

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2003

Tabled in the House of Assembly and ordered to be published, 13 October 2003

Third Session, Fiftieth Parliament

PART B

Volume II

By Authority: J. D. Ferguson, Government Printer, South Australia

2003

Report of the Auditor-General 2002-03
TABLE OF CONTENTS TO VOLUMES I, II, III AND IV

VOLUME I

Page

Accounts of Public Authorities.....1

**MINISTER FOR ADMINISTRATIVE SERVICES; MINISTER FOR ABORIGINAL AFFAIRS
AND RECONCILIATION; MINISTER FOR INDUSTRIAL RELATIONS;
MINISTER FOR RECREATION, SPORT AND RACING**

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES 3

Department for Administrative and Information Services5

State Supply Board.....47

South Australian Water Corporation56

PREMIER

PORTFOLIO - AUDITOR-GENERAL'S DEPARTMENT 87

Auditor-General's Department89

**MINISTER FOR INDUSTRY, TRADE AND REGIONAL DEVELOPMENT; MINISTER FOR ECONOMIC
DEVELOPMENT; MINISTER FOR SMALL BUSINESS; MINISTER FOR FORESTS**

PORTFOLIO – BUSINESS, INVESTMENT AND TRADE 101

Department for Business, Manufacturing and Trade 103

Economic Development Board and the Office of Economic Development 124

South Australian Forestry Corporation 139

Department of Industry and Trade 160

South Australian Motor Sport Board 176

MINISTER FOR EDUCATION AND CHILDREN'S SERVICES

PORTFOLIO – EDUCATION AND CHILDREN'S SERVICES..... 191

Department of Education and Children's Services 193

MINISTER FOR ENVIRONMENT AND CONSERVATION; MINISTER FOR THE RIVER MURRAY

PORTFOLIO – ENVIRONMENT AND CONSERVATION AND THE RIVER MURRAY 225

Catchment Water Management Boards..... 227

 Northern Adelaide and Barossa Catchment Water Management Board 231

 Onkaparinga Catchment Water Management Board..... 246

 Patawalonga Catchment Water Management Board..... 260

 River Murray Catchment Water Management Board..... 275

 South East Catchment Water Management Board 289

 Torrens Catchment Water Management Board 302

Department for Environment and Heritage..... 318

Environment Protection Authority 346

Department of Water, Land and Biodiversity Conservation 363

Report of the Auditor-General 2002-03

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

VOLUME II

Page

MINISTER FOR EMPLOYMENT, TRAINING AND FURTHER EDUCATION; MINISTER FOR SCIENCE AND INFORMATION ECONOMY

PORTFOLIO – FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY 387

Construction Industry Training Board	389
Department of Further Education, Employment, Science and Technology.....	402
Flinders University of South Australia	420
University of Adelaide	454
University of South Australia	491

MINISTER FOR HEALTH; MINISTER FOR SOCIAL JUSTICE; MINISTER FOR HOUSING; MINISTER FOR YOUTH; MINISTER ASSISTING THE PREMIER IN SOCIAL INCLUSION; MINISTER FOR THE STATUS OF WOMEN

PORTFOLIO – HUMAN SERVICES 521

HomeStart Finance	523
Department of Human Services	544
South Australian Aboriginal Housing Authority.....	583
South Australian Community Housing Authority.....	603
South Australian Housing Trust	624

VOLUME III

ATTORNEY-GENERAL; MINISTER FOR JUSTICE; MINISTER FOR CONSUMER AFFAIRS; MINISTER FOR POLICE; MINISTER FOR EMERGENCY SERVICES; MINISTER FOR CORRECTIONAL SERVICES; MINISTER FOR MULTICULTURAL AFFAIRS

PORTFOLIO – JUSTICE..... 651

Department of Justice	653
Attorney-General's Department	654
Public Trustee	697
Department for Correctional Services	741
Country Fire Service Board	759
Courts Administration Authority.....	778
Emergency Services Administrative Unit.....	779
Legal Services Commission	797
Police Department	813
SA St John Ambulance Service Inc.....	838
South Australian Metropolitan Fire Service	857
State Electoral Office.....	874

Report of the Auditor-General 2002-03

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

VOLUME III

Page

PREMIER; MINISTER FOR THE ARTS; MINISTER FOR VOLUNTEERS; MINISTER FOR ECONOMIC DEVELOPMENT; MINISTER ASSISTING THE PREMIER IN THE ARTS; MINISTER ASSISTING THE PREMIER IN ECONOMIC DEVELOPMENT

