2 888	4 680
Materials and other purchases		203	11
Utilities		1 358	1 159
Insurance		1 703	1 671
Legal services		1 042	475
Auditor's remuneration	13	584	315
Other		10 310	2 676
Total Supplies and Services - SA Government Entities		132 113	128 908
Supplies and Services provided by Entities external to the SA Government:			
Bus and rail service contracts		127 160	122 351
Major infrastructure maintenance contracts		61 342	74 456
Other service contracts		44 502	46 494
Consultants		433	12
Operating leases		44 620	5 418
Property expenses		40 262	815
Plant, equipment and vehicle expenses		5 799	4 529
Information technology		17 659	3 144
Materials and other purchases		14 023	15 796
Utilities		19 524	7 803
Insurance		130	170
Legal services		109	165
Commissions - Transaction processing		5 381	4 867
Administrative costs		11 058	11 965
Other		22 850	22 958
Total Supplies and Services - Non-SA Government Entities		414 852	320 943
Total Supplies and Services		546 965	449 851

Consultancies	2007		2006	
The number and dollar amount of consultancies paid/payable that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	8	40	3	12
Between \$10 000 and \$50 000	1	13	1	42
Above \$50 000	5	752	1	778
Total Paid/Payable to the Consultants Engaged	14	805	5	832

During 2006-07 the Department spent \$805 000 (\$832 000) on consultancies. This expenditure includes expenses incurred in both investing and operating programs of the Department. Operating expenditure of \$433 000 (\$12 000) is reflected in the Income Statement. The remaining expenditure is attributed to investing projects under works in progress, or part of the costs of assets, that have been capitalised during 2006-07.

9. Depreciation and Amortisation	2007	2006
Depreciation:	\$'000	\$'000
Network assets	117 647	109 077
Plant and equipment	30 403	21 265
Buildings and facilities	11 516	6 818
Total Depreciation	159 566	137 160
Amortisation:		
Leased assets	1 236	969
Intangible assets	2 107	398
Total Amortisation	3 343	1 367
Total Depreciation and Amortisation	162 909	138 527

Change in Depreciation Due to a Revaluation

The Department revalued some of its network assets, plant, equipment and buildings in 2005-06. As a result of that revaluation, depreciation on assets calculated for the current reporting period increased by \$2.977 million. A revaluation of similar assets including facilities was performed in June 2007 and is expected to increase this expense in future periods by a further \$511 000.

Change in Depreciation Due to a Revision in Accounting Estimates

In 2005-06 the Department reassessed the useful life of some of its assets. This review in accounting estimates resulted in a decrease of \$6.642 million in the calculated depreciation expense for the current period. A revision of salvage values for network assets applied in June 2007 is expected to decrease the future annual depreciation expense for the Department's asset base by a further \$5.957 million.

10. Grants and Subsidies	2007	2006
Grants and Subsidies paid/payable to Entities within the SA Government:	\$'000	\$'000
Recurrent grants:		
Contribution for policing services	34 853	34 853
Other	2 676	51
Total Grants and Subsidies - SA Government Entities	37 529	34 904
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Recurrent Grants:		
Bus operating subsidies	3 126	3 248
Energy rebates	5 746	8 048
Transport Subsidy Scheme	9 811	8 124
Grants to local councils	2 852	4 701
Transport concessions	4 857	4 313
Other	6 579	2 865
Capital Grant:		
Grants to local Councils	10 389	-
Total Grants and Subsidies - Non-SA Government Entities	43 360	31 299
Total Grants and Subsidies	80 889	66 203
11. Finance Costs		
Interest and guarantee fees	3 454	3 756
Finance charges on finance leases	859	236
Total Finance Costs	4 313	3 992
12. Other Expenses		
Other Expenses paid/payable to Entities within the SA Government:		
Rates, taxes and levies	2 032	197
Net losses on foreign exchange	1 029	1 436
Other	22	77
Total Other Expenses - SA Government Entities	3 083	1 710
Other Expenses paid/payable to Entities external to the SA Government:		
Rates, taxes and levies	1 451	583
Donated assets expense	1 347	-
Bad and doubtful debts expense	380	(202)
Write-off of an asset	3 803	230
Other	2 930	2 291
Total Other Expenses - Non-SA Government Entities	9 911	2 902
Total Other Expenses	12 994	4 612
13. Auditors' Remuneration		
Audit Fees paid/payable to Entities within the SA Government:		
Audit fees paid/payable to the Auditor-General's Department	584	315
Total Audit Fees	584	315
Other Services		
No other services were provided by the Auditor-General's Department.		
14. Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Metrotickets	47	25
Motor registrations	3 113	3 095
Marine related fees and charges	32	-
Land services fees	102	-
Other fees and charges	351	39
Total Fees and Charges - SA Government Entities	3 645	3 159
Fees and Charges received/receivable from Entities external to the SA Government:		
Drivers Licence fees	26 860	21 474
Metrotickets	70 760	64 294
Motor registrations	242 583	235 336
Marine relate fees and charges	10 045	9 869
Other fees and charges	5 032	3 633
Total Fees and Charges - Non- SA Government Entities	355 280	334 606
Total Fees and Charges	358 925	337 765

Road Safety

In accordance with the *Highways Act 1926*, \$4.477 million (\$3.579 million) being 1/6th of drivers' licence collections and \$513 000 (\$487 000) being 1/100th of Heavy Vehicle Registrations, was applied towards funding transport safety related initiatives under the Transport Safety and Regulation Services and Transport Infrastructure Services programs.

15. Commonwealth Revenue	2007	2006
Commonwealth Revenue received/receivable from Entities external to the SA Government comprised:	\$'000	\$'000
<i>Auslink (National Land Transport) Act 2005</i>	100 233	78 138
<i>Interstate Road Transport Act 1985</i>	6 205	6 050
<i>Roads to Recovery Act 2000</i>	-	5 499
Other Commonwealth revenues	5 804	1 915
Total Commonwealth Revenue - Non-SA Government Entities	112 242	91 602
Total Commonwealth Revenue	112 242	91 602

16. Sale of Goods and Services		
Sale of Goods and Services received/receivable from Entities within the SA Government:		
IT and telecommunication services	26 429	-
Maintenance services	34 181	-
Other sale of goods	347	1 097
Other sale of services	7 323	-
Total Sale of Goods and Services - SA Government Entities	68 280	1 097

Sale of Goods and Services received/receivable from Entities external to the SA Government:		
Other sale of goods	10 257	12 451
Other sale of services	13 011	1 449
Total Sale of Goods and Services - Non- SA Government Entities	23 268	13 900
Total Sale of Goods and Services	91 548	14 997

Impact of Government Restructure Activities

With the transfer of a number of functions from the former DAIS effective from 1 January 2007, the Department has reported substantial increases in its revenue base specifically in the areas of 'Sale of Goods and Services' and 'Rental Income' (refer Note 17).

17. Rental Income	2007	2006
Rental Income received/receivable from Entities within the SA Government:	\$'000	\$'000
Government accommodation	50 600	-
Property rents and recoveries	-	101
Other lease income	460	687
Total Rental Income - SA Government Entities	51 060	788

Rental Income received/receivable from Entities external to the SA Government:		
Property rents and recoveries	2 230	2 204
Other lease income	22 213	3 062
Total Rental Income- Non- SA Government Entities	24 443	5 266
Total Rental Income	75 503	6 054

18. Grants and Subsidies		
Grants and Subsidies received/receivable from Entities within the SA Government:		
Concessional passenger income	40 315	36 568
Total Grants and Subsidies - SA Government Entities	40 315	36 568

Grants and Subsidies received/receivable from Entities external to the SA Government:		
SA Government:		
Concessional passenger income	46	168
Total Grants and Subsidies - Non-SA Government Entities	46	168
Total Grants and Subsidies	40 361	36 736

Concessional Passenger Income

This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

19. Interest		
Interest received/receivable from Entities within the SA Government:		
Interest from entities within the SA Government	9 453	4 660
Total Interest - SA Government Entities	9 453	4 660
Total Interest	9 453	4 660

20. Commission Received	2007	2006
	\$'000	\$'000
Commissions received from entities within SA Government	11 168	9 783
Total Commissions Received	11 168	9 783
21. Net Gain or Loss on Disposal of Assets		
Land, Buildings and Facilities:		
Proceeds from disposal	19 680	13 426
Net book value of assets disposed	13 969	11 275
Net Gain from Disposal of Land, Buildings and Facilities	5 711	2 151
Plant and Equipment:		
Proceeds from disposal	209	1 496
Net book value of assets disposed	340	1 202
Net (Loss) Gain from Disposal of Plant and Equipment	(131)	294
Network Assets:		
Net book value of assets disposed	-	1 461
Net Gain (Loss) from Disposal of Network Assets	-	(1 461)
Total Assets:		
Proceeds from disposal	19 889	14 922
Net book value of assets disposed	14 309	13 938
Total Net Gain from Disposal of Assets	5 580	984
22. Resources Received Free of Charge		
Land, buildings and facilities	660	-
Total Resources Received Free of Charge	660	-
This represents land received by the Department for no consideration and recognised at fair value.		
23. Other Income		
Other Income received/receivable from Entities within the SA Government:		
Recoveries and contributions	1 837	729
Reimbursement works and external project contributions	1 020	3 500
Intra-government transfers	3 484	3 056
Total Other Income - SA Government Entities	6 341	7 285
Other Income received/receivable from Entities external to the SA Government:		
Recoveries and contributions	2 694	3 662
Reimbursement works and external project contributions	2 958	6 003
Sundry income	105	87
Total Other Income - Non-SA Government Entities	5 757	9 752
Total Other Income	12 098	17 037
24. Revenues from (Payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	365 452	374 001
Transfers from contingency provisions	12 406	4 395
Total Revenues from SA Government	377 858	378 396
Payments to SA Government:		
Income tax equivalent payments (refer Note 3.7)	3 212	-
Other payments to consolidated account	2 569	4 372
Total Payments to SA Government	5 781	4 372
25. Cash and Cash Equivalents		
Deposits at call - Westpac	388 173	331 420
Deposits with the Treasurer (Accrual Appropriation)	3 962	1 837
Imprest Account	2 248	248
Other	194	95
Total Cash	394 577	333 600

Other

Includes petty cash floats, cashiers' floats and other cash on hand.

26. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	49 518	19 986
Provision for doubtful debts	(1 489)	(1 113)
Finance lease receivables	531	-
GST receivable	12 390	9 376
Accrued revenues	28 972	6 779
Total Current Receivables	89 922	35 028
Non-Current:		
Receivables	7 613	40
Total Non-Current Receivables	7 613	40
Total Receivables	97 535	35 068
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Receivables	27 456	3 179
Provision for doubtful debts	(49)	-
Finance lease receivables	531	-
Accrued revenues	23 030	523
Total Current Receivables from SA Government Entities	50 968	3 702
Total Non-Current Receivables from SA Government Entities	6 127	-
Receivables from Non-SA Government Entities:		
Receivables	22 062	16 807
Provision for doubtful debts	(1 440)	(1 113)
GST receivables	12 390	9 376
Accrued revenues	5 943	6 256
Total Current Receivables from Non-SA Government Entities	38 955	31 326
Total Non-Current Receivables from Non-SA Government Entities	1 485	40
Total Receivables	97 535	35 068
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 an impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors that have been assessed on a collective basis for which such evidence exists.		
Movements in the Provision of Doubtful Debts	2007	
	\$'000	
Carrying amount at 1 July	1 113	
Provision acquired through restructure	166	
Increase in the provision	385	
Amounts written off	175	
Carrying Amount at 30 June	1 489	
Bad and Doubtful Debts		
The Department has recognised a bad and doubtful debt expense of \$380 000 in the Income Statement.		
27. Inventories	2007	2006
Current:	\$'000	\$'000
Inventories held for distribution at no or nominal amount	5 329	5 646
Inventories held-for-sale	160	115
Total Current Inventories	5 489	5 761
Total Inventories	5 489	5 761
28. Other Current Assets		
Current:		
Prepayments	6 519	11 049
Total Current Other Assets	6 519	11 049
Total Other Assets	6 519	11 049
Government/Non-Government Other Assets		
Other Assets from SA Government Entities:		
Prepayments	445	-
Other Assets from SA Government Entities	445	-
Other Assets from Non-SA Government Entities:		
Prepayments	6 074	11 049
Other Assets from Non-SA Government Entities	6 074	11 049
Total Other Assets	6 519	11 049

29. Non-Current Assets Classified as Held-for-Sale	2007	2006
Non-Current Assets Classified as Held-for-Sale:	\$'000	\$'000
Land, buildings and facilities	15 106	9 807
Total Non-Current Assets Classified as Held-for-Sale	15 106	9 807

The Department has identified \$15.106 million (\$9.807 million) of Land, Buildings and Facilities that are surplus to the Department's requirements. The Land, Buildings and Facilities are expected to be sold within 12 months by public tender or auction.

30. Land, Buildings and Facilities	2007	2006
Land:	\$'000	\$'000
Land at fair value	380 071	275 886
Total Land	380 071	275 886
Land for Current Projects:		
Land for current projects	28 858	-
Total Land for Current Projects	28 858	-
Buildings and Facilities:		
Buildings and facilities (deemed fair value)	673 790	315 920
Accumulated depreciation	156 499	135 691
Total Buildings and Facilities	517 291	180 229
Buildings and Improvements under Lease:		
Buildings and improvements under lease (deemed fair value)	19 898	-
Accumulated depreciation	940	-
Total Buildings and Facilities	18 958	-
Total Land, Buildings and Facilities	945 178	456 115

Valuation of Land, Buildings and Facilities

Refer to Note 3.20 for details relating to the revaluation of Land, Buildings and Facilities.

Reconciliation of Land, Buildings and Facilities

The following table shows the movement of Land, Buildings and Facilities during 2006-07:	Land at Fair Value \$'000	Land for Current Projects \$'000	Buildings and Facilities \$'000	Buildings & Improv'mts Under Lease \$'000	2007 Total \$'000
Carrying amount at 1 July	275 887	-	180 228	-	456 115
Reclassification to assets held-for-sale	(234)	-	516	-	282
Additions	4 679	14 188	7 807	57	26 731
Disposals	(2 519)	-	(252)	-	(2 771)
Donated assets	(1 231)	-	(19)	-	(1 250)
Write-offs	(2 046)	-	(130)	-	(2 176)
Revaluation increment (decrement)	19 916	-	30 475	-	50 391
Transfer from WIP	-	-	7 314	109	7 423
Depreciation and amortisation	-	-	(11 516)	(237)	(11 753)
Acquisition (Disposal) through administrative restructuring	105 522	-	312 479	19 029	437 030
Acquisition (Disposal) from transfer	(19 903)	14 670	(9 611)	-	(14 844)
Carrying Amount at 30 June	380 071	28 858	517 291	18 958	945 178

31. Plant and Equipment	2007	2006
Plant and Equipment:	\$'000	\$'000
Plant and equipment (deemed fair value)	602 433	484 280
Information technology	20 337	5 114
IT under lease	4 881	3 265
	627 651	492 659
Accumulated Depreciation:		
Plant and equipment	340 555	311 873
Information technology	11 786	4 050
IT under lease	3 492	3 028
	355 833	318 951
Total Plant and Equipment	271 818	173 708

Valuation of Plant and Equipment

Refer to Note 3.20 for details relating to the revaluation of plant and equipment.

Reconciliation of Plant and Equipment	Plant and Equipment	Information Technology	IT under Lease	2007 Total \$'000
The following table shows the movement of plant and equipment during 2006-07:	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	172 408	1063	237	173 708
Additions	54 402	961	1 138	56 501
Disposals	(337)	-	(2)	(339)
Write-offs	(498)	-	-	(498)
Revaluation increment (decrement)	4 148	-	-	4 148
Depreciation and amortisation	(29 303)	(1 316)	(999)	(31 618)
Acquisition (Disposal) through administrative restructuring	65 097	7 799	1 015	73 911
Transfers in due to reclassification of assets	(6 911)	2	-	(6 909)
Transfer from works in progress	2 872	42	-	2 914
Carrying Amount at 30 June	261 878	8 551	1 389	271 818

Depreciation of Plant and Equipment

Total depreciation associated with Plant and Equipment for 2006-07 was \$31 618 million. Of this amount, \$31 402 million has been reported within the Income Statement as operating expenditure of the Department. The remaining \$216 000 relates to capital projects and has been reflected within the value of the Department's assets as at 30 June 2007.

32. Network Assets

Network Assets:	2007 \$'000	2006 \$'000
Network assets (deemed fair value)	8 630 643	8 706 780
Rail and bus track	133 584	100 131
	8 764 227	8 806 911
Accumulated Depreciation:		
Network	4 207 061	4 199 705
Rail and bus track	39 394	26 994
	4 246 455	4 226 699
Total Network Assets	4 517 772	4 580 212

Valuation of Network Assets

Refer to Note 3.20 for details relating to the revaluation of network assets.

Reconciliation of Network Assets	Roads and Signs	Earthworks	Bridges and Culverts	Traffic Signals and Road Lighting	Busway/ Tramline	Other	2007 Total \$'000
The following table shows the movement of Network Assets during 2006-07:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 093 851	1 641 933	686 651	79 983	73 137	4 657	4 580 212
Additions	35 389	5 732	8 681	2 386	-	-	52 188
Write-offs	-	-	(484)	(578)	-	-	(1 062)
Revaluation increment (decrement)	45 944	(140 910) ⁽¹⁾	74 878	(376)	11 039	1 084	(8 341)
Depreciation and amortisation	(93 056)	-	(15 277)	(6 698)	(2 408)	(208)	(117 647)
Transfers in due to reclassification of assets	-	-	-	-	12 422	-	12 422
Carrying Amount at 30 June	2 082 120	1 506 755	754 449	74 717	94 190	5 533	4 517 772

(1) In June 2007, the Department reviewed the replacement values of its Earthworks based on current prices and noted a marked decrease in the carrying amount of this asset. The decrease was primarily attributable to the movement in current prices since the date of last revaluation (June 2004) being significantly less than the movement anticipated to occur through the annual indexing of this asset using the Australian Bureau of Statistics Road and Bridge Construction Index. Given this large disparity in anticipated price increases, the Department will be undertaking a review of its current revaluation methodology for annual indexing of Earthworks in 2007-08 to determine whether a more appropriate or relevant index factor should be used.

33. Capital Works in Progress

Capital Works in Progress:	2007 \$'000	2006 \$'000
Buildings and facilities	25 027	1 947
Road network	360 469	182 977
Plant and equipment	4 498	4 610
Total Capital Works in Progress	389 994	189 534

Valuation of Works in Progress

Refer to Note 3.20 for details regarding Works in Progress valuations.

Reconciliation of Capital Works in Progress

The following table shows the movement of

	Road Network	Plant and Equipment	Buildings & Facilities	2007 Total
	\$'000	\$'000	\$'000	\$'000
Capital Works in Progress during 2006-07:				
Carrying amount at 1 July	206 717	4 940	1 947	213 604
Prior period adjustments	(23 740)	(330)	-	(24 070)
Adjusted opening balance	182 977	4 610	1 947	189 534
Additions	246 974	55 078	11 031	313 083
Transfer to capital	(52 188)	(59 809)	(10 270)	(122 267)
Transfer to operating	(17 294)	(505)	-	(17 799)
Transfers from administrative restructures	-	4 217	23 305	27 522
Other movements	-	907	(986)	(79)
Carrying Amount at 30 June	360 469	4 498	25 027	389 994

34. Intangible Assets

	2007	2006
	\$'000	\$'000
Software:		
Computer software	34 538	9 551
Accumulated amortisation	15 994	(398)
Total Intangible Assets	18 544	9 153

Valuation of Intangible Assets

Intangible assets in the current year represent the TRUMPS software system, the SAMIS, Real Estate Management Progenisis software for rental collection, TBS, Web Based Purchasing Interface (with ICT vendors) and license agreements with ETSA Utilities for use of broadband fibre at regional centres (Whyalla, Port Augusta and Port Lincoln). The Intangible Assets of the Department are valued at historical cost. Refer Note 3.19 for details on the Valuation of Intangible Assets.

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2006-07:

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	9 153	544
Additions	654	9 551
Donated Assets	(96)	-
Depreciation and amortisation	(2 107)	(398)
Acquisition (Disposal) through administrative restructuring	8 175	(544)
Transfer from works in progress	2 765	-
Carrying Amount at 30 June	18 544	9 153

35. Payables

Current:		
Creditors	58 099	44 715
Accrued expenses	45 437	15 967
Employment on-costs	4 385	2 183
Total Current Payables	107 921	62 865
Non-Current:		
Employment on-costs	4 837	3 045
Total Non-Current Payables	4 837	3 045
Total Payables	112 758	65 910

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	15 469	2 481
Accrued expenses	6 710	1 065
Employment on-costs - Current (superannuation and payroll tax)	4 385	2 183
Employment on-costs - Non-current (superannuation and payroll tax)	4 837	3 045
Total Payables to SA Government Entities	31 401	8 774
Payables to Non-SA Government Entities:		
Creditors	42 630	42 234
Accrued expenses	38 727	14 902
Total Payables to Non-SA Government Entities	81 357	57 136
Total Payables	112 758	65 910

36. Interest Bearing Liabilities

Long-Term Borrowings:		
Balance as at 1 July	47 760	49 079
Less: Repayments:		
Public Transport assets	-	1 319
Balance as at 30 June	47 760	47 760

36. Interest Bearing Liabilities (continued)	2007	2006
Finance Leases:	\$'000	\$'000
Balance as at 1 July	1 865	1 694
Increase in lease liabilities due to:		
New leases	1 138	1 167
Transfers	20 878	-
Less: Repayments	1 250	996
Balance as at 30 June	22 631	1 865
Total Interest Bearing Liabilities	70 391	49 625
Current	1 694	696
Non-current	68 697	48 929
Total Interest Bearing Liabilities	70 391	49 625
37. Employee Benefits		
Current:		
Annual leave	14 725	9 640
Long service leave	3 992	1 890
Accrued salaries and wages	3 383	2 215
Total Current Employee Benefits	22 100	13 745
Non-Current:		
Long service leave	50 582	31 856
Total Non-Current Employee Benefits	50 582	31 856
Total Employee Benefits	72 682	45 601
The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007 is \$18 863 million and \$38 426 million respectively.		
Annual Leave		
Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.		
Long Service Leave		
Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.		
Based on an actuarial assessment performed by the DTF, the benchmark measurement of the long service leave liability has been revised from seven to six and a half years.		
38. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	1 423	1 031
Site remediation	752	974
Provision for Indentured Ports payment to the Treasurer	10 070	7 900
Other provisions	2 311	-
Total Current Provisions	14 556	9 905
Non-Current:		
Site remediation	4 462	4 968
Provision for workers compensation	3 398	2 672
Total Non-Current Provisions	7 860	7 640
Total Provisions	22 416	17 545
Carrying amount at 1 July	17 545	14 325
Provision acquired on restructure	2 790	-
Increase in the provision	4 686	3 514
Decrease in the provision	2 605	294
Carrying Amount at 30 June	22 416	17 545
39. Other Liabilities		
Current:		
Deferred income	38 401	13 434
Other	5 782	-
Total Current Other Liabilities	44 183	13 434
Non-Current:		
Deferred income	85 992	102 700
Total Non-Current Other Liabilities	85 992	102 700
Total Other Liabilities	130 175	116 134

39. Other Liabilities (continued)

On 29 June 2005, the Department received a conditional grant of \$15 million in relation to funding for the Eyre Peninsula Grain Transport Plan Rail System Upgrade. The unspent balance of this fund has been disclosed as deferred income in accordance with APF V APS 4.12.

The Auslink Advance Specific Projects Fund includes Commonwealth Grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional Programme. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on the 30 June 2006, to be expended over the four year period between 2006-07 and 2009-10. The Department also received a Commonwealth grant of \$11.190 million on the 27 June 2007 for works to be performed under the Auslink Strategic Regional Programme. The funds are to be expended over the three year period between 2006-07 and 2008-09.

These funds have been disclosed as deferred income in accordance with APF V APS 4.12.

40. Adjustments to Equity	2007	2006
Adjustments against Accumulated Surplus:	\$'000	\$'000
Works in progress adjustment	24 070	29 038
Asset recognition adjustments	(20 474)	(39 308)
Commonwealth grant adjustment	-	15 000
Provisions for Indenture Ports payment	-	4 516
Other	(629)	1 495
Total Adjustments against Accumulated Surplus	2 967	10 741
Adjustments against Asset Revaluation Reserve:		
Asset recognition adjustments	-	(39)
Total Adjustments against Asset Revaluation Reserve	-	(39)
Total Adjustments to Equity	2 967	10 702

Work in Progress Adjustment

During 2006-07, various projects that had been included as capital work in progress as at 30 June 2006 were subsequently completed. It was determined that the Department was unable to capitalise all of the expenditure from these completed projects and as a result \$24.070 million (\$29.038 million) was brought to account by means of adjustment directly against Accumulated Surplus.

Asset Recognition Adjustments

Asset recognition adjustments reflect network assets and plant that have been recognised in the 2006-07 financial statements, which were purchased in prior years. The adjustments are as a result of more accurate and complete information being recorded in the Department's subsidiary ledgers, which better reflects the Department's asset base.

41. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in accordance with the terms specified in the contract.

(ii) Financial Liabilities

Creditors and accruals are recognised for all amounts billed but unpaid at an amount equal to the value of goods and services provided. Creditors are normally settled within 30 days.

Finance leases are recorded at amounts equal to the present value of the minimum lease payments using a government borrowing rate of 6.67 percent (as at 30 June 2007). Lease payments are made in accordance with schedules determined at the inception of each lease.

Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Borrowings are drawn from the DTF at the Common Public Sector Interest Rate of 6.5 percent (as at 30 June 2007). Repayments are determined in negotiation with SAFA.

(b) Interest Rate Risk

The Department's exposure to interest rate risk is measured in reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

<i>Financial Instrument</i>	2007			Total Carrying Amount \$'000	Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000		
Financial Assets:					
Cash assets	6.10	159 942	234 635	394 577	5.98
Finance lease receivable		6 658	-	6 658	7.00
Receivables		-	90 877	90 877	
		166 600	325 512	492 112	
Financial Liabilities:					
Payables		-	112 758	112 758	
Finance leases	6.67	22 631	-	22 631	6.36
Borrowings	6.50	47 760	-	47 760	6.56
		70 391	112 758	183 149	

<i>Financial Instrument</i>	2006			Total Carrying Amount \$'000	Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000		
Financial Assets:					
Cash assets	5.43	175 995	157 605	333 600	5.38
Receivables		-	35 068	35 068	
		175 995	192 673	368 668	
Financial Liabilities:					
Payables		-	65 911	65 911	
Finance leases	6.32	1 865	-	1 865	5.52
Borrowings	6.95	47 760	-	47 760	6.95
		49 625	65 911	115 536	

(c) Credit Risk

The Department's maximum exposure to credit risk at reporting date is measured at the carrying amount of its receivables as indicated in the Balance Sheet.

(d) Fair Value (Market) Risk

The Department's financial instruments are disclosed at a carrying amount that approximates their net fair value. The amount for financial assets approximates the net fair value due to the short-term to maturity of the items, or due to the assets being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

42. Transferred Functions

On the 28 September 2006, the Government announced the administrative restructure of DAIS with all of its business units or functions transferring to a number of other government departments, namely:

- Department for Transport, Energy and Infrastructure (DTEI)
- Department of the Premier and Cabinet (DPC)
- Department of Treasury and Finance (DTF)
- Attorney-General's Department (AGD)

For financial accounting and reporting purposes the effective date of this transfer was 1 January 2007.

	DAIS 01.07.06 to 31.12.06 \$'000	DTEI 01.01.07 to 30.06.07 \$'000
Total income and expenses attributable to the functions which transferred to this Department for the full financial year are:		
Employee benefits costs	31 769	33 056
Supplies and services	120 694	129 012
Depreciation and amortisation	12 228	13 095
Other expenses	1 852	3 539
Total Expenses	166 543	178 702
Total Income	160 504	163 122
Net Cost of Providing Services	6 039	15 580
Revenues from (Payments to) SA Government	363	28 325
Net Result before Restructuring and Tax	(5 676)	12 745

42. Transferred Functions (continued)

On transfer of these functions, the following assets and liabilities in its Balance Sheet were recognised:	2007
	\$'000
Cash	20 588
Receivables	93 617
Inventories	106
Property, plant and equipment	538 463
Intangibles	8 175
Other assets	16 066
Total Assets	677 015
Payables	(47 636)
Interest bearing liabilities	(20 877)
Employee entitlements	(21 839)
Provisions	(2 769)
Other liabilities	(6 859)
Total Liabilities	(99 980)
Net Assets Transferred	577 035

The former DAIS reported appropriations at a corporate level. DAIS Corporate was transferred to the DTF, effective 1 January 2007. Appropriations received during 1 July to 31 December 2006 cannot be reasonably allocated across all former DAIS business units. Therefore, all appropriations relating to the former DAIS entity received during this period will be reported by DTF.

43. Commitments for Expenditure

Capital Commitments	2007	2006
	\$'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	143 327	116 328
Later than one year but no later than five years	50 125	3 600
Not later than five years	-	-
Total Capital Commitments	193 452	119 928

The Department's Capital Commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks.

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	19 628	15 081
Later than one year but no later than five years	26 445	22 197
Total Remuneration Commitments	46 073	37 278

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

Other Commitments

Within one year	256 201	244 992
Later than one year but no later than five years	258 312	625 879
Later than five years	188 535	-
Total Other Commitments	703 048	870 871

Operating Lease Commitments as Lessee

Commitments under non-cancellable operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	80 087	3 483
Later than one year but no later than five years	164 415	9 848
Later than five years	75 463	17 148
Total Operating Lease Commitments as Lessee	319 965	30 479

Operating Lease Commitments as Lessor

Commitments under non-cancellable operating leases at the reporting date but not recognised as receivable in the financial report, are payable as follows:		
Within one year	83 525	-
Later than one year but no later than five years	183 606	-
Later than five years	61 109	-
Total Operating Lease Commitments as Lessor	328 240	-

Operating Lease Commitments as Lessor (continued)

The Department's operating leases are for motor vehicles, accommodation, office equipment and some items of plant and equipment.

Commercial accommodation leases are non-cancellable with terms ranging from one to ten years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for three years (or 60 000 kms whichever comes first) or five years (or 100 000 kms whichever comes first).

Photocopier leases are non-cancellable with terms of four years, with rentals paid monthly.

Finance Lease Commitments as Lessee	2007	2006
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:	\$'000	\$'000
Within one year	4 732	893
Later than one year but no later than five years	15 659	1 347
Later than five years	47 022	-
Minimum lease payments	67 413	2 240
Less: Future finance leases lease charges	44 782	375
Amount recognised as liability	22 631	1 865
Total Finance Lease Commitments as Lessee	22 631	1 865

The present value of finance lease payable is as follows:

Within one year	1 694	696
Later than one year but no later than five years	4 777	1 169
Later than five years	16 160	-
Present Value of Finance Lease	22 631	1 865

Representing:

Current	1 694	696
Non-current	20 937	1 169
	22 631	1 865

Finance Lease Commitments as Lessor

Finance lease receivables contracted for at the reporting date are as follows:

Within one year	980	-
Later than one year but no later than five years	3 669	-
Later than five years	5 548	-
Minimum lease payments	10 197	-
Less: Unearned finance income	3 539	-
Amount recognised as liability	6 658	-
Total Finance Lease Commitments as Lessor	6 658	-

The present value of finance lease receivable is as follows:

Within one year	531	-
Later than one year but no later than five years	2 277	-
Later than five years	3 850	-
Present Value of Finance Lease	6 658	-

Representing:

Current	531	-
Non-current	6 127	-
	6 658	-

The Department's computer and network printer equipment leases are non-cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 5.54 percent.

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rental is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease is 5.52 percent.

Residential finance leases are non-cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the Department. Rental is paid one month in advance and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 7 percent.

Equipment for the StateNet Core Network has been leased under a non-cancellable lease for a term of five years. Rentals are paid monthly and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 6.73 percent.

44. Contingent Assets and Liabilities

Non-Quantifiable

At 30 June 2007, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury. The Department has also received notification of other cases not yet subject to Court action or formal claim, which may result in subsequent litigation in the future.

The Department also has possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale.

The Department believes that the extent of these liabilities cannot be reliably measured at balance date.

Quantifiable

At 30 June 2007, the Department has no quantifiable contingent assets.

45. Cash Flow Reconciliation

	2007	2006
	\$'000	\$'000
Reconciliation of Cash - Cash at 30 June as per:		
Cash Flow Statement	394 577	333 600
Balance Sheet	394 557	333 600

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

Net cash inflows from operating activities	338 474	340 858
Less: Revenues from SA Government	377 858	378 396
Add: Payments to SA Government	3 611	987
Add (Less): Non-Cash Items:		
Net gain (loss) from disposal of assets	5 580	984
Depreciation/amortisation of assets	(162 909)	(138 527)
Write off of an asset	(3 803)	(230)
Donated asset expense	(1 347)	-
Write-down of inventories to net realisable value	-	(35)
Fair value of assets received	660	-
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	(40 311)	8 915
Increase (Decrease) in inventories	(272)	(453)
Increase (Decrease) in other assets	(825)	-
(Increase) Decrease in payables and provisions	2 386	(3 464)
(Increase) Decrease in other liabilities	(8 258)	(95 700)
Net Cost of Providing Services	(244 872)	(265 061)

46. Indenture Ports

The Department manages the indenture and private ports. Funds in regards to cargo services and harbour services charges are collected by the Department and applied to the maintenance of indenture ports. Any remaining funds are returned to the DTF by way of a payment to the Consolidated Account. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the DTF in 2006-07 was \$399 000 (\$987 000). In addition to the amount paid, the Department has recognised a provision in 2006-07 of \$10.070 million (\$7.9 million) representing the outstanding funds to be collected by the Department and returned to the DTF.

47. Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001. Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the fund.

Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account up to 20 September 2002.

	2007	2006
	\$'000	\$'000
Inflows:		
Income into the fund	56 661	40 747
Total Inflows	56 661	40 747
Outflows:		
Expenditure from the fund	55 546	29 052
Total Outflows	55 546	29 052
Net Surplus	1 115	11 695
Fund Balance		
Balance at 1 July	38 203	26 508
Net Surplus	1 115	11 695
Balance at 30 June	39 318	38 203

Income into the Fund

The increased income into the fund in 2006-07 results predominately from \$41.1 million income related to the Port River Expressway - Stage 3 (Rail). This is made up of a Federal payment of \$12.7 million and a State appropriation of \$28.4 million.

Expenditure from the Fund

The increased expenditure from the fund in 2006-07 results predominately from \$36 million being spent on the Port River Expressway - Stage 3 (Rail).

48. Community Road Safety Fund

The Community Road Safety Fund has been operative since 1 July 2003, and is currently funded by an appropriation from Treasury and Finance. These funds are utilised for the purposes of Road Safety Related expenditure, including a payment to SAPOL for safety related policing expenditure. The appropriation represents revenue forecasts of funds expected to be collected by SAPOL and the Courts Administration Authority for traffic infringements.

	2007	2006
	\$'000	\$'000
Inflows:		
Income into the fund	69 067	59 310
Total Inflows	69 067	59 310
Outflows:		
Expenditure from the fund	66 785	59 315
Total Outflows	66 785	59 315
Net Surplus (Deficit)	2 282	(5)
Fund Balance		
Balance at 1 July	463	468
Net Surplus (Deficit)	2 282	(5)
Balance at 30 June	2 745	463

Expenditure from the Fund

During 2006-07 SAPOL received an amount of \$34.9 million from the Fund.

49. AusLink Advance Account for Specific Projects

The Auslink Advance Specific Projects Fund includes Commonwealth Grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional Programme. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on the 30 June 2006, to be expended over the four year period between 2006-07 and 2009-10. The Department also received a Commonwealth grant of \$11.19 million on 27 June 2007 for works to be performed under the Auslink Strategic Regional Programme. The funds are to be expended over the three year period between 2006-07 and 2008-09.

These funds have been disclosed as deferred income in accordance with APF V APS 4.12 (refer Note 39).

	2007	2006
	\$'000	\$'000
Inflows:		
Income into the fund	16 737	100 000
Total Inflows	16 737	100 000
Outflows:		
Expenditure from the fund	5 497	-
Total Outflows	5 497	-
Net Surplus	11 240	100 000
Fund Balance		
Balance at 1 July	100 000	-
Net Surplus	11 240	100 000
Balance at 30 June	111 240	100 000

Income into the Fund

The income into the Fund consists of the \$11.19 million relating to the Auslink Strategic Regional Programme Advance and \$5.5 million relating to interest received on the Sturt Highway advance.

Expenditure from the Fund

\$5.5 million relates to expenditure associated with the Sturt Highway.

50. Events After Balance Date

The Department is not aware of any events occurring after balance date.

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

	Note	2007	2006
		\$'000	\$'000
INCOME:			
Revenues from SA Government	A8	10 962	13 943
Revenues from fees and charges	A9	72 329	-
Registration and licensing receipts from third parties	A10	655 134	656 683
Grants	A11	-	4 232
Transfer receipts	A12	11 151	77 463
Commonwealth revenue	A13	1 758	8 951
Interest		384	228
Total Income		751 718	761 500
EXPENSES:			
Employee expenses		326	213
Supplies and services	A14	12 655	77 449
Grants and subsidies	A15	2 126	6 193
Registration and licensing payments to third parties	A16	664 214	665 546
Finance costs		197	207
Transfer payments	A17	11 036	10 261
Payments to Consolidated Account	A18	62 323	12
Total Expenses		752 877	759 881
OPERATING (DEFICIT) SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE	A27	(1 159)	1 619
Increase in net assets due to administrative restructure	A25	7 240	6 381
OPERATING SURPLUS AFTER ADMINISTRATIVE RESTRUCTURE		6 081	8 000

Operating Surplus is attributable to the SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2007**

	Note	2007	2006
		\$'000	\$'000
CURRENT ASSETS:			
Cash	A19	33 272	12 461
Receivables	A20	1 563	190
Total Current Assets		34 835	12 651
NON-CURRENT ASSETS:			
Capital works in progress		26	26
Receivables	A20	2 546	2 718
Total Non-Current Assets		2 572	2 744
Total Assets		37 407	15 395
CURRENT LIABILITIES:			
Payables	A21	18 939	2 896
Interest bearing liabilities	A22	173	161
Short-term employee benefits	A23	10	-
Total Current Liabilities		19 122	3 057
NON-CURRENT LIABILITIES:			
Payables		3	-
Interest bearing liabilities	A22	2 546	2 718
Long-term employee benefits	A23	35	-
Total Non-Current Liabilities		2 584	2 718
Total Liabilities		21 706	5 775
NET ASSETS		15 701	9 620
EQUITY:			
Accumulated surplus	A24	15 701	9 620
TOTAL ADMINISTERED EQUITY		15 701	9 620

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

	Retained Earnings	Total
Note	\$'000	\$'000
Balance at 30 June 2005	1 620	1 620
Changes in accounting policy	-	-
Error correction	-	-
Restated Balance at 30 June 2005	1 620	1 620
Gain on revaluation of property	-	-
Loss on revaluation of plant and equipment	-	-
Net income and expense recognised directly in equity	-	-
Operating Surplus (Deficit)	1 619	1 619
Increase in net assets due to administrative restructure	6 381	6 381
Total Recognised Income and Expense for 2006	8 000	8 000
Balance at 30 June 2006	9 620	9 620
Changes in accounting policy	-	-
Increase in net assets due to administrative restructure	7 240	7 240
Net Income and Expense Recognised directly in Equity	-	-
Operating Surplus (Deficit)	(1 159)	(1 159)
Balance at 30 June 2007	15 701	15 701

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

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

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Revenues from SA Government	10 962	14 098
Revenues from fees and charges	71 741	-
Registration and licensing receipts from third parties	655 134	656 683
Grants	-	4 232
Transfer receipts	11 157	78 121
Commonwealth revenue	1 758	9 289
Interest	544	228
Total Cash Inflows	751 296	762 651
CASH OUTFLOWS:		
Employee expenses	(316)	(213)
Supplies and services	(11 697)	(77 418)
Grants and subsidies	(2 126)	(6 193)
Registration and licensing payments to third parties	(665 214)	(665 233)
Finance costs	(358)	(207)
Transfer payments	(11 046)	(10 480)
Payments to Consolidated Account	(59 106)	(12)
Total Cash Outflows	(749 863)	(759 756)
Net Administered Cash Inflows from Operating Activities	1 433	2 895
	A27	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Investing payments	-	(26)
Total Cash Outflows	-	(26)
Net Cash Outflows from Investing Activities	-	(26)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH INFLOWS:		
Restructuring activities	19 378	5 346
Total Cash Inflows	19 378	5 346
Net Cash Inflows from Financing Activities	19 378	5 346
NET INCREASE IN CASH HELD	20 811	8 215
CASH AT 1 JULY	12 461	4 246
CASH AT 30 JUNE	33 272	12 461
	A19	

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

	Transport Infra-structure Services		Transport Safety and Regulation Services		Public Transport Services		Energy Policy & Regulation	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ADMINISTERED INCOME:								
Revenues from SA Government	64	115	9 105	8 883	68	64	4	7
Revenues from fees and charges	-	-	-	-	-	-	-	-
Registration and licensing receipts from third parties	-	-	655 134	656 683	-	-	-	-
Grants	-	4 232	-	-	-	-	-	-
Transfer receipts	101	126	-	-	-	-	-	77 143
Commonwealth revenue	-	-	-	-	-	-	1 758	1 201
Interest	196	207	-	-	10	21	-	-
Total Administered Income	361	4 680	664 239	665 566	78	85	1 762	78 351
ADMINISTERED EXPENSES:								
Employee expenses	64	115	25	20	68	64	4	7
Supplies and services	-	178	-	-	-	-	-	77 227
Grants and subsidies	-	4 054	-	-	148	164	1 978	1 975
Registration and licensing payments to third parties	-	-	664 214	665 546	-	-	-	-
Finance costs	197	207	-	-	-	-	-	-
Transfer payments	88	114	-	-	-	-	-	2 397
Payments to Consolidated Account	12	12	-	-	-	-	384	-
Total Administered Expenses	361	4 680	664 239	665 566	216	228	2 366	81 606
OPERATING SURPLUS (DEFICIT)	-	-	-	-	(138)	(143)	(604)	(3 255)

	State Infrastructure Facilitation		ICT Services		Building Management	Community Services	Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2007 \$'000	2007 \$'000	2006 \$'000
ADMINISTERED INCOME:								
Revenues from SA Government	5	4 874	-	-	1 688	28	10 962	13 943
Revenues from fees and charges	-	-	-	-	-	72 329	72 329	-
Registration and licensing from third parties	-	-	-	-	-	-	655 134	656 683
Grants	-	-	-	-	-	-	-	4 232
Transfer receipts	102	194	10 948	-	-	-	11 151	77 463
Commonwealth revenue	-	7 750	-	-	-	-	1 758	8 951
Interest	-	-	-	-	-	178	384	228
Total Administered Income	107	12 818	10 948	10 948	1 688	72 535	751 718	761 500
ADMINISTERED EXPENSES:								
Employee expenses	5	7	-	-	46	114	326	213
Supplies and services	-	44	-	-	2 076	10 579	12 655	77 449
Grants and subsidies	-	-	-	-	-	-	2 126	6 193
Registration and licensing payments to third parties	-	-	-	-	-	-	664 214	665 546
Finance costs	-	-	-	-	-	-	197	207
Transfer payments	-	7 750	10 948	-	-	-	11 036	10 261
Payments to Consolidated Account	-	-	-	-	-	61 927	62 323	12
Total Administered Expenses	5	7 801	10 948	10 948	2 122	72 620	752 877	759 881
OPERATING SURPLUS (DEFICIT)	102	5 017	-	-	(434)	(85)	(1 159)	1 619

NOTES TO THE ADMINISTERED FINANCIAL STATEMENTS

The Administered Financial Statements include income, expenses, assets and liabilities that the Department administers on behalf of the SA Government but does not control.

A1. Objectives of the Department for Transport, Energy and Infrastructure

The objectives of the Department outlined in Note 1 for controlled items apply equally to the Administered Financial Statements.

A2. Departmental Organisation

The organisation of the Department outlined in Note 2 for controlled items applies to both the Department and the Administered Financial Statements.

Specifically, changes to the Department's organisational structure in 2006-07 noted under Note 2 has resulted in a change in the nature of some administrative items such that, with the transfer of those functions from DAIS effective from 1 January 2007, the Department has now assumed administrative responsibility for:

(a) Valuer-General's Salary

Represents a separate Special Act appropriation received for the payment of the Valuer-General's salary.

(b) Service SA

Represents monies collected and disbursed by Service SA through the provision of a range of services to the South Australian public on behalf of other SA Government Departments. Monies collected are deposited into the Shared Services bank account and then distributed to the appropriate department.

(c) Land Services Regulatory Fees

Represents monies collected by the Land Services Group through various land administration Acts and administered under the statutory authority of the Registrar-General and the Surveyor-General. The revenue is collected through the following legislation:

- *Real Property Act 1886*, Regulation 3
- *Strata Titles Act 1988*, Regulation 4
- *Community Titles Act 1996*, Schedule 2
- Real Properties (Land Division), Regulations 1995, Schedule 1
- *Bill of Sale Act 1886*, Regulation 4
- *Registration of Deed Act 1935*, Regulation 3, Schedule 1
- *Workers Lien Act 1893*, Regulation 3, Schedule 1

(d) Land Services Trust Funds

Represents monies administered in the following trust accounts in accordance with:

- Real Property Act Assurance Fund - section 201 *Real Property Act 1886*
- Real Property Trust Account - section 146 *Real Property Act 1886*
- Workers Liens Trust Account - section 16 *Workers Liens Act 1893*

(e) Major Administered Projects

Represents funds received and held for capital works performed on behalf of other agencies such as:

- Asbestos and Heritage Maintenance Program
- Building Security Program for Whole of Government

A3. Summary of Significant Accounting Policies

The policies of the Department outlined in Note 3 for controlled items apply equally to the Administered Financial Statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Balance Sheet for controlled items.

A4. Financial Risk Management

The financial risk management approach of the Department outlined in Note 4 for controlled items applies equally to the Administered Financial Statements.

A5. Changes in Accounting Policies

The Changes in Accounting Policies as outlined in Note 5 for controlled items apply equally to the Administered Financial Statements. With respect to specific policies no changes have been noted for administered functions other than the following:

EDS Australia Contract for ICT Services

The Department acts as agent in the payment to EDS for ICT services. This function was transferred to the Department on 1 January 2007 under the restructuring of DAIS and was deemed to be in the nature of 'administered' and not 'controlled'. Revenues and expenses relating to the transferred function have been disclosed at their full gross amount in the Income Statement, Cash Flow Statement and Program Statement and have not been offset.

A6. Programs of the Department

The Programs of the Department outlined in Note 6 in the controlled items apply equally to the Administered Financial Statements.

A7. Administered Items of the Department

The Administered Items of the Department are comprised of the following:

- Contractors deposits
- Emergency Services Levy receipts
- Expiation receipts including the Victims of Crime Levy
- Firearm Licence receipts
- Hospital Fund – Contribution
- Land Service regulatory fees
- Lincoln Cove Marina
- Major administered projects
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister’s salary
- Motor Accident Commission receipts
- Natural Gas Authority of South Australia (NGASA)
- Passenger Transport Research and Development Fund
- Photovoltaic Rebate Program (PVRP)
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Registration and Licensing collections and disbursements
- Renewable Remote Power Generation Rebate Program (RRPGP)
- Service SA collections and disbursements
- South-Western Suburbs Drainage Scheme
- Stamp Duties receipts
- Unclaimed salaries and wages
- Valuer-General’s salary
- Workers Liens Trust Account

A8. Revenues from SA Government

Revenues from SA Government:	2007	2006
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	10 643	13 730
Special Acts	319	213
Total Revenues from SA Government	10 962	13 943

A9. Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government:		
Regulatory fees	30	-
Total Fees and Charges - SA Government Entities	30	-
Fees and Charges received/receivable from Entities external to the SA Government:		
Service SA	9 349	-
Regulatory fees	62 950	-
Total Fees and Charges - Non-SA Government Entities	72 299	-
Total Fees and Charges	72 329	-

A10. Registration and Licensing Receipts from Third Parties

Registration and Licensing Receipts on behalf of the SA Government:		
Stamp Duties	132 609	133 427
Hospital Fund	57 730	56 307
Emergency Services Levy	28 555	27 575
Expiation Notices	942	1 544
Firearms Licenses	1 323	1 136
Expiation Notices - Courts Administration Authority	668	648
Third Party Insurance	413 993	415 875
Other	3 395	4 439
Total Registration and Licensing Receipts on behalf of the SA Government	639 215	640 951

Registration and Licensing Receipts on behalf of Entities external to the SA Government:

Refunds	10 163	10 142
Federal registrations	5 756	5 590
Total Registration and Licensing Receipts on behalf of Entities External to the SA Government	15 919	15 732
Total Registration and Licensing Receipts	655 134	656 683

A11. Grants		2007	2006
Grants received/receivable from Entities within the SA Government:		\$'000	\$'000
Recurrent grant		-	-
Capital grant		-	4 232
Total Grants - SA Government Entities		-	4 232
Total Grants		-	4 232
A12. Transfer Receipts		80	106
Contractor deposits		21	20
Lincoln Cove Marina revenue		102	194
Glenelg Foreshore/West Beach Reserve Redevelopment - External contributions		-	77 227
Natural Gas revenue		-	(84)
Energy Management Task Force - Credit note		-	-
EDS contract		10 948	-
Total Transfer Receipts		11 151	77 463
A13. Commonwealth Revenue		1 758	1 201
RRPGP energy rebate contribution		-	7 750
Gawler River Flood Mitigation Scheme		-	-
Total Commonwealth Revenue		1 758	8 951
A14. Supplies and Services		9 297	-
Supplies and Services paid/payable to Entities within the SA Government:		2 067	-
Service SA		1 053	-
Project expenditure		-	-
Other		12 417	-
Total Supplies and Services - SA Government Entities		12 417	-
Supplies and Services paid/payable to Entities external to the SA Government:		52	77 227
Payment to Cooper Basin Gas Producers		9	-
Service SA		177	-
Project expenditure		-	222
Other		-	-
Total Supplies and Services - Non-SA Government Entities		238	77 449
Total Supplies and Services		12 655	77 449
A15. Grants and Subsidies		2 126	6 193
Grants and Subsidies paid/payable to Entities external to the SA Government:		2 126	6 193
Capital grant		2 126	6 193
Total Grants and Subsidies - Non-SA Government Entities		2 126	6 193
Total Grants and Subsidies		2 126	6 193
A16. Registration and Licensing Payments to Third Parties		132 609	133 427
Registration and Licensing payments to Third Parties paid/payable to Entities within the SA Government:		57 730	56 307
Stamp Duties - Department of Treasury and Finance		37 635	36 438
Hospital Fund - Department of Treasury and Finance		942	1 544
Emergency Services Levy		1 323	1 136
Expiation Notices - South Australian Police		668	648
Firearms Licences - South Australian Police		413 993	415 875
Expiation Notices - Courts Administration Authority		3 395	4 439
Third Party Insurance		-	-
Other		-	-
Total Registration and Licensing Payments to Third Parties - SA Government Entities		648 295	649 814
Registration and Licensing payments to Third Parties paid/payable to Entities external to the SA Government:		10 163	10 142
Refunds		5 756	5 590
Federal registrations		-	-
Total Registration and Licensing Payments to Third Parties - Non-SA Government Entities		15 919	15 732
Total Registration and Licensing Payments to Third Parties		664 214	665 546
A17. Transfer Payments		-	7 750
Gawler River Flood Mitigation Scheme		-	2 397
Energy Management Task Force payment to the Department of Industry, Tourism and Resources (Cwlth)		80	86
Contractor deposits		8	8
Lincoln Cove Marina		10 948	-
EDS contract		-	20
Other		-	-
Total Transfer Payments		11 036	10 261

A18. Payments to Consolidated Account	2007	2006
	\$'000	\$'000
Payments to Consolidated Account	62 323	12
Total Payments to Consolidated Account	62 323	12
A19. Cash		
Deposits at Call - Westpac		
Motor Registration Holding Account	1 741	2 741
DTEI Operating Account	8 802	8 915
DTEI Shared Services Operating Account	2 836	-
DTEI Shared Services Administered Items Account	839	-
Real Property Act Assurance Fund	5 926	-
Real Property Act Trust Account	52	-
Deposits with the Treasurer		
Contractors deposits	202	113
Natural Gas Authority of South Australia (NGASA)	408	408
Passenger Transport Research and Development Fund	124	261
Unclaimed salaries and wages	24	23
Land Services Group - Regulatory Fees	12 398	-
Special Acts	(80)	-
Total Cash	33 272	12 461
A20. Receivables		
Current:		
Receivables	1 509	161
Accrued revenues	54	29
Total Current Receivables	1 563	190
Non-Current:		
Receivables	2 546	2 718
Total Non-Current Receivables	2 546	2 718
Total Receivables	4 109	2 908
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Receivables	175	-
Accrued revenues	49	18
Total Receivables from SA Government Entities	224	18
Receivables from Non-SA Government entities:		
Receivables	3 880	2 879
Accrued revenue	5	11
Total Receivables from Non-SA Government Entities	3 885	2 890
Total Receivables	4 109	2 908
A21. Payables		
Current:		
Creditors	6 019	2 879
Accrued expenses	12 920	17
Total Current Payables	18 939	2 896
Non-Current:		
Accrued expenses	3	-
Total Non-Current Payables	3	-
Total Payables	18 942	2 896
Government/Non-Government Payables		
Payables to SA Government Entities:		
Creditors	5 886	2 879
Accrued expenses	12 922	17
Total Payables to SA Government Entities	18 808	2 896
Payables to Non-SA Government Entities:		
Creditors	134	-
Total Payables to Non-SA Government Entities	134	-
Total Payables	18 942	2 896

A22. Interest Bearing Liabilities	2007	2006
	\$'000	\$'000
Balance as at 1 July	2 879	3 031
Increases in debt due to interest	197	207
Less: Repayments:		
Woodville, Henley and Grange Drainage Scheme	35	37
South West Suburbs Drainage Scheme	322	322
Balance as at 30 June	2 719	2 879
Current	173	161
Non-Current	2 546	2 718
Total Interest Bearing Liabilities	2 719	2 879
A23. Employee Benefits		
Current:		
Employee benefits	10	-
Total Current Employee Benefits	10	-
Non-Current:		
Employee benefits	35	-
Total Non-Current Employee Benefits	35	-
Total Employee Benefits	45	-
Payables to Non-SA Government Entities:		
Employee benefits	45	-
Total Employee Benefits payable to Non-SA Government Entities	45	-
Total Employee Benefits Payable	45	-
A24. Equity		
Accumulated surplus	15 701	9 620
Total Equity	15 701	9 620
Accumulated Surplus		
Balance at 1 July	9 620	1 620
Operating (Deficit) Surplus	(1 159)	1 619
Increase in net assets due to restructure	7 240	6 381
Balance at 30 June	15 701	9 620
A25. Transfer of Administrative Functions		
Effective from 1 January 2007, the Department assumed responsibility for a number of administered items within functions that transferred to it under a change in SA Government administrative arrangements (refer to Note A2). The impact of these restructured arrangements on the Administered Financial Statements is summarised as follows:		
	DAIS	DTEI
	01.07.06 to	01.01.07 to
	31.12.06	30.06.07
Total income and expenses attributable to these administered functions for the full financial year are:	\$'000	\$'000
Employee benefits costs	80	99
Other expenses	164 596	85 530
Total Expenses	164 676	85 629
Total Income	165 094	83 455
Net Cost of Providing Services	418	(2 174)
Revenues from (Payments to) SA Government	1 627	1 655
Net Result before Restructuring and Tax	2 045	(519)
On transfer of these administrative functions, the following assets and liabilities were recognised:		
		2007
		\$'000
Cash		19 378
Receivables		777
Total Assets		20 155
Payables		(12 883)
Employee entitlements		(32)
Total Liabilities		(12 915)
Net Assets Transferred		7 240

A26. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in line with agreements entered into for specific Administered Items.

(ii) Financial Liabilities

Creditors and accruals are recognised for all amounts billed but unpaid at an amount equal to the value of goods and services provided. All creditors are normally settled within 30 days.

Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Borrowings are drawn from the Department of Treasury and Finance at the Common Public Sector Interest Rate of 6.50 percent. Repayments are determined in negotiation with the SAFA.

(b) Interest Rate Risk

Exposure to interest rate risk for administered items is measured in reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

<i>Financial Instrument</i>	2007				Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000	
Financial Assets:					
Cash assets	6.10	33 272	-	33 272	5.98
Receivables	-	-	4 109	4 109	-
		<u>33 272</u>	<u>4 109</u>	<u>37 381</u>	
Financial Liabilities:					
Payables	-	-	18 942	18 942	-
Borrowings	6.50	2 719	-	2 719	6.56
		<u>2 719</u>	<u>18 942</u>	<u>21 661</u>	
	2006				
<i>Financial Instrument</i>	Floating Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000	Weighted Average Effective Interest Rate Percent
Financial Assets:					
Cash assets	5.43	12 461	-	12 461	5.38
Receivables	-	-	2 908	2 908	-
		<u>12 461</u>	<u>2 908</u>	<u>15 369</u>	
Financial Liabilities:					
Payables	-	-	2 896	2 896	-
Borrowings	6.95	2 879	-	2 879	6.95
		<u>2 879</u>	<u>2 896</u>	<u>5 775</u>	

(c) Credit Risk

The maximum exposure to credit risk at reporting date is measured at the carrying amount of administered receivables as indicated in the Balance Sheet.

(d) Fair Value (Market) Risk

Administered financial instruments are disclosed at a carrying amount that approximates their net fair value. The amount for financial assets approximates the net fair value due to the short-term to maturity of the items, or due to the assets being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

A27. Cash Flow Reconciliation

	2007	2006
	\$'000	\$'000
Reconciliation of Cash - Cash at 30 June:		
Cash Flow Statement	<u>33 272</u>	12 461
Balance Sheet	<u>33 272</u>	12 461
Reconciliation of Net Cash Inflows from Operating Activities to Operating Surplus:		
Net cash inflows from operating activities	1 433	2 895
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	422	(1 063)
Decrease (Increase) in liabilities	(3 014)	(213)
Operating (Deficit) Surplus	<u>(1 159)</u>	1 619

A28. Criminal Injuries Compensation Fund (Victims of Crime Levy)

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Public Transport Division of the Department collects criminal injuries compensation levies from expiation notices issued.

	2007	2006
	\$'000	\$'000
Levies collected during the year	10	-
Amount paid to Attorney-General's Department	10	-
Amount Payable to Attorney-General's Department	-	-

A29. Natural Gas Authority of South Australia (NGASA)

On 1 September 1995, the NGASA became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principle activities of this operative are:

- Purchase, sale and delivery of gas;
- Administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- Administration of down stream gas sale contracts for AGL Wholesale Gas (SA) and Origin Energy;
- Gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- Gas billing, gas quality and measurement;
- The administration of Gas Pipeline easements.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from AGL Wholesale Gas (SA) and Origin Energy for gas purchase and the subsequent forwarding of those monies to gas producers. These contracts effectively came to the end of their term on 31 December 2005.

Reserves held in the Special Deposit Account, totalling \$384 000 were no longer required by the project and subsequently returned to the Department of Treasury and Finance Consolidated Fund.

A balance of \$25 000 has been retained to enable NGASA to perform its remaining functions.

A30. Passenger Transport Research and Development Fund

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Public Transport Division of the Department administers, on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The Fund may be applied by the Minister for Transport for:

- the purpose of carrying out research into the taxi-cab industry;
- the purpose of promoting the taxi-cab industry; and/or
- any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	2007	2006
	\$'000	\$'000
Inflows:		
Income into the fund	10	21
Total Inflows	10	21
Outflows:		
Expenditure from the fund	146	163
Total Outflows	146	163
Net Deficit	(136)	(142)
Fund Balance		
Balance at 1 July	261	403
Net Deficit	(136)	(142)
Balance at 30 June	125	261

A31. Remuneration of Employees

Amounts received or receivable by employees as Administered Items whose remuneration is greater than \$100 000.

	2007	2006
	Number of Employees	Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$270 000 - \$279 999	-	1
\$290 000 - \$299 999	1	-
Total Number of Employees	1	1

A31. Remuneration of Employees (continued)

The table includes all employees who received remuneration of \$100 000 or more during the year. The remuneration reflects all costs of employment including gross salary and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages for those with salaries over \$100 000.

A number of functions from the former DAIS were transferred to the Department effective from 1 January 2007.

Below is a table showing all employees of the former DAIS transferred to the Department who received remuneration of \$100 000 or more during the financial year from 1 July 2006 to 30 June 2007.

	2007	2006
	Number of	Number of
	Employees	Employees
The number of former DAIS employees whose remuneration received or receivable falls within the following bands:		
\$160 000 - \$169 000	1	-
Total Number of Employees	1	-

DEPARTMENT OF TREASURY AND FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Treasury and Finance (the Department) is an Administrative Unit established under the PSMAct.

Functions

The Government, through the Treasurer and the Department, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level;
- managing whole-of-government financial management processes;
- providing a range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

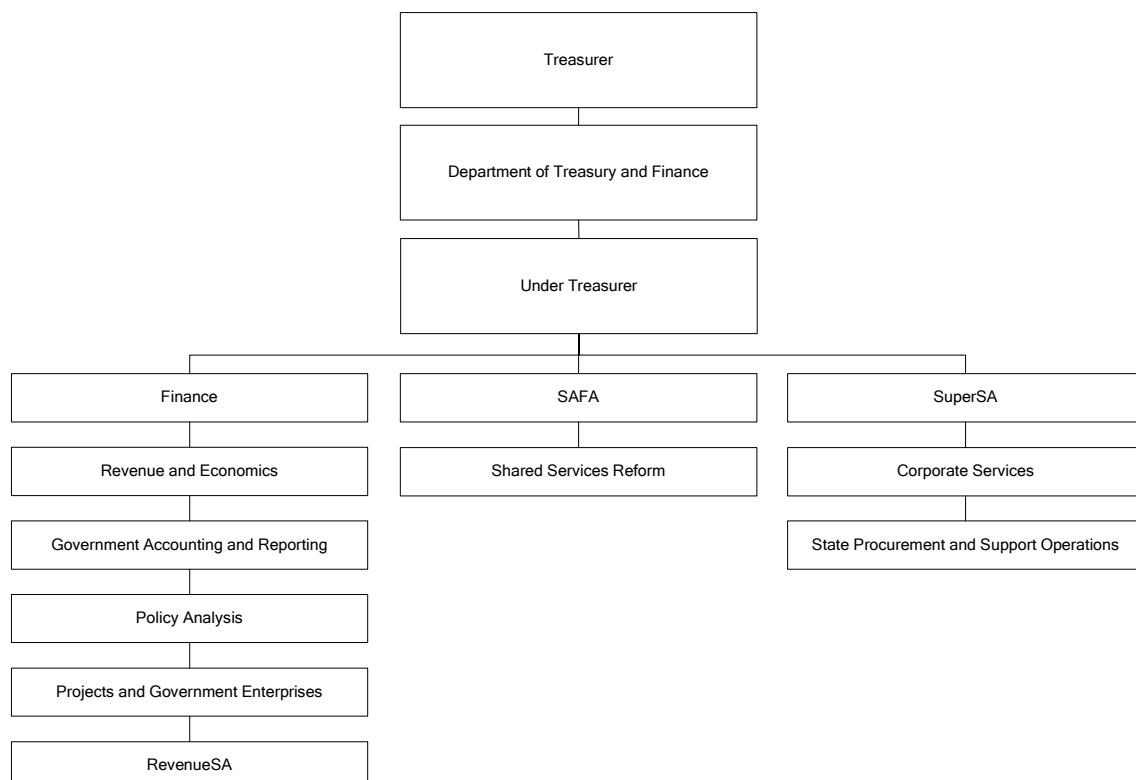
In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA;
- raising and managing the State's debt funding and managing and insuring Government risk through the South Australian Government Financing Authority (SAFA);
- administering public sector superannuation through the State Superannuation Office (Super SA).

