

South Australian Government Financing Authority

Financial report
for the year ended
30 June 2021



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To the Under Treasurer South Australian Government Financing Authority

Opinion

I have audited the financial report of the South Australian Government Financing Authority for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Government Financing Authority as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2021
- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Under Treasurer, the General Manager, SAFA and the Director Finance, SAFA.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Government Financing Authority. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Under Treasurer for the financial report

The Under Treasurer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Under Treasurer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 25(2) of the *Government Financing Authority Act 1982*, I have audited the financial report of the South Australian Government Financing Authority for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

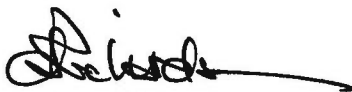
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Government Financing Authority's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Under Treasurer
- conclude on the appropriateness of the Under Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

22 September 2021

South Australian Government Financing Authority

Financial Statements

For the year ended 30 June 2021

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Statement of Financial Position

as at 30 June 2021

	Note	2021 \$m	2020 \$m
Assets			
Cash and Short Term Assets	4	3,023.3	3,274.8
Assets Held for Sale	5	6.7	3.6
Investments	6	4,488.7	3,772.4
Loans	7	32,170.7	28,241.1
Derivatives Receivable	8	297.4	188.7
Receivables and Other Assets	9	73.4	82.6
Property, Plant and Equipment	10	190.0	184.8
Intangible Assets	11	1.6	2.0
Total Assets		40,251.8	35,750.0
Liabilities			
Deposits and Short Term Borrowings	12	12,712.5	11,293.5
Bonds, Notes and Debentures	13	26,055.0	23,120.5
Outstanding Claims	14	642.0	729.9
Derivatives Payable	15	374.8	254.4
Payables and Other Liabilities	16	85.3	56.0
Total Liabilities		39,869.6	35,454.3
NET ASSETS		382.2	295.7
Equity			
Retained Earnings		382.2	295.7
TOTAL EQUITY		382.2	295.7

Total equity is attributable to the SA Government as owner.

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The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	2021 \$m	2020 \$m
Income			
Revenue			
Interest Revenue on assets measured at Fair Value through Profit or Loss	17	743.2	904.8
Less Interest Expense on liabilities measured at Fair Value through Profit or Loss	17	759.3	909.0
Net Interest Revenue		(16.1)	(4.2)
Insurance Premium	17	63.8	59.9
Leasing and Hire	17	52.1	52.9
Recoveries	17	(0.6)	39.3
Other	17	5.6	6.0
Total Revenue		104.8	153.9
Other Gains/(Losses)			
Net Gain on Financial Instruments and Derivatives	18	142.7	31.5
Net Gain on Sale of Property, Plant and Equipment	18	9.2	0.9
Total Other Gains/(Losses)		151.9	32.4
Total Income		256.7	186.3
Expenses			
Depreciation, Amortisation and Impairment	19	20.6	22.1
Insurance Claims	19	31.6	232.1
Motor Vehicle	19	9.9	10.8
Outward Reinsurance	19	13.5	9.8
Operating	19	34.2	28.5
Total Expenses		109.8	303.3
Profit/(Loss) before income tax equivalents		146.9	(117.0)
Income Tax Equivalent Expense with SA Government	2 (u)	44.1	-
Profit/(Loss) after income tax equivalents		102.8	(117.0)
Other Comprehensive Income		-	-
Total comprehensive result		102.8	(117.0)

The profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Asset Revaluation Reserve \$m	Retained Earnings \$m	Total \$m
Balance at 30 June 2019		6.0	410.8	416.8
Loss after income tax equivalents for 2019-20	2(u)	-	(117.0)	(117.0)
Total comprehensive result for 2019-20		-	(117.0)	(117.0)
Transfer of revaluation increment on disposal of property, plant and equipment through other comprehensive income to retained earnings		(6.0)	6.0	-
Transactions with SA Government as owner				
Dividend paid		-	(4.1)	(4.1)
Balance at 30 June 2020		-	295.7	295.7
Profit after income tax equivalents for 2020-21	2(u)	-	102.8	102.8
Total Other Comprehensive Income for 2020-21		-	-	-
Total comprehensive result for 2020-21		-	102.8	102.8
Transactions with SA Government as owner				
Dividend paid		-	(16.3)	(16.3)
Balance at 30 June 2021		-	382.2	382.2

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

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

The Asset Revaluation Reserve is used to record increments and decrements in the fair value of Property, Plant and Equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Statement of Cash Flows

for the year ended 30 June 2021

Note	2021 \$m	2020 \$m	
Cash flows from operating activities			
Proceeds from:			
	Interest on loans and investments	1,143.9	1,122.7
	Derivatives net interest	36.5	12.7
	Insurance Premiums	76.6	66.9
	Leasing and Motor Vehicle	57.0	61.6
	Recoveries	22.4	25.5
	Direct Insurance Placement	24.4	11.3
	Stamp duty received from agencies	6.0	5.7
	Other receipts	70.7	121.3
	Commissions	2.3	1.3
	Guarantee Fees received from agencies	123.1	139.4
	Indemnity from Treasurer	11.0	21.1
Payments for:			
	Interest on borrowings and deposits	(980.1)	(786.8)
	Insurance Claims	(122.3)	(95.7)
	Motor Vehicle costs	(27.7)	(32.6)
	Outwards reinsurance premiums	(16.0)	(10.7)
	Direct Insurance Placement	(24.6)	(11.1)
	Stamp Duty paid to RevenueSA	(6.1)	(5.7)
	Operating expenses	(32.0)	(24.8)
	Other payments	(112.0)	-
	Guarantee Fees paid to Treasurer	(124.5)	(135.1)
	Net GST paid to the ATO	(7.7)	(6.0)
	Income Tax Equivalent (TER) paid to Treasurer	(21.0)	(4.7)
	Indemnity to Treasurer	(6.2)	-
	Net GST relating to Investing/Financing activities	(1.8)	(2.5)
23(b)	91.9	473.8	
Cash flows from investing activities			
	Net advances of Client Loans	(4,254.5)	(3,703.4)
	Purchase of Investments	(7,698.8)	(3,404.5)
	Proceeds from Investments	6,071.6	4,928.8
	Purchase of Property, Plant and Equipment	(64.8)	(68.1)
	Purchase of Intangible Assets	-	(0.0)
	Proceeds from the Sale of Property, Plant and Equipment	46.3	41.1
	(5,900.2)	(2,206.1)	
Cash flows from financing activities			
	Net proceeds of Client and Bank Deposits	1,479.3	622.7
	Proceeds from Borrowings	6,440.8	9,890.4
	Repayments of Borrowings	(3,146.6)	(8,679.7)
	Repayments of Leases	(0.1)	(0.1)
	Net repayments of Swaps	(64.9)	(3.7)
	Dividends paid to Government	(16.3)	(4.1)
	4,692.2	1,825.5	
Net increase/(decrease) in cash held			
	(1,116.1)	93.2	
	Cash at the beginning of the financial year	1,833.1	1,739.5
	Net effect of exchange rate changes	(0.4)	0.4
23(a)	716.6	1,833.1	

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Objectives

The South Australian Government Financing Authority (SAFA) is a statutory authority of the Government of South Australia (SA Government) constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. SAFA's registered address is Level 5, State Administration Centre, 200 Victoria Square, Adelaide, South Australia 5000.

SAFA's business objectives are to:

- achieve and maintain certainty of funding for South Australia in the most cost-effective manner and on-lend such funding to public sector entities;
- ensure the efficient and effective delivery of a comprehensive range of funding, asset and liability management, and financial risk management advisory services that meet the needs of clients;
- provide comprehensive insurance protection for SA Government portfolio groups, agencies and all statutory authorities (except those specifically exempted by the Treasurer) at competitive and stable premiums;
- protect the State's finances from a very large property loss or civil liability claim, or a series of large losses or claims in a particular year;
- provide reinsurance to the private insurance market for South Australian building indemnity insurance risks;
- manage SAFA's assets and liabilities and operational infrastructure and risks in a prudent manner to ensure SAFA's ongoing performance capability and financial viability; and
- provide fleet services to public sector entities including policy advice, vehicle leasing, maintenance, accident and fuel management, vehicle fit out and disposal preparation.

Note 2 Significant Accounting Policies

(a) Statement of Compliance

The Financial Statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

SAFA has applied Australian Accounting Standards that are applicable to for-profit entities, as it is a for-profit entity for financial reporting purposes.

Australian Accounting Standards that have recently been issued or amended but are not yet effective, which have not been adopted by SAFA for the reporting period ending 30 June 2021, are detailed in Note 2(x).

(b) Basis of Preparation

These Financial Statements have been prepared in accordance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*, by authority of Treasurer's Instructions. As required by accounting policy statements, in the interest of public accountability and transparency, the notes to the Financial Statements include disclosure of expenses that are included in the Statement of Comprehensive Income, which have been incurred as a result of engaging consultants (refer Note 24).

The Financial Statements have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise indicated and are presented on a liquidity basis.

The Financial Statements have been prepared based on a 12 month period and the presentation currency is Australian dollars. Unless otherwise stated, all values are presented in million dollars, rounded to one decimal place. Zero represents amounts less than fifty thousand dollars, whilst a dash represents a nil balance.

Note 2 Significant Accounting Policies (continued)

(c) Reporting Entity

The financial report covers SAFA as an individual reporting entity. As SAFA does not have any controlled entities there are no consolidated financial statements.

(d) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements to conform with Australian Accounting Standards requires the use of critical accounting estimates. It also requires Management to exercise its judgement in the process of applying SAFA's accounting policies. Management has made the following estimates and judgements which have the most significant effect on the amounts recognised in the Financial Statements:

(i) Measurement of Outstanding Claims

Outstanding insurance claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer Note 30).

(ii) Measurement of Fair Value

When measuring fair values of financial assets and liabilities, SAFA maximises the use of relevant market-based data. The fair values of financial assets and liabilities that are traded in active markets are determined with reference to quoted market prices or quotations. For financial assets and liabilities where market-based data is not readily available (or transparent), SAFA determines fair values using standard valuation techniques incorporating discounted cash flows on appropriate yield curves of similar traded securities, taking into account their risk characteristics.

(e) Income and Expense Recognition

SAFA recognises income and expenses when the amounts can be reliably measured, it is probable that the future economic benefits will flow to or from SAFA and when specific recognition criteria have been met for each of the activities described below.

(i) Interest

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

Net realised gains or losses and unrealised gains or losses are included in the Statement of Comprehensive Income (refer Note 18).

(ii) Insurance Premium Revenue

Premium revenue includes amounts charged to policy holders, excluding Stamp Duty and Goods and Services Tax (GST). Premium revenue is recognised in the Statement of Comprehensive Income as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten.

All South Australian Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be placed with other insurers, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the Financial Statements, these arrangements are referred to as Direct Insurance Placements and are recorded on a net basis.

The *Building Work Contractors Act 1995 (SA)* and Regulations is compulsory in South Australia and requires builders to hold building indemnity insurance (BII) to protect home owners against losses arising from the insolvency, death or disappearance of their builder up to a maximum sum insured of \$150,000 per building project or such other amount prescribed under the *Building Work Contractors Act 1995 (SA)*. From 1 July 2013 SAFA began offering BII cover to builders in South Australia. The premium for BII provides insurance cover for periods of up to five years, commencing from the date of the insurance contract.

Note 2 Significant Accounting Policies (continued)

(e) Income and Expense Recognition (continued)

(iii) Leasing and Hire Revenue

SAFA leases motor vehicles to South Australian Government agencies for a standard lease period of three years or 60,000 kilometres, whichever occurs first. By arrangement, some vehicle leases can be extended to five years or 100,000 kilometres, due to the nature of the lessee's business requirements. The lease to agencies covers registration, compulsory third party and property damage insurance, property insurance, scheduled servicing, depreciation, interest costs and a management fee. Leasing revenue is recognised on a straight line basis over the term of the lease. Any lease penalty income is recognised as an event occurs that establishes SAFA's right to collectability. The property insurance component of the lease is recognised under Insurance Premium in the Statement of Comprehensive Income (refer Note 17).

SAFA also hires motor vehicles to South Australian Government agencies on a short-term basis, which is charged to agencies at hourly rates. Hire rates cover all vehicle running costs, including fuel.

(iv) Revenue Recoveries

Vehicle recoveries include excessive wear and tear costs, which are recovered from agencies at the end of the lease.

Insurance recoveries comprise any recoveries from third parties. Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue.