PORTFOLIO – PREMIER AND CABINET	891
Adelaide Festival Centre Trust	893
Adelaide Festival Corporation	910
Art Gallery Board	923
History Trust of South Australia	938
Libraries Board of South Australia	954
Museum Board	973
Department of the Premier and Cabinet	988
Targeted Voluntary Separation Package (TVSP) Scheme	1005
Government Workers Rehabilitation and Compensation Fund	1012
South Australian Film Corporation	1020
State Opera of South Australia	1037
State Theatre Company of South Australia	1052

MINISTER FOR AGRICULTURE, FOOD AND FISHERIES; MINISTER FOR MINERAL RESOURCES DEVELOPMENT; MINISTER FOR ENERGY

PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES	1067
Department of Primary Industries and Resources	1069

VOLUME IV

MINISTER FOR TRANSPORT; MINISTER FOR URBAN DEVELOPMENT AND PLANNING; MINISTER FOR LOCAL GOVERNMENT; MINISTER FOR THE SOUTHERN SUBURBS

PORTFOLIO – TRANSPORT AND URBAN PLANNING	1105
Local Government Finance Authority of South Australia	1107
Passenger Transport Board	1125
TransAdelaide	1145
Department of Transport and Urban Planning	1168

MINISTER FOR TOURISM

PORTFOLIO – TOURISM	1169
Adelaide Convention Centre Corporation	1171
Adelaide Entertainments Corporation	1188
South Australian Tourism Commission	1203

Report of the Auditor-General 2002-03
TABLE OF CONTENTS TO VOLUMES I, II, III AND IV

VOLUME IV

Page

**TREASURER; DEPUTY PREMIER; MINISTER FOR INFRASTRUCTURE;
MINISTER FOR GAMBLING; MINISTER FOR ENERGY**

PORTFOLIO – TREASURY AND FINANCE	1221
Electricity Supply Industry	1223
Overview	1223
Distribution Lessor Corporation.....	1225
Generation Lessor Corporation	1227
Transmission Lessor Corporation	1230
RESI Corporation.....	1233
Industrial and Commercial Premises Corporation	1235
Judges' Pensions Scheme	1249
Land Management Corporation.....	1258
Lotteries Commission of South Australia.....	1281
Motor Accident Commission	1300
National Wine Centre	1326
Parliamentary Superannuation Scheme	1337
Police Superannuation Scheme.....	1347
South Australian Asset Management Corporation.....	1348
South Australian Government Captive Insurance Corporation (SAICORP).....	1365
South Australian Government Financing Authority	1393
South Australian Superannuation Board	1417
South Australian Superannuation Scheme.....	1419
Southern State Superannuation Scheme.....	1437
Superannuation Funds Management Corporation of South Australia	1452
Department of Treasury and Finance.....	1482

APPENDIX

Treasurer's Financial Statements (Statements A-K)

VOLUMES I, II, III AND IV

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

Reference should also be made to Part A — Audit Overview which also contains comments on specific matters of importance and interest.

Agency	Matter	Page
Adelaide Festival Corporation	Operating Result	913
Administrative and Information Services — Department for	Qualified Audit Opinion.....	7,12
	Payroll – CHRIS.....	8
	Hindmarsh Stadium Loan	9
	Outsourcing of Warehouse Operations.....	10
	Land Ownership and Tenure System	11
	Information Technology Management and Control	12
	Business Unit Financial Analysis	17
	Government Light Vehicle Fleet – Sale and Leaseback Arrangement	18
Art Gallery Board	Heritage Collections.....	927
Attorney-General’s Department	Payroll	656
	Core Business Information Systems.....	698
Business, Manufacturing and Trade — Department for	Edinburgh Parks Project	105
	Review of Department for Business, Manufacturing and Trade.....	107
	Review of Industry and Investment Attraction Fund.....	107
	Adelaide to Darwin Railway Project	108
Catchment Water Management Boards	Significant Issues Arising from Audits of the Boards – Delegation of Authorities	228
Country Fire Service Board	Accounting for CFS Volunteers Funds	761
Courts Administration Authority	Status of Financial Statements	778
Education and Children’s Services — Department of	Emphasis of Matter.....	195
	Qualified Audit Opinion.....	195
	IT Management and Control.....	196
	Risk Management	199
Economic Development Board and the Office of Economic Development	Financial Accounting and Related Processes	126
Electricity Supply Industry	Overview.....	1223