The Department administers but does not control certain funds on behalf of the Treasurer. These funds are not recorded in the Department's Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement, as the Department does not have any discretion to deploy the resources for achievement of its own objectives. Further details are provided in the Statement of Administered Income and Expenses, Statement of Administered Assets and Liabilities, Statement of Changes in Administered Equity and Statement of Administered Cash Flows appearing in the Department's financial report.

Structure

The structure of the Department as at 30 June 2007 is illustrated in the following organisation chart.



Changes to Structure

As stated in Note 2.3, the Contract and Procurement Services, Fleet SA, Support Services and Corporate Services (other than Parliamentary Network Support Group, Injury Management Unit and Placement Services) business units of the Department for Administrative and Information Services transferred to the Department effective 1 January 2007. These business units formed the new State Procurement and Support Operations branch in the Department.

In September 2006 the SA Government announced the whole-of-government shared services reform initiative. The Shared Services Reform Office has been established as a branch within the Department to manage the implementation of shared services reform for the business service functions of Information and Communications Technology (ICT), Human Resources (HR), Procurement and Finance.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

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

Corporate Services

- expenditure
- payroll
- fixed assets
- revenue
- financial accounting
- information technology.

RevenueSA

- financial accounting and recording systems for tax collections
- Emergency Services Levy (ESL) collection system
- First Home Owners Grant applications and disbursements
- Compliance Services for all taxes
- information technology.

State Procurement and Support Operations

- Contract and Procurement Services:
 - warehouse sales, purchasing and stock take
 - gaming machine purchases and recoveries
- Fleet SA:
 - fleet revenue
 - motor vehicle expenditure
 - motor vehicle assets
- Support Services:
 - payroll
 - accounts payable
 - e-purchase
 - credit cards
 - general ledger.

Financing and Insurance Services

Commentary in respect of these activities is included in the section of Part B of this Report covering SAFA.

Superannuation Services

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Superannuation Board.

Public Finances

In addition, Audit undertakes ongoing work with respect to various aspects of the public finances. These matters are primarily reported in Part C of this Report, and the Treasurer's Statements are an Appendix to Part B of this Report.

AUDIT FINDINGS AND COMMENTS**Auditor's Report on the Financial Report**

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

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Under Treasurer. Responses to the management letters were generally considered to be satisfactory. The following outlines certain matters raised with the Department and the related responses.

Corporate Services

The Corporate Services branch is responsible for overseeing the processing and management of transactions in relation to the Department's own operations as well as providing some services to other agencies. The audit of the branch indicated that in most cases there was a satisfactory control environment in place. There were, however, some areas where minor improvements could be made to payroll controls and instances were noted where established controls were not being applied.

In response, the Department indicated that each of the matters raised had either been resolved, or that steps had been put in place to implement the Audit recommendations.

RevenueSA

RevenueSA is responsible for the collection of more than \$2.9 billion of taxation revenue on behalf of the Government. The audit of RevenueSA indicated that in most cases there was a satisfactory control environment in place, although there were some areas where minor improvements could be made to internal controls and instances were noted where established controls were not being applied.

In response, the Department indicated that each of the matters raised had either been resolved, or that steps had been put in place to implement the Audit recommendations.

State Procurement and Support Operations (SPSO) Branch

The SPSO Branch provides advice to Government and agencies on strategic procurement, undertakes and manages across government contracts and the Government vehicle fleet and provides support services to other government agencies in the areas of ICT, finance and accounting services, HR, payroll and administration services.

Support Services - Review of General Control Environment

The audit of the Support Services section identified the need to:

- increase the frequency and level of review of e-purchase system access privileges;
- monitor and assess the level of purchasing in arrears through the e-purchase system;
- strengthen controls over the validity of input into the Masterpiece Accounts Payable system;
- follow up outstanding purchase card statements;
- ensure the appropriate authorisation of purchase card statements.

In response the Department indicated planned action on the matters raised. However, in relation to controls over Masterpiece Accounts Payable system input validity, the Department considered that adequate controls were in place, even though Audit's view was that the established control environment may not identify invalid transactions before the payment is made.

Support Services - Review of E-Purchase Information Technology Management and System Operations

In late 2006, Audit undertook an information update of certain aspects of the e-purchase SA Business Unit information technology management and control, including the e-purchase system and its computer processing environment.

A number of improvements that could be made by the Department were identified from the information and documentation provided.

Audit's observations indicated a need (at the Business Unit level or at the ICT Support Unit level) for:

- developing or updating of formal business continuity and disaster recovery plans;
- the above plans to be reviewed, updated and tested on a regular basis;
- formalised updated documentation relating to change management processes;
- user and operational procedures, including system user access allocation to be updated;
- developing formal procedures to ensure that passwords are periodically changed and that the password security configuration for the system is enabled.

The Department's response of January 2007 confirmed some actions that were already in progress and others that were planned as a result of the Audit observations and recommendations.

Audit undertook a follow up of matters in progress in July 2007. The follow up revealed that a number of improvements had been made, notably:

- user and operational documentation progressively updated;
- logical security password functions activated;
- logical security user access procedures developed;
- data classified in accordance with the Information Management Security Framework;
- a formalised change management process and procedures developed and implemented.

Other matters in progress were:

- the continued updating and development of user and operational documentation;
- development of a formalised Business Continuity and Disaster Recovery Plan specific for the Business Unit;
- formalisation of testing of the Business Continuity and Disaster Recovery Plan.

Government Accounting and Reporting (GAR) Branch

Responsibilities for the GAR Branch include the Appropriation process, recording the activities of the Consolidated Account and the balances of the Treasurer's Deposit Accounts and Treasurer's Loans. The audit of the GAR Branch indicated that systems of internal control were generally operating satisfactorily, although there were some areas where minor improvements could be made to internal controls and instances were noted where established controls were not being applied.

In response, the Department indicated that each of the matters raised had either been resolved, or that steps had been put in place to implement the Audit recommendations.

Other specific matters of audit comment are outlined below.

Accrual Appropriation Excess Funds Account

The last two reports have included comments on the nature and operation of the Accrual Appropriation Excess Funds Account (the Account). It is a Special Deposit Account holding funds at 30 June 2007 totalling \$398 million.

The comments in the previous reports have raised the need for formalisation of policies and procedures covering the Account's operations, its operating relationship with the budget and cash management processes of government, and the monitoring of agencies to deposit required funds into the Account.

During 2006-07 a follow-up review was undertaken of action taken to address the matters raised by Audit. The follow-up review revealed:

- a policies and procedure document (approved in May 2007) was distributed to all relevant agency Chief Executives on 16 June 2007;
- funds totalling \$37.9 million were accessed by agencies from the Account during 2006-07;
- payments by agencies into the Account during 2005-06 were for accrual appropriation amounts owing in respect of the 1998-99 to 2003-04 years;
- the payment process for 2006-07 was complicated by the later than usual State Budget and passing of the *Appropriation Act 2006*. The majority of agencies complied with the Department's instructions for payments into the Account, though some exceptions were noted. These were subsequently corrected;
- the payment process for 2007-08 will be as for 2005-06, ie the Department will be depositing accrual appropriation funds into the Account on behalf of agencies. This will strengthen controls over administration of the Account.

The Department advised that in some instances the funds transfer requirements were not being met by agencies and it will act to ensure this is not repeated in 2007-08.

Appropriation Disbursement Error

On 19 June 2007 the Department deposited \$16.44 million in appropriation funds into the bank account of the Department of Trade and Economic Development in error. The Department identified the error and the funds were returned.

The circumstances of the error were reviewed by Audit and the Department's advice was sought regarding action it proposed to improve control over disbursements.

In response the Department advised it has implemented an additional step in the transfer approval procedure whereby a third person is to verify transfer details before appropriation is transferred.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The Department, as previously commented, was subject to organisational changes during 2006-07. Notes 2.3 and 29 to the financial statements provide details (including financial details) in relation to the changes. As a result only highlights from the financial statements are presented below. The significant increases in all financial statement areas reflects the effects of the changes.

Highlights of the Financial Report

	2007	2006
	\$'million	\$'million
INCOME		
Revenue from fees and charges	98.3	29.1
Other revenue	1.7	1.2
Total Income	100.0	30.3
EXPENSES		
Employee benefit costs	63.3	44.0
Supplies and services	62.1	25.1
Other expenses	34.6	2.5
Total Expenses	160.0	71.6

	2007	2006
	\$'million	\$'million
Net Cost of Providing Services	(60.0)	(41.3)
REVENUES FROM SA GOVERNMENT		
Government appropriation	60.8	39.9
NET RESULT BEFORE RESTRUCTURE AND TAX	0.8	(1.4)
Net revenue from administrative restructure	11.3	0.3
Income tax equivalent	(0.1)	-
NET RESULT	12.0	(1.1)
ASSETS		
Current assets	95.2	13.1
Non-current assets	173.4	8.5
Total Assets	268.6	21.6
LIABILITIES		
Current liabilities	27.8	5.7
Non-current liabilities	222.0	9.0
Total Liabilities	249.8	14.7
EQUITY		
	18.8	6.9
NET CASH PROVIDED BY OPERATING ACTIVITIES	50.3	1.6
NET CASH USED IN INVESTING ACTIVITIES	(28.0)	(0.8)
NET CASH USED IN FINANCING ACTIVITIES	(2.1)	-
Net Increase in Cash and Cash Equivalents	20.2	0.8
Cash and Cash Equivalents at 1 July	11.4	10.6
Cash and Cash Equivalents at 30 June	31.6	11.4

Administered Items

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

	2007	2006	Percentage
	\$'million	\$'million	Change
INCOME			
Taxation	2 993	2 683	11
Commonwealth revenues	3 645	3 574	1
Revenues from SA Government	1 190	1 176	1
Other revenues	860	1 086	(20)
Total Income	8 688	8 519	1
EXPENSES			
Payments to SA Government	7 296	7 160	1
Other expenses	1 373	1 348	1
Total Expenses	8 669	8 508	1
Operating Surplus	19	11	72
ASSETS			
Current assets	1 090	912	19
Non-current assets	1	2	(50)
Total Assets	1 091	914	19

	2007	2006	Percentage
	\$'million	\$'million	Change
LIABILITIES			
Current liabilities	1 006	846	18
Non-current liabilities	498	500	-
Total Liabilities	1 504	1 346	11
EQUITY			
	(413)	(432)	4
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
	166	(175)	194
NET CASH PROVIDED BY FINANCING ACTIVITIES			
	6	3	100
Net Increase (Decrease) in Cash and Cash Equivalents Held	172	(172)	200
Cash and Cash Equivalents at 1 July	898	1 070	(16)
Cash and Cash Equivalents at 30 June	1 070	898	19

The Consolidated Account result for 2006-07 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
EXPENSES:			
Employee benefit expenses	6	63 298	43 983
Supplies and services	7	62 136	25 068
Depreciation and amortisation expense	8	22 758	2 528
Borrowing costs		6 291	-
Other expenses	9	5 514	6
Total Expenses		159 997	71 585
INCOME:			
Revenues from fees and charges	11	98 289	29 119
Interest revenues	12	68	756
Net gain from disposal of assets	13	1 252	-
Other revenues	14	388	388
Total Income		99 997	30 263
NET COST OF PROVIDING SERVICES		(60 000)	(41 322)
REVENUES FROM SA GOVERNMENT	15	60 818	39 949
NET RESULT BEFORE RESTRUCTURE		818	(1 373)
Net revenue from administrative restructure	29	11 363	288
NET RESULT AFTER RESTRUCTURING		12 181	(1 085)
Income tax equivalent	16	162	-
NET RESULT AFTER RESTRUCTURING AND TAX		12 019	(1 085)

Net Result after restructuring and tax is attributable to the SA Government as owner

Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	31 590	11 354
Receivables	18	16 744	1 717
Inventories	19	2 400	-
Property, plant and equipment	21	41 351	-
		92 085	13 071
Non-current assets classified as held-for-sale	20	3 099	-
Total Current Assets		95 184	13 071
NON-CURRENT ASSETS:			
Receivables	18	136	2
Property, plant and equipment	21	167 123	1 601
Intangible assets	22	6 187	6 897
Total Non-Current Assets		173 446	8 500
Total Assets		268 630	21 571
CURRENT LIABILITIES:			
Payables	23	17 792	1 870
Borrowings	24	27	-
Employee benefits	25	7 308	3 822
Provisions	26	720	54
Other current liabilities	27	776	-
		26 623	5 746
Liabilities directly associated with non-current assets held-for-sale		1 121	-
Total Current Liabilities		27 744	5 746
NON-CURRENT LIABILITIES:			
Payables	23	1 558	771
Borrowings	24	203 896	-
Employee benefits	25	16 242	8 069
Provisions	26	333	147
Total Non-Current Liabilities		222 029	8 987
Total Liabilities		249 773	14 733
NET ASSETS		18 857	6 838
EQUITY:			
Asset revaluation reserve	28	108	108
Retained earnings	28	18 749	6 730
TOTAL EQUITY		18 857	6 838
Total Equity is attributable to the SA Government as owner			
Commitments	30		
Contingent assets and liabilities	31		

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

	Note	Asset		Total \$'000
		Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005		108	7 257	7 365
Changes in accounting policy		-	558	558
Restated Balance at 30 June 2005		108	7 815	7 923
Net result after restructure for 2005-06		-	(1 085)	(1 085)
Total recognised income and expense for 2005-06		-	(1 085)	(1 085)
Restated Balance at 30 June 2006	28	108	6 730	6 838
Net result after restructure and tax for 2006-07		-	12 019	12 019
Total recognised income and expense for 2006-07		-	12 019	12 019
Balance at 30 June 2007	28	108	18 749	18 857

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

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	
Employee benefit payments	(61 383)	(42 869)
Supplies and services	(57 972)	(25 823)
Interest paid	(6 291)	-
GST payments on purchases	(12 544)	(2 120)
GST remitted to Australian Taxation Office	(11 374)	(2 032)
Cash used in Operations	(149 564)	(72 844)
CASH INFLOWS:		
Fees and charges	102 047	29 260
Interest received	118	761
Proceeds from restructuring activities	12 720	-
GST receipts on receivables	13 215	2 021
GST input tax credits	10 665	2 070
Other receipts	388	417
Cash generated from Operations	139 153	34 529
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	60 818	39 949
Income tax equivalents paid	(106)	-
Cash generated from SA Government	60 712	39 949
Net Cash provided by Operating Activities	50 301	1 634
	33(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(56 725)	(583)
Purchase of intangible assets	(293)	(208)
Cash used in Investing Activities	(57 018)	(791)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	29 020	-
Cash generated from Investing Activities	29 020	-
Net Cash used in Investing Activities	(27 998)	(791)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings	(55 279)	-
Cash used in Financing Activities	(55 279)	-
CASH INFLOWS:		
Proceeds from borrowing	53 212	-
Cash generated from Financing Activities	53 212	-
Net Cash used in Financing Activities	(2 067)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	20 236	843
CASH AND CASH EQUIVALENTS AT 1 JULY	11 354	10 511
CASH AND CASH EQUIVALENTS AT 30 JUNE	31 590	11 354
	33(a)	

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

	(Refer Note 5)		Program 1		Program 2		Program 3	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:								
Employee benefit expenses	12 386	13 435	29 796	30 330	2 858	-		
Supplies and services	4 006	4 649	20 778	20 395	1 482	-		
Depreciation and amortisation expense	687	719	1 765	1 809	9	-		
Borrowing cost	-	-	-	-	-	-		
Other expenses	-	2	-	4	-	-		
Total Expenses	17 079	18 805	52 339	52 538	4 349	-		
INCOME:								
Revenues from fees and charges	1 086	1 610	30 461	27 508	2	-		
Interest revenues	-	309	-	445	-	-		
Net gain from disposal of assets	-	-	-	-	-	-		
Other revenues	71	112	201	276	1	-		
Total Income	1 157	2 031	30 662	28 229	3	-		
NET COST OF PROVIDING SERVICES	(15 922)	(16 774)	(21 677)	(24 309)	(4 346)	-		
REVENUES FROM SA GOVERNMENT	16 299	16 837	21 586	22 873	4 450	-		
NET RESULT BEFORE RESTRUCTURE	377	63	(91)	(1 436)	104	-		

	(Refer Note 5)		Program 4		Program 5		Program Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:								
Employee benefit expenses	18 024	-	234	218	63 298	43 983		
Supplies and services	35 861	-	9	24	62 136	25 068		
Depreciation and amortisation expense	20 296	-	1	-	22 758	2 528		
Borrowing cost	6 291	-	-	-	6 291	-		
Other expenses	5 514	-	-	-	5 514	6		
Total Expenses	85 986	-	244	242	159 997	71 585		
INCOME:								
Revenues from fees and charges	66 740	-	-	1	98 289	29 119		
Interest revenues	68	-	-	2	68	756		
Net gain from disposal of assets	1 252	-	-	-	1 252	-		
Other revenues	115	-	-	-	388	388		
Total Income	68 175	-	-	3	99 997	30 263		
NET COST OF PROVIDING SERVICES	(17 811)	-	(244)	(239)	(60 000)	(41 322)		
REVENUES FROM SA GOVERNMENT	18 234	-	249	239	60 818	39 949		
NET RESULT BEFORE RESTRUCTURE	423	-	5	-	818	(1 373)		

The allocations to programs are indicative and are based on broad costing methodologies. Program descriptions are contained in Note 5.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Treasury and Finance

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

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

The department also supports the government's target for improved administrative efficiency within the public sector through implementation and provision of shared services and provision of procurement and fleet management further across the SA Government.

The department provides the government with policy and financial advice on achieving the SASP through the following departmental priorities:

Strengthen State Finances including maintaining the AAA Credit Rating

Related SASP Objective: Growing Prosperity

Target Area: Credit rating; Strategic Infrastructure

Achieve Performance Improvements in the South Australian Public Sector

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – administrative efficiency; Government decision-making

Improve Budget and Financial Management Processes

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Government Decision Making; Strategic Infrastructure

Improve Service Delivery

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Customer and client satisfaction with government services; Government decision making

Effective Industry Regulation

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Government decision making

Corporate Priorities

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Productivity; Government decision making

To achieve these objectives, the department delivers a number of programs for the government. The program information is summarised in Note 5.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

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

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

Statement of Compliance

AASs include AIFRS and AAS 29. The department has early-adopted the amendments to AASB 101. Refer to Note 4.

The preparation of the financial report requires:

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

Statement of Compliance (continued)

- 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) 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.

2.2 Reporting Entity

The department produces both departmental and administered financial statements. The departmental financial statements include the use of income, expenses, assets, and liabilities, controlled or incurred by the department in its own right. The administered financial statements include the income, expenses, assets and liabilities which the department administers on behalf of the SA Government but does not control.

2.3 Administrative Restructure

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006 (dated 28 September 2006) declared that the Contract and Procurement Services, Fleet SA, Support Services and Corporate Services (other than Parliamentary Network Support Group, Injury Management Unit and Placement Services) Business Units transferred from the Department for Administrative and Information Services (DAIS) to the department. This public sector restructure was effective from 1 January 2007 for financial reporting purposes. Refer to Note 29.

The Micro Economic Reform and Infrastructure (MERI) Branch was transferred to the Department for Transport, Energy and Infrastructure (DTEI) from 1 July 2005. No revenues or expenses for this function were included in the financial statements for 2005-06. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in the Income Statement for 2005-06.

2.4 Comparative Information

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

Where 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.

2.5 Rounding

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

2.6 Taxation

In accordance with TI 22, some business units are required to pay to the State Government income tax equivalents. The income tax liability is based on the Treasurer's accounting profit method, which requires the corporate tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

Income taxation equivalents are required to be paid by the following business units of the department:

- Fleet SA
- Government supplies warehouse (Supply SA)

The department is liable for payroll tax, FBT and GST.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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 creditors are stated with the amount of GST included.

2.6 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.

2.7 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 department 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.

Transactions with SA Government entities and non-SA Government entities are classified according to their nature.

The following are specific recognition criteria:

Revenues from (Payments to) SA Government

Appropriations for program funding are recognised as revenues when the department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, and revenues from taxation, Commonwealth Government, dividends, interest, other revenues received on behalf of the government and paid directly to the Consolidated Account.

Resources Received/Provided Free of Charge

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

Contributions Received/Paid

Contributions are recognised as an asset and income when the department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the department has obtained control or the right to receive for:

- contributions with unconditional stipulations — this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received.
- contributions with conditional stipulations — this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the department have been contributions with unconditional stipulations attached.

2.8 Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash on hand and deposits at call that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.9 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 department will not be able to collect the debt.

2.10 Inventories

Inventories are mainly general stock on hand (other than those held for distribution at no or nominal consideration) held by Supply SA and are valued at the lower of average cost or net realisable value, using the average weighted cost method.

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

2.11 Other Financial Assets

The department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.12 Non-Current Assets 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 nominal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

An increase in the capitalisation threshold from \$5000 to \$10 000 occurred during 2006-07. All non-current tangible assets with a value of \$10 000 or greater are capitalised.

2.13 Revaluation of Non-Current Assets

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

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

Any revaluation increment is credited to the 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 the revaluation reserve for that asset class.

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

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

2.14 Impairment

All non-current tangible and intangible assets are reviewed for indication of impairment through stocktaking processes or at the reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

2.15 Non-Current Assets (or disposal groups) Held-for-Sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

2.15 Non-Current Assets (or disposal groups) Held-for-Sale (continued)

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the Balance Sheet.

2.16 Depreciation and Amortisation of Non-Current Assets

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

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

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

The value of fitouts for leased buildings are amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

The creation of new asset classes occurred during 2006-07 as a result of the restructure of DAIS.

Land and assets held-for-sale are not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets. Depreciation rates were amended as a result of the change in useful lives.

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings	Straight Line	20-40
Fitouts - Owned buildings	Straight Line	3-10
Fitouts - Leased buildings	Straight Line	Remaining life of lease
Furniture	Straight Line	10
Information technology equipment	Straight Line	3-5
Intangibles	Straight Line	3-10
Motor vehicles	Straight Line	2-5
Office equipment	Straight Line	3-5
Plant and equipment	Straight Line	5-10

2.17 Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiable, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

Subsequent expenditure on intangible assets that includes upgrades or enhancements to existing software systems that result in additional functionality or performance will be capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality will be expensed.

2.18 Payables

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

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

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

All amounts 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.

2.18 Payables (continued)

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

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

2.19 Interest Bearing Liabilities

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled.

Light Motor Vehicles - Loan Arrangements with SAFA

Arrangements for the ongoing acquisition of motor vehicles have existed with the SAFA since 2003. Funding has been provided through a loan facility direct to Fleet SA. The vehicle purchases are financed on a credit foncier basis of three year fixed periods from October 2005 with balances of loans maturing in either two or three years. During the reporting period an amount of \$53 211 862 was borrowed.

2.20 Employee Benefits

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

Salaries and Wages, Annual Leave and Sick Leave

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

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

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

Long Service Leave

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

The current/non-current classification of department's long service leave liabilities has been calculated based on historical usage patterns consistent with APF IV APS 5.15.

2.21 Provisions

Provisions are recognised when the department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

When the department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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.

Workers Compensation

The department is responsible for workers compensation with an actuarial estimate of the outstanding liability as at 30 June 2007 provided by a consulting actuary through the Public Sector Workforce Division of the Department of the Premier and Cabinet.

Procurement of Testing Services - Removal of Underground Fuel Tanks and Site Remediation

A provision is in place for the procurement of testing services (relating to the costs associated with the removal of underground fuel tanks previously owned by Mobil Australia including the remediation of sites). The provision specifically includes the procurement of assessment, drilling and analytical services.

2.22 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The department has entered into finance leases and operating leases.

Finance Leases

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

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

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

Operating Leases

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

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

3. Financial Risk Management

The department has significant non-interest bearing assets (cash on deposit and receivables) and liabilities (payables) and interest bearing liabilities (borrowings from SAFA). The department's exposure to market risk and cash flow interest risk is minimal.

The department has no significant concentration of credit risk.

In relation to liquidity/funding risk, the continued existence of the department in its present form, and with its present programs, is dependent on SA Government policy and on continuing appropriations by Parliament for the department's administration and programs.

4. Changes in Accounting Policies

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

A change in accounting policy was adopted for these financial statements in relation to the recording of property, plant and equipment and intangible assets. From 1 July 2006 the capitalisation limit for property, plant and equipment and intangible assets was increased from \$5000 to \$10 000. This increase in capitalisation amount is within the threshold noted in APF III APS 2.15. Items capitalised in the past years at a cost below \$10 000 have been expensed in the current reporting period. The change in accounting policy resulted in a decrease in the carrying amount of property, plant and equipment and intangible assets of \$115 000 and \$61 000 respectively.

5. Programs of the Department

In achieving its objectives, the department provides a range of services classified into the following Programs

Program 1: Accountability for Public Sector Resources

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

Program 2: Financial Services Provision

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

Program 3: Shared Services Reform

Design, development and implementation of shared services across government.

Program 4: State Procurement and Support Operations

The department has a role of providing a range of services to other government agencies including contract and procurement management, fleet management and a range of corporate transaction services.

Program 5: Gambling Policy

The department provides policy advice to the government on economic, social and regulatory issues associated with gambling.

6. Employee Benefit Expenses	2007	2006
	\$'000	\$'000
Salaries and wages	45 211	31 820
TVSPs (refer below)	-	183
Long service leave	2 080	1 363
Annual leave	4 538	3 036
Employment on-costs - Superannuation	6 137	4 210
Employment on-costs - Other	3 275	2 249
Board fees	198	188
Other employee related expenses	1 859	934
Total Employee Benefit Expenses	63 298	43 983

TVSPs	2007	2006
	\$'000	\$'000
Amount paid to these employees:		
TVSPs	-	183
Annual leave and long service leave accrued over the period	-	10
	-	193

	2007	2006
	Number of	Number of
	Employees	Employees
Number of employees who were paid TVSPs during the reporting period	-	1

Remuneration of Employees	2007	2007	2006
	SPSO	DTF*	
	Number of	Number of	Number of
	Employees	Employees	Employees
The number of employees whose remuneration received or receivable falls within the following bands:			
\$100 000 - \$109 999	17	9	9
\$110 000 - \$119 999	5	4	4
\$120 000 - \$129 999	1	8	3
\$130 000 - \$139 999	-	10	16
\$140 000 - \$149 999	1	10	7
\$150 000 - \$159 999	2	5	1
\$160 000 - \$169 999	1	1	5
\$170 000 - \$179 999	-	3	1
\$180 000 - \$189 999	-	2	1
\$200 000 - \$209 999	-	1	2
\$210 000 - \$219 999	-	2	2
\$220 000 - \$229 999	1	2	-
\$250 000 - \$259 999	1	-	-
\$260 000 - \$269 999	-	-	1
\$270 000 - \$279 999	-	1	1
\$320 000 - \$329 999	-	-	1
\$340 000 - \$349 999	-	1	-
Total Number of Employees	29	59	54

* Excluding SPSO employees.

The table includes all employees who received remuneration of \$100 000 or more during the year. The State Procurement and Support Operations (SPSO) values reflect six months for DAIS and six months for the department. 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 \$8 981 000 (\$7 967 000).

7. Supplies and Services	2007	2006
	\$'000	\$'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation and telecommunication	6 008	4 273
Information technology expenses	5 019	2 782
Cost of goods	1 724	-
Motor vehicle expenses	1 614	-
Minor works, maintenance and equipment	1 207	247
Legal costs	846	721
Valuation fees	3 846	3 687
General administration and consumables	37	76
Other	2 323	2 209
Total Supplies and Services - SA Government Entities	22 624	13 995

7. Supplies and Services (continued)	2007	2006
Supplies and Services provided by Entities external to the SA Government:	\$'000	\$'000
Accommodation and telecommunication	279	103
Information technology expenses	6 946	2 989
Cost of goods	6 662	-
Motor vehicle expenses	12 193	-
Minor works, maintenance and equipment	594	415
Legal costs	38	31
Consultants	1 675	515
Contractors	3 193	3 029
General administration and consumables	3 408	2 361
Other	4 524	1 630
Total Supplies and Services - Non-SA Government Entities	39 512	11 073
Total Supplies and Services	62 136	25 068

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the department not holding a valid tax invoice for payments relating to third party arrangements.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2007	2006	2007	2006
	Number	Number	\$'000	\$'000
Below \$10 000	16	15	78	51
Between \$10 000 and \$50 000	11	5	266	93
Above \$50 000	5	3	1 331	371
	32	23	1 675	515

8. Depreciation and Amortisation Expense	2007	2006
Depreciation:	\$'000	\$'000
Buildings	7	-
Plant and equipment	319	-
Motor vehicles	19 314	-
Furniture	16	21
Information technology equipment	241	154
Office equipment	107	105
Total Depreciation	20 004	280
Amortisation:		
Intangible assets	2 222	2 102
Building fitouts	519	146
Leased plant and equipment	13	-
Total Amortisation	2 754	2 248
Total Depreciation and Amortisation Expense	22 758	2 528

9. Other Expenses		
Other Expenses paid/payable to Entities external to the SA Government:		
Property, plant and equipment write-offs	-	6
Bad and doubtful debts (write-back) expenses	348	-
Impairment loss	5 166	-
Total Other Expenses - Non-SA Government Entities	5 514	6
Total Other Expenses	5 514	6

10. Auditors' Remuneration		
Audit fees paid/payable to the Auditor-General's Department	462	374
Total Audit Fees	462	374

Other Services

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

11. Revenue from Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Agencies for the provision of corporate services	1 997	1 816
South Australian Government Captive Insurance Corporation	-	1 972
South Australian Government Financing Authority	7 958	5 735
Community Emergency Services Fund	5 926	6 100
Banking administration fees	14	457
Land tax certificates	475	431
Service provision	14 074	-
Fleet management	43 034	-
Sale of goods	6 325	-
Other recoveries	1 177	1 683
Total Fees and Charges - SA Government Entities	80 979	18 194

11. Revenue from Fees and Charges (continued)	2007	2006
Fees and Charges received/receivable from Entities external to the SA Government:	\$'000	\$'000
South Australian Superannuation Board	13 127	10 149
Land tax certificates	216	214
Regulatory fees	186	197
Service provision	483	-
Fleet management	387	-
Sale of goods	1 839	-
Other recoveries	1 072	365
Total Fees and Charges - Non-SA Government Entities	17 309	10 925
Total Fees and Charges	98 289	29 119
12. Interest Revenues		
Interest from entities within the SA Government	68	756
Total Interest Revenues	68	756
13. Net Gain from Disposal of Assets		
Plant and Equipment:		
Proceeds from disposal	29 020	-
Net book value of assets disposed	(27 768)	-
Total Net Gain from Disposal of Assets	1 252	-
14. Other Revenues		
Other Revenues received/receivable from Entities within the SA Government:		
Other reimbursements	4	3
Other revenue	-	1
Total Other Revenues - SA Government Entities	4	4
Other Revenues received/receivable from Entities external to SA Government:		
Commissions	133	141
Banking recoveries	59	52
Other reimbursements	-	-
Other revenue	192	191
Total Other Revenues - Non-SA Government Entities	384	384
Total Other Revenues	388	388
15. Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	60 818	39 949
Total Revenues from SA Government	60 818	39 949
16. Income Tax Equivalent		
Income tax equivalent payment - Fleet SA	162	-
Total Income Tax Equivalent	162	-
17. Cash and Cash Equivalents		
Deposits with the Treasurer	31 470	11 351
Cash on hand	120	3
Total Cash and Cash Equivalents	31 590	11 354
Deposits with the Treasurer		
Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use.		
Interest Rate Risk		
The Deposits with the Treasurer were non-interest bearing from 1 July 2006 and the department received additional appropriation to supplement the interest revenue. Deposits with the Treasurer are bearing a floating interest rate between 5.35 percent and 5.68 percent in 2005-06. Cash on hand is non-interest bearing. The carrying amount of cash approximates net fair value.		
18. Receivables	2007	2006
Current:	\$'000	\$'000
Receivables	13 826	166
Provision for doubtful debts	(72)	-
Accrued revenues	1 004	445
Prepayments	1 491	914
GST receivable	495	192
Total Current Receivables	16 744	1 717
Non-Current:		
Prepayments	136	2
Total Non-Current Receivables	136	2
Total Receivables	16 880	1 719

18. Receivables (continued)	2007	2006
SA Government/Non-SA Government Entities Receivables	\$'000	\$'000
Receivables from SA Government Entities:		
Receivables	12 199	43
Accrued revenues	549	377
Prepayments	454	20
Total Receivables from SA Government Entities	13 202	440
Receivables from Non-SA Government Entities:		
Receivables	1 556	123
Accrued revenues	455	68
Prepayments	1 173	896
GST receivable	494	192
Total Receivables from Non-SA Government Entities	3 678	1 279
Total Receivables	16 880	1 719

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 loss has been recognised in 'Other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

The following table shows the movements in the provision for doubtful debts (impairment loss).

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	-	-
Increase in provision	72	-
Carrying Amount at 30 June	72	-

Interest Rate and Credit Risk

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

Bad and Doubtful Debts

The department has recognised a bad and doubtful debt expense of \$23 000 in the Income Statement.

19. Inventories	2007	2006
	\$'000	\$'000
Current:		
Other than those held for distribution at no or nominal amount	2 400	-
Total Inventories	2 400	-
20. Non-Current Assets Classified as Held-for-Sale		
Motor vehicles	3 099	-
Total Non-Current Assets Classified as Held-for-Sale	3 099	-

Non-current assets classified as held-for-sale comprise Fleet SA motor vehicles which are expected to be sold within four weeks.

21. Property, Plant and Equipment		
Current:		
Motor vehicles:		
Motor vehicles at cost	64 196	-
Accumulated depreciation	(19 240)	-
Impairment loss	(3 605)	-
Total Current Property, Plant and Equipment	41 351	-
Non-Current:		
Land:		
At valuation	45	-
Total Land	45	-
Buildings:		
At valuation	290	-
Accumulated depreciation	(26)	-
Total Buildings	264	-
Building Fitouts:		
At valuation	6 631	783
Accumulated amortisation	(3 765)	(178)
Total Building Fitouts	2 866	605

21. Property, Plant and Equipment (continued)	2007	2006
Assets under Finance Lease:	\$'000	\$'000
Plant and equipment at valuation	2 525	-
Accumulated amortisation	(2 484)	-
Total Assets under Finance Lease	41	-
Plant and Equipment:		
Plant and equipment at cost	2 937	-
Accumulated depreciation	(1 922)	-
Total Plant and Equipment	1 015	-
Motor Vehicles:		
Motor vehicles at cost	189 151	-
Accumulated depreciation	(22 902)	-
Impairment loss	(4 234)	-
Total Motor Vehicles	162 015	-
Furniture:		
Furniture at cost (deemed fair value)	168	168
Accumulated depreciation	(99)	(83)
Total Furniture	69	85
Information Technology Equipment:		
Information technology equipment at cost (deemed fair value)	1 372	1 171
Accumulated depreciation	(694)	(461)
Total Information Technology Equipment	678	710
Office Equipment:		
Office equipment at cost (deemed fair value)	421	455
Accumulated depreciation	(291)	(254)
Total Office Equipment	130	201
Total Non-Current Property, Plant and Equipment	167 123	1 601
Total Property, Plant and Equipment	208 474	1 601

The capitalisation threshold was increased during 2006-07 to \$10 000 which resulted in the derecognition of assets with a carrying amount of \$118 000 in the prior year.

Impairment

There were indications of impairment of motor vehicles at 30 June 2007. The value by which the asset's carrying amount exceeded the recoverable amount has been recorded as an impairment loss in the Income Statement.

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

Resources received Free of Charge

There were no resources received free of charge.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2006-07:

	Land	Buildings	Building	Assets under	Plant and
	\$'000	\$'000	Fitouts	Finance	Equipment
			\$'000	Lease	\$'000
Carrying amount at 1 July	-	-	605	-	-
Additions	-	-	759	-	184
Assets classified as held-for-sale	-	-	-	-	-
Disposals	-	-	(26)	-	-
Impairment loss	-	-	-	-	-
Acquisition through transfer	45	271	2 047	54	1 150
Depreciation expense	-	(7)	(519)	(13)	(319)
Carrying Amount at 30 June	45	264	2 866	41	1 015

	Motor	Furniture	Information	Office	Total
	Vehicles		Technology	Equipment	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	85	710	201	1 601
Additions	55 530	-	216	36	56 725
Assets classified as held-for-sale	(3 099)	-	-	-	(3 099)
Disposals	(23 763)	-	(5)	-	(23 794)
Impairment loss	(5 166)	-	-	-	(5 166)
Acquisition through transfer	199 178	-	-	-	202 745
Depreciation expense	(19 314)	(16)	(243)	(107)	(20 538)
Carrying Amount at 30 June	203 366	69	678	130	208 474

22. Intangible Assets	2007	2006
	\$'000	\$'000
Internally developed computer software	10 694	9 102
Accumulated amortisation	(7 436)	(5 714)
Computer software	5 998	5 491
Accumulated amortisation	(3 069)	(1 982)
Total Intangible Assets	6 187	6 897

Reconciliation of Intangible Assets

The following table shows the movement of intangible assets during 2006-07:

	2007	
	\$'000	
Carrying amount at 1 July	6 897	
Additions	278	
Acquisition through transfer	1 235	
Amortisation expense	(2 223)	
Carrying Amount at 30 June	6 187	

The internally developed computer software primarily relates to the department's RevenueSA databases and Technical Architecture Specification database with a remaining useful life of three years for each asset and a carrying amount of \$1 130 000 and \$773 000 respectively.

23. Payables	2007	2006
	\$'000	\$'000
Current:		
Creditors	10 099	68
Accrued expenses	5 825	1 193
Employee on-costs	1 812	609
Income tax equivalents	56	-
Total Current Payables	17 792	1 870
Non-Current:		
Employee on-costs	1 508	771
Funds held in trust	50	-
Total Non-Current Payables	1 558	771
Total Payables	19 350	2 641

SA Government/Non-SA Government Entities Payables

Payables to SA Government Entities:

Creditors	43	68
Accrued expenses	1 742	1 008
Employment on-costs	1 806	692
Income tax equivalents	56	-
Total Payables to SA Government Entities	3 647	1 768

Payables to Non-SA Government entities:

Creditors	10 105	-
Accrued expenses	4 083	185
Employment on-costs	1 515	688
Total Payables to Non-SA Government Entities	15 703	873
Total Payables	19 350	2 641

Interest Rate and Credit Risk

Creditors are raised for all amounts billed but unpaid. Trade creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

24. Borrowings	2007	2006
	\$'000	\$'000
Current:		
Finance leases	27	-
Total Current Borrowings	27	-
Non-Current:		
Finance leases	19	-
Borrowings from SAFA	203 877	-
Total Non-Current Borrowings	203 896	-
Total Borrowings	203 923	-

Borrowings are recognised at cost in accordance with APF IV APS 2.1 and have no maturity date. The interest rate is determined by the Treasurer. The rate was 6.65 percent in 2007.

25. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Accrued salaries and wages	1 149	632
Annual leave	5 082	2 593
Long service leave	1 077	597
Total Current Employee Benefits	7 308	3 822
Non-Current:		
Long service leave	16 242	8 069
Total Non-Current Employee Benefits	16 242	8 069
Total Employee Benefits	23 550	11 891

The total current and non-current employee benefit plus related on-costs for 2007 is \$9 120 000 and \$17 750 000 respectively.

Based on an actuarial assessment performed by the department, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

26. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	123	54
Procurement of testing services to SA Government entity	597	-
Total Current Provisions	720	54
Non-Current:		
Provision for workers compensation	333	147
Total Non-Current Provisions	333	147
Total Provisions	1 053	201
Reconciliation of Provisions		
Carrying amount at 1 July	201	171
Payments/other sacrifices of future economic benefits	(281)	(62)
Additional provisions recognised	1 133	92
Carrying Amount at 30 June	1 053	201

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

27. Other Liabilities	2007	2006
Current:	\$'000	\$'000
Unearned revenue	776	-
Total Current Other Liabilities	776	-
Total Other Liabilities	776	-
28. Equity		
Asset revaluation reserve	108	108
Retained earnings	18 749	6 730
Total Equity	18 857	6 838

The property, plant and equipment asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

29. Net Revenue from Administrative Restructure
The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006, dated 28 September 2006, declared that the Contract and Procurement Services, Fleet SA, Support Services and Corporate Services (other than Parliamentary Network Support Group, Injury Management Unit and Placement Services) business units transferred from DAIS to the department, effective from 1 January 2007 for financial reporting purposes. The new branch designation is SPSO.

On transfer of the SPSO business units, the department recognised the following assets and liabilities:

	2007
	\$'000
Cash	12 720
Receivables	18 396
Assets held for sale	3 837
Property, plant and equipment	202 745
Intangibles	1 235
Other	4 252
Total Assets	243 185

29. Net Revenue from Administrative Restructure (continued)	2007
	\$'000
Payables	14 297
Employee benefits	10 102
Provisions	312
Borrowings	207 111
Total Liabilities	231 822
Net Assets	11 363

	DAIS 01.07.06 to 31.12.06 \$'000	DTF 01.01.07 to 30.06.07 \$'000	Total \$'000
Total income and expenses attributable to SPSO for 2006-07 were:			
Appropriation	85 243	11 889	97 132
Revenue from fees and charges	68 061	66 683	134 744
Other income	-	3 216	3 216
Total Income	153 304	81 788	235 092
Employee benefit expenses	15 717	15 838	31 555
Supplies and services	36 309	38 885	75 194
Depreciation and amortisation	19 505	20 153	39 658
Borrowing costs	-	6 292	6 292
Other expenses	8 955	2 974	11 929
Total Expenses	80 486	84 142	164 628
Net Result	72 818	(2 354)	70 464

The former DAIS reported appropriation at a corporate level. DAIS corporate was transferred to the department effective 1 January 2007. Appropriation received during 1 July to 31 December 2006 cannot be reasonably allocated across all former DAIS business units. Therefore, all appropriation relating to the former DAIS received during this period will be reported by the department.

30. Commitments

(a) Remuneration Commitments

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

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	2007	2006
	\$'000	\$'000
Not later than one year	9 240	6 412
Later than one year but not later than five years	19 274	11 675
Total Remuneration Commitments	28 514	18 087

(b) Operating Lease Commitments

The Department as Lessee

At the reporting date, the department has operating leases for office accommodation.

Office accommodation is leased from the Real Estate Management business unit of DTEI. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

The department also had operating leases for motor vehicles from Fleet SA. The leases are non-cancellable with terms ranging up to five years. There are no purchase options available to the department. Due to the transfer of functions from DAIS, the department is now the lessor.

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
Not later than one year	5 148	3 046
Later than one year but not later than five years	9 476	7 852
Later than five years	758	-
Total Non-Cancellable Operating Lease Commitments	15 382	10 898

The Department as Lessor

Leases receivable contracted for at the reporting date but not recognised as assets:

Vehicle Hire:

Not later than one year	50 373	-
Later than one year but not later than five years	50 129	-
Total Non-Cancellable Operating Lease Receivables	100 502	-

(c) Other Commitments

The department's other commitments are primarily agreements for software licence and development. The department also has commitments to provide advisory and planning services to Super SA members.

	2007	2006
	\$'000	\$'000
Not later than one year	1 128	1 530
Later than one year but not later than five years	591	3 030
Total Other Commitments	1 719	4 560

(d) Finance Lease Commitments

The Department as Lessee

Plant and Equipment:

Not later than one year	29	-
Later than one year but not later than five years	19	-
	48	-
Future finance charges and contingent rentals	(2)	-
Total Lease Liabilities	46	-

Present value of finance leases payable as follows:

Not later than one year	27	-
Later than one year but not later than five years	19	-
Total Non-Cancellable Finance Lease Commitments	46	-

Representing:

Current	27	-
Non-current	19	-
	46	-

31. Contingent Assets and Liabilities

The department is not aware of any contingent assets or liabilities in relation to the department's operations. In addition, the department has made no guarantees.

32. Remuneration of Board and Committee Members

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

South Australian Government Financing 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

South Australian Superannuation Board

Mr H Bachmann
Mr K Cantley*
Ms V Deegan*
Ms J McMahon
Ms R Sumner
Ms L York

**South Australian Government Financing Authority
Audit Committee**

Ms Y Sneddon
Mr L Foster (appointed 31.8.06)
Mr P Mendo*

	2007	2006
	Number of	Number of
	Members	Members
The number of members whose remuneration received or receivable falls within the following bands:		
\$0	5	3
\$1 - \$9 999	1	2
\$20 000 - \$29 999	7	5
\$30 000 - \$39 999	1	2
Total Number of Members	14	12

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 \$211 000 (\$184 000).

Amounts paid to a superannuation plan for board/committee members was \$16 000 (\$14 000).

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

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

33. Cash Flow Reconciliation	2007	2006
(a) Reconciliation of Cash - Cash at 30 June as per:	\$'000	\$'000
Cash Flow Statement	31 590	11 354
Balance Sheet	31 590	11 354
(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services		
Net cash provided by operating activities	50 301	1 634
<i>Add:</i> Revenues from SA Government	(60 818)	(39 949)
<i>Add:</i> Income tax equivalent	162	-
<i>Add:</i> Cash on restructure	(12 720)	-
<i>Add:</i> Non-cash items:		
Depreciation and amortisation expense	(22 758)	(2 528)
Asset write-offs	-	(6)
Net assets on restructure impacting operating cash flows	2 331	(288)
Non-current assets accrual in payables	(15)	(32)
Gain on disposal of assets	1 252	-
Impairment loss	(5 166)	-
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	15 027	(147)
Increase (Decrease) in inventories	2 400	-
(Increase) Decrease in payables	(16 709)	834
(Increase) Decrease in employee benefits	(11 659)	(810)
(Increase) Decrease in provisions	(852)	(30)
(Increase) Decrease in other liabilities	(776)	-
Net Cost of Providing Services	(60 000)	(41 322)

34. Events after Balance Date

There were no events occurring after balance date that had material financial implications on these financial statements.

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

	Note	2007	2006
		\$'000	\$'000
INCOME:			
Taxation	36	2 993 421	2 682 398
Commonwealth revenues	37	3 644 548	3 573 578
Dividends	38	309 581	435 968
Interest revenues	39	132 137	140 003
Revenues from SA Government	40	1 190 411	1 176 282
Grants and contributions	41	132 964	104 971
Revenues from fees and charges	42	30 903	22 133
Other revenues	43	254 048	383 345
Total Income		8 688 013	8 518 678
EXPENSES:			
Payments to SA Government	40	7 295 602	7 159 601
Employee benefit expenses	44	264 151	272 200
Supplies and services	45	63 104	51 223
Interest expense		219 682	261 241
Grants, subsidies and transfers	46	687 883	653 514
Depreciation expense	47	89	13
Other expenses	48	138 021	110 013
Total Expenses		8 668 532	8 507 805
OPERATING SURPLUS		19 481	10 873
Net revenue from administrative restructure	59	-	5 483
NET RESULT AFTER RESTRUCTURE		19 481	16 356

Net Result after Restructure is attributable to SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2007**

		2007	2006
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	49	1 070 465	897 805
Receivables	50	18 373	13 467
Other financial assets	51	856	1 424
Total Current Assets		1 089 694	912 696
NON-CURRENT ASSETS:			
Other financial assets	51	294	1 419
Property, plant and equipment	52	1 052	525
Total Non-Current Assets		1 346	1 944
Total Assets		1 091 040	914 640
CURRENT LIABILITIES:			
Payables	53	999 996	844 068
Employee benefits	54	966	-
Provisions	55	10	-
Interest bearing liabilities	56	39	76
Other current liabilities	57	4 483	1 835
Total Current Liabilities		1 005 494	845 979
NON-CURRENT LIABILITIES:			
Payables	53	497 009	499 788
Employee benefits	54	219	-
Provisions	55	28	-
Interest bearing liabilities	56	-	39
Other non-current liabilities	57	880	905
Total Non-Current Liabilities		498 136	500 732
Total Liabilities		1 503 630	1 346 711
NET ASSETS		(412 590)	(432 071)
EQUITY:			
Accumulated deficit		(412 590)	(432 071)
TOTAL EQUITY		(412 590)	(432 071)
Total Equity is attributable to the SA Government as owner			
Commitments	58		
Contingent assets and liabilities	60		

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

	Accumulated Deficit \$'000
Balance at 30 June 2005	(448 723)
Error corrections	296
Restated Balance at 30 June 2005	(448 427)
Net result after restructure for 2005-06	16 356
Total recognised income and expense for 2005-06	16 356
Restated Balance at 30 June 2006	(432 071)
Net result after restructure for 2006-07	19 481
Total recognised income and expenses for 2006-07	19 481
Balance at 30 June 2007	(412 590)

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

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

		2007	2006
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH INFLOWS:	Note	\$'000	\$'000
Taxation received		2 993 421	2 682 397
Receipts from Commonwealth		3 644 548	3 573 578
Dividends		309 581	435 968
Interest received		132 059	139 971
Receipts from SA Government		1 190 411	1 176 282
Grants and contributions		133 334	105 055
Fees and charges		30 864	22 088
GST receipts on receivables		8 524	5 145
GST input tax credits		2 362	4 987
Other receipts		252 194	379 630
Cash generated from Operating Activities		8 697 298	8 525 101
CASH OUTFLOWS:			
Payments to SA Government		(7 196 338)	(7 330 820)
Employee benefit payments		(263 763)	(272 200)
Supplies and services		(62 353)	(51 257)
Interest payments		(177 256)	(261 241)
Grants, subsidies and transfers		(682 321)	(653 390)
GST payments on purchases		(2 617)	(8 035)
GST remitted to Australian Taxation Office		(4 773)	(5 751)
Other payments		(140 993)	(117 605)
Cash used in Operating Activities		(8 530 414)	(8 700 299)
Net Cash provided by (used in) Operating Activities	62(b)	166 884	(175 198)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(458)	-
Cash used in Investing Activities		(458)	-
Net Cash used in Investing Activities		(458)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from other financial assets		5 144	3 754
Proceeds from restructure activities		1 177	-
Cash generated from Financing Activities		6 321	3 754
CASH OUTFLOWS:			
Other financial assets granted		(87)	(513)
Repayment of interest bearing liabilities		-	(108)
Cash used in Financing Activities		(87)	(621)
Net Cash provided by Financing Activities		6 234	3 133
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		172 660	(172 065)
CASH AND CASH EQUIVALENTS AT 1 JULY		897 805	1 069 870
CASH AND CASH EQUIVALENTS AT 30 JUNE	62(a)	1 070 465	897 805

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

	Admin Items on behalf of the Consolidated Account	Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	Community Devel'mnt Fund	Community Emergency Services Fund	ETSA Sales/Lease Proceeds Account	Industry Hospitals Assistance Fund	Local Govt Disaster Fund	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:								
Taxation	2 921 274	-	-	72 147	-	-	-	-
Commonwealth revenues	3 624 887	19 661	-	-	-	-	-	-
Dividends	309 581	-	-	-	-	-	-	-
Interest revenues	127 847	-	-	135	-	-	682	2 659
Revenues from SA Government	73 485	-	-	-	-	-	-	-
Grants and contributions	-	-	20 000	75 414	-	-	18 550	-
Fees and charges	17 968	-	-	-	-	-	11	-
Other revenues	100 939	-	-	333	2 550	143 593	311	-
Total Income	7 175 981	19 661	20 000	148 029	2 550	143 593	19 554	2 659
EXPENSES:								
Payments to SA Government	7 102 496	19 661	-	-	-	143 593	-	-
Employee benefit expenses	257	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	40
Interest	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	73 228	-	20 000	148 059	-	-	6 692	4 909
Depreciation	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	(4 351)	-
Total Expenses	7 175 981	19 661	20 000	148 059	-	143 593	2 341	4 949
OPERATING SURPLUS (DEFICIT)	-	-	-	(30)	2 550	-	17 213	(2 290)
	State Government Auctions	State Supply Board - Gaming Machines	Support Services to Parliament- arians	Treasury & Finance Admini- stered Items	Treasurer's Interest in the National Wine Centre Account	Treasury Working Account	Other ⁽¹⁾	Total 2007 \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:								
Taxation	-	-	-	-	-	-	-	2 993 421
Commonwealth revenues	-	-	-	-	-	-	-	3 644 548
Dividends	-	-	-	-	-	-	-	309 581
Interest revenues	-	58	-	-	-	-	756	132 137
Revenues from SA Government	-	-	-	1 116 926	-	-	-	1 190 411
Grants and contributions	-	-	16 773	-	-	-	2 227	132 964
Fees and charges	2 169	9 492	1 263	-	-	-	-	30 903
Other revenues	-	-	47	-	25	6 250	-	254 048
Total Income	2 169	9 550	18 083	1 116 926	25	6 250	2 983	8 688 013
EXPENSES:								
Payments to SA Government	-	-	-	29 846	-	-	6	7 295 602
Employee benefit expenses	-	-	11 829	252 065	-	-	-	264 151
Supplies and services	2 169	9 550	4 250	47 063	32	-	-	63 104
Interest	-	-	-	219 682	-	-	-	219 682
Grants, subsidies and transfers	-	-	-	433 029	-	-	1 966	687 883
Depreciation	-	-	75	-	14	-	-	89
Other expenses	-	-	881	135 241	-	6 250	-	138 021
Total Expenses	2 169	9 550	17 035	1 116 926	46	6 250	1 972	8 668 532
OPERATING SURPLUS (DEFICIT)	-	-	1 048	-	(21)	-	1 011	19 481

(1) Includes Country Equalisation Scheme Account, Home Purchases Assistance Account and Local Government Concessions Senior Card Holders.

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

The administered financial statements include the revenues, expenses, assets and liabilities which the department administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants and subsidies to public sector agencies, the private sector, and the community and the transfer of revenues to the Consolidated Account.

The administered financial statements also include the fixed property component of the Emergency Services Levy collected by RevenueSA and transferred to the Community Emergency Services Fund and all the transactions for the Special Deposit Accounts established under section 8 of the PFAA that are administered by the department listed below:

- Community Development Fund
- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Home Purchases Assistance Account
- Hospitals Fund
- Industry Financial Assistance Account
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- TAB Sales Proceeds Account (closed 30 June 2006)
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account (from 1 July 2006)
- Support Services to Parliamentarians (from 1 July 2006)
- State Supply Board - Gaming Machines Account (from 1 January 2007)
- State Government Auctions Account (from 1 January 2007)

The transactions of the Treasury and Finance Administered Items Account and the Support Services to Parliamentarians was previously included in the Consolidated Account.

35. Summary of Significant Accounting Policies

The department's significant accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the department and administered financial statements.

The following policies are only applicable to the Administered financial statements.

35.1 Administrative Restructure

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006 (dated 28 September 2006) declared that:

- the State Supply Board - Gaming Machines Account was transferred from DAIS to the department, effective from 1 January 2007 (refer to Note 59);
- State Government Auctions was transferred from DAIS to the department, effective from 1 January 2007 (refer to Note 59).

36. Taxation

	2007	2006
Taxation received/receivable from Entities within the SA Government:	\$'000	\$'000
Stamp duties	3 781	3 806
Payroll tax	193 299	176 576
Land tax	156 317	120 932
Emergency Services Levy	1 859	1 814
Local government rate equivalents	1 633	852
Income tax equivalents	180 906	157 252
Contributions from Lotteries Commission	78 882	76 454
Total Taxation - SA Government Entities	616 677	537 686
Taxation received/receivable from Entities external to the SA Government:		
Stamp duties	1 248 597	1 120 214
Commonwealth Places Mirror - Stamp duties	662	652
Payroll tax	840 939	783 105
Commonwealth Places Mirror - Payroll tax	18 095	16 789
Land tax	175 907	130 774
Commonwealth Places Mirror - Land tax	904	754
Debts tax	(2)	5 552
Commonwealth Places Mirror - Debts tax	-	38
Emergency Services levy	70 288	66 627
Local government rate equivalents	189	-
Save the River Murray levy	21 113	20 143
Hindmarsh Island Bridge levy	52	64
Total Taxation - Non-SA Government Entities	2 376 744	2 144 712
Total Taxation	2 993 421	2 682 398

37. Commonwealth Revenues	2007	2006
Commonwealth General Purpose Grants:	\$'000	\$'000
GST revenue grants	3 604 924	3 454 608
Competition grants	-	51 349
Commonwealth Places Mirror taxes	19 661	18 233
Total Commonwealth General Purpose Grants	3 624 585	3 524 190
Commonwealth Specific Purpose Grants:		
Concessions to pensioners and others	19 963	19 538
Debt redemption assistance	-	29 850
Total Commonwealth Specific Purpose Grants	19 963	49 388
Total Commonwealth Revenues	3 644 548	3 573 578
38. Dividends		
Administrative and Information Services	21 254	17 670
Forestry SA	34 903	34 665
Land Management Corporation	36 439	35 686
Public Trustee Office	2 100	1 195
SA Water Corporation	208 059	6 000
South Australian Asset Management Corporation	-	217 455
South Australian Government Employee Residential Property	1 156	-
South Australian Government Financing Authority	-	87 553
TransAdelaide	5 296	34 757
Transport SA	374	987
Total Dividends	309 581	435 968
39. Interest Revenues		
Interest from entities within the SA Government	126 295	133 776
Other	5 842	6 227
Total Interest Revenues	132 137	140 003
40. Revenues from/Payments to SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 116 926	1 107 341
Appropriations under other Acts	73 485	68 941
Total Revenues from SA Government	1 190 411	1 176 282
Payments to SA Government:		
Transfer of revenue received on behalf of Consolidated Account	7 132 342	6 999 046
Payment to SAFA for retirement of state debt	-	909
Other payments to the Consolidated Account	163 260	159 646
Total Payments to SA Government	7 295 602	7 159 601
41. Grants and Contributions		
SA Government entities	128 371	104 949
Non-SA Government entities	4 593	22
Total Grants and Contributions	132 964	104 971
42. Revenues from Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Guarantee fees	17 979	19 860
Support services to Parliamentarians	1 144	1 829
Total Fees and Charges - SA Government Entities	19 123	21 689
Fees and Charges received/receivable from Entities external to the SA Government:		
State Government auctions	2 143	-
State Supply Board - Gaming machines	9 492	-
Support services to Parliamentarians	119	132
Other	26	312
Total Fees and Charges - Non-SA Government Entities	11 780	444
Total Fees and Charges	30 903	22 133

43. Other Revenues	2007	2006
Other Revenues received/receivable from Entities within the SA Government:	\$'000	\$'000
Contributions towards public hospital costs	143 593	141 401
Repayment of advances	11 888	46 443
Return of cash to Consolidated Account - Cash Alignment Policy	19 982	41 912
Return of capital	19 695	80 596
Return of deposit account balances	1 622	14 004
Essential Services Commission of SA	5 769	5 049
Support services to Parliamentarians	2	-
Light motor vehicle fleet - Rental payment recoveries	-	341
Other	8 252	3 451
Total Other Revenues - SA Government Entities	210 803	333 197
Other Revenues received/receivable from Entities external to the SA Government:		
Repayment of advances	3 896	-
Return of deposit account balances	31 955	34 000
Proceeds from sale of residual Commonwealth Bank of Australia lease vehicles	-	11 108
Support services to Parliamentarians	45	29
Discounted cash flow valuations for financial assistance loans	311	427
Other	7 038	4 584
Total Other Revenues - Non-SA Government Entities	43 245	50 148
Total Other Revenues	254 048	383 345

44. Employee Benefit Expenses	2007	2006
Superannuation contributions to various schemes	252 065	259 959
Salaries and wages	9 221	8 882
Long service leave	268	683
Annual leave	690	531
Employment on-costs - Superannuation	927	874
Employment on-costs - Other	614	610
Minister's salary, electorate and expense allowance	257	241
Other employee related expenses	109	420
Total Employee Benefit Expenses	264 151	272 200

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
\$110 000 - \$119 999	2	-
\$120 000 - \$129 999	1	1
Total Number of Employees	3	1

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$353 000 (\$139 000).

45. Supplies and Services	2007	2006
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Support services to Parliamentarians	2 553	2 808
Gaming machines	130	-
State Government auctions	2 152	-
Unclaimed monies	119	7
General administration	87	525
Total Supplies and Services - SA Government Entities	5 041	3 340
Supplies and Services provided by Entities external to the SA Government:		
State's share of GST administration	46 765	45 814
Support services to Parliamentarians	1 697	1 939
Gaming machines	9 420	-
State Government auctions	17	-
Unclaimed monies	152	107
Consultants	-	23
General administration	12	-
Total Supplies and Services - Non-SA Government Entities	58 063	47 883
Total Supplies and Services	63 104	51 223

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2007	2006	2007	2006
	Number	Number	\$'000	\$'000
Below \$10 000	-	2	-	5
Between \$10 000 and \$50 000	-	1	-	18
	-	3	-	23

46. Grants, Subsidies and Transfers	2007	2006
Grants, Subsidies and Transfers paid to Entities within the SA Government:	\$'000	\$'000
Recurrent grants	568 687	524 444
Total Grants, Subsidies and Transfers - SA Government Entities	568 687	524 444
Grants, Subsidies and Transfers paid to Entities external to the SA Government:		
Recurrent grants	119 196	129 070
Total Grants, Subsidies and Transfers - Non-SA Government Entities	119 196	129 070
Total Grants, Subsidies and Transfers	687 883	653 514
47. Depreciation Expense		
Buildings	14	13
Building fitouts	75	-
Total Depreciation Expense	89	13
48. Other Expenses		
Other Expenses paid/payable to Entities within SA Government:		
Repayment of borrowings	3 629	18 026
SAICORP Fund 2 - Treasurer's indemnity payment	67 358	-
Other	2 153	485
Total Other Expenses - SA Government Entities	73 140	18 511
Other Expenses paid/payable to Entities external to the SA Government:		
Refunds and remissions	33 674	38 243
Payments to the South Australian Superannuation Fund	30 000	34 000
Termination of State Vehicle Fleet Commonwealth Bank of Australia lease	-	16 875
Bad debts	3 848	1 049
Doubtful debts	(2 404)	(2 208)
Discounted cash flow valuations for financial assistance loans	(5 795)	1 139
Other	5 558	2 404
Total Other Expenses - Non-SA Government Entities	64 881	91 502
Total Other Expenses	138 021	110 013
49. Cash and Cash Equivalents		
Deposits with the Treasurer	1 026 865	855 705
Other	43 600	42 100
Total Cash and Cash Equivalents	1 070 465	897 805

Interest Rate Risk

Deposits with the Treasurer earn the average overnight cash deposit rate and is calculated on the average daily balances. The carrying amount of cash and cash equivalents represents fair value.