(v) Other Income

Fee income in respect of services provided is recognised in the period in which the service is provided or commission is received on disposal of vehicles.

(vi) Insurance Claims Expense

Insurance claims expense includes the direct and indirect costs of settling claims, claim payments, deductible receipts and movements in underlying claim estimates.

(vii) Motor Vehicle Expenses

Motor vehicle expenses represent direct costs associated with the ownership of the motor vehicle fleet including registration, compulsory third party insurance, scheduled servicing costs and costs of repairing vehicles in preparation for disposal.

Third party suppliers provide fuel and unscheduled vehicle maintenance services to SA Government Agency motor vehicle lessees for the duration of motor vehicle leases. Agencies control their consumption of these goods and services, and reimburse SAFA for the full amount of any costs incurred. In these cases, SAFA is acting as an agent, and consequently fuel expenses and unscheduled maintenance expenses are recorded net of any recoveries from Agencies.

(viii) Outwards Reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of the outwards reinsurance premiums may be treated at the end of the reporting period as a prepayment. This program includes the catastrophe reinsurance program which has been effected to safeguard the State's finances against very large losses or claims, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(ix) Indemnity from/(to) the Treasurer

Insurance activities are segregated into four Funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 and Fund 3 (refer Note 21(b)). Under these arrangements any profit/loss on these Funds are recognised as payables to/receivables from the Treasurer.

Note 2 Significant Accounting Policies (continued)

(f) Cash and Short Term Assets

Cash and short term assets in the Statement of Financial Position include Cash at Bank, Short Term Money Market Deposits, Secured Cash Lending, Overdraft Facilities and Negotiable Certificates of Deposit that are held for liquidity and short term investment purposes (refer Note 4).

For the purposes of the Statement of Cash Flows, cash consists of Cash and Collateral Deposits from Financial Institutions, Secured Cash Lending and Short Term Money Market Deposits as defined above, but exclude Negotiable Certificates of Deposit and the Overdraft Facility where the securities are for investment purposes and not for the purpose of meeting short term cash commitments.

(g) Assets Held for Sale

Assets are classified as held for sale, and stated at the lower of their carrying amount or fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within one year from the date of classification (refer Note 5).

(h) Financial Instruments

All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies.

Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer Note 18). Financial assets and liabilities are revalued regularly either at their quoted market price, or their cash flows are discounted against the relevant yield curve.

(i) Investments

Investments are assets which are purchased as part of SAFA's liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the South Australian Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer Note 6).

(ii) Loans

Loans to government and non-government clients comprise of simple interest, fixed interest or floating rate (refer Note 7).

(iii) Deposits and Short Term Borrowings

Deposits and Short Term Borrowings include At Call Deposits, Collateral Deposits from Financial Institutions and Term Deposits. SAFA also raises short term funds through the issue of Commercial Paper both in the domestic and overseas markets (refer Note 12).

(iv) Repurchase Agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in Deposits and Short Term Borrowings (refer Note 12). At 30 June 2021 SAFA held no securities sold under an agreement to repurchase (2019-20: Nil).

Securities purchased under an agreement to resell are not recognised as financial assets as SAFA is not substantially exposed to the risks and rewards of the securities. The repurchase agreement is recognised as a financial asset, being Secured Cash Lending (refer Note 4), as the obligation to resell remains.

(v) Bonds, Notes and Debentures

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis (refer Note 13).

Note 2 Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

(vi) Derivative Instruments

SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate arrangements, foreign exchange swaps and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer Notes 8 and 15).

(i) Assets Backing General Insurance Liabilities

Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities, and are comprised of operating cash, cash held on deposit and units invested with Funds SA (refer Notes 4 and 6). In accordance with AASB 1023 *General Insurance Contracts*, SAFA's longer-term insurance investments with Funds SA are measured at fair value, based on quoted market prices as advised by the fund manager. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income (refer Note 18).

(j) Reinsurance and Other Recoveries

Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in Note 30.

Collectability of recoveries is 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 Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(k) Property, Plant and Equipment

Property, Plant and Equipment comprises owned and right-of-use (leased) tangible assets and is initially measured at cost. Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in Note 19.

SAFA has a limited number of leases for motor vehicles direct with vehicle manufacturers. Motor vehicle leases with the manufacturers are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60,000km) up to five years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

(i) Depreciation

Depreciation of Property, Plant and Equipment is calculated on a straight line basis using rates designated to allocate the depreciable cost over the expected useful life of the asset. Motor Vehicles are depreciated on a straight line basis for a period of up to five years. There may be exceptions to this period for a small number of specific vehicles where a longer period of up to ten years is deemed appropriate by management (refer Note 10).

Asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, during each financial year. Changes in the residual value or 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.

(ii) Revaluation

After recognition, items of Property, Plant and Equipment are carried at a revalued amount, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation is undertaken on a regular cycle. 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. AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Note 2 Significant Accounting Policies (continued)

(l) Intangible Assets

Intangible assets represent purchased software licenses, which are carried at the cost to acquire and install the specific software less any accumulated amortisation and any accumulated impairment losses.

Expenditure on purchased software assets is capitalised when it is probable that future economic benefits attributable to the assets will flow to SAFA, and if the cost of the asset can be measured reliably. Subsequent expenditure on the maintenance of purchased software is expensed as incurred.

(i) Amortisation

Amortisation of intangible assets is calculated on a straight line basis using rates designated to allocate the cost over the expected useful life of the asset. Software costs are amortised on a straight line basis for a period of five to ten years (refer Note 11). Amortisation has been included in Depreciation, Amortisation and Impairment expense within the Statement of Comprehensive Income.

Asset residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, each financial year. Where a change to the residual value or useful life of an asset has been identified any impact that may result from this change is recognised in the Statement of Comprehensive Income in the year in which it arises.

(ii) Impairment

Intangible Assets have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

(m) Outstanding Claims Liability

Insurance activities are segregated into four Funds. Liabilities for outstanding claims for Fund 1 are measured as the central estimate of the present value of the expected future payments for claims incurred, plus an additional risk margin to allow for inherent uncertainty in the central estimate.

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid;
- claims incurred but not reported (IBNR);
- claims incurred but not enough reported (IBNER);
- risk margins; and
- claims handling costs, which includes anticipated direct and indirect costs of settling those claims.

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Details of risk margin rates are disclosed in Note 30.

Liabilities for outstanding claims for Fund 3 are determined by applying an earning pattern to the written premium and then combining a loss ratio to the development pattern of emerging claims costs. Details of risk margin rates are disclosed in Note 30.

Liabilities for outstanding claims for Fund 4 are recognised in respect of estimated reported incidents including the anticipated costs of settling these claims.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates and other actuarial assumptions are disclosed in Note 30.

Note 2 Significant Accounting Policies (continued)

(n) Receivables and Other Assets/Payables and Other Liabilities

Receivables include amounts receivable from the provision of goods and services, GST input tax credits recoverable, other assets including debtors and fee accruals. Payables include accounts payable representing amounts owing for goods and services received prior to the end of the reporting period that are unpaid, GST payable, other liabilities including interest paid in advance, creditors, expense accruals and provisions. They are stated at book value, which is the best estimate of fair value as they are typically settled within a short period of time (refer Notes 9 and 16).

A provision for lifetime expected credit losses is made based on a simplified matrix approach, for all receivables from entities that are external to government. No credit loss provision is made for receivables from State, Territory, and Commonwealth Government entities due to the low credit risk of these entities (refer Note 28(a)(i)).

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with SAFA and a failure to make contractual payments for a period of greater than 90 days past due (default). Receivables written off during the year are still subject to enforcement activity.

Lease liabilities are reported as part of Payables and Other Liabilities (refer Note 16) and are recognised in relation to right-of-use assets. These liabilities are initially measured as the present value of the remaining leases payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance (DTF). Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the liabilities, reducing the carrying amount to reflect the lease payments made and, if applicable, remeasuring the carrying amount to reflect any reassessment (such as a change to the lease term) or lease modifications. The interest on lease liabilities is recognised in the Statement of Comprehensive Income over the lease term.

(o) Guarantees

(i) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and then subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under *AASB 9 Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of *AASB 15 Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(ii) SA Government Guarantee Fees

Loans advanced by SAFA to government agencies are guaranteed by the SA Government. In return for this guarantee a market based fee is due by the individual government agencies to the Treasurer. These fees are not revenue or expenses of SAFA. SAFA acts as agent for the Treasurer and collects these fees from the government agencies and remits them to the Treasurer on a periodic basis. Due to timing differences between the collection of these fees from the government agencies and remittance of these fees to the Treasurer, SAFA recognises receivables and payables in relation to these fees (refer Notes 9 and 16).

(p) Dividends

Under governing legislation and SAFA policy, dividends are payable by SAFA to the Treasurer on an annual basis dependent on a range of factors including SAFA's profitability and the solvency of the insurance business. Where a dividend is payable, an interim dividend is required to be paid prior to the end of the financial year based on estimates of the full financial year profit. The final dividend due is determined following finalisation of the financial year results, with any difference between the interim dividend payment and the final dividend due either deducted from, or added to, the interim dividend payment for the following financial year. The payment of dividends is subject to the approval of the Treasurer.

(q) Deferred Acquisition Costs

Costs directly attributable to the acquisition of the BII premium revenue (Fund 3) are deferred by recognising these costs as an asset in the Statement of Financial Position when they can be reliably measured. Deferred acquisition costs are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk.

Note 2 Significant Accounting Policies (continued)

(r) Unearned Premium Liability

The Liability Adequacy Test (LAT) is performed on the BII liabilities less deferred acquisition costs to ensure the carrying value of the unearned premium liability is adequate, using current estimates of the present value of future cash flows relating to future claims.

The need for an additional risk margin is assessed, taking into account the inherent uncertainty in the central claims estimate. If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the Statement of Comprehensive Income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the Statement of Financial Position as an unexpired risk liability.

(s) Foreign Currency Translation

Foreign currency assets and liabilities are recognised in the Financial Statements at the prevailing exchange rate at the reporting date. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the Financial Statements.

(t) Employee Benefits

SAFA does not employ any direct staff, rather it is assigned staff resources by DTF through a Service Level Agreement pursuant to Section 20 of the *Government Financing Authority Act 1982*. The responsibility to provide for employer contributions to superannuation benefits rests with DTF, and for this reason SAFA is not required to establish a provision. DTF meets long service leave liabilities as they fall due.

(u) Taxation

(i) Accounting Profits Tax Model

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, SAFA is required to pay the Treasurer an income tax equivalent amount. The income tax liability is based on the Taxation Equivalent Regime (TER) which applies the accounting profits method. This requires SAFA to apply the corporate income tax rate to the net profit. The current income tax equivalent liability relates to the income tax expense outstanding for the current period. Under the TER, no deferred tax asset is applicable when losses have been incurred.

(ii) Goods and Services Tax (GST)

SAFA is grouped with DTF for GST purposes. 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 an asset or as part of the expense item; 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

(iii) Stamp Duty

Stamp Duty collected as part of insurance premiums is excluded from premium revenue and paid monthly to RevenueSA.

Note 2 Significant Accounting Policies (continued)

(v) Supplementary Information by Line of Business

SAFA is an individual reporting entity which operates in three core lines of business, Treasury, Insurance and Fleet Management (refer to Note 3).

(w) Comparatives

The presentation and classification of items in the Financial Statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

On the initial adoption of a new or amended accounting standard, the application to the comparative period information only occurs where:

- it is required by the new or amended accounting standard; or
- it is not required by, but is permitted by the new or amended accounting standard, and the application to the comparative information is approved by the Under Treasurer.

In all other cases, where presentation or classification of items in the Financial Statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these Financial Statements unless impractical.

(x) Changes in Accounting Policies

SAFA has not adopted any new accounting standards or amendments to standards, applicable to annual reporting periods commencing on or after 1 January 2020.

The following accounting standard has been issued and is not yet effective. This accounting standard has not been early adopted by SAFA, although it will be relevant upon application.

AASB 17 Insurance Contracts

AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts issued with discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity. SAFA has commenced a high level assessment to consider the impact, and at this time the estimated effects are yet to be determined. During the 2021-22 financial year, SAFA will undertake a more detailed assessment and collaborate with the scheme actuary. This Standard is applicable to annual reporting periods beginning on or after 1 January 2023.

There are no other standards that are not yet effective and that would be expected to have a material impact on SAFA in the current or future reporting periods and on foreseeable future transactions.