Agency	Matter	Page
Environment and Heritage — Department for	Qualified Audit Opinion.....	319
	Financial Management Framework.....	320
	Procurement Practices	320
	Accounting for Crown Land.....	321
Further Education, Employment, Science and Technology — Department of	Emphasis of Matter.....	403
	Regency Institute.....	403
	Adelaide Institute.....	404
	Kirby Review.....	405
HomeStart Finance	Net Interest Revenue.....	525
	Asset Quality – Provision for Doubtful Debts	527
	Loans and Advances	526
	Asset Quality – Non-Accrual Loans.....	527
Human Services – Department of	Payroll	546
	Case Mix Audits.....	547
	Administration of Concession Payments	548
	Generational Health Review.....	551
	Child Protection Review.....	552
Judges' Pensions Scheme	Government Contribution to Accrued Superannuation Liabilities.....	1251
Land Management Corporation	Administered Transactions.....	1264
Libraries Board of South Australia	Operating Result	957
Local Government Finance Authority of South Australia	Net Average Interest Margin.....	1111
	Liabilities of the Authority.....	1113
Lotteries Commission of South Australia	Sales Revenue	1283
Motor Accident Commission	Emphasis of Matter.....	1302
	Underwriting Result	1304
	Investment Result	1304
	Outstanding Claims	1306
	Solvency Level.....	1307
Museum Board	Heritage Collections.....	977
National Wine Centre	Repeal of Centre Act and Dissolution.....	1326
	Asset Sales and Lease Agreement with the University of Adelaide.....	1326
	Qualified Audit Opinion.....	1328
Parliamentary Superannuation Scheme	Government Contribution to Accrued Superannuation Liabilities.....	1339
Passenger Transport Board	Contract Management.....	1127
	Access Cab Systems	1131
Police Department	Withdrawn Expiration Notices.....	815
	Firearm Licences and Registrations.....	815
	Management of Sick Leave	817
	Workers Compensation	820

Agency	Matter	Page
Police Superannuation Scheme	Status of Financial Statements	1347
Premier and Cabinet – Department of the	Targeted Voluntary Separation Package Scheme – Total Separations	1006
	Government Workers Rehabilitation and Compensation Fund – Outstanding Claims	1013
Primary Industries and Resources – Department of	Financial Accounting and Related Processes	1070
SA St John Ambulance Service Inc	Ambulance Transport Fees.....	839
	Review of Ambulance Service.....	844
South Australian Asset Management Corporation	Dividend Payment	1351
South Australian Community Housing Authority	Capital Funding to Community Housing Organisations	610
South Australian Forestry Corporation	Qualified Audit Opinion.....	141
	Valuation of Forest Assets	141
South Australian Government Captive Insurance Corporation	Net Claims Incurred.....	1369
	Investment Revenue/Expenses	1370
	Outstanding Claims	1371
South Australian Government Financing Authority	Funding of Zero Coupon Bond Repayments.....	1396
	Capital and Distributions	1399
	The Common Public Sector Interest Rate.....	1400
South Australian Housing Trust	Risk Management	626
	Rent Management System	627
South Australian Motor Sport Board	Qualified Audit Opinion.....	178
South Australian Superannuation Scheme	Government Contribution to Past Service Liability Funding.....	1421
	Unfunded Liability.....	1422
South Australian Water Corporation	Management of Major Contracts	58
	Revenue from Ordinary Activities	59
	Contributions to the State Government	62
State Supply Board	Procurement Practice – Audit Communications to the Board	48
Superannuation Funds Management Corporation of South Australia	Income from Investments	1455
	Investment Classes	1456
	Return Performance by Asset Class.....	1459
TransAdelaide	Contract Income – Financial Dependence	1149
	AUSTRICS	1152
	Joint Venture Relationship	1153
Transport and Urban Planning – Department of	Status of Financial Statements	1168
University of Adelaide	Operating Result	459
	National Wine Centre	460

Agency	Matter	Page
University of South Australia	Procurement	494
	Qualified Audit Opinion.....	493
Water, Land and Biodiversity Conservation — Department of	Qualified Audit Opinion.....	364
	Financial Management Framework	365
	Monitoring and Review of the Control Environment	366
	Water Information and Licensing Management Application (WILMA) Development	366
	Fixed Assets	368

MINISTER FOR EMPLOYMENT, TRAINING AND FURTHER EDUCATION; MINISTER FOR SCIENCE AND INFORMATION ECONOMY

PORTFOLIO – FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Minister, namely:

- Minister for Employment, Training and Further Education
- Minister for Science and Information Economy

The agencies included herein relating to the portfolio of Further Education, Employment, Science and Technology are:

- Construction Industry Training Board
- Further Education, Employment, Science and Technology — Department of
- Flinders University of South Australia
- University of Adelaide
- University of South Australia

CONSTRUCTION INDUSTRY TRAINING BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Construction Industry Training Board (the Board), is a body corporate established under the *Construction Industry Training Fund Act 1993*.