50. Receivables		
Current:		
Receivables	20 160	6 556
Provision for doubtful debts	(1 902)	(6 287)
Accrued revenues	59	9 556
GST receivables	56	3 642
Total Receivables	18 373	13 467
SA Government/Non-SA Government Entities Receivables		
Receivables from SA Government Entities:		
Receivables	17 018	65
Accrued revenues	23	9 212
Total Receivables from SA Government Entities	17 041	9 277
Receivables from Non-SA Government Entities:		
Receivables	1 240	204
Accrued revenues	36	344
GST receivables	56	3 642
Total Receivables from Non-SA Government Entities	1 332	4 190
Total Receivables	18 373	13 467

Interest Rate and Credit Risk

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

51. Other Financial Assets	2007	2006
Current:	\$'000	\$'000
Investments with Adelaide Bank	39	76
Loans for financial assistance	817	3 006
Provision for doubtful debts	-	(1 658)
Total Current Other Financial Assets	856	1 424
Non-Current:		
Investments with Adelaide Bank	-	39
Loans for financial assistance	4 458	2 172
Provision for doubtful debts	(4 164)	(792)
Total Non-Current Other Financial Assets	294	1 419
Total Other Financial Assets	1 150	2 843
SA Government/Non-SA Government Entities Other Financial Assets		
Other Financial Assets with SA Government Entities:		
Loans for financial assistance	155	152
Total Other Financial Assets with SA Government Entities	155	152
Other Financial Assets with Non-SA Government Entities:		
Investment with Adelaide Bank	39	115
Loans for financial assistance	5 120	5 026
Provision for doubtful debts	(4 164)	(2 450)
Total Other Financial Assets with Non-SA Government Entities	995	2 691
Total Other Financial Assets	1 150	2 843

Interest Rate Risk

The investment with Adelaide Bank earned a fixed interest rate of 5.50 percent. The loans for financial assistance comprise interest free and interest bearing loans. The interest bearing loans earned a weighted average interest rate of 10.23 percent.

52. Property, Plant and Equipment	2007	2006
Buildings:	\$'000	\$'000
Buildings at fair value	539	539
Accumulated depreciation	(41)	(27)
Total Buildings	498	512
Building Fitouts:		
Building fitouts at cost	631	-
Accumulated depreciation	(90)	-
Total Building Fitouts	541	-
Land:		
Land at fair value	13	13
Total Land	13	13
Total Property, Plant and Equipment	1 052	525

Valuation of Non-Current Assets

An internal assessment of the valuation of the land and buildings for the National Wine Centre was performed as at 30 June 2007. The assets will continue to be measured using the income approach in accordance with APF III. The existing internal discount rate is still appropriate for the measurement of this asset. As a consequence, there has been no change to the value of the assets.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2006-07:

	Buildings	Fitouts	Land	2007
	\$'000	\$'000	\$'000	Total
Carrying amount at 1 July	512	-	13	525
Additions	-	481	-	481
Depreciation expense	(14)	(75)	-	(89)
Other movements	-	135	-	135
Carrying Amount at 30 June	498	541	13	1 052

53. Payables	2007	2006
Current:	\$'000	\$'000
Creditors - Electricity entities lease proceeds	2 800	2 550
Creditors - Revenue on behalf of the Consolidated Account	911 433	832 057
Creditors - Other	84 902	-
Accrued expenses	713	9 432
Employment on-costs	148	-
GST payable	-	29
Total Current Payables	999 996	844 068

53. Payables (continued)	2007	2006
Non-Current:	\$'000	\$'000
Creditors - Electricity entities lease proceeds	496 988	499 788
Employment on-costs	21	-
Total Non-Current Payables	497 009	499 788
Total Payables	1 497 005	1 343 856
SA Government/Non-SA Government Entities Payables		
Payables to SA Government Entities:		
Creditors - Electricity entities lease proceeds	499 788	502 338
Creditors - Revenue on behalf of the Consolidated Account	911 433	832 057
Creditors - Other	80 419	-
Accrued expenses	272	9 161
Employment on-costs	68	-
Total Payables to SA Government Entities	1 491 980	1 343 556
Payables to Non-SA Government Entities:		
Creditors - Other	4 483	-
Accrued expenses	441	271
Employment on-costs	101	-
GST payable	-	29
Total Payables to Non-SA Government Entities	5 025	300
Total Payables	1 497 005	1 343 856

Interest Rate and Credit Risk

Creditors are raised for all amounts billed but unpaid. Creditors - electricity entities lease proceeds are normally settled annually in June. Creditors - revenue on behalf of the Consolidated Account are normally settled by the 15th day of each month. Other creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

54. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Accrued salaries and wages	178	-
Annual leave	495	-
Long service leave	293	-
Total Current Employee Benefits	966	-
Non-Current:		
Long service leave	219	-
Total Non-Current Employee Benefits	219	-
Total Employee Benefits	1 185	-

The total current and non-current employee benefit plus related on-costs for 2007 is \$1 114 000 and \$240 000 respectively.

Based on an actuarial assessment performed by the department, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

55. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	10	-
Total Current Provisions	10	-
Non-Current:		
Provision for workers compensation	28	-
Total Non-Current Provisions	28	-
Total Provisions	38	-
Reconciliation of Provisions		
Carrying amount at 1 July	-	-
Additional provisions recognised	63	-
Payments/other sacrifices of future economic benefits	(25)	-
Carrying Amount at 30 June	38	-

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

56. Interest Bearing Liabilities - SA Government Entities	2007	2006
Current:	\$'000	\$'000
Consolidated Account	39	76
Total Current Interest Bearing Liabilities	39	76
Non-Current:		
Consolidated Account	-	39
Total Non-Current Interest Bearing Liabilities	-	39
Total Interest Bearing Liabilities	39	115

Interest Rate Risk

The interest bearing liabilities represents monies owed to the Consolidated Account and corresponds with the investment with Adelaide Bank shown in Note 51. The liabilities earned a fixed interest rate of 5.50 percent.

57. Other Liabilities	2007	2006
Current:	\$'000	\$'000
Unearned revenue	4 483	1 835
Total Current Other Liabilities	4 483	1 835
Non-Current:		
Unearned revenue	880	905
Total Non-Current Other Liabilities	880	905
Total Other Liabilities	5 363	2 740

58. Commitments for Expenditure**(a) Remuneration Commitments**

Amounts disclosed include commitments arising from employment contracts for the Support Services to Parliamentarians. No remuneration contracts greater than five years are offered.

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

Not later than one year	1 348	-
Later than one year but not later than five years	1 774	-
Total Remuneration Commitments	3 122	-

(b) Operating Lease Commitments

At the reporting date, the Support Services for Parliamentarians had operating leases for the lease of office accommodation.

Office accommodation is leased from the Real Estate Management business unit of DTEI. The leases are non-cancellable with terms ranging up to five years.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report are payable as follows:	2007	2006
	\$'000	\$'000
Not later than one year	1 274	-
Later than one year but not later than five years	2 528	-
Total Non-Cancellable Operating Lease Commitments	3 802	-

59. Net Revenue from Administrative Restructure

As a result of the transfer of functions from DAIS effective 1 January 2007, the State Supply Board - Gaming Machines Account and State Government Auctions transferred to the department.

	State Supply	State	
	Board -	Government	
	Gaming Machines	Auctions	Total
The department recognised the following assets and liabilities:	\$'000	\$'000	\$'000
Cash	991	186	1 177
Total Assets	991	186	1 177
Payables	33	186	219
Other	958	-	958
Total Liabilities	991	186	1 177
Net Assets	-	-	-

59. Net Revenue from Administrative Restructure (continued)

	DAIS 01.07.06 to 31.12.06	DTF 01.01.07 to 30.06.07	Total \$'000
Total income and expenses attributable to the State Supply Board - Gaming Machines for 2006-07 were:			
Fees and charges	\$'000	\$'000	20 301
Interest	10 809	9 492	109
Total Income	10 860	9 550	20 410
Supplies and services	10 860	9 550	20 410
Total Expenses	10 860	9 550	20 410
Net Result	-	-	-

	DAIS 01.07.06 to 31.12.06	DTF 01.01.07 to 30.06.07	Total \$'000
Total income and expenses attributable to State Government Auctions for 2006-07 were:			
Fees and charges	\$'000	\$'000	5 630
Total Income	3 461	2 169	5 630
Supplies and services	3 461	2 169	5 630
Total Expenses	3 461	2 169	5 630
Net Result	-	-	-

60. Contingent Assets and Liabilities

The following contingent liabilities and assets exist for the Administered Items:

- Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2007 has been estimated at \$300 000. As the Electricity Reform and Sales Operating Account has been closed, this amount is to be paid from the Consolidated Account.
- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.
- Under an agreement, dated 9 May 1996, with the National Electricity Administrator (NECA), the Treasurer may be required to contribute to the winding up of NECA. The maximum exposure of the contingent liability at 30 June 2007 is capped at \$350 000.
- Under an agreement, dated 9 May 1996, with the National Electricity Market Management Company (NEMMCO), the Treasurer may be required to contribute to the winding up of NEMMCO. The maximum exposure of the contingent liability at 30 June 2007 is capped at \$1 500 000.
- Under an agreement between Osborne Cogeneration Pty Ltd and the Treasurer for the Osborne Generation Plant, the Treasurer has guaranteed the performance of certain obligations as to the Osborne arrangements. In addition, Babcock and Brown Power Limited has provided an indemnity to the Treasurer. The maximum exposure of the guarantee is estimated at \$150 million - \$200 million.
- Under an agreement with the South Australian Netball Association, the Treasurer has guaranteed the repayment of a loan, which the South Australian Netball Association has with an external banking institution with a total exposure value of \$1 800 000.

61. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 000 000. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with AASB 117. The consideration of \$1 000 000 has been recorded as unearned revenue and is being apportioned over the life of the lease.

62. Cash Flow Reconciliation

(a) Reconciliation of Cash - Cash at 30 June as per:	2007 \$'000	2006 \$'000
Cash Flow Statement	1 070 465	897 805
Balance Sheet	1 070 465	897 805

(b) Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Surplus	2007	2006
	\$'000	\$'000
Net cash provided by (used in) operating activities	166 884	(175 198)
Add: Non-cash items:		
Depreciation	(89)	(13)
Bad debts	(3 848)	(1 049)
Doubtful debts	2 404	2 208
Discounted cash flow adjustment	6 106	(712)
Loans converted to grants	(937)	(153)
Grants converted to loans	75	-
Non-current assets accrual in payables	23	-
Assets recognised for the first time	135	-
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	4 545	4 625
Increase (Decrease) in other assets	(76)	(108)
(Increase) Decrease in payables	(152 929)	181 184
(Increase) Decrease in employee benefits	(1 185)	-
(Increase) Decrease in provisions	(38)	-
(Increase) Decrease in interest bearing liabilities	76	108
(Increase) Decrease in other liabilities	(1 665)	(19)
Operating Surplus	19 481	10 873

63. Events after Balance Date

There were no events occurring after balance date that have material financial implications on these financial statements.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

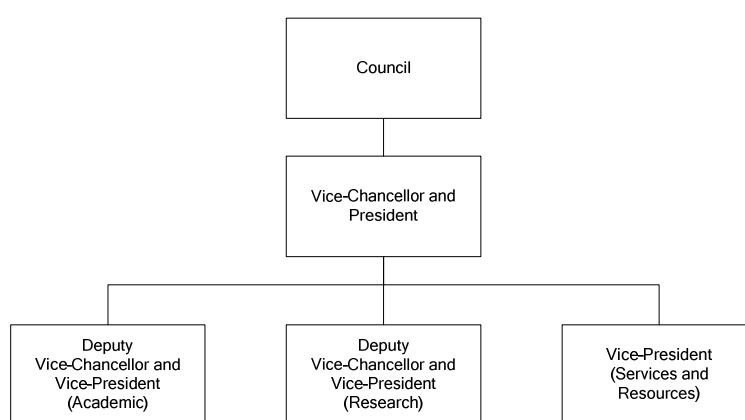
The University of Adelaide (the University) is established by the *University of Adelaide Act 1971*.

Functions

The University has the objective of advancing learning and knowledge which it achieves through the provision of university education and the conduct of research activities.

Structure

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



As at 31 December 2006 the University had a number of controlled entities as detailed in Notes 2 and 31 to the Financial Statements.

Audit, Compliance and Risk Committee

The University has an Audit, Compliance and Risk Committee which comprises two members of Council and up to three members who are not Council members of which one must be a University staff member. The Committee has an Audit Committee Charter which requires it to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives of the Auditor-General attended meetings of the Committee as observers throughout the year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of Controls

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

Scope of Audit

The audit program covered major financial systems 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, specific areas of audit attention included:

- procurement and accounts payable
- payroll
- revenue including government financial assistance, student fees, research income and other income
- fixed assets
- financial assets
- liabilities, including provisions
- general ledger
- corporate governance arrangements, including controlled entities
- internal audit activities
- student accommodation arrangements
- sale of Repromed Pty Ltd.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Funding Act 1988*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the University of Adelaide and the consolidated entity as at 31 December 2006, the results of their operations and their cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Documenting Policies and Procedures, Corporate Governance, Procurement and Accounts Payable and Payroll as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Vice Chancellor. Responses to the management letter issues were generally considered to be satisfactory. Major issues raised with the University and the related responses are considered herein.

Documenting Policies and Procedures

Previous audits of the University have identified the need to develop, approve and distribute documented policies and procedures which formalise and communicate how financial transactions will be processed and how control procedures will operate. Documentation of policies and procedures is considered to be particularly important for the University because it is a large organisation with significant decentralising of activities.

While the University has dedicated resources and made progress in this area, the University is yet to finalise, approve and promulgate policies and procedures to staff for areas including Procurement and Accounts Payable and Payroll.

The University has advised that it expects to commence implementing policies and procedures during 2007.

Corporate Governance

The University has previously identified and advised Audit of proposed action to address gaps in University risk management practices. The audit for 2006 concluded that while the proposed action was appropriate the timeframe for implementing improved risk management arrangements was too long and achieving significant progress within a reasonable timeframe required commitment of additional resources. The University has committed additional staff to support the implementation of improved risk management practices.

Procurement and Accounts Payable

In 2005 Audit noted the University had not implemented formal policies and procedures for procurement practices, including the use of purchase orders, by Faculties and Divisions. The audit for 2006 followed up

these and other matters raised in 2005 and noted the University had commenced initiatives which address many of these matters. In a number of areas the proposed action is not planned to be fully implemented until 2007. The outcome of these initiatives will be followed up as part of the 2007 audit.

Payroll

Last year's audit identified a number of areas in which controls were considered to be ineffective or were not consistently applied across the University.

Follow up of matters raised by Audit in 2005 established:

- the University has commenced work on documenting policies and procedures which describe the nature and extent of checking of management reports across the University;
- the management reports on payroll costs are still prepared from general ledger data and not the payroll system;
- review of arrangements for recording long-term casual staff on the payroll system will not occur until the University decides whether it will upgrade or replace its human resource system.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT (CONSOLIDATED)

The data in relation to the interpretation and analysis of the Income Statement activity has been sourced from Note 35 as this has been prepared in accordance with the DEST reporting guidelines and provides consistency and comparability with the other Universities.

Highlights of the Financial Report (Consolidated)

	2006	2005	Percentage
	\$'million	\$'million	Change
REVENUE FROM CONTINUING OPERATIONS			
Commonwealth Government financial assistance	276	261	6
HECS - Student contributions	10	10	-
Fees and charges	87	79	10
Other	143	115	24
Total Revenue from Continuing Operations	516	465	11
EXPENSES FROM CONTINUING OPERATIONS			
Employment benefits	259	231	12
Other expenses	218	196	11
Total Expenses from Continuing Operations	477	427	12
Operating Result from Continuing Operations	39	38	2
NET CASH FLOWS FROM OPERATIONS	56	50	12
ASSETS			
Current assets	154	130	18
Non-current assets	781	756	3
Total Assets	935	886	6
LIABILITIES			
Current liabilities	71	61	16
Non-current liabilities	77	76	1
Total Liabilities	148	137	8
EQUITY	787	749	5

Income Statement (Consolidated)

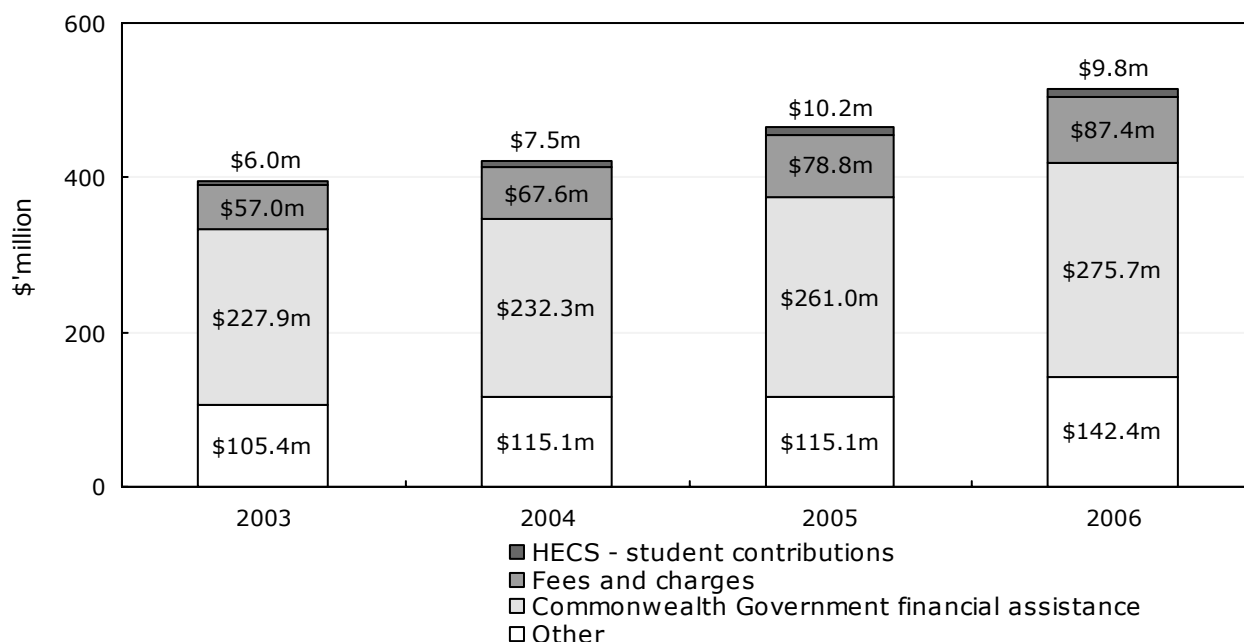
Revenue from Continuing Operations

Revenue from continuing operations increased by \$50.6 million to \$516 million mainly as a result of increases in:

- Commonwealth Government financial assistance of \$17.8 million;

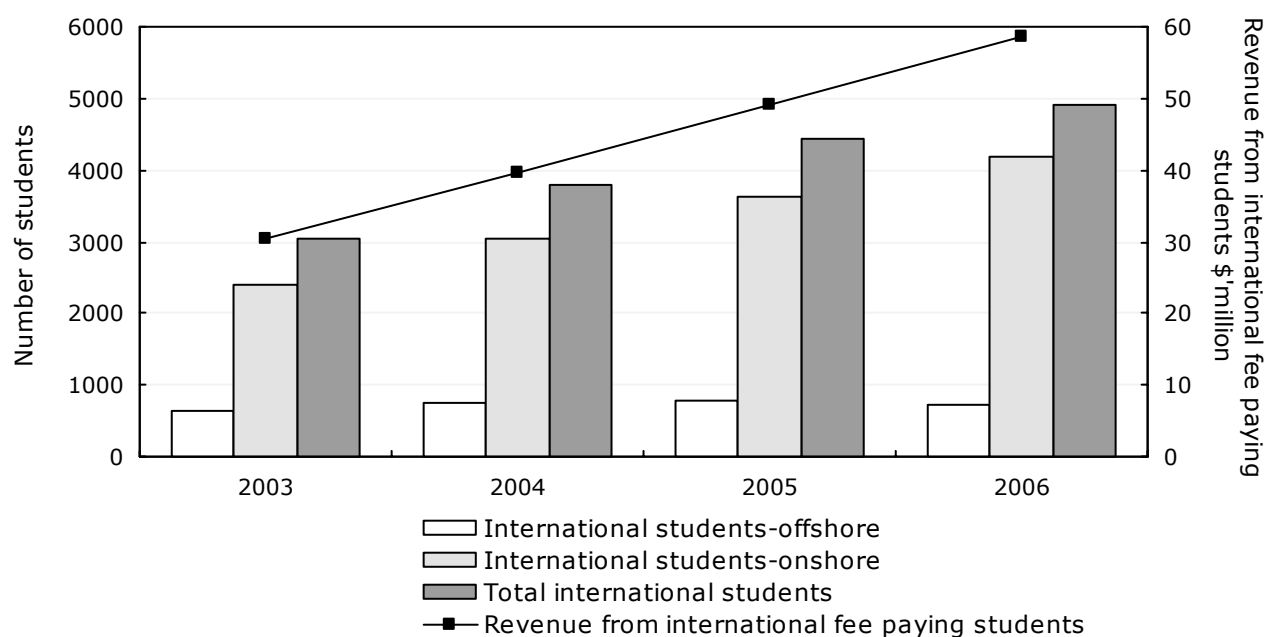
- State Government assistance of \$10.2 million of which \$9.5 million relates to funding received for the establishment of the Wine Innovation Cluster project;
- Fees and Charges of \$8.6 million. This increase is mainly attributable to an increase in student fee income of \$11 million of which \$9.5 million relates to international fee paying students;
- Investment Income of \$7.5 million of which \$6 million relates to sale of shares.

A structural analysis of operating revenues for the University in the four years to 2006 is presented in the following chart.



The growth in operating revenues from fees and charges results mainly from international fee paying students. The increase in revenue from other sources between 2005 and 2006 is due to increased funding from State and Local Government which increased by \$10.5 million and Investment Income which increased by \$7.5 million.

The following chart highlights the general upward trend in the revenue received from international fee paying students and the increase in international fee paying students.

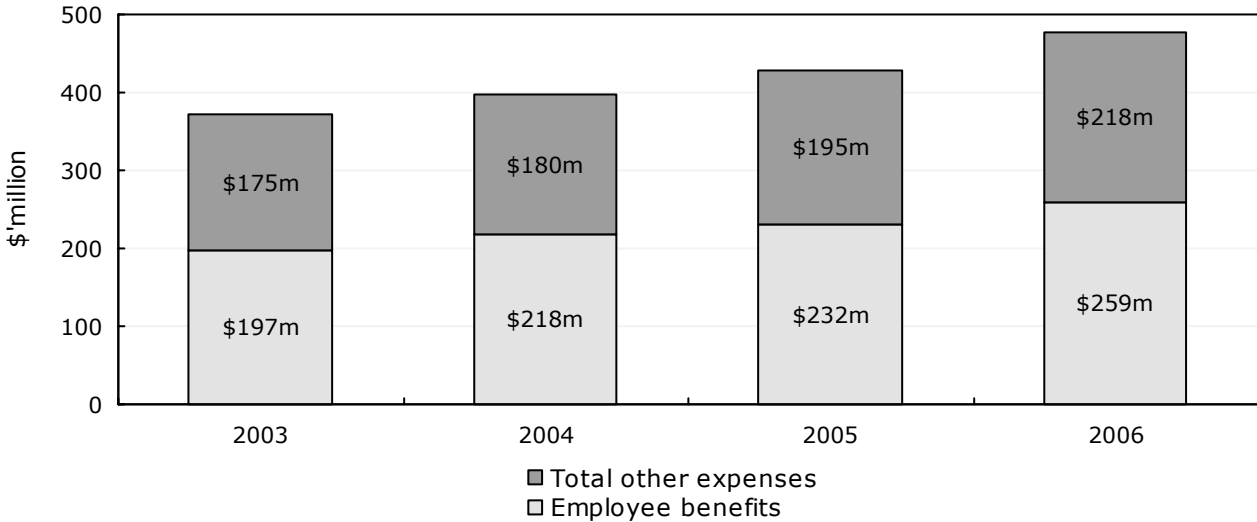


Expenses from Continuing Operations

Expenditure from continuing operations increased by \$49.9 million to \$477 million and is attributed mainly to an increase in:

- Employee Benefits of \$27.2 million of which \$10.3 million relates to the impact of the Enterprise Bargaining wage increase and \$5 million relates to the first time impact of the University complying with the new Federal WorkChoices legislation;
- Other Expenses of \$22.6 million. The increase is driven by revenue growth and includes administration and communication expenditure and other teaching and research materials.

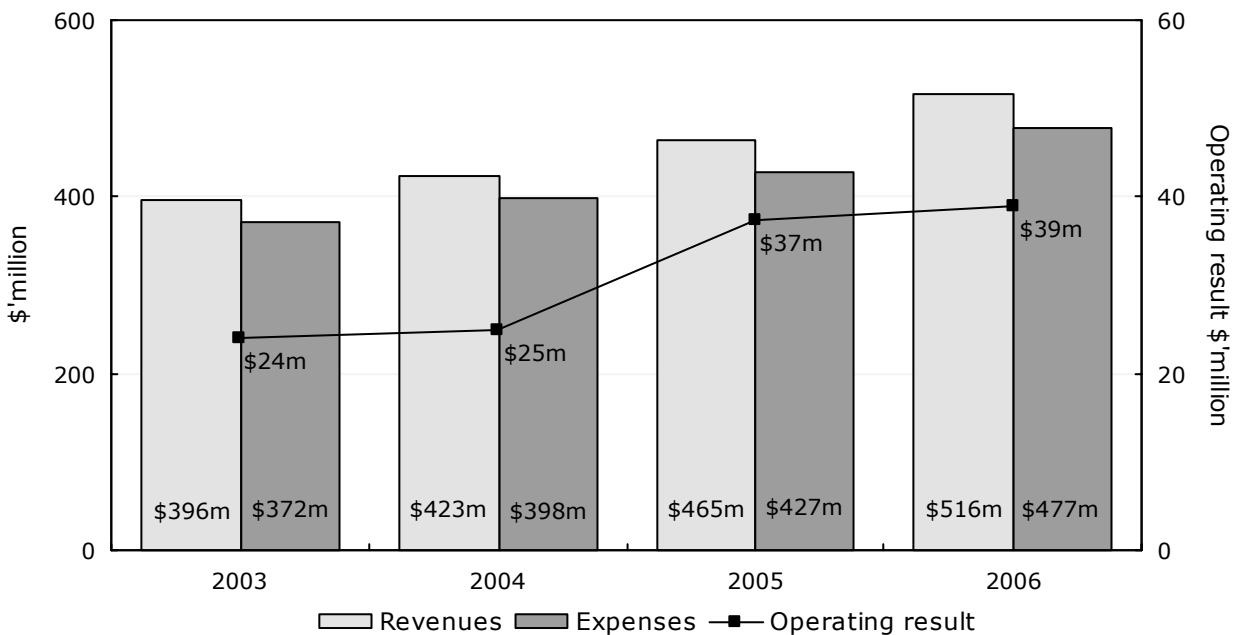
The following chart shows the growth in employee expenses in relation to total other expenses over the four years to 2006.



Operating Result from Continuing Operations

The consolidated operating result for the year was a surplus of \$38.9 million (\$37.3 million), an increase of \$1.6 million.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2006.



The significant increase in the University's operating surplus for 2005 was principally due to changes in the timing of payments to the University by the Commonwealth of operating grants.

Balance Sheet (Consolidated)

The consolidated net assets of the University at 31 December 2006 totalled \$787 million (\$748.9 million), an increase of \$38.1 million.

Current Assets

The increase in the value of the University's current assets of \$23.9 million is mainly attributable to an increase of \$34.2 million in cash and cash equivalents held at 31 December 2006 offset by a reduction of \$6.9 million in receivables.

Non-Current Assets

The value of the University's non-current assets increased by \$25.4 million to \$780.9 million. The increase is mainly attributable to an increase in:

- other financial assets of \$12.9 million;
- property, plant and equipment of \$11 million.

Current Liabilities

The value of the University's current liabilities increased by \$10.3 million to \$71.5 million. The increase is due mainly to the effect of the recognition of annual leave for academics for the first time. Refer Note 19.

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2006.

	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	55.8	49.6	48.3	46.8
Investing	(21.3)	(37.7)	(27.2)	(17.0)
Financing	(0.1)	(.1)	(0.2)	(0.2)
Change in Cash (including the effect of exchange rate movements)	34.2	11.7	20.9	29.6
Cash at 31 December	120.8	86.6	74.7	53.8

The increase in cash held at 31 December 2006 is due to:

- the net cash generated from the operating activities of the University;
- a reduction in cash used in investing activities reflecting the net effect of cash received from the sale of financial assets, including the sale of Repromed Pty Ltd, and reduced payments for property, plant and equipment.

Income Statement for the year ended 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Received under <i>Higher Education Support Act</i> :					
Base operating financial assistance		124 310	115 347	124 310	115 347
Other operating financial assistance		7 497	5 138	7 497	5 138
Higher Education Contribution Scheme		51 444	54 327	51 444	54 327
		183 251	174 812	183 251	174 812
Learning and Teaching:					
Student fees	4	77 010	66 429	77 010	66 429
Grants		24 610	14 768	24 610	14 768
		101 620	81 197	101 620	81 197
Research Grants and Fees:					
National competitive grants		63 214	56 536	63 214	56 536
Public sector - Other		24 199	23 613	23 916	23 393
Industry and other		13 566	10 346	13 566	10 346
		100 979	90 495	100 696	90 275
Research - Other:					
Cooperative Research Centre direct funding		7 575	6 779	7 635	6 779
Research infrastructure program		15 033	15 742	15 033	15 742
		22 608	22 521	22 668	22 521
Other:					
Investment revenue	4	30 158	23 218	27 779	19 664
Property revenue	4	10 311	7 585	9 953	7 585
Specialist services and trading	4	47 266	42 463	14 620	18 234
Deferred government superannuation contributions		600	4 600	600	4 600
Other	4	18 525	20 242	13 198	18 993
		106 860	98 108	66 150	69 076
Total Operating Revenue from Continuing Operations					
		515 318	467 133	474 385	437 881
Share of net profits (losses) of associates and joint ventures accounted for using the equity method					
	4	366	(2 095)	-	-
Total Revenue from Continuing Operations					
		515 684	465 038	474 385	437 881
EXPENSES FROM CONTINUING OPERATIONS:					
Salaries and related expenses	5	256 202	229 110	245 991	221 792
Student services		23 948	21 986	23 948	21 986
Teaching and research	5	52 381	44 676	52 302	44 636
Buildings and grounds	5	32 134	25 896	30 892	25 896
Finance costs	5	143	163	143	157
Administration, communication and travel	5	75 793	61 871	48 534	42 508
Finance and fund administration		2 831	2 111	2 866	2 111
Miscellaneous equipment, depreciation and net loss on disposal of assets	5	30 306	34 198	30 925	33 329
Deferred Government employee benefits for superannuation		3 406	7 274	3 406	7 274
Total Expenses from Continuing Operations					
		477 144	427 285	439 007	399 689
OPERATING RESULT FROM CONTINUING OPERATIONS					
		38 540	37 753	35 378	38 192
Operating result from discontinued operations					
	6	359	(418)	-	-
OPERATING RESULT BEFORE MINORITY INTERESTS					
		38 899	37 335	35 378	38 192
Operating result attributable to minority interest					
		15	32	-	-
NET OPERATING RESULT FOR THE YEAR					
		38 914	37 367	35 378	38 192

Balance Sheet as at 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
CURRENT ASSETS:					
Cash and cash equivalents	7	120 805	86 585	95 344	72 092
Receivables	8	21 393	28 255	18 172	24 258
Other financial assets	9	2 425	2 094	2 425	2 201
Inventories	10	3 685	4 268	1 383	1 661
Other non-financial assets	11	4 414	2 721	4 300	2 528
Available-for-sale financial assets	13	1 585	6 442	-	-
Total Current Assets		154 307	130 365	121 624	102 740
NON-CURRENT ASSETS:					
Other financial assets	9	100 617	87 712	100 917	87 712
Investments accounted for using the equity method	12	3 329	2 843	433	363
Available-for-sale financial assets	13	-	-	48 086	51 224
Property, plant and equipment	14	612 681	601 678	575 418	561 536
Investment property	15	18 890	17 717	18 890	17 717
Intangible assets	16	635	1 228	635	939
Other non-financial assets	11	1 206	1 371	1 206	1 371
Deferred Government superannuation contribution	26	43 500	42 900	43 500	42 900
Total Non-Current Assets		780 858	755 449	789 085	763 762
Total Assets		935 165	885 814	910 709	866 502
CURRENT LIABILITIES:					
Payables	17	42 302	38 691	28 394	28 000
Interest-bearing liabilities	18	1 217	37	1 217	6
Provisions	19	17 205	12 674	16 687	12 055
Deferred employee benefits for superannuation	26	3 300	3 200	3 300	3 200
Other	20	7 431	6 589	7 270	6 303
Total Current Liabilities		71 455	61 191	56 868	49 564
NON-CURRENT LIABILITIES:					
Payables	17	5 494	3 159	5 440	3 056
Interest-bearing liabilities	18	68	75	68	75
Provisions	19	30 905	32 758	30 688	32 091
Deferred employee benefits for superannuation	26	40 200	39 700	40 200	39 700
Total Non-Current Liabilities		76 667	75 692	76 396	74 922
Total Liabilities		148 122	136 883	133 264	124 486
NET ASSETS		787 043	748 931	777 445	742 016
EQUITY:					
Capital reserves	22	467 817	471 847	483 398	486 537
Specific purpose reserves	22	186 941	152 875	186 941	152 875
Retained surplus	22	130 609	122 448	107 106	102 604
Total University Interest		785 367	747 170	777 445	742 016
Minority interest		1 676	1 761	-	-
TOTAL EQUITY		787 043	748 931	777 445	742 016

Statement of Changes in Equity for the year ended 31 December 2006

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
TOTAL EQUITY AT 1 JANUARY	748 931	692 340	742 016	683 873
Outside equity interest distribution paid	(70)	(84)	-	-
Defined benefits fund actuarial gain	3 188	246	3 188	246
Gain on revaluation of land and buildings	(90)	18 971	-	17 235
Gain on revaluation of available-for-sale financial assets	(3 938)	74	(3 137)	2 470
Other adjustments recognised directly in equity	123	49	-	-
Net Income Recognised Directly in Equity	(787)	19 256	51	19 951
Operating result for the year	38 899	37 335	35 378	38 192
Total Recognised Income and Expense for the Year	38 112	56 591	35 429	58 143
Total Equity at 31 December	787 043	748 931	777 445	742 016
Total recognised income and expense for the year attributable to:				
Members of the University of Adelaide	38 914	37 367	35 378	38 192
Minority interest	(15)	(32)	-	-
	38 899	37 335	35 378	38 192

Cash Flow Statement for the year ended 31 December 2006

		Consolidated		University	
		2006	2005	2006	2005
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Australian Government Financial Assistance:	36(g)	270 601	260 972	270 601	260 972
State and Local Government financial assistance		26 409	17 522	26 236	17 302
HECS-HELP - Student payments		6 795	9 249	6 795	9 249
OS-HELP (net of outflows)	36(g)	(453)	453	(453)	453
Student fees		71 812	59 824	71 812	59 824
Fees and charges		16 447	17 284	16 447	15 950
Donations and bequests		4 707	4 647	4 707	7 147
Interest and dividends received		10 056	7 666	6 824	6 012
Consultancy and contract research		47 946	39 352	29 727	26 597
Specialist services and produce trading		33 055	34 822	15 160	12 277
GST received		12 296	9 504	11 047	9 504
Other		20 363	10 189	20 382	9 512
Total Inflows		520 034	471 484	479 285	434 799
OUTFLOWS:					
Salaries and related expenses		(252 478)	(241 168)	(240 505)	(227 719)
Student services		(23 925)	(21 813)	(23 863)	(21 773)
Goods and services		(169 620)	(142 129)	(140 459)	(120 647)
Interest and other costs of finance		(145)	(163)	(143)	(157)
GST paid		(18 098)	(16 641)	(15 493)	(16 641)
Total Outflows		(464 266)	(421 914)	(420 463)	(386 937)
Net Cash provided by Operating Activities	23	55 758	49 570	58 822	47 862
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		980	1 731	808	1 631
Proceeds from sale of financial assets		13 413	3 393	5 413	3 393
Proceeds from sale of available-for-sale financial assets		7 718	2 099	-	-
Increase in interest bearing liabilities		31	-	31	-
Repayment of loans by related parties		816	333	791	333
Total Inflows		22 958	7 556	7 043	5 357
OUTFLOWS:					
Purchase of shares in subsidiary		-	-	(100)	-
Payments for property, plant and equipment		(36 988)	(41 437)	(35 960)	(40 322)
Payments for intangible assets		(38)	(74)	-	-
Payments for financial assets		(7 226)	(3 727)	(6 156)	(3 727)
Decrease in interest bearing liabilities		(6)	(6)	(6)	(6)
Increase in loans to related parties		(25)	-	(300)	-
Total Outflows		(44 283)	(45 244)	(42 522)	(44 055)
Net Cash used in Investing Activities		(21 325)	(37 688)	(35 479)	(38 698)
CASH FLOWS FROM FINANCING ACTIVITIES:					
INFLOWS:					
Issue of shares to outside equity interests		200	50	-	-
Total Inflows		200	50	-	-
OUTFLOWS:					
Repayment of interest bearing liabilities		(138)	(102)	-	-
Dividends paid to minority interests		(194)	(84)	-	-
Total Outflows		(332)	(186)	-	-
Net Cash used in Financing Activities		(132)	(136)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		34 311	11 746	23 343	9 164
CASH AND CASH EQUIVALENTS AT 1 JANUARY		86 585	74 740	72 092	62 829
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(91)	99	(91)	99
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	120 805	86 585	95 344	72 092

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with AASs, Australian Accounting Standards Board (AASB) Interpretations and the requirements of the Department of Education, Science and Training (DEST).

(a) Compliance with IFRSs

AASs include AIFRS. Compliance with AIFRS ensures that the University financial statements and the Consolidated Entity, and notes comply with International Financial Reporting Standards (IFRS).

(b) Critical Accounting Estimates

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 University'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 where applicable, in the relevant notes to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

2. Scope of Reporting

The financial statements and notes disclose the 2006 operating results and 2005 comparative results of The University of Adelaide as follows:

University — refers to all aspects of operation of The University of Adelaide only.

Consolidated — refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer to Note 31). It includes the University's interests in associated entities (Note 32) and its joint venture operations (Note 33), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust:
 - ACN 008 123 466 Pty Ltd (Formerly Repromed Pty Ltd)
 - Reproductive Health Science Pty Ltd (control ceased 28 September 2006)
- Lubims Pty Ltd as trustee for the Unihealth Research & Development Trust
- Martindale Holdings Pty Ltd as trustee for:
 - JS Davies Estate
 - JAT Mortlock Trust
 - The Roseworthy Farm
- National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust
- Roseworthy Piggery Pty Ltd

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

This general purpose financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the parent entity, and its controlled entities (the Consolidated Entity). All entities have a 31 December reporting period except for Martindale Holdings Pty Ltd, which is a primary producer, and consequently has 31 March reporting period.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

(b) Principles of Consolidation (continued)

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Outside interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Income Statement. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Grant Revenue

Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received.

(e) Revenue Recognition

Student Tuition Fees and Charges

Student tuition fees and charges are recognised in the accounting period in which the service is provided.

Consultancy, Contract and Industry Research

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

Bequests and Donations

Bequests and donations are recognised as income in the accounting period they are received.

Interest and Investment Income

Interest and income from investments are recognised as they accrue (Refer to Note 3(k)).

Asset Sales

The net gain/loss from asset sales is included as revenue in the Consolidated Entity Income Statement. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(f) GST

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 are stated with the amount of GST included.

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

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

(g) Intangible Assets

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment (refer to Note 16).

(h) Employee Benefits

Wages and Salaries

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary rates as at the balance date and have been recognised in payables.

Annual Leave

The employees' entitlements to annual leave expected to be settled within 12 months of the balance date have been calculated at the wage and salary rates as at the balance date and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the balance date, the provision has been discounted to present value using the Australian Government three year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

Long Service Leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employees' entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Australian Government securities at balance date, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Income Statement. For defined benefit plans, the actuarial gains and losses are recognised immediately in the Statement of Changes in Equity in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Balance Sheet. Refer to Note 26 for details relating to the individual schemes.

(i) Receivables

The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Other Financial Assets

The Consolidated Entity classifies its investment into the following categories: financial assets held-for-trading, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at each balance date.

Financial Assets Held-for-Trading

The financial assets are classified in this category if acquired for the purpose of selling in the short-term and the assets are subject to frequent changes in fair value. Financial assets held-for-trading purposes are recorded at fair value in the Balance Sheet, with any realised and unrealised gains or losses recognised in the Income Statement.

- *Composite Fund*

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the composite fund represents a long-term investment holding. As a consequence, these investments are reported in non-current financial assets in the Balance Sheet at market values obtained from the investment managers.

Available-for-sale Financial Assets

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading. Available-for-sale financial assets are recorded at fair value less impairment in the Balance Sheet. Unrealised gains and losses arising from changes in fair value are recognised directly in the revaluation reserve, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the Income Statement for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

Loans and Receivables

The financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes (refer to Note 30). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. Financial instruments that are not traded in an active market are recognised at cost. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

(l) Investments in Business Undertakings*Controlled Entities*

Investments in controlled entities are carried in the University's financial statements at cost. Dividends and distributions are brought to account in the Income Statement when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises a significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at the lower of cost or recoverable amount.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Income Statement after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity.

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 33 (a)(i). In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at the balance date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The University's interest in Other Joint Ventures, as described in Note 33(a)(ii), are accounted for using the equity method of accounting.

Other Business Undertakings

The Consolidated Entity holds, through The Adelaide Research & Innovation Investment Trust, significant investment in a publicly listed entity, namely GroPep Ltd. It does not exercise any significant influence over the operations of this entity. As at 31 December 2006 the investment has been valued at market value.

In addition, the Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non-publicly listed investments, these have been valued at lower of cost or net realisable value (refer to Note 3(k)).

(m) Inventories*Consumable Materials and Trading Stock*

The University has a number of inventory stores at several locations. The inventory is valued at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in the Consolidated Entity at the lower of cost or net realisable value.

Livestock

The University breeds animals for teaching and research activities and not-for-profit. Consequently it does not attribute a value to livestock for recording in the Balance Sheet. Where controlled entities have reported livestock, this is included at the lower of cost or net realisable value.

(n) Property, Plant and Equipment*Acquisitions*

Items of property, plant and equipment are initially recorded at cost in the Balance Sheet (unless otherwise indicated) and depreciated in accordance with Note 3(p).

Revaluations

During 2005 land, buildings and works of art were independently valued on a fair value basis in accordance with AAS.

Revaluations (continued)

Increases in the carrying amounts arising on revaluation of each class of assets, being land and buildings, library collection and works of art are credited to capital reserves in equity within the Balance Sheet except to the extent that they reverse previous reductions in the carrying amounts which were charged to the Income Statement. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the Income Statement.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of buildings has been carried out by Mr N. Satchell, AAPI, B.App.Sc (Val) of Rushton Valuers Pty Ltd on 31 December 2005.

Other Collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Balance Sheet. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

The Library collection was revalued on 31 December 2004 using an internal valuation based on the annual price movement of books and journals. The additions to the library collection during 2005 and 2006 have been recognised at cost.

Works of Art

Works of art greater than \$2000, are recorded at fair value on the basis of an independent valuation carried out by Mr J.F.B. Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 31 December 2005. No provision for depreciation is made for works of art.

Leased Plant and Equipment

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are charged to the Income Statement in equal instalments over the accounting periods covered by the lease term.

(o) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Depreciation and Amortisation

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land, on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

	<i>Range</i>
Buildings	20-160 years
Leasehold improvements	10-50 years
Library	10 years
Plant and equipment including motor vehicles	5-10 years
Leased plant and equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(q) Investment Properties

Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised in the income statement in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

An independent valuation of investment properties has been carried out by Mr N. Satchell, AAPI, B.App.Sc (Val) of Rushton Valuers Pty Ltd on 31 December 2006.

(r) Workers Compensation

The University is responsible for payments of workers compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by Mercer Human Resource Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development of the case estimated incurred cost (case estimates plus paid to date) is calculated and development factors adopted based on past experience. These development factors are used, together with the adopted payment rates, to project payments and estimates for future payment years.

(s) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and FBT.

(t) Operating Revenue - Other

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges.

(u) Borrowings and Finance Costs

All borrowing and finance costs are expensed in the period in which they are incurred.

(v) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

4. Revenue from Continuing Operations

		Consolidated		University	
		2006	2005	2006	2005
	Note	\$'000	\$'000	\$'000	\$'000
Student fee income includes:					
Award Courses:					
Australian fee paying undergraduate students		2 363	2 042	2 363	2 042
Australian fee paying postgraduate students		3 638	3 240	3 638	3 240
International fee paying students		58 644	49 110	58 644	49 110
		64 645	54 392	64 645	54 392
Non-Award Courses:					
Continuing education		473	519	473	519
Australian fee paying		1 842	1 968	1 842	1 968
Other teaching service fees		4 073	3 212	4 073	3 212
		6 388	5 699	6 388	5 699
		71 033	60 091	71 033	60 091
Tuition Fees - Higher Education Support Act:					
FEE-HELP		5 078	5 478	5 078	5 478
Overseas postgraduate research scholarship		899	860	899	860
		77 010	66 429	77 010	66 429
Investment Revenue:					
General fund earnings		14 293	7 691	6 980	5 219
Net realised gains on composite fund investments		3 851	3 393	3 851	3 393
General and composite fund investment market valuation adjustment		8 593	8 638	8 593	8 638
Unrealised gains on investment properties		1 119	1 700	1 119	1 700
Royalty, trademarks and licences		2 049	1 563	708	115
Dividends received		253	233	107	188
Distributions from controlled entities		-	-	6 421	411
		30 158	23 218	27 779	19 664

4. Revenue from Continuing Operations (continued)

	Note	Consolidated		University	
		2006	2005	2006	2005
Property Revenue:		\$'000	\$'000	\$'000	\$'000
Rental charges/accommodation fees		8 279	5 447	7 921	5 447
Parking fees		929	734	929	734
Building development and maintenance recovery		542	623	542	623
Other property revenue		561	781	561	781
		10 311	7 585	9 953	7 585
Specialist Services and Trading:					
Consultancy fees		21 462	18 774	4 882	4 716
Library charges and fines		882	963	882	963
Sale of services		13 706	13 218	5 213	8 328
Sale of goods		7 056	6 492	1 517	2 714
Sponsorship and conference income		1 426	882	1 426	882
Other specialist services and trading		2 734	2 134	700	631
		47 266	42 463	14 620	18 234
Other Revenue:					
Bequests and donations received for:					
Research		956	3 540	956	3 540
General operational purposes and capital works		4 097	2 910	4 097	2 910
		5 053	6 450	5 053	6 450
Prizes and scholarships		1 229	514	1 229	514
Net gain from sale of assets and minor equipment		2 908	381	-	322
Recharge of costs to other organisations		1 019	3 999	1 019	3 999
Application management and late fee		564	482	564	482
Franchise fees		978	939	978	939
Bad debts recoveries		239	237	239	237
Other revenue		6 535	7 240	4 116	6 050
		18 525	20 242	13 198	18 993
Share of net profits (losses) of associates and joint ventures accounted for using the equity method:					
Joint venture operations	33	302	28	-	-
Associates	32	64	(2 123)	-	-
		366	(2 095)	-	-
Net Foreign Exchange Gain		-	99	-	99
5. Expenses from Continuing Operations					
Salaries and Related Expenses					
Salaries and Related Expenses - Academic:					
Salaries		101 252	88 093	101 252	89 169
Contributions to superannuation schemes:					
Emerging cost		1 610	1 526	1 610	1 526
Funded		12 891	12 234	12 891	12 234
		14 501	13 760	14 501	13 760
Payroll tax		5 638	5 407	5 638	5 407
Annual leave		9 729	9 711	9 729	8 857
Long service leave		3 128	3 015	3 128	2 793
Workers compensation		442	427	442	427
Other		4 530	4 425	4 530	4 425
Total Academic Salaries and Related Expenses		139 220	124 838	139 220	124 838
Salaries and Related Expenses - Non-Academic:					
Salaries		87 628	78 477	78 662	71 809
Contributions to superannuation schemes:					
Emerging cost		1 196	1 148	1 196	1 148
Funded		10 760	9 636	10 099	9 450
		11 956	10 784	11 295	10 598
Payroll tax		4 749	4 365	4 531	4 275
Annual leave		8 623	7 641	8 453	7 580
Long service leave		2 592	2 536	2 581	2 314
Workers compensation		516	396	356	338
Other		3 724	2 747	3 699	2 714
Total Non-academic Salaries and Related Expenses		119 788	106 946	109 577	99 628
		259 008	231 784	248 797	224 466
Deferred Government employee benefits for superannuation		600	4 600	600	4 600
Total Salaries and Related Expenses		259 608	236 384	249 397	229 066

5. Expenses from Continuing Operations (continued)	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total salaries and related expenses		259 608	236 384	249 397	229 066
Less: Emerging cost		2 806	2 674	2 806	2 674
Deferred Government employee benefits for superannuation		600	4 600	600	4 600
Salaries and Related Expenses		256 202	229 110	245 991	221 792
Teaching and Research:					
Agriculture, animals and cropping		1 128	2 019	1 128	2 019
Books, subscriptions and printed material		3 120	3 367	3 120	3 367
Laboratory expenses		13 806	12 401	13 718	12 401
Research transfer to other institutions		21 399	20 104	21 399	20 104
Other teaching and research		12 928	6 785	12 937	6 745
		52 381	44 676	52 302	44 636
Buildings and Grounds:					
Cleaning and security		4 994	4 517	4 654	4 517
Property maintenance		10 931	10 243	10 292	10 243
Building leases and rent		10 041	5 618	9 955	5 618
Utilities		6 168	5 518	5 991	5 518
		32 134	25 896	30 892	25 896
Finance Costs:					
Interest		1	25	1	19
Finance charges		142	138	142	138
		143	163	143	157
Administration, Communication and Travel:					
Consultants and specialist services		11 924	9 548	10 860	8 757
Fees and licences		6 105	4 918	6 088	4 918
Insurance		2 772	2 849	2 692	2 282
Administration and communication		38 095	30 411	12 231	12 518
Publicity and fundraising		4 531	2 512	4 449	2 512
Travel, accommodation and entertainment		12 366	11 633	12 214	11 521
		75 793	61 871	48 534	42 508
Miscellaneous equipment, depreciation and net loss on disposal of assets includes:					
Amortisation of Intangible Assets:					
Software		267	2 823	267	2 822
Amortisation:	3(p)				
Leasehold improvements		805	390	805	390
		1 072	3 213	1 072	3 212
Depreciation:	3(p)				
Buildings		8 786	8 601	8 699	8 505
Plant, equipment and motor vehicles		6 657	6 290	5 921	5 506
Library collection		4 244	3 946	4 244	3 946
		19 687	18 837	18 864	17 957
		20 759	22 050	19 936	21 169
Non-capitalised equipment		9 547	12 148	9 494	12 160
Net loss on disposal of assets		-	-	1 495	-
		30 306	34 198	30 925	33 329
Bad and Doubtful Debts:					
Student loans		20	9	20	9
Student tuition		311	522	311	522
Other debtors		386	323	321	297
		717	854	652	828
Net Foreign Exchange Loss		91	-	91	-

6. Discontinued Operations

(a) Description

ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd), a controlled entity of the University of Adelaide, disposed of its reproductive medicine business, effective as at 15 May 2006. This business represented all of that company's operations and the cash assets held as at 15 May 2006 were retained by the company.

(b) Financial Performance and Cash Flow Information

The financial performance and cash flow information presented are for the period ending 15 May 2006 and the year ended 31 December 2005.

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue		4 829	13 207	-	-
Expenses		(4 470)	(13 625)	-	-
Profit (Loss) from Discontinued Operations		359	(418)	-	-
Net cash inflow (outflow) from operating activities		(127)	298	-	-
Net cash inflow (outflow) from investing activities		(123)	(537)	-	-
Net Increase (Decrease) in Cash Generated by the Business		(250)	(239)	-	-

(c) Carrying Amounts of Assets and Liabilities

The carrying amounts of assets and liabilities as at 15 May 2006 and the year ended 31 December 2005.

Total assets	5 301	5 591	-	-
Total liabilities	(1 073)	(1 722)	-	-
Net Assets	4 228	3 869	-	-

(d) Details of the Sale of the Reproductive Medical Services

Consideration received	8 000	-	-	-
Carrying amount of net assets sold	(3 721)	-	-	-
Gain on Sale	4 279	-	-	-

7. Cash and Cash Equivalents

3(j)

Cash at bank or on hand	18 501	5 632	11 110	2 290
Deposits at call	102 304	80 953	84 234	69 802
	120 805	86 585	95 344	72 092

8. Receivables

3(i)

Current:				
Student tuition fees	3 552	4 304	3 552	4 304
Less: Provision for doubtful debts	704	1 039	704	1 039
	2 848	3 265	2 848	3 265
Sundry debtors, trade debtors and accrued income	19 390	26 547	16 170	21 876
Less: Provision for doubtful debts	911	1 601	882	927
	18 479	24 946	15 288	20 949
Student loans	239	228	239	228
Less: Provision for doubtful debts	203	184	203	184
	36	44	36	44
Other	30	-	-	-
	21 393	28 255	18 172	24 258

Bad and Doubtful Debts

The University has recognised a loss of \$652 000 (\$828 000) in respect of bad and doubtful receivables during the year ended 31 December 2006. The loss has been included in 'Finance and fund administration' expenses in the Income Statement.

9. Other Financial Assets

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current:					
Loans to controlled entities		-	-	2 400	2 133
Term deposits		2 400	2 026	-	-
Other loans		25	68	25	68
		2 425	2 094	2 425	2 201

9. Other Financial Assets (continued)	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-Current:					
Held-for-trading					
Composite fund at fair value	3(k)				
Australian fixed interest securities		14 368	12 743	14 368	12 743
Overseas fixed interest securities		7 143	5 690	7 143	5 690
Australian equities		30 110	25 580	30 110	25 580
Overseas equities		27 237	23 540	27 237	23 540
Property trusts		6 117	5 119	6 117	5 119
Cash and liquid assets		3 667	2 762	3 667	2 762
Alternative strategies		197	1 098	197	1 098
		88 839	76 532	88 839	76 532
Managed investment held by Unisure Pty Ltd		7 847	7 596	7 847	7 596
Other shares		2 749	2 327	2 749	2 327
Total Non-current Other Financial Assets Held-for-Trading		99 435	86 455	99 435	86 455
Other loans		1 182	1 257	1 482	1 257
Total Non-current Other Financial Assets		100 617	87 712	100 917	87 712

Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.

10. Inventories	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Consumable materials and trading stock	3(m)	1 766	1 954	1 533	1 761
Livestock		2 069	2 414	-	-
Provisions for obsolescence		(150)	(100)	(150)	(100)
		3 685	4 268	1 383	1 661

The University has written down inventories of \$127 000 (\$41 000) during the year ended 31 December 2006. The loss has been included in 'Teaching and research' expenses in the Income Statement.

11. Other Non-Financial Assets	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current:					
Prepayments		3 778	2 297	3 778	2 120
Accrued income		636	424	522	408
		4 414	2 721	4 300	2 528
Non-Current:					
Prepayments		1 206	1 371	1 206	1 371
12. Investments Accounted for using the Equity Method					
Investments in Associates:	3(l)				
At cost	32	-	-	298	298
Equity accounted		506	392	-	-
Interests in Joint Ventures:					
At cost	33	-	-	135	65
Equity accounted		2 823	2 451	-	-
		3 329	2 843	433	363
13. Available-for-Sale Financial Assets					
Current:					
Listed shares:					
GroPep Ltd	3(l)	-	4 013	-	-
Other listed shares		1 585	2 429	-	-
		1 585	6 442	-	-
Non-Current:					
Investments in controlled entities	31	-	-	48 086	51 224

14. Property, Plant and Equipment Consolidated	Trust	Other	Trust	Other	WIP
	Land	Land	Buildings	Buildings	Buildings
As at 1 January 2005:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	-	220	16 920	2 835	11 320
Valuation	103 690	65 582	273 391	26 505	-
Accumulated depreciation/amortisation	-	-	(15 161)	(1 916)	-
Net Book Amount	103 690	65 802	275 150	27 424	11 320
Year Ended 31 December 2005:					
Opening net book amount	103 690	65 802	275 150	27 424	11 320
Revaluation increments (decrements)	8 445	7 028	2 472	249	-
Additions	-	-	880	323	25 586
Disposals	-	-	-	-	-
Transfers	-	-	16 690	658	(20 711)
Depreciation/amortisation	-	-	(7 763)	(838)	-
Closing Net Book Amount	112 135	72 830	287 429	27 816	16 195
As at 31 December 2005:					
Cost	-	-	784	664	16 195
Valuation	112 135	72 830	286 649	27 194	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
Net Book Amount	112 135	72 830	287 429	27 816	16 195
Year Ended 31 December 2006:					
Opening net book amount	112 135	72 830	287 429	27 816	16 195
Revaluation increments (decrements)	-	-	-	(90)	-
Additions	-	-	361	444	24 916
Disposals	-	(157)	(32)	-	(352)
Transfers	-	-	28 423	2 955	(31 913)
Depreciation/amortisation	-	-	(7 866)	(920)	-
Closing Net Book Amount	112 135	72 673	308 315	30 205	8 846
As at 31 December 2006:					
Cost	-	-	29 684	3 861	8 846
Valuation	112 135	72 673	286 501	27 306	-
Accumulated depreciation/amortisation	-	-	(7 870)	(962)	-
Net Book Amount	112 135	72 673	308 315	30 205	8 846
	Leasehold	Library	Works of	Plant and	Total
	Improve-	Collections	Art	Equipment	\$'000
As at 1 January 2005:	\$'000	\$'000	\$'000	\$'000	
Cost	4 327	-	-	99 139	134 761
Valuation	-	39 457	4 188	-	512 813
Accumulated depreciation/amortisation	(786)	-	-	(67 590)	(85 453)
Net Book Amount	3 541	39 457	4 188	31 549	562 121
Year Ended 31 December 2005:					
Opening net book amount	3 541	39 457	4 188	31 549	562 121
Revaluation increments (decrements)	-	-	777	-	18 971
Additions	349	3 180	62	11 245	41 625
Disposals	-	(193)	(31)	(1 000)	(1 224)
Transfers	2 820	-	-	543	-
Depreciation/amortisation	(569)	(3 946)	-	(6 699)	(19 815)
Closing Net Book Amount	6 141	38 498	4 996	35 638	601 678
As at 31 December 2005:					
Cost	7 595	2 987	-	103 301	131 426
Valuation	-	39 457	4 996	-	543 261
Accumulated depreciation/amortisation	(1 354)	(3 946)	-	(67 663)	(73 009)
Net Book Amount	6 141	38 498	4 996	35 638	601 678
Year Ended 31 December 2006:					
Opening net book amount	6 141	38 498	4 996	35 638	601 678
Revaluation increments (decrements)	-	-	-	-	(90)
Additions	38	3 721	-	8 153	37 633
Disposals	(1 199)	(1 231)	-	(2 847)	(5 818)
Transfers	535	-	-	-	-
Depreciation/amortisation	(873)	(4 244)	-	(6 819)	(20 722)
Closing Net Book Amount	4 642	36 744	4 996	34 125	612 681
As at 31 December 2006:					
Cost	6 227	5 476	-	101 787	155 881
Valuation	-	39 458	4 996	-	543 069
Accumulated depreciation/amortisation	(1 585)	(8 190)	-	(67 662)	(86 269)
Net Book Amount	4 642	36 744	4 996	34 125	612 681

14. Property, Plant and Equipment (continued) University	Trust	Other	Trust	Other	WIP
	Land	Land	Buildings	Buildings	Buildings
As at 1 January 2005:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	-	220	16 920	2 482	11 320
Valuation	103 690	34 531	273 391	24 561	-
Accumulated depreciation/amortisation	-	-	(15 161)	(1 750)	-
Net Book Amount	103 690	34 751	275 150	25 293	11 320
Year Ended 31 December 2005:					
Opening net book amount	103 690	34 751	275 150	25 293	11 320
Revaluation increments (decrements)	8 445	5 558	2 472	(17)	-
Additions	-	-	880	251	25 586
Disposals	-	-	-	-	-
Transfers	-	-	16 690	689	(20 711)
Depreciation/amortisation	-	-	(7 763)	(742)	-
Closing Net Book Amount	112 135	40 309	287 429	25 474	16 195
As at 31 December 2005:					
Cost	-	-	784	664	16 195
Valuation	112 135	40 309	286 649	24 852	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
Net Book Amount	112 135	40 309	287 429	25 474	16 195
Year Ended 31 December 2006:					
Opening net book amount	112 135	40 309	287 429	25 474	16 195
Revaluation increments (decrements)	-	-	-	-	-
Additions	-	-	361	116	24 916
Disposals	-	(157)	(32)	-	(352)
Transfers	-	-	28 423	2 955	(31 913)
Depreciation/amortisation	-	-	(7 866)	(833)	-
Closing Net Book Amount	112 135	40 152	308 315	27 712	8 846
As at 31 December 2006:					
Cost	-	-	29 684	3 623	8 846
Valuation	112 135	40 152	286 501	24 964	-
Accumulated depreciation/amortisation	-	-	(7 870)	(875)	-
Net Book Amount	112 135	40 152	308 315	27 712	8 846
	Leasehold	Library	Works of	Plant and	Total
	Improve-	Collections	Art	Equipment	\$'000
As at 1 January 2005:	\$'000	\$'000	\$'000	\$'000	
Cost	2 492	-	-	88 827	122 261
Valuation	-	39 457	4 188	-	479 818
Accumulated depreciation/amortisation	(391)	-	-	(61 461)	(78 763)
Net Book Amount	2 101	39 457	4 188	27 366	523 316
Year Ended 31 December 2005:					
Opening net book amount	2 101	39 457	4 188	27 366	523 316
Revaluation increments (decrements)	-	-	777	-	17 235
Additions	379	3 180	62	10 171	40 509
Disposals	-	(193)	(31)	(953)	(1 177)
Transfers	2 789	-	-	543	-
Depreciation/amortisation	(390)	(3 946)	-	(5 506)	(18 347)
Closing Net Book Amount	4 879	38 498	4 996	31 621	561 536
As at 31 December 2005:					
Cost	5 659	2 987	-	92 881	119 170
Valuation	-	39 457	4 996	-	508 398
Accumulated depreciation/amortisation	(780)	(3 946)	-	(61 260)	(66 032)
Net Book Amount	4 879	38 498	4 996	31 621	561 536
Year Ended 31 December 2006:					
Opening net book amount	4 879	38 498	4 996	31 621	561 536
Revaluation increments (decrements)	-	-	-	-	-
Additions	38	3 721	-	7 401	36 553
Disposals	(5)	(1 231)	-	(1 225)	(3 002)
Transfers	535	-	-	-	-
Depreciation/amortisation	(805)	(4 244)	-	(5 921)	(19 669)
Closing Net Book Amount	4 642	36 744	4 996	31 876	575 418
As at 31 December 2006:					
Cost	6 227	5 476	-	94 676	148 532
Valuation	-	39 458	4 996	-	508 206
Accumulated depreciation/amortisation	(1 585)	(8 190)	-	(62 800)	(81 320)
Net Book Amount	4 642	36 744	4 996	31 876	575 418

15. Investment Property

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at 1 January		17 717	16 017	17 717	16 017
Additions from subsequent expenditure		54	-	54	-
Net gain from fair value adjustments		1 119	1 700	1 119	1 700
Balance at 31 December		18 890	17 717	18 890	17 717

(a) Amount Recognised in Income Statement for Investment Property

The University has recognised \$1.4 million of rental income from investment properties within the Income Statement. Any direct operating expenses from generating rental income are included within the Income Statement and are immaterial.

(b) Valuation Basis

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar leases.

An independent valuation of investment properties has been carried out by Mr N. Satchell, AAPI, B.App.Sc (Val) of Rushton Valuers Pty Ltd on 31 December 2006.

(c) Non-current Assets Pledged as Security

No non-current assets have been pledged.

(d) Contractual Obligations

There are no capital commitments for investment properties.