(y) Impact of COVID-19 Pandemic

SAFA's insurance liabilities have been materially impacted by the COVID-19 pandemic and, depending on the severity of the pandemic and related economic recession in Australia, the responses to date may or may not be adequate.

The Business Interruption short tail insurance, provided via Fund 1, has been the most significantly impacted. The Regulatory Order Extension, which resulted in the closure of a number of government and agency establishments in March 2020 due to COVID-19, has resulted in SAFA receiving significant business interruption claims from various government agencies. These claims are not subject to SAFA's reinsurance arrangements and hence the cost is fully borne by SAFA.

Over 2020-21, the COVID-19 situation improved significantly in South Australia. As a result, the claims experience was more favourable than what was initially expected. The majority of claims have either now been settled or are expected to be settled early in the next financial year. However, there are two major claims where the indemnity period has been extended by a year, as the relevant entities remain susceptible to adverse impacts from the pandemic. Hence there remains some uncertainty as to the ultimate cost. Current case estimates of the liabilities are considered to be sufficient.

In addition to providing for current case estimates, a risk margin has been applied by the actuary on a case by case basis in assessing the outstanding claims liability. While it is likely that claims will settle at or below the current estimates, the risk margin aims to allow for the adverse scenario of claims settling higher due to the possibility of future lockdowns.

Note 2 Significant Accounting Policies (continued)

(y) Impact of COVID-19 Pandemic (continued)

A regulatory direction issued on 20 July 2021 resulted in Level 5 restrictions within South Australia for the period from 20 July 2021 to 28 July 2021, which forced the closure of 'non-essential' business. As a result of this lockdown a small number of business interruption claims have been received and some further claims are possible, with the potential financial impact currently being assessed by SAFA.

The Building Indemnity long tail insurance, provided via Fund 3, has also been significantly impacted as a result of COVID-19. Various support and stimulus packages provided by various levels of government during 2020-21 have not only absorbed the potential negative impact of the pandemic but have also led to unprecedented growth during the last 12 months in the building industry in South Australia and across the nation. The increased economic activity, coupled with temporary bankruptcy law changes introduced by the Federal government, is considered to have reduced the insolvency risk in the building industry in the short term, which has resulted in lower claims than expected in the current financial year.

It is unclear as to how the industry will respond in the medium-term, post the COVID-19 relief measures and how this may in turn impact future claims. Consequently, an additional premium liability provision that was established last financial year has been maintained in the current financial year, to allow time to observe the evolving liability experience. As the Treasurer has indemnified SAFA for any profit or loss arising from the Fund 3 Building Insurance activities (refer Note 2(e)(ix)), any surplus or shortfall in the liabilities for the Fund will not ultimately impact SAFA's profit.

Note 30 provides a summary of actuarial assumptions and methods used in the determination of outstanding claims liabilities and Note 28(d)(iv) provides a sensitivity analysis of the impact of changes in the key actuarial assumptions used in the valuation of outstanding claims liabilities.

Note 3 Supplementary Information by Line of Business

SAFA operates in the following lines of business:

Treasury - provides funds and financial advice to the South Australian Government, Semi-Government Authorities, South Australian Public Sector Financial Institutions and Government agencies.

Fleet - provides comprehensive fleet management services to South Australian Government agencies for its passenger and light commercial motor vehicle fleet.

Insurance - underwriting several types of general insurance for South Australian Government agencies.

The Insurance activities are designated into four Funds. Fund 1 reflects the normal commercial activities of SAFA. Fund 2 includes all the activities previously conducted through Section 2 of the South Australian Government Insurance and Risk Management Fund. This Fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the building warranty indemnity reinsurance arrangement with QBE Insurance (Australia) Limited (QBE) until 30 June 2013, SGIC residual claims and workers compensation claims previously managed by South Australian Asset Management Corporation. Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013. Fund 4 is used to fund liabilities for the South Australian Government's participation in the National Redress Scheme.

2021	Treasury \$m	Insurance \$m	Fleet \$m	Eliminations \$m	Total \$m
Income	(4.8)	201.9	63.5	(3.9)	256.7
Expenses	16.6	61.9	35.2	(3.9)	109.8
Profit before income tax equivalents	(21.4)	140.0	28.3	-	146.9
Income tax equivalent expense	(6.4)	42.0	8.5	-	44.1
Other Comprehensive Income	-	-	-	-	-
Comprehensive result	(15.0)	98.0	19.8	-	102.8
Business Line assets	39,460.5	877.3	211.2	(297.2)	40,251.8
Business Line liabilities	(39,320.9)	(690.5)	(155.4)	297.2	(39,869.6)
Net Assets	139.6	186.8	55.8	-	382.2
2020	Treasury \$m	Insurance \$m	Fleet \$m	Eliminations \$m	Total \$m
Income	35.7	96.3	57.8	(3.5)	186.3
Expenses	14.1	250.9	41.8	(3.5)	303.3
Profit before income tax equivalents	21.6	(154.6)	16.0	-	(117.0)
Income tax equivalent expense	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-
Comprehensive result	21.6	(154.6)	16.0	-	(117.0)
Business Line assets	34,971.1	861.9	217.2	(300.2)	35,750.0
Business Line liabilities	(34,816.4)	(773.3)	(164.8)	300.2	(35,454.3)
Net Assets	154.7	88.6	52.4	-	295.7

Note 4 Cash and Short Term Assets

	2021 \$m	2020 \$m
Cash at Bank	716.8	1,093.6
Short Term Money Market Deposits	-	450.1
Secured Cash Lending	-	290.0
Negotiable Certificates of Deposit	1,927.3	926.2
Overdraft Facility	157.9	305.5
Overdraft Facility - South Australian Government	221.3	209.4
Total Cash and Short Term Assets	3,023.3	3,274.8

Note 5 Assets Held for Sale

	2021 \$m	2020 \$m
Motor Vehicles	6.7	3.6
Total Assets Held for Sale	6.7	3.6

Note 6 Investments

	2021 \$m	2020 \$m
Commonwealth Government Securities	505.4	101.1
Semi-Government Securities	1,837.8	998.8
Bank and Corporate Securities	1,296.2	1,882.4
Units in Unlisted Trusts - Funds SA	836.7	778.8
Equity Investments	0.0	0.0
Investments in Private Companies	12.6	11.3
Total Investments	4,488.7	3,772.4

Note 7 Loans

	2021 \$m	2020 \$m
Loans to the Treasurer at Market Rates	460.2	477.1
Loans to the Treasurer at Non Market Rates	13.1	16.0
Loans to the Treasurer at Cost of Funds (COF)	11,880.9	8,859.9
Loans to the Treasurer at Cash	9,301.4	8,506.0
Loans to Public Non Financial Corporations	8,323.2	8,334.1
Loans to Public Financial Corporations	1,992.8	1,927.3
Loans to Local Government	105.8	50.3
Loans to Non Government Schools	93.3	70.4
Total Loans	32,170.7	28,241.1

The COF loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's Portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's Portfolio that fund the loan are equally matched by a gain or loss on the COF loan to the Treasurer.

Note 8 Derivatives Receivable

Foreign Currency Swaps
Interest Rate Swaps - South Australian Government
Interest Rate Swaps

Total Derivatives Receivable

	2021 \$m	2020 \$m
Foreign Currency Swaps	265.9	145.8
Interest Rate Swaps - South Australian Government	1.4	4.6
Interest Rate Swaps	30.1	38.3
Total Derivatives Receivable	297.4	188.7

Note 9 Receivables and Other Assets

Receivables
Receivables - South Australian Government
Recoveries
Less: Allowance for impairment
Receivables from the Treasurer
Prepayments - South Australian Government
Prepayments
Sundry Debtors - South Australian Government
Deferred Acquisition Costs

Total Receivables and Other Assets

	2021 \$m	2020 \$m
Receivables	1.6	1.2
Receivables - South Australian Government	26.7	26.4
Recoveries	33.5	38.4
Less: Allowance for impairment	(0.3)	(0.3)
Receivables from the Treasurer	4.4	10.9
Prepayments - South Australian Government	1.9	2.0
Prepayments	5.6	3.9
Sundry Debtors - South Australian Government	-	0.1
Deferred Acquisition Costs	-	-
Total Receivables and Other Assets	73.4	82.6

Movement in the allowance for impairment loss

Carrying amount at the beginning of the period
Increase in Allowance for doubtful debts
Amounts written off
Amounts recovered during the period
Carrying amount at the end of the period

	2021 \$m	2020 \$m
Carrying amount at the beginning of the period	(0.3)	(0.2)
Increase in Allowance for doubtful debts	-	(0.1)
Amounts written off	(0.0)	(0.0)
Amounts recovered during the period	0.0	0.0
Carrying amount at the end of the period	(0.3)	(0.3)

Note 10 Property, Plant and Equipment

Motor Vehicles

At Fair value
Accumulated depreciation
Total Motor Vehicles

	2021 \$m	2020 \$m
At Fair value	241.8	238.2
Accumulated depreciation	(51.9)	(53.6)
Total Motor Vehicles	189.9	184.6

Right-of-Use Motor Vehicles

At Cost
Accumulated depreciation
Total Right-of-Use Motor Vehicles

	2021 \$m	2020 \$m
At Cost	0.4	0.3
Accumulated depreciation	(0.3)	(0.1)
Total Right-of-Use Motor Vehicles	0.1	0.2

Total Property, Plant and Equipment

	2021 \$m	2020 \$m
Total Property, Plant and Equipment	190.0	184.8

Reconciliation of Property, Plant and Equipment

Motor Vehicles

Carrying amount at the beginning of the period
Additions
Assets classified as held for sale
Disposals
Revaluation increment/(decrement)
Depreciation expense
Carrying amount at the end of the period

	2021 \$m	2020 \$m
Carrying amount at the beginning of the period	184.6	178.6
Additions	65.8	67.7
Assets classified as held for sale	(6.7)	(3.6)
Disposals	(33.8)	(30.6)
Revaluation increment/(decrement)	-	(6.0)
Depreciation expense	(20.0)	(21.5)
Carrying amount at the end of the period	189.9	184.6

Note 10 Property, Plant and Equipment (continued)

Right-of-use Motor Vehicles

Carrying amount at the beginning of the period	0.2	-
Transfer in	-	0.2
Additions	0.1	0.1
Disposals	(0.0)	(0.0)
Depreciation expense	(0.2)	(0.1)
Carrying amount at the end of the period	0.1	0.2

	2021 \$m	2020 \$m
Carrying amount at the beginning of the period	0.2	-
Transfer in	-	0.2
Additions	0.1	0.1
Disposals	(0.0)	(0.0)
Depreciation expense	(0.2)	(0.1)
Carrying amount at the end of the period	0.1	0.2
Total Carrying amount at the end of the period	190.0	184.8

Total Carrying amount at the end of the period

Note 11 Intangible Assets

Software Purchased

At cost	4.3	4.3
Accumulated amortisation	(2.7)	(2.3)

Total Intangible Assets

	2021 \$m	2020 \$m
At cost	4.3	4.3
Accumulated amortisation	(2.7)	(2.3)
Total Intangible Assets	1.6	2.0

Reconciliation of Software Purchased

Carrying amount at the beginning of the period	2.0	2.4
Additions	-	-
Amortisation expense	(0.4)	(0.4)

Carrying amount at the end of the period

	2021 \$m	2020 \$m
Carrying amount at the beginning of the period	2.0	2.4
Additions	-	-
Amortisation expense	(0.4)	(0.4)
Carrying amount at the end of the period	1.6	2.0

Note 12 Deposits and Short Term Borrowings

At Call Deposits	14.2	8.5
At Call Deposits - South Australian Government agencies	564.2	890.7
At Call Deposits - Treasurer	9,693.3	8,789.0
Commercial Paper	2,440.8	1,605.3

Total Deposits and Short Term Borrowings

	2021 \$m	2020 \$m
At Call Deposits	14.2	8.5
At Call Deposits - South Australian Government agencies	564.2	890.7
At Call Deposits - Treasurer	9,693.3	8,789.0
Commercial Paper	2,440.8	1,605.3
Total Deposits and Short Term Borrowings	12,712.5	11,293.5

Note 13 Bonds, Notes and Debentures

Floating Rate Notes	1,722.2	2,172.0
Select Lines	24,029.6	20,626.3
Retail Stock	68.6	61.2
Obligation to the Commonwealth Government	234.6	261.0