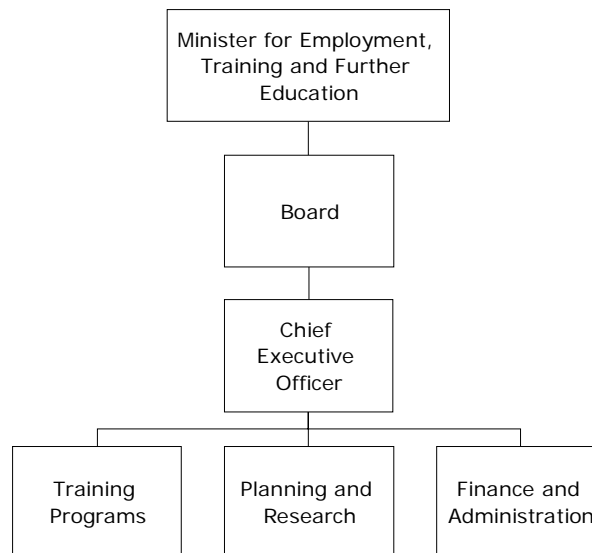
Functions

The Board's principal responsibility is to manage the Construction Industry Training Fund. This involves the imposition and collection of a levy on construction projects and the coordination of appropriate training plans and programs for the building and construction industry.

The Board also acts as a principal adviser to the relevant South Australian and Federal Ministers on any matter relating to training in the building and construction industry.

Structure

The Board's organisational structure is shown in the following diagram.



The Board has created a number of industry specific subcommittees and advisory groups to support the achievement of its objectives.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* specifically provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- levy collection, including compliance with legislative requirements;
- expenditure, including accounts payable, corporate credit card usage and salaries and wages;
- training expenditure, including the sufficiency of the procedures associated with the acquittal of funds paid.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally considered to be satisfactory. While the review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims particularly under the User Selected Funding mechanism.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards, and other mandatory professional reporting requirements, the financial position of the Construction Industry Training Board as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

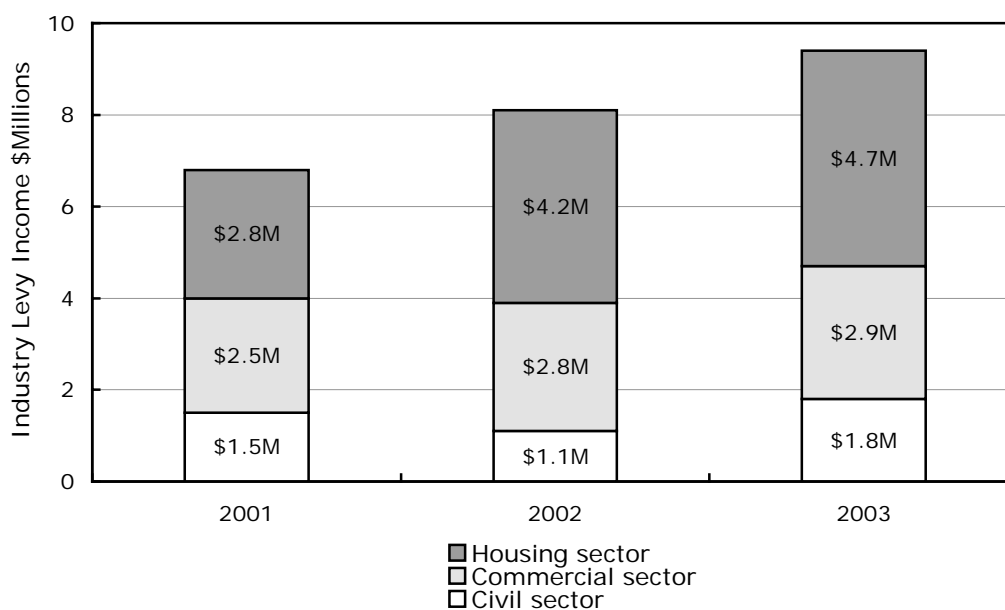
Highlights of Financial Statements

	2003 \$'000	2002 \$'000
OPERATING REVENUE		
Industry levies	9 345	8 099
Other revenue	438	572
Total Operating Revenue	9 783	8 671
OPERATING EXPENDITURE		
Training claims	7 908	6 783
Other expenses	1 817	1 973
Total Operating Expenses	9 725	8 756
Surplus (Deficit)	58	(85)
Net Cash Flows used in Operations	(574)	(45)