(e) Leasing Arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on investment properties are as follows:

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within one year	807	632	807	632
Later than one year but not later than five years	1 010	1 177	1 010	1 177
Later than five years	258	178	258	178
	2 075	1 987	2 075	1 987

16. Intangible Assets**Non-Current:**

As at 1 January 2005:

	Consolidated 2006 \$'000	University 2006 \$'000
Cost	11 339	11 051
Accumulated depreciation and impairment	(7 463)	(7 456)
Net Book Amount	3 876	3 595

Year ended 31 December 2005:

Opening net book amount	3 876	3 595
Additions	188	166
Amortisation charge	(2 836)	(2 822)
Closing Net Book Amount	1 228	939

As at 31 December 2005:

Cost	11 527	11 217
Accumulated depreciation and impairment	(10 299)	(10 278)
Net Book Amount	1 228	939

Year ended 31 December 2006:

Opening net book amount	1 228	939
Disposals	(317)	(37)
Amortisation charge	(276)	(267)
Closing Net Book Amount	635	635

As at 31 December 2006:

Cost	11 180	11 180
Accumulated depreciation and impairment	(10 545)	(10 545)
Net Book Amount	635	635

17. Payables	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Accounts payable	29 586	30 218	22 325	22 742
Accruals	7 144	3 582	504	367
Salary and wage deductions	3 855	4 438	3 848	4 438
OS-HELP Liability to Australian Government	-	453	-	453
Unspent Commonwealth financial assistance	1 717	-	1 717	-
	42 302	38 691	28 394	28 000
Non-Current:				
Accounts payable	3 672	3 159	3 618	3 056
Deferred liability	1 822	-	1 822	-
	5 494	3 159	5 440	3 056
18. Interest-Bearing Liabilities				
Current:				
Other - Unsecured	1 217	37	1 217	6
Non-Current:				
Other - Unsecured	68	75	68	75

The University maintains an unsecured \$20 million Bill Acceptance and Discount Facility as a standby working capital facility. As at 31 December 2006, this facility has not been drawn down.

19. Provisions	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Workers compensation provision	736	861	736	861
Annual and long service leave	14 525	10 261	14 007	9 642
Insurance provision	1 944	1 552	1 944	1 552
	17 205	12 674	16 687	12 055
Non-Current:				
Workers compensation provision	1 910	2 043	1 910	2 043
Annual and long service leave	24 209	22 442	23 992	21 775
Defined benefit fund net liability	4 786	8 273	4 786	8 273
	30 905	32 758	30 688	32 091

Annual Leave and On-costs

As a result of the WorkChoices legislation implemented by the Federal Government on 27 March 2006, the University has recognised for the first time in 2006 a provision for academic annual leave and on-costs (\$6 733 000). The legislation requires all annual leave to be accrued and recorded. The change to the legislation has been incorporated into the University Collective Agreement and it was agreed that annual leave for academic staff would start accruing from 1 January 2006.

	Workers Compensation Provision	Annual and Long Service Leave	Insurance Provision	Defined Benefit Fund Net Liability
	\$'000	\$'000	\$'000	\$'000
Movements in Provisions				
Consolidated - Current:				
Carrying amount at 1 January	861	9 642	1 552	-
Additional provisions recognised	(125)	4 365	392	-
Carrying Amount at 31 December	736	14 007	1 944	-
Consolidated - Non-Current:				
Carrying amount at 1 January	2 043	21 775	-	8 273
Additional provisions recognised	(133)	2 217	-	(3 487)
Carrying Amount at 31 December	1 910	23 992	-	4 786

Workers Compensation Provision

Provision is made based on an actuarial assessment of workers compensation estimated claims liability for future years. Refer to policy Note 3(r) 'Workers Compensation'.

Annual and Long Service Leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy Note 3(h) 'Employee Benefits'.

Insurance Provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2006 that were expected to be paid subsequent to 1 January 2007 and are below the University deductible in the University insurance policies.

Defined Benefit Fund Net Liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119. Refer to Note 3(h) 'Employee Benefits' and Note 27(c) 'The University of Adelaide Super Scheme A 1985'.

20. Other Liabilities

	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Outside funded positions	1 510	1 615	1 510	1 615
Income in advance	161	156	-	156
Student tuition fees received in advance	4 475	3 322	4 475	3 322
Residential bonds	262	132	262	132
Employee benefits - Redundancy	383	446	383	446
Other	640	918	640	632
	7 431	6 589	7 270	6 303

21. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as 'Employee Benefits'. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2006 relating to employee benefits:

	Note	Consolidated		University	
		2006	2005	2006	2005
Annual Leave:		\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current	17	2 753	948	2 733	898
Employee benefits - Current	19	7 805	3 917	7 593	3 593
		10 558	4 865	10 326	4 491
On-costs included in payables - Non-current	17	832	274	824	254
Employee benefits - Non-current	19	2 313	1 215	2 290	1 017
		3 145	1 489	3 114	1 271
Long Service Leave:					
On-costs included in payables - Current	17	851	842	827	817
Employee benefits - Current	19	6 720	6 344	6 414	6 049
		7 571	7 186	7 241	6 866
On-costs included in payables - Non-current	17	2 840	2 885	2 793	2 802
Employee benefits - Non-current	19	21 896	21 227	21 702	20 758
		24 736	24 112	24 495	23 560
		46 010	37 652	45 176	36 188

22. Retained Surplus and Reserves**(a) Summary**

Capital Reserves:					
Capital reserve		3 020	3 020	-	-
Capital profits reserve		1 249	687	-	-
Asset revaluation reserve		182 759	182 850	159 086	159 087
Initial asset recognition reserve		279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve		1 665	6 166	45 188	48 326
		467 817	471 847	483 398	486 537
Specific Purpose Reserves:					
Special reserve		73 716	55 434	73 716	55 434
Bequests/donations unspent income reserve		16 367	13 567	16 367	13 567
Restricted purpose bequest capital reserve		61 246	56 613	61 246	56 613
Composite fund revaluation reserve		35 612	27 261	35 612	27 261
		186 941	152 875	186 941	152 875
Retained Surplus		130 609	122 448	107 106	102 604

(b) Movements in Reserves

Capital Reserve:					
Opening balance		3 020	2 970	-	-
Current year movement		-	50	-	-
Closing Balance		3 020	3 020	-	-
Capital Profits Reserve:					
Opening balance		687	687	-	-
Current year movement		562	-	-	-
Closing Balance		1 249	687	-	-
Asset Revaluation Reserve:					
Opening balance		182 850	163 879	159 087	141 852
Add revaluation increment on property, plant and equipment		(91)	18 971	(1)	17 235
Closing Balance		182 759	182 850	159 086	159 087

(b) Movements in Reserves (continued)

	Consolidated		University	
	\$'000	\$'000	\$'000	\$'000
Initial Asset Recognition Reserve:	2006	2005	2006	2005
Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing Balance	279 124	279 124	279 124	279 124
Available-for-Sale Financial Assets				
Revaluation Reserve:				
Opening balance	6 166	5 971	48 326	45 856
Current year movement	(4 501)	195	(3 138)	2 470
Closing Balance	1 665	6 166	45 188	48 326
Special Reserve:				
Opening balance	55 434	55 542	55 434	55 542
Transfer (to) from retained surplus	18 282	(108)	18 282	(108)
Closing Balance	73 716	55 434	73 716	55 434
Bequests/Donations Unspent				
Income Reserve:				
Opening balance	13 567	12 651	13 567	12 651
Transfer from retained surplus	2 800	916	2 800	916
Closing Balance	16 367	13 567	16 367	13 567
Restricted Purpose Bequest Capital Reserve:				
Opening balance	56 613	53 261	56 613	53 261
Transfer from retained surplus	4 633	3 352	4 633	3 352
Closing Balance	61 246	56 613	61 246	56 613
Composite Fund Revaluation Reserve:				
Opening balance	27 261	19 747	27 261	19 747
Transfer from retained surplus	8 351	7 514	8 351	7 514
Closing Balance	35 612	27 261	35 612	27 261

(c) Nature and Purpose of Reserves*Capital Reserve*

Represents capital accounts held within controlled entities of the University.

Capital Profits Reserve

Represents the accumulation of realised revalued increments of assets sold.

Asset Revaluation Reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3(n).

Initial Asset Recognition Reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Available-for-Sale Financial Assets Revaluation Reserve

Is used to record increments and decrements on the revaluation of available-for-sale financial assets. Refer accounting policy Note 3(k).

Specific Purpose Reserves

Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

23. Reconciliation of Net Cash provided by Operating Activities to Operating Result

	Note	Consolidated		University	
		2006	2005	2006	2005
Operating Result		38 899	37 335	35 378	38 192
Add (Less): Non-cash items:					
Amortisation	5	1 149	3 405	1 072	3 212
Depreciation	5	19 848	19 246	18 864	17 957
Write (up) of investments		(13 359)	(13 243)	(13 359)	(13 243)
Bad debts written off		-	16	-	-
Superannuation expense		600	4 600	600	4 600
Superannuation revenue		(600)	(4 600)	(600)	(4 600)
Other revenue/expenses		(6 335)	514	4 799	696
(Profit) Loss on sale of property, plant and equipment		183	45	337	99

23. Reconciliation of Net Cash provided by Operating Activities to Operating Result (continued)	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Changes in assets/liabilities:				
(Increase) Decrease in inventories	583	96	278	93
(Increase) Decrease in receivables	6 862	(8 437)	6 086	(7 519)
(Increase) Decrease in other assets	(1 528)	621	(1 607)	395
Increase (Decrease) in payables	5 939	3 574	2 778	1 657
Increase (Decrease) in other current liabilities	849	1 242	967	1 433
Increase (Decrease) in provisions	2 678	5 156	3 229	4 890
Net Cash Provided by Operating Activities	55 768	49 570	58 822	47 862
24. Commitments				
Operating Expenditure				
Contracted but not provided for and payable:				
Not later than one year	14 574	16 502	14 574	16 502
Later than one year, but not later than five years	17 532	11 313	17 532	11 313
Later than five years	185	367	185	367
	32 291	28 182	32 291	28 182
Capital Expenditure				
<i>Property, Plant and Equipment</i>				
Contracted but not provided for and payable:				
Not later than one year	16 248	10 635	16 248	10 635
Later than one year, but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	16 248	10 635	16 248	10 635
Operating Lease Commitments				
Future operating base rental not provided for and payable:				
Not later than one year	5 343	3 775	5 343	3 066
Later than one year, but not later than five years	10 307	7 728	10 307	4 856
Later than five years	670	3 317	670	960
	16 320	14 820	16 320	8 882
Representing:				
Cancellable operating leases	16 320	8 882	16 320	8 882
Non-cancellable operating leases	-	5 938	-	-
	16 320	14 820	16 320	8 882
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	-	709	-	-
Later than one year, but not later than five years	-	2 872	-	-
Later than five years	-	2 357	-	-
	-	5 938	-	-

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

25. Contingent Liabilities

(a) Guarantees

The University in 1997 provided a \$4.35 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Car Park Developments Pty Ltd. The guarantee is for a 10 year period.

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

On 1 July 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with WorkCover and provide a bank guarantee to cover projected workers compensation outstanding claims liabilities. The University provided a \$5.08 million bank guarantee to WorkCover which matures on 30 April 2008. The amount of the guarantee was based on an actuarial assessment of the projected workers compensation claims liabilities.

(b) Superannuation**(i) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)**

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. In addition the University has agreed to a contribution program to finance the current deficit whereby the University contributes \$600 000 annually over the next four years. Refer to Note 26(c).

(ii) UniSuper Limited Superannuation Schemes

Refer to Note 26(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities became involved in legal disputes. At the date of adoption of these financial statements, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$1.9 million under the self insurance component of the University programme. Refer Note 19.

26. Superannuation Schemes**(a) Categories**

The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) Those Operative and Open to Membership

- UniSuper Defined Contribution Plan or Investment Choice Plan
- UniSuper Award Plus Plan

(ii) Those Operative but Closed to Future Membership

- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

(iii) State Government Schemes Closed to Future Membership by University Employees

- State Pension Scheme
- State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2006 for employees in either the Defined Contribution Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 9 percent of salaries. The employee contribution rate throughout 2006 for employees in either the Defined Contribution Plan or Investment Choice Plan was 7 percent of their gross salaries.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made four years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

Clause 34 now states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits of its members on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2006 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2006 the assets of the Defined Contribution Plan in aggregate were estimated to be \$958 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving service of the participating institution) and include the value of CPI indexed pensions being provided by the Defined Contribution Plan.

As at 30 June 2006 the assets of the Defined Contribution Plan in aggregate were estimated to be \$1834 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensions which arise from membership of UniSuper up to the reporting date.

(b) UniSuper Limited Superannuation Schemes (continued)

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the Defined Contribution Plan as at 31 December 2005. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% p.a.	8.3% p.a.
Net of tax investment return	6.5% p.a.	7.8% p.a.
Consumer Price Index	2.5% p.a.	2.5% p.a.
Inflationary salary increases long-term	3.5% p.a.	3.5% p.a.
Inflationary salary increased next three years	5.0% p.a.	5.0% p.a.

(Additional promotional salary increases are assumed to apply based on past experience).

Assets have been included at their net market value, ie allowing for realisation costs.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) is a defined benefit plan in accordance with AASB 119 that provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by Tidswell Financial Services Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). The Scheme is closed to new members.

<i>Reconciliation of the Present Value of the Defined Benefit Obligation</i>	2006	2005
	\$'000	\$'000
Present Value of Defined Benefit Obligations at 1 January	17 780	17 451
<i>Add:</i> Current service costs	526	394
Interest cost	715	750
Contributions by scheme participants	57	55
Actuarial (gains) losses	(2 396)	262
<i>Less:</i> Benefits paid	873	824
Taxes, premiums and expenses paid	443	308
Present Value of Defined Benefit Obligations at 31 December	15 366	17 780

<i>Reconciliation of the Fair Value of Scheme Assets</i>	2006	2005
Fair Value of Scheme Assets at 1 January	9 507	9 287
<i>Add:</i> Expected return on scheme assets	460	495
Actuarial gains (losses)	792	508
Employer contributions	1 080	294
Contributions by scheme participants	57	55
<i>Less:</i> Benefits paid	873	824
Taxes, premiums and expenses paid	443	308
Fair Value of Scheme Assets at 31 December	10 580	9 507

<i>Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet</i>	2006	2005
Defined Benefit Obligation including Contributions Tax Provisions	15 366	17 780
<i>Less:</i> Fair value of scheme assets	10 580	9 507
Defined Benefit Fund Net Liability	4 786	8 273

<i>Expense Recognised in the Income Statement</i>	2006	2005
Service cost	526	394
Interest cost	715	750
Expected return on assets	(460)	(495)
Superannuation Expense	781	649

<i>Amounts Recognised in the Statement of Recognised Income and Expense</i>	2006	2005
Actuarial (Gains)	(3 188)	(246)

<i>Cumulative Amount Recognised in the Statement of Recognised Income and Expense</i>	2006	2005
Cumulative Amount of Actuarial (Gains)	(4 406)	(1 218)

<i>Scheme Assets</i>	2006	2005
	Percent	Percent
The percentage invested in each asset class at the Balance Sheet date:		
Australian equity	18	19
International equity	12	12
Fixed income	37	55
Property	5	5
Cash	28	9

Fair Value of Scheme Assets

The fair value of scheme assets does not include amounts relating to any of the University's own financial instruments or any property, occupied by, or other assets used by the University.

Expected Rate of Return on Scheme Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

	2006	2005
	\$'000	\$'000
Actual Return on Scheme Assets	1 252	1 003

Principal Actuarial Assumptions at the Balance Sheet Date

	2006	2005
	Percent	Percent
Discount rate (active members)	5.0	4.4
Discount rate (pensioners)	5.9	5.2
Expected rate of return on plan assets (active members)	6.8	6.5
Expected rate of return on plan assets (pensioners)	7.5	5.5
Expected salary increase rate	5.0	5.0
Expected pension increase rate	2.5	2.5

Historical Information

	2006	2005
	\$'000	\$'000
Present value of defined benefit obligation	15 366	17 780
Fair value of scheme assets at 1 January	10 580	9 507
Deficit in scheme	4 786	8 273
Experience adjustments (gain) - Scheme assets	(792)	(508)
Experience adjustments (gain) - Scheme liabilities	(872)	(7)

Expected Contributions

The expected employer contributions for the year ended 31 December 2007 are \$1 million, which includes the \$600 000 annual payment detailed below (refer to contribution recommendations).

Funding Arrangements for Employer Contributions

The following is a summary of the most recent financial position of the University of Adelaide Superannuation Scheme A 1985 calculated in accordance with AAS 25.

	2006
	\$'000
Accrued benefits	12 335
Net market value of scheme assets	10 044
Net Deficit	(2 291)

Contribution Recommendations

The current contribution recommendations, as set out in the actuarial valuation of Scheme A 1985 as at 1 July 2004, are 14 percent of salaries of defined benefit members, plus \$25 000 per month, plus additional contributions in a number of situations. The University, the Trustee and the actuary have also agreed to a contribution programme to finance the current deficit whereby the University contributes \$600 000 annually over the next four years.

Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the accrued benefit method. The method adopted affects the timing of the cost to the employer.

Under the accrued benefit method, a 'normal cost' is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The 'normal cost' is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the 'normal' employer contribution rate over a suitable period of time.

Economic Assumptions

The long-term economic assumptions adopted for the last actuarial review of the scheme as at 1 July 2006 were:

	Percent
	per annum
Expected rate of return on assets (discount rate):	
Active members	6.75
Pensioners	7.5
Expected salary increase rate	5.0
Expected pension increase rate	2.5

Nature of Asset/Liability

The University has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The University has covenanted to ensure that the benefits as set down in the Trust Deed will be paid irrespective of the performance of Scheme A 1985.

(d) State Government Superannuation Schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the Superannuation Board of South Australia. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2006 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2006, there is an unfunded liability of \$43.5 million (\$42.9 million). This represents an increase in liability of \$600 000 since 31 December 2005. This is recognised as expenditure in the 2006 Income Statement, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act 1988* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant. Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Financial Statement Guidelines for Australian Higher Education Providers for 2006 Reporting Period' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$43.5 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Benefits for Superannuation'.

Summary

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred Government Superannuation Contribution:				
Non-Current Asset	43 500	42 900	43 500	42 900
Deferred Employee Benefits for Superannuation:				
Current liability	3 300	3 200	3 300	3 200
Non-current liability	40 200	39 700	40 200	39 700
	43 500	42 900	43 500	42 900
The total employer contributions were:				
UniSuper Defined Benefit Plan or Investment Choice Plan	19 013	16 823	19 013	16 823
UniSuper Award Plus Plan	8 014	7 640	8 014	7 640
State Government Superannuation Schemes (3 percent)	25	25	25	25
The University of Adelaide Superannuation Scheme A 1985	112	114	112	114
	27 164	24 602	27 164	24 602

27. Disaggregation Information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not significant enough so as to warrant disaggregation information disclosure.

28. Auditors' Remuneration

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Amounts paid or payable for assurance services were:				
South Australian Auditor-General	207	206	207	206
Other auditors of controlled entities	85	88	-	-
	292	294	207	206
Amounts paid or payable for advisory services were:				
Other auditors of controlled entities	29	18	-	-
	321	312	207	206

Amounts paid or payable for advisory services relates to the provision of accounting services.

29. The University Council Members and Senior Management**(a) Names of the University Council Members and Senior Management***University Council Members*

Ex Officio

von Doussa QC, the Hon John William McWha, Professor James Alexander Bodman Rae, Professor John Charles

Co-opted

Crafter, The Hon Gregory John

(a) Names of the University Council Members and Senior Management (continued)*University Council Members*

Appointed	Adler AO, Mr Norman Ross Bagot, Mr Charles Castine, Ms Kate Croser AO, Mr Brian Kowalick, Mr Ian John Martin, Ms Pamela Young, Mr Stephen Elliot	
Elected Staff	Cecchin, Mr John Cox, Ms Rosslyn Crewther, Dr Rodney James Gill, Dr Peter Maxwell	
Elected Graduates	Handshin, Ms Mia Llewellyn-Smith, Mr Michael Mayfield, Dr John Medlin, Dr Edwin Harry Penniment, Dr Michael Radcliffe AM, Dr John	ceased 05.09.2006 ceased 05.09.2006 commenced 06.09.2006, deceased 01.11.2006 resigned 22.05.2006 commenced 06.09.2006 commenced 06.09.2006
Student	Athanassiadis, Mr Matthew Cronin, Ms Jessica Nicholson, Mr Rowan Pearson, Mr David Rai, Ms Felicity Russell, Mr Aaron	commenced 06.03.2006 commenced 06.03.2006 ceased 05.03.2006 ceased 05.03.2006 ceased 05.03.2006 commenced 06.03.2006

University Senior Management

McWha, Professor James McDougall, Professor Fred Johnson, Professor Alan Marsh, Professor Neville Taplin, Professor John Duldig, Mr Paul MacIntosh, Ms Susan Beilby, Professor Justin Dowd, Professor Peter Findlay, Professor Christopher Hill, Professor Robert Innes, Professor Michael Quester, Professor Pascale Rathjen, Professor Peter Stoler, Mr Andrew	commenced 06.02.2006 ceased 05.02.2006 commenced 01.08.2006 commenced 04.09.2006 ceased 01.08.2006 ceased 31.04.2006
--	---

(b) Remuneration of the University Council Members and Senior Management*University Council Members*

No remuneration was received by the University Council Members from the University during 2006 or 2005.

University Senior Management

	2006	2005
	\$'000	\$'000
Amounts paid or payable to University Senior Management	3 460	3 350

	2006	2005
	Number	Number
\$100 000 - \$114 999	-	1
\$115 000 - \$129 999	1	-
\$130 000 - \$144 999	1	-
\$145 000 - \$159 999	-	1
\$160 000 - \$174 999	1	2
\$175 000 - \$189 999	1	-
\$190 000 - \$204 999	-	1
\$205 000 - \$219 999	1	2
\$220 000 - \$234 999	1	-
\$235 000 - \$249 999	1	1
\$250 000 - \$264 999	1	2
\$265 000 - \$279 999	1	-
\$280 000 - \$294 999	1	1
\$415 000 - \$429 999	1	1
\$595 000 - \$609 999	-	1
\$640 000 - \$654 999	1	-
	12	13

University Senior Management (continued)

The DEST Guidelines specify that executives are defined as the Chief Executive Officer and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

30. Financial Instruments

(a) Interest Rate Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

	Note	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2006 Fixed Maturity Date		
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000
Financial Assets:						
Cash and cash equivalents	7	5.60	93 050	27 433	-	-
Receivables	8	-	-	-	-	-
Financial assets held-for-trading	9	-	-	-	-	-
Other financial assets	9,12	2.59	-	2 425	94	117
Available-for-sale	13	-	-	-	-	-
			93 050	29 858	94	117

Weighted average interest rate			5.60%	5.54%	6.28%	6.42%	6.42%
--------------------------------	--	--	-------	-------	-------	-------	-------

Financial Liabilities:						
Payables	17	-	-	-	-	-
Interest-bearing liabilities	18	5.83	-	-	1 210	-
			-	-	1 210	-

Weighted average interest rate			-	-	5.83%	-	-
--------------------------------	--	--	---	---	-------	---	---

	Note	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Maturity Date		Non- Interest Bearing \$'000	2006 Total \$'000
				4 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash and cash equivalents			-	-	-	322	120 805
Receivables			-	-	-	21 393	21 393
Financial assets held-for-trading			-	-	-	99 435	99 435
Other financial assets			117	660	-	3 406	6 936
Available-for-sale			-	-	-	1 585	1 585
			117	660	126 141	250 154	

Weighted average interest rate			6.42%	6.64%			
--------------------------------	--	--	-------	-------	--	--	--

Financial Liabilities:							
Payables			-	-	-	47 796	47 769
Interest-bearing liabilities			-	-	-	75	1 285
			-	-	-	47 871	49 081

Weighted average interest rate			-	-			
--------------------------------	--	--	---	---	--	--	--

	Note	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2005 Fixed Maturity Date		
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000
Financial Assets:						
Cash and Cash Equivalents	7	5.44	79 504	7 081	-	-
Receivables	8	-	-	-	-	-
Financial Assets Held for Trading	9	-	-	-	-	-
Other Financial Assets	9,12	5.80	-	2 094	25	94
Available-for-Sale	13	-	-	-	-	-
			79 504	9 175	25	94

Weighted average interest rate			5.41%	5.74%	3.37%	6.03%	6.22%
--------------------------------	--	--	-------	-------	-------	-------	-------

(ii) *Off Balance Sheet Financial Instruments*

The reporting entity and its controlled entities do not possess or trade any Off Balance Sheet Financial Instruments.

31. Investments in Controlled Entities

Controlled entities and contribution to operating result before elimination of consolidation items:

Controlled Entity	Holding		Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2006 Percent	2005 Percent	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
The Adelaide Research and Innovation Investment Trust	100	100	7 063	10 248	2 898	2 898	3 927	1 248
Lubims Pty Ltd	100	100	2 916	2 478	-	-	438	363
Martindale Holdings Pty Ltd as trustee for:								
JS Davies Estate	83	83	16 514	16 968	-	-	(90)	(200)
JAT Mortlock Trust	100	100	21 265	21 530	-	-	319	238
Roseworthy Farm	100	100	322	-	-	-	44	-
National Wine Centre Pty Ltd	100	n/a	-	-	-	-	142	-
Roseworthy Piggery Pty Ltd	100	n/a	6	-	100	-	(94)	-
			48 086	51 224	2 998	2 898	4 686	1 649

All of the above controlled entities are incorporated in Australia.

JS Davies Estate

The University holds a 5/6th interest in a joint venture named JS Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated Entity. The remaining 1/6th is recognised as an outside equity interest.

32. Investments in Associates**(a) Equity and Contribution to Operating Result**

Associate Entity	Principal Activity	Holding		Consolidated Carrying Amount		Investment at Cost	
		2006 Percent	2005 Percent	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held by the University							
<i>Unisure Pty Ltd</i>	Responsible for processing of Tertiary Institution Workers compensation Insurance.	33	33	-	-	-	-
<i>Ngee Ann Adelaide Education Centre Pte Ltd</i>	Operates a graduate education centre in Singapore.	50	50	374	327	298	298
<i>Australian Centre for Plant Functional Genomics Pty Ltd</i>	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	31	31	50	65	-	-
<i>Reproductive Health Science Pty Ltd</i>	Development of a diagnostic for the reproductive market.	49	-	82	-	-	-
				506	392	298	298

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

The University has a 25 percent interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity. During 2006 the University contributed \$91 000 to the operations of SABRENet Ltd.

(b) Movements in Carrying Amounts of Investments in Associates

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
At 1 January	392	2 515	-	-
Additional investment in associates	50	-	-	-
Share of operating result	64	(2 123)	-	-
	506	392	-	-

(c) Results Attributed to Associates	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating result	64	(2 123)	-	-
Additional investment in associates	50	-	-	-
Retained surplus attributable to associates at 1 January	392	2 515	-	-
Retained surplus attributable to associates at 31 December	506	392	-	-

(d) **Accounting for Associates**

- (i) *Capital and Other Expenditure Commitments*
There are no material capital and other expenditure commitments relating to associated entities.
- (ii) *Contingent Liabilities*
There are no material contingent liabilities relating to associated entities.
- (iii) *Post Balance Date Events*
There are no material post balance date events to report for associated entities.
- (iv) *Assets, Liabilities, Revenue and Expenditure*
Since the above activities do not materially effect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.
- (v) *Off Balance Sheet Financial Instruments*
Neither the Consolidated Entity, nor any of its associated entities, have any Off Balance Sheet Financial Instruments.

(e) **Unisure Pty Ltd**

The University of Adelaide is a shareholder along with the University of South Australia and The Flinders University of South Australia in Unisure Pty Ltd, the Associate, which manages workers compensation claims on behalf of the three institutions. The University's interest (33.3 percent) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investments in the associates has not been accounted for using the equity method as per AASB 128.

Unisure Pty Ltd is the trustee of the Unisure Unit trust which holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2006 the Unit Trust held net assets of \$5.119 million on behalf of the University of Adelaide (\$5.387 million).

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the Financial Statements.

33. Interests in Joint Ventures(a) **Groups**

The University participates in a number of joint ventures. For reporting purposes these have been segregated into three groups as follows:

- (i) *Cooperative Research Centres*
CRCs have the characteristics of joint ventures. These operations are not material to the University and there is no separate disclosure for 2006 in accordance with the Australian Accounting Standard AASB 131.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

			Participation Percent
CRC for Greenhouse Gas Technologies	(U)	(C)	11
CRC for Welded Structures Ltd	(I)	(C)	7
CRC for Molecular Plant Breeding	(U)	-	18
CRC for Clean Power from Lignite	(U)	(C)	9
CRC for Sensor Signal and Information Processing	(U)	-	13
CRC for Viticulture	(U)	(C)	6
CRC for Water Quality and Treatment	(U)	(C)	4

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

(i) *Cooperative Research Centres (continued)*

			Participation Percent
CRC for Australian Weed Management	(U)	(C)	6
CRC for Plant-Based Management of Dryland Salinity	(U)	(C)	4
CRC for Landscape Environments and Mineral Exploration	(U)	(C)	8
CRC for Aquafin	(U)	(C)	-
CRC for NPB Ltd	(I)	(C)	-
Beef CRC Limited	(I)	(C)	10
Pork CRC Ltd	(I)	-	26
eWater Ltd	(I)	(C)	2
Desert Knowledge	(U)	(C)	-

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The University is a supporting participant (but not a signatory) for the CRC for Aquafin and is an associate participant for the Desert Knowledge CRC under the terms of an Associate Agreement entered into with Ninti One Limited the CRC management company acting as centre agent.

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, of \$2 million in cash (\$2.6 million) and \$22.6 million in kind (\$31.8 million).

(ii) *Joint Ventures Accounted for Using the Equity Method*

Name	Principal Activity		Participation Percent
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes.	(U)	33
Professional Certificate in Arbitration (previously - National Course in General Arbitration and Dispute Resolution)	To develop and deliver tertiary courses in arbitration.	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia.	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U)	25
South Australian Consortium for Information Technology and Telecommunications	Represents the three South Australian Universities by providing a focal point for the State in pursuing and winning major research funding in IT and T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three SA Universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the SA community.	(U)	33
Water Ed Australia Pty Ltd	A centre of leadership and innovation in collaborative water resources management education and training.	(I)	20
Monoclonal Antibodies South Australia (MAbSA)	Responsible for the development of monoclonal antibodies for the research market.	(U)	50

(I) Incorporated (U) Unincorporated

- (ii) *Joint Ventures Accounted for Using the Equity Method (continued)*
All Joint Ventures have a 31 December reporting period, except for South Australian Tertiary Admissions Centre and Water Ed Australia Pty Ltd, which have a 30 June reporting period.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$2 823 000 (\$2 451 000). These are included in the consolidated Balance Sheet, in accordance with the accounting policy described in Note 3(I).

<i>Joint Venture Entity</i>	2006	2005	Consolidated		Investment at Cost	
			Percent	Percent	2006	2005
Held by the University:			\$'000	\$'000	\$'000	\$'000
Middleback Field Centre	33	33	29	31	-	-
Professional Certificate in Arbitration	50	50	69	49	65	65
South Australian Centre for Economic Studies	50	50	115	88	-	-
South Australian Tertiary Admissions Centre	25	25	291	334	-	-
South Australian Consortium for Information Technology and Telecommunications	33	33	969	972	-	-
Ethics Centre of South Australia	33	33	36	24	-	-
Monoclonal Antibodies South Australia (MABSA)	50	0	9	-	-	-
Water Ed Australia Pty Ltd	20	20	1 305	953	70	-
			2 823	2 451	135	65

(c) *Movements in Carrying Amounts of Joint Ventures*

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
At 1 January	2 451	2 423	-	-
Share of operating result	302	28	-	-
Additional investment in joint ventures	70	-	-	-
	2 823	2 451	-	-

(d) *Results Attributed to Joint Ventures*

Operating result	302	28	-	-
Additional investment in joint ventures	70	-	-	-
Retained surplus attributable at 1 January	2 451	2 423	-	-
Retained surplus attributable at 31 December	2 823	2 451	-	-

(e) *Accounting for Joint Ventures*

- (i) *Capital and Other Expenditure Commitments*
There are no material capital and other expenditure commitments relating to joint ventures.
- (ii) *Contingent Liabilities*
There are no known material contingent liabilities relating to joint ventures.
- (iii) *Post Balance Date Events*
There are no material post balance date events to report for joint ventures.
- (iv) *Assets, Liabilities, Revenue and Expenditure*
Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.
- (v) *Off Balance Sheet Financial Instruments*
Neither the reporting entity, nor any of its joint ventures, have any Off Balance Sheet Financial Instruments.

34. **Related Parties**

(a) *Parent Entity*

The ultimate parent entity within the group is the University of Adelaide.

(b) Controlled Entities, Joint Ventures and Associated Entities

Investments in controlled entities are detailed in Note 31, investments in associates are detailed in Note 32 and interests in joint ventures are detailed in Note 33.

(c) Council Members and Senior Management

Disclosures relating to the University Council Members and Senior Management are detailed in Note 29.

(d) Councillor Related Transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members, are trivial and domestic in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) Property Leases

The University is the lessor of long-term leases at peppercorn rents to the CSIRO, Australian Wine Research Institute and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 33.

(f) Fees Paid to Members of Council

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

(g) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within these financial statements, such students are subject to the normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 35 to Note 40 has been prepared in accordance with the DEST reporting guidelines.

35. Income Statement for the Year Ended 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Australian Government financial assistance:					
Australian Government grants	36	228 975	211 142	228 975	211 142
HECS-HELP - Australian Government payments	36(b)	41 671	44 338	41 671	44 338
Other Australian Government loan programmes	36(b)	5 078	5 478	5 078	5 478
State and Local Government financial assistance	38	27 042	16 894	26 759	16 674
HECS-HELP - student payments		9 773	10 215	9 773	10 215
Fees and charges	39	87 441	78 814	87 083	77 480
Investment income		29 180	21 656	27 071	19 550
Royalties, trademarks and licenses	4	2 049	1 563	708	115
Consultancy and contract revenue	40	45 915	37 333	29 335	24 553
Net gains on disposal of assets		2 908	381	-	322
Other revenue		34 686	34 719	17 332	23 414
Sub-Total		514 718	462 533	473 785	433 281
Deferred government superannuation contributions		600	4 600	600	4 600
Total Operating Revenue from Continuing Operations		515 318	467 133	474 385	437 881
Share of net profits (losses) of associates and joint ventures accounted for using the equity method		366	(2 095)	-	-
Total Revenue from Continuing Operations		515 684	465 038	474 385	437 881

35. Income Statement for the Year Ended 31 December 2006 (continued)

	Note	Consolidated		University	
		2006	2005	2006	2005
EXPENSES FROM CONTINUING OPERATIONS:		\$'000	\$'000	\$'000	\$'000
Employee benefits	5	259 008	231 784	248 797	224 466
Depreciation and amortisation	5	20 759	22 050	19 936	21 169
Building and grounds	5	32 134	25 896	30 892	25 896
Bad and doubtful debts	5	717	854	652	828
Finance costs	5	143	163	143	157
Scholarships, grants and prizes		21 622	20 524	21 622	20 524
Non-capitalised equipment	5	9 547	12 148	9 494	12 160
Advertising, marketing and promotional expenses		4 449	2 615	4 449	2 512
Net losses on disposal of assets	5	-	-	1 495	-
Other expenses		128 165	106 651	100 927	87 377
Sub-Total		476 544	422 685	438 407	395 089
Deferred Government employee benefits for superannuation		600	4 600	600	4 600
Total Expenses from Continuing Operations		477 144	427 285	439 007	399 689
Operating Result from Continuing Operations		38 540	37 753	35 378	38 192
Operating result from discontinued Operations		359	(418)	-	-
NET OPERATING RESULT FOR THE YEAR		38 899	37 335	35 378	38 192

36. Australian Government Financial Assistance

(a) DEST - Commonwealth Grants Scheme and Other DEST Grants					
Commonwealth grants scheme		78 751	70 035	78 751	70 035
Indigenous support fund		472	401	472	401
Equity programmes		178	174	178	174
Workplace reform programme		1 075	1 037	1 075	1 037
Capital development pool		2 129	-	2 129	-
Superannuation programme		2 590	2 370	2 590	2 370
Collaboration and structural reform programme		20	73	20	73
Workplace productivity programme		112	-	112	-
		85 327	74 090	85 327	74 090
(b) Higher Education Loan Programmes					
HECS-HELP (Australian Government payments only)		41 671	44 338	41 671	44 338
FEE-HELP		5 078	5 478	5 078	5 478
OS-HELP		356	222	356	222
		47 105	50 038	47 105	50 038
(c) Scholarships					
Australian postgraduate awards		4 381	4 461	4 381	4 461
International postgraduate research scholarships		899	860	899	860
Commonwealth education costs scholarships		543	314	543	314
Commonwealth accommodation scholarships		886	592	886	592
		6 709	6 227	6 709	6 227
(d) DEST Research					
Institutional grants scheme		16 371	16 311	16 371	16 311
Research training scheme		29 757	29 640	29 757	29 640
Systemic infrastructure initiative		-	-	-	-
Research infrastructure block grants		14 248	13 773	14 248	13 733
		60 376	59 724	60 376	59 724
(e) Australian Research Council					
(i) Discovery:					
Projects		11 089	10 677	11 089	10 677
Fellowships		966	1 438	966	1 438
Indigenous researchers development		-	15	-	15
		12 055	12 130	12 055	12 130
(ii) Linkages:					
Special research initiatives		57	56	57	56
Infrastructure		785	1 968	785	1 968
International		120	303	120	303
Projects		4 265	3 781	4 265	3 781
		5 227	6 108	5 227	6 108
(iii) Networks and Centres:					
Networks		624	613	624	613
Centres		3 007	4 784	3 007	4 784
		3 631	5 397	3 631	5 397

(f) Other Australian Government Financial Assistance Received	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Attorney General's Department	-	20	-	20
Australian Centre for International Agricultural Research	413	426	413	426
Australian Institute of Health and Welfare	674	-	674	-
Bureau of Meteorology	-	40	-	40
CSIRO	814	271	814	271
Defence, Science and Technology Organisation	2 214	2 228	2 214	2 228
Department of Agriculture, Fisheries and Forestry	16 731	11 194	16 731	11 194
Department of Communications, IT and Arts	728	790	728	790
Department of Defence	50	150	50	150
Department of Education, Science and Training	181	1 708	181	1 708
Department of Environment and Heritage	272	226	272	226
Department of Foreign Affairs and Trade	-	10	-	10
Department of Health and Aged Care	32 510	29 586	32 510	29 586
Department of Immigration, Multicultural and Indigenous Affairs	-	28	-	28
Department of Industry, Tourism and Resources	-	14	-	14
Department of Veteran's Affairs	111	-	111	-
Other	596	553	596	553
	55 294	47 244	55 294	47 244
Reconciliation				
Australian Government grants	228 975	211 142	228 975	211 142
HECS-HELP - Australian Government payments	41 671	44 338	41 671	44 338
Other Australian Government loan programmes	5 078	5 478	5 078	5 478
	275 724	260 958	275 724	260 958
(g) Australian Government Grants Received - Cash Basis				
CGS and other DEST grants	85 327	74 252	85 327	74 252
Higher education loan programmes	50 425	50 002	50 425	50 002
Scholarships	6 709	6 227	6 709	6 227
DEST research	60 376	59 724	60 376	59 724
ARC grants - Discovery	12 162	12 217	12 162	12 217
ARC grants - Linkages	5 449	6 459	5 449	6 459
ARC grants - Networks and centres	3 631	5 397	3 631	5 397
Other Australian Government grants	46 522	46 694	46 522	46 694
	270 601	260 972	270 601	260 972
OS-Help (Net)	(453)	453	(453)	453
	270 148	261 425	270 148	261 425

37. **Acquittal of Australian Government Financial Assistance**

(a) DEST - Commonwealth Grants Scheme and Other DEST Grants		Parent Entity (University) Only			
		Commonwealth Grants Scheme		Indigenous Support Fund	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period	Note	78 751	70 197	472	401
Net accrual adjustments		-	(162)	-	-
Revenue for the Period	36(a)	78 751	70 035	472	401
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		78 751	70 035	472	401
Total Expenses Including Accrued Expenses		78 751	70 035	472	401
Surplus (Deficit) for the Reporting Period		-	-	-	-
		Equity Programmes		Workplace Reform Programme	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		178	174	1 075	1 037
Net accrual adjustments		-	-	-	-
Revenue for the Period		178	174	1 075	1 037
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		178	174	1 075	1 037
Total Expenses Including Accrued Expenses		178	174	1 075	1 037
Surplus (Deficit) for the Reporting Period		-	-	-	-

		Capital Development Pool		Superannuation Programme			
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000		
(a) DEST - Commonwealth Grants Scheme and Other DEST Grants (continued)	Financial assistance received in cash during the reporting period	Note					
	Net accrual adjustments						
	Revenue for the Period	36(a)	2 129	-	2 590	2 370	
	Surplus (Deficit) from the previous year		-	-	-	-	
	Total Revenue Including Accrued Revenue		2 129	-	2 590	2 370	
	Total Expenses Including Accrued Expenses		2 129	-	2 590	2 370	
	Surplus (Deficit) for the Reporting Period		-	-	-	-	
			Collaboration and Structural Reform Programme		Workplace Productivity Programme		
			2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	
	Financial assistance received in cash during the reporting period						
	Net accrual adjustments						
	Revenue for the Period	36(a)	20	73	112	-	
	Surplus (Deficit) from the previous year		-	-	-	-	
	Total Revenue Including Accrued Revenue		20	73	112	-	
	Total Expenses Including Accrued Expenses		20	73	112	-	
	Surplus (Deficit) for the Reporting Period		-	-	-	-	
			Total				
			2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	
	Financial assistance received in cash during the reporting period						
	Net accrual adjustments						
	Revenue for the Period	36(a)	85 327	74 252	85 327	(162)	
	Surplus (Deficit) from the previous year		-	-	-	-	
	Total Revenue Including Accrued Revenue		85 327	74 090	85 327	74 090	
	Total Expenses Including Accrued Expenses		85 327	74 090	85 327	74 090	
Surplus (Deficit) for the Reporting Period		-	-	-	-		
(b) Higher Education Loan Programmes		Parent Entity (University) Only					
		HECS-HELP (Australian Government payments only)		FEE-HELP			
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000		
	Financial assistance received in cash during the reporting period						
	Net accrual adjustments						
	Revenue for the Period	36(b)	43 613	44 338	6 456	5 442	
	Surplus (Deficit) from the previous year		(1 942)	-	(1 378)	36	
	Total Revenue Including Accrued Revenue		41 671	44 338	5 078	5 478	
	Total Expenses Including Accrued Expenses		41 671	44 338	5 078	5 478	
	Surplus (Deficit) for the Reporting Period		-	-	-	-	

**(b) Higher Education Loan Programmes
(continued)**

	Note	OS-HELP		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		356	222	50 425	50 002
Net accrual adjustments		-	-	(3 320)	36
Revenue for the Period	36(b)	356	222	47 105	50 038
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		356	222	47 105	50 038
Total Expenses Including Accrued Expenses		356	222	47 105	50 038
Surplus (Deficit) for the Reporting Period		-	-	-	-

(c) Scholarships

	Note	Parent Entity (University) Only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		4 381	4 461	899	860
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(c)	4 381	4 461	899	860
Surplus (Deficit) from the previous year		317	160	-	-
Total Revenue Including Accrued Revenue		4 698	4 621	899	860
Total Expenses Including Accrued Expenses		4 126	4 304	899	860
Surplus (Deficit) for the Reporting Period		572	317	-	-

	Note	Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		543	314	886	592
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(c)	543	314	886	592
Surplus (Deficit) from the previous year		12	-	70	8
Total Revenue Including Accrued Revenue		555	314	956	600
Total Expenses Including Accrued Expenses		481	302	702	530
Surplus (Deficit) for the Reporting Period		74	12	254	70

	Note	Total	
		2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		6 709	6 227
Net accrual adjustments		-	-
Revenue for the Period	36(c)	6 709	6 227
Surplus (Deficit) from the previous year		399	168
Total Revenue Including Accrued Revenue		7 108	6 395
Total Expenses Including Accrued Expenses		6 208	5 996
Surplus (Deficit) for the Reporting Period		900	399

(d) DEST Research

		Parent Entity (University) Only			
		Institutional Grants Scheme		Research Training Scheme	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	16 371	16 311	29 757	29 640
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(d)	16 371	16 311	29 757	29 640
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		16 371	16 311	29 757	29 640
Total Expenses Including Accrued Expenses		16 371	16 311	29 757	29 640
Surplus (Deficit) for the Reporting Period		-	-	-	-

		Systemic Infrastructure Initiative		Research Infrastructure Block Grants	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		-	-	14 248	13 773
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(d)	-	-	14 248	13 773
Surplus (Deficit) from the previous year		10	31	-	(448)
Total Revenue Including Accrued Revenue		10	31	14 248	13 325
Total Expenses Including Accrued Expenses		10	21	14 248	13 325
Surplus (Deficit) for the Reporting Period		-	10	-	-

		Total	
		2006	2005
		\$'000	\$'000
Financial assistance received in cash during the reporting period		60 376	59 724
Net accrual adjustments		-	-
Revenue for the Period	36(d)	60 376	59 724
Surplus (Deficit) from the previous year		10	(417)
Total Revenue Including Accrued Revenue		60 386	59 307
Total Expenses Including Accrued Expenses		60 386	59 297
Surplus (Deficit) for the Reporting Period		-	10

(e) Australian Research Council Grants - Discovery

		Parent Entity (University) Only			
		Projects		Fellowships	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	11 189	10 716	973	1 486
Net accrual adjustments		(100)	(39)	(7)	(48)
Revenue for the Period	36(e)	11 089	10 677	966	1 438
Surplus (Deficit) from the previous year		3 867	2 555	752	690
Total Revenue Including Accrued Revenue		14 956	13 232	1 718	2 128
Total Expenses Including Accrued Expenses		10 353	9 365	1 215	1 376
Surplus (Deficit) for the Reporting Period		4 603	3 867	503	752

**(e) Australian Research Council Grants -
Discovery (continued)**

	Note	Indigenous Researchers Development		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		-	15	12 162	12 217
Net accrual adjustments		-	-	(107)	(87)
Revenue for the Period	36(e)	-	15	12 055	12 130
Surplus (Deficit) from the previous year		6	2	4 625	3 247
Total Revenue Including Accrued Revenue		6	17	16 680	15 377
Total Expenses Including Accrued Expenses		1	11	11 569	10 752
Surplus (Deficit) for the Reporting Period		5	6	5 111	4 625

**(f) Australian Research Council Grants -
Linkages**

	Note	Parent Entity (University) Only			
		Special Research Initiatives		Infrastructure	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		57	56	785	1 968
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(e)	57	56	785	1 968
Surplus (Deficit) from the previous year		54	-	771	220
Total Revenue Including Accrued Revenue		111	56	1 556	2 188
Total Expenses Including Accrued Expenses		99	2	943	1 417
Surplus (Deficit) for the Reporting Period		12	54	613	771

	36(e)	International		Projects	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		269	331	4 338	4 104
Net accrual adjustments		(149)	(28)	(73)	(323)
Revenue for the Period		120	303	4 265	3 781
Surplus (Deficit) from the previous year		292	137	1 750	1 649
Total Revenue Including Accrued Revenue		412	440	6 015	5 430
Total Expenses Including Accrued Expenses		321	148	3 781	3 680
Surplus (Deficit) for the Reporting Period		91	292	2 234	1 750

	36(e)	Total	
		2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period		5 449	6 459
Net accrual adjustments		(222)	(351)
Revenue for the Period		5 227	6 108
Surplus (Deficit) from the previous year		2 867	2 006
Total Revenue Including Accrued Revenue		8 094	8 114
Total Expenses Including Accrued Expenses		5 144	5 247
Surplus (Deficit) for the Reporting Period		2 950	2 867

**(g) Australian Research Council Grants -
Networks and Centres**

	Note	Parent Entity (University) Only			
		Networks		Centres	
		2006	2005	2006	2005
Financial assistance received in cash during the reporting period		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		624	613	3 007	4 784
		-	-	-	-
Revenue for the Period	36(e)	624	613	3 007	4 784
Surplus (Deficit) from the previous year		585	280	355	97
Total Revenue Including Accrued Revenue		1 209	893	3 362	4 881
Total Expenses Including Accrued Expenses		591	308	3 362	4 526
Surplus (Deficit) for the Reporting Period		618	585	-	355

	36(e)	Total	
		2006	2005
Financial assistance received in cash during the reporting period		\$'000	\$'000
Net accrual adjustments		3 631	5 397
		-	-
Revenue for the Period		3 631	5 397
Surplus (Deficit) from the previous year		940	377
Total Revenue Including Accrued Revenue		4 571	5 774
Total Expenses Including Accrued Expenses		3 953	4 834
Surplus (Deficit) for the Reporting Period		618	940

38. State and Local Government Financial Assistance**(a) South Australian Government and Local Government Financial Assistance**

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Arts SA	54	105	54	105
Bio Innovation SA	2 072	2 102	2 009	2 102
Central Northern Adelaide Health Service	2 151	2 372	2 151	2 372
Department for Environment and Heritage	460	237	460	237
Department for Families and Communities	20	140	20	140
Department of Further Education, Employment, Science and Technology	2 622	2 247	2 622	2 247
Department of Health	2 262	1 072	2 262	1 072
Department of the Premier and Cabinet	262	339	262	339
Department of Primary Industries and Resources	10 967	1 751	10 967	1 751
Department of Education and Children Services	11	156	11	156
Department for Trade and Economic Development	30	211	30	211
Department for Transport, Energy and Infrastructure	578	727	578	727
Department of Water, Land and Biodiversity Conservation	710	649	710	649
Institute of Medical and Veterinary Science	36	118	36	118
Motor Accident Commission	595	650	595	650
Office for the Commissioner for Public Employment	5	70	5	70
Police Department SA	150	150	150	150
Public Trustee Office	25	19	25	19
Repatriation General Hospital	6	25	6	25
Royal Adelaide Hospital	1 894	1 568	1 894	1 568
South Australian Dental Service	141	79	141	79
South Australian Museum	234	219	234	219
Southern Adelaide Health Service	89	565	89	565
Southern York Peninsula Health Commission	220	220	-	-
Children, Youth and Women's Health Service	645	468	645	468
WorkCover Corporation	14	11	14	11
Other	444	158	444	158
Total South Australian Government and Local Government Financial Assistance	26 697	16 428	26 414	16 208

(b) Other State Government and Local Government Financial Assistance

	345	466	345	466
Total State Government and Local Government Financial Assistance	27 042	16 894	26 759	16 674

39. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Student fee income	4	71 033	60 091	71 033	60 091
Library charges and fines	4	882	963	882	963
Application management and late fees	4	564	482	564	482
Parking fees	4	929	734	929	734
Rental charges/accommodation fees	4	8 279	5 447	7 921	5 447
Recharge of costs to other organisations	4	1 019	3 999	1 019	3 999
Franchise fees	4	978	939	978	939
Other		3 757	6 159	3 757	4 825
Total		87 441	78 814	87 083	77 480

40. Consultancy and Contract Revenue

Consultancy		18 001	15 318	4 882	4 716
Contract research		27 914	22 015	24 453	19 837
Total		45 915	37 333	29 335	24 553

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

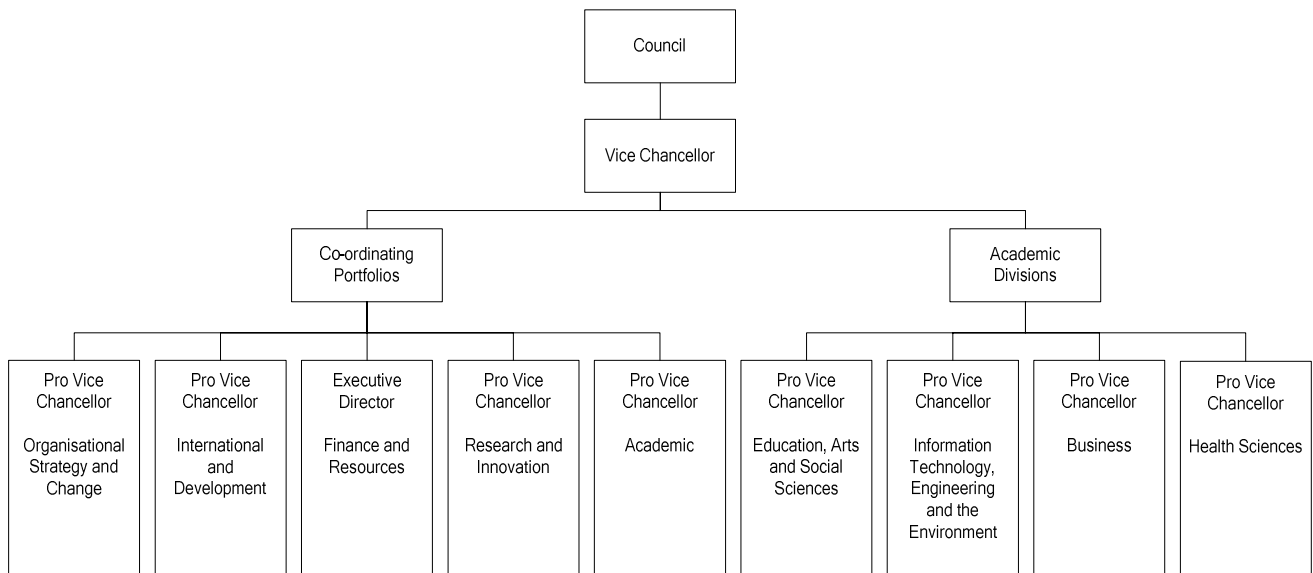
The University of South Australia (the University) was established under the *University of South Australia Act 1990*.

Functions

The University's function is to advance, disseminate and preserve knowledge by providing a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

Structure

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



The University operated from five campuses during 2006: City East, City West, Magill, Mawson Lakes and Whyalla.

During 2006, the following entities were controlled by the University:

- ITEK Pty Ltd — The University established ITEK Pty Ltd to provide business incubation and technology commercialisation services.
- University of South Australia Foundation Incorporated (the Foundation) — As a result of a restructure, the assets and functions of the Foundation were transferred to the University as at 30 June 2005. The Foundation continues to legally exist to accept any future donations where the Foundation is named as the beneficiary. During 2006, all donations were made directly to the University.

Audit and Risk Management Committee

The University Audit and Risk Management Committee comprises three external members of the Council and an academic staff representative. The Committee meets on at least a quarterly basis and reports to the Council. The Committee's primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities for risk management and internal controls. Representatives of the Auditor-General attend meetings of the Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University for each year of operation.

Assessment of Controls

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

Scope of Audit

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

For the year ended 31 December 2006, areas reviewed included:

- expenditure
- payroll
- revenue (including student fees)
- fixed assets (including a review of the capital program)
- subsidiary entities.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2006 Independent Audit Report, which details the qualification to the University's financial report.

Qualification

The University has recognised \$8.9 million of unspent government grants as a liability for the year ended 31 December 2006. The amount has been recognised as income received in advance and included in 'Other Liabilities' - Commonwealth and State Government Grants in Note 26 to the financial statements. The University has disclosed its accounting treatment of these grants in Note 1(d) to the financial statements.

In my opinion, the government grants are contributions and meet the criteria for recognition as income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with grant conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such grant funds received, including any unspent portion, should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2006 Financial Report:

- *The revenue recognised as Australian Government Grants and State and Local Government Financial Assistance is understated by \$1.3 million and \$3.8 million respectively.*
- *Net operating result and Retained Surplus is understated by \$5.1 million and \$3.8 million respectively.*
- *Other Liabilities is overstated by \$8.9 million.*

Qualified Auditor's Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Supporting Act 2003, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the consolidated entity as at 31 December 2006, the results of their operations and their cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the University over the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for:

- payroll – validity and accuracy of casual employee payroll transactions;
- aspects of expenditure – verification of authorisations;
- aspects of expenditure – segregation of duties;

as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the University have been conducted properly and in accordance with law.

Communication of Audit Matters

Audit matters were detailed in management letters to the officers responsible for the governance of the University. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the University and the related responses are provided herein.

Government Grant Funding

The University has recognised a liability for some grants which were unspent as at 31 December 2006. These grants totalling \$8.9 million covered:

- Australian Research Council
- National Health and Medical Research Council
- State Government.

In my opinion, these grants represent contributions which are non-reciprocal transfers and the University obtains control of the grant funding on receipt. As a consequence, in accordance with AASB 1004, these grants should be recognised as revenue in the year of receipt.

The University has deferred the recognition of these grants as revenue because they have specified conditions giving the grantor the right to recall funds not spent in accordance with the agreement. The University believes that the deferral of recognition of the grant income, until the year that the grant obligations are satisfied, is a conservative accounting treatment that better reflects the result of operations for the period since the effect of it is to record grant income in the same period the related expenses are incurred.

The funding agreements outline the terms and conditions of the grant funding, including the events which may trigger the repayment of funds to the grantor. In line with the AASB Framework for the Preparation and Presentation of Financial Statements, to record a liability the University must be presently obligated to repay the funds. The fact that the University has not spent the funds does not create a present obligation. In my opinion, a present obligation exists when the University has failed to meet a specified condition of the funding agreement which then requires repayment of funds.

Further, where a present obligation exists, the recognition criteria of a liability, as outlined in the Accounting Standards, must be met. In recording the liability the University has not undertaken an assessment of whether the recognition criteria has been met.

As a result the Independent Audit Report on the University's financial statements for 2006 was qualified on the treatment of the above government grants. The financial effect of the non-compliance with the Accounting Standard is provided above under the heading 'Auditor's Report on the Financial Report'.

Payroll - Validity and Accuracy of Casual Employee Payroll Transactions

An essential control of a payroll process is a review of the pay period's disbursements to ensure payments are made to authorised employees for the correct amount. Over several years the Audit review revealed that there was minimal independent review of the validity and accuracy of casual employee payments.

In response to previous years' audit findings, the University produced a payroll report for review by the relevant Supervisors/Managers from early 2005. While the report provides sufficient information to perform the review, in practice it was not being performed in a manner to ensure the validity and accuracy of casual employee payments. Further, the payroll procedures were not updated to detail the review process.

The University responded that an on-line review of casual employee payments has been implemented.

Expenditure – Verification of Authorisations

Authorisations provided on documents (such as requisition forms and invoices) were not, in all instances, being verified against the Vice Chancellor's Authorisations prior to purchase and/or payment. A review of a sample of payments revealed instances where payments were being approved by officers without any authority and by officers where the amount was beyond their delegated limit.

The University responded that an automatic workflow for approvals will be implemented in early 2008.

Expenditure - Segregation of Duties

Expenditure

Consistent with prior years, the 2006 audit review revealed that the generic 'sundry creditors' code is used to process payments to students and staff. All accounts payable officers can change the payment details of this code. While the percentage of payments processed through this code is low, there is still a risk of unauthorised or fraudulent payments being made.

The University has implemented additional controls over the use of the sundry creditors code, including an independent review of payments.

Purchasing

Consistent with prior years, there is no independence between purchasing, receiving goods and approving the payment for such goods within some areas of the University.

The University responded that an automatic workflow for approvals will be implemented in early 2008.

Other Matters

Other matters raised by Audit mainly related to improving internal control procedures to reduce the possibility of errors or unauthorised transactions. These include:

- *Payroll* — regular review of leave balances; establishing a policy on separation payments; accuracy and completeness of termination payment documentation; authorisation of termination payments in accordance with the Vice Chancellor's Authorisations; and implementing casual employment arrangements in compliance with University policy.
- *Revenue* — reconciliation of transnational revenue; timeliness of the recovery of outstanding student debt; non-compliance with delegated authority; and independent review of rates changes in the student administration system.
- *Expenditure* — review of Vice Chancellor's Authorisation to remove inconsistencies and clarify sub-authorisation processes.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration of the Audit suggestions having regard to its assessment of risk and feasibility.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The following analysis has been prepared using the reported information and should be read in conjunction with the qualification. Further, the deferred government superannuation contribution and Commonwealth supplementary funding balances have been excluded as they have minimal effect on the operations of the University. Refer to Note 32 to the financial report for further details of the University's superannuation plans and how they are accounted.

Highlights of the Financial Report (Consolidated)

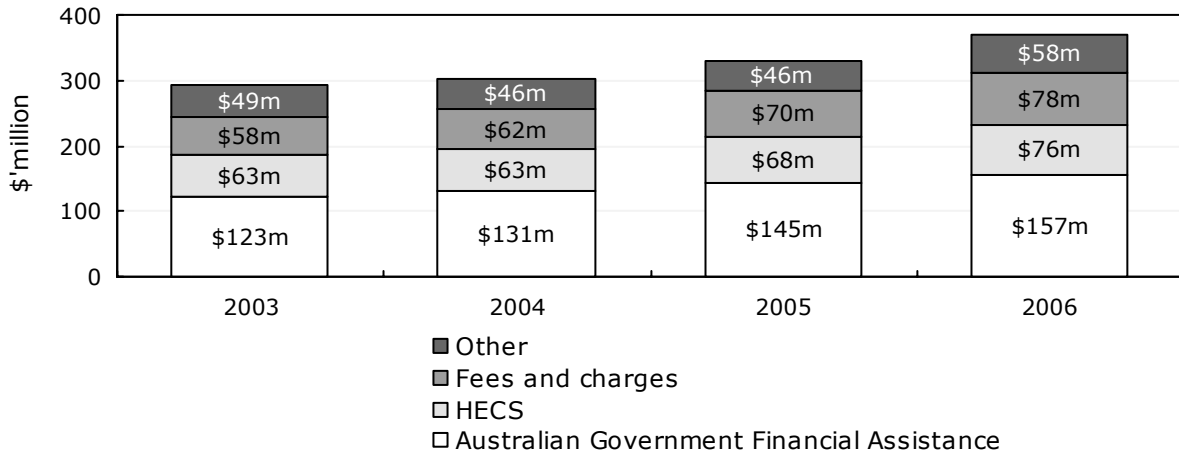
	2006	2005	Percentage
	\$'million	\$'million	Change
INCOME			
Australian Government and FEE-HELP financial assistance	157	145	8
HECS-HELP (Australian Government and student)	76	68	12
Fees and charges	78	70	11
Other	58	46	26
Total Income	369	329	12
EXPENSES			
Employee benefit costs	209	193	8
Other	130	116	12
Total Expenses	339	309	10
Operating Result before Income Tax	30	20	50
NET CASH FLOWS FROM OPERATIONS	54	45	20
NET CASH FLOWS FROM INVESTING ACTIVITIES	(47)	(12)	-
ASSETS			
Current assets	102	107	(5)
Non-current assets	490	466	5
Total Assets	592	573	3
LIABILITIES			
Current liabilities	61	72	(15)
Non-current liabilities	27	28	(4)
Total Liabilities	88	100	(12)
EQUITY	504	473	7

Income Statement (Consolidated)**Income**

Income amounted to \$368.4 million, an increase of \$38.8 million. This is due mainly to an increase in:

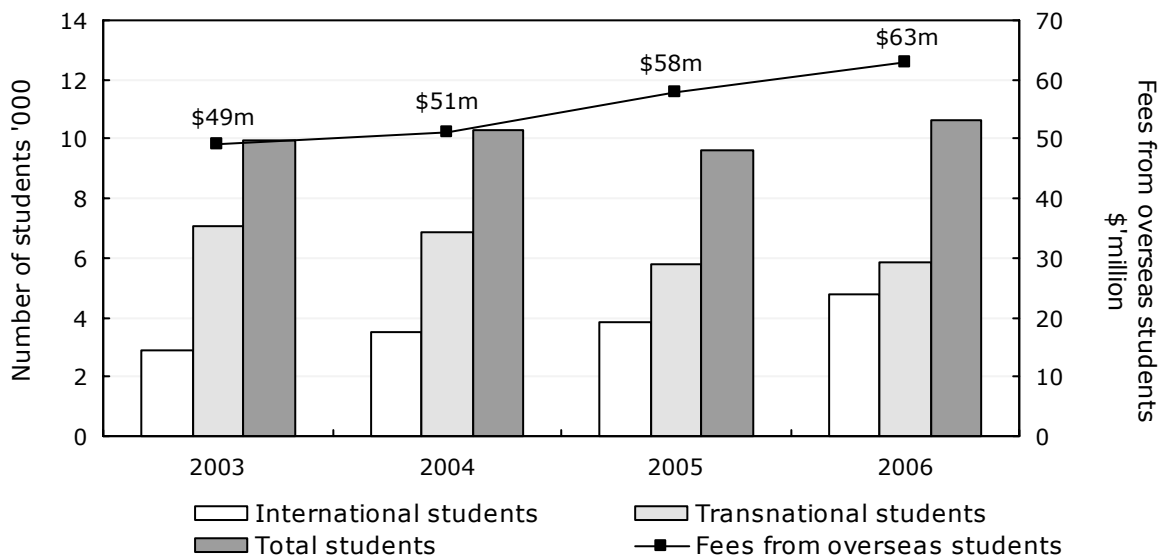
- Australian Government Financial Assistance, (including the Higher Education Contribution Scheme (HECS)) of \$20.3 million, totalling \$233.6 million. This increase resulted mainly from a:
 - \$5 million increase in the base operating grant in line with the Federal Government Higher Education Reforms;
 - \$7.5 million increase in HECS-HELP due to an increase in eligible students and increase in students incurring the 25 percent increase in HECS-HELP fees (effective from 1 January 2005).
- Fees and Charges of \$7.5 million, totalling \$77.5 million. This is due mainly to an increase in fees from overseas students by \$5.2 million to \$63 million.
- State and Local Government Financial Assistance of \$5.4 million to \$8.8 million. This increase is due mainly to an increase in State Government capital grants for major projects. As stated above under the heading 'Auditor's Report on the Financial Report', the reported balance of \$8.8 million is understated by \$3.8 million, resulting in an adjusted increase of \$9.1 million.