Total Bonds, Notes and Debentures

	2021 \$m	2020 \$m
Floating Rate Notes	1,722.2	2,172.0
Select Lines	24,029.6	20,626.3
Retail Stock	68.6	61.2
Obligation to the Commonwealth Government	234.6	261.0
Total Bonds, Notes and Debentures	26,055.0	23,120.5

Note 14 Outstanding Claims

Outstanding Claims - South Australian Government
Outstanding Claims

Total Outstanding Claims

	2021 \$m	2020 \$m
Outstanding Claims - South Australian Government	105.7	208.2
Outstanding Claims	536.3	521.7
Total Outstanding Claims	642.0	729.9

Reconciliation of Movements in Outstanding Claims

	Property \$m	Liability \$m	Medical Malpractice \$m
2020 Balance	208.2	240.3	281.3
Paid	(51.5)	(35.0)	(32.2)
Reported Claims	(26.0)	15.7	35.9
IBNR/IBNER Reserve	(4.2)	9.8	15.8
Risk Margin	(19.2)	2.2	2.6
Indirect Claims Settlement Reserve	(1.6)	-	(0.1)
2021 Balance	105.7	233.0	303.3
30 June 2021 Outstanding Claims balance by:			
Fund 1	105.7	80.3	296.5
Fund 2	-	13.9	6.8
Fund 3	-	15.9	-
Fund 4	-	122.9	-
	105.7	233.0	303.3

Note 15 Derivatives Payable

Foreign Currency Swaps
Interest Rate Swaps - South Australian Government
Interest Rate Swaps

Total Derivatives Payable

	2021 \$m	2020 \$m
Foreign Currency Swaps	259.9	144.0
Interest Rate Swaps - South Australian Government	0.0	-
Interest Rate Swaps	114.9	110.4
Total Derivatives Payable	374.8	254.4

Note 16 Payables and Other Liabilities

Sundry Creditors - South Australian Government
Sundry Creditors
Payables
Payables - South Australian Government
Payables to the Treasurer
Contract Liability
Income Tax Equivalent
Lease Liability

Total Payables and Other Liabilities

	2021 \$m	2020 \$m
Sundry Creditors - South Australian Government	0.0	0.0
Sundry Creditors	0.9	0.6
Payables	14.2	13.7
Payables - South Australian Government	10.0	10.5
Payables to the Treasurer	7.1	6.1
Contract Liability	29.8	24.9
Income Tax Equivalent	23.1	-
Lease Liability	0.2	0.2
Total Payables and Other Liabilities	85.3	56.0

Note 17 Revenue

	Note	2021 \$m	2020 \$m
Interest Revenue on assets measured at Fair Value through Profit or Loss			
External to South Australian Government:			
Cash and Short Term Assets		10.1	17.8
Investments		37.7	67.6
Loans		2.7	2.4
Receivables and Other Assets		184.3	283.5
Internal to South Australian Government:			
Cash and Short Term Assets		9.7	10.2
Loans		496.0	519.1
Receivables and Other Assets		2.7	4.2
		743.2	904.8
Less Interest Expense on liabilities measured at Fair Value through Profit or Loss			
External to South Australian Government:			
Deposits and Short Term Borrowings		3.9	21.4
Bonds, Notes and Debentures		593.9	547.4
Payables and Other Liabilities		147.1	276.8
Internal to South Australian Government:			
Deposits and Short Term Borrowings		14.3	61.7
Payables and Other Liabilities		0.1	1.7
		759.3	909.0
Net Interest Revenue at FVTPL		(16.1)	(4.2)
Insurance Premium			
External to South Australian Government		12.9	11.7
Internal to South Australian Government		50.9	48.2
	20	63.8	59.9
Leasing and Hire			
Internal to South Australian Government		52.1	52.9
		52.1	52.9
Recoveries			
External to South Australian Government		(2.7)	36.9
Internal to South Australian Government		2.1	2.4
		(0.6)	39.3
Other			
External to South Australian Government:			
Other Revenue		1.1	2.4
Commissions		2.6	1.7
Internal to South Australian Government:			
Other Revenue		0.1	0.1
Management Fees		1.8	1.8
Guarantee Fees		0.0	0.0
		5.6	6.0
Total Revenue		104.8	153.9

Note 18 Other Gains/(Losses)

Note	2021 \$m	2020 \$m
Net Gain/(Loss) on Financial Instruments and Derivatives		
External to South Australian Government:		
Realised	(89.2)	154.4
Unrealised	506.3	(445.0)
Internal to South Australian Government:		
Realised	121.2	28.1
Unrealised	(395.6)	294.0
	142.7	31.5
Net Gain on Sale of Property, Plant and Equipment		
External to South Australian Government		
	9.2	0.9
	9.2	0.9
Total Other Gains	151.9	32.4

Note 19 Expenses

Note	2021 \$m	2020 \$m
Depreciation, Amortisation and Impairment		
Internal to South Australian Government		
	20.6	22.1
	20.6	22.1
Insurance Claims		
External to South Australian Government		
	95.6	38.9
Internal to South Australian Government		
	(64.0)	193.2
20	31.6	232.1
Motor Vehicle		
External to South Australian Government		
	20.2	22.4
Internal to South Australian Government		
	(10.3)	(11.6)
	9.9	10.8
Outwards Reinsurance		
External to South Australian Government		
	13.5	9.8
20	13.5	9.8
Operating		
External to South Australian Government:		
Program and Debt Management fees	2.0	1.6
Direct Insurance Placement costs	0.1	0.1
Impairment Loss	0.1	0.2
Management Fees/Deferred Acquisition Costs	5.3	13.7
Consultants/Contractors	0.8	0.4
Operating Leases	0.8	0.8
Systems	1.0	1.0
Other	9.9	4.6
Internal to South Australian Government:		
Indemnity from the Treasurer	2.8	(4.9)
Service Level Agreement	11.4	11.0
	34.2	28.5
Total Expenses	109.8	303.3

A Service Level Agreement (SLA) operates between SAFA and DTF. DTF provides services to SAFA to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. DTF provides SAFA with appropriately trained and skilled staff along with infrastructure support. The majority of the fee covers staffing, accommodation, audit and technology expenditure.

SLA costs of \$1,961,637 (2019-20: \$1,672,952) relating to SAFA's insurance business activities have been allocated directly to claims expense.

Deferred acquisition costs include any deficiency that is recognised through the write down of deferred acquisition costs for Building Indemnity Insurance and any cost for unexpired risk liability provision (refer Note 28 (d)(ii)).

Note 20 Net Claims Incurred and Underwriting Result

The following table provides detail in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in previous reporting periods.

2021	In respect of	In respect of	Total
	Current Year	Prior Years	
	\$000	\$000	\$000
Gross Claims Incurred and Related Expenses Undiscounted	79,554	(33,881)	45,673
Other Recoveries Undiscounted	(266)	3,228	2,962
<i>Net Claims Incurred - Undiscounted</i>	79,288	(30,653)	48,635
Discount and Discount Movement - Gross Claims Incurred	(7,595)	(6,866)	(14,461)
Discount and Discount Movement - Other Recoveries	15	(176)	(161)
<i>Net Discount Movement</i>	(7,580)	(7,042)	(14,622)
Net Claims Incurred	71,708	(37,695)	34,013

Net claims incurred during 2020-21 in respect of claims incurred prior to 30 June 2020 was negative \$37.7 million, resulting from:

	\$m
Interest on the 30 June 2020 provision, less payments during 2020-21	2.9
Release of administration allowance and risk margin in respect of payments during 2020-21	(25.4)
Changes in actuarial assumptions and experience deviation from expected	(15.2)
	(37.7)

2020	In respect of	In respect of	Total
	Current Year	Prior Years	
	\$000	\$000	\$000
Gross Claims Incurred and Related Expenses Undiscounted	277,735	(73,495)	204,240
Other Recoveries Undiscounted	(35,174)	(1,211)	(36,385)
<i>Net Claims Incurred - Undiscounted</i>	242,561	(74,706)	167,855
Discount and Discount Movement - Gross Claims Incurred	(4,571)	35,589	31,018
Discount and Discount Movement - Other Recoveries	166	(91)	75
<i>Net Discount Movement</i>	(4,405)	35,498	31,093
Net Claims Incurred	238,156	(39,208)	198,948

Net claims incurred during 2019-20 in respect of claims incurred prior to 30 June 2019 was negative \$39.2 million, resulting from:

	\$m
Interest on the 30 June 2020 provision, less payments during 2019-20	7.6
Release of administration allowance and risk margin in respect of payments during 2019-20	(28.9)
Changes in actuarial assumptions and experience deviation from expected	(17.9)
	(39.2)

Note 20 Net Claims Incurred and Underwriting Result (continued)

	2021 \$m	2020 \$m
Net Earned Premium		
Insurance Premium Revenue	63.8	59.9
Outwards Reinsurance Expense	(13.5)	(9.8)
	50.3	50.1
Net Claims Incurred		
Claims Expense	(31.6)	(232.1)
Recoveries Income	(2.2)	37.5
	(33.8)	(194.6)
Net Underwriting Result	16.5	(144.5)

Note 21 Contingent Assets and Liabilities

Contingent Assets

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

Contingent Liabilities

(a) Guarantees

On 1 June 2017 a guarantee of \$4 million for five years was provided to SA Water to enable registration in the National Electricity Market. SA Water must comply with the prudential requirements set by the Australian Energy Market Operator (AEMO) and provide credit support through a financial guarantee. The guarantee covers both electricity and gas markets. It was subsequently increased to \$8 million on 1 May 2018, \$10 million on 28 November 2018, \$12.5 million on 28 November 2019 and \$17 million on 2 December 2020 with the increase in value required to continue to be a direct participant in the National Energy Market (NEM), consistent with the prudential requirements of the Australian Energy Market Operator (AEMO) as a result of increase daily power consumption loads. There has been no event to trigger a call on this guarantee. Fair Value of this guarantee is equal to the amount due at reporting date and is included in Receivables - SA Government (Note 9).

(b) Treasurer's Indemnity

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Funds 2 and 3. Given the nature of activities in these Funds, the Treasurer has approved that any operating profit or loss before tax will be nil. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. This policy resulted in a net payable to the Treasurer of \$2.7 million as at 30 June 2021 (receivable from the Treasurer of \$4.8 million as at 30 June 2020).

(c) Unused Loan Facilities

As at 30 June 2021, SAFA had extended loan facilities that were unutilised totalling \$2,274.2 million (2019-20: \$1,364.5 million). These facilities are reviewed annually.

Note 22 Auditor's Remuneration

Audit fees payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987*.

	2021 \$000	2020 \$000
	204	237
	204	237

No other services were provided by the Auditor-General's Department. All fees are paid through SAFA's SLA with DTF.

Note 23 Cash Flow Information

Note	2021 \$m	2020 \$m
(a) Reconciliation of Cash:		
Cash disclosed in the Statement of Financial Position	716.8	1,833.7
Less accrued income	(0.2)	(0.6)
Balance per Statement of Cash Flows	716.6	1,833.1
(b) Reconciliation of comprehensive result to net cash provided by Operating Activities:		
Comprehensive Result for the Period	102.8	(117.0)
Non-cash items		
Change in net market value of Financial instruments	(110.6)	149.5
Amortisation of Financial instruments	187.7	250.7
Depreciation and Impairment	20.6	22.1
Gain on Sale of Property, Plant and Equipment	(8.6)	(0.3)
Bad Debts written off	(0.0)	(0.0)
Capitalised Interest/Gains and Losses	(53.9)	15.5
Movement in Operating Assets and Liabilities		
(Increase)/Decrease in accrued interest receivable	7.1	84.5
(Increase)/Decrease in recoveries receivable	4.9	(35.0)
(Increase)/Decrease in sundry debtors and other assets	4.4	25.4
Increase/(Decrease) in accrued interest payable	(2.7)	(62.8)
Increase/(Decrease) in outstanding claims	(87.9)	143.9
Increase/(Decrease) in sundry creditors and other liabilities	28.1	(2.7)
Foreign Currency movement	0.0	0.0
Net cash provided by Operating Activities	91.9	473.8

(c) Non Cash Financing and Investing Activities

During 2020-21, -\$55.3 million (2019-20: \$6.3 million) was adjusted against the Treasurer's debt for book losses arising from debt management activity.