	2003 \$'000	2002 \$'000
ASSETS		
Current assets	7 352	7 874
Non-current assets	399	379
Total Assets	7 751	8 253
LIABILITIES		
Current liabilities	718	1 247
Non-current liabilities	26	57
Total Liabilities	744	1 304
EQUITY	7 007	6 949

Analysis of Industry Levy Income

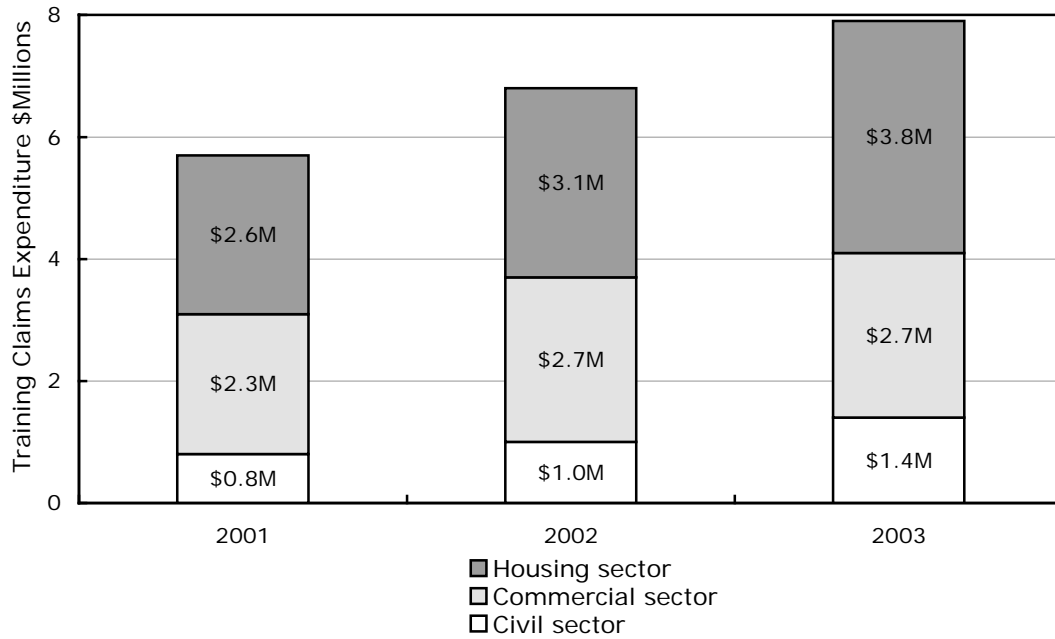
For the three years to 2003 a structural analysis of the Construction Industry Training Fund (CITF) levy income by industry sector for the Board is presented in the following chart.



In 2002-03, the CITF levy income was \$9.3 million. This represents an increase of 15 percent on the CITF levy income received for 2001-02. This increase was across all sectors, reflecting the general levels of activity within the industry, and for the Housing sector, includes the impact of the Federal Government's First Home Owners Grant.

Analysis of Training Claims Expenditure

For the three years to 2003 a structural analysis of training claims expenditure by industry sector for the Board is shown in the following chart.



In 2002-03, training claims expenditure was \$7.9 million. This represents an increase of 17 percent on training claims expenditure for 2001-02. Whilst the level of training claims expenditure increased in the Housing and Civil sectors, it remained constant in the Commercial sector. The overall increase in training claims expenditure is the result of an increase in the number of eligible workers accessing CITB funded training.