A structural analysis of the University's income for the four years to 2006 is presented in the following chart.



The chart demonstrates the success of the University in increasing revenue from fees and charges. The increase in fees and charges is due mainly to an increase in fees from overseas students.

The following chart highlights the upward trend in fees from overseas students (both international and transnational). This trend is due mainly to an increase in student enrolments.



Source: student numbers were obtained from the University's annual reports and are unaudited figures.

Over the four year period, overseas student numbers have increased by 7 percent, representing the University's third highest revenue source at 17 percent of total revenue.

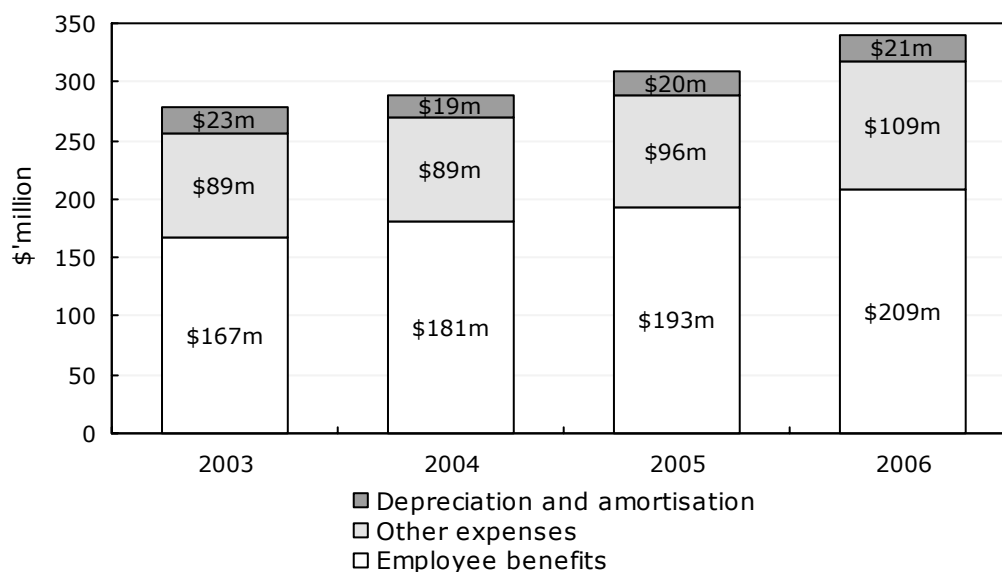
International student numbers have continued to increase whereas transnational students have declined since 2003. The increase in international students (overseas students studying on campus) is due to an increase in enrolments of students from India and China. The transnational student (overseas students studying in their home country) numbers fluctuate as it is directly effected by a number of factors, including the state of offshore economies and the value of the Australian dollar.

Expenses

Expenses increased by \$29.1 million, totalling \$338.4 million. The main expense of the University is employee benefits. This item increased by \$16.1 million to \$208.8 million. This was due mainly to a 5 percent wage rate increase; increases in employee related costs; and appointment of new staff.

Other expenses has increased by \$13 million due mainly to an increase in external services; and repairs and maintenance of buildings (mainly at Magill Campus).

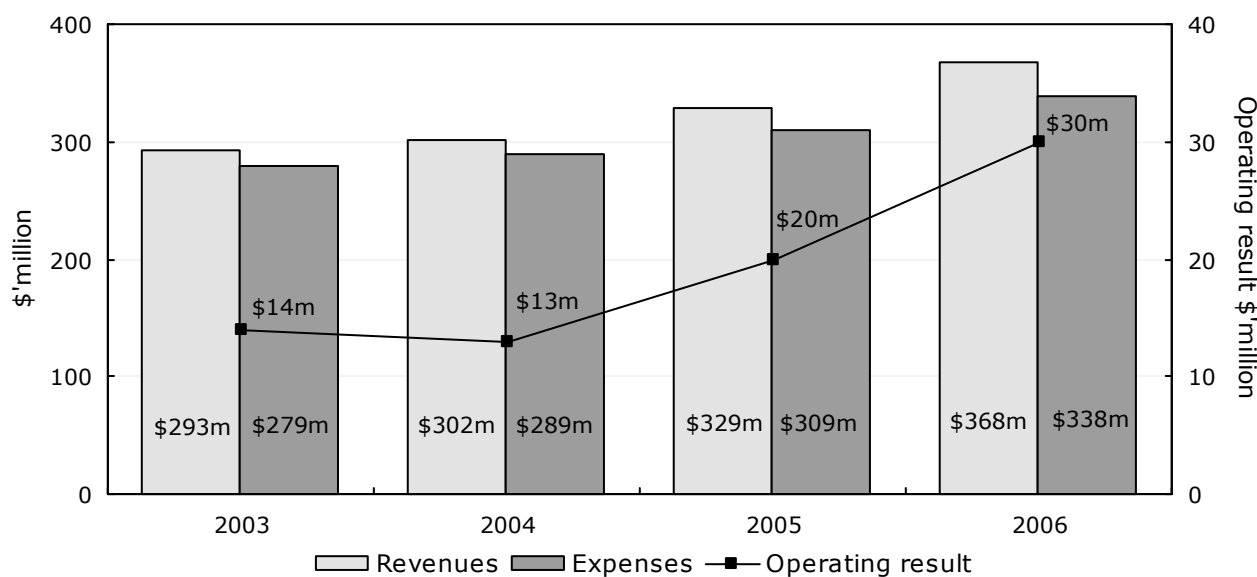
For the four years to 2006, a structural analysis of the University's main expenses is shown in the following chart.



Operating Result

The result of operations for the year was a surplus of \$30 million (\$20.3 million), an increase of \$9.7 million.

The following chart shows the movement in income, expenses and the operating result before income tax for the current and preceding three years.



Since 2003, the operating result has increased by \$16 million mainly due to:

- increases in the base operating grant resulting from the Federal Government higher education reforms
- 25 percent increase in HECS fees for some students who commenced after 1 January 2005.

Balance Sheet (Consolidated)

The main item of the University's Balance Sheet is property, plant and equipment, representing 81 percent of total assets. Since 2003 the carrying value of property, plant and equipment has increased by \$93 million, totalling \$480 million, due to the following:

- the major capital redevelopment project (Blueprint 2005) which resulted in a capital spend of \$21.3 million in 2003; \$67.9 million in 2004; \$29.9 million in 2005; and \$19.5 million in 2006;

- in 2004 land and buildings were revalued resulting in an increase of \$22 million. This increase was offset by a revaluation decrement of the library collection of \$3.2 million;
- in 2005 new buildings were revalued resulting in an increase of \$4.4 million.

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2006.

	2006	2005	2004	2003
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	54	45	22	41
Investing	(47)	(12)	(74)	(22)
Financing	(16)	(1)	(2)	(1)
Change in Cash	(9)	32	(54)	18
Cash at 31 December	72	81	49	103

The University's net cash flows have decreased during 2006 due to the repayment of the \$15 million loan to the SA Government Financing Authority and a decrease in the proceeds from the sale of property, plant and equipment. This decrease was offset by an increase in Australian Government Financial Assistance and grants for major capital projects.

FURTHER COMMENTARY ON OPERATIONS

Blueprint 2005 Capital Program

Blueprint 2005 represents a major \$135 million (Stage 1: \$100 million and Stage 2: \$35 million) investment by the University in the refurbishment and expansion of the City West, City East, Magill and Mawson Lakes campuses. Blueprint 2005 aims to improve the teaching and learning environment while reducing the annual costs of maintenance and operation of the University's property.

Construction of Stage 1 commenced in 2004 and was completed by early 2005 resulting in the construction of five major buildings and extensions.

Construction of Stage 2 commenced in 2005 representing a new building located at City West which will accommodate an Art Museum, the Hawke Centre, Hawke Library and other facilities for students and staff. The building is due to be completed in 2007.

A significant aspect of Blueprint 2005 was the relocation and closure of the Underdale Campus at the end of 2004. The two sale contracts for the Underdale campus (totalling \$33.7 million) were settled in early 2005. These sale proceeds and the accumulation of cash held in short term deposits are the main sources of funding for Blueprint 2005.

Income Statement for the year ended 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Australian Government financial assistance:					
Australian Government grants	3,41	153 554	142 029	153 554	142 029
HECS-HELP Australian Government payments	3,41	64 353	56 587	64 353	56 587
FEE-HELP	3,41	3 699	3 333	3 699	3 333
State and Local Government financial assistance	4	8 833	3 456	8 833	3 456
HECS-HELP Student payments		12 040	11 391	12 040	11 391
Fees and charges	5	77 541	70 017	77 541	70 017
Investment income	6	6 276	5 087	7 218	4 770
Royalties		1 080	1 206	938	923
Consultancy and contract research	7	18 130	16 884	18 234	16 724
Other revenue	8	23 220	19 310	16 227	13 517
		368 726	329 300	362 637	322 747
Superannuation:					
Commonwealth supplementation	3,32	22 671	21 628	22 671	21 628
Deferred government contributions	32	-	24 200	-	24 200
Total Revenue from Continuing Operations		391 397	375 128	385 308	368 575
Other income (loss)	9	(346)	238	(332)	4 018
Total Income		391 051	375 366	384 976	372 593
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits and on-costs	10	208 759	192 638	205 204	189 024
Depreciation and amortisation	11	21 054	19 799	20 902	19 637
Repairs and maintenance	12	8 402	4 433	8 382	4 411
Borrowing cost expense	13	612	1 728	612	1 728
Bad and doubtful debts	14	1 055	703	1 055	703
Other expenses	15	98 517	89 976	96 629	88 204
		338 399	309 277	332 784	303 707
Superannuation:					
Commonwealth supplementation	3,32	22 671	21 628	22 671	21 628
Deferred employee benefits	32	-	24 200	-	24 200
Total Expenses from Continuing Operations		361 070	355 105	355 455	349 535
OPERATING RESULT BEFORE INCOME TAX		29 981	20 261	29 521	23 058
Income Tax Expense		216	779	216	779
OPERATING RESULT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF THE UNIVERSITY OF SOUTH AUSTRALIA		29 765	19 482	29 305	22 279

Balance Sheet as at 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
CURRENT ASSETS:					
Cash and cash equivalents	16	72 479	81 110	69 804	78 885
Receivables	17	21 769	20 704	20 600	19 523
Other financial assets	19	492	584	492	584
Other non-financial assets	22	6 877	4 296	6 852	4 289
Deferred government superannuation contribution	32	26 200	25 700	26 200	25 700
Total Current Assets		127 817	132 394	123 948	128 981
NON-CURRENT ASSETS:					
Other financial assets	19	9 313	8 904	10 069	9 655
Property, plant and equipment	20	480 284	455 895	479 901	455 647
Intangible assets	21	948	1 329	948	1 329
Deferred government superannuation contribution	32	282 400	282 900	282 400	282 900
Total Non-Current Assets		772 945	749 028	773 318	749 531
Total Assets		900 762	881 422	897 266	878 512
CURRENT LIABILITIES:					
Payables	23	15 730	18 101	15 297	17 726
Interest bearing liabilities	24	1 005	16 169	1 005	16 169
Provisions	25	16 688	15 290	16 345	14 965
Other liabilities	26	26 841	21 209	27 046	21 464
Income tax payable		995	779	995	779
Provision for superannuation	32	26 200	25 700	26 200	25 700
Total Current Liabilities		87 459	97 248	86 888	96 803
NON-CURRENT LIABILITIES:					
Payables	23	3 211	3 302	3 211	3 302
Interest bearing liabilities	24	-	1 005	-	1 005
Derivatives		-	509	-	509
Provisions	25	23 933	23 370	23 933	23 370
Provision for superannuation	32	282 400	282 900	282 400	282 900
Total Non-Current Liabilities		309 544	311 086	309 544	311 086
Total Liabilities		397 003	408 334	396 432	407 889
NET ASSETS		503 759	473 088	500 834	470 623
EQUITY:					
Reserves	27(a)	56 386	55 480	56 386	55 480
Retained surplus	27(b)	447 373	417 608	444 448	415 143
TOTAL EQUITY		503 759	473 088	500 834	470 623

Statement of Changes in Equity as at 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total Equity at 1 January		473 088	449 441	470 623	443 687
Retained surplus (net of tax):					
Adjustment on adoption of AASB 132 and AASB 139		-	(230)	-	(230)
Property, plant and equipment revaluation reserve (net of tax):					
Gain on revaluation of land and buildings	27	-	4 406	-	4 406
Gain (loss) on revaluation of art collection	27	-	(250)	-	(250)
Gain (loss) on revaluation of library	27	669	-	669	-
Available-for-sale investments reserve (net of tax):					
Gain on revaluation available-for-sale financial assets	27	237	239	237	142
Transfer from the University of South Australia Foundation Incorporated		-	-	-	589
Net Income Recognised Directly in Equity		906	4 165	906	4 657
Operating Result for the Year		29 765	19 482	29 305	22 279
Total Recognised Income and Expense for the Year		30 671	23 647	30 211	26 936
Total Equity at 31 December		503 759	473 088	500 834	470 623
Total recognised income and expense for the year is attributable to the University of South Australia		30 671	23 647	30 211	26 936

Cash Flow Statement for the year ended 31 December 2006

		Consolidated		University	
		2006	2005	2006	2005
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Australian Government financial assistance	3	244 930	227 460	244 930	227 460
State and Local Government grants		7 803	3 145	7 803	3 145
HECS-HELP - Student payments		12 040	11 771	12 040	11 771
Receipts from student fees and other customers		89 776	74 682	89 776	74 663
Dividends received		252	179	1 358	79
Interest received		6 077	4 598	5 913	4 464
Royalties		1 080	1 206	938	923
Consultancy and contract research		15 658	15 535	15 750	15 728
Other receipts		22 765	19 440	15 770	13 048
Taxes recovered (GST)		6 201	4 924	6 201	4 924
Proceeds from transfer of activities from University of South Australia Foundation Incorporated		-	-	-	2 553
OUTFLOWS:					
Payments to suppliers and employees (inclusive of GST)		(350 879)	(315 997)	(345 668)	(309 929)
Interest paid		(867)	(1 728)	(867)	(1 728)
Net Cash Inflow from Operating Activities	37	54 836	45 214	53 944	47 101
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		91	34 061	91	34 061
Proceeds from sale of investments		303	727	303	170
OUTFLOWS:					
Payments for property, plant and equipment		(46 556)	(46 303)	(46 254)	(46 249)
Payments for investments		(1 136)	(900)	(996)	(166)
Net Cash Outflow from Investing Activities		(47 298)	(12 415)	(46 856)	(12 184)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Principal repayments under finance lease		(1 169)	(1 371)	(1 169)	(1 371)
Repayment of borrowings		(15 000)	-	(15 000)	-
Net Cash Outflow from Financing Activities		(16 169)	(1 371)	(16 169)	(1 371)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8 631)	31 428	(9 081)	33 546
CASH AND CASH EQUIVALENTS AT 1 JANUARY		81 110	49 682	78 885	45 339
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	72 479	81 110	69 804	78 885
Non-cash investing and financing activities	38				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with applicable Australian Accounting Standards (AASB), AASB Interpretations, and the Department of Education, Science and Training (DEST) requirements.

Except where in conflict with the DEST requirements, the financial report is prepared in accordance with the South Australian Treasurer's Instructions and Accounting Policy Statements issued under the provisions of the PFAA.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian currency.

Historical Cost Convention

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities that were valued in accordance with the applicable valuation policy.

Critical Accounting Estimates

Compliance with AASB requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, valuation and depreciation of property, plant and equipment, long service, annual leave and workers compensation provisions. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision effects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of Consolidation*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2006 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 33.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Where material, investments in associates are accounted for in the University's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Details of associates are set out in Note 34.

(iii) Joint Venture Operations

Where material, the proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in Note 35.

(iv) Joint Venture Entities

Where material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the University.

Under the equity method the Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Details of joint venture entities are set out in Note 35.

(c) Foreign Currency Translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Financial Assistance

- *DEST Financial Assistance (including Commonwealth Grant Scheme, Higher Education Loan Programmes, Scholarships and DEST – Research)*

The University recognises DEST financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other Financial Assistance (including ARC, NHMRC, Australian Government and State Government)*

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) Fees and Charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment Income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other Revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for doubtful debts. Trade receivables are normally due for settlement no more than 14 days from the date of recognition.

Student fees receivables are recognised initially at fair value as at census date and are collectible at that point. Periodically these receivables are adjusted for any provision for doubtful debts.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Income Statement in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-Sale Financial Assets

Available-for-sale financial assets, comprising principally marketable equity securities and investments in controlled entities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

Purchases and sales of investments are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(h) Available-for-Sale Financial Assets (continued)

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

If the market for a financial asset is not active (eg unlisted securities), the Group attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement.

(i) Property, Plant and Equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land, buildings, library and art collection are revalued regularly when the carrying amount of an asset materially differs from its fair value.

Revaluation increments are credited directly to the asset revaluation reserve except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the net revaluation increment is charged to the Income Statement.

Revaluation decrements are debited directly to the asset revaluation reserve to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Income Statement.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2004 and completed independently by Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(k).

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which Management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2004 the entire buildings portfolio was re-valued independently by Southwick Goodyear Pty Ltd and in 2005 a selection of newly constructed buildings were re-valued by the same valuer. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the 'written down current cost' for the buildings based upon the 'new replacement cost' having regard to the estimated useful and remaining life for each structure.

Buildings under construction or buildings purchased in the 2006 year are measured at cost.

(iii) Library Collection

The library collection is valued at fair value. The University has concluded that the collection's fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2006 valuation resulted in an increase of \$922 000. An amount of \$252 000 was recorded in the Income Statement (reversing the prior year write-down) and \$676 000 was credited to the library revaluation reserve.

- (iv) **Plant and Equipment**
Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.
- (v) **Art Collection**
As at 31 December 2004 the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation reserve. The art collection will be internally re-valued every three years.
- (vi) **Leased Assets**
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 31). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to Note 31 for details on operating leases.

(j) Depreciation and Amortisation

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The University does not depreciate the art collection because it believes that the collection does not diminish in value over time. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

<i>Asset Class</i>	<i>Useful Life</i>
Property:	
Buildings	50 years
Leasehold improvements	Lease term
Library Collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and Equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased Plant and Equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

(k) Restrictions on Assets

Land includes \$21.08 million of Crown Lands and \$13.05 million of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990*, section 6(3).

(l) Intangible Assets

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently seven years.

(m) Unfunded Superannuation

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs (DETYA) now known as DEST the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Income Statement and the Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a note to the financial statements. Refer to Note 32.

An arrangement exists between the Australian Government and the State Government to meet the unfunded liability of the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Balance Sheet as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee Benefits

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Wages, Salaries, Non-monetary Benefits and Annual Leave

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(ii) Sick Leave

No provision has been made for sick leave as all sick leave is non-vesting.

(iii) Long Service Leave

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.92 percent per annum;
- salary inflation rate of 5 percent per annum;
- on-costs have been applied at the rate of 12.9 percent;
- the proportion of leave taken in services is 25 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University and are expensed in the Income Statement. Note 32 provides details in respect of the individual schemes.

(p) Workers Compensation

The University is responsible for payments of workers compensation. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University. Note 34 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

The provision for workers compensation is independently actuarially estimated each year. The last update was performed at 31 December 2006 by Tania Muller, FIAA, of Mercer Finance and Risk Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development factors for the case estimated incurred costs are determined based on past experience. These factors are used, together with the assumed payment rates, to project claim payments in future years.

(q) Funds Held on Behalf of External Entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash assets and a corresponding liability is included in other liabilities (refer Note 26).

(r) GST

Revenues, expenses and assets other than receivables 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 (excluding accruals) are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the Balance Sheet.

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

(s) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in the relevant countries. Tax in respect of these operations has been brought to account in the year it is incurred.

2. Disaggregated Information (Consolidated)

	Revenue		Results		Total Assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Geographical						
Australia	351 550	311 751	28 219	17 902	900 762	881 422
Asia	16 993	17 198	1 529	1 548	-	-
Other	183	351	17	32	-	-
	368 726	329 300	29 765	19 482	900 762	881 422

The University operates in the field of higher education principally in Australia and provides teaching and research services.

3. Australian Government Financial Assistance including HECS-HELP and Other Australian Government Loan Programmes

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Commonwealth Grants Scheme and Other Grants	41.1				
Commonwealth Grants Scheme		109 526	104 452	109 526	104 452
Indigenous Support Fund		871	805	871	805
Equity Programmes		694	745	694	745
Workplace Reform Programme		1 511	1 463	1 511	1 463
Workplace Productivity Programme		412	-	412	-
Capital Development Pool		2 874	2 094	2 874	2 094
Superannuation Programme		22 671	21 628	22 671	21 628
Collaboration and Structural Reform Programme		1 756	1 176	1 756	1 176
Total Commonwealth Grants Scheme and Other Grants		140 315	132 363	140 315	132 363
(b) Higher Education Loan Programmes	41.2				
HECS-HELP		64 353	56 587	64 353	56 587
FEE-HELP		3 699	3 333	3 699	3 333
Total Higher Education Loan Programmes		68 052	59 920	68 052	59 920
(c) Scholarships	41.3				
Australian Postgraduate Awards		1 660	1 355	1 660	1 355
International Postgraduate Research Scholarships		222	294	222	294
Commonwealth Education Cost Scholarships		1 123	653	1 123	653
Commonwealth Accommodation Scholarships		1 473	976	1 473	976
Indigenous Staff Scholarships		-	32	-	32
Total Scholarships		4 478	3 310	4 478	3 310
(d) DEST - Research	41.4				
Institutional Grants Scheme		4 773	4 664	4 773	4 664
Research Training Scheme		8 544	7 797	8 544	7 797
Research Infrastructure Block Grants		1 655	1 495	1 655	1 495
Total DEST - Research Grants		14 972	13 956	14 972	13 956
Total DEST Funding		227 817	209 549	227 817	209 549

		Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
(e)	Australian Research Council				
	(i) <i>Discovery</i>				
	Project	2 491	2 334	2 491	2 334
	Fellowships	-	10	-	10
	Total Discovery	2 491	2 344	2 491	2 344
	(ii) <i>Linkages</i>				
	Special Research Initiatives	-	8	-	8
	International	116	174	116	174
	Projects	4 024	2 534	4 024	2 534
	Infrastructure	-	122	-	122
	Total Linkages	4 140	2 838	4 140	2 838
	(iii) <i>Networks and Centres</i>				
	Research Networks	314	248	314	248
	Centres	732	867	732	867
	Total Networks and Centres	1 046	1 115	1 046	1 115
(f)	Other Australian Government Financial Assistance				
	Other Commonwealth Government research grants	8 389	7 431	8 389	7 431
	Aboriginal Tutorial Assistance Scheme grant	152	235	152	235
	Other Commonwealth grants	242	65	242	65
	Total Australian Government Financial Assistance	8 783	7 731	8 783	7 731
	Reconciliation:				
	Australian Government grants	176 225	163 657	176 225	163 657
	HECS-HELP - Australian Government payments	64 353	56 587	64 353	56 587
	Other Australian Government loan programmes	3 699	3 333	3 699	3 333
	Total Australian Government Financial Assistance	244 277	223 577	244 277	223 577
(g)	Australian Government Grant Received - Cash Basis				
	CGS and other DEST grants	140 595	133 254	140 595	133 254
	Higher Education Loan Programmes	63 010	61 647	63 010	61 647
	Scholarships	4 478	3 310	4 478	3 310
	DEST - Research	14 972	13 956	14 972	13 956
	ARC grants - Discovery	2 678	2 829	2 678	2 829
	ARC grants - Linkages	5 798	3 337	5 798	3 337
	ARC grants - Networks and Centres	1 074	1 054	1 074	1 054
	Other Australian Government grants	12 574	7 552	12 574	7 552
	Total Australian Government Grants Received - Cash Basis	245 179	226 939	245 179	226 939
	OS-Help (Net)	(249)	521	(249)	521
	Total Australian Government Funding Received - Cash Basis	244 930	227 460	244 930	227 460
4.	State and Local Government Financial Assistance				
	Research Grants	7 271	3 097	7 271	3 097
	Other	1 562	359	1 562	359
	Total State and Local Government Financial Assistance	8 833	3 456	8 833	3 456
5.	Fees and Charges				
	Course fees and charges:				
	Continuing education	2 309	2 418	2 309	2 418
	Fee-paying overseas students	62 983	57 738	62 983	57 738
	Fee-paying domestic postgraduate students	3 548	3 785	3 548	3 785
	Total Course Fees and Charges	68 840	63 941	68 840	63 941

5. Fees and Charges (continued)	Consolidated		University	
	2006	2005	2006	2005
Other fees and charges:	\$'000	\$'000	\$'000	\$'000
Open Universities Australia (OUA)	3 502	2 030	3 502	2 030
Fees - Civil aviation	721	486	721	486
Miscellaneous enrolment fees	3 279	2 655	3 279	2 655
Seminar/workshops	1 199	905	1 199	905
Total Other Fees and Charges	8 701	6 076	8 701	6 076
Total Fees and Charges	77 541	70 017	77 541	70 017
6. Investment Income				
Dividends	252	179	1 358	79
Interest	5 224	4 473	5 060	4 256
Investment income from associated entity (Unisure Pty Ltd)	800	435	800	435
Total Investment Income	6 276	5 087	7 218	4 770
7. Consultancy and Contract Research				
Consultancy	3 576	4 714	3 587	4 714
Contract research	14 554	12 170	14 647	12 010
Total Consultancy and Contract Research	18 130	16 884	18 234	16 724
8. Other Revenue				
Donations and bequests	3 446	1 524	3 446	1 301
Scholarships and prizes	340	210	340	210
Other fees and charges	13 799	10 782	6 799	5 175
Other	5 635	6 794	5 642	6 831
Total Other Revenue	23 220	19 310	16 227	13 517
9. Other Income				
Net gain (loss) on disposal of property, plant and equipment (refer Note 9(a) below)	(318)	219	(304)	210
Net gain (loss) on disposal of investments	(28)	19	(28)	9
Retained surplus transfer from University of South Australia Foundation Incorporated (refer Note 33(b))	-	-	-	3 799
Total Other Income	(346)	238	(332)	4 018
(a) Net Gain (Loss) on Disposal of Property, Plant and Equipment				
Property, plant and equipment:				
Proceeds from sale	91	34 061	91	34 061
Carrying amount of assets sold	(409)	(33 842)	(395)	(33 851)
Net Gain (Loss) on Disposal of Property, Plant and Equipment	(318)	219	(304)	210
10. Employee Benefits and On-Costs				
Academic:				
Salaries	89 727	80 861	89 727	80 861
Contributions to superannuation and pension schemes:				
Emerging cost	1 003	1 076	1 003	1 076
Funded	12 288	11 127	12 288	11 127
Payroll tax	5 786	5 272	5 786	5 272
Workers compensation	(574)	(350)	(574)	(350)
Long service leave	2 431	3 607	2 431	3 607
Annual leave	5 847	4 770	5 847	4 770
Total Academic	116 508	106 363	116 508	106 363
Non-Academic:				
Salaries	68 241	65 133	65 159	62 088
Contributions to superannuation and pension schemes:				
Emerging cost	942	982	690	742
Funded	9 215	8 444	9 215	8 444
Payroll tax	4 911	4 482	4 733	4 313
Workers compensation	1 818	413	1 794	391
Long service leave	2 171	2 440	2 159	2 373
Annual leave	4 953	4 381	4 946	4 310
Total Non-Academic	92 251	86 275	88 696	82 661
Total Academic and Non-Academic Employee Benefits and On-Costs	208 759	192 638	205 204	189 024

10. Employee Benefits and On-Costs (continued)	Consolidated		University	
	2006	2005	2006	2005
Contributions to superannuation and pension schemes:	\$'000	\$'000	\$'000	\$'000
Emerging cost - Commonwealth supplemented	22 671	21 628	22 671	21 628
Deferred employee benefits for superannuation	-	24 200	-	24 200
Total Deferred Employee Benefits for Superannuation	22 671	45 828	22 671	45 828
Total Employee Benefits and On-Costs	231 430	238 466	227 875	234 852

Employee benefits include voluntary separation packages as follows:

	Consolidated		University	
	2006	2005	2006	2005
Number of Voluntary Separation Packages	Number	Number	Number	Number
	27	51	27	51
Voluntary separation package expenses	\$'000	\$'000	\$'000	\$'000
Annual leave and long service leave entitlements paid	1 742	2 227	1 742	2 227
	727	855	727	855
Total Amount Associated with Separations	2 469	3 082	2 469	3 082

There is no entitlement to recover separation payments from the Department of the Premier and Cabinet.

In accordance with AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as employee benefits. Below is a composite note showing the total liabilities the University has as at 31 December 2006 relating to employee benefits:

	Consolidated		University	
	2006	2005	2006	2005
Annual Leave:	\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current	1 881	1 830	1 881	1 830
On-costs included in payables - Non-current	836	852	836	852
Employee benefits - Current	8 138	7 601	7 974	7 444
Employee benefits - Non-current	3 542	3 405	3 542	3 405
	14 397	13 688	14 233	13 531
Long Service Leave:				
On-costs included in payables - Current	948	888	948	888
On-costs included in payables - Non-current	2 375	2 450	2 375	2 450
Employee benefits - Current	7 664	6 861	7 485	6 693
Employee benefits - Non-current	18 773	18 483	18 773	18 483
	29 760	28 682	29 581	28 514
Separations Scheme:				
Employee benefits - Current	273	254	273	254
Total Aggregate Employee Benefits Liability	44 430	42 624	44 087	42 299

11. Depreciation and Amortisation				
Buildings	13 250	12 418	13 185	12 360
Library collection	2 505	2 558	2 505	2 558
Plant and equipment	3 753	2 901	3 666	2 797
Amortisation - Intangible asset	443	586	443	586
Amortisation - Leased assets	1 103	1 336	1 103	1 336
Total Depreciation and Amortisation	21 054	19 799	20 902	19 637
12. Repairs and Maintenance				
Buildings	7 886	3 649	7 870	3 631
Grounds	516	784	512	780
Total Repairs and Maintenance	8 402	4 433	8 382	4 411
13. Borrowing Costs				
Interest expense	576	1 616	576	1 616
Loan guarantee fees	36	112	36	112
Total Borrowing Costs	612	1 728	612	1 728
14. Bad and Doubtful Debts				
Doubtful debts	1 055	703	1 055	703

15. Other Expenses

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Scholarships, grants and prizes	11 635	9 183	11 635	9 002
Non-capitalised equipment	2 843	2 138	2 836	2 138
Advertising, marketing and promotional expenses	3 331	2 610	3 336	2 601
Telecommunications	4 631	5 031	4 534	4 858
Travel, staff development and entertainment	14 017	13 030	13 844	12 871
External services*	30 061	26 635	29 271	25 967
IT hardware and software	6 660	6 693	6 646	6 645
Library subscriptions	2 483	1 363	2 483	1 363
Printing	2 034	1 992	2 035	1 991
Operating lease rental expenses	2 709	2 727	2 696	2 712
Bank charges, legal costs, insurance and taxes	2 891	3 914	2 876	3 885
General consumables	6 092	6 225	5 657	6 187
Other**	9 130	8 435	8 780	7 984
Total Other Expenses	98 517	89 976	96 629	88 204

* Included within external services for 2006 is an amount for consultants of \$1.938 million (\$1.938 million consolidated) exclusive of GST (2005: \$2.073 million, \$2.126 million consolidated). This amount excludes consultant payments in relation to the capital works program.

** Net foreign exchange losses included in other expenses for 2006 were \$26 000 (\$26 000 consolidated), (2005: \$30 000, \$30 000 consolidated).

16. Cash and Cash Equivalents

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	1 525	2 655	879	2 122
Deposits at call	70 954	78 455	68 925	76 763
Total Cash and Cash Equivalents	72 479	81 110	69 804	78 885

(a) Reconciliation to Cash at the End of the Year

Balances as above	72 479	81 110	69 804	78 885
Less: Bank overdrafts	-	-	-	-
Balance per Cash Flow Statement	72 479	81 110	69 804	78 885

(b) Cash at Bank and On Hand

As at 31 December 2006 the deposits earned 5.75 percent interest (5 percent) and the interest is credited to the University quarterly in March, June, October and December.

(c) Deposits at Call

During the year the cash deposits earned interest at a floating rate between 5.58 percent and 6.35 percent (between 5.4 percent and 5.58 percent). These deposits had an average maturity of 53 days.

17. Receivables

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade debtors	13 733	12 414	12 564	11 233
Less: Provision for doubtful receivables	(1 057)	(538)	(1 057)	(538)
	12 676	11 876	11 507	10 695
Student fees	5 924	7 963	5 924	7 963
Less: Provision for doubtful receivables	(1 708)	(1 149)	(1 708)	(1 149)
	4 216	6 814	4 216	6 814
Commonwealth receivable	4 877	2 014	4 877	2 014
Total Current Receivables	21 769	20 704	20 600	19 523

(a) Bad and Doubtful Trade Receivables

During the year ended 31 December 2006 the University has recognised a loss of \$197 000 (\$219 000) in respect of bad and doubtful trade receivables and \$858 000 (\$484 000) in respect of bad and doubtful student fees. These losses have been included in bad and doubtful debts expense in the Income Statement.

18. Investments Accounted for using the Equity Method

With the exception of Unisure Pty Ltd the University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting and carried at cost by the University.

Refer to Note 34 for the accounting methodology adopted for Unisure Pty Ltd.

19. Other Financial Assets

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current:				
Workers Compensation Investment Fund	492	584	492	584
Non-Current:				
Available-for-sale	5 130	4 052	4 156	3 073
Investment in controlled entities	-	-	1 730	1 730
Workers Compensation Investment Fund	4 183	4 602	4 183	4 602
International Development Programs (IDP) loan	-	250	-	250
Total Non-Current Other Financial Assets	9 313	8 904	10 069	9 655
Total Other Financial Assets	9 805	9 488	10 561	10 239

20. Property, Plant and Equipment Consolidated

	Construction in Progress \$'000	Land \$'000	Freehold Buildings \$'000	Plant & Equipment \$'000	Leasehold Improvements \$'000
At 1 January 2005:					
Cost	83 330	-	-	34 875	682
Valuation	-	47 710	520 526	-	-
Accumulated depreciation	-	-	(258 539)	(23 163)	(64)
Net Book Amount	83 330	47 710	261 987	11 712	618
Year Ended 31 December 2005:					
Opening net book amount	83 330	47 710	261 987	11 712	618
Revaluation	-	-	4 407	-	-
Additions	29 918	830	5 819	5 619	15
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(173)	-
Reclassifications	(95 888)	-	94 116	-	1 772
Depreciation charge	-	-	(12 121)	(2 902)	(296)
Closing Net Book Amount	17 360	48 540	354 208	14 256	2 109
At 31 December 2005:					
Cost	17 360	830	7 914	40 321	2 469
Valuation	-	47 710	616 331	-	-
Accumulated depreciation	-	-	(270 037)	(26 065)	(360)
Net Book Amount	17 360	48 540	354 208	14 256	2 109
Year Ended 31 December 2006:					
Opening net book amount	17 360	48 540	354 208	14 256	2 109
Additions	34 338	-	118	7 588	-
Assets classified as held for sale and other disposals	-	-	(9)	(204)	-
Reclassification	(18 607)	-	17 233	462	912
Depreciation charge	-	-	(12 872)	(3 753)	(378)
Closing Net Book Amount	33 091	48 540	358 678	18 349	2 643
At 31 December 2006:					
Cost	33 091	830	25 256	48 167	3 231
Valuation	-	47 710	616 331	-	-
Accumulated depreciation	-	-	(282 909)	(29 818)	(588)
Net Book Amount	33 091	48 540	358 678	18 349	2 643
		Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	2006 Total \$'000
At 1 January 2005:					
Cost		6 473	-	-	125 360
Valuation		-	32 113	1 476	601 825
Accumulated depreciation		(2 932)	(15 628)	-	(300 326)
Net Book Amount		3 541	16 485	1 476	426 859
Year Ended 31 December 2005:					
Opening net book amount		3 541	16 485	1 476	426 859
Revaluation		-	(253)	(250)	3 904
Additions		85	2 232	-	44 518
Assets included in a disposal group classified as held for sale and other disposals		-	-	-	(173)
Reclassifications		-	-	-	-
Depreciation charge		(1 336)	(2 558)	-	(19 213)
Closing Net Book Amount		2 290	15 906	1 226	455 895
At 31 December 2005:					
Cost		6 558	-	-	75 452
Valuation		-	30 963	1 226	696 230
Accumulated depreciation		(4 268)	(15 057)	-	(315 787)
Net Book Amount		2 290	15 906	1 226	455 895

20. Property, Plant and Equipment (continued)
Consolidated

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	2006 Total \$'000
Year Ended 31 December 2006:				
Opening net book amount	2 290	15 906	1 226	455 895
Revaluation	-	922	-	922
Additions	-	2 445	-	44 489
Assets classified as held for sale and other disposals	(1)	-	(197)	(411)
Reclassifications	-	-	-	-
Depreciation charge	(1 103)	(2 505)	-	(20 611)
Closing Net Book Amount	1 186	16 768	1 029	480 284
At 31 December 2006:				
Cost	6 557	-	-	117 132
Valuation	-	32 621	1 029	697 691
Accumulated depreciation	(5 371)	(15 853)	-	(334 539)
Net Book Amount	1 186	16 768	1 029	480 284

University	Construction in Progress \$'000	Land \$'000	Freehold Buildings \$'000	Plant and Equipment \$'000	Leasehold Improvements \$'000
At 1 January 2005:					
Cost	83 330	-	-	34 095	682
Valuation	-	47 710	520 231	-	-
Accumulated depreciation	-	-	(258 400)	(22 569)	(64)
Net Book Amount	83 330	47 710	261 831	11 526	618

Year Ended 31 December 2005:					
Opening net book amount	83 330	47 710	261 831	11 526	618
Revaluation	-	-	4 407	-	-
Additions	29 918	830	5 817	5 531	15
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(151)	-
Reclassifications	(95 888)	-	94 116	-	1 772
Depreciation charge	-	-	(12 064)	(2 797)	(296)
Closing Net Book Amount	17 360	48 540	354 107	14 109	2 109

At 31 December 2005:					
Cost	17 360	830	7 914	39 475	2 469
Valuation	-	47 710	616 034	-	-
Accumulated depreciation	-	-	(269 841)	(25 366)	(360)
Net Book Amount	17 360	48 540	354 107	14 109	2 109

Year Ended 31 December 2006:					
Opening net book amount	17 360	48 540	354 107	14 109	2 109
Revaluation	-	-	-	-	-
Additions	34 338	-	-	7 404	-
Assets classified as held for sale and other disposals	-	-	(8)	(190)	-
Reclassifications	(18 607)	-	17 233	462	912
Depreciation charge	-	-	(12 807)	(3 666)	(378)
Closing Net Book Amount	33 091	48 540	358 525	18 119	2 643

At 31 December 2006:					
Cost	33 091	830	25 139	47 151	3 231
Valuation	-	47 710	616 034	-	-
Accumulated depreciation	-	-	(282 648)	(29 032)	(588)
Net Book Amount	33 091	48 540	358 525	18 119	2 643

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	2006 Total \$'000
At 1 January 2005:				
Cost	6 473	-	-	124 580
Valuation	-	32 113	1 476	601 530
Accumulated depreciation	(2 932)	(15 628)	-	(299 593)
Net Book Amount	3 541	16 485	1 476	426 517

Year Ended 31 December 2005:				
Opening net book amount	3 541	16 485	1 476	426 517
Revaluation	-	(253)	(250)	3 904
Additions	85	2 232	-	44 428
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(151)
Reclassifications	-	-	-	-
Depreciation charge	(1 336)	(2 558)	-	(19 051)
Closing Net Book Amount	2 290	15 906	1 226	455 647

At 31 December 2005:				
Cost	6 558	-	-	74 606
Valuation	-	30 963	1 226	695 933
Accumulated depreciation	(4 268)	(15 057)	-	(314 892)
Net Book Amount	2 290	15 906	1 226	455 647

20. Property, Plant and Equipment (continued)

University	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	2006 Total \$'000
At 1 January 2005:				
Year Ended 31 December 2006:				
Opening net book amount	2 290	15 906	1 226	455 647
Revaluation	-	922	-	922
Additions	-	2 445	-	44 187
Assets classified as held for sale and other disposals	(1)	-	(197)	(396)
Reclassifications	-	-	-	-
Depreciation charge	(1 103)	(2 505)	-	(20 459)
Closing Net Book Amount	1 186	16 768	1 029	479 901
At 31 December 2006:				
Cost	6 557	-	-	115 999
Valuation	-	32 621	1 029	697 394
Accumulated depreciation	(5 371)	(15 853)	-	(333 492)
Net Book Amount	1 186	16 768	1 029	479 901

21. Intangible Assets

	Consolidated \$'000	University \$'000
At 1 January 2005:		
Cost	4 036	4 036
Accumulated amortisation	(2 121)	(2 121)
Net Book Amount	1 915	1 915
Year ended 31 December 2005:		
Opening net book amount	1 915	1 915
Amortisation charge	(586)	(586)
Closing Net Book Amount	1 329	1 329
At 31 December 2005:		
Cost	4 036	4 036
Accumulated amortisation	(2 707)	(2 707)
Net Book Amount	1 329	1 329
Year ended 31 December 2006:		
Opening net book amount	1 329	1 329
Additions	62	62
Amortisation charge	(443)	(443)
Closing Net Book Amount	948	948
At 31 December 2006:		
Cost	4 098	4 098
Accumulated amortisation	(3 150)	(3 150)
Net Book Amount	948	948

22. Other Non-Financial Assets

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Prepayments	4 825	3 323	4 800	3 316
Accrued income	2 052	973	2 052	973
Total Other Non-Financial Assets	6 877	4 296	6 852	4 289

23. Payables

Current:				
Trade creditors	11 139	13 863	10 706	13 488
Accrued expenses	1 762	1 520	1 762	1 520
Annual leave on-costs	1 881	1 830	1 881	1 830
Long service leave on-costs	948	888	948	888
Total Current Payables	15 730	18 101	15 297	17 726
Non-Current:				
Annual leave on-costs	836	852	836	852
Long service leave on-costs	2 375	2 450	2 375	2 450
Total Non-Current Payables	3 211	3 302	3 211	3 302
Total Payables	18 941	21 403	18 508	21 028

24. Interest Bearing Liabilities	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Secured:				
Lease liabilities	1 005	1 169	1 005	1 169
Unsecured:				
SA Government Financing Authority (SAFA) loan	-	15 000	-	15 000
Total Current Interest Bearing Liabilities	1 005	16 169	1 005	16 169
Non-current:				
Secured:				
Lease liabilities	-	1 005	-	1 005
Total Non-Current Interest Bearing Liabilities	-	1 005	-	1 005
Total Interest Bearing Liabilities	1 005	17 174	1 005	17 174
(a) Assets pledged as Security				
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:				
Non-Current:				
Finance lease				
Plant and equipment	1 186	2 290	1 186	2 290
Total Assets pledged as Security	1 186	2 290	1 186	2 290
(b) Financing Arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
<i>Credit Standby Arrangements:</i>				
Total facilities:				
Credit card facility with National Australia Bank (NAB)	5 000	5 000	5 000	5 000
Credit card facility with Amex	1 500	1 350	1 500	1 350
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2 000	2 000	2 000	2 000
IT lease facility with Commonwealth Bank	5 000	8 000	5 000	8 000
Bank guarantee	5 100	-	5 100	-
	18 800	16 550	18 800	16 550
Used at balance date:				
Credit card facility with NAB	757	714	757	714
Credit card facility with Amex	-	307	-	307
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	72	176	72	176
Bank guarantee	3 719	-	3 719	-
	4 548	1 197	4 548	1 197
Unused at balance date:				
Credit card facility with NAB	4 253	4 286	4 253	4 286
Credit card facility with Amex	1 500	1 043	1 500	1 043
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2 000	2 000	2 000	2 000
IT lease facility with Commonwealth Bank	4 928	7 824	4 928	7 824
Bank guarantee	1 381	-	1 381	-
	14 262	15 353	14 262	15 353
<i>Bank Loan Facilities:</i>				
SAFA facility	-	15 000	-	15 000
NAB facilities	35 000	35 000	35 000	35 000
Total Facilities	35 000	50 000	35 000	50 000
Used at balance date	-	15 000	-	15 000
Unused at Balance Date	35 000	35 000	35 000	35 000
25. Provisions				
Current:				
Annual leave	8 138	7 601	7 974	7 444
Long service leave	7 664	6 861	7 485	6 693
Separation scheme	273	254	273	254
Workers compensation liability	613	574	613	574
Total Current Provisions	16 688	15 290	16 345	14 965
Non-current:				
Annual leave	3 542	3 405	3 542	3 405
Long service leave	18 773	18 483	18 773	18 483
Workers compensation liability	1 618	1 482	1 618	1 482
Total Non-current Provisions	23 933	23 370	23 933	23 370
Total Provisions	40 621	38 660	40 278	38 335

25. Provisions (continued)

Movements in the workers compensation liability is set out below:

	Consolidated		University	
	2006	2005	2006	2005
Workers compensation liability:				
Current:	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 January	574	540	574	540
Additional provisions recognised	39	34	39	34
Carrying Amount at 31 December	613	574	613	574
Non-current:				
Carrying amount at 1 January	1 482	1 870	1 482	1 870
Additional provisions recognised	136	(388)	136	(388)
Carrying Amount at 31 December	1 618	1 482	1 618	1 482

26. Other Liabilities

Accrued interest	-	255	-	255
Other	702	1 643	907	901
Funds held on behalf of external entities	3 511	2 113	3 511	3 110
	4 213	4 011	4 418	4 266
Income in advance on incomplete projects	2 075	1 987	2 075	1 987
Other income in advance:				
Fees and charges	11 367	7 378	11 367	7 378
Commonwealth and State Government grants	9 186	4 552	9 186	4 552
HECS recovery	-	3 281	-	3 281
	20 553	15 211	20 553	15 211
Total Other Liabilities	26 841	21 209	27 046	21 464

27. Reserves and Retained Surplus**(a) Reserves**

Property, plant and equipment revaluation reserve:				
Land and buildings	54 291	54 291	54 291	54 291
Art collection	294	294	294	294
Library	669	-	669	-
	55 254	54 585	55 254	54 585
Available-for-sale investments revaluation reserve	1 132	895	1 132	895
Total Reserves	56 386	55 480	56 386	55 480

Movements in Reserves

Property, plant and equipment revaluation reserve:				
Land and buildings:				
Opening balance	54 291	49 885	54 291	49 885
Asset revaluation increment	-	4 406	-	4 406
	54 291	54 291	54 291	54 291
Art collection:				
Opening balance	294	544	294	544
Asset revaluation decrement	-	(250)	-	(250)
	294	294	294	294
Library:				
Opening balance	-	-	-	-
Asset revaluation increment	669	-	669	-
	669	-	669	-
Total Property, Plant and Equipment Revaluation Reserve	55 254	54 585	55 254	54 585

Available-for-sale investments revaluation reserve:				
Opening Balance	895	656	895	164
Transfer from the University of South Australia Foundation Incorporated	-	-	-	589
Assets revaluation increment	237	239	237	142
Closing Balance	1 132	895	1 132	895

(b) Retained Surplus

Movement in retained surplus were as follows:				
Retained surplus at 1 January	417 608	398 356	415 143	393 094
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	(230)	-	(230)
Operating result for the year	29 765	19 482	29 305	22 279
Retained Surplus at 31 December 2006	447 373	417 608	444 448	415 143

(c) Nature and Purpose of Reserves

The University has four reserves. The land and buildings reserve records revaluations in land and buildings, the available-for-sale investments reserve records revaluations in investments, the library revaluation reserve records revaluations in the library collection and the art collection revaluation reserve records revaluations in the art collection.

28. Responsible Persons and Executive Officers**(a) Names of Responsible Persons**

The following persons were responsible persons of the University during the 2006 year. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

2006 Council Members

Mr David Klingberg AM, Chancellor
 Professor Denise Bradley AO, Vice Chancellor and President*
 Ms Alice McCleary, Deputy Chancellor
 Mr James Birch
 Mr William Cossey AM
 Mr Terry Evans
 Dr Timothy Ferris*
 Mr Markus Grammanitsch (resigned October 2006)
 Ms Kath Higgins*
 Mr Justin Lee
 Ms Kerryne Liddle
 Mr Bruce Linn
 Dr Adele Lloyd
 Ms Jan Lowe
 Mr Ian McLachlan
 Mr Sanu Kuruvilla Raja (resigned September 2006)
 Ms Heather Ryland*
 Mr Peter Smith
 Dr Sue Vardon AO
 Dr Michael Venning*
 Associate Professor Adrian Vicary*

(b) Remuneration of Council Members and Executive Officers*Remuneration of Council Members*

No member of Council received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

	Consolidated		University	
	2006 Number	2005 Number	2006 Number	2005 Number
<i>Remuneration of Executive Officers</i>				
\$150 000 - \$159 999	1	-	1	-
\$190 000 - \$199 999	1	-	1	-
\$200 000 - \$209 999	-	1	-	1
\$220 000 - \$229 999	1	1	1	1
\$230 000 - \$239 999	1	2	1	2
\$240 000 - \$249 999	-	2	-	2
\$250 000 - \$259 999	2	1	2	1
\$270 000 - \$279 999	2	1	2	1
\$280 000 - \$289 999	1	-	1	-
\$290 000 - \$299 999	-	1	-	1
\$310 000 - \$319 999	1	-	1	-
\$460 000 - \$469 999	-	1	-	1
\$490 000 - \$499 999	1	-	1	-
	11	11	11	11

Executives are defined as the Vice Chancellor and President and those staff in a senior line position who report directly to that position. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive Officers' Compensation

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term employee benefits	2 412	2 328	2 412	2 328
Post-employment benefits	403	362	403	362
Other long-term benefits	109	-	109	-
Termination benefits	160	-	160	-
	3 084	2 690	3 084	2 690

(d) Related Party Transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

29. Remuneration of Auditors

During the year the following fees were paid for services provided by the auditor of the University of South Australia, its related practices and non-related audit firms:

Assurance Services

	Consolidated		University	
<i>Audit Services</i>	2006	2005	2006	2005
Fees paid to the Auditor-General's Department:	\$'000	\$'000	\$'000	\$'000
Auditing the financial report	222	215	221	211
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the consolidated entity	15	12	-	-
	237	227	221	211

30. Contingent Liabilities

The University entered into an agreement with the Minister of the Department of Education, Training and Employment (DETAPE) on 20 February 1997 to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of \$680 000 is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2005 this contingent liability reduced to \$583 000.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

31. Commitments for Expenditure**(a) Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2006	2005	2006	2005
Property, plant and equipment payable:	\$'000	\$'000	\$'000	\$'000
Within one year	9 710	8 127	9 710	8 127
Later than one year but not later than five years	200	932	200	932
Later than five years	-	-	-	-
	9 910	9 059	9 910	9 059

(b) Lease Commitments**(i) Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Income Statement on a straight-line basis over the period of the lease.

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

	Consolidated		University	
	2006	2005	2006	2005
Within one year	\$'000	\$'000	\$'000	\$'000
	3 742	3 179	3 742	3 179
Later than one year but not later than five years	7 162	6 960	7 162	6 960
Later than five years	1 550	954	1 550	954
	12 454	11 093	12 454	11 093

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between 1 and 10 years.

(ii) Finance Leases

Commitments in relation to finance leases are payable as follows:

	Consolidated		University	
	2006	2005	2006	2005
Within one year	\$'000	\$'000	\$'000	\$'000
	1 324	1 568	1 324	1 568
Later than one year but not later than five years	-	1 324	-	1 324
Later than five years	-	-	-	-
Minimum lease payments	1 324	2 892	1 324	2 892
Future finance charges	(319)	(718)	(319)	(718)
Total Lease Liabilities	1 005	2 174	1 005	2 174
Representing lease liabilities:				
Current	1 005	1 169	1 005	1 169
Non-current	-	1 005	-	1 005
Total Lease Liabilities	1 005	2 174	1 005	2 174

The weighted average interest rate implicit in the finance leases is 6.81 percent (6.87 percent).

(c) Other Expenditure Commitments

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within one year	7 276	4 932	7 276	4 932
Later than one year but not later than five years	16 139	8 393	16 139	8 393
Later than five years	474	1 462	474	1 462
Total Other Expenditure Commitments	23 889	14 787	23 889	14 787

32. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) South Australian Superannuation Fund (Super SA)

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2006 to be \$330.9 million (\$327.7 million). The assessment took into account the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2004.

The University's liability under the schemes has been partly funded by an amount of \$22.3 million (\$19.1 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$308.6 million (\$308.6 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that, while there is no legislative requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

	Percent per Annum
Rate of increase in the Consumer Price Index (CPI)	2.5
Rate of salary increases	4.0
Investment earnings	7.5

These assumptions have not changed since 2001.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

(b) Deferred Government Superannuation Contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 2006 there was no change in the net unfunded past service cost for State Superannuation. In 2005, an amount of \$24.2 million was brought to account (both as revenue and an expense) to reflect the increase.

	2006 \$'000	2005 \$'000
Deferred Government superannuation contribution at 1 January	308 600	284 400
Increase in amount owing for unfunded liability	-	24 200
Deferred Government Superannuation Contribution at 31 December	308 600	308 600
Comprising:		
Current asset	26 200	25 700
Non-current asset	282 400	282 900
	308 600	308 600

(c) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Division (DBD)

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made four years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

Clause 34 now states that where the Trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2006 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2006 the assets of the DBD in aggregate (ie entire multiemployer DBD plan) were estimated to be:

- \$958 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBD.
- \$1 834 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBD as at 31 December 2005. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% per annum	8.3% per annum
Net of tax investment return	6.5% per annum	7.8% per annum
Consumer Price Index	2.5% per annum	2.5% per annum
Inflationary salary increases long term	3.5% per annum	3.5% per annum
Inflationary salary increases next three years	5.0% per annum	5.0% per annum

Additional promotional salary increases are assumed to apply based on past experience. Assets have been included at their net market value, ie allowing for realisation costs.

(ii) UniSuper Accumulation Super 2 (Accum 2)

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to the Accum 2. Contributions made by both the employee and employer remain unchanged.

(iii) UniSuper Accumulation Super 1 (Accum 1)

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee (SG) and Award obligations. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University has recognised an expense of \$14.472 million (\$13.203 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$7.001 million (\$6.336 million) in respect of Accum 1.

33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of Entity	Country of Incorporation	Ownership Interest	
		2006 Percent	2005 Percent
(a) ITEK Pty Ltd	Australia	100	100
(b) University of South Australia Foundation Incorporated	Australia	100	100

(a) ITEK Pty Ltd (ITEK)

ITEK was formed on 1 July 1999 and since this time has had a year end date of 30 June. ITEK is trustee for the ITEK trust and has a 100 percent controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) University of South Australia Foundation Incorporated (Foundation)

The Foundation's purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it sought to attract broadly based levels of philanthropic support for the benefit of the University.

The University funded the operating costs of the Foundation directly so that donations and bequests received were wholly used for their intended purpose.

Due to changes in tax law governing charities that came into effect on 1 July 2005 the Foundation no longer qualified as a tax exempt charity. As the University continues to qualify as a tax exempt body the operations and net assets of the Foundation were transferred into the University effective from 1 July 2005. During the second half of 2005 the remaining net assets (\$4.388 million) of Foundation were transferred (at fair value) to the University. The retained surplus transferred (\$3.798 million) was recorded as other income while the investment revaluation reserve balance (\$589 000) was credited to the University's available-for-sale investments revaluation reserve.

The Foundation has been left as a University subsidiary with no assets, liabilities or equity as at 31 December 2006. This company will remain legally intact indefinitely to ensure that any future donations, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

34. Investments in Associates

The University has an interest in Unisure Pty Ltd and SABRENet Ltd as described below:

(a) Unisure Pty Ltd (Unisure)

The University is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure, which manages workers compensation claims on behalf of the three institutions. The University's interest (33.3 percent) in Unisure is not considered to be material to the University's core activities. Consequently, the investment in the Associate has not been accounted for using the equity method as per AASB 128 however, consistent with prior years, it has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the University.

Unisure is the trustee of the Unisure Unit Trust which holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2006 the Unit Trust held net assets of \$2.444 million on behalf of the University of South Australia (\$3.130 million).

(b) SABRENet Ltd (SABRENet)

SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian Universities and the South Australia Government.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$250 000 to SABRENet which has been recognised as an expense in the year payment was made.

Each of the above associates is incorporated in Australia.

Carrying Amounts

Information relating to associates is set out below:

Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		University Carrying Amount	
		2006 percent	2005 percent	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) <i>Unisure Pty Ltd*</i>	Manages workers compensation claims on behalf of the University	33	33	2 444	3 130	2 444	3 130

* As discussed above the University's investment in Unisure is proportionately consolidated within the University and Consolidated Entity. Therefore the carrying amount denoted here represents the net assets carried within the accounts.

	Consolidated	
	2006 \$'000	2005 \$'000
<i>Movements in Carrying Amounts</i>		
Carrying amount at 1 January	3 130	3 039
Share of profits (losses)	(686)	91
Carrying Amount at 31 December	2 444	3 130

Summarised Financial Information of Associates

	Assets \$'000	Consolidated Liabilities \$'000	Entity's share of: Revenues \$'000	Profit (Loss) \$'000
2006				
Unisure Pty Ltd	4 675	2 231	800	(686)
2005				
Unisure Pty Ltd	5 186	2 056	435	91

35. Interests in Joint Ventures**(a) Joint Venture Operations**

The University's interests in joint venture operations are as follows:

Entity	Reporting Date	Output Interest	
		2006 Percent	2005 Percent
(i) Mawson Centre Building	31 December	63	63
(ii) SPRI (Building)	30 June	30	30
(iii) SAPAC	30 June	20	20

(i) Mawson Centre Building

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop, construct and eventually operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63 percent share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19 percent share and DECS holding an 18 percent share.

As at 31 December 2006, the University's share of the Mawson Centre development totalled \$6.1 million (\$6.3 million) which is reported in Buildings. There were no advance contributions from the joint venturers at year end (\$69 000).

(ii) Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share. In 2004 the building was independently re-valued and the University's 30 percent share of the asset's carrying amount as at 31 December 2006 is \$1.838 million (\$1.889 million) which is included in Buildings.

The University's share of this joint venture's operations has not been included in the consolidated report due to them being immaterial to the University's activities.

(iii) South Australian Partnership for Advanced Computing (SAPAC)

SAPAC is a joint venture of the three South Australian universities and its mission is to act as a point of focus for the support of advanced, high-performance and grid computing in Australia. The University's share of this joint venture has not been included in the consolidated report due to them being immaterial to the University's activities.

(b) Joint Venture Entities

The University has an interest in a number of joint venture entities as described below. The University's interest in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

Entity	Reporting Date	Ownership Interest	
		2006 Percent	2005 Percent
(i) ACCA	30 June	20.00	20.00
(ii) CIEAM	30 June	10.74	11.39
(iii) CRCIF	30 June	2.95	2.95
(iv) CRCIMST	30 June	8.00	8.00
(v) Rail CRC	30 June	8.30	8.30
(vi) CRCSS	30 June	24.00	24.00
(vii) CRCST Pty Ltd	30 June	5.00	5.00
(viii) CSSIP	30 June	5.20	5.20
(ix) CWQT	30 June	5.13	5.13
(x) DK-CRC	30 June	4.60	4.60
(xi) SACITT	31 December	33.33	33.33
(xii) SGRHS	31 December	50.00	50.00
(xiii) SATAC	30 June	25.00	25.00
(xiv) Auto CRC	30 June	8.09	8.09
(xv) CRC CARE	30 June	4.00	4.00
(xvi) CRC Polymers	30 June	1.85	1.85

- (i) *ACCA – Australian Centre for Community Ageing*
ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected Research Centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members.
- (ii) *CIEAM - Co-operative Research Centre for Integrated Engineering Asset Management*
The CIEAM is a national co-operative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life-cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.
- (iii) *CRCIF - Co-operative Research Centre for Irrigation Futures*
The CRCIF is a national co-operative research centre. Its goals are to double profitability and halve water use of Australian irrigation. It also intends to define and promote sustainable irrigation areas and practices.
- (iv) *CRCIMST - Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies*
The CRCIMST is a national co-operative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing. In 2006 CRCIMST was closed.
- (v) *Rail CRC - Co-operative Research Centre for Railway Engineering and Technologies*
Rail CRC is a national co-operative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.
- (vi) *CRCSS - Co-operative Research Centre for Satellite Systems*
The CRCSS is a national co-operative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites. In 2006 CRCSS was closed.
- (vii) *CRCST Pty Ltd - Co-operative Research Centre for Sustainable Tourism Pty Ltd*
The CRCST is a national co-operative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.
- (viii) *CSSIP – Co-operative Research Centre for Sensor Signal and Information Processing*
The CSSIP is a national co-operative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors. In 2006 CSSIP was closed.