Note 23 Cash Flow Information (continued)

(d) Reconciliation of Liabilities arising from Financing Activities

	2020 \$m	Cashflows	Foreign exchange movement	Fair value changes	2021 \$m
At Call Deposits	8.5	5.7	-	-	14.2
At Call Deposits - Treasurer	8,789.0	905.4	-	(1.1)	9,693.3
At Call Deposits - South Australian Government agencies	890.7	(327.3)	(0.5)	1.3	564.2
Commercial Paper	1,605.4	895.3	(60.3)	0.4	2,440.8
Floating Rate Notes	2,172.0	(455.0)	-	5.2	1,722.2
Select Lines	20,626.3	3,751.7	-	(348.4)	24,029.6
Retail Stock	61.2	8.7	-	(1.3)	68.6
Inflation Linked Bonds and Securities	-	-	-	-	-
Obligation to the Commonwealth Government	261.0	(11.0)	-	(15.4)	234.6
Total Liabilities from Financing Activities	34,414.1	4,773.5	(60.8)	(359.3)	38,767.5

	2019 \$m	Cashflows	Foreign exchange movement	Fair value changes	2020 \$m
At Call Deposits	37.4	(29.2)	-	0.3	8.5
At Call Deposits - Treasurer	8,708.8	86.2	-	(6.0)	8,789.0
At Call Deposits - South Australian Government agencies	315.9	565.7	-	9.1	890.7
Commercial Paper	2,142.6	(538.6)	(2.5)	3.9	1,605.4
Floating Rate Notes	2,478.2	(306.5)	-	0.3	2,172.0
Select Lines	17,993.3	2,091.0	-	542.0	20,626.3
Retail Stock	85.7	(24.3)	-	(0.2)	61.2
Inflation Linked Bonds and Securities	0.4	(0.4)	-	-	-
Obligation to the Commonwealth Government	268.4	(10.6)	-	3.2	261.0
Total Liabilities from Financing Activities	32,030.7	1,833.3	(2.5)	552.6	34,414.1

Note 24 Consultants and Contractors

The number of consultancies and the dollar amount paid/payable (included in operating expenses) to consultants that fell within the following bands:

	No	2021 \$000	No	2020 \$000
Below \$10,000	2	4	3	16
\$10,000 or above	6	723	4	312
Total Consultants expense	8	727	7	328

In addition to the amounts shown in the table above, \$22,722 (2019-20: \$35,349) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's Financial Statements.

The number of contractors and the dollar amount paid/payable (included in operating expenses) to contractors that fell within the following bands:

	No	2021 \$000	No	2020 \$000
Below \$10,000	-	-	1	0
\$10,000 or above	2	65	1	48
Total Contractors expense	2	65	2	48

In addition to the amounts shown in the table above, \$443,215 (2019-20: \$185,198) in contractor fees were paid through SAFA's SLA with DTF. These contractors are disclosed in DTF's Financial Statements.

Note 25 Related Parties

Key management personnel (KMP) of SAFA include the Treasurer, Under Treasurer, General Manager and Directors, who have responsibility for the strategic direction and management of the authority. Compensation commentary detailed below excludes salaries and other benefits the Treasurer receives. The Treasurer's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

SAFA's KMP are employed by DTF and provided to SAFA through an SLA.

(a) Key Management Personnel

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

Mr R Lucas*	Treasurer
Mr D Reynolds*	Under Treasurer
Ms A Hughes	General Manager
Mr T Burfield	Director, Risk and Commercial Advisory
Mr C Fowler	Director, Finance (until Mar 2021)
Mr A Kennedy	Director, Treasury Services
Ms T Price	Acting Director, Finance (from Feb 2021 to May 2021)
Ms J White	Director, Insurance and Fleet

* not included in Key Management Personnel Compensation

(b) Key Management Personnel Compensation

	2021 \$000	2020 \$000
Short-term employee benefits	1,181.2	892.3
Post-employment benefits	157.6	88.8
	1,338.8	981.1

(c) Related party transactions

SAFA is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. SAFA is subject to the control and direction of the Treasurer of South Australia who in turn, is responsible to the Parliament of South Australia for the proper administration of the Act.

Related parties include the Government of South Australia and South Australian state public sector organisations, as well as the Treasurer of South Australia and SAFA KMP and their close family members.

(i) Individually significant transactions

SAFA provides a number of loans to, and accepts deposits from, the Treasurer of South Australia. This is one of the primary functions of SAFA.

	Note	2021 \$m	2020 \$m
Loans to the Treasurer	7	21,655.6	17,859.0
At Call Deposits - Treasurer	12	9,693.3	8,789.0
Interest Revenue	17	277.9	259.5
Interest Expense	17	(13.1)	(53.1)
Net Gain/(Loss) on Financial Instruments and Derivatives	18	(249.1)	278.9

(ii) Collectively significant transactions

SAFA functions as the central financing authority, captive insurer and manager of the passenger and light commercial vehicle fleet operations for the Government of South Australia. Balances and transactions related to these services are reported in various notes to the Financial Statements, as amounts "Internal to the South Australian Government".

Note 26 Unrecognised Contractual Commitments

(a) Operating Lease Commitments Receivable

SAFA as a Lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases are predominately for terms up to three years, with an option, subject to approval, to extend in six monthly intervals to a maximum term of four years for passenger vehicles and a maximum term of five years for light commercial vehicles.

Future minimum rentals receivable (excluding GST) under non-cancellable operating leases are as follows:

	2021 \$m	2020 \$m
Operating Lease Receipts:		
Not later than one year	36.6	42.5
Later than one year but not later than five years	30.9	35.1
Later than five years	0.1	0.2
Total Non-Cancellable Operating Lease Receivables	67.6	77.8

(b) Other Commitments

SAFA's other commitments relate to vehicle management fees, software licences and maintenance, and outsourced funds management fees. These amounts relate to vendors that are external to the South Australian Government.

	2021 \$m	2020 \$m
Expenditure Commitments:		
Not later than one year	3.4	2.8
Later than one year but not later than five years	7.2	6.4
Later than five years	4.7	5.4
Total Other Commitments	15.3	14.6

(c) Short-Term Lease Commitments Payable

SAFA as a Lessee

SAFA's short-term leases are for car parking spaces. Car parking spaces are leased on a month-by-month basis, with rent payable one month in advance.

Future minimum rentals payables (excluding GST) under non-cancellable short-term leases are as follows:

	2021 \$m	2020 \$m
Short-Term Lease Payments:		
Not later than one year	0.1	0.1
Later than one year but not later than five years	-	-
Total Non-Cancellable Short-Term Lease Payables	0.1	0.1

Note 27 Capital Management

SAFA's objective is to maintain capital that allows it to continue as a going concern while exposing its stakeholders to an acceptable level of risk. SAFA's capital comprises Retained Earnings (\$380.1m in 2020-21; \$295.7m in 2019-20). The capital position is reviewed periodically by Management to ensure its adequacy is commensurate with the level of risk. Management considers the following factors, among others, when managing capital requirements:

- The overall risk position of the business;
- Dividend policy;
- The requirements of the *Government Financing Authority Act 1982*; and
- The guarantee provided to SAFA by the Treasurer on behalf of the State of South Australia (refer Note 21).

Note 28 Financial Risk Management

SAFA's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, price risk and currency risk) and insurance risk. SAFA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of SAFA. SAFA uses derivative financial instruments such as futures, foreign exchange contracts, forward rate agreements and interest rate swaps to reduce certain risk exposures.

The guidelines within which these risks are undertaken and managed are established under policies and guidelines approved by the Treasurer and Management. SAFA monitors compliance with these policies and constraints by appropriately segregating the monitoring from the operating business unit. Information is summarised and reported daily to Management and reported monthly to the Advisory Board. These disclosures and the methods used have not changed during the reporting period.

(a) Credit Risk

Credit risk is the risk of financial loss and associated costs resulting from the failure of a counterparty to meet its financial obligations as and when they fall due. SAFA incurs credit risk through undertaking its core functions of fundraising, debt management, liquidity management and the Government's reinsurance program.

SAFA's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely payment of principal and interest.

Should a participant in the Government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

To minimise the potential for credit loss, SAFA complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties while limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to South Australian Government entities.

AASB 7 *Financial Instruments: Disclosures*, requires the disclosure of the amount of change in fair value that is attributable to the change in SAFA's credit risk. The following table shows the amount of change in fair value of Liabilities and Loans as at the end of the reporting period that is considered to have contributed to SAFA's credit risk for the period and cumulative.

	2021		2020	
	Period \$m	Cumulative \$m	Period \$m	Cumulative \$m
Loans change in fair value profit/(loss)	376.2	309.6	(70.9)	(37.6)
Liabilities change in fair value profit/(loss)	(459.7)	(378.3)	87.7	46.5

The change in fair values attributable to credit risk have been calculated by determining the change in the spread between SAFA and Swap yield curves at the issue date and period end dates. This spread movement is then applied to the delta of each transaction to calculate the considered credit component. The spreads between SAFA and Swap yield curves as at 30 June 2021 ranged between -20 and 50 basis points (30 June 2020: 10 and 75 basis points).

Note 28 Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit Quality

Impairment requirements result in a provision being applied to all receivables, rather than only on those receivables that are credit impaired. There are no impairment provisions (including expected credit losses), for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit rating, and low risk of loss.

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in *AASB 9 Financial Instruments*. SAFA uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risk characteristics and the days past due. When estimating the expected credit loss (ECL), SAFA considers reasonable and supportable quantitative and qualitative information that is relevant and available without undue cost or effort. Receivables more than 90 days past due are considered credit impaired, and a provision for the full amount has been established. Accordingly no ECL has been recognised for these debtors.

Loss rates are based on actual history of credit loss. SAFA considers differences between previous economic conditions and forecast economic conditions, though these factors are unlikely to affect loss rates due to the nature of receivables and the debtors. The maximum period considered when estimating expected credit losses is the full contractual period over which SAFA is exposed to credit risk.

The following table provides information about the exposure to credit risk and ECL for non-government debtors. This expected credit loss allowance forms part of the allowance for impairment loss (refer Note 9).

	2021			2020		
	Debtor gross carrying amount	Loss %	Lifetime expected losses	Debtor gross carrying amount	Loss %	Lifetime expected losses
	\$000		\$000	\$000		\$000
Current (not past due)	35.1	8.5%	3.0	27.1	8.9%	2.4
1 - 30 days past due	28.0	0.2%	0.0	29.3	9.2%	2.7
31 - 60 days past due	17.8	1.6%	0.3	15.9	5.2%	0.8
61 - 90 days past due	4.8	0.6%	0.0	8.3	2.7%	0.2
More than 90 days past due	331.8	0.0%	0.0	285.0	N/A	0.0
Expected Credit Loss allowance			3.3			6.1

Note 28 Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit Quality (continued)

The following table sets out the credit quality of financial assets other than receivables. The ratings have been presented based on credit ratings from Standard and Poors.

The disclosure below measures credit risk for physical securities at face value, and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements less any collateral held.

The majority of SAFA's lending is to agencies and corporations of the South Australian Government. In respect to the repayment of loans by authorities (which are fully guaranteed by the Treasurer) the ultimate credit risk is to the Treasurer. The principal focus for SAFA is therefore with risk that arises through investment of funds in financial assets and through derivative transactions with market counterparties.

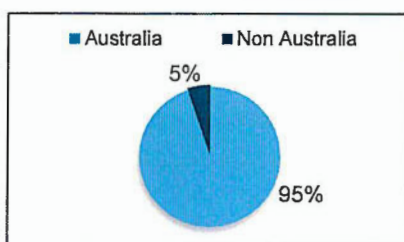
Concentration of Credit Risk by credit rating:

2021 Asset Class	Rating									Total \$m
	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	A- \$m	BBB+ \$m	NR* \$m	
Loans/Investments	516.0	1,467.0	1,514.9	350.0	1,521.6	378.0	195.0	100.0	31,755.5	37,798.0
Interest Rate Swaps	-	-	196.6	-	14.0	-	-	-	7.6	218.2
Foreign Exchange	-	-	-	-	-	-	-	-	0.1	0.1
Total	516.0	1,467.0	1,711.5	350.0	1,535.6	378.0	195.0	100.0	31,763.2	38,016.3

2020 Asset Class	Rating									Total \$m
	AAA \$m	AA+ \$m	AA- \$m	A+ \$m	A \$m	A- \$m	BBB+ \$m	BBB \$m	NR* \$m	
Loans/Investments	425.5	542.0	2,759.2	953.5	596.7	110.0	50.0	-	27,630.0	33,066.9
Interest Rate Swaps	-	-	95.9	5.1	-	-	-	-	5.6	106.6
Foreign Exchange	-	-	0.1	-	-	-	-	-	0.1	0.2
Total	425.5	542.0	2,855.2	958.6	596.7	110.0	50.0	-	27,635.7	33,173.7

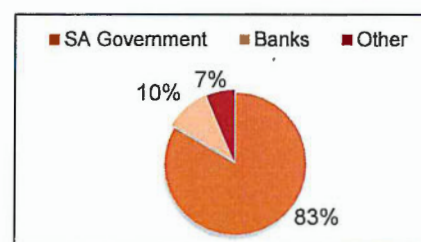
* NR - not classified under particular ratings. Includes loans to SA Government of \$30,869 million (2019-20: \$26,498 million).