Statement of Financial Performance for the year ended 30 June 2003

		Housing Sector	Commercial Sector	Civil Sector	Other	Total	Total
		2003	2003	2003	2003	2003	2002
REVENUES FROM ORDINARY		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:	Note						
Industry levies		4 689	2 895	1 761	-	9 345	8 099
Interest on deposits		179	110	67	-	356	322
Grants	3(a)	-	-	-	39	39	143
Proceeds from disposal of assets	3(b)	8	5	3	-	16	89
Other Revenue		14	8	5	-	27	18
Total Revenues		4 890	3 018	1 836	39	9 783	8 671
EXPENSES FROM ORDINARY ACTIVITIES:							
ADMINISTRATION EXPENSES:							
Salaries and related payments		230	159	85	-	474	420
Bad debt expense		-	-	-	-	-	3
Collection Agents fees		38	1	-	-	39	57
Depreciation	4(a)	78	54	29	-	161	129
Occupancy		45	31	17	-	93	62
Other		201	139	74	-	414	467
Total Administration Expenses		592	384	205	-	1 181	1 138
TRAINING RESEARCH ACCESS AND EQUITY EXPENSES:							
Salaries and related payments		171	118	63	-	352	246
Promotion		63	44	23	-	130	149
Training claims	4(b)	3 826	2 657	1 425	-	7 908	6 783
Other		30	20	11	-	61	98
Research		26	18	10	-	54	74
Access and equity		2	2	6	-	10	81
Total Training Research Access and Equity Expenses		4 118	2 859	1 538	-	8 515	7 431
GRANT EXPENSES:							
Salaries and related payments		-	-	-	23	23	109
Depreciation	4(a)	-	-	-	3	3	20
Promotion and occupancy		-	-	-	-	-	11
Other		-	-	-	3	3	47
Total Grant Expenses		-	-	-	29	29	187
Total Expenses		4 710	3 243	1 743	29	9 725	8 756
NET OPERATING SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		180	(225)	93	10	58	(85)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		180	(225)	93	10	58	(85)

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		546	284
Receivables	5	630	846
Investments	6	6 176	6 744
Total Current Assets		7 352	7 874
NON-CURRENT ASSETS:			
Property, plant and equipment	7(a),(b)	399	379
Total Non-Current Assets		399	379
Total Assets		7 751	8 253
CURRENT LIABILITIES:			
Training expenditure approved but not yet paid	8	450	1 015
Payables	9	218	145
Employee benefits	10	50	87
Total Current Liabilities		718	1 247
NON-CURRENT LIABILITIES:			
Employee benefits	10	26	57
Total Non-Current Liabilities		26	57
Total Liabilities		744	1 304
NET ASSETS		7 007	6 949
ACCUMULATED FUNDS:			
Reserve	17	1 614	1 614
Accumulated funds	17	5 393	5 335
TOTAL ACCUMULATED FUNDS		7 007	6 949
Commitments	11		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
RECEIPTS:	Note	\$'000	\$'000
Industry training levies		9 557	7 911
Interest received		29	32
Other		32	10
Grant from Government		39	158
GST refund from Australian Taxation Office		755	590
Total Receipts		10 412	8 701
PAYMENTS:			
Payments to employees and suppliers		(2 422)	(1 484)
Training, access and equity expenditure		(8 538)	(7 089)
Grants		(26)	(173)
Total Payments		(10 986)	(8 746)
Net Cash (used in) Operating Activities	18(b)	(574)	(45)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from term deposits		76 004	40 768
Proceeds from sale of plant and equipment		16	98
Total Receipts		76 020	40 866
PAYMENTS:			
Payment for term deposits		(75 103)	(40 748)
Payment for plant and equipment		(204)	(134)
Total Payments		(75 307)	(40 882)
Net Cash provided by (used in) Investing Activities		713	(16)
NET INCREASE (DECREASE) IN CASH HELD		139	(61)
CASH AT 1 JULY 2002		284	345
CASH AT 30 JUNE 2003	18(a)	423	284

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives

The Board's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Industry Training Advisory Body;
- to act as a principal adviser to the Minister for Employment, Training and Further Education and the Minister for Education, Science and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- co-ordination of training and review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work. This revenue is invested back into the industry in the form of expenditure on training.

2. Summary of Accounting Policies

2.1 General System of Accounting Underlying the Financial Statements

The general purpose financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Accounting Standards issued in Australia, Urgent Issues Group Consensus Views, the Treasurer's Instructions for Authorities and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the Accounts.

The accrual accounting basis has been used for the preparation of the financial statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of either changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained upon their receipt by the Board or its collection agents.

Interest income is recognised as it accrues.

Grant monies for specific projects are recognised as revenue in the financial year when the monies are received, in accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions'. However, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised in the Statement of Financial Position as a result of a present obligation arising to the grantor.

2.3 Depreciation

Depreciation of assets is calculated on a straight-line basis for each class of depreciable asset so as to write off the cost of the asset over its expected useful life.