- (ix) *CWQT - Centre for Water Quality and Treatment*
The CWQT is a national co-operative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.
- (x) *DK-CRC - Desert Knowledge Co-operative Research Centre*
The DK-CRC is a national co-operative research centre. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on Desert Knowledge, and creating the networks to market this knowledge in other desert lands.
- (xi) *SACITT - South Australian Consortium for Information Technology and Telecommunications*
SACITT brings together the three universities of SA and is supported by an Advisory Board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as a centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australian industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors Committee.
- (xii) *SGRHS - Spencer Gulf Rural Health School (formerly SACRRH – South Australian Centre for Rural and Remote Health)*
The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SGRHS and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.
- (xiii) *SATAC - South Australian Tertiary Admissions Centre*
SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three universities in South Australia.
- (xiv) *Auto CRC - CRC for Advanced Automotive Technologies*
The vision of the Auto CRC is to be the nation's principal industry-led collaborative research and development organisation for the advancement of an internationally competitive and sustainable Australian Automotive Industry. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.
- (xv) *CRC CARE - Contamination Assessment and Remediation of the Environment*
The goal of the CRC CARE is to develop a risk based approach to remediation leading to improved regulatory acceptance of commercially viable and cost-effective solutions to environmental contamination. The CRC will develop monitoring tools for contaminant groups including heavy metals, petroleum hydrocarbons, industrial solvents and persistent organics.
- (xvi) *CRC Polymers*
The CRC Polymers conducts leading-edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high-growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design.

36. Events Occurring after the Balance Sheet Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the Consolidated Entity, the results of operations, or the state of affairs of the Consolidated Entity in future periods.

37. Reconciliation of Operating Result after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating result for the year	29 765	19 482	29 305	22 279
Add (Less): Items classified as investing activities:				
Loss (Profit) on sale of plant and equipment	318	(219)	304	(210)
Add (Less): Non-cash items:				
Depreciation and amortisation	21 054	19 799	20 902	19 637
Non-cash donations	(442)	(471)	(442)	(471)
Capital assets	2 768	3 467	2 482	2 219
Non-cash investments	252	(252)	252	(252)
Foundation Incorporated contributions	-	-	-	1 246
Interest rate swap	(509)	279	(509)	279
Available-for-sale asset revaluation	245	(180)	390	141

37. Reconciliation of Operating Result after Income Tax to Net Cash Inflow from Operating Activities (continued)	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Change in assets and liabilities:				
(Increase) in receivables	(1 065)	(954)	(1 077)	(559)
(Increase) in other assets	(2 898)	(1 161)	(2 885)	(2 889)
(Decrease) Increase in payables	(2 462)	1 688	(2 520)	1 358
Increase in provisions	1 961	2 053	1 943	1 967
Increase in other liabilities	5 849	1 683	5 799	2 356
Net Cash provided by Operating Activities	54 836	45 214	53 944	47 101
38. Non-Cash Investing and Financing Activities				
Donations of works of art and library materials	442	471	442	471
Acquisition of plant and equipment by means of finance leases	-	85	-	85
	442	556	442	556

39. Assets and Liabilities of Trusts for which the University is Trustee
The University was trustee or custodian for the following trusts during the year:

Aborigines Advancement League
KM Bodnar
Constance Gordon-Johnson Fund
Davy Scholarship
Donald Dyer Scholarship
Lydia Longmore Memorial Fund
PW Stephens Engineering Prize
Sansom Trust Fund
William T Southcott Scholarship
Bob Hawke Prime Ministerial Centre.

40. Financial Instruments
(a) Financial Risk Management

The University's activities exposes it to a variety of financial risks including:

(i) *Market Risk*

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2006 the University held US\$277 000 (A\$350 000), (2005: US\$422 000 (A\$575 000)) and Malaysian Ringgit RM\$170 000 (A\$61 000), (2005: RM\$135 000 (A\$49 000)) in offshore bank accounts.

(ii) *Credit Risk*

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

The credit risk on financial assets excluding investments of the University which have been recognised in the Balance Sheet is the carrying amount net of any provisions for doubtful debts.

The University is not materially exposed to any specific overseas country or individual customer.

(iii) *Liquidity Risk*

The University maintains a \$35 million bill facility with the NAB which has a drawdown facility, available to 31 December 2016. As at 31 December 2006 this facility has not been drawn down.

(iv) *Cash Flow and Fair Value Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The above \$35 million bill facility with the NAB is at a floating rate of interest.

(b) Derivative Financial Instruments

(i) *Instruments used by the Group*

From time to time the Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade and to profit from short term movements in exchange rates in accordance with the financial risk management policies described above.

• *Interest Rate Swap Contracts - Cash Flow Hedges*

During the year the University cancelled an open interest rate swap with the NAB to fix interest rates on a loan facility currently arranged and expected to be drawn down in future years.

As a result of the cancellation of this swap during the year a profit of \$88 000 was recorded in the 2006 year.

(c) Interest Rate Risk Exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

	Variable Interest Rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
2006									
Financial assets:									
Cash assets	72 479	-	-	-	-	-	-	-	72 479
Receivables	-	-	-	-	-	-	-	21 769	21 769
Other financial assets	4 675	-	-	-	-	-	-	5 130	9 805
Accrued Income	-	-	-	-	-	-	-	2 052	2 052
	77 154	-	-	-	-	-	-	28 951	106 105
Weighted average interest rate (percent)	5.93								
Financial liabilities:									
Payables	-	-	-	-	-	-	-	18 941	18 941
Finance lease	-	1 005	-	-	-	-	-	-	1 005
Other	-	-	-	-	-	-	-	702	702
Funds held on behalf of external entities	-	-	-	-	-	-	-	3 511	3 511
	-	1 005	-	-	-	-	-	23 154	24 159
Weighted average interest rate (percent)	6.81								
Net Financial Assets (Liabilities)	77 154	(1 005)	-	-	-	-	-	5 797	81 946

	Variable Interest Rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
2005									
Financial assets:									
Cash assets	81 110	-	-	-	-	-	-	-	81 110
Receivables	-	-	-	-	-	-	-	17 687	17 687
Other financial assets	5 186	-	-	-	-	-	-	4 302	9 488
Accrued Income	-	-	-	-	-	-	-	973	973
	86 296	-	-	-	-	-	-	22 962	109 258
Weighted average interest rate (percent)	5.38								
Financial liabilities:									
Payables	-	-	-	-	-	-	-	21 403	21 403
Interest bearing liabilities	-	15 000	-	-	-	-	-	-	15 000
Finance lease	-	1 169	1 005	-	-	-	-	-	2 174
Derivatives	-	-	-	-	-	-	-	509	509
Accrued interest	-	255	-	-	-	-	-	-	255
Other	-	-	-	-	-	-	-	1 642	1 642
Funds held on behalf of external entities	-	-	-	-	-	-	-	2 113	2 113
	-	16 424	1 005	-	-	-	-	25 667	43 096
Weighted average interest rate (percent)	9.94	6.87							
Net Financial Assets (Liabilities)	86 296	(16 424)	(1 005)	-	-	-	-	(2 705)	66 162

(d) Fair Value of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for SAFA borrowings at fixed rates of interest. The value of those borrowings are:

2006 Carrying Amount \$'000	2006 Net Fair Value \$'000	2005 Carrying Amount \$'000	2005 Net Fair Value \$'000
-	-	15 000	15 168

41. Acquittal of Commonwealth Government Financial Assistance

41.1 Commonwealth Grants Scheme and Other Grants	Commonwealth Grants Scheme		Indigenous Support Fund		Equity Programmes	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during reporting period	109 376	105 542	871	805	694	745
Net accrual adjustments	150	(1 090)	-	-	-	-
Revenue for the Period	109 526	104 452	871	805	694	745
Surplus (Deficit) from the previous year	-	-	-	-	388	173
Total Revenue Including Accrued Revenue	109 526	104 452	871	805	1 082	918
Less expenses including accrued expenses	(109 526)	(104 452)	(871)	(805)	(621)	(530)
Surplus (Deficit) for Reporting Period	-	-	-	-	461	388
	Workplace Reform Programme		Workplace Productivity Programme		Capital Development Pool	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during reporting period	1 511	1 463	412	-	2 874	2 094
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	1 511	1 463	412	-	2 874	2 094
Surplus (Deficit) from the previous year	-	-	-	-	-	47
Total Revenue Including Accrued Revenue	1 511	1 463	412	-	2 874	2 141
Less expenses including accrued expenses	(1 511)	(1 463)	-	-	(2 874)	(2 141)
Surplus (Deficit) for Reporting Period	-	-	412	-	-	-
	Superannuation		Collaboration & Structural Reform		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during reporting period	23 101	21 429	1 756	1 176	140 595	133 254
Net accrual adjustments	(430)	199	-	-	(280)	(891)
Revenue for the Period	22 671	21 628	1 756	1 176	140 315	132 363
Surplus (Deficit) from the previous year	-	-	2 061	1 441	2 449	1 661
Total Revenue Including Accrued Revenue	22 671	21 628	3 817	2 617	142 764	134 024
Less expenses including accrued expenses	(22 671)	(21 628)	(1 034)	(556)	(139 108)	(131 575)
Surplus (Deficit) for Reporting Period	-	-	2 783	2 061	3 656	2 449
41.2 HECS and other Commonwealth Loan Programmes	HECS-HELP		FEE-HELP		OS-HELP	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during reporting period	59 423	58 771	3 587	2 876	(249)	521
Net accrual adjustments	4 930	(2 184)	(139)	436	500	(500)
Revenue for the Period	64 353	56 587	3 448	3 312	251	21
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total Revenue Including Accrued Revenue	64 353	56 587	3 448	3 312	251	21
Less expenses including accrued expenses	(64 353)	(56 587)	(3 448)	(3 312)	(251)	(21)
Surplus (Deficit) for Reporting Period	-	-	-	-	-	-

41.2 HECS and other Commonwealth Loan Programmes (continued)					Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during reporting period	62 761	62 168				
Net accrual adjustments	5 291	(2 248)				
Revenue for the Period	68 052	59 920				
Surplus (Deficit) from the previous year	-	-				
Total Revenue Including Accrued Revenue	68 052	59 920				
Less expenses including accrued expenses	(68 052)	(59 920)				
Surplus (Deficit) for Reporting Period	-	-				
41.3 Scholarships	Australian Postgraduate Award		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during reporting period	1 660	1 355	222	294	1 123	653
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	1 660	1 355	222	294	1 123	653
Surplus (Deficit) from the previous year	341	374	38	35	66	13
Total Revenue Including Accrued Revenue	2 001	1 729	260	329	1 189	666
Less expenses including accrued expenses	(1 507)	(1 388)	(260)	(291)	(922)	(600)
Surplus (Deficit) for Reporting Period	494	341	-	38	267	66
	Commonwealth Accommodation Scholarships		Indigenous Staff Scholarships		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during reporting period	1 473	976	-	32	4 478	3 310
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	1 473	976	-	32	4 478	3 310
Surplus (Deficit) from the previous year	77	8	6	-	528	430
Total Revenue Including Accrued Revenue	1 550	984	6	32	5 006	3 740
Less expenses including accrued expenses	(1 190)	(907)	-	(26)	(3 879)	(3 212)
Surplus (Deficit) for Reporting Period	360	77	6	6	1 127	528
41.4 DEST - Research	Institutional Grants Scheme		Research Training Scheme		Research Infrastructure Block Grants	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during reporting period	4 773	4 664	8 544	7 797	1 655	1 495
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	4 773	4 664	8 544	7 797	1 655	1 495
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total Revenue Including Accrued Revenue	4 773	4 664	8 544	7 797	1 655	1 495
Less expenses including accrued expenses	(4 773)	(4 664)	(8 544)	(7 797)	(1 655)	(1 495)
Surplus (Deficit) for Reporting Period	-	-	-	-	-	-

41.4 DEST - Research (continued)

	Total	
	2006	2005
	\$'000	\$'000
Financial assistance received in cash during reporting period	14 972	13 956
Net accrual adjustments	-	-
Revenue for the Period	14 972	13 956
Surplus (Deficit) from the previous year	-	-
Total Revenue Including Accrued Revenue	14 972	13 956
Less expenses including accrued expenses	(14 972)	(13 956)
Surplus (Deficit) for Reporting Period	-	-

41.5 Australian Research Council Grants

	Projects		Fellowships		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) <i>Discovery</i>						
Financial assistance received in cash during reporting period	2 678	2 819	-	10	2 678	2 829
Net accrual adjustments:						
Movement in accrued income	56	(71)	-	-	56	(71)
Movement in deferred income	(243)	(414)	-	-	(243)	(414)
Revenue for the Period	2 491	2 334	-	10	2 491	2 344
Movement in deferred income	243	414	-	-	243	414
Surplus (Deficit) from the previous year	1 356	942	-	-	1 356	942
Total Revenue Including Accrued Revenue	4 090	3 690	-	10	4 090	3 700
Less expenses including accrued expenses	(2 491)	(2 334)	-	(10)	(2 491)	(2 344)
Surplus (Deficit) for Reporting Period	1 599	1 356	-	-	1 599	1 356

	Special Research Initiatives		Infrastructure		International	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) <i>Linkages</i>						
Financial assistance received in cash during reporting period	-	-	-	-	119	288
Net accrual adjustments:						
Movement in accrued income	-	-	-	-	-	-
Movement in deferred income	-	8	-	122	(3)	(114)
Revenue for the Period	-	8	-	122	116	174
Movement in deferred income	-	(8)	-	(122)	3	114
Surplus (Deficit) from the previous year	-	8	-	122	158	44
Total Revenue Including Accrued Revenue	-	8	-	122	277	332
Less expenses including accrued expenses	-	(8)	-	(122)	(116)	(174)
Surplus (Deficit) for Reporting Period	-	-	-	-	161	158

	Projects		Total	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during reporting period	5 679	3 049	5 798	3 337
Net accrual adjustments:				
Movement in accrued income	(690)	316	(690)	316
Movement in deferred income	(965)	(831)	(968)	(815)
Revenue for the Period	4 024	2 534	4 140	2 838
Movement in deferred income	965	831	968	815
Surplus (Deficit) from the previous year	1 937	1 106	2 095	1 280
Total Revenue Including Accrued Revenue	6 926	4 471	7 203	4 933
Less expenses including accrued expenses	(4 024)	(2 534)	(4 140)	(2 838)
Surplus (Deficit) for Reporting Period	2 902	1 937	3 063	2 095

(c) <i>Networks and Centres</i>	Research Networks		Centres		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during reporting period	312	306	762	748	1 074	1 054
Net accrual adjustments:						
Movement in accrued income	20	20	-	-	20	20
Movement in deferred income	(18)	(78)	(30)	119	(48)	41
Revenue for the Period	314	248	732	867	1 046	1 115
Movement in deferred income	18	78	30	(119)	48	(41)
Surplus (Deficit) from the previous year	228	150	131	250	359	400
Total Revenue Including Accrued Revenue	560	476	893	998	1 453	1 474
Less expenses including accrued expenses	(314)	(248)	(732)	(867)	(1 046)	(1 115)
Surplus (Deficit) for Reporting Period	246	228	161	131	407	359

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) was established as an Administrative Unit pursuant to the PSMAct on 8 April 2002.

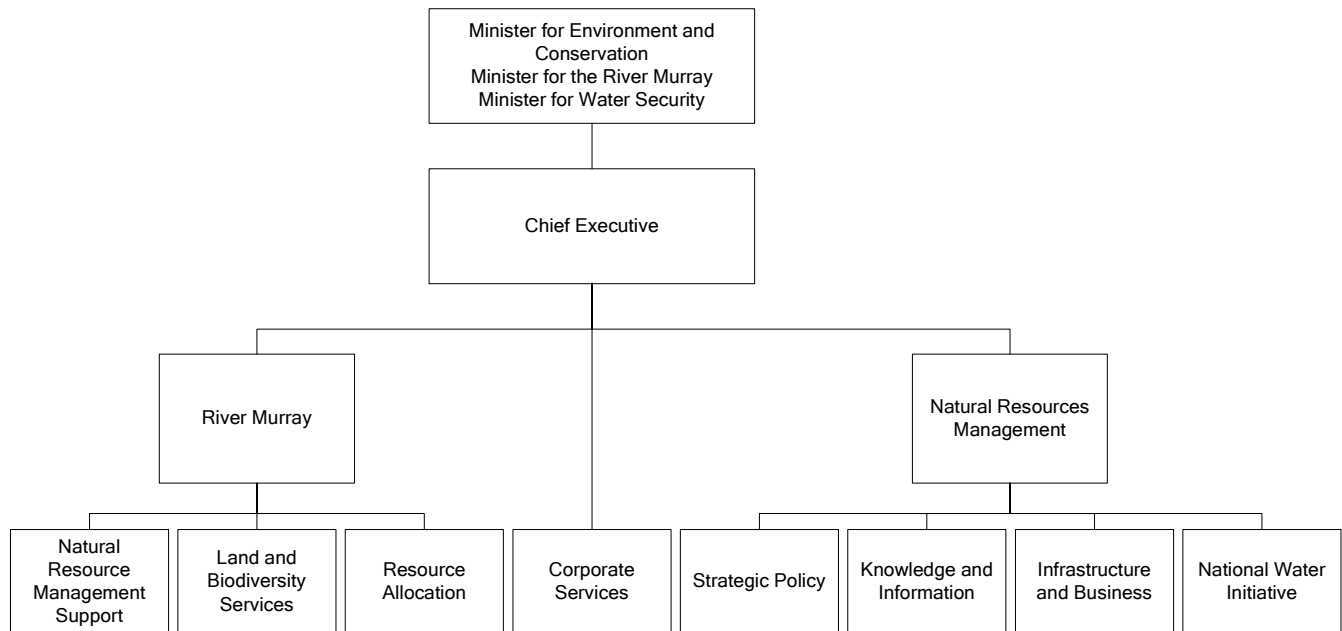
Functions

The objective of DWLBC is to improve sustainability through the integration and management of all of the State’s natural resources and to achieve improved health and productivity of our biodiversity, water, land and marine resources. The DWLBC’s functions include:

- provision of natural resource management policy advice to Government;
- issuing of water licences and permits and managing the allocation of the State's water resources;
- providing advice on development;
- supporting land managers with technical advice on sustainable land management practices;
- community capacity building;
- working with the community in the management of pest animals and pest plants;
- assessments in response to native vegetation clearance applications;
- salinity management advice;
- coordination of joint State/Federal initiatives;
- management of infrastructure assets.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the DWLBC 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 DWLBC 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 toward obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

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

- payroll
- expenditure
- procurement
- water licensing revenue
- controlled and administered grants
- financial accounting
- cash at bank
- fixed assets
- user fees and charges
- budgetary controls
- risk management.

In undertaking its operations for the 2006-07 financial year, DWLBC utilised a number of financial systems of the Department of Treasury and Finance (DTF). In conducting audit work, consideration was given to control processes performed in these outsourced arrangements.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

Assessment of Controls

In my opinion, the controls exercised by the Department of Water, Land and Biodiversity Conservation 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 control environment, specific control matters, budgetary management, Natural Resources Management Fund and payments from administered grant funds as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Water, Land and Biodiversity Conservation 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. Responses to the management letters were generally considered to be satisfactory. Major matters raised with DWLBC and the related responses follow.

Control Environment

For a number of years Audit has reported on the need for improvement to DWLBC's control environment. Audit has also conveyed that DWLBC has intended to address these required improvements by establishing an internal FMF.

In 2006-07 Audit reported that while DWLBC is progressively implementing aspects of its internal FMF, many important components are still in the process of being developed, documented and implemented.

DWLBC's response reaffirmed its commitment to strengthen its internal controls and its overall control environment. It further acknowledged that it was yet to fully develop certain control frameworks and in some instances had not implemented desired controls or not rigorously applied some existing controls. DWLBC indicated that it had implemented all the relevant prescribed elements of the FMF but recognised that the effectiveness of specific internal controls was subject to further improvement which must occur. DWLBC's response cited a number of factors that had resulted in reprioritisation and DWLBC's planned actions not being progressed in accordance with previously advised timeframes including:

- the existence of a structural budgetary deficit and requirements to meet savings initiatives placing limitations on how DWLBC may allocate its future and existing resources;
- a complex and rapidly changing environment during 2006-07;
- new developments including the National Water Initiative requiring significant investments in time to establish governance and reporting arrangements;
- defining and documenting a coordinated budgetary control framework for Natural Resources Management Boards (NRM Boards);
- business integration including potential changes to corporate systems and processes;
- defining a capital budgeting process and alignment to strategic asset management planning;
- restructure of its Financial Services Group commencing in January 2007 and anticipated to be in place and resourced by August 2007.

Specific Control Matters

Audit reported that management reliance on controls was not always well founded as certain controls tested by Audit did not exist or were not operating as intended. Audit correspondence identified and reported the following weaknesses:

Transactional Controls

- Key payroll controls were not consistently operating as intended. Matters noted included instances where time and attendance data had not been maintained and the review and reconciliation of leave taken reports had not been consistently performed, or was performed incorrectly.

The DWLBC responded that it had developed and ratified related departmental policies and guidelines and has planned to hold training programs by December 2007. It also responded that instances of non-compliance identified by the audit would be subsequently followed up and actioned. Further, it detailed proposed mechanisms by which it intends to monitor future compliance.

- Expenditure controls implemented by DWLBC should be improved to provide assurance as to the validity and accuracy of expenditure processed by the shared service provider, DTF. These matters are consistent with findings reported in prior years. The Department responded that it has been evaluating the nature and design of internal controls as part of a trial of a proposed electronic purchasing/expenditure system.
- Limitations were apparent in DWLBC's system which records outstanding water levies and penalties. As a result, interest had not been applied to outstanding water levies and penalties as required by the *Natural Resources Management Act 2004* (NRMA). The DWLBC responded that it has engaged a consultant to investigate the accounts receivable processes and to make recommendations regarding management going forward.
- Inaccurate water licensing revenue and debtors balances had flowed through to the general ledger without appropriate adjustment. DWLBC responded that it would process required adjustments and disclose these within the Department's general purpose financial report.
- DWLBC had not consistently reviewed the shared service provider's performance of important reconciliations between subsidiary systems and the general ledger. The DWLBC's response outlined proposed revised processes and documentation of the number, nature, purpose and frequency of reconciliations and allocation of responsibility to individual officers.

Higher Level Controls

- Consistent with prior year reports there remains a need to develop and implement an overarching grant management framework. DWLBC's response noted developments in some specific areas and acknowledged that it still required an external grant framework. DWLBC targeted to complete an 'Accounting for and Administration of External Grants Framework' during 2007-08.
- Risk management activities, including risk reporting requirements, were not occurring as intended. DWLBC's response recognised that there was a need to better integrate risk management with operational and management reporting. It further responded that it had changed the Audit Committee's terms of reference to help improve the management of risks within DWLBC.
- An internal management review had identified inconsistencies and variable standards in project management practices. DWLBC advised that it had commenced a project management review and was in the process of establishing an internal group to develop a better practice approach to project management in DWLBC.

Higher Level Monitoring

- Important monitoring components of the DWLBC's control environment, the Audit Committee and Internal Audit function had not operated as intended. DWLBC's response acknowledged this matter and concurred with Audit's recommendation that these functions should operate as intended. DWLBC noted the changed terms of reference of the Audit Committee in May 2007 and approval of a formal Internal Audit program in June 2007.
- Internal reporting to the finance committee was not sufficient to allow it to effectively discharge its role to evaluate and monitor the financial position and cash flows of the department. DWLBC responded that the finance committee would progressively refine its requirements for reporting and it planned a more consistent and comprehensive format for 2007-08.

Budgetary Management

DWLBC's financial and management reporting has highlighted a number of budget difficulties including the management of an underlying structural budget deficit. The 2006-07 audit included a review of these matters.

The review noted that DWLBC's budget management system (Masterpiece general ledger) incorporated budget expenditure targets which exceeded that approved in the DTF budget system. It was also noted that DWLBC's working budget was not established on the general ledger until January 2007. This delay was in part caused by the timing of the 2006-07 Budget which was not tabled until September 2007.

In response DWLBC confirmed the following about its budget position:

- DWLBC's 2004-05 financial results had provided a clear indication that there was an underlying structural budget deficit which the DWLBC was required to manage going forward.
- Discussions had taken place with the Under Treasurer and other senior officers from DTF on reaching a position on the extent of overspending.
- A senior DTF officer became a member of DWLBC's Finance Committee.
- DWLBC have estimated the underlying structural budget deficit to be \$5 million per annum.
- In addition the DWLBC is required to achieve the Government's nominated target of \$10 million in ongoing savings by 2009-10.
- To manage the 2006-07 outcomes the Department had identified measures including a number of proposed one off measures and a combination of expenditure saving and cost recovery initiatives.
- The Chief Executive advised that he had kept both Ministers and the Under Treasurer informed of DWLBC's budget position.

Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established as at 1 July 2005 pursuant to the NRMA. Administered items disclosed in DWLBC's Financial Report incorporate financial transactions of the NRM Fund.

Provisions under the NRMA require various monies to be deposited into the NRM Fund. Last year, Audit reported that the Department had indicated uncertainty as to whether levies and penalties collected under the NRMA should be paid into the NRM Fund. It was further reported that the DWLBC had advised it was seeking legal advice to clarify which monies were required to be paid into the Fund.

After follow up of this matter during 2006-07, Audit reported in a letter dated 19 June 2007, concern as to the delay in receipt of the legal advice.

DWLBC sought advice from the Crown Solicitor on 24 May 2007 and received a formal response on 19 June 2007. The Crown Solicitor indicated that certain water levies and penalties raised under the NRMA and monies to be appropriated to NRM Boards should have been paid into the NRM Fund. These monies were not paid into the NRM Fund during the year. The Crown Solicitor recommended that DWLBC, together with DTF, address the future management of the NRM Fund so that it is managed in accordance with the NRMA.

In its response DWLBC acknowledged that there was a delay in seeking formal legal advice. The response detailed the legal advice received and proposed that going forward monies would be paid into and applied from the NRM Fund as required by the NRMA.

Audit also raised that DWLBC had not established guidelines to provide important elements of accountability and governance of the NRM Fund including issuing of a specific delegation instrument for application of the NRM Fund. These matters are consistent with those raised in last year's Report.

DWLBC responded that while it had identified the desirability to establish a separate governance framework for the NRM Fund, it was regarded as supplementary to the Act and was not critical in terms of competing priorities. Delegations would be evaluated and DWLBC noted it had prepared a special purpose financial report for the NRM Fund for 2005-06.

Further commentary on the NRM Fund is included under the heading 'Natural Resources Management Boards and Natural Resources Management Fund'.

Payments from Administered Grant Funds

Matters raised in relation to grant programs administered by DWLBC were:

- a recommendation that the release of all funding from administered grant programs be explicitly approved as required by State/Commonwealth agreements;
- delays in receipt and collation of in-kind expenditure records required to match against Commonwealth grant contributions.

Further commentary on grant programs is included under the heading 'Administered Grant Programs'.

Water Information Licensing Management Application

Last year's Report included commentary on DWLBC's Water Information Licensing Management Application (WILMA). The WILMA system and the related CPE was developed to support the administration of the *Water Resources Act 1997* (and as superseded by the NRMA) and to enhance state economic development through the facilitation of trading of water allocations and salinity credits.

The WILMA system was designed to manage the workflow of applications for water licences and permits, and includes financial functions to manage notices, invoices and payments. WILMA has a central role in providing core functionality to DWLBC. DWLBC entered into a contractual agreement with an external service provider for the detailed design, development and provision of the WILMA software and associated maintenance and support services.

Audit conducted a review of the WILMA system and CPE in 2005. A follow up review was undertaken in 2006. That review revealed that many areas identified by Audit in the 2005 review had been satisfactorily actioned. DWLBC advised that matters outstanding to be addressed in 2006-07 were:

- review of the contractual agreement with the external service provider;
- establishment of formal agreements between DWLBC and other key agencies for exchange of data between WILMA and certain key agency systems;

- alignment of certain DWLBC information security policies and procedures to the government mandated ISMF;
- completion of business continuity planning and testing for DWLBC business and information technology components of key financial and operational systems.

In August 2007, DWLBC advised that it had:

- reviewed aspects of the contractual agreement with the service provider;
- not established formal data exchange agreements between DWLBC and other key agencies, but would review these arrangements in a DWLBC project which is part of a National Water Initiative program;
- commenced a gap analysis and review of existing security arrangements and compliance with the ISMF. This was due for completion in late 2007 with recommendations to be incorporated into DWLBC's work plans for 2007-08 and beyond;
- drafted a business continuity plan.

The status of these matters will be further examined by Audit in 2007-08.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
EXPENSES			
Employment expenses	40.1	38.0	6
Grants and subsidies	37.3	39.3	(5)
Other	46.5	63.1	(26)
Total Expenses	123.9	140.4	(12)
INCOME			
Grants	29.2	31.4	(7)
Other	14.7	16.0	(8)
Total Income	43.9	47.4	(7)
Net Cost of Providing Services	80.0	93.0	(14)
REVENUES FROM SA GOVERNMENT			
Government appropriations	93.5	85.1	10
Net Result	13.4	(7.9)	-
NET CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES	17.4	(4.5)	-
ASSETS			
Current assets	33.8	17.8	90
Non-current assets	72.7	73.8	(1)
Total Assets	106.5	91.6	16
LIABILITIES			
Current liabilities	8.3	7.6	9
Non-current liabilities	9.2	8.2	12
Total Liabilities	17.5	15.8	11
EQUITY	89.0	75.8	17

Income Statement

Net Result

DWLBC’s surplus of \$13.4 million was the first surplus since 2004. The result was an improvement of \$21.3 million from the prior year deficit of \$7.9 million. Important to understanding this result is the nature of DWLBC’s grant revenues and related expenses which are not necessarily expended in the same period. Reference should be made to Note 30 of DWLBC’s financial statements which discloses unspent contributions of \$31 million at 30 June 2007. This disclosure shows that DWLBC has received cash contributions, generally through grants and subsidies and Government appropriations, that are restricted in application by external fund providers and which are yet to be applied as at 30 June 2007. Refer also to discussion under the heading ‘Cash Flow Statement’.

DWLBC also received \$6 million appropriation from the SA Government in June 2007 which is a factor in the improved result. Refer also to discussion under the heading ‘Revenues from SA Government’.

Income

Income decreased by \$3.5 million. The major factor was a decrease of \$2.2 million in grants revenue to \$29.2 million in 2006-07. As grant revenue relates to specific grants programs, this item is not necessarily comparable from year to year. Reference should be made to Note 16 of DWLBC’s financial report which details current and prior year amounts for each major grant program.

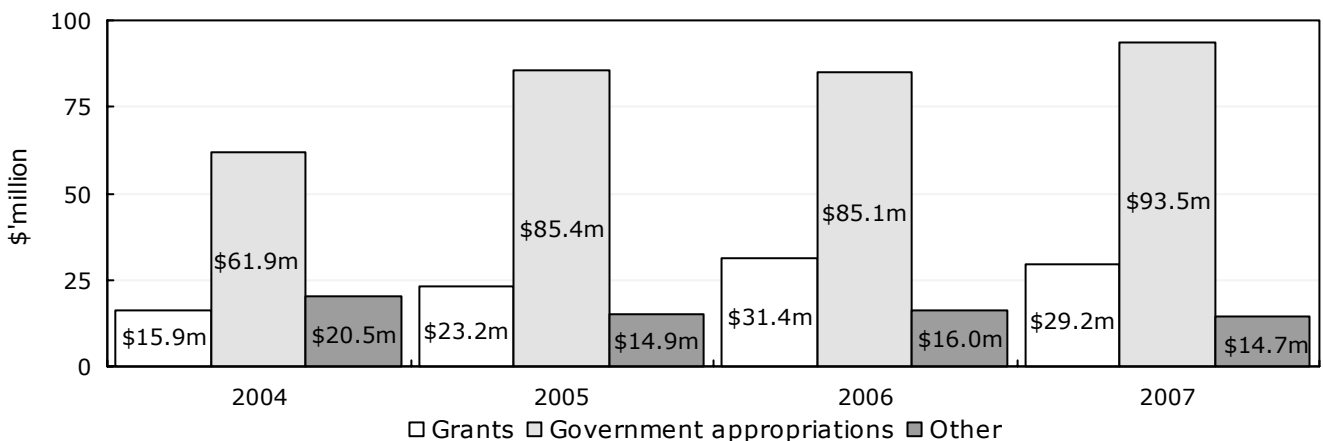
Revenues from SA Government

Revenues from the SA Government increased by \$8.4 million to \$93.5 million. The increase includes \$6 million appropriation approved on 29 June 2007. In late June 2007 DWLBC advised DTF of the possibility of overdrawing its controlled operating account as at 30 June 2007. The Treasurer approved this additional appropriation to ensure that the balance of DWLBC’s controlled operating account was positive at 30 June 2007.

Included in revenues from SA Government was an appropriation of \$21.1 million to the Save the River Murray Fund in 2006-07. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray Levy which was collected and paid into the Consolidated Account by SA Water Corporation.

Revenue from SA Government includes only funds provided pursuant to the *Appropriations Act* and does not include specific purpose grants provided by the State Government, such grants are recognised as Grant Revenue.

A structural analysis of Income and Revenues from SA Government in the four years to 2007 is presented in the following chart.



Expenses

Grants and Subsidies

Grants and Subsidies totalling \$37.3 million account for 30 percent of DWLBC expenditure. Of this, 58 percent, \$21.6 million, relates to the State’s contributions to the Murray-Darling Basin Commission (MDBC) under an agreement established in 1992. As grants expenditure relates to specific grants programs, the payments in relation to grants are not necessarily comparable from year to year. Reference should be made to Note 9 of DWLBC’s financial report which details current and prior year amounts for each major grant program.

Employee Expenses

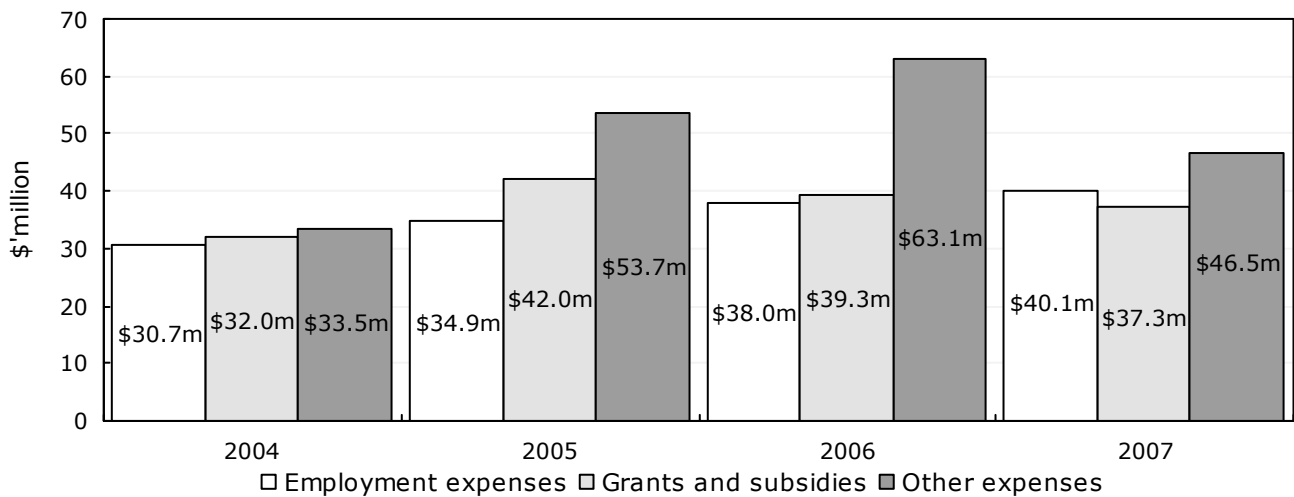
Employee expenses increased by \$2.1 million to \$40.1 million and accounts for 32 percent of expenditure.

Other Expenses

Included within supplies and services expenses of \$39.0 million (\$44.6 million) is \$19.1 million (\$24.9 million) paid to contractors related to various projects managed and controlled by DWLBC.

Other Expenses includes \$4.1 million paid to the Victorian Government for a South Australian contribution to environmental measures under the River Murray Improvement Program. This contribution has been expensed as it forms part of the State's contributions arising from an intergovernmental agreement in relation to the Living Murray Initiative. Other Expenses in 2005-06 included payments for water licenses of \$16.1 million of which a majority, \$15.3 million, related to purchases of 10 gegalitres (GL) in water licenses from SA Water Corporation on 30 June 2006. DWLBC advised that this purchase was approved by the Major Projects and Infrastructure Cabinet Committee for purposes of meeting a water recovery target of 35 GL under the Living Murray Initiative. Refer to further discussion below in 'Fixed Assets - Control and Recognition' and Note 2(d) to DWLBC's Financial Report.

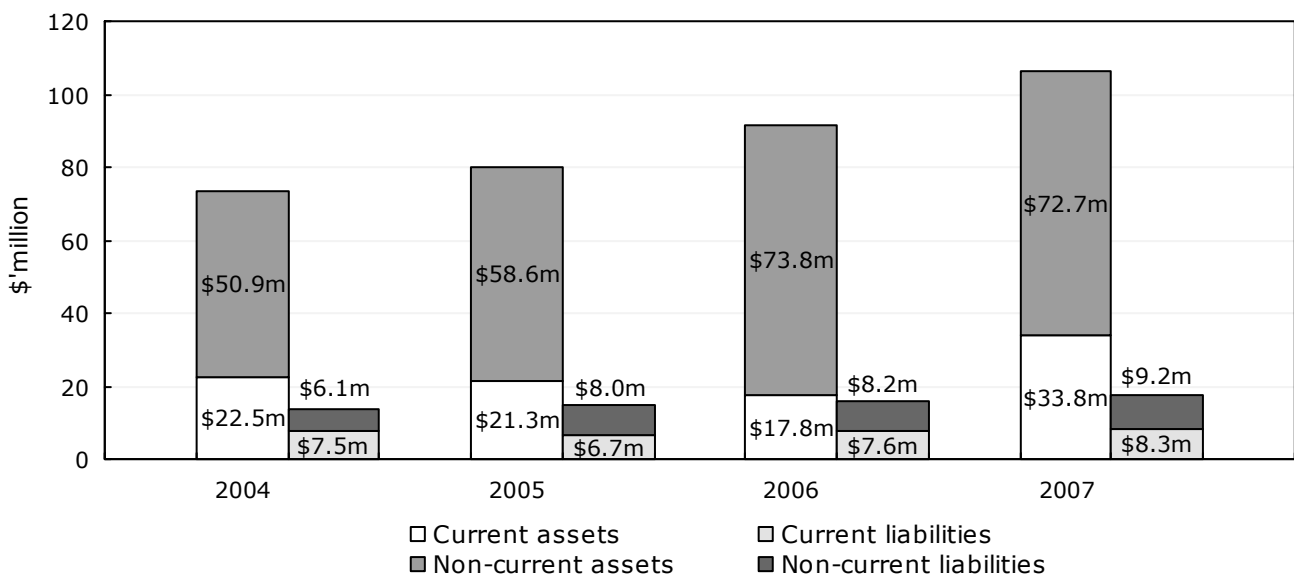
For the four years to 2007, a structural analysis of the main expense items for DWLBC is shown in the following chart.



Balance Sheet

Non-Current Assets

For the four years to 2007, a structural analysis of assets and liabilities is shown in the following chart.



Property, Plant and Equipment, \$67.4 million, dominates DWLBC's asset balances. The Patawalonga Seawater Circulation and Barcoo (27 percent), Salinity Disposal Schemes (27 percent) and Ground Water Monitoring Well's (24 percent) make up \$56.5 million of the non-current asset balance.

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	17.4	(4.5)	(1.5)	(3.4)
Investing	(0.8)	(0.5)	(0.7)	(2.4)
Financing	-	1.1	-	14.1
Change in Cash	16.6	(3.9)	(2.2)	8.3
Cash at 30 June	27.6	11.0	14.9	17.1

The analysis shows that cash increased by \$16.6 million. DWLBC experienced net cash inflows from operations for the first time since 2002.

Cash at 30 June 2007 amounted to \$27.6 million exceeding current liabilities of \$8.3 million. However, cash balances are exceeded by the total of current liabilities and restricted contributions received and yet to be expended, \$31 million at 30 June 2007. Reference should be made to previous discussion in 'Net Result' and to Note 30 of DWLBC's financial report.

Administered Items

Included in items recorded as administered by DWLBC are the results and cash position in relation to DWLBC's involvement in the following items.

Natural Resources Management Boards and Natural Resources Management Fund

DWLBC has had a significant role in the implementation and administration of the NRMA. The main purposes of the NRMA are to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The NRMA provided for the creation of a range of entities with specific responsibilities including eight regional NRM Boards. DWLBC's financial statements include activities administered for these NRM Boards. These administered items reflect the receipt of revenues and payment of monies to the NRM Boards including:

- fees and charges revenue of \$6.9 million consisting of water levies and penalty charges raised on behalf of the NRM Boards;
- receipt of SA Government grants to NRM Boards of \$3.8 million;
- receipt of SA Government appropriation of \$1.7 million, including an amount of \$0.8 million to provide financial relief to River Murray irrigators offsetting an equivalent amount of water levies;
- payments to NRM Boards of \$11 million relating to; \$5.9 million water levies and penalties; \$3.8 million SA Government grants; \$1.3 million appropriation and payroll tax;
- payment of \$158 000 of penalties collected under the *Water Resources Act 1997* to the Consolidated Account.

The NRMA requires that a majority of these receipts and payments be paid into and applied from the NRM Fund. As discussed earlier in Audit Findings and Comments 'Natural Resources Management Fund', these monies were not paid into the NRM Fund during the year. It should be noted that DWLBC has transferred funds to ensure the balance of the NRM Fund at 30 June 2007 reflects the closing position had the transactions been applied to the NRM Fund as required by the NRMA. Refer to Note A2(a) of DWLBC's financial report.

Administered Grant Programs

DWLBC is required to provide the Commonwealth with audited annual financial statements for the following administered grant programs. The statements and independent auditor's reports are prepared and completed after this Report is finalised.

National Action Plan for Salinity and Water Quality (NAP)

Under an agreement between the Commonwealth Government and the State, the NAP aims to enable action to:

- prevent, stabilise and reverse trends in salinity, particularly dry-land salinity, affecting the sustainability of production, the conservation of biological diversity and the viability of infrastructure;
- improve water quality and secure reliable allocations for human uses, industry and the environment.

The NAP items administered by DWLBC include revenues from the State Government, \$14.3 million, grant revenues, \$15.2 million, grant expenses, \$29 million and cash balances, \$34.2 million.

Natural Heritage Trust (NHT)

The NHT was established by the *Natural Heritage Trust of Australia Act 1997* (Cwlth). Under agreements between the Commonwealth Government and the State, the NHT overarching objectives are:

- biodiversity conservation;
- sustainable use of natural resources;
- community capacity building and institutional change to increase the capacity to implement biodiversity conservation and sustainable resource use.

The NHT items administered by DWLBC include grant revenues, \$21.4 million, grant expenses, \$23.5 million and cash balances, \$4.1 million.

FURTHER COMMENTARY ON OPERATIONS

Save the River Murray Fund

DWLBC's financial report incorporates financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932* (the Act). Under provisions of the Act, proceeds of the Save the River Murray Levy are collected and paid into the Consolidated Account by SA Water Corporation. These monies are then to be paid into the Fund. Money paid into the Fund may be applied by the Minister toward programs and measures to:

- improve and promote the environmental health of the River Murray; or
- ensure the adequacy, security and quality of the State's water supply from the River Murray, and
 - if the State's contributions to the MDBC for a particular financial year exceed \$15 million (indexed from 2003-04) - payment of the excess,
 - if the Minister is satisfied that it may be appropriate to provide rebates in particular cases-the costs of rebates (including the costs of administering the rebate scheme).

Receipts paid into the Fund in 2006-07 amounted to \$21.1 million, payments were \$15.8 million and the balance of the Fund as at 30 June 2007 was \$12.5 million.

The activities of the Fund are considered to be controlled activities of DWLBC and consequently the financial activities are included in DWLBC's general purpose financial report. DWLBC prepares a separate annual report on the Fund as required by the Act.

Fixed Assets - Control and Recognition

Certain assets were highlighted in prior years' Reports which were not considered to be controlled by DWLBC and therefore were not recognised in DWLBC's financial report. Examples of these assets included infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc) and controlled by the MDBC.

DWLBC has advised that it did not own or control these assets and as such the assets were not recognised in DWLBC's accounts. The significant matters are briefly discussed below.

Murray-Darling Basin Commission Assets

A number of structures along the River Murray, including locks, weirs, barrages and specific saline water disposal basins were constructed under the Murray-Darling Basin Agreement. Audit has been advised by DWLBC that the MDBC exercises effective control of these assets.

The Murray-Darling Basin Agreement specifies that the State cannot undertake any work or other actions in relation to these assets without the permission of the MDBC. As South Australia does not have the capacity to dominate the decision making of the Commission, DWLBC, as the lead agency responsible for the State's water resource management, does not have control over these assets. While DWLBC contributes funds to the MDBC on an annual basis, it has not recognised any interest in the net assets of the MDBC as any such interest in MDBC was undetermined and reliant on further investigation. The principles for accounting for interests in the MDBC's assets remain under consideration by the MDBC.

In Audit's opinion, it is necessary for all matters associated with the financial reporting to be fully resolved before recognition of any amounts in the financial report of DWLBC. Reference should be made to Note 2(d) of DWLBC's financial report.

Living Murray Initiative

In June 2004 the State entered into the 'Intergovernmental Agreement on Addressing Water Overallocation and Achieving Environmental Objectives of the Murray-Darling Basin'. This agreement establishes the arrangements for recovery and management of water to address the declining health of the River Murray system (The Living Murray) and to address other water over allocation issues in the Murray Darling Basin.

The Parties agreed to provide \$500 million in the recovery of up to 500 gigalitres (GL) of water for The Living Murray. South Australia's commitment under this agreement is \$65 million over a period of five years and a volumetric recovery target of 35 GL of water.

In meeting these commitments, DWLBC has made the following contributions:

- During 2005-06 DWLBC purchased 10 GL in water licenses from SA Water Corporation for \$15.3 million for purposes of meeting a water recovery target of 35 GL. This expenditure forms part of other expenses, water acquisitions. Reference should be made to Note 10 of DWLBC's financial report. During 2006-07 the water licence was included on the MDBC's Eligible Measures Register.
- During 2006-07 a 3 GL water licence held in the name of the Minister for the River Murray was allocated to the MDBC's Eligible Measures Register for purposes of meeting a water recovery target of 35 GL.
- During 2006-07 \$4.1 million payments to the Victorian Government for a South Australian contribution to environmental measures under the River Murray Improvement Program. This expenditure forms part of other expenses, investments in water recovery projects. Reference should be made to Note 10 of DWLBC's financial report.

As discussed further in Note 2(d) of DWLBC's financial report these water licenses and investments are not recognised as DWLBC's assets as it is considered that future economic benefits are not expected to flow directly to DWLBC. Amounts expended in relation to the scheme are recognised as expenses in DWLBC's Income Statement.

Constructed River Murray Structures

Over recent years, DWLBC has been involved in a number of construction projects in relation to the River Murray Salt Interception Infrastructure Program. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the National Action Plan for Salinity and Water Quality and MDBC funding.

DWLBC has previously advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBC. Consequently the assets have not been recognised as assets controlled in DWLBC's accounts based on the same rationale discussed above in 'Murray-Darling Basin Commission Assets'. Payments in relation to these programs are recognised as expenses in DWLBC's Income Statement in the form of employee expenditure, operating costs and grant payments. Reference should be made to Note 2(d) of DWLBC's financial report.

Constructed Upper South East Drainage Assets

Over recent years DWLBC has been involved in the construction of the Upper South East Drainage Scheme. These constructed infrastructure assets and associated work in progress have been funded through the National Action Plan for Salinity and Water Quality. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002*, on completion, the resulting assets are maintained by the South Eastern Water Conservation and Drainage Board.

As discussed further in Note 2(d) of DWLBC's financial report these assets are not recognised as DWLBC's assets. Amounts expended in relation to the scheme are recognised as expenses in DWLBC's Income Statement.

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

		2007	2006
EXPENSES:	Note	\$'000	\$'000
Employee expenses	6(a)	40 099	38 013
Supplies and services	7	38 953	44 614
Depreciation and amortisation expense	8	2 581	2 184
Grants and subsidies	9	37 313	39 272
Other expenses	10	4 991	16 278
Total Expenses		123 937	140 361
INCOME:			
Fees and charges	13	13 110	13 316
Interest	14	211	520
Grant revenue	16	29 174	31 397
Net gain on disposal of non-current assets	15	29	-
Other revenue	17	1 357	2 145
Total Income		43 881	47 378
NET COST OF PROVIDING SERVICES		80 056	92 983
REVENUES FROM SA GOVERNMENT	12	93 469	85 106
NET RESULT		13 413	(7 877)

Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	2(l),18	27 578	11 038
Receivables	21	3 600	3 667
Inventories	2(f), 20	1 216	1 224
Other current assets	21	1 417	1 095
Non-current assets classified as held-for-sale	19	-	789
Total Current Assets		33 811	17 813
NON-CURRENT ASSETS:			
Property, plant and equipment	22	67 372	68 183
Intangible assets	23	5 299	5 641
Total Non-Current Assets		72 671	73 824
Total Assets		106 482	91 637
CURRENT LIABILITIES:			
Payables	24	4 527	4 112
Employee benefits	25	3 600	3 298
Provisions	26	133	183
Total Current Liabilities		8 260	7 593
NON-CURRENT LIABILITIES:			
Payables	24	903	834
Employee benefits	25	7 932	6 887
Provisions	26	370	496
Total Non-Current Liabilities		9 205	8 217
Total Liabilities		17 465	15 810
NET ASSETS		89 017	75 827
EQUITY:			
Contributed capital		8 164	8 164
Retained earnings		56 573	43 595
Asset revaluation reserve		24 280	24 068
TOTAL EQUITY		89 017	75 827
Commitments for expenditure	27		
Contingent assets and liabilities	28		

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

	Note	Asset			Total
		Contributed Capital	Revaluation Reserve	Retained Earnings	
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2005		7 107	14 820	42 887	64 814
Error correction		-	-	414	414
Restated balance at 30 June 2005		7 107	14 820	43 301	65 228
Gain on revaluation of property, plant and equipment and intangibles during 2005-06		-	9 248	-	9 248
Error correction		-	-	8 171	8 171
Net income recognised directly in equity for 2005-06		-	9 248	8 171	17 419
Net Result for 2005-06		-	-	(7 877)	(7 877)
Total Recognised Income and Expense for 2005-06		-	9 248	294	9 542
Equity contribution from SA Government		1 057	-	-	1 057
Balance at 30 June 2006		8 164	24 068	43 595	75 827
Gain on revaluation of property, plant and equipment and intangibles during 2006-07		-	212	-	212
Error correction	2(d)	-	-	(435)	(435)
Net income recognised directly in equity for 2006-07		-	212	(435)	(223)
Net Result for 2006-07		-	-	13 413	13 413
Total Recognised Income and Expense for 2006-07		-	212	12 978	13 190
Balance at 30 June 2007		8 164	24 280	56 573	89 017

All Changes in Equity are attributable to SA Government as owner

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	
Employee benefit payments	(38 928)	(38 397)
Supplies and services	(38 766)	(44 862)
Grants and subsidies	(37 313)	(39 167)
Other expenses	(4 980)	(15 312)
GST payments on purchases	(8 746)	(9 220)
GST remitted to the Australian Taxation Office	(181)	(291)
Cash used in Operating Activities	(128 914)	(147 249)
CASH INFLOWS:		
Fees and charges	13 560	13 959
Grant receipts	29 174	31 397
Interest received	200	581
Other receipts	1 357	1 407
GST receipts on sales	2 326	2 923
GST receipts from the Australian Taxation Office	6 208	7 426
Cash generated from Operating Activities	52 825	57 693
Receipts from SA Government	93 469	85 106
Cash generated from SA Government	93 469	85 106
Net Cash provided by (used in) Operating Activities	17 380	(4 450)
	29	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(1 662)	(455)
Cash used in Investing Activities	(1 662)	(455)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	822	-
Cash generated from Investing Activities	822	-
Net Cash used in Investing Activities	(840)	(455)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH INFLOWS:		
Capital contributions from Government	-	1 057
Net Cash provided by Financing Activities	-	1 057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16 540	(3 848)
CASH AND CASH EQUIVALENTS AT 1 JULY	11 038	14 886
CASH AND CASH EQUIVALENTS AT 30 JUNE	27 578	11 038
	18,29	

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

	NRM	NRM (River Murray)	General	2007 Total \$'000
EXPENSES:	\$'000	\$'000	\$'000	\$'000
Employee expenses	25 185	7 822	7 092	40 099
Supplies and services	22 344	9 047	7 562	38 953
Depreciation and amortisation	11	-	2 570	2 581
Grants and subsidies	8 152	29 126	35	37 313
Other expenses	38	5 525	(572)	4 991
Total Expenses	55 730	51 520	16 687	123 937
INCOME:				
Fees and charges	6 494	6 515	101	13 110
Grant revenue	21 987	7 139	48	29 174
Interest	187	17	7	211
Net gain on disposal of non-current assets	12	-	17	29
Other revenue	1 097	20	240	1 357
Total Income	29 777	13 691	413	43 881
NET COST OF PROVIDING SERVICES	25 953	37 829	16 274	80 056
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	2 572	21 113	69 784	93 469
NET RESULT	(23 381)	(16 716)	53 510	13 413

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Water, Land and Biodiversity Conservation (the Department)

Ensure South Australia's natural resources are managed in ecologically sustainable ways that support the well being of present and future generations.

To achieve the Department objective, it contributes to the following outcomes:

- (a) Integrated natural resource management that covers all of South Australia's natural resource elements.
- (b) Improved health and productivity of South Australia's biodiversity, water, land and marine resources.
- (c) Community, industry, governments and other stakeholders working together to achieve high quality natural resource management outcomes.
- (d) A greater capability and willingness to invest in natural resource management to provide a sustained funding base.
- (e) Wise resource allocation that provides for the best environmental, social and economic outcomes.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with the applicable AASs, other mandatory professional reporting requirements in Australia, the TIs and APSs issued pursuant to the PFAA. The accounts are prepared on the accrual basis of accounting using historical cost accounting, except for certain classes of physical non-current assets, which are valued at fair value.

These financial statements have been prepared in accordance with AIFRS.

The Income Statement, Cash Flow Statement, Statement of Changes in Equity and the Program Schedule report the financial activities from 1 July 2006 to 30 June 2007. The Balance Sheet and the Schedules of Administered items report financial activity for the 12 months ending 30 June 2007.

In addition, a number of AASs have been issued or amended and are applicable to the Department but are not yet effective. The Department has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Department.

(b) The Reporting Entity

The financial activities of the Department are primarily conducted through a Special Deposit Account established pursuant to section 8 of the PFAA and held with the Department of Treasury and Finance (DTF).

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

Administered Activities

The Department administers, but does not control, certain activities on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these activities, the Department acts on behalf of the SA Government.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Schedules of Administered Items.

(c) Income Recognition

All revenues are recognised when the Department obtains control over them. User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedules of Administered Items. Such amounts are paid to the Consolidated Account or other Funds not controlled by the Department.

(d) Non-Current Assets

The Balance Sheet includes those non-current assets where identification, ownership, control and valuations can be reliably determined.

The Department has adopted an asset capitalisation threshold of \$5000. Minor assets with an individual value of less than \$5000 are expensed in the Income Statement at the time they are acquired. The capitalisation threshold has not been applied to the Groundwater Monitoring Wells and the Surface Water Monitoring Network (previously referred to as Hydrometric Gauging Stations) due to the significant number and long useful lives of the assets contained within these classes. All assets for these classes have been recognised in the Balance Sheet regardless of their initial cost of acquisition.

All items of property, plant and equipment controlled by the Department have been brought to account at fair value, where the fair value is generally determined by its written-down current cost. Land is brought to account at market value.

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

Intangible Assets

The internal development of software is capitalised by the Department when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III APS 2.15. All research and development costs that do not meet the capitalisation criteria outline in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised. The Department has capitalised the internal development of software for the Water Information and Licensing and Management Application system (WILMA). In addition, certain costs have been capitalised in respect of the Natural Resources Management Information System and are included in Work in Progress.

Assets Recognised for the First Time and Asset Revaluations

• *Error Correction*

The error correction of \$435 000 disclosed in the Statement of Changes in Equity in respect of the 2006-07 financial year comprises adjustments to the carrying values of Plant and Equipment.

The error correction for 2005-06 has been retrospectively restated in accordance with the provisions of AASB 108. The error correction of \$8 171 000 for 2005-06, disclosed in the Statement of Changes in Equity, comprises a reduction in the carrying values of Property, Plant and Equipment on account of write-downs in Work in Progress (\$1 843 000) and the Surface Water Monitoring Network (\$590 000).

The restatement of the error correction has been made to the earliest prior period presented insofar as it is determined practicable for the purposes of the AASB 108.

• *Levee Banks*

Following the conversion of Government Irrigation Districts in the Lower Murray to Private Irrigation Districts during 2004-05, all associated infrastructure, other than levee banks, was transferred to the Private Irrigation Trusts, who manage the districts. The Department has responsibility for the management of the levee bank operations and maintenance activities. The levee banks were recognised for the first time and valued by an external consultant with the assistance of technically qualified Department personnel as at 31 January 2006. Levee banks are included in the land and buildings asset class. Refer to Note 22.

- *Intangible Assets*
An intangible asset for water licences has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006. Refer to Notes 22 and 23.
- *Groundwater Monitoring Wells*
An independent revaluation of the Groundwater Monitoring Wells was undertaken by GHD Pty Ltd as at 30 June 2006. Arising from the review, additional Groundwater Monitoring Wells were recognised for the first time in 2005-06.

The valuation encompassed a desktop review of the existing asset information on the wells contained in the SA Geodata and Microfiche records maintained by the Department. The independent valuer's terms of reference included defining the ownership of wells in the monitoring network, performing a condition assessment and valuation of the wells controlled by the Department. Visual inspections of the wells were considered to be unsuitable for the purpose of valuing the wells, other than for surface structures.

The independent valuation resulted in an increment to the Asset Revaluation Reserve of \$9 248 000 and increased the value of the wells assets to \$18 365 000 at 30 June 2006.

The valuation was constrained by a number of limitations, primarily the following factors:

- replacement cost estimates were based on unit rates and not on detailed design;
- unit rates were in turn derived from comparative data, including industry data and extrapolation of closely related project data and quotations for specific items.

As a consequence, the methodology applied to the valuation has resulted in some inherent variability in the final values, which has been estimated by GHD Pty Ltd to be in the order of +/- 25 percent. This assessed level of variability is considered to have resulted in 'significant uncertainty' in the value of the wells asset class, but not in terms of the Department's overall valuation of non-current assets.

Subsequent valuations at December 2006 were reviewed internally by the Department and found to be within the inherent variances identified above. Based on the internal assessment, no further adjustment was made to the value for this asset class. Refer to Note 22.

- *Patawalonga Seawater Circulation and Barcoo*
Patawalonga Seawater Circulation and Barcoo were independently valued by Currie and Brown (Australia) Pty Ltd as at 1 January 2005. Refer to Note 22.
- *Salinity Disposal Schemes*
The Noora Drainage Disposal Scheme was independently valued by Currie and Brown (Australia) Pty Ltd as at 30 June 2005. Refer to Note 22.
- *Surface Water Monitoring Network*
A complete assessment of the Surface Water Monitoring Network (previously referred to as Hydrometric Gauging Stations) was undertaken as at 30 June 2007. The valuation was conducted by Valcorp Pty Ltd and resulted in a revaluation of these assets to \$2 473 000 at 30 June 2007, reflecting a revaluation increment of \$211 000. Refer to Note 22.
- *Land and Buildings*
Land and Buildings were independently valued by Valcorp Pty Ltd as at 30 June 2003. The Department has commenced a cyclical valuation process for valuing all Land and Buildings. Refer to Note 22.
- *Waste Disposal Stations*
The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 2003. Refer to Note 22.
- *Plant and Equipment*
Plant and equipment are brought to account at cost or at officers' valuation for initial recognition purposes. Refer to Note 22.

Assets Not Recognised

- *Murray Darling Basin Commission (MDBC)*
Under the *Murray Darling Basin Act 1993*, the MDBC controls the assets in the Murray Darling Basin including assets in South Australia such as Locks 1 to 9 on the River Murray, the barrages at the Murray Mouth, the Lake Victoria works, Woolpunda and Waikerie Salinity Interception Works and the associated drainage basin. The SA Government has an interest in these assets (and all of the assets controlled by the MDBC) through the funding provided to the Commission for the construction of the assets and through its involvement in the operations of the Commission.

- *Murray Darling Basin Commission (MDBC) (continued)*
These assets are recognised in the MDBC financial statements.

The jurisdictions involved in the MDBC have not yet agreed on the accounting treatment or the appropriate amount of each jurisdiction's interest in the assets constructed under the various Murray-Darling Basin Agreements. Further consultation is pending in order to resolve these matters.

- *Acquisition of Water Licences for Environmental Flows*
While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2007 (refer Note 23), the acquisition and transfer of water licences for environmental purposes is expensed when such expenditure is incurred (refer Note 10).

The decision not to capitalise these expenditures is linked to the provisions of the Intergovernmental Agreement (the Agreement) signed in June 2004, to which the state of South Australia is a party.

The Agreement gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray Business Plan is provided for under Clause 13 of the Agreement and describes how the actions and milestones in the Agreement are to be achieved.

The Department is acting to meet the agreed milestones and has acquired water licences for transfer to the eligible measures register and subsequently to the environmental measures register, consistent with this objective.

During 2005-06, 13 GL was transferred from irrigation licences to environmental licences in order to meet the requirements of the relevant eligible measures and environmental measures registers.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences, together with other financial investments in eligible and environmental measures, have been expensed on the basis that the future economic benefits attaching to these transactions are not expected to flow directly to the Department. Therefore, the Department treats these contributions as expenditure when such expenditure is incurred.

Expenditure in relation to commitments under related agreements include financial contributions by the state in respect of other eligible measures (eg Goulburn Murray Water Recovery Package in Victoria), termed 'Investment in water recovery projects' (refer Note 10).

The accounting for water licences represents an emerging set of accounting issues, including the accounting for intangible assets. These will likely be further impacted by future developments surrounding the MDBC and the impact of the recent Commonwealth legislation passed in respect of the *Water Act 2007*.

- *Upper South East Drainage Scheme*
The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Income Statement in the form of employee expenditures, operating costs and grant payments and are not capitalised.

- *Salt Interception Schemes*
The Department receives funding from the National Action Plan for Salinity and Water Quality, and contributes to the construction of the salt interception assets for the Bookpurnong and Loxton schemes. Upon completion these assets are managed and maintained by the Murray Darling Basin Commission, and Department funds its share of these costs.

The future economic benefits that will be derived from these assets are expected to be received by the Murray Darling Basin Commission and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Income Statement in the form of employee expenditures, operating costs and grant payments.

(e) Depreciation and Amortisation of Non-Current Assets

All non-current assets, with the exception of land and certain acquired intangible assets, have a limited useful life and are systematically depreciated/amortised in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as internally developed software, while depreciation is applied to tangible assets such as property, plant and equipment. No depreciation is applied to capital work in progress. No amortisation is applied to water licences (included in the acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

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

Assets are subject to straight-line depreciation/amortisation over the following periods:

	<i>Years</i>
Buildings	10-47
Groundwater Monitoring Wells	1-100
Patawalonga Seawater Circulation and Barcoo	10-97
Surface Water Monitoring Network	1-69
Waste Disposal Stations	22
Salinity Disposal Schemes	28-86
Plant and equipment	3-42

(f) Inventories

Inventories are measured at the lower of cost or net market value. Inventories include plants and materials held by State Flora and the Branched Broomrape Eradication Program.

(g) Payables

Payables include creditors, accrued expenses and employment on-costs. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with TI 8 following the receipt of a valid invoice.