2020-21 Credit Risk: Country



2019-20 (Aust 93% Non Aus 7%)

2020-21 Credit Risk: Counterparty



2019-20 (SAG 83% Bank 14% Other 3%)

Note 28 Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities subject to offsetting and/or master netting agreements:

SAFA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Derivative asset and liability positions are accounted for at the transaction level, and are not offset at the counterparty level in the Statement of Financial Position. SAFA does not currently have a legally enforceable right to offset these positions in the usual course of business. The right to offset is enforceable only on the occurrence of future credit events, such as default. Furthermore, SAFA does not intend to settle these transactions on a net basis. SAFA has entered into collateral agreements with major banks.

The analysis presented below sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

2021	Gross Amounts of Financial Assets and Liabilities	Gross amounts offset in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Related amounts not offset		Net
				Subject to master netting or other agreements	Financial collateral (incl. cash collateral)	
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Interest Rate Swaps	31.5	0.0	31.5	(1.1)	(26.0)	4.4
Foreign Currency Swaps	265.9	0.0	265.9	0.0	0.0	265.9
Secured Cash Lending	0.0	0.0	0.0	0.0	0.0	0.0
Total	297.4	0.0	297.4	(1.1)	(26.0)	270.3
Liabilities						
Interest Rate Swaps	(114.9)	0.0	(114.9)	1.1	114.6	0.8
Foreign Currency Swaps	(259.9)	0.0	(259.9)	0.0	0.0	(259.9)
Total	(374.8)	0.0	(374.8)	1.1	114.6	(259.1)

2020	Gross Amounts of Financial Assets and Liabilities	Gross amounts offset in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Related amounts not offset		Net
				Subject to master netting or other agreements	Financial collateral (incl. cash collateral)	
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Interest Rate Swaps	42.8	0.0	42.9	9.7	(43.9)	8.7
Foreign Currency Swaps	145.8	0.0	145.8	0.0	0.0	145.8
Secured Cash Lending	290.0	0.0	290.0	0.0	(290.0)	0.0
Total	478.6	0.0	478.7	9.7	(333.9)	154.5
Liabilities						
Interest Rate Swaps	(110.4)	0.0	(110.4)	(9.7)	120.2	0.1
Foreign Currency Swaps	(144.0)	0.0	(144.0)	0.0	0.0	(144.0)
Total	(254.4)	0.0	(254.4)	(9.7)	120.2	(143.9)

Reconciliation to the Statement of Financial Position

The 'Net amounts presented in the Statement of Financial Position', as set out above, are reflected in the Statement of Financial Position (refer Notes 4, 8 and 15).

Note 28 Financial Risk Management (continued)

(b) Liquidity Risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising highly marketable liquid financial assets. Liquid financial assets include cash, secured cash lending securities, promissory notes, Commonwealth bonds, floating rate notes and negotiable certificates of deposit. The level of liquid financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of \$1,500 million or the sum of debt maturities in the next 60 days on a rolling days basis. Adherence to these guidelines enables SAFA to be in a position to meet the forecast cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk. These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

The liquidity analysis below has been presented on a contractual basis, representing the repayment of undiscounted principal and interest amounts for financial assets and liabilities, and the estimated discounted settlement amount for outstanding claims.

2021	< 3 Months	3 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Cash and Short Term Assets	2,600.7	323.0	100.0	-	-	-	-	3,023.7
Investments	605.6	41.7	1,188.7	130.5	429.8	85.6	1,942.9	4,424.8
Loans	9,750.2	334.2	1,554.0	1,780.4	2,708.1	139.3	17,310.7	33,576.9
Receivables and Other Assets	32.4	-	-	-	-	-	-	32.4
Total	12,988.9	698.9	2,842.7	1,910.9	3,137.9	224.9	19,253.6	41,057.8
Liabilities								
Deposits and Short Term	(11,942.7)	(770.0)	-	-	-	-	-	(12,712.7)
Bonds, Notes and Debentures	(152.6)	(945.3)	(4,156.6)	(2,048.7)	(4,909.8)	(344.3)	(15,782.4)	(28,339.7)
Outstanding Claims	(46.5)	(136.5)	(48.4)	(46.1)	(49.7)	(46.6)	(268.2)	(642.0)
Lease Liability	(0.2)	-	-	-	-	-	-	(0.2)
Payables and Other Liabilities	(55.3)	-	-	-	-	-	-	(55.3)
Total	(12,197.3)	(1,851.8)	(4,205.0)	(2,094.8)	(4,959.5)	(390.9)	(16,050.6)	(41,749.9)
Net	791.6	(1,152.9)	(1,362.3)	(183.9)	(1,821.6)	(166.0)	3,203.0	(692.1)
Net Derivatives	13.5	22.4	14.3	8.3	(4.3)	(10.4)	(139.3)	(95.5)

Note 28 Financial Risk Management (continued)

(b) Liquidity Risk (continued)

2020	< 3 Months	3 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Cash and Short Term Assets	2,826.2	450.0	-	-	-	-	-	3,276.2
Investments	742.6	1,807.7	33.9	206.0	29.0	133.6	625.0	3,577.8
Loans	9,357.7	2,094.3	470.6	1,400.5	1,421.5	1,652.0	12,521.4	28,918.0
Receivables and Other Assets	38.4	-	-	-	-	-	-	38.4
Total	12,964.9	4,352.0	504.5	1,606.5	1,450.5	1,785.6	13,146.4	35,810.4
Liabilities								
Deposits and Short Term Borrowing	(10,759.0)	(535.0)	-	-	-	-	-	(11,294.0)
Bonds, Notes and Debentures	(122.8)	(3,446.8)	(483.2)	(4,192.9)	(1,951.4)	(4,166.8)	(9,873.0)	(24,236.9)
Outstanding Claims	(67.1)	(194.4)	(56.7)	(47.6)	(48.9)	(47.2)	(268.0)	(729.9)
Lease Liability	(0.0)	(0.1)	(0.1)	-	-	-	-	(0.2)
Payables and Other Liabilities	(31.0)	-	-	-	-	-	-	(31.0)
Total	(10,979.9)	(4,176.3)	(540.0)	(4,240.5)	(2,000.3)	(4,214.0)	(10,141.0)	(36,292.0)
Net	1,985.0	175.7	(35.5)	(2,634.0)	(549.8)	(2,428.4)	3,005.4	(481.6)
Net Derivatives	(0.8)	30.2	9.6	1.3	(3.4)	4.1	(114.6)	(73.6)

(c) Market Risk

Market risk is the risk that changes in market prices will result in gains or losses on SAFA's financial instruments. SAFA has a range of policies in place to manage market risk, including counterparty exposure limits, risk limits and liquidity and maturity limits. The main tool used to measure and assess market risks within each of SAFA's trading portfolios is Value at Risk (VaR).

(i) Price Risk

Treasury Operations

SAFA manages the sensitivity of its treasury portfolios for changes in market risk variables by calculating VaR daily and monitoring the calculated VaR against pre-determined exposure limits. VaR is the calculation of the potential loss due to interest rate movements for any one day.

SAFA calculates VaR using the Historical Simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95% confidence level.

The following table shows the computed VaR on SAFA's principal portfolios:

	2021 Actual \$000	2021 Working Limit \$000	2020 Actual \$000	2020 Working Limit \$000
Funding Portfolio	34.4	500.0	38.1	500.0
Liquidity Portfolio	1,778.6	6,500.0	563.8	6,500.0

SAFA's treasury portfolio that reflects SAFA's position with the Treasurer of South Australia is not reported above, as all risk in this portfolio is borne directly by the Treasurer.

As SAFA's VaR model relies on historical data and assumes recent historic market conditions, it may not always accurately predict the size of potential losses. SAFA therefore uses other controls such as limits on exposures based on factor sensitivity measurements covering interest rate, yield curve and basis spread movement scenarios and monitors exposures to plausible extreme market movements through stress testing.

Note 28 Financial Risk Management (continued)

(c) Market Risk (continued)

(i) Price Risk (continued)

Insurance Operations

The insurance portfolio is exposed to price risk arising from investments held with Funds SA. SAFA maintains policies outlining the strategies for investment of funds and these policies are reviewed every three years.

The following table shows the impact of a positive or negative 10% movement in the value of investment funds held with Funds SA:

2021	Investments \$000	Profit (Post tax)		Equity	
		-10%	10%	-10%	10%
		\$000	\$000	\$000	\$000
Fund 1	640,969	(44,868)	44,868	(44,868)	44,868
Fund 2*	15,256	(1,068)	1,068	(1,068)	1,068
Fund 3*	49,178	(3,442)	3,442	(3,442)	3,442
Fund 4	131,347	(9,194)	9,194	(9,194)	9,194
Total	836,750	(58,572)	58,572	(58,572)	58,572

2020	Investments \$000	Profit (Post tax)		Equity	
		-10%	10%	-10%	10%
		\$000	\$000	\$000	\$000
Fund 1	602,463	(42,172)	42,172	(42,172)	42,172
Fund 2*	11,140	(780)	780	(780)	780
Fund 3*	22,917	(1,604)	1,604	(1,604)	1,604
Fund 4	142,265	(9,959)	9,959	(9,959)	9,959
Total	778,785	(54,515)	54,515	(54,515)	54,515

* Due to the nature of activities undertaken by Fund 2 and Fund 3, the Treasurer has approved that any operating profit or loss before tax will be nil for each of these funds. Therefore, any movement in the value of investments with Funds SA for Fund 2 or Fund 3 would effectively be offset by the Treasurer's Indemnity (Refer Note 21).

(ii) Interest Rate Risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration and VaR. The Treasurer and Under Treasurer approve interest rate risk limits for SAFA's portfolios.

SAFA uses interest rate derivatives to manage the sensitivity of investment portfolios to interest rate fluctuations to be within strict limits, without requiring transactions in physical securities. SAFA utilises futures contracts, interest rate swaps and forward rate agreements to manage interest rate risk.

The following table shows the computed Price Value per basis point (PV01) of SAFA's principal portfolios, reflecting changes in portfolio value relative to interest rate movements:

	2021	2021	2020	2020
	Actual	Working Limit	Actual	Working Limit
	\$	\$	\$	\$
Funding Portfolio	457	± 5,000	1,049	± 5,000
Liquidity Portfolio	537	± 10,000	26	± 10,000

SAFA's treasury portfolio that reflects SAFA's position with the Treasurer of South Australia is not reported above, as all risk in this portfolio is borne directly by the Treasurer.

Note 28 Financial Risk Management (continued)

(c) Market Risk (continued)

(iii) Foreign Currency Risk

SAFA has a policy of limiting its foreign currency risk, and has limits in place to protect against movements in foreign currency exchange rates. SAFA utilises foreign exchange swaps, foreign exchange and forward exchange contracts to manage the foreign currency exposures associated with foreign currency borrowings.

The following table summarises SAFA's exposure to exchange rate risk. The value to be received under the currency contracts is undertaken to net any foreign currency liabilities:

	USD A\$000	EUR A\$000	NZD A\$000
2021			
Less than 1 year			
Net Foreign Currency Assets/(Liab)	(265,921.8)	(69.3)	16.0
Net Derivatives	265,935.2	-	-
Total Exposure	13.4	(69.3)	16.0
Sensitivity			
Profit / Equity impact (in AUD) of +1% change in foreign currency	0.1	(0.7)	0.2

	USD A\$000	EUR A\$000	NZD A\$000
2020			
Less than 1 year			
Net Foreign Currency Assets/(Liab)	(145,885.6)	(43.7)	16.0
Net Derivatives	145,904.4	-	-
Total Exposure	18.8	(43.7)	16.0
Sensitivity			
Profit / Equity impact (in AUD) of +1% change in foreign currency	0.2	(0.4)	0.2

SAFA's total exposure to exchange rate risk (on a net basis) is -\$39,954 for the year ended 30 June 2021 (2019-20: -\$8,895). Had the Australian Dollar weakened by 10 per cent against the foreign currencies listed above, the direct impact to SAFA would be a loss of approximately \$4,439 (2019-20: loss \$988).