The depreciation rates used for each class of depreciable asset are set out as follows:

- | | |
|--------------------------|--------------|
| • Furniture and fittings | 20.0 percent |
| • Computer equipment | 25.0 percent |
| • Office machines | 20.0 percent |
| • Motor vehicles | 15.0 percent |

2.4 Recoverable Amount of Non-Current Assets

Non-current assets are written down to the recoverable amount where the carrying value of any non-current asset exceeds the recoverable amount.

2.5 Income Tax

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936*, as amended.

2.6 Employee Benefits

Provision has been made in the Financial Statements, where stated, for the Board's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz. workers' compensation insurance premiums and payroll tax) have been included in the determination of the liability. Payroll tax and workers' compensation insurance premiums are classified as payables.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on projected salary rates and includes employer superannuation contributions and an allocation of relevant on-costs recorded as payables.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

Long Service Leave

In calculating long service leave entitlements the Board has used a benchmark of five years as it more accurately reflects the long service leave liability. The provision includes employer superannuation contributions. Related on-costs are reported as payables.

Superannuation

The Board has contributed nine percent of the employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for the year.

2.7 Creditors and Accrued Expenses

The Board has brought to account accrued expenses at year end.

2.8 Leases

The Board leases premises and equipment for its administrative and operating activities. The leases are classified as non-cancellable operating leases and lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective lease terms.

2.9 Accrued Levy Income

Accrued levy income includes all amounts held by collection agents at balance date.

2.10 Training Expenditure Approved but Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training Expenditure Approved But Not Yet Paid'.

2.11 Sector Allocation of Income and Expenditure

The following revenue and expenditure items have been allocated between sectors based on the level of Industry Levy and Training Expenditures:

- interest on deposits
- other revenue
- salaries and related payments – administration expenses
- depreciation
- proceeds from disposal of assets
- promotion and occupancy costs
- other administration costs

Industry levy revenue, collection agents fees, sector administration fees and training, access and equity expenditures have been allocated between sectors based on actual amounts received/incurred for that sector.

2.12 Receivables

Receivables in respect of accrued levy revenue and debtors are due for settlement within thirty (30) days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

2.13 Investments

Investments represent investments in term deposits. Interest revenue is brought to account on an accrual basis.

2.14 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash flows. The GST component of the cash flows arising from investing activities, which are recoverable from or payable to, the Australian Taxation Office have however been classified as investing cash flows.

3. Operating Revenues**(a) Grants**

The Board received funding of \$39 000 (\$116 000) during the 2003 financial year from the Department of Further Education, Employment, Science and Technology to perform its Industry Training Advisory Board (ITAB) functions. At balance date it is not certain whether any additional funding will be received after this date.

(b) Proceeds and Expenses from Sale of Assets

	2003	2002
	\$'000	\$'000
Non-financial assets - Plant and equipment		
Revenue (proceeds) from sale	16	89
Expense from sale	20	97
	(4)	(8)

4. Operating Expenses	2003	2002			
(a) Depreciation	\$'000	\$'000			
The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows:					
Furniture and fittings	2	4			
Computer equipment	142	126			
Office machines	6	4			
Motor vehicles	14	15			
Total	164	149			
(b) Write Back of Training Contract Amounts	2003	2002			
	\$'000	\$'000			
Write back of training expenses	-	205			
5. Current Receivables					
The receivables due to the Board at balance date comprise:					
Accrued levy income	469	547			
Accrued interest	4	10			
Prepayments	14	15			
Trade debtors	11	119			
Less: Allowance for doubtful debts	1	1			
	10	118			
Sundry debtors	4	16			
GST receivables	129	140			
Total Current Receivables	630	846			
6. Current Investments					
The investments of the Board at balance date comprise:					
Westpac Term Deposits	42	1 623			
National Australia Bank Term Deposits	6 134	5 121			
Total Current Investments	6 176	6 744			
7. Property, Plant and Equipment					
(a) Plant and Equipment:					
Furniture and fittings at cost	35	31			
Less: Accumulated depreciation	29	26			
	6	5			
Computer equipment at cost	697	554			
Less: Accumulated depreciation	419	277			
	278	277			
Office machines at cost	41	25			
Less: Accumulated depreciation	14	8			
	27	17			
Motor vehicles at cost	104	85			
Less: Accumulated depreciation	16	5			
	88	80			
Total Plant and Equipment	399	379			
(b) Analysis of Plant and Equipment	Furniture & Fittings	Computer Equipment	Office Machines	Motor Vehicles	2003 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value at 1 July 2002	31	554	25	85	695
Plus: Purchase of assets	4	143	16	41	204
Less: Disposal of assets	-	-	-	(22)	(22)
Gross value at 30 June 2003	35	697	41	104	877
Accumulated depreciation as at 1 July 2002	27	277	8	5	317
Disposals	-	-	-	(3)	(3)
Depreciation charge for the year	2	142	6	14	164
Accumulated depreciation as at 30 June 2003	29	419	14	16	478
Net Book Value as at 30 June 2003	6	278	27	88	399
Net Book Value as at 1 July 2002	5	277	17	80	379