Creditors and accrued expenses represent amounts owing for goods and services received prior to the end of the reporting period that were unpaid at the end of the reporting period.

(h) Employee Benefits

(i) Sick Leave

The Department's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those periods. No sick leave liability has been recorded, as it is probable that sick leave taken in future periods will be less than the sick leave benefits accrued in those periods.

(ii) Salary and Wages

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

(iii) Annual Leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at the reporting date using the remuneration rate expected to apply at the time of settlement. The estimated rate of inflation is 4 percent.

(iv) Long Service Leave

The liability for long service leave is calculated by using the product of the current liability for all employees who have completed six and a half or more years of service and the current rate of remuneration for each of these employees respectively. The six and a half years (seven years in 2005-06) has been based on an actuarial assessment by the DTF based on a significant sample of employees throughout the South Australian public sector. The liability is measured as the amount unpaid at the reporting date..

(v) Employment On-Costs

Related on-costs of payroll tax and superannuation are recorded under the item payables for any salaries and wages, annual leave and long service leave accrued at the end of the year.

(vi) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the SA Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes. The Department made contributions of \$3 960 000 (\$3 566 000) for the 2006-07 financial year.

(i) Provisions

Workers Compensation

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. The provision is based on an actuarial assessment performed for the Public Sector Workforce Division of the Department of the Premier and Cabinet.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Workforce Division.

(j) Leases

The Department has entered into non-cancellable operating lease agreements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease. Refer to Note 27 for further details.

Operating lease payments are representative of the pattern of benefit derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

The Department has not entered into any finance leases.

(k) Receivables

Receivables arise in the normal course of the selling of goods and services to other agencies and to the public. Receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided.

The provision for doubtful debts has been calculated based on a specific assessment of the recoverability of certain receivables.

(l) Cash

For the purpose of the Cash Flow Statement, cash includes cash deposits, which are readily convertible to cash on hand, and which are used in the cash management function on a day-to-day basis. Refer to Notes 18 and 29.

(m) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of Interpretation 1031, revenues, expenses and assets are recognised net of 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 a part of the cost of acquisition of the asset, or as part of the expense item.

GST recoverable from the ATO is included as other current assets in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis.

(n) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(o) Rounding

All amounts are rounded to the nearest thousand dollars (\$'000).

(p) Future Developments in Financial Reporting

The financial report is prepared in compliance with the framework set out in Note 2(a). In view of the diverse nature of the Department's activities and relatively complex funding arrangements some important areas remain under consideration. These areas are:

- Establishing the Save the River Murray Fund (STRMF) as a separate general-purpose reporting entity, where separate statements would be prepared and then consolidated with the Department (newly defined), recognising that the latter retains control. This is intended to improve the overall 'understandability', an essential qualitative characteristic of financial reporting. Recent transactions in respect of water licence transfers have further emphasised the need for separation of reporting. This reporting relationship is not provided for in existing statutory arrangements.

The resolution of accounting treatment with respect to MDBC assets and liabilities. As reported in last year's financial statements, the Department had been advised that the MDBC had agreed to develop principles for accounting for jurisdictions' interest in the assets of the MDBC. The federal government introduced legislation in August 2007 which sets out its plan to control water in the Murray-Darling Basin. This has not resolved the uncertainty surrounding future accounting arrangements.

(p) Future Developments in Financial Reporting (continued)

- While the Department is aware that various jurisdictions are accounting for their interests in MDBC assets at 30 June 2007, the Department considers that adopting a position interim to any final arrangements surrounding the future of the MDBC would not meet relevant qualitative characteristics of financial reports. Any future position is likely to result in a major change in the Department's assets and liabilities.
- A review of the current accounting treatment of expensing various project costs where assets are developed on behalf of/transferred to other entities. This is contingent on a more detailed review of questions surrounding questions of control. Project expenditure that will be subject to review in this area includes that associated with the Upper South East Dryland Salinity and Flood Management Program and the Salt Interception Schemes. In some instances the accounting decisions may be impacted by determinations in regard to MDBC assets.

(q) Interests in Joint Ventures

The Department participates in a number of joint ventures through its interests in Cooperative Research Centres (CRCs).

While CRCs have the characteristics of joint ventures, they are not material to the Department and no separate disclosure for 2007 has been made in accordance with the AASB 131.

A CRC is a research initiative of the Commonwealth Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. There are usually a number of participants involved with CRCs, which also often have a significant research focus (eg CSIRO, universities and private sector bodies).

The funding of a CRC is usually coordinated through a Centre Agent who is appointed generally from one of the participating entities.

Transactions between the CRCs and the Department are accounted for in terms of general revenue and expenditure.

The Department participates in the following CRCs and provides both cash and in-kind contributions:

CRC for Plant Based Management of Dryland Salinity
CRC for Irrigation Futures
CRC for Australian Weed Management
CRC for Invasive Animals
CRC for Desert Knowledge
CRC for E-Water

To support the work of the CRCs the Department provided \$800 000 in both cash and in kind contributions in 2006-07.

3. Financial Risk Management

The Department has significant non-interest bearing assets and liabilities. The Department's exposure to market risk and cash flow interest risk is minimal.

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

4. Changes in Accounting Policies

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

5. Programs of the Department

Program 1: Natural Resource Management

Natural Resource Management is described as the management of natural resources in South Australia, including the provision of advice and regulatory support for the Government and community; and facilitating the allocation and sustainable use of natural resources.

Program 2: Natural Resource Management (River Murray)

Natural Resource Management (River Murray) is described as the management of natural resources in the Murray-Darling Basin in South Australia, including the provision of advice and regulatory support for Government and community; and facilitating the allocation and sustainable use of natural resources.

General/Not Attributable

Certain items of the Department are not allocated to programs.

6. Employee Expenses		2007	2006
(a) Employee Expenses		\$'000	\$'000
Salaries and wages		31 544	30 305
Superannuation		3 983	3 567
Annual leave		2 804	2 626
Long service leave		1 572	1 107
Workers compensation		57	275
Board fees		139	133
Total Employee Expenses		40 099	38 013
(b) 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		15	12
\$110 000 - \$119 999		8	4
\$120 000 - \$129 999		4	2
\$130 000 - \$139 999		3	3
\$140 000 - \$149 999		2	1
\$150 000 - \$159 999		-	2
\$160 000 - \$169 999		3	1
\$170 000 - \$179 999		2	2
\$180 000 - \$189 999		-	-
\$190 000 - \$199 999		2	-
\$260 000 - \$269 999		-	1
\$270 000 - \$279 999		1	-
\$330 000 - \$339 999		-	1
Total Number of Employees		40	29

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 or receivable by these employees for the year was \$5 174 000 (\$3 914 000).

7. Supplies and Services		SA Govt	Non-SA Govt	2007	2006
Supplies and service expenses for the reporting period comprised of:		\$'000	\$'000	\$'000	\$'000
Contractors		6 865	12 267	19 132	24 919
Service level agreement		3 397	95	3 492	3 506
Accommodation		2 469	292	2 761	3 105
Vehicles		1 717	332	2 049	1 715
Computing		326	746	1 072	1 380
Travel and accommodation		35	1 242	1 277	1 253
Printing, publishing and stationery		153	566	719	941
Telephones		401	244	645	549
Chemical analysis		27	1 869	1 896	302
Minor plant and equipment purchases		33	1 052	1 085	1 065
Maps, photographs and plans		35	29	64	59
Consultancies		63	306	369	276
Materials and consumables		17	558	575	(433)
Equipment repairs and maintenance		55	357	412	357
Advertising, exhibition and promotion		9	533	542	426
Legal fees		234	15	249	207
Staff development		233	565	798	1 171
Other supplies and services		302	1 514	1 816	3 816
Total Supplies and Services		16 371	22 582	38 953	44 614

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

	2007	2007	2006
Below \$10 000	18	\$'000	\$'000
Between \$10 000 and \$50 000	10	219	124
Above \$50 000	1	66	63
Total Paid/Payable to the Consultants Engaged	29	369	276

8. Depreciation and Amortisation Expense		2007	2006
		\$'000	\$'000
Patawalonga Seawater Circulation and Barcoo		351	351
Groundwater monitoring wells		892	555
Plant and equipment		479	397
Salinity disposal schemes		345	349
Surface water monitoring network*		62	87
Waste disposal stations		63	63
Buildings		47	40
Intangible Assets		342	342
Total Depreciation and Amortisation Expense		2 581	2 184

* Previously referred to as Hydrometric Gauging Stations

9. Grants and Subsidies	2007	2006
Non-SA Government Entities:	\$'000	\$'000
Murray Darling Basin Commission	21 607	19 328
Department of Primary Industries and Fisheries Qld - Red imported fire ants	417	1 032
Irrigators - Lower Murray reclaimed irrigation areas	3 738	3 572
Agriculture, Fisheries, Forestry Australia (AFFA)	37	30
Lake Eyre Basin - Environment Australia	125	125
Department of Sustainability and Environment	179	807
Trees for Life	35	150
Murray Darling Basin Association Inc	20	253
Other grants	2 170	916
Total Grants and Subsidies - Non-SA Government Entities	28 328	26 213
SA Government Entities:		
GH Michell trade waste subsidy	1 844	1 798
Department of Transport, Energy and Infrastructure - Catchment Management subsidy scheme	-	3 968
River Murray improvement program - SA Government agencies	1 435	1 840
Grant subsidy (transferred to Administered Item - Dog Fence Board)	425	416
Department of Transport, Energy and Infrastructure - Regional flood mitigation program	-	264
Transfer to NRM Fund in respect of Appropriations allocated to the regional NRM Boards*	3 771	3 894
Other grants to regional NRM Boards in respect of animal and plant control - not transferable to NRM Fund	42	-
Primary Industries and Resources SA - Rural Finance	2	699
Onkaparinga Catchment Water Management Board	-	34
Rainwater Tank Rebate Scheme	250	-
Branched Broomrape Eradication	717	-
Minister for the River Murray Infrastructure projects	400	-
Other grants	99	146
Total Grants and Subsidies - SA Government Entities	8 985	13 059
Total Grants and Subsidies	37 313	39 272
* Excludes appropriations received by the Department under Administered Items (\$400 000) in respect of the SA Arid Lands NRM Board.		
10. Other Expenses		
Non-SA Government Entities:		
Bad and doubtful debts	11	-
Water acquisition	-	762
Investment in water recovery projects	4 121	-
Total Other Expenses - Non-SA Government Entities	4 132	762
SA Government Entities:		
Audit fees	219	205
Water acquisition	640	15 311
Total Other Expenses - SA Government Entities	859	15 516
Total Other Expenses	4 991	16 278
11. Auditor's Remuneration		
Audit fees paid or payable to the Auditor-General's Department	219	205
Total Audit Fees	219	205
Other Services		
No other services were provided by the Auditor-General's Department.		
12. Revenues from SA Government		
Appropriation from consolidated account pursuant to the <i>Appropriation Act</i>	93 469	85 106
Total Revenues from SA Government	93 469	85 106

The revenues from SA Government include \$21 113 000 which was paid into the STRMF, from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The STRMF was established under section 100 of the *Waterworks Act 1932* (W Act) and monies credited to the Fund may only be applied to purposes set out in the W Act. The total monies applied from the fund were \$15 778 000. A special purpose financial report is prepared for the Fund.

13. Fees and Charges	2007	2006
SA Government Entities:	\$'000	\$'000
Sale of goods and services	2 320	4 772
Fees, levies and licences	33	30
Service recoveries	809	-
Total Fees and Charges - SA Government Entities	3 162	4 802
Non-SA Government Entities:		
Sale of goods and services	8 155	6 020
Fees, levies and licences	1 793	2 494
Total Fees and Charges - Non-SA Government Entities	9 948	8 514
Total Fees and Charges	13 110	13 316
14. Interest		
Interest from entities within the SA Government	209	519
Other interest	2	1
Total Interest Revenue	211	520
15. Net Gain from Disposal of Assets		
Plant and Equipment:		
Proceeds from disposal	13	-
Net book value of assets disposed	-	-
Net Gain from Disposal of Plant and Equipment	13	-
Land and Buildings:		
Proceeds from disposal	809	-
Net book value of assets disposed	793	-
Net Gain from Disposal of Land and Buildings	16	-
Total Assets:		
Total proceeds from disposal	822	-
Total value of assets disposed	793	-
Total Gain from Disposal of Assets	29	-
16. Grant Revenue		
(a) Grant Revenue Received Directly from the Commonwealth		
Department of Agriculture Fisheries and Forestry - Branched Broomrape Eradication Program	1 154	2 106
National Water Commission - National Water Initiative - Mount Lofty Ranges	2 700	4 400
National Water Commission - National Water Initiative - Implementation	1 984	-
National Water Commission - National Water Initiative - South East	910	-
National Water Commission - National Water Initiative - Fractured Rock	363	-
Department for Transport, Energy and Infrastructure - Regional Flood Mitigation Program	-	263
Lake Eyre Basin Rivers Assessment	420	223
Miscellaneous Grants	440	543
Total Grant Revenue Received Directly from the Commonwealth	7 971	7 535
(b) Grant Revenue Received Directly from SA Government	1 200	2 400
SA Water Corporation - Western Mount Lofty Ranges	1 200	2 400
South East Catchment Water Management Board - South East Conversion to Volumetric	30	60
Department for Environment and Heritage	-	150
Adelaide and Mount Lofty Ranges NRM Board	477	-
SA Murray Darling Basin NRM Board	358	-
South East NRM Board	211	-
River Murray Catchment Water Management Board	-	533
Torrens Catchment Water Management Board	-	400
Northern Adelaide and Barossa Catchment Water Management Board	-	182
Onkaparinga Catchment Water Management Board	-	167
Native Vegetation Fund	302	390
Other Grants	138	165
Total Grant Revenue Received Directly from SA Government	2 716	4 447
(c) Grant Revenue - NAP		
Grant Revenue State NAP Unmatched:		
National Action Plan - Administration Contribution	650	650
National Action Plan - Regional Liaison Officers Annual Payment	-	300
Drylands Salinity	100	-
Total Grant Revenue State NAP Unmatched	750	950

(c) Grant Revenue - NAP (continued)	2007	2006
Grant Revenue NAP via INRM Groups, NRM Groups and NRM Board:	\$'000	\$'000
Lower Murray Irrigation Rehabilitation -		
(INRM Group for the SA Murray Darling Basin)	-	1 138
Salinity Response Team (INRM Group for the SA Murray Darling Basin)	-	64
Salinity Response Team (SA Murray Darling Basin NRM Board)	166	-
Policy Integrated Management		
(SA Murray Darling Basin NRM Board)	162	-
Policy Framework - Accountability		
(SA Murray Darling Basin NRM Board)	124	-
Accounting for Salinity (INRM Group for the SA Murray Darling Basin)	-	75
SWA - Fleurieu Assessment (MLR and Greater Adelaide INRM Group)	-	255
Northern and Yorke Agricultural District INRM Committee	-	190
Northern and Yorke NRM Board	73	-
INRM Group for the SA Murray Darling Basin - Other	-	424
SA Murray Darling Basin NRM Board - Other	147	-
NAP via INRM Group - Other	-	66
Total Grant Revenue NAP via NRM Boards	672	2 212
Grant Revenue NAP Joint Commonwealth and State Funding:		
Upper South East Program	7 597	6 216
Lower Murray Reclaimed Irrigation Areas	4 000	3 565
SIS Lock 4 Bookpurnong (Regional Investment Strategy)	-	1 444
SIS Regional Disposal Strategy	495	20
SIS Loxton (Regional Investment Strategy)	-	493
SIS Pike/Munro	141	125
SIS Murtho	344	100
SIS Chowilla	502	75
SIS Other	29	25
NAP Capacity Building	1 029	-
Upper South East Salinity Accession		
(Centre for Natural Resource Management)	160	395
Centre for Natural Resource Management	130	428
Other NAP	-	99
Total Grant Revenue Received NAP Joint Commonwealth and State Funding	14 427	12 985
Total NAP Grant Revenue	15 849	16 147
(d) Grant Revenue - Natural Heritage Trust		
Natural Heritage Trust - Regional Liaison Officers Annual Payment	680	680
Regional NRM Condition Monitoring Review	-	60
Administration of National Landcare Community Support	60	60
Natural Heritage Trust - Other	120	-
Total Grant Revenue Received from Natural Heritage Trust	860	800
(e) Grant Revenue Received from Other Entities		
Loxton District Irrigation Rehabilitation - Growers	-	742
Branched Broomrape Eradication Program (Other State Governments)	957	884
CRC Flora Search	390	247
CRC for Plant Based Management of Dryland Salinity	102	106
Sundry grants and contribution	329	489
Total Grant Revenue Received from Other Entities	1 778	2 468
Total Grant Revenue	29 174	31 397
17. Other Revenue		
Operating expenses recouped	174	596
Pastoral leases	888	871
Recovery of bad debts written off	-	23
Other revenue	295	655
Total Other Revenue	1 357	2 145
18. Cash		
Deposits with the Treasurer	27 529	10 989
Deposits at call	42	42
Other	7	7
Total Cash	27 578	11 038

Deposits with the Treasurer

Includes Accrual Appropriation Account and Surplus Cash Working Account balances. The level of cash held by the Department has not been adjusted as a result of the implementation of the SA Government cash alignment policy.

Interest Rate Risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn an interest rate of 5.4 percent. The carrying amount of cash approximates net fair value.

19. Non-Current Assets Held-for-Sale		2007	2006
Current:		\$'000	\$'000
Land and buildings		-	789
Total Non-Current Assets Classified as Held-for-Sale		-	789

The land and buildings at Pasadena were surplus to the Department's requirements and were sold in March 2007.

20. Inventory			
Current - Held for distribution:			
Materials at cost		1 216	1 224
Total Current Inventory Held for Distribution		1 216	1 224
Total Current Inventory		1 216	1 224

21. Receivables	SA Govt	Non-SA Govt	2007	2006
Current:	\$'000	\$'000	\$'000	\$'000
Receivables	1 575	2 069	3 644	3 713
Less: Provision for doubtful debts	15	70	85	74
Accrued interest	20	-	20	9
Workers compensation recoveries	-	21	21	19
Total Current Receivables	1 580	2 020	3 600	3 667
Other Current Assets:				
GST receivables	-	1 417	1 417	1 079
Prepayments	-	-	-	16
Total Other Current Assets	-	1 417	1 417	1 095

Interest Rate Risk and Credit Risk

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

22. (a) Property, Plant and Equipment, and Intangibles			2007	
	Cost	Valuation	Accumulated Depreciation/Amortisation	Written Down Value
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	4 583	185	4 398
Groundwater monitoring wells	221	17 924	672	17 473
Surface water monitoring network*	-	2 473	-	2 473
Waste disposal stations	-	1 383	252	1 131
Patawalonga seawater circulation and Barcoo	-	20 545	877	19 668
Plant and equipment	6 626	-	4 670	1 956
Salinity disposal schemes	-	20 031	697	19 334
Work in progress	939	-	-	939
Total Property, Plant and Equipment	7 786	66 939	7 353	67 372
Internally developed & acquired intangibles	3 666	2 610	977	5 299
Total Property, Plant and Equipment, and Intangibles	11 452	69 549	8 330	72 671
			2006	
	Cost	Valuation	Accumulated Depreciation/Amortisation	Written Down Value
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	4 571	138	4 433
Groundwater monitoring wells	1 417	17 924	976	18 365
Surface water monitoring network*	-	3 539	1 216	2 323
Waste disposal stations	-	1 383	189	1 194
Patawalonga seawater circulation and Barcoo	-	20 545	526	20 019
Plant and equipment	5 964	-	4 187	1 777
Salinity disposal schemes	-	20 031	352	19 679
Work in progress	393	-	-	393
Total Property, Plant and Equipment	7 774	67 993	7 584	68 183
Internally developed & acquired intangibles	3 666	2 610	635	5 641
Total Property, Plant and Equipment, and Intangibles	11 440	70 603	8 219	73 824

For further details of valuation methodologies adopted by the Department refer to Note 2(d).

* Previously referred to as Hydrometric Gauging Stations.

(b) Property, Plant and Equipment and Intangibles Movement Schedule

	Land and Buildings	Groundwater Monitoring Wells	Surface Water Monitoring Network	Waste Disposal Stations	Patawalonga Seawater Circulation	Plant and Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value:						
Balance as at 1 July	4 571	19 341	3 539	1 383	20 545	5 964
Additions	12	-	-	-	-	711
Assets recognised first time (Derecognised due to error)	-	(1 196)	-	-	-	(435)
Adjustments	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	386
Net revaluation increments	-	-	212	-	-	-
Revaluation adjustment	-	-	(1 278)	-	-	-
Balance as at 30 June	4 583	18 145	2 473	1 383	20 545	6 626
Accumulated Depreciation:						
Balance as at 1 July	(138)	(976)	(1 216)	(189)	(526)	(4 187)
Assets derecognised due to error	-	1 196	-	-	-	-
Adjustments	-	-	-	-	-	(4)
Transfers between classes	-	-	-	-	-	-
Revaluation adjustment	-	-	1 278	-	-	-
Depreciation and amortisation	(47)	(892)	(62)	(63)	(351)	(479)
Balance as at 30 June	(185)	(672)	-	(252)	(877)	(4 670)
Net Book Value:						
As at 30 June	4 398	17 473	2 473	1 131	19 668	1 956

	Salinity Disposal Schemes	Work in Progress	Internally Dvlpd Intangible Assets	Acquired Intangible Assets	2007 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value:					
Balance as at 1 July	20 031	393	3 520	2 756	82 043
Additions	-	939	-	-	1 662
Assets recognised first time (Derecognised due to error)	-	-	-	-	(1 631)
Adjustments	-	(7)	-	-	(7)
Transfers between classes	-	(386)	-	-	-
Net revaluation increments	-	-	-	-	212
Revaluation adjustment	-	-	-	-	(1 278)
Balance as at 30 June	20 031	939	3 520	2 756	81 001
Accumulated Depreciation:					
Balance as at 1 July	(352)	-	(586)	(49)	(8 219)
Assets recognised first time (Derecognised due to error)	-	-	-	-	1 196
Adjustments	-	-	-	-	(4)
Transfers between classes	-	-	-	-	-
Revaluation adjustment	-	-	-	-	1 278
Depreciation and amortisation	(345)	-	(294)	(48)	(2 581)
Balance as at 30 June	(697)	-	(880)	(97)	(8 330)
Net Book Value:					
As at 30 June	19 334	939	2 640	2 659	72 671

23. Intangible Assets		2007	2006
Internally Developed Intangible Assets:		\$'000	\$'000
Internally developed computer software		3 520	3 520
Accumulated amortisation		880	586
Total Internally Developed Intangible Assets		2 640	2 934

Acquired Intangible Assets:			
Computer and water licences		2 756	2 756
Accumulated amortisation		97	49
Total Acquired Intangible Assets		2 659	2 707
Total Intangible Assets		5 299	5 641

24. Payables	SA Govt	Non-SA Govt	2007	2006
Current:	\$'000	\$'000	\$'000	\$'000
Creditors	-	-	-	6
Accrued expenses	1 166	2 553	3 719	3 339
Employment on-costs	808	-	808	767
Total Current Payables	1 974	2 553	4 527	4 112
Non-Current:				
Employment on-costs	903	-	903	834
Total Non-Current Payables	903	-	903	834
Total Payables	2 877	2 553	5 430	4 946

Interest Rate Risk and Credit Risk

Creditors and accruals are raised for 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.

25. Employee Benefits	2007	2006
Current:	\$'000	\$'000
Annual leave	2 535	2 341
Long service leave	417	359
Accrued salaries and wages	648	598
Total Current Employee Benefits	3 600	3 298
Non-Current:		
Long service leave	7 932	6 887
Total Non-Current Employee Benefits	7 932	6 887
Total Employee Benefits	11 532	10 185

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2006-07 is \$4 408 000 (\$4 065 000) and \$8 835 000 (\$7 721 000) respectively.

Based on an actuarial assessment performed by the DTF, the benchmark for the measurement of the long service leave liability has been revised from seven to six and a half years.

26. Provisions	2007	2006
Current:	\$'000	\$'000
Provision for workers compensation	133	183
Total Current Provisions	133	183
Non-Current:		
Provision for workers compensation	370	496
Total Non-Current Provisions	370	496
Total Provisions	503	679
Carrying amount at 1 July	679	529
Additional provisions (reduction in provision) recognised	57	275
Amounts used	(233)	(125)
Carrying Amount at 30 June	503	679

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

27. Commitments for Expenditure		
Operating Lease Commitments		
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:	2007	2006
Within one year	\$'000	\$'000
Later than one year but not later than five years	2 256	1 421
Later than five years	7 027	5 328
Total Operating Lease Commitments	6 534	5 292
	15 817	12 041

The Department's operating leases are mainly for office accommodation with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

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 in the financial report are payable as follows:	2007	2006
Within one year	\$'000	\$'000
Later than one year but not later than five years	11 231	8 560
Total Remuneration Commitments	9 376	8 360
	20 607	16 920

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

Other Commitments

Other 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	25 925	27 472
Later than one year but not later than five years	8 547	73 683
Total Other Commitments	34 472	101 155

The Department's other commitments are for agreements for National Red Imported Fire Ant Eradication Program, projects under the STRMF where funds are payable to other agencies undertaking work on behalf of the department, Murray Darling Basin Commission, infrastructure costs associated with the Living Murray Initiative under inter-government agreements and management of biodiversity assets under the *Upper South East Dryland Salinity and Flood Management Act 2002*.

28. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities. In addition the Department has made no guarantees.

29. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June 2007 as per:	2007	2006
	\$'000	\$'000
Cash Flow Statement	27 578	11 038
Balance Sheet	27 578	11 038

Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

Net cash provided by (used in) operating activities	17 380	(4 450)
Less: Revenue from Government	(93 469)	(85 106)
Add (Less): Non-Cash Items:		
Depreciation of property, plant and equipment	(2 581)	(2 184)
Bad debts expense	(11)	-
Gain on sale of non-current assets	29	-
Changes in Assets/Liabilities:		
(Decrease) in receivables	(67)	(806)
(Decrease) Increase in inventories	(8)	339
Increase in other assets	322	16
(Increase) in payables	(480)	(5)
(Increase) in employee benefits	(1 347)	(637)
Decrease (Increase) in provisions	176	(150)
Net Cost of Services from Ordinary Activities	(80 056)	(92 983)

30. Restrictions on Contributions Received

The Department received contributions from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2007 \$30 936 000 of contributions, which have been recognised as revenues in the Income Statement, are yet to be spent in the manner specified by the contributors.

31. Remuneration of Board and Committee Members

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

USE Program Board

M Bolster J Osborne
C England G Stopp
C Johnson R Wickes*

Environmental Management Advisory Group - USE

S Vines

South Australian

Landcare Committee

G Butler N Martin*
D Cooney R Najar
M Dennis* J Pedler
H MacDonald* A Piggott

Centre for Natural Resource Management Board

J Radcliffe
Y Sneddon

Natural Resource Management Council Members and Sub-Committee Members

M Ah Chee	G Gates	J McKay	F Simes
S Blencowe	T Hartman	D Mitchell	S Starick
J Burgess	D Haseldine	T Moore	M Vast
G Cooley	C Ireland*	D Mutton	F Vickery
A Crisp*	K Lester	J Pedler	D Walker
L Crocker	H Macdonald*	P Ridgway	G Webster
M Dennis*	N Martin*	V Russell	C Woolford

South Australian Dryland Salinity Board

L Broster J Darling
A Crisp* R Smyth

South East Water Conservation and Drainage Board Act Review Reference Group

F Aslin N Martin*
S Kidman B McLaren

Pastoral Board

C Ireland* M McBride
I Iwanicki A Smith
D Lillecrapp J Corin
L Litchfield R Wickes*

* Members reflected on more than one board.

31. Remuneration of Board and Committee Members (continued)

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

	Number of Members 2007	Number of Members 2006
\$0 - \$9 999	53	
\$10 000 - \$19 999	1	
\$20 000 - \$29 999	-	
Total Number of Members	54	*

* First time disclosure in 2006-07 and therefore comparative figures for prior year are not available.

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 \$121 000.

Amounts paid to a superannuation plan for board/committee members were \$8000.

Travel allowances or reimbursements are not included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses.

Government employees have not been included in the tables above and in accordance with the Department of the Premier and Cabinet Circular 16, did not receive any remuneration for board/committee duties during the financial year.

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

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

	Note	2007 \$'000	2006 \$'000
INCOME:			
Revenues from SA Government		18 350	20 873
Fees and charges		7 121	7 616
Grant revenue		44 232	41 617
Other revenue		2 250	2 595
Total Income		71 953	72 701
EXPENSES:			
Employee expenses		237	614
Supplies and services		276	905
Grants and subsidies		57 852	57 671
Payments to consolidated account		408	607
Payments to Natural Resources Management Boards		11 496	6 115
Payments to South Eastern Water Conservation Drainage Board		1 922	1 922
Total Expenses		72 191	67 834
OPERATING (DEFICIT) SURPLUS	A1	(238)	4 867

Operating (Deficit) Surplus is attributable to SA Government as owner

Administered Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS:			
Cash	A3	40 046	42 292
Receivables	A4(a)	4 460	3 044
Other current assets		224	174
Total Current Assets		44 730	45 510
NON-CURRENT ASSETS:			
Property, plant and equipment	A2(e)	32 938	32 938
Total Non-Current Assets		32 938	32 938
Total Assets		77 668	78 448
CURRENT LIABILITIES:			
Payables	A4(b)	1 898	2 422
Short-term and long-term employee benefits		1	13
Total Current Liabilities		1 899	2 435
NON-CURRENT LIABILITIES:			
Payables		-	-
Long-term employee benefits		-	6
Total Non-Current Liabilities		-	6
Total Liabilities		1 899	2 441
NET ASSETS		75 769	76 007
EQUITY:			
Contributed capital		-	-
Retained earnings		66 414	66 652
Asset revaluation reserve		9 355	9 355
TOTAL EQUITY		75 769	76 007

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

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2005	5 017	63 348	68 365
Changes in accounting policy	-	-	-
Error Correction	-	(1 535)	(1 535)
Restated Balance at 30 June 2005	5 017	61 813	66 830
Gain on revaluation of property during 2005-06	4 338	-	4 338
Net income recognised directly in equity for 2005-06	4 338	-	4 338
Net Result for 2005-06	-	4 867	4 867
Total Recognised Income for 2005-06	4 338	4 867	9 205
Funds transferred pursuant to the <i>NRMA 2004</i>	-	(28)	(28)
Balance at 30 June 2006	9 355	66 652	76 007
Net Result for 2006-07	-	(238)	(238)
Total Recognised income for 2006-07	-	(238)	(238)
Balance at 30 June 2007	9 355	66 414	75 769

All Changes in Equity are attributable to SA Government as owner

Administered Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:	(Outflows)	(Outflows)
CASH INFLOWS:	\$'000	\$'000
Receipts from SA Government	18 350	20 873
Fees and charges	5 287	6 420
Grant receipts	44 232	41 617
Other receipts	2 537	2 596
Total Inflows from Operating Activities	70 406	71 506
CASH OUTFLOWS:		
Employee payments	(237)	(605)
Supplies and services	(2 221)	(617)
Grants and subsidies	(56 872)	(55 594)
Payments to consolidated account	-	(607)
Payments to Natural Resources Management Boards	(11 400)	(6 115)
Payments to South Eastern Water Conservation Drainage Board	(1 922)	(1 922)
Total Outflows from Operating Activities	(72 652)	(65 460)
Net Cash (used in) provided by Operating Activities	(2 246)	6 046
	A3	
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Funds transferred pursuant to the <i>NRMA 2004</i>	-	(28)
Net Cash used in Financing Activities	-	(28)
NET (DECREASE) INCREASE IN CASH HELD	(2 246)	6 018
CASH AT 1 JULY	42 292	36 274
CASH AT 30 JUNE	40 046	42 292
	A3	

All GST receipts and payments are recognised in the Department's Cash Flow Statement.

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Program Schedule of Administered Income and Expenses

Administered Income and Expenses for the year ending 30 June 2007

(Programs refer Note A2)	NRM Fund \$'000	Natural Resources Mgt Boards \$'000	Qualco Sunlands \$'000	Land Technology Alliances \$'000	Pastoral Board \$'000	National Action Plan for Salinity and Water Quality \$'000
Administered Income						
SA Government Entities:						
Revenues from SA Government	-	1 674	250	-	9	14 252
Fees and charges	9	2 416	-	-	-	-
Grant revenue	-	3 771	-	-	-	1 416
Other revenue	-	-	-	-	-	1 808
Total Administered Income - SA Government Entities	9	7 861	250	-	9	17 476
Administered Expenses						
SA Government Entities:						
Supplies and services	4	-	-	-	-	82
Grants and subsidies	-	-	-	-	-	28 783
Payments to Consolidated Account	-	158	250	-	-	-
Payments to Natural Resources Management Boards	-	10 972	-	-	-	524
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-
Total Administered Expenses - SA Government Entities	4	11 130	250	-	-	29 389
Administered Income						
Non-SA Government Entities:						
Fees and charges	-	4 483	215	-	-	-
Grant revenue	-	9	-	-	-	13 780
Other revenue	-	(1)	-	-	-	-
Total Administered Income - Non-SA Government Entities	-	4 491	215	-	-	13 780
Administered Expenses						
Non-SA Government Entities:						
Employee expenses	-	-	-	-	-	-
Supplies and services	65	-	-	20	-	-
Grants and subsidies	-	-	215	-	-	171
Total Administered Expenses - Non-SA Government Entities	65	-	215	20	-	171
Operating Surplus (Deficit)	(60)	1 222	-	(20)	9	1 696

(Programs refer Note A2)	Natural Heritage Trust Grants \$'000	Mt Lofty Ranges Catchmnt Support \$'000	Centre for Natural Resource Mgmt \$'000	DWLBC Corporate Admin Items \$'000	2007 Total \$'000
Administered Income					
SA Government Entities:					
Revenues from SA Government	-	-	-	2 165	18 350
Fees and charges	-	(6)	-	7	2 426
Grant revenue	343	(19)	1 834	-	7 345
Other revenue	322	44	-	-	2 174
Total Administered Income - SA Government Entities	665	19	1 834	2 172	30 295
Administered Expenses					
SA Government Entities:					
Supplies and services	(168)	185	-	5	108
Grants and subsidies	22 819	309	2 190	-	54 101
Payments to Consolidated Account	-	-	-	-	408
Payments to Natural Resources Management Boards	-	-	-	-	11 496
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	1 922	1 922
Total Administered Expenses - SA Government Entities	22 651	494	2 190	1 927	68 035

Administered Income and Expenses for the year ending 30 June 2007 (continued)

	Natural Heritage Trust Grants \$'000	Mt Lofty Ranges Catchmnt Support \$'000	Centre for Natural Resource Mgmt \$'000	DWLBC Corporate Admin Items \$'000	2007 Total \$'000
(Programs refer Note A2)					
Administered Income					
Non-SA Government Entities:					
Fees and charges	-	-	-	(3)	4 695
Grant revenue	21 143	120	1 835	-	36 887
Other revenue	71	6	-	-	76
Total Administered Income - Non-SA Government Entities	21 214	126	1 835	(3)	41 658
Administered Expenses					
Non-SA Government Entities:					
Employee expenses	-	(7)	-	244	237
Supplies and services	-	83	-	-	168
Grant and subsidies	634	126	1 824	781	3 751
Total Administered Expenses - Non-SA Government Entities	634	202	1 824	1 025	4 156
Operating Surplus (Deficit)	(1 406)	(551)	(345)	(783)	(238)

Administered Income and Expenses for the year ending 30 June 2006

	NRM Fund \$'000	Natural Resources Mgt Boards \$'000	Qualco Sunlands \$'000	Land Technology Alliances \$'000	Pastoral Board \$'000	National Action Plan for Salinity and Water Quality \$'000
(Programs refer Note A2)						
Administered Income						
SA Government Entities						
Revenues from SA Government	-	-	250	-	9	18 072
Fees and charges	17	2 349	-	-	-	-
Grant revenue	-	-	-	-	-	-
Other revenue	282	203	13	-	-	1 471
Total Administered Income - SA Government Entities	299	2 552	263	-	9	19 543
Administered Expenses						
SA Government Entities:						
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	12 434
Payments to Consolidated Account	-	-	229	-	-	-
Payments to Natural Resources Management Boards	-	6 115	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-
Total Administered Expenses - SA Government Entities	-	6 115	229	-	-	12 434
Administered Income						
Non-SA Government Entities:						
Fees and charges	-	4 105	230	-	-	-
Grant revenue	-	-	-	-	-	14 184
Other revenue	-	8	-	103	-	12
Total Administered Income - Non-SA Government Entities	-	4 113	230	103	-	14 196
Administered Expenses						
Non-SA Government Entities:						
Employee expenses	88	60	-	-	-	-
Supplies and services	36	92	-	-	-	12
Grant and subsidies	-	-	230	-	-	15 039
Total Administered Expenses - Non-SA Government Entities	124	152	230	-	-	15 051
Operating Surplus (Deficit)	175	398	34	103	9	6 254

Administered Income and Expenses for the year ending 30 June 2006 (continued)

(Programs refer Note A2)	Natural Heritage Trust Grants \$'000	Mt Lofty Ranges Catchmnt Support \$'000	Centre for Natural Resource Mgmt \$'000	DWLBC Corporate Admin Items \$'000	2006 Total \$'000
Administered Income					
SA Government Entities:					
Revenues from SA Government	-	-	-	2 542	20 873
Fees and charges	-	-	-	-	2 366
Grant revenue	-	698	1 064	-	1 762
Other revenue	444	38	-	-	2 451
Total Administered Income - SA Government Entities	444	736	1 064	2 542	27 452
Administered Expenses					
SA Government Entities:					
Supplies and services	-	347	-	-	347
Grants and subsidies	18 144	1 121	1 270	288	33 257
Payments to Consolidated Account	-	-	-	378	607
Payments to Natural Resources Management Boards	-	-	-	-	6 115
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	1 922	1 922
Total Administered Expenses - SA Government Entities	18 144	1 468	1 270	2 588	42 248
Administered Income					
Non-SA Government Entities:					
Fees and charges	-	21	-	894	5 250
Grant revenue	22 945	1 662	1 064	-	39 855
Other revenue	-	21	-	-	144
Total Administered Income - Non-SA Government Entities	22 945	1 704	1 064	894	45 249
Administered Expenses					
Non-SA Government Entities:					
Employee expenses	-	237	-	229	614
Supplies and services	177	241	-	-	558
Grants and subsidies	6 845	1 391	909	-	24 414
Total Administered Expenses - Non-SA Government Entities	7 022	1 869	909	229	25 586
Operating Surplus (Deficit)	(1 777)	(897)	(51)	619	4 867

A2. Summary of Significant Administered Schedule Accounting Policies

The Department's accounting policies are outlined in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department's Controlled and Administered Items, unless otherwise noted below.

The Administered Items reflect an accumulation of the balances of each of the individual Administered Items. Transactions between individual Administered Items are not eliminated from the Administered Statements.

Some programs have been restructured to assist in the interpretation of the financial transactions relating to the NRM Fund.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- Government appropriations (controlled and administered allocated in respect of the regional NRM Boards);
- Water levies;
- Penalties relating to water levies;
- Expiation fees and other penalties.

During 2006-07, not all revenues were initially paid into the NRM Fund, prior to being applied for the purposes of the NRMA. Notwithstanding, the revenues were applied consistent with the provisions of the NRMA and distributed to the regional NRM Boards as intended. Revised arrangements for crediting these revenues to the NRM Fund directly have been progressively implemented for 2007-08.

For 2006-07, the revenues and expenses on these transactions are shown under Program 2(b) Natural Resources Management Boards. The net result is reflected in the balance of the NRM Fund, as shown under Program 2(a) Natural Resources Management Fund.

Further commentary regarding these requirements under the NRMA is provided hereunder.

(a) Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

During 2006-07, some of these activities were transacted outside of the NRM Fund due to the transitioning in accounting system arrangements within the Department in order to meet the requirements of the NRMA. These transactions are reflected in A2(b) 'Natural Resources Management Boards'.

The balance of the NRM Fund of \$1 148 000 (\$175 000) at 30 June 2007 reflects the net result of the activities on A2(b), adjusted for those transactions that are non-NRM fund related.

(b) Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

During 2006-07, some of these activities were transacted outside of the NRM Fund due to the transitioning in accounting system arrangements within the Department, as referred above.

Transactions relating to the NRM Boards are separately shown against this program description, which reflects both revenues and expenses administered by the Department in respect of the NRM Boards. These are:

(i) Grants

Grants include monies that had been previously distributed under the Animal Plant Control Commission and the Soil Conservation Council, for which the Department received appropriations. Grants received during 2006-07 and allocated to the Regional NRM Boards were as follows:

	2007	2006
	\$'000	\$'000
Regional NRM Board		
SA Murray-Darling Basin NRM Board	593	789
South East NRM Board	365	451
Adelaide and Mount Lofty Ranges NRM Board	315	451
Northern and Yorke NRM Board	1 036	910
Kangaroo Island NRM Board	383	269
Alinytjara Wilurara NRM Board	455	334
South Australian Arid Lands NRM Board*	200	263
Eyre Peninsula NRM Board	424	427
	3 771	3 894

* Total payments distributed to the NRM Boards included an additional \$400 000 received by the Department, included in Revenues from Government. This represented administered appropriations received by the Department in respect of the South Australian Arid Lands NRM Board. Total payments made from these sources of income during 2006-07 were \$4 171 000. A further \$524 000 was applied under the National Action Plan Priority Rounds 1 and 2 (refer Note A2 (f)).

(ii) Water Levies

Water levies are collected by the Department for prescribed water resources in regional Natural Resources Management Boards under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRMA.

Levies raised by the Department during 2006-07 were \$6 650 000. Unpaid levies at the end of the reporting period of \$1 202 000 (\$812 000) have been recognised as current receivables. Receivables factor in adjustments in respect of financial relief provided to River Murray licensees, to offset 40 percent of their liability to pay the NRM water levies.

Levies received, but not yet paid to the regional NRM Boards at the end of the reporting period were \$174 000 (nil). During the reporting period the following levies were raised in respect of the regions of which the levies were declared:

	2007	2006
	\$'000	\$'000
Regional NRM Board		
SA Murray-Darling Basin NRM Board	4 412	4 329
South East NRM Board	1 587	1 490
Adelaide and Mount Lofty Ranges NRM Board	403	395
Eyre Peninsula NRM Board	248	240
	*6 650	6 454

* Does not include penalties and other payments made or payable to regional NRM Boards.

(iii) *Penalties*

During 2006-07, penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

In addition, to the penalties raised and received in respect of the NRMA, penalties were also received (though not raised) during 2006-07 under subsection 133(1)(a) of the *Water Resources Act 1997* (WR Act).

Subsection 115(5) of the NRMA and regulation 9(d) of the Natural Resources Management (Financial Provisions) Regulations 2005 provide that section 116 of the NRMA applies to, and in relation to, a penalty declared under section 115 as if it were a water levy. The effect is that the penalty (and including any interest) so declared must be paid to the regional NRM Board for the region in respect of which the penalty was declared.

The levies pursuant to subsection 115(5) were paid to the regional NRM Boards, with the exception of unpaid penalty charges at the end of the reporting period of \$1 553 000 (\$1 701 000). Of this amount, \$1 412 000 related to penalties raised under the WR Act and \$141 000 under the NRMA.

Penalties received under the NRMA are payable to the regional NRM Boards and at 30 June 2007 the amount payable was \$96 000.

Penalties declared under subsection 133(1)(a) of the WR Act continued to be received during 2006-07, although no new penalties were raised. Penalties received under the WR Act and payable to the Treasurer's Consolidated Account at 30 June 2007 were \$158 000 (\$nil). During 2005-06 \$378 000 relating to such penalties was paid to the Treasurer's Consolidated Account.

(iv) *Reimbursement of Payroll Tax*

NRM Boards are compensated for the anticipated payroll tax expense they incur, with provision having been made in the Administered Items of the Department's budget on an ongoing basis since 2004-05. An appropriation of \$416 000 (\$408 000) was received to fund the payroll tax expenses of the Natural Resources Management Boards for 2006-07.

(v) *Expiation Fees and other Penalties under the NRMA*

Expiation fees and penalties recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards. No fees and/or penalties of this type were collected during 2006-07.

(c) **Qualco Sunlands**

The *Ground Water (Qualco-Sunlands) Control Act 2000* (GW(QS)C Act) established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. The Department collects levies and pays instalments in accordance with the provisions of the GW(QS)C Act.

(d) **Land Technologies Alliances**

An arrangement exists between the Department, South Australian Research and Development Institute, Commonwealth Scientific and Industrial Research Organisation, the Department of Primary Industries of Victoria and the University of Adelaide to review and project manage certain project development, staff development and training across each organisation. The Department administers funds on behalf of these organisations.

(e) **Pastoral Board**

Funds applied by the Minister, on the recommendation of the Board for research and publication of techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land. During the reporting period an appropriation of \$9000 (\$9000) was received.

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989* (PLM&C Act). The land lease assets were revalued at \$32 938 000 as at 1 November 2005 by Robin Norris, Senior Valuer, Valuation SA, Land Services Group, Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$9 355 000. At the end of the reporting period this amount was recorded as Property, Plant and Equipment in the Statement of Administered Assets and Liabilities at that value.

The revenue generated by the pastoral leases is recorded within the Department's Income Statement (Controlled items), in accordance with the PLM&C Act, to cover the costs incurred by the Department in administering the pastoral leases.

(f) **National Action Plan for Salinity and Water Quality**

The National Action Plan is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

(f) National Action Plan for Salinity and Water Quality (continued)

During the reporting period appropriations of \$14 252 000 (\$18 072 000) were received from the SA Government and the following grants were received:

	2007	2006
	\$'000	\$'000
AFFA - National Action Plan Investment Strategy	7 788	10 808
AFFA - National Action Plan Priority Rounds 1 and 2	5 579	3 045
Refunds	1 755	331
Other	74	-
	15 196	14 184

During the reporting period the following grants were paid:

AFFA - National Action Plan Priority Rounds 1 and 2	13 400	10 278
AFFA - National Action Plan Investment Strategy	15 554	16 866
Refunds	-	329
	28 954	27 473

(g) Natural Heritage Trust and Natural Heritage Trust Extension

The Natural Heritage Trust was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the Natural Heritage Trust Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change.

During the reporting period the following Commonwealth grants were received:

	2007	2006
	\$'000	\$'000
Natural Heritage Trust Extension Program	17 685	18 774
Natural Heritage Trust National Landcare Program	3 518	3 688
Natural Heritage Trust National Landcare Program Refunds	132	-
Natural Heritage Trust Refunds	94	479
Natural Heritage Trust National Landcare Program Refunds	57	4
	21 486	22 945

During the reporting period the following grants were paid:

Natural Heritage Trust Extension Program	19 389	18 818
Natural Heritage Trust National Landcare Program	3 822	4 090
Refunds	57	2 081
Other	185	-
	23 453	24 989

(h) Mount Lofty Ranges Catchment Support

The Mount Lofty Ranges Catchment Support Group was established to implement the Integrated Natural Resource Management program for Mount Lofty and Adelaide regions. Functions include the disbursement of grants to local communities, Natural Resources Management Boards, local Government and other SA Government Departments together with the management of associated projects. Funds are disbursed subject to the National Action Plan and Natural Heritage Trust bilateral processes.

	2007	2006
	\$'000	\$'000
During the reporting period the following grants were received:		
Natural Heritage Trust Extension Program	80	402
National Action Plan Investment Strategy	(19)	369
National Action Plan Priority Rounds 1 and 2	-	665
Natural Heritage Trust Investment Strategy	40	923
	101	2 359

During the reporting period the following grants were paid:

Natural Heritage Trust Extension Program	185	591
National Action Plan Priority Rounds 1 and 2	-	-
National Action Plan Investment Strategy	(49)	881
Natural Heritage Trust Investment Strategy	139	1 040
Natural Heritage Trust Extension Program Refunds	52	-
National Action Plan Investment Strategy Refunds	54	-
Natural Heritage Trust Investment Strategy Refunds	54	-
	435	2 512

(i) Centre for Natural Resource Management

The Centre for Natural Resource Management (Centre) with its Investment Advisory Board (Board) develops and maintains partnerships with regional NRM groups, scientists and researchers, business and industry, governments and agencies, so that integrated natural resource management across South Australia is based on world-class research and development. A primary role of the Centre and its Board is to create more sustainable environments through the development of new technologies and industries which benefit the environment and are economically sustainable.

(i) Centre for Natural Resource Management (continued)

The Board makes decisions on the disbursement of National Action Plan (NAP) and other funds in relation to its portfolios of identified regional priority projects, and to the timeliness and quality of research provider delivery. The Board also oversees the stakeholder engagement process, brokers and builds relationships, alliances and partnerships, and seeks to leverage co-investment against NAP funding.

During the reporting period the Centre received grant revenue of \$3 669 000 (\$2 128 000) from the National Action Plan Priority Rounds 1 and 2 and disbursed \$4 014 000 (\$2 179 000) of these funds as grants and subsidies.

(j) Changes to Administered Items and the Department's Corporate Administered Items

The changes to the Department's administered items for 2006-07 primarily reflects the revision of the grouping of certain Administered Item programs.

These include the following:

- **Natural Resources Management Boards** — refer to comments under Note A2(b) which reflects new composition;
- **The Department's Corporate Administered Items** — primarily comprises recoups of salaries in relation to the South Eastern Water Conservation and Drainage Board and the cost of the Minister's salary.

A3. Administered Cash Flow Reconciliation - Cash at 30 June as per:

	2007	2006
	\$'000	\$'000
Natural Resources Management Boards	-	195
Natural Resources Management Fund	1 148	175
Qualco Sunlands	303	60
Land Technology Alliances	2	2
Pastoral Board	36	27
National Action Plan for Salinity and Water Quality	34 227	32 513
Natural Heritage Trust Grants	4 069	8 633
Mount Lofty Ranges Catchment Support	(68)	363
Centre for Natural Resource Management	(36)	179
The Department's Corporate Admin Items	365	145
Statement of Administered Assets and Liabilities	40 046	42 292
Statement of Administered Cash Flows	40 046	42 292
Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating Surplus (Deficit):		
Net cash Inflows (Outflows) from operating activities	(2 246)	6 046
Changes in Assets/Liabilities:		
Increase in receivables	1 416	1 196
Increase (Decrease) in other assets	50	(1)
Decrease (Increase) in payables	524	(2 365)
Decrease (Increase) in employee benefits	18	(9)
Operating (Deficit) Surplus	(238)	4 867

A4. Statement of Administered Assets and Liabilities

(a) Receivables

Receivables reflected as current assets at 30 June comprised the following:

	2007	2006
	\$'000	\$'000
Water Levies	1 202	811
Penalties	1 553	1 701
South Eastern Water Conservation and Drainage Board	77	77
Qualco	10	4
Land Technologies Alliance	-	20
NAP	20	34
NHT2	1 533	124
Mt Lofty Ranges Catchment Support	65	208
Regional NRM Boards	-	65
	4 460	3 044

(b) Payables

Payables reflected as current liabilities at 30 June comprised the following:

Penalties - Treasurer's Consolidated Account	158	-
Penalties - Regional NRM Boards	96	-
Payroll tax - Regional NRM Boards	168	39
Qualco - Treasurer's Consolidated Account	250	-
NAP	379	330
NHT	-	1 746
NHT2	165	165
National Landcare Program	4	4
Mt Lofty Ranges Catchment Support	2	6
Centre for Natural Resource Management	130	-
Water Licenses	546	132
	1 898	2 422

APPENDIX TO
AUDITOR-GENERAL'S
ANNUAL REPORT

TREASURER'S
FINANCIAL STATEMENTS

(Pursuant to section 22 of the Public Finance and Audit Act 1987)

2006-07

		PAGE
A—	STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS TO AND PAYMENTS FROM THE CONSOLIDATED ACCOUNT	2
B—	SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER	11
C—	FUNDS OF THE TREASURER	12
D—	ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES	13
E—	ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY) WITH WHICH THE TREASURER HAS INVESTED FUNDS	15
F—	SPECIAL DEPOSIT ACCOUNTS—BALANCES	16
F(1)—	SPECIAL DEPOSIT ACCOUNTS—PURPOSES	19
F(2)—	SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR	28
G—	DEPOSITS LODGED WITH THE TREASURER	30
H—	IMPREST ACCOUNTS	33
I—	INDEBTEDNESS OF THE TREASURER	34
J—	FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	37
K—	STATEMENT OF APPROPRIATION AUTHORITIES—	
	GOVERNOR'S APPROPRIATION FUND	38
	TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987	39
	REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987	39
	APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987	39
	APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT	39
L—	STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE	40

STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget \$	Actual \$
RECEIPTS		
Taxation	2 928 117 000	3 083 330 272
Commonwealth General Purpose Grants	3 557 500 000	3 604 923 822
Commonwealth Specific Purpose Grants	45 894 000	46 077 856
Contributions from State Undertakings	499 040 000	492 309 365
Fees and Charges	252 485 000	247 521 934
Recoveries	140 499 000	68 015 700
Royalties	119 750 000	143 807 886
Other Receipts	253 644 000	196 261 360
Total Receipts	7 796 929 000	7 882 248 195
PAYMENTS		
Appropriation Act	7 718 641 000	7 863 010 156
Specific Appropriation Authorised in Various Acts	118 578 000	126 157 519
Total Payments	7 837 219 000	7 989 167 675
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT	40 290 000	106 919 480

The deficit for 2006-07 has been funded by borrowings from the SA Government Financing Authority, pursuant to section 16(2) of the *Public Finance and Audit Act 1987*, increasing the level of debt serviced from the Consolidated Account.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget 2006-07	Actual 2006-07
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	1 017 300 000	1 034 238 248
Commonwealth Places Mirror Payroll Tax ^(a)	17 800 000	18 094 634
Stamp Duties	1 092 530 000	1 252 377 698
Commonwealth Places Mirror Stamp Duties ^(a)	1 100 000	662 025
Land Tax	360 200 000	332 223 553
Commonwealth Places Mirror Land Tax ^(a)	900 000	904 359
Debits Tax	—	(2 007)
Other Taxes on Property	10 000	52 510
Gaming Machines Tax	307 500 000	311 746 953
Contribution from Lotteries Commission of South Australia	77 809 000	78 881 928
Contribution from Casino Operations	19 795 000	20 280 639
Contribution from South Australian Totalizator Agency Board	10 200 000	10 721 976
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	1 773 000	2 034 287
Recoup from Recreation and Sport Fund	200 000	—
Save River Murray Levy	21 000 000	21 113 469
Total Taxation Receipts	<u>2 928 117 000</u>	<u>3 083 330 272</u>
COMMONWEALTH GENERAL PURPOSE GRANTS		
GST Revenue Grants	3 557 500 000	3 604 923 822
Total Commonwealth General Purpose Payments	<u>3 557 500 000</u>	<u>3 604 923 822</u>
COMMONWEALTH SPECIFIC PURPOSE GRANTS ^(b)		
Companies Code - Fees	12 571 000	12 754 855
Concessions to Pensioners and Others	19 963 000	19 963 000
Legal Aid	13 360 000	13 360 001
Total Commonwealth Specific Purpose Payments	<u>45 894 000</u>	<u>46 077 856</u>

(a) Taxes akin to State taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the State.

(b) Refers only to those Commonwealth Specific Purpose Grants paid to the Consolidated Account and not those paid directly to agencies.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2006-07 - *continued*

	Budget 2006-07	Actual 2006-07
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Austraining Pty Ltd		
Income Tax Equivalent	—	209 191
Department for Administrative and Information Services —		
Dividend	21 105 000	21 253 802
Income Tax Equivalent	2 986 000	3 118 664
Local Government Rate Equivalent	638 000	707
Department for Transport, Energy and Infrastructure —		
Dividend	—	374 358
Local Government Rate Equivalent	76 000	—
Department of Trade and Economic Development —		
Dividend	936 000	—
Fleet SA		
Income Tax Equivalent	—	105 847
Forestry SA—		
Dividend	29 220 000	34 903 192
Income Tax Equivalent	12 276 000	11 575 555
Local Government Rate Equivalent	1 027 000	—
Funds SA—		
Local Government Rate Equivalent	175 000	149 975
HomeStart Finance—		
Income Tax Equivalent	1 169 000	2 855 992
Land Management Corporation—		
Dividend	63 015 000	36 439 000
Income Tax Equivalent	18 949 000	20 856 000
Local Government Rate Equivalent	350 000	235 844
Lotteries Commission—		
Income Tax Equivalent	7 877 000	8 414 589
Local Government Rate Equivalent	13 000	8 584
Police Security Services—		
Income Tax Equivalent	131 000	58 319
Private		
Local Government Rate Equivalent	189 000	188 467
Public Trustee Office—		
Dividend	704 000	2 100 000
Income Tax Equivalent	502 000	1 134 988
Local Government Rate Equivalent	28 000	26 424
SA Water Corporation—		
Dividend	211 301 000	208 059 000
Income Tax Equivalent	92 720 000	111 960 841
Local Government Rate Equivalent	1 978 000	1 153 830
South Australian Asset Management Corporation—		
Dividend	10 864 000	—

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2006-07 - *continued*

	Budget 2006-07	Actual 2006-07
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS - <i>continued</i>		
South Australian Government Captive Insurance Corporation—		
Income Tax Equivalent	—	7 507 095
South Australian Government Employee Residential Properties—		
Dividend	1 156 000	1 156 000
Income Tax Equivalent	1 942 000	1 089 345
South Australian Government Financing Authority—		
Dividend	7 664 000	—
Income Tax Equivalent	3 400 000	10 900 000
TransAdelaide—		
Dividend	5 401 000	5 296 000
Income Tax Equivalent	768 000	693 600
Local Government Rate Equivalent	90 000	57 800
West Beach Trust—		
Income Tax Equivalent	390 000	426 356
Total Contributions from State Undertakings	<u>499 040 000</u>	<u>492 309 365</u>
FEES AND CHARGES ^(d)		
Auditor-General's Department - Fees for audit and other sundry receipts	8 352 000	9 351 144
Court and Probate fees	17 929 000	20 099 140
Court fines	29 963 000	15 814 768
Department of Water, Land and Biodiversity Conservation -		
Natural Resource Management penalties	1 051 000	157 529
Guarantee fees	18 238 000	17 967 713
Infringement Notice Schemes - Expiation fees	76 311 000	63 872 477
Land Services	100 614 000	120 239 521
Sundry fees	27 000	19 642
Total Fees and Charges	<u>252 485 000</u>	<u>247 521 934</u>
RECOVERIES		
Child Abuse Protection Program	200 000	200 000
Contingency Provisions - Operating	—	105 000
Contribution to the cost of private plated vehicles	10 000	847
Department for Transport, Energy and Infrastructure	3 780 000	—
Department of Water, Land and Biodiversity Conservation -		
Qualco-Sunlands Groundwater	250 000	—
Essential Services Commission of SA	5 443 000	5 768 528
Helicopter service - Recovery of costs and sponsorships	1 677 000	1 085 250
Hindmarsh Site Recoveries	—	1 981 250

(d) Refers only to those fees and charges paid to the Consolidated Account.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2006-07 - continued

	Budget 2006-07	Actual 2006-07
RECEIPTS - <i>continued</i>	\$	\$
RECOVERIES - <i>continued</i>		
Independent Gaming Corporation contribution to Gamblers' Rehabilitation Fund	1 500 000	1 500 000
Legislature - Sale of publications	564 000	17 016
National Tax Equivalent Program	50 000	11 249
Return of cash to Consolidated Account – Cash Alignment Policy	93 320 000	19 982 000
Return of deposit account balances	—	3 577 349
Return of deposit account balances - Superannuation	30 000 000	30 000 000
Sale of evidence/transcripts	1 235 000	1 272 905
Sale of Government Gazette	154 000	—
Sundry recoupments	124 000	188 569
Unclaimed monies	1 743 000	1 851 540
United Water	449 000	474 197
Total Recoveries	<u>140 499 000</u>	<u>68 015 700</u>
ROYALTIES		
Department of Primary Industries and Resources	119 750 000	143 807 886
Total Royalties	<u>119 750 000</u>	<u>143 807 886</u>
OTHER RECEIPTS		
Interest on investments	103 495 000	91 143 141
Interest recoveries from general government entities	10 148 000	10 222 770
Interest recoveries from public non-financial corporations	41 563 000	26 404 287
Interest recoveries private sector	77 000	76 980
Repayment of advances—		
Administered Items for the Department for Transport, Energy and Infrastructure	161 000	—
Basketball Association of South Australia	3 763 000	3 796 782
Department of Health	802 000	842 469
Department of Primary Industries and Resources	1 015 000	667 222
Land Management Corporation	107 000	99 601
Lotteries Commission of South Australia	1 738 000	1 738 231
Minister for Education and Children's Services	1 500 000	—
Renmark Irrigation Trust	95 000	95 048
SA Country Arts Trust	20 000	—
South Australian Housing Trust	19 415 000	8 382 014
South Australian Tourism Commission	158 000	157 942
TransAdelaide	5 381 000	—
West Beach Trust	88 000	—
Other	5 000	4 508

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2006-07 - continued

	Budget 2006-07	Actual 2006-07
RECEIPTS - <i>continued</i>	\$	\$
OTHER RECEIPTS - <i>continued</i>		
Repayment of equity capital contributions—		
Department for Administrative and Information Services	26 687 000	—
Department of Education and Children Services	—	4 463 000
Department of Health	—	15 232 000
South Australian Asset Management Corporation	8 679 000	—
Other—		
Other recoveries	165 000	—
Sale of land and buildings	28 582 000	32 935 365
Total Other Receipts	253 644 000	196 261 360
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	7 796 929 000	7 882 248 195

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget 2006-07	Actual 2006-07
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
SALARIES AND ALLOWANCES		
Agent-General - <i>Pursuant to Agent-General Act 1901</i>	284 000	162 714
Auditor-General - <i>Pursuant to Public Finance and Audit Act 1987</i>	576 000	562 976
Commissioner of Police - <i>Pursuant to Police Act 1988</i>	246 000	397 774
Electoral Commissioner and Deputy Electoral Commissioner - <i>Pursuant to Electoral Act 1985</i>	298 000	282 716
Electoral Districts Boundaries Commission - <i>Pursuant to Constitution Act 1934</i>	420 000	355 000
Employee Ombudsman - <i>Pursuant to the Industrial and Employee Relations Act 1994</i>	96 000	88 155
Governor - <i>Pursuant to Constitution Act 1934</i>	287 000	238 776
Judges - <i>Pursuant to Remuneration Act 1990</i> —		
Chief Justice	503 000	475 763
Judges	16 653 000	16 973 526
Magistrates - <i>Pursuant to Remuneration Act 1990</i>	10 735 000	10 822 771
Members of various Standing Committees - <i>Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991</i>	597 000	626 795
Ombudsman - <i>Pursuant to Ombudsman Act 1972</i>	228 000	544 218
Parliamentary Salaries and Electorate and Expense Allowances—Ministers, Officers and Members of Parliament - <i>Pursuant to Parliamentary Remuneration Act 1990</i>	11 226 000	11 679 736
Senior Judge and Judges of the Industrial Relations Commission - <i>Pursuant to Remuneration Act 1990</i>	1 522 000	2 030 362
Solicitor-General - <i>Pursuant to Solicitor-General Act 1972</i>	386 000	430 189
Valuer-General - <i>Pursuant to Valuation of Land Act 1971</i>	110 000	113 954
Total Salaries and Allowances	<u>44 167 000</u>	<u>45 785 425</u>
OTHER		
Contribution for injuries suffered as a result of the commission of criminal offences - <i>Pursuant to Victims of Crime Act 2001</i>	6 511 000	7 144 000
First Home Owners' Grants - <i>Pursuant to First Home Owner Grant Act 2000</i>	67 900 000	73 228 094
Total Other	<u>74 411 000</u>	<u>80 372 094</u>
TOTAL PAYMENTS AUTHORISED BY VARIOUS ACTS	<u><u>118 578 000</u></u>	<u><u>126 157 519</u></u>

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2006-07—*continued*

	Budget (Appropriation Act 2006)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2006-07
PAYMENTS	\$	\$	\$	\$
Department of the Premier and Cabinet	69 405 000	31 720 000	101 125 000	112 483 000
Administered Items for the Department of the Premier and Cabinet	22 335 000	2 253 000	24 588 000	25 117 000
Office of Public Employment	5 668 000		5 668 000	5 668 000
State Governor's Establishment	2 629 000		2 629 000	2 629 000
Arts SA	103 912 000		103 912 000	103 812 000
South Australian Tourism Commission	44 826 000		44 826 000	44 826 000
Minister for Tourism	5 164 000		5 164 000	5 164 000
Auditor-General's Department	10 735 000		10 735 000	10 915 000
Department of Treasury and Finance	45 722 000	11 889 000	57 611 000	56 531 849
Administered Items for the Department of Treasury and Finance	898 602 000	139 762 000	1 038 364 000	1 116 925 617
Independent Gambling Authority	1 438 000		1 438 000	1 438 000
Department of Trade and Economic Development	60 261 000	178 000	60 439 000	61 939 000
Office of the Venture Capital Board	9 547 000		9 547 000	2 425 000
Port Adelaide Maritime Corporation	102 814 000		102 814 000	86 911 000
Department of Primary Industries and Resources	115 420 000		115 420 000	123 166 000
Administered Items for the Department of Primary Industries and Resources	142 801 000	(139 533 000)	3 268 000	3 373 000
Office for State/Local Government Relations	2 575 000		2 575 000	2 566 000
Administered Items for the Office for State/Local Government Relations	944 000		944 000	944 000
Offices for Sustainable Social, Environmental and Economic Development	1 369 000		1 369 000	1 369 000
Planning SA	12 722 000		12 722 000	12 722 000
Administered Items for Planning SA	898 000		898 000	779 000
Attorney-General's Department	67 728 000	7 214 000	74 942 000	76 419 000
Administered Items for Attorney-General's Department	52 884 000	825 000	53 709 000	50 329 000
Courts Administration Authority	74 464 000	29 000	74 493 000	72 932 000
Department for Correctional Services	142 281 000		142 281 000	140 041 000
South Australia Police	466 918 000		466 918 000	455 813 000
Administered Items for South Australia Police	346 000		346 000	346 000
State Electoral Office	2 180 000		2 180 000	2 180 000
Department of Health	1 681 003 000	278 000	1 681 281 000	1 730 209 000
Administered Items for the Department of Health	278 000	(278 000)	—	—
Department for Families and Communities	624 712 000		624 712 000	660 047 000
Administered Items for the Department for Families and Communities	121 565 000		121 565 000	106 415 000
Department of Education and Children's Services	1 616 095 000		1 616 095 000	1 617 108 000
Administered Items for the Department of Education and Children's Services	143 552 000		143 552 000	151 692 000
Department of Further Education, Employment, Science and Technology	274 432 000		274 432 000	269 939 000
Department for Environment and Heritage	125 535 000		125 535 000	124 819 000
Administered Items for the Department for Environment and Heritage	3 606 000		3 606 000	3 606 000

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2006-07—*continued*

	Budget			Actual
	(Appropriation Act 2006)			2006-07
	Initial Section 4(1)	Transfers Section 5	Balance	
PAYMENTS - <i>continued</i>	\$	\$	\$	\$
Department of Water, Land and Biodiversity Conservation	81 993 000		81 993 000	92 753 469
Administered Items for the Department of Water, Land and Biodiversity Conservation	16 111 000		16 111 000	18 961 214
Environment Protection Authority	9 623 000		9 623 000	9 441 000
Department for Transport, Energy and Infrastructure	361 951 000	23 709 000	385 660 000	382 198 000
Administered Items for the Department for Transport, Energy and Infrastructure	4 200 000	1 656 000	5 856 000	10 736 482
TransAdelaide	2 702 000		2 702 000	2 701 714
Department for Administrative and Information Services	156 517 000	(75 793 000)	80 724 000	80 723 717
Administered Items for the Department for Administrative and Information Services	6 789 000	(3 909 000)	2 880 000	2 879 714
House of Assembly	7 184 000		7 184 000	6 088 748
Joint Parliamentary Services	9 739 000		9 739 000	9 220 998
Legislative Council	4 466 000		4 466 000	3 706 634
Total Payments Appropriated for Departments and Ministers	7 718 641 000	—	7 718 641 000	7 863 010 156
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	7 837 219 000	—	7 837 219 000	7 989 167 675

PAUL HOLLOWAY, Acting Treasurer

STATEMENT B

**SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (ii) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)**

	2006-07 \$'000	2005-06 \$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	3 083 330	2 782 948
Commonwealth General Purpose Grants	3 604 924	3 505 957
Commonwealth Specific Purpose Grants	46 078	74 793
Contributions from State Undertakings	492 309	594 073
Fees and Charges	247 522	231 757
Recoveries	68 016	113 226
Royalties	143 808	121 893
Other Receipts	<u>196 261</u>	<u>270 149</u>
Total Receipts	<u>7 882 248</u>	<u>7 694 796</u>
Increase in balance of Special Deposit Accounts	184 566	183 715
Increase in balance of Deposits lodged with the Treasurer	56 948	61 390
Decrease in balance of Imprest Accounts	145	200
Increase in borrowings from the South Australian Government Financing Authority ^(a)	106 919	—
Decrease in cash at bank	35 957	18 017
Decrease in deposits by the Treasurer with LGFA	<u>—</u>	<u>300</u>
	<u>8 266 783</u>	<u>7 958 418</u>
APPLICATION OF FUNDS		
Consolidated Account Payments	7 989 167	7 671 241
Repayment of borrowings to the South Australian Government Financing Authority ^(a)	—	23 555
Increase in deposits by the Treasurer with SAFA	215 919	251 445
Increase in deposits by the Treasurer with LGFA	1 500	—
Decrease in the value of cheques drawn but not presented	17 374	12 177
Increase in Treasurer's loans to SAFA - payments to be settled ^(b)	<u>42 823</u>	<u>—</u>
	<u>8 266 783</u>	<u>7 958 418</u>

(a) As reported in Statement A and Statement J, the Consolidated Account deficit for 2006-07 was funded by the Treasurer's borrowings from the South Australian Government Financing Authority.