(d) Insurance Risk

SAFA uses a range of policies to manage risk associated with its insurance activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims;
- premium setting methodologies that reflect the latest development in the risks SAFA's Insurance division is insuring;
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events; and
- regular review of the investment strategy for assets backing insurance liabilities.

(i) Claims Development

The following tables show the development of incurred cost on net undiscounted outstanding claims (Medical Malpractice, Liability, Property and Building Indemnity) relative to the ultimate expected estimate over the ten most recent financial years. Figures provided are net of reinsurance and relate to Fund 1 and Fund 3. This information is not disclosed for Fund 2 or Fund 4 as it is not considered appropriate for the activities of the funds.

Note 28 Financial Risk Management (continued)

(d) Insurance Risk (continued)

(i) Claims Development (continued)

Medical Malpractice

Loss Year Ending 30-Jun	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted Paid to Date	Undiscounted Liability Jun-21	Discount Present Value
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
Prior	200,488	201,017	195,964	218,723	220,740	220,772	184,308	190,067	189,323	207,138	175,792	31,346	30,219
2012	18,749	17,802	13,584	17,235	15,702	14,411	16,866	19,119	16,742	15,998	2,666	13,333	12,146
2013		21,967	17,274	15,654	14,082	14,901	17,812	21,096	20,973	20,539	11,869	8,670	7,852
2014			21,702	22,124	20,434	18,715	16,910	12,372	6,751	4,959	25	4,935	4,439
2015				20,569	27,417	25,704	24,802	20,158	16,106	15,109	672	14,438	12,887
2016					24,613	26,061	31,117	27,674	20,184	20,260	857	19,403	17,158
2017						28,856	27,704	22,485	19,456	14,016	1,765	12,251	11,615
2018							30,288	24,689	29,235	42,460	471	41,989	36,297
2019								28,429	24,780	23,557	17	23,540	20,072
2020									29,090	34,608	16	34,592	29,052
2021										34,431	20	34,410	28,445
Total										433,075	194,170	238,907	210,182

Liability

Loss Year Ending 30-Jun	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted Paid to Date	Undiscounted Liability Jun-21	Discount Present Value
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
Prior	108,956	116,099	113,267	117,943	122,009	125,864	127,106	128,702	130,809	131,771	123,133	8,638	10,198
2012	8,038	6,749	5,621	5,297	7,088	8,127	6,287	6,081	6,370	7,568	5,310	2,258	2,943
2013		6,683	5,455	4,336	3,855	3,246	4,048	5,254	6,555	6,235	3,717	2,517	4,537
2014			6,478	6,128	5,425	5,322	5,228	4,734	4,246	12,513	1,895	10,618	2,875
2015				7,540	6,516	6,266	3,888	2,819	3,470	5,375	1,691	3,684	4,309
2016					8,584	8,201	7,176	5,622	4,755	5,426	1,702	3,724	3,590
2017						6,080	5,363	4,383	4,532	7,063	2,932	4,131	3,977
2018							10,866	7,777	6,137	4,424	388	4,036	3,874
2019								9,394	8,351	7,789	858	6,931	6,620
2020									9,552	7,598	96	7,502	7,111
2021										10,563	30	10,534	9,902
Total										206,325	141,752	64,573	59,936

Property

Loss Year Ending 30-Jun	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted Paid to Date	Undiscounted Liability Jun-21	Discount Present Value
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
Prior	27,738	27,267	27,248	27,337	26,579	27,326	27,365	27,366	27,366	27,366	27,366	0	0
2012	2,683	2,046	2,314	2,680	2,539	2,502	2,763	2,758	2,755	2,755	2,755	0	0
2013		1,996	1,989	2,185	2,216	2,253	2,174	2,164	2,150	2,155	1,021	1,134	1,124
2014			3,223	3,399	3,512	3,395	3,387	3,380	3,374	3,372	3,371	2	2
2015				3,978	4,500	3,232	3,188	3,170	3,162	3,154	3,148	6	5
2016					3,081	3,822	2,996	2,251	2,229	2,222	2,212	9	9
2017						14,833	13,030	12,453	13,926	12,892	11,784	1,108	1,091
2018							3,464	1,989	2,063	1,942	1,624	319	312
2019								3,666	2,369	2,435	2,356	79	78
2020									180,740	146,174	52,436	93,738	93,710
2021										5,221	589	4,632	4,583
Total										209,688	108,662	101,027	100,914

Note 28 Financial Risk Management (continued)

(d) Insurance Risk (continued)

(i) Claims Development (continued)

Building Indemnity

Loss Year Ending 30-Jun	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June								Paid to Date	Undiscounted Liability Jun-21	Unearned Liabilities Jun-21	Earned Liabilities Jun-21	Discount Present Value
	2014	2015	2016	2017	2018	2019	2020	2021					
2014	6,755	7,824	7,132	5,655	4,447	4,135	4,512	4,368	3,887	481	79	403	479
2015		6,504	7,121	7,218	5,797	5,002	5,077	5,170	4,653	517	158	359	514
2016			7,241	10,523	9,429	5,894	7,062	7,073	5,445	1,628	279	1,349	1,618
2017				8,450	9,563	8,615	10,947	10,025	7,415	2,610	491	2,119	2,594
2018					9,468	13,559	17,118	14,855	11,536	3,320	1,115	2,205	3,298
2019						14,216	17,945	14,856	9,736	5,120	2,287	2,833	5,082
2020							13,481	8,487	2,584	5,903	4,620	1,283	5,854
2021								15,630	750	14,881	13,604	1,277	14,747
Total	80,464	46,006	34,460	22,633	11,828	34,186							

(ii) Unexpired Risk Liability

The LAT (Note 2 (r)) was completed by the independent actuary for Building Indemnity Insurance offered by SAFA. The actuary compares the unearned premium and the expected cost of claims arising from this premium, including associated expenses and a risk margin. Any deficiency is recognised immediately in Statement of Comprehensive Income, with the corresponding impact on the Statement of Financial Position recognised first through the write down of deferred acquisition costs for Building Indemnity Insurance and then through the establishment of a provision (unexpired risk liability). At 30 June 2021 the result of the LAT meant that there was a premium deficiency.

a. Calculation of Premium Deficiencies

	2021 \$000	2020 \$000
Net unearned premium liability	25,557	20,009
Net present value of future policy costs	29,482	24,525
Gross deferred acquisition costs recognised	5,154	4,231
Gross premium deficiency	(9,079)	(8,747)
Gross deferred acquisition costs written down	9,079	8,747
Net premium deficiency	3,925	4,517
Gross deferred acquisition costs recognised in Statement of Financial Position	-	-

The change in deferred acquisition costs of Nil (2019-20: \$4.5 million decrease) and the decrease in unexpired risk liability of \$0.6 million (2019-20: \$4.5 million increase) have been recognised in the Statement of Comprehensive Income during the financial year.

b. Reconciliation of Premium Liabilities, Reinsurance Assets and related Deferred Acquisition Costs

	Gross \$000	Reinsurance \$000	Acquisition cost \$000	Net \$000
Unearned premium liability/(asset) at 30 June 2019	19,527.3	(2,858.3)	(4,496.1)	12,172.9
Premium written	57,790.1	(10,170.0)	(2,070.7)	45,549.4
Premium (earned)/incurred	(57,308.9)	9,789.8	2,336.2	(45,182.9)
Premium deficiency adjustment	4,516.7	0.0	4,230.6	8,747.3
Unearned premium liability/(asset) at 30 June 2020	24,525.2	(3,238.5)	0.0	21,286.7
Premium written	69,308.9	(15,206.9)	(3,157.1)	50,944.9
Premium (earned)/incurred	(63,760.8)	13,526.4	3,157.1	(47,077.3)
Premium deficiency adjustment	(591.6)	0.0	0.0	(591.6)
Unearned premium liability/(asset) at 30 June 2021	29,481.7	(4,919.0)	0.0	24,562.7

Note 28 Financial Risk Management (continued)

(d) Insurance Risk (continued)

(iii) Concentration Risk

While investments in the Insurance portfolio contain some diversity, by its nature it is geographically concentrated in Adelaide and as such is exposed to the risk of potentially material property catastrophes of the State, being earthquake, bushfires, storms, floods and cyber attack. The reinsurance program is purchased to provide protection in excess of the retention level, which by insurance class is: \$40 million per event for property; \$10 million per event for cyber risk; \$20 million per event for medical malpractice; and, \$1 million per event, with a \$20 million annual aggregate, for liability. Management annually reviews the appropriateness of the retention level.

SAFA provides the medical indemnity insurance for all public hospitals in South Australia and as such is exposed to the consequences of any factor which increases the cost of such cover for example, legal precedents.

(iv) Sensitivity Analysis

SAFA has tested the sensitivity of the results to a change in the key assumptions used in the valuation of outstanding claims liabilities. These include changes to the discount and superimposed inflation rates and changes in expected average claim costs and incurred cost development patterns. The following table sets out the tests carried out and the results:

2021 Insurance Fund	Present Value of Outstanding Liability				Change in Liability			
	Fund 1 \$m	Fund 2 \$m	Fund 3 \$m	Fund 4 \$m	Fund 1 %	Fund 2 %	Fund 3 %	Fund 4 %
1. Discount Rate								
(a) Increase by 1%	455.4	20.0	15.6	118.4	(5.6)	(3.6)	(1.7)	(4.5)
(b) No discounting (0% discount rate)	530.0	21.5	16.0	126.5	9.8	3.7	0.7	3.6
2. Inflation/Superimposed Inflation Rate								
(a) Increase by 1%	511.4	21.5	16.1	0.0	6.0	3.8	1.7	0.0
(b) Decrease by 1%	456.3	20.0	15.6	0.0	(5.4)	(3.6)	(1.7)	0.0
3. Other Assumptions								
(a) Increase Medical Malpractice and Liability expected 'a prior' cost by 10%	507.2	20.7	15.9	122.9	5.1	0.0	0.0	0.0
(b) Longer Medical Malpractice and Liability tail	497.9	23.8	15.9	122.9	3.2	14.7	0.0	0.0
(c) Increase Building Indemnity expected 'a prior' cost by 5%	482.5	20.7	16.3	122.9	0.0	0.0	2.5	0.0
(d) 30% more National Redress claims	482.5	20.7	15.9	159.8	0.0	0.0	0.0	36.9

Note 29 Fair Values of Assets and Liabilities

(a) Contractual Obligations and Financial Liabilities at Fair Value

The difference between financial liabilities carrying amount (fair value) and the amount contractually required to be paid at maturity is detailed below.

	2021			2020		
	Carrying Amount \$m	Principal Outstanding \$m	Diff \$m	Carrying Amount \$m	Principal Outstanding \$m	Diff \$m
Deposits and Short Term Borrowings	12,712.5	12,712.7	(0.2)	11,293.5	11,292.7	0.8
Bonds, Notes and Debentures	26,055.0	24,526.3	1,528.7	23,120.5	21,231.8	1,888.7

Notes:

- (1) Fair value is inclusive of interest due at financial year end.
- (2) Principal outstanding at maturity is the amount SAFA is contractually required to pay at maturity, to the holder of the obligation, exclusive of interest due.
- (3) Bonds, Notes and Debentures – includes indexed linked securities. For the purposes of this note, the principal owing for indexed linked securities is assumed to equal the principal owing at financial year end.

Note 29 Fair Values of Assets and Liabilities (continued)

(b) Financial Assets and Liabilities

This section explains the judgements and estimates made in determining the fair values of the financial assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, SAFA has classified its assets and liabilities into the three levels prescribed under Australian Accounting Standards. An explanation of each level follows below.

(i) Fair Value Hierarchy

2021	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Financial Assets					
Cash and Short Term Assets	4	1,096.0	1,927.3	-	3,023.3
Investments	6	2,355.7	2,133.0	-	4,488.7
Loans	7	9,301.4	10,975.3	11,894.0	32,170.7
Derivatives Receivable	8	-	297.4	-	297.4
Total		12,753.1	15,333.0	11,894.0	39,980.1
Financial Liabilities					
Deposits and Short Term Borrowings	12	(10,271.7)	(2,440.8)	-	(12,712.5)
Bonds, Notes and Debentures	13	(25,751.7)	(68.7)	(234.6)	(26,055.0)
Derivatives Payable	15	-	(374.8)	-	(374.8)
Total		(36,023.4)	(2,884.3)	(234.6)	(39,142.3)
2020					
	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Financial Assets					
Cash and Short Term Assets	4	2,348.6	926.2	-	3,274.8
Investments	6	1,111.2	2,661.2	-	3,772.4
Loans	7	8,506.2	10,859.0	8,875.9	28,241.1
Derivatives Receivable	8	-	188.7	-	188.7
Total		11,966.0	14,635.1	8,875.9	35,477.0
Financial Liabilities					
Deposits and Short Term Borrowings	12	(9,688.2)	(1,605.3)	-	(11,293.5)
Bonds, Notes and Debentures	13	(22,781.3)	(61.2)	(278.0)	(23,120.5)
Derivatives Payable	15	-	(254.4)	-	(254.4)
Total		(32,469.5)	(1,920.9)	(278.0)	(34,668.4)

Note 29 Fair Values of Assets and Liabilities (continued)

(b) Financial Assets and Liabilities (continued)

(i) Fair Value Hierarchy (continued)

SAFA generally recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period, unless specified otherwise.

Financial Assets and Liabilities are categorised in levels of the fair value hierarchy based on the following:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that are accessible at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1, which are observable for assets or liabilities, either directly or indirectly.
- Level 3: Inputs to asset or liability valuation that are not based on observable market data (unobservable inputs). This category includes instruments that are valued using quoted prices, but where material adjustments are required as a result of relevant unobservable inputs or assumptions.

(ii) Valuation Techniques Used to Determine Fair Values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the above fair value estimates are included in Level 2. All valuation methods remain unchanged compared to the previous reporting period.

(iii) Level 3 Financial Instruments Reconciliation

The following table presents the changes in Level 3 items for the periods 30 June 2021 and 30 June 2020:

2021	Assets		Liabilities	
	Loans \$m	Bonds, Notes and Debentures \$m	Total \$m	
Balance at 30 June 2020	8,875.9	(278.0)	8,597.9	
Total gain/(loss) included in Profit or Loss	8.5	7.1	15.6	
Purchases	3,250.0	15.0	3,265.0	
Sales	(240.4)	-	(240.4)	
Settlements	-	21.3	21.3	
Balance at 30 June 2021	11,894.0	(234.6)	11,659.4	

Total gains or losses in the above table are presented within the Statement of Comprehensive Income as follows:

Interest Revenue	240.9	(9.8)	231.1
Net Gain/(Loss) on Financial Instruments and Derivatives - Unrealised	(287.6)	16.9	(270.7)
Net Gain/(Loss) on Financial Instruments and Derivatives - Realised	55.2	-	55.2
Total	8.5	7.1	15.6

Note 29 Fair Values of Assets and Liabilities (continued)

(b) Financial Assets and Liabilities (continued)

(iii) Level 3 Financial Instruments Reconciliation (continued)

2020	<u>Assets</u>		<u>Liabilities</u>	
	Loans \$m	Bonds, Notes and Debentures \$m	Total \$m	Total \$m
Balance at 30 June 2019	5,420.3	(287.3)		5,133.0
Total gain/(loss) included Profit or Loss	390.8	(12.3)		378.5
Purchases	3,250.0	-		3,250.0
Sales	(185.2)	-		(185.2)
Settlements	-	21.6		21.6
Balance at 30 June 2020	8,875.9	(278.0)		8,597.9

Total gains or losses in the above table are presented in the Statement of Comprehensive Income as follows:

Interest Revenue	187.8	(10.6)	177.2
Net Gain/(Loss) on Financial Instruments and Derivatives - Unrealised	209.4	(1.7)	207.7
Net Gain/(Loss) on Financial Instruments and Derivatives - Realised	(6.4)	-	(6.4)
Total	390.8	(12.3)	378.5

(iv) Level 3 Financial Instruments: Unobservable inputs Used in Measuring Fair Value

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement:

Type of Financial Instrument	Fair value at 30 June 2021 \$m	Valuation Technique	Significant Unobservable Input	Estimate of Unobservable Input	Fair value measurement sensitivity to unobservable inputs
Loans:					
Loan to Treasurer Cost of Funds	11,880.9	Reflects the market value of borrowings used to fund the loan	Discount rates/market yields	N/A	Market value change is directly proportional to the market value change of instruments used to fund the loan.
Loan to Treasurer Non-Market	13.1	Loan with no applicable interest rate or discount rate	Discount rates/market yields	0% IRR	Instrument value will not change with respect to market/discount rates.

Note 29 Fair Values of Assets and Liabilities (continued)

(b) Financial Assets and Liabilities (continued)

(iv) Level 3 Financial Instruments: Unobservable Inputs Used in Measuring Fair Value (continued)

Type of Financial Instrument	Fair value at 30 June 2021 (\$m)	Valuation Technique	Significant Unobservable Input	Estimate of Unobservable Input	Fair value measurement sensitivity to unobservable inputs
Bond, Notes and Debentures:					
Principal and Interest Borrowing	(221.5)	Discounted Cash Flow	Discount rates/market yields	0.05% - 1.74% IRR	Discount rate based on internally-constructed yield curve. A 1 basis point shift in rates results in a \$195,525 change in market value.
Principal Borrowing	(13.1)	Borrowing with no applicable interest rate or discount rate.	Discount rates/market yields	0% IRR	Instrument value will not change with respect to market/discount rates.

(v) Valuation Processes

Level 3 fair value valuation processes are consistent with all other valuation processes and are considered as part of SAFA's valuation techniques review.

SAFA considers that its estimates of fair value are appropriate, and while alternative assumptions in relation to unobservable inputs could be used when determining fair value, these alternative assumptions would not result in any significant changes to measured fair values.

Note 29 Fair Values of Assets and Liabilities (continued)

(c) Non-Financial Assets and Liabilities

Fair Value Hierarchy

2021	Note	Quoted market price (Level 1)	Market observable inputs (Level 2)	Non-market observable inputs (Level 3)	Total
		\$m	\$m	\$m	\$m
Assets					
Assets Held For Sale	5	-	6.7	-	6.7
Property, Plant and Equipment	10	-	189.9	-	189.9
Total		-	196.6	-	196.6

2020	Note	Quoted market price (Level 1)	Market observable inputs (Level 2)	Non-market observable inputs (Level 3)	Total
		\$m	\$m	\$m	\$m
Assets					
Assets Held For Sale	5	-	3.6	-	3.6
Property, Plant and Equipment	10	-	184.6	-	184.6
Total		-	188.2	-	188.2

Non-financial assets are recorded at cost on acquisition (refer Note 2(k)).

SAFA undertook a fair value exercise at the end of the 2020-21 financial year to ensure there were no major differences between the stated residual value and the expected sales value for vehicles scheduled to be sold in the 2021-22 financial year.

Valuation techniques used to derive the residual value of non-financial assets include:

- the use of quoted market prices or dealer quotes for similar assets; and
- the use of RedBook and Glass valuations for similar motor vehicle assets.

All of the resulting fair value estimates are included in Level 2.

All valuation methods remain unchanged compared to the previous reporting period.

Note 30 Actuarial Assumptions and Methods

SAFA writes four broad classes of general insurance: Property, Liability, Medical Malpractice and Other Liability. In addition, SAFA provides funding for the costs of the SA Government's participation in the National Redress Scheme. Products included in these broad classes are detailed below:

Property (Short Tail)	Liability (Long Tail)	Medical Malpractice	Other (Long Tail)
Aviation	Aviation Liability	Medical Malpractice	Building Indemnity
Buildings and Contents	General Liability		Volunteers
Consequential Loss	Marine Liability		
Cyber	Professional Indemnity		
Fidelity Guarantee	Personal Accident		
General Property			
Machinery Breakdown			
Marine			
Motor Vehicle			

Total Outstanding Claims

2021

Expected Future Claims Payments
(Inflated/Undiscounted)
Discount to Present Value
Total Outstanding Claims

Central Estimate	Risk Margin	Indirect Claims		Total
		Settlement Margin		
\$m	\$m	\$m		\$m
546.6	114.9	26.9		688.4
(36.1)	(8.8)	(1.5)		(46.4)
510.5	106.1	25.4		642.0

2020

Expected Future Claims Payments
(Inflated/Undiscounted)
Discount to Present Value
Total Outstanding Claims

Central Estimate	Risk Margin	Indirect Claims		Total
		Settlement Margin		
\$m	\$m	\$m		\$m
601.8	125.4	30.0		757.2
(21.4)	(4.9)	(1.0)		(27.3)
580.4	120.5	29.0		729.9

Assumptions

SAFA used the following assumptions in the measurement of its outstanding claims.

2021

Average weighted term to settlement - Fund 1
Average weighted term to settlement - Fund 2
Average weighted term to settlement - Fund 3
Average weighted term to settlement - Fund 4
Percentage risk margin adopted - Fund 1
Percentage risk margin adopted - Fund 2
Percentage risk margin adopted - Fund 3
Percentage risk margin adopted - Fund 4
Claims handling expense
Inflation rate (includes superimposed inflation)*
Discount rate - Fund 1
Discount rate - Fund 2
Discount rate - Fund 3
Discount rate - Fund 4

	Property	Liability	Medical Malpractice	Building Indemnity
Average weighted term to settlement - Fund 1	2.06	4.50	8.33	-
Average weighted term to settlement - Fund 2	-	3.08	5.41	-
Average weighted term to settlement - Fund 3	-	-	-	2.01
Average weighted term to settlement - Fund 4	-	3.84	-	-
Percentage risk margin adopted - Fund 1	3.5%	30.0%	35.0%	-
Percentage risk margin adopted - Fund 2	18.0%	24.0%	26.0%	-
Percentage risk margin adopted - Fund 3	-	-	-	27.5%
Percentage risk margin adopted - Fund 4	-	-	-	-
Claims handling expense	4.5%	6.8%	4.5%	6.0%
Inflation rate (includes superimposed inflation)*	2.0%	5.1%	5.3%	2.0%
Discount rate - Fund 1	0.6%	1.0%	1.6%	-
Discount rate - Fund 2	0.0%	0.8%	1.1%	-
Discount rate - Fund 3	-	-	-	0.4%
Discount rate - Fund 4	-	0.8%	-	-

Note 30 Actuarial Assumptions and Methods (continued)

2020	Property	Liability	Medical Malpractice	Building Indemnity
Average weighted term to settlement - Fund 1	1.08	4.50	8.27	-
Average weighted term to settlement - Fund 2	0.50	3.86	1.30	-
Average weighted term to settlement - Fund 3	-	-	-	1.60
Average weighted term to settlement - Fund 4	-	4.36	-	-
Percentage risk margin adopted - Fund 1	14.9%	32.0%	37.0%	-
Percentage risk margin adopted - Fund 2	18.8%	23.0%	25.0%	-
Percentage risk margin adopted - Fund 3	-	-	-	26.1%
Percentage risk margin adopted - Fund 4	-	-	-	-
Claims handling expense	5.0%	7.9%	5.0%	8.0%
Inflation rate (includes superimposed inflation)*	2.0%	5.0%	5.0%	1.5%
Discount rate - Fund 1	0.3%	0.6%	1.0%	-
Discount rate - Fund 2	0.2%	0.6%	0.5%	-
Discount rate - Fund 3	-	-	-	0.3%
Discount rate - Fund 4	-	0.5%	-	-

* The valuation methods adopted for Funds 2 and 4 do not have an explicit inflation assumption. Inflation rates shown are the adopted rates for Fund 1 and Fund 3.

The overall risk margin is determined allowing for the uncertainty of the outstanding claims estimate. Uncertainty is analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

AASB1023 *General Insurance Contracts* does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of the Australian Prudential Regulation Authority guidelines for private sector insurers that a minimum of 75% probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75% probability that the provision for outstanding claims will be sufficient. The exception is for the liabilities of Fund 4 where no risk margin is held.

Note 31 Events After the End of the Reporting Period

No event has arisen since 30 June 2021 that would be likely to materially affect the operations or the state of affairs of SAFA.

Certification of the Financial Statements

We certify that the:

- financial statements of SAFA:
 - are in accordance with the accounts and records of SAFA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of SAFA at the end of the financial year and the result of its operations and cash flows for the financial year.
- internal controls employed by SAFA for the financial year over its financial reporting and its preparation of financial statements have been effective.



Mark Twells
DIRECTOR FINANCE, SAFA



Anna Hughes
GENERAL MANAGER, SAFA



David Reynolds
CHIEF EXECUTIVE
UNDER TREASURER

Date: 20/9/21