(b) Due to the change in accounting arrangements for the Administered Items for the Department of Treasury and Finance whereby transactions were processed via a special deposit account from 1 July 2006, payments processed in respect of June 2007 transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in June 2007 but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2007
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

	2006-07 \$'000	2005-06 \$'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT - See Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES - See Statement F	1 446 699	1 262 133
DEPOSITS LODGED WITH THE TREASURER - See Statement G	519 259	462 311
CHEQUES DRAWN BUT NOT PRESENTED	31,443	48,817
TREASURER'S LOANS TO BE SETTLED ^(a)	(42 823)	—
	<u>1 954 578</u>	<u>1 773 261</u>
REPRESENTED BY		
CASH AT BANK	152 189	188 146
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY - See Statement J	1 757 586	1 541 667
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA - See Statement E	43 600	42 100
DEPARTMENTAL IMPREST ACCOUNTS - See Statement H	1 203	1 348
	<u>1 954 578</u>	<u>1 773 261</u>

(a) Due to the change in accounting arrangements for the Administered Items for the Department of Treasury and Finance whereby transactions were processed via a special deposit account from 1 July 2006, payments processed in respect of June 2007 transactions for the Treasurer's Loans to the South Australian Government Financing Authority were not settled in June 2007 but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT D

**ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2007 ^(a)
(Section 22 (a) (iii) Public Finance and Audit Act 1987)**

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	\$'000	\$'000	\$'000	\$'000
	Payments	Recoveries	Cost	
Department of the Premier and Cabinet	137 427	—	137 427	
Office of Public Employment	5 668	—	5 668	
State Governor's Establishment	2 629	—	2 629	
Arts SA	103 812	—	103 812	
South Australian Tourism Commission	44 826	—	44 826	
Minister for Tourism	5 164	—	5 164	
Auditor-General's Department	10 915	9 351	1 564	
Department of Treasury and Finance	1 169 254	723 547	445 707	
Independent Gambling Authority	1 438	—	1 438	
Department of Trade and Economic Development	61 939	—	61 939	
Office of the Venture Capital Board	2 425	—	2 425	
Port Adelaide Maritime Corporation	9 555	—	9 555	
Department of Primary Industries and Resources	143 609	—	143 609	
Attorney-General's Department	126 748	27 374	99 374	
Courts Administration Authority	72 932	44 597	28 335	
Department for Correctional Services	140 041	—	140 041	
South Australia Police	456 159	56 369	399 790	
State Electoral Office	2 026	42	1 984	
Department of Health	1 687 458	—	1 687 458	
Department for Families and Communities	757 751	—	757 751	
Department of Education and Children's Services	1 768 800	—	1 768 800	
Department of Further Education, Employment, Science & Technology	269 939	—	269 939	
Department for Environment and Heritage	128 425	32 935	95 490	
Department of Water, Land and Biodiversity Conservation	111 715	158	111 557	
Environmental Protection Authority	9 441	—	9 441	
Department for Transport, Energy and Infrastructure	378 890	61 986	316 904	
Department for Administrative and Information Services	83 603	58 331	25 272	
Legislature	19 016	17	18 999	
Payments authorised under various acts	126 158	—	126 158	
Total	7 837 763	1 014 707	6 823 056	

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES

6 823 056

STATEMENT D - continued

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2007 ^(a)

(Section 22 (a) (iii) Public Finance and Audit Act 1987)

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST —

	\$'000	\$'000	\$'000
State Taxation—			
Payroll Tax	1 034 238		
Stamp Duties	1 252 378		
Land Tax	332 223		
Debits Tax	(2)		
Commonwealth Places Mirror Tax	19 661		
River Murray Levy	21 113		
Other Taxes on Property	53		
Gaming Machines Tax	311 747		
Contribution from Lotteries Commission	78 882		
Contribution from Casino Operations	20 281		
Contribution from Totalizator Agency Board	10 722		
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	2 034		
Total Receipts from State Taxation		3 083 330	
Commonwealth Government General Purpose Grants		3 604 924	
Royalties		143 808	
Total Direct Receipts			6 832 062
LEAVING A SURPLUS ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF THIS WAS REDUCED BY THE NET OF—			9 006
Payments for investing activities		(147 775)	
Payments for financing activities		(3 629)	
Receipts from investing activities		35 479	
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF			(115 925) <u>(106 919)</u>

(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act 1987*, which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. The categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Generally Accepted Accounting Principles. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER HAS INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (iv) Public Finance and Audit Act 1987)

Local Government Finance Authority of South Australia

As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia.

At 30 June 2007 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$43.6 million.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2007
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
Interest bearing—	
Adelaide Convention Centre Future Asset Replacement Account	11 177 494
Adelaide Convention Centre Operating Account	12 256 381
Adelaide Dolphin Sanctuary Fund	1 000
AusLink Advance for Specific Projects Account	111 240 026
Citrus Growers Fund	5 876
Community Emergency Services Fund	3 710 801
Community Road Safety Fund	2 708 424
Country Equalisation Scheme	12 932 441
Dog Fence Fund	60 181
Electricity Sale/Lease Proceeds Account	—
Eyre Peninsula Grain Growers Rail Fund	198 806
Forestry SA – Insurance Reserve Account	—
Gamblers Rehabilitation Fund	2 702 302
Governors' Pensions Account	9 080
Health, Community and Disability Services Ministerial Council	13 914 853
HIH Builders' Indemnity Assistance Account	1 719 534
Home Purchase Assistance Account	—
HomeStart Finance Account	2 558 582
Housing Loans Redemption Fund	7 808 794
Judges' Pensions Account	23 393
Local Government Disaster Fund	609 994
National Water Initiative Fund	188 040
Natural Disaster Relief Fund	—
Office of Venue Management Operating Account	—
Ombudsman's Office Operating Account	—
Parliamentary Superannuation Scheme Account	252 200
Playford Centre Operating Account	2 456 041
Police Complaints Authority	—
Police Superannuation Scheme Contribution Account	732 752
Primary Industries (Log Rebate Funding) Operating Account	—
Public Trustee Office Operating Account	3 730 347
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	2 009 815
Rural Finance Account	27 151 316
Rural Industry Adjustment and Development Fund	18 081 244
School Loans Scheme	880 737
South Australian Aboriginal Heritage Fund	647 802
South Australian Ambulance Superannuation Scheme	516 374
South Australian Government Insurance and Risk Management Fund	—
South Australian Local Government Grants Commission Account	2 571 771
South Australian Superannuation Fund Account	7 930 797
Southern State Superannuation Fund Account	31 741 241
Supported Residential Facilities Indemnity Fund	21 310
Victims of Crime Fund	18 789 476
Sub-Total	301 339 225

STATEMENT F - continued

SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2007
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
Non-interest bearing—	
Accrual Appropriation Excess Funds	397 972 531
Administrative and Information Services Administered Items Account	—
Administrative and Information Services Operating Account	—
Attorney-General's Administered Items Account	9 138 910
Attorney-General's Operating Account	10 542 114
Auditor-General's Administered Items Account	381 527
Auditor-General's Operating Account	2 384 290
Charitable and Social Welfare Fund	40 386
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Community Development Fund	—
Correctional Services Operating Account	8 935 032
Education and Children's Services Administered Items Account	2 951 149
Education and Children's Services Operating Account	41 088 724
Egg Industry Deregulation Account	464 709
Electoral Office Operating Account	1 102 302
Environment and Heritage Administered Items Account	200
Environment and Heritage Operating Account	17 240 968
Environment Protection Authority Operating Account	2 817 545
Essential Services Commission of SA	4 755 568
Families and Communities Administered Items Account	5 617 910
Families and Communities Operating Account	17 801 194
Firearms Acquisition/Compensation Account	—
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	—
Further Education, Employment, Science and Technology Operating Account	26 364 626
Government Workers Rehabilitation and Compensation Fund	1 016 878
Health Administered Items Account	—
Health and Medical Research Fund	—
Health Operating Account	13 579 150
Highways Fund	186 628 885
Hospitals Fund	—
Industry Development Fund	—
Industry Financial Assistance Account	30 205 444
Local Government Concessions - Seniors Cardholders	2 822 944
Local Government Disaster Fund	43 600 000
Motor Vehicles - Clearing Account	1 741 724
Office for Government Enterprises Asset Sales Operating Account	—
Office of Public Employment Operating Account	315 400
Office of the Venture Capital Board Operating Account	1 710 258
Planning SA Administered Items Account	58 349
Police and Emergency Services Administered Items Account	395 000
Police Operating Account	26 861 980
Port Adelaide Maritime Corporation	16 953 605
Premier and Cabinet Administered Items Account	9 471 979
Premier and Cabinet Operating Account	46 441 755
Primary Industries and Resources Administered Items Account	8 693
Primary Industries and Resources Operating Account	13 985 201

STATEMENT F - *continued*SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2007
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
Non-interest bearing—<i>continued</i>	
Professional Standards Council Fund	—
Sale of Government Land and Property	10 075 072
Save the River Murray Fund	12 482 992
Save the River Murray Voluntary Contributions Fund	4 415
South Australian Electricity Supply Industry Planning Council Operating Account	1 401 278
South Australian Film Corporation Unclaimed Investor Returns Account	68 671
Sport and Recreation Fund	2 498 407
State Government Auctions Account	20 425
State Governor's Establishment Operating Account	467 547
State Procurement Board Account	398 291
Support Services to Parliamentarians	1 770 821
Surplus Cash Working Account	—
Targeted/Voluntary Separation Package Scheme	3 456
Trade and Economic Development Operating Account	7 856 613
Transport, Energy and Infrastructure Administered Items Account	5 919 705
Transport, Energy and Infrastructure Operating Account	48 152 373
Treasurer's Interest in the National Wine Centre	869 922
Treasury and Finance Administered Items Account	72 669 013
Treasury and Finance Operating Account	25 317 405
Treasury – Working Account	310 643
Water, Land and Biodiversity Conservation Administered Items Account	1 208 511
Water, Land and Biodiversity Conservation Operating Account	8 466 900
Sub-Total	<u>1 145 359 390</u>
TOTAL SPECIAL DEPOSIT ACCOUNTS	<u><u>1 446 698 615</u></u>

PAUL HOLLOWAY, Acting Treasurer

STATEMENT F (1)SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Operating Account	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Adelaide Dolphin Sanctuary Fund	To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the <i>Adelaide Dolphin Sanctuary Act 2005</i> .
Administrative and Information Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Administrative and Information Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Attorney-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Attorney-General's Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auditor-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auslink Advance for Specific Projects Account	To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program
Charitable and Social Welfare Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to supporting the work of not-for-profit charities and community based social welfare organisations.
Citrus Growers Fund	To receive funds and to make payments as prescribed by the <i>Primary Industries Funding Schemes (Citrus Growers Fund) Regulations 2005</i> .

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	To receive amounts that are levied pursuant to the <i>Commonwealth Places (Mirror Taxes) Act 1998</i> of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the <i>Commonwealth Places (Mirror Taxes Administration) Act 1999</i> of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Community Development Fund	To record the receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of government health, welfare or education services and financial assistance for non government welfare agencies and community development.
Community Emergency Services Fund	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the <i>Emergency Services Funding Act 1998</i> and any amendments as approved by Parliament.
Community Road Safety Fund	To receive revenue derived from anti-speeding devices and other monies approved by both the Minister and the Treasurer and to make payments for road safety programs and policing.
Correctional Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make 'refund' payments to electricity retailers in accordance with the Country Equalisation Scheme.
Dog Fence Fund	To record receipts and disbursements relating to the operation of the Dog Fence Board.
Education and Children's Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments and to receive various Commonwealth grants and to disburse the associated payments.
Education and Children's Services Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Egg Industry Deregulation Account	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.
Electoral Office Operating Account	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Electricity Sale/Lease Proceeds Account	To receive proceeds of sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of the State debt.
Environment and Heritage Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Environment and Heritage Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Environment Protection Authority Operating Account	To record all of the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings.
Essential Services Commission of SA	To record the financial transactions of the Essential Services Commission of South Australia.
Eyre Peninsula Grain Growers Rail Fund	To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the <i>Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006</i> .
Families and Communities Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Families and Communities Operating Account	To record all activities of the Department including recurrent and capital expenditure, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Firearms Acquisition/Compensation Account	To record receipts and disbursements relating to the purchase of firearms from members of the public.
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	To record receipts and disbursements relating to the operation of firearms and disposal.
Forestry SA – Insurance Reserve Account	To record receipts and payments associated with the self-insurance of Forestry SA's growing timber assets.
Further Education, Employment, Science and Technology Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Gamblers Rehabilitation Fund	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Government Workers Rehabilitation and Compensation Fund	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions Scheme.
Health Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Health and Medical Research Fund	To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia.
Health, Community and Disability Services Ministerial Council	To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council.
Health Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Highways Fund	To record all transactions associated with the <i>Highways Act 1926</i> including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges.
HIH Builders' Indemnity Assistance Account	To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme.
Home Purchase Assistance Account	Established in 1978 to facilitate the recording of transactions associated with the administration of welfare housing loans under Housing Agreements between the Commonwealth and the State.
HomeStart Finance Account	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
Hospitals Fund	To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Housing Loans Redemption Fund	Established under the <i>Housing Loans Redemption Fund Act 1962</i> to control amounts received in respect of a low cost insurance scheme established by the South Australian Government, which is administered through various lending authorities.
Industry Development Fund	For the purpose of recording payments and receipts associated with providing industry development packages.
Industry Financial Assistance Account	To record the financial transactions of industry financial assistance administered on behalf of the Treasurer, including operating and financing expenditures, revenues from various activities and injection of funds provided by the Consolidated Account.
Judges' Pensions Account	To record receipts and payments for the Judges' Pensions Scheme.
Local Government Concessions – Seniors Cardholders	To administer receipts and payments for Local Government Concessions – Seniors Cardholders.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Motor Vehicles - Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
National Water Initiative Fund	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission.
Natural Disaster Relief Fund	To facilitate the administration of natural disaster relief particularly by way of loans to farmers.
Office for Government Enterprises Asset Sales Operating Account	To record all of the financial transactions of the Office for Government Enterprises Asset Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from the various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government's indebtedness to SAFA or for other approved purposes.
Office of Public Employment Operating Account	To record all of the activities of the Office including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Office of the Venture Capital Board Operating Account	To record all the activities of the Office including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Office of Venue Management Operating Account	To record all the activities of the Office of Venue Management including recurrent and capital expenditures, revenue from various activities, injections of funds provided from Consolidated Account and borrowings.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Ombudsman's Office Operating Account	To record all the activities of the Ombudsman's Office including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.
Planning SA Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Playford Centre Operating Account	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.
Police and Emergency Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Police Complaints Authority	To record costs incurred while investigating complaints against the Police.
Police Operating Account	To record all the activities of the Police Department including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.
Port Adelaide Maritime Corporation	To record all of the activities of the Port Adelaide Maritime Corporation including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Premier and Cabinet Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Premier and Cabinet Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings and the receipt of Commonwealth funding for the APY Lands and associated payments.
Primary Industries and Resources Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Primary Industries and Resources Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Primary Industries (Log Rebate Funding) Operating Account	To record the receipt and the disbursement of rebates as per the agreement for the sale of Forwood Products and Mount Burr Mill.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Professional Standards Council Fund	Record receipts and payments related to the Professional Standards Council as set out in the <i>Professional Standards Act 2004</i> .
Public Trustee Office Operating Account	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement.
Rural Finance Account	To provide for the administration of separate funds covering - <ul style="list-style-type: none"> · the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> - rural reconstruction entered into on 4 June 1971 - rural assistance entered into on 1 January 1977 - rural assistance entered into on 1 July 1985 - rural assistance entered into on 1 January 1989 - rural assistance entered into on 1 January 1993 - Marginal Dairy Farms and Dairy Adjustment; · loans under the Commercial Rural Loans Scheme; · loans made to producer Co-operatives and borrowings required to fund the scheme; <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p>
Rural Industry Adjustment and Development Fund	To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act 1985</i> .
Sale of Government Land and Property	To record all receipts and payments associated with the sale of Crown lands and other Government land and property.
Save the River Murray Fund	To receive the proceeds of the Save the River Murray Levy via Consolidated Account and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
Save the River Murray Voluntary Contributions Fund	To receive voluntary payments and donations in relation to the Save the River Murray Fund and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
School Loans Scheme	To administer loans to schools.
South Australian Aboriginal Heritage Fund	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Ambulance Superannuation Scheme	To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme.
South Australian Electricity Supply Industry Planning Council Operating Account	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
South Australian Film Corporation Unclaimed Investor Returns Account	To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation.
South Australian Government Insurance and Risk Management Fund	To record receipts and payments associated with the operation of the Government's insurance and risk management program.
South Australian Local Government Grants Commission Account	To record all transactions associated with the <i>South Australian Local Government Grants Commission Act 1992</i> including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act.
South Australian Superannuation Fund Account	To record receipts and payments in respect of the South Australian Superannuation Fund.
Southern State Superannuation Fund Account	To record receipts and payments in respect of the Southern State Superannuation Fund.
Sport and Recreation Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of financial assistance to sporting and recreational organisations.
State Government Auctions Account	To record the proceeds from State Government Auctions and disburse associated payments.
State Governor's Establishment Operating Account.	To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
State Procurement Board Account	To record all of the financial transactions associated with the State Procurement Board in accordance with the <i>State Procurement Act 2004</i> .
Supported Residential Facilities Indemnity Fund	To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund.
Support Services to Parliamentarians	To record the financial transactions related to the administration of Support Services to Parliamentarians.
Surplus Cash Working Account	To record the movement of surplus cash to and from agencies' operating accounts, and to the Consolidated Account, in accordance with the requirements of the Cash Alignment Policy.
Targeted/Voluntary Separation Package Scheme	To administer the costs associated with the Targeted/Voluntary Separation Package Scheme.
Trade and Economic Development Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Transport, Energy and Infrastructure Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2007—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Transport, Energy and Infrastructure Operating Account	To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts.
Treasurer's Interest in the National Wine Centre	To record all of the financial transactions associated with the management of the <i>National Wine Centre (Restructuring and Leasing Arrangements) Act 2002</i> including injections of funds from the Consolidated Account.
Treasury and Finance Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Treasury and Finance Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury - Working Account	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Victims of Crime Fund	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Water, Land and Biodiversity Conservation Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Water, Land and Biodiversity Conservation Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

 PAUL HOLLOWAY, Acting Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

Account	Purpose
Adelaide Dolphin Sanctuary Fund	To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the <i>Adelaide Dolphin Sanctuary Act 2005</i> .
Auslink Advance for Specific Projects Account	To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program
Education and Children's Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments and to receive various Commonwealth grants and to disburse the associated payments.
Eyre Peninsula Grain Growers Rail Fund	To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the <i>Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006</i> .
Health and Medical Research Fund	To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia.
Health, Community and Disability Services Ministerial Council	To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council.
National Water Initiative Fund	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission.
Professional Standards Council Fund	Record receipts and payments related to the Professional Standards Council as set out in the <i>Professional Standards Act 2004</i> .
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement.
South Australian Film Corporation Unclaimed Investor Returns Account	To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation.
State Government Auctions Account	To record the proceeds from State Government Auctions and disburse associated payments.
State Procurement Board Account	To record all of the financial transactions associated with the State Procurement Board in accordance with the <i>State Procurement Act 2004</i> .
Supported Residential Facilities Indemnity Fund	To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund.
Support Services to Parliamentarians	To record the financial transactions related to the administration of Support Services to Parliamentarians.

STATEMENT F (2)—continued

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

Account	Purpose
Transport, Energy and Infrastructure Operating Account	To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2007
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.

Account	Balance
	\$
Interest bearing—	
Adelaide and Mt Lofty Ranges Natural Resources Management Board	5 607 330
Adelaide Festival Centre Trust	6 275 417
Adelaide Hills Wine Industry Fund	50 259
Agents Indemnity Fund	10 847 464
Alinytjara Wilurara Natural Resources Management Board	1 613 611
Aquaculture Resource Management Fund	586 788
Art Gallery Board Bequests Account	3 113 748
Bio-Innovation SA	525 520
Boating Administration - Working Account	3 608 212
Botanic Gardens Board Endowment and Commercial Fund	2 274 048
Carrick Hill Trust	173 602
Cattle Compensation Fund	1 828 035
Cooperative Research Centre for Sustainable Aquaculture of Finfish	1 725 140
Crown Solicitor's Trust Account	6 459 111
Daniel Livingston Scholarship	29 723
Deer Keepers' Compensation Fund	124 473
Distribution Lessor Corporation Account	19 529
District Court Suitors' Fund	3 008 117
Dog and Cat Management Fund	436 706
Education Department - Scholarships and Prizes	141 116
Employment and Technical and Further Education – College Council Funds	657 007
Environment Protection Fund	1 857 494
Eyre Peninsula Natural Resources Management Board	697 026
Generation Lessor Corporation Account	21 567
Grains Industry Levy Fund	144 614
Gulf St Vincent Prawn Fishery Voluntary Contributions	24 640
History Trust of South Australia	1 330 110
Independent Gambling Authority	1 637 379
Institute of Medical and Veterinary Science	6 092 326
Land Management Corporation	14 055 779
Land Technologies Alliance Fund	2 263
Langhorne Creek Wine Industry Fund	103 553
Legal Practitioners Act	274 695
Libraries Board of South Australia	4 031 708
Local Government Taxation Equivalents Fund	1 070 074
Lower Murray Reclaimed Irrigation Areas Operating Account	74 532
Marine Scalefish Industry Fund	1 507
McLaren Vale Wine Industry Fund	67 170
Motor Accident Commission Account	1 812 069
Museum Board – Bequests Account	3 854 731

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2007

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
Interest bearing—continued	
National Action Plan for Salinity and Water Quality	34 226 453
National Parks General Reserves Account	1 990 307
National Sirex Fund	269 030
Native Vegetation Fund	1 960 699
Natural Heritage Trust Extension (NHT2)	3 315 355
Natural Resources Management Fund	1 147 593
Outback Areas Community Development Fund	487 608
Passenger Transport Research and Development Fund	123 519
Phylloxera and Grape Industry Fund	1 020 483
Planning and Development Fund	12 347 829
Pleuro Pneumonia Fund	76 973
Police Superannuation Fund	645 450
Rail Transport Facilitation Fund	39 317 674
Real Property Act Assurance Fund	5 926 492
Real Property Act Trust Account	51 691
Recreational Boating Facilities Fund	3 066 459
RESI Corporation Account	417 248
Residential Tenancies Fund	14 637 746
Retail Shop Leases Fund	805 866
Returned and Services League of Australia - Poppy Day Trust Inc - Enfield Project Account	864 691
Returned and Services League of Australia (South Australian Branch) Incorporated	815 417
Riverland Wine Industry Fund	182 932
SA BITS Funds Pty Ltd – Playford Centre Capital	3 303 111
SAFECOM Operating Account	6 048 390
Second-Hand Vehicles Compensation Fund	1 261 169
South Australian Aboriginal Housing Authority	20 395 978
South Australian Apiary Industry Fund	211 372
South Australian Arid Lands Natural Resources Management Board	3 266 889
South Australian Centre for Trauma and Injury Recovery	8 833
South Australian Community Housing Development Fund	4 514 526
South Australian Country Arts Trust	2 541 376
South Australian Forestry Corporation	26 719 162
South Australian Government Financing Authority	55 078 953
South Australian Housing Trust	54 818 299
South Australian Metropolitan Fire Service	23 415 725
South Australian Murray Darling Basin Natural Resources Management Board	11 217 495
South Australian Pig Industry Fund	2 144 762
South Australian Sheep Industry Fund	3 714 364
South Australian Timber Corporation	1 750 637
South East Natural Resources Management Board	4 053 665
State Emergency Relief Fund	86 243
State Supply Board – Gaming Machine Operations	1 568 931
Superannuation Funds Management Corporation Operating Account	1 368 797
Supreme Court Sutors Fund	7 888 745

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2007
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
Interest bearing—continued	
Teachers' Registration Board	3 304 823
TransAdelaide	21 160 891
Transmission Lessor Corporation Account	19 004
Upper South East Dryland Salinity Project	5 786 171
Waste to Resources Fund	4 249 554
Wildlife Conservation Fund	540 542
Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account	1 899
2007 World Police and Fire Games Corporation	—
Sub-Total	<u>480 396 014</u>
Non-interest bearing—	
Adelaide Children's Court	3 514
Agriculture – Research and Services Grants	7 218 345
Children's Services Office – Capital Assistance Fund	192 235
Coast Protection Fund	190 908
Companies Liquidation Account	18 548
Contractors' Deposits	201 302
Co-operatives Liquidation Account	64 993
Correctional Services - Prisoners' Monies	361 692
Courts Administration Authority	13 595 881
Extractive Areas Rehabilitation Fund	7 596 908
Fisheries – Research and Development Fund	2 247 924
Metropolitan Drainage Maintenance Fund	—
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	767 831
Sheriff's Office Account	2 948
South Australian Film Corporation Investors Returns Account	120 144
South Australian Tourism Commission	3 715 798
South Eastern Water Conservation and Drainage Board	25 485
State Heritage Fund	139 724
Unclaimed Salaries and Wages Account	505 097
Workmen's Liens	1 894 000
Sub-Total	<u>38 863 277</u>
TOTAL DEPOSITS LODGED WITH THE TREASURER	<u><u>519 259 291</u></u>

PAUL HOLLOWAY, Acting Treasurer

STATEMENT H**IMPREST ACCOUNTS**

(Section 22 (a) (vii) Public Finance and Audit Act 1987)

These amounts represent monies advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recovered from departmental monies.

By Whom Held	Agency	Unappropriated Funds Allocated
		\$
Chief Executive	Attorney-General's Department	44 020
Auditor-General	Auditor-General's Department	3 100
Chief Executive	Department of Education and Children's Services	121 000
Chief Executive	Department for Families and Communities	285 000
Chief Executive	Department of Further Education, Employment, Science and Technology	498 700
Clerk	House of Assembly	344
Electoral Commissioner	State Electoral Office	200
Chief Executive	Department of Trade and Economic Development	3 000
Chief Executive	Department for Transport, Energy and Infrastructure	<u>247 590</u>
TOTAL		<u><u>1 202 954</u></u>

 PAUL HOLLOWAY, Acting Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2007

(Section 22 (a) (viii) Public Finance and Audit Act 1987)

As prescribed in Section 22 (a) (viii) of the *Public Finance and Audit Act 1987*, this statement provides details on the total indebtedness of the Treasurer.

Lending arrangements within the South Australian public sector give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and certain public non financial corporations and the consolidation of general government sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the general government sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2007 was \$2 741.9 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2006-07 the Consolidated Account deficit was \$106.9 million and was funded by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition, the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

	2006-07	2005-06
	\$'000	\$'000
Loans to State Government Departments		
Department for Environment and Heritage	38 054	38 054
Department of Primary Industries and Resources—Rural Loans	1 593	1 260
Department for Transport, Energy and Infrastructure	47 761	47 761
	87 408	87 075
Loans to Statutory Authorities and Other Bodies		
Adelaide Bank	39	115
Adelaide Festival Centre Trust	27 250	27 250
Basketball Association of South Australia Incorporated	8 428	11 651
Flinders Medical Centre	24 672	24 778
Land Management Corporation	9 730	9 829
Lotteries Commission	512	2 250
Lyrup Village Association	45	50
Minister for Education and Children's Services	2 960	2 960
Renmark Irrigation Trust	1 395	1 490
South Australian Country Arts Trust	15 677	15 677
South Australian Housing Trust	748 123	756 505
South Western Suburbs Drainage	2 635	2 635

STATEMENT I—continued

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2007—continued

(Section 22 (a) (viii) Public Finance and Audit Act 1987)

	2006-07 \$'000	2005-06 \$'000
Loans to Statutory Authorities and Other Bodies—continued		
South Australian Tourism Commission	592	750
TransAdelaide	75 205	75 205
West Beach Trust	2 716	2 716
Women's and Children's Hospital	3 712	4 449
Woodville, Henley and Grange Drainage	245	245
	<u>923 936</u>	<u>938 555</u>
Equity Contributions		
Adelaide Convention Centre	77 795	77 794
Adelaide Entertainments Corporation	55 536	55 536
Department for Administrative and Information Services— Operations ^(a)	—	159 544
Government Commercial Properties ^(a)	—	63 529
Courts Administration Authority	3 140	3 140
Distribution Lessor Corporation	28 273	28 273
Department of Education and Children's Services	—	4 463
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Department for Families and Communities	19 474	10 763
Department of Health	205 268	177 749
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Planning SA	1 483	1 173
Port Adelaide Maritime Corporation	77 356	—
Department of the Premier and Cabinet	173	5 228
Department of Primary Industries and Resources	1 059	1 059
SA Water Corporation	173 610	173 610
South Australian Asset Management Corporation	52 716	52 716
South Australian Film Corporation	8 460	8 460
State Electoral Office	154	—
Department for Transport, Energy and Infrastructure	191 246	174 500
Department of Water, Land and Biodiversity Conservation	8 164	8 164
	<u>934 013</u>	<u>1 035 807</u>
Other Indebtedness		
Debt associated with prior operations of the Consolidated Account	796 601	578 319
	<u>796 601</u>	<u>578 319</u>
TOTAL TREASURER'S INDEBTEDNESS TO SAFA	<u><u>2 741 958</u></u>	<u><u>2 639 756</u></u>

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.

(a) The Department for Administrative and Information Services ceased operations on 31 December 2006. The Equity balances have been transferred to Other Indebtedness.

STATEMENT I—continuedINDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2007—continued
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

The Treasurer is authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act 1941*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

The Treasurer has residual liabilities arising from the sale/lease of the State's electricity assets. These liabilities represent prepaid lease rental payments received by the Treasurer on behalf of the Transmission Lessor Corporation, Distribution Lessor Corporation and Generation Lessor Corporation. The Treasurer's liability to the corporations at 30 June 2007 was \$499.8 million. This amount will reduce over the terms of the leases, (up to 200 years), as lease rental revenue is brought to account. No cash payments are anticipated.

PAUL HOLLOWAY, Acting Treasurer

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) Public Finance and Audit Act 1987)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below—

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including—

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- the Government's assumption of obligations of semi-government authorities and Public Sector Financial Institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2006-07 is summarised as follows—

	\$million
Balance at 30 June 2006	2 640
Add - Consolidated Account borrowings in 2006-07	107
Less - Realised gain (net)	1
Less - Repayment of borrowing	4
Balance at 30 June 2007	2 742
Market value at 30 June 2007 ^(a)	2 787

(a) SAFA manages its financial assets and liabilities on a market value basis (net fair value).

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2006-07 SAFA paid interest at the Common Public Sector Interest Rate (CPSIR) to the Treasurer in respect of Treasurer's deposits, that earn interest at the CPSIR. In respect of the remaining funds deposited with SAFA, the Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate.

At 30 June 2007 the Treasurer's deposit with SAFA was \$1 758 million (SAFA's market valuation \$1 767 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2007 and the form in which those balances were held.

The size of SAFA's operating surplus in 2006-07 prior to income tax was \$174.8 million. SAFA and its controlled entities operate within the Tax Equivalent Regime (TER) and under this arrangement \$10.9 million from the surplus was paid to Consolidated Account in 2006-07 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the net profit after tax in 2006-07, the amount of SAFA's surplus potentially available for distribution at 30 June 2007 was \$272.1 million. The Treasurer determined that there would be no distribution for 2006-07.

Similar to many other semi-government authorities, SAFA operates a Deposit Account—see Statement G. Any surplus funds otherwise standing to the credit of the account are invested by SAFA each day.

The State unconditionally guarantees all the liabilities of SAFA pursuant to Section 15 of the *Government Financing Authority Act 1982*. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND
(Section 22 (a) (xi) (A) and (B) Public Finance and Audit Act 1987)

\$

Maximum amount that could have been appropriated from the Fund in 2006-07 222 611 000

Purpose of Appropriation Amounts Issued and Applied

\$

Department of the Premier and Cabinet	11 358 000
Administered Items for the Department of the Premier and Cabinet	529 000
Auditor-General's Department	180 000
Administered Items for the Department of Treasury and Finance	78 561 617
Department of Trade and Economic Development	1 500 000
Department of Primary Industries and Resources	7 746 000
Administered Items for the Department of Primary Industries and Resources	105 000
Attorney-General's Department	1 477 000
Department of Health	48 928 000
Department for Families and Communities	20 335 000
Department of Education and Children's Services	1 013 000
Administered Items for the Department of Education and Children's Services	8 140 000
Department of Water, Land and Biodiversity Conservation	10 760 469
Administered Items for the Department of Water, Land and Biodiversity Conservation	2 850 214
Administered Items for the Department for Transport, Energy and Infrastructure	4 880 482
 TOTAL	 <u><u>198 363 782</u></u>

STATEMENT K - continuedSTATEMENT OF APPROPRIATION AUTHORITIES - *continued*

 TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xii) Public Finance and Audit Act 1987)

<u>Adjustment</u>	<u>Purpose of Appropriation</u>	<u>Amount</u> \$
Decrease	Administered Items for the Department for Families and Communities	15 000 000
Increase	Department for Families and Communities	15 000 000

 REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xiv) Public Finance and Audit Act 1987)

No reductions were made during 2006-07.

 APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)

No authorisations were made during 2006-07.

 APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2006-07
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)

	Appropriation Authority \$	Actual Payments \$
<i>Appropriation Act 2006, Section 4</i>	7 718 641 000	7 664 646 374
<i>Public Finance and Audit Act 1987, Section 15</i>	—	—
	<u>7 718 641 000</u>	<u>7 664 646 374</u>
 The Governor's Appropriation Fund - <i>Public Finance and Audit Act 1987, Section 12</i>	 222 611 000	 198 363 782
	<u>7 941 252 000</u>	<u>7 863 010 156</u>
 Specific appropriation authorised by various Acts	 126 157 519	 126 157 519
	<u>126 157 519</u>	<u>126 157 519</u>
 TOTAL	 <u>8 067 409 519</u>	 <u>7 989 167 675</u>

 PAUL HOLLOWAY, Acting Treasurer

STATEMENT L

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF
TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2007
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

Transfers were made to the following agencies:	\$
Department of the Premier and Cabinet	4 647 911
State Governor's Establishment	7 000
Arts SA	965 000
South Australian Tourism Commission	1 282 000
Auditor-General's Department	97 000
Department of Treasury and Finance	4 286 000
Administered Items for the Department of Treasury and Finance	1 630 024
Independent Gambling Authority	9 000
Department of Trade and Economic Development	167 000
Office of the Venture Capital Board	9 000
Port Adelaide Maritime Corporation	37 000
Department of Primary Industries and Resources	2 234 000
Department for Correctional Services	4 032 000
South Australia Police	666 000
Courts Administration Authority	512 000
Attorney-General's Department	1 245 000
State Electoral Office	18 000
Department of Health	20 689 000
Department for Families and Communities	4 892 000
Department of Education and Children's Services	2 166 000
Administered Items for the Department of Education and Children's Services	2 099 411
Department of Further Education, Employment, Science and Technology	15 417 000
Bio-Innovation SA	16 000
Department for Environment and Heritage	1 170 000
Environment Protection Authority	447 000
Department of Water, Land and Biodiversity Conservation	716 000
Office for State/Local Government Relations	23 000
Offices for Sustainable Social, Environmental and Economic Development	13 000
Planning SA	147 000
Department for Transport, Energy and Infrastructure	12 406 000
Department for Administrative and Information Services	5 748 000
TOTAL	<u><u>87 793 346</u></u>

PAUL HOLLOWAY, Acting Treasurer

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2007

2007 World Police and Fire Games Corporation, 3
Status of the Financial Report, 3

A

Accrual Appropriation Excess Funds Account
Treasury and Finance, Department of, 1465
Adelaide Convention Centre Corporation, 4
Adelaide Entertainments Corporation, 20
Adelaide Festival Centre Trust, 40
Access to Finance Systems, 42
BASS Ticketing System, 42
Catering Arrangements, 42
Control Environment, 41
Current Assets and Liabilities – Solvency, 45
Expenditure Processing, 42
Procurement Authority, 42
Requirement for a Charter and Performance
Statement, 42
Adelaide Festival Corporation, 59
Administrative and Information Services,
Department for, 69
Transfer of Employees and Functions, 69
Art Gallery Board, 109
Heritage collections, 111
Attorney-General's Department, 127
CaseMan System, 130
Changes to Functions and Structure, 127
Forensic Science SA, 130
Gaming Machine Administration, 137
Independent Gaming Corporation Limited, 137
Office of the Liquor and Gambling
Commissioner, 129
Purchasing Cards, 129
Recoveries from Offenders, 138
Residential Tenancies Fund, 128, 176
Retail Shop Leases Fund, 129
SACREDD DNA Database System, 130
Victims of Crime Fund, 137
Audit Committee
Flinders University of South Australia, 465
Health, Department of, 536
HomeStart Finance, 580
Land Management Corporation, 621
Legal Services Commission, 623
Motor Accident Commission, 705
Public Trustee, 185
South Australian Community Housing
Authority, 971
South Australian Forestry Corporation, 1045
South Australian Superannuation Board, 1196
Superannuation Funds Management Corporation
of South Australia, 1312
TransAdelaide, 1365
Transport, Energy and Infrastructure,
Department for, 1394
University of Adelaide, 1504
University of South Australia, 1551
Auditor's Report on the Financial Report
Environment and Heritage, Department for, 358
Local Government Finance Authority of South
Australia, 661
South Australian Forestry Corporation, 1045
South Australian Motor Sport Board, 1160
Transport, Energy and Infrastructure,
Department for, 1395
University of South Australia, 1552

Auditor-General's Department, 239

B

BASS Ticketing System
Adelaide Festival Centre Trust, 42
Blueprint 2005 Capital Program
University of South Australia, 1558

C

CaseMan System
Attorney-General's Department, 130
Catastrophe Reinsurance Program
South Australian Government Financing
Authority, 1080
Clipsal 500 Adelaide
South Australian Motor Sport Board, 1159
Common Public Sector Interest Rate (CPSIR)
South Australian Government Financing
Authority, 1078
Community Emergency Services Fund
South Australian Fire and Emergency Services
Commission, 1015, 1018
Correctional Services, Department for, 254
Home Detention Monitoring, 258
Management of the Mount Gambier Prison, 258
Payroll, 255
Prisoner Movement and In-Court
Management, 258
Revenue, 256
Service Contracts, 258
Courts Administration Authority, 278
Budget Process, 280
Delegations of Authority, 280
Fines and Court Fees, 281
Public, Private Partnership, 282
Risk Management, 279
Strategic and Business Planning, 279
Crown Land Perpetual Leases
Environment and Heritage, Department for, 361

D

DAIS see Administrative and Information Services,
Department for
Defence SA
Port Adelaide Maritime Corporation, 770, 774
Trade and Economic Development, Department
of, 1342
Department for Administrative and Information
Services see Administrative and Information
Services, Department for
Department for Correctional Services see
Correctional Services, Department for
Department of Education and Children's Services
see Education and Children's Services,
Department of
Department for Environment and Heritage see
Environment and Heritage, Department for
Department for Families and Communities see
Families and Communities, Department for
Department of Further Education, Employment,
Science and Technology see Further Education,
Employment, Science and Technology,
Department of
Department of Health see Health, Department of

Department of the Premier and Cabinet see Premier and Cabinet, Department of the
 Department of Primary Industries and Resources see Primary Industries and Resources, Department of
 Department of Trade and Economic Development see Trade and Economic Development, Department of
 Department for Transport, Energy and Infrastructure see Transport, Energy and Infrastructure, Department for
 Department of Treasury and Finance see Treasury and Finance, Department of
 Department of Water, Land and Biodiversity Conservation see Water, Land and Biodiversity Conservation, Department of
 DTEI see Transport, Energy and Infrastructure, Department for
 DWLBC see Water, Land and Biodiversity Conservation, Department of

E

Education and Children's Services, Department of, 307
 Administered Grants to Non-Government Schools, 317
 Completeness of School Financial Information, 312
 Computer Information Services and Environment - Valeo Human Resource Management System, 314
 Controls over Processing Expenditure, 312
 Fee-Paying Overseas Students, 309
 Maintenance, 313
 Monitoring of School Finances, 312
 Payroll, 310
 Procurement, 313
 Provision of Grants, 309
 Risk Management, 314
 Student Enrolments, 318
 Environment and Heritage, Department for, 357
 Adelaide's Living Beaches Project, 361
 Auditor's Report on the Financial Report, 358
 Crown Land Perpetual Leases, 361
 Fixed Assets - Accounting for Crown Land, 359
 Qualified Auditor's Opinion, 358
 Environment Protection Authority, 398
 Environment Protection Fund, 400
 Expiation Fees
 South Australia Police, 906

F

Families and Communities, Department for, 422
 Accounts Payable, 427
 Administration of Concessions, 425
 Changes to Function and Structure, 423
 Common Ground Initiative, 431
 Computer Information System (CIS) Environments, 429
 Credit Card Expenditure, 428
 DFC Budgetary Position and Cost Pressures, 431
 Disability Health Service Funding, 429
 Funding to NGOs, 424
 Payroll, 427
 Risk Management, 428
 Travel Expenditure, 428

Flinders University of South Australia, 465
 Audit Committee, 465
 Expenditure, 466
 Payroll, 466
 Forensic Science SA
 Attorney-General's Department, 130
 Funds SA
 see Superannuation Funds Management Corporation Of South Australia
 Further Education, Employment, Science and Technology, Department of
 Accounts Receivable Point of Sale System, 513
 Expenditure, 513
 Financial Management Reporting, 512
 Hourly Paid Instructors, 513
 Payroll, 513
 Policies and Procedures, 513
 Procurement, 514
 Risk Management, 512
 Further Education, Employment, Science and Technology, Department of, 510

G

Gaming Machine Administration
 Attorney-General's Department, 137
 Governors' Pensions Scheme
 Superannuation Funds Management Corporation of South Australia, 1311
 Guarantee by the Treasurer
 Local Government Finance Authority of South Australia, 660

H

Health, Department of, 535
 Accounts Payable, 542
 Accounts Receivable, 543
 Audit Committee and Internal Audit, 536
 Audit Mandate and Coverage - Health Services, 579
 Changes to Country Health Services, 546
 CHRIS, 545
 Commonwealth Government Grants, 541
 Department Staffing Statistics, 578
 DH Communications Network HSNet, 544
 Financial Management Improvement Project, 545
 Funding to Non-Government Organisations, 540
 Health Care Bill, 547
 Health Care Plan, 546
 Health Sector Staffing Statistics, 578
 Hospital Activity Statistics, 578
 Information and Communication Technology Management and Control, 544
 Legal Compliance Framework, 538
 Modbury Hospital, 546
 Payroll, 541
 Recurrent Funding to Health Services, 539
 Risk Management, 537
 Shared Services Arrangements, 544
 South Australian Ambulance Service Staffing Statistics, 578
 Heritage collections
 Art Gallery Board, 111
 Museum Board, 732
 Heritage Collections
 Libraries Board of South Australia, 643

HomeStart Finance, 580
Asset Quality - Credit Risk, 584
Asset Quality - Non-Accrual Loans, 586
Audit Committee, 580
Bad and Impaired Loans Expense, 583
Distributions to Government, 586
General Reserve for Credit Losses, 585
Net Interest Income, 582
Provisions for Impairment, 585
Hospital Activity Statistics, 578
Average Length of Overnight Hospital Stay, 579
Inpatient Activity, 579
Outpatient Activity, 579

I

Independent Gaming Corporation Limited
Attorney-General's Department, 137

J

Judges' Pensions Scheme, 613
Contributions by Employers, 615
Pensioners, 615
Superannuation Funds Management Corporation
of South Australia, 613, 1311
Transfer of \$12 million to the Consolidated
Account, 614

L

Land Management Corporation, 621
Audit Committee, 621
Status of the Financial Report, 621
Legal Services Commission, 623
Audit and Risk Management Committee, 623
Referrals to Private and In-house
Practitioners, 626
Libraries Board of South Australia, 641
Research and Heritage Collections, 643
Local Government Finance Authority of South
Australia, 660
Asset Quality, 664
Auditor's Report on the Financial Report, 661
General Reserve and Equity, 665
Guarantee by the Treasurer, 660
Liabilities of the Authority, 664
Net Profit and Distributions, 663
Qualified Auditor's Opinion, 661
Tax Equivalent Payments, 663
Lotteries Commission of South Australia, 677
Distributions to Government, 680
Sales Revenue, 679
Unclaimed Prizes and Additional Prizes, 681

M

Modbury Hospital
Health, Department of, 546
Motor Accident Commission, 704
Audit Committee, 705
Investment Result, 708
Investments, 709
Operating Result, 708
Outstanding Claims, 709
Solvency Level, 710
Underwriting Result, 707
Museum Board, 730
Heritage collections, 732

N

Natural Resources Management Boards
Water, Land and Biodiversity Conservation,
Department of, 1600
Natural Resources Management Fund
Water, Land and Biodiversity Conservation,
Department of, 1595, 1600
Navy's Air Warfare Destroyers (AWD) project
Port Adelaide Maritime Corporation, 773

O

Office of the Liquor and Gambling Commissioner
Attorney-General's Department, 129

P

Parliamentary Superannuation Scheme, 746
Contributions by Members, 748
Pensioners, 748
Superannuation Funds Management Corporation
of South Australia, 746, 1311
Transfer of \$18 million to the Consolidated
Account, 748
Performance Charter
South Australian Water Corporation, 1269
Police Superannuation Board
Superannuation Funds Management Corporation
of South Australia, 1311
Police Superannuation Scheme, 757
Contributions by Members, 761
Liability for Accrued Benefits, 760
Net Assets Available to Pay Benefits, 761
Pensioners, 761
South Australia Police, 757
Superannuation Funds Management Corporation
of South Australia, 1311
Port Adelaide Maritime Corporation, 770
Air Warfare Destroyer (AWD) Systems
Centre, 774
Commercial and Education Precinct and
Supplier's Precinct, 773
Common User Facility, 773
Defence SA, 770, 774
Maritime Skills Centre, 774
Navy's Air Warfare Destroyers (AWD)
project, 773
Northern LeFevre Peninsula Master Plan, 774
Techport Australia, 773
Premier and Cabinet, Department of the, 788
Changes in Organisational Arrangements, 788
Protocol Unit, 789
SafeWork SA - Health and Safety Workplace
Partnership Programme, 790
Primary Industries and Resources, Department
of, 823
Business Continuity Planning, 828
Changes to Functions and Structure, 823
Expenditure, 824
Legal Compliance, 825
Masterpiece Fixed Asset to General Ledger
Reconciliation, 826
Mining Revenue, 827
Petroleum Revenue, 826
Review of Petroleum and Mining Revenue, 826

Protocol Unit
Premier and Cabinet, Department of the, 789
Public Trustee, 185
Audit Committee, 185
Australian Shares Common Fund, 218
Cash Common Fund, 206
Corporate Statements, 190
Financial Management and Control, 186
ICT Management and Control, 186
Listed Property Securities Common Fund, 224
Long-Term Fixed Interest Common Fund, 212
Overseas Fixed Interest Common Fund, 215
Overseas Shares Common Fund, 221
Sale of Public Trustee Building, 186
Short-Term Fixed Interest Common Fund, 209

Q

Qualified Auditor's Opinion
Environment and Heritage, Department for, 358
Local Government Finance Authority of South
Australia, 661
South Australian Forestry Corporation, 1046
South Australian Motor Sport Board, 1161
Transport, Energy and Infrastructure,
Department for, 1395
University of South Australia, 1553

R

Residential Tenancies Fund
Attorney-General's Department, 128, 176
Retail Shop Leases Fund
Attorney-General's Department, 129
RevenueSA
Treasury and Finance, Department of,
1461, 1463
Risk Management
Courts Administration Authority, 279
Education and Children's Services,
Department of, 314
Families and Communities, Department for, 428
Further Education, Employment, Science and
Technology, Department of, 512
Health, Department of, 537
South Australian Government Financing
Authority, 1079, 1080
South Australian Metropolitan Fire Service, 1140
South Australian State Emergency Service, 1178
State Electoral Office, 1299

S

SA Ambulance Service Inc, 879
Ambulance Cover Scheme, 884
Ambulance Service Computer Processing
Environment, 881
Contract Approvals, 881
Payment Delegations, 881
Payroll Related Matters, 880
SAAMC
see South Australian Asset Management
Corporation
SACREDD DNA Database System
Attorney-General's Department, 130
SAFA
see South Australian Government Financing
Authority

SAFA Advisory Board
South Australian Government Financing
Authority, 1073
SafeWork SA - Health and Safety Workplace
Partnership Programme
Premier and Cabinet, Department of the, 790
Sale of Public Trustee Building
Public Trustee, 186
SAPOL. see South Australia Police
Service SA
Transport, Energy and Infrastructure,
Department for, 1400
Shared Services Arrangements
Health, Department of, 544
South Australia Police, 902
Employee Benefits and Workers
Compensation, 905
Expiation Fees, 906
Police Superannuation Scheme, 757
Public, Private Partnerships - Police
Facilities, 907
South Australian Aboriginal Housing Authority, 938
Changes to Functions and Structure, 938
Community Housing Program - Internal Audit
Review, 940
Community Housing Program - Monitoring of
Projects, 940
Community Owned Housing, 944
Internal Control Environment, 939
Maintenance and Capital Upgrades -
Management Reporting and Planning, 940
Maintenance- Inspection of Work Performed, 940
Rent Revenue, 944
State Government Owned Housing, 944
Status of Matters Raised in Previous Years
Audit, 940
Strategic Asset Management Planning and
Relationship with Key Service Providers, 941
South Australian Ambulance Service, 1197
Liability for Accrued Benefits, 1198
Superannuation Funds Management Corporation
of South Australia, 1197
South Australian Ambulance Service
Superannuation Scheme
South Australian Superannuation Board, 1195
Superannuation Funds Management Corporation
of South Australia, 1311
South Australian Asset Management
Corporation, 957
South Australian Community Housing
Authority, 970
Audit Committee, 971
Changes to Functions and Structure, 971
Contributions from Community Housing
Organisations, 974
Financial Arrangements and Structure, 970
Properties, 975
Unauthorised Sale of Property, 972
South Australian Country Fire Service, 995
South Australian Fire and Emergency Services
Commission, 1015
Accounting Systems and Processes, 1017
Community Emergency Services Fund, 1015
Legislative Compliance and Governance
Arrangements, 1017

South Australian Forestry Corporation, 1044
 Audit Committee, 1045
 Auditor's Report on the Financial Report, 1045
 Distributions to Government, 1049
 Financial Management and Control, 1046
 Growing Timber, 1050
 Growing Timber Valuation, 1047
 Information Technology Management and
 Systems Operations, 1046
 Qualified Auditor's Opinion, 1046
 South Australian Government Financing
 Authority, 1073
 Administration of Assistance to Industry – Rail
 Reform Transition Program, 1075
 Capital and Distributions, 1077
 Catastrophe Reinsurance Program, 1080
 Changes to Functions and Structure, 1074
 Common Public Sector Interest Rate
 (CPSIR), 1078
 Policy and Procedure Manual – Insurance
 Function, 1075
 Risk Management, 1079, 1080
 SAFA Advisory Board, 1073
 Superannuation Funds Management Corporation
 of South Australia, 1312
 Treasury and Finance, Department of, 1461
 South Australian Housing Trust, 1105
 Accounts Payable, 1108
 Affordable Housing Innovations Fund, 1110
 Changes to Function and Structure, 1105
 Financial Delegations, 1107
 Inventory and Fixed Asset Work in
 Progress, 1107
 Maintenance Expenditure, 1109
 Payroll, 1111
 Rent, 1108
 Service Level Agreements, 1110
 Water and Council Rate, 1110
 South Australian Metropolitan Fire Service, 1138
 Budgetary Control, 1140
 Risk Management, 1140
 Strategic and Business Planning, 1140
 South Australian Motor Sport Board, 1159
 Auditor's Report on the Financial Report, 1160
 Clipsal 500 Adelaide, 1159
 Qualified Auditor's Opinion, 1161
 Victoria Park (Bakkabakkandi) Masterplan, 1163
 South Australian Parliamentary Superannuation
 Board
 Superannuation Funds Management Corporation
 of South Australia, 1311
 South Australian State Emergency Service, 1176
 Cash Management, 1178
 Risk Management, 1178
 Strategic and Business Planning, 1178
 South Australian Superannuation Board, 1194
 Audit Committee, 1196
 South Australian Ambulance Service
 Superannuation Scheme, 1195
 South Australian Superannuation
 Scheme, 1194, 1207
 Southern State Superannuation Scheme, 1194
 Superannuation Funds Management Corporation
 of South Australia, 1311
 South Australian Superannuation Scheme, 1207
 Funding of Benefit Payments, 1210
 South Australian Superannuation
 Board, 1194, 1207
 Superannuation Funds Management Corporation
 of South Australia, 1207, 1311
 South Australian Tourism Commission, 1241
 South Australian Water Corporation, 1260
 Capital Planning and Project Management, 1263
 CHRIS HRMS CPE, 1261
 Contributions to the State Government, 1269
 Expenditure, 1262
 Major and Minor Plant Assets, 1262
 Payroll, 1262
 Performance Charter, 1269
 Purchase Cards, 1262
 Revenue, 1262
 Southern State Superannuation Scheme, 1225
 Contribution Revenue, 1227
 South Australian Superannuation Board, 1194
 Superannuation Funds Management Corporation
 of South Australia, 1225, 1311
 State Electoral Office, 1298
 Risk Management, 1299
 State Superannuation Office
 Treasury and Finance, Department of, 1461
 Status of the Financial Report
 2007 World Police and Fire Games Corporation, 3
 Land Management Corporation, 621
 Superannuation Funds Management Corporation of
 South Australia, 1311
 Adelaide Cemeteries Authority, 1312
 Asset Allocation, 1315
 Audit Committee, 1312
 Funds Under Management, 1311, 1314
 Governors' Pensions Scheme, 1311
 Income from Investments, 1315
 Judges' Pensions Scheme, 613, 1311
 Net Income Earned from Investment
 Activities, 1316
 Parliamentary Superannuation
 Scheme, 746, 1311
 Police Superannuation Board, 1311
 Police Superannuation Scheme, 1311
 Restrictions on Operations, 1311
 South Australian Ambulance Service, 1197
 South Australian Ambulance Service
 Superannuation Scheme, 1311
 South Australian Government Financing
 Authority, 1312
 South Australian Parliamentary Superannuation
 Board, 1311
 South Australian Superannuation Board, 1311
 South Australian Superannuation
 Scheme, 1207, 1311
 Southern State Superannuation
 Scheme, 1225, 1311

T

Techport Australia
 Port Adelaide Maritime Corporation, 773
 Trade and Economic Development, Department
 of, 1339
 Defence SA, 1342

TransAdelaide, 1364
Audit and Risk Committee, 1365
Contract Income - DTEI Contract, 1368
Contract Income - Financial Dependence, 1368
Contract to provide Passenger Transport Services, 1364
Joint Venture, 1364
Joint Venture Relationship, 1370
Non-Current Assets, 1366
Payroll, 1366
Transport, Energy and Infrastructure, Department for, 1393
Audit and Governance Committee, 1394
Auditor's Report on the Financial Report, 1395
Building Management, 1399
Changes to Functions and Structure, 1394
Community Road Safety Fund, 1407
E-Procurement and Accounts Payable, 1398
Expensing of Exclusions, 1396
Government ICT Services, 1398
Information Technology Strategy and Management, 1400
Mobile Phone Review, 1398
Network Assets, 1396
Payroll, 1397
Qualified Auditor's Opinion, 1395
Rail Contract Management, 1397
Reconciliations, 1397
Service SA, 1400
Treasury and Finance, Department of, 1461
Accrual Appropriation Excess Funds Account, 1465
Appropriation Disbursement Error, 1465
Changes to Structure, 1462
Corporate Services, 1463
Government Accounting and Reporting (GAR) Branch, 1464
RevenueSA, 1461, 1463
South Australian Government Financing Authority, 1461
State Procurement and Support Operations (SPSO) Branch, 1463
State Superannuation Office, 1461

U

University of Adelaide, 1504
Audit, Compliance and Risk Committee, 1504
Corporate Governance, 1505
Documenting Policies and Procedures, 1505
Payroll, 1506
Procurement and Accounts Payable, 1505

University of South Australia, 1551
Audit and Risk Management Committee, 1551
Auditor's Report on the Financial Report, 1552
Blueprint 2005 Capital Program, 1558
Expenditure - Segregation of Duties, 1554
Expenditure - Verification of Authorisations, 1554
Government Grant Funding, 1553
Payroll - Validity and Accuracy of Casual Employee Payroll Transactions, 1553
Qualified Auditor's Opinion, 1553

V

Victims of Crime Fund
Attorney-General's Department, 137
Victoria Park (Bakkabakkandi) Masterplan
South Australian Motor Sport Board, 1163

W

Water Information Licensing Management Application
Water, Land and Biodiversity Conservation, Department of, 1596
Water, Land and Biodiversity Conservation, Department of, 1592
Administered Grant Programs, 1601
Budgetary Management, 1595
Control Environment, 1593
Fixed Assets - Control and Recognition, 1601
Natural Resources Management Boards and Natural Resources Management Fund, 1600
Natural Resources Management Fund, 1595, 1600
Save the River Murray Fund, 1601
Specific Control Matters, 1594
Water Information Licensing Management Application, 159