8. Training Expenditure Approved but Not Yet Paid	2003	2002
	\$'000	\$'000
Housing sector	149	490
Commercial sector	175	340
Civil sector	126	185
	450	1 015
9. Current Payables		
Creditors	-	34
Accruals	89	96
Bank overdraft	123	-
GST collections	-	5
On-costs on employee benefits	6	10
	218	145
10. Employee Benefits		
Current:		
Annual Leave	24	52
Long service leave	7	14
Accrued salaries and wages	14	13
Employer superannuation contributions	5	8
	50	87
Non-Current:		
Long service leave	26	57
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Current	56	97
Non-current	26	57
	82	154
11. Expenditure Commitments		
Lease commitments:		
Operating leases:		
Not later than one year	84	86
Later than one year but not more than five years	281	350
Later than five years	-	7
Aggregate lease expenditure contracted for at balance date but not provided for (including GST)	365	443
GST included in the Operating Lease commitments	33	40
The lease for office accommodation is a non-cancellable lease, with rental payable monthly in advance. Lease payments are subject to an annual increase of 4 percent.		
12. Auditors' Remuneration		
Amounts receivable by the auditors for auditing the accounts:	24	24
13. Remuneration of Directors		
Total income received, or due and receivable during the financial year by Directors was \$17 000 (\$17 000).		
	2003	2002
	Number of	Number of
	Directors	Directors
The number of Directors whose income from the entity falls within the following band is:		
\$0 - \$20 000	1	1
Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Director was \$1 570 (\$1 395).		
14. Remuneration of Executives		
Employees received remuneration in the year in the following band:		
\$100 001 - \$110 000	1	-
\$110 001 - \$120 000	-	1
15. Consultant Fees		
Total expenditure on consultants	55	33

16. Related Party Disclosures

16.1 Directors of the Construction Industry Training Board

The Directors of the Construction Industry Training Board appointed for the period 1 July 2002 to 30 June 2003:

Richard J McKay	Chairperson
Susan Frazer	
Graham Lawler	
Martin O'Malley	
Christopher Michelmore	Resigned 30th June 2002
Robert Stewart	
Brenton Gardner	
Steven Hall	
Robert Geraghty	
Trevor Trewartha	
Anne Howe	
Peter Harrland	Appointed 1st July 2002

16.2 Transactions with Director-Related Entities

The following related party transactions occurred during the financial year:

- Three of the Directors are Deputy Directors of the Construction Benefit Services (CBS) and one Deputy Director is a Director of CBS from whom the Construction Industry Training Board leased premises for its operating activities under normal terms and conditions.
- During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions with other parties.

17. Equity

The purpose of this note is firstly to explain the nature of individual reserves and secondly to explain movements in these amounts during the period.

	Housing Sector	Commercial Sector	Civil Sector	Other	2003 Total	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	3 295	671	1 435	(66)	5 335	5 316
Transfer from (to) Strategic Reserve	-	-	-	-	-	104
Surplus (deficit) for the year	180	(225)	93	10	58	(85)
Balance at 30 June	3 475	446	1 528	(56)	5 393	5 335

Reserve

The Board has provided for a Reserve to address any strategic needs that may arise which the Board considers warrant an allocation of funds.

	2003	2002
	\$'000	\$'000
Strategic reserve	1 614	1 614

18. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and investments readily convertible to cash.

Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2003	2002
	\$'000	\$'000
Cash on hand and at bank	1	240
Term deposits	545	44
Bank overdraft	(123)	-
	423	284

(b) Reconciliation of Net Operating Surplus (Deficit) from Ordinary Activities to Net Cash (used in) provided by Operating Activities

Net operating surplus (deficit) from ordinary activities	58	(85)
Depreciation	164	149
Bad debts expense	-	3
Interest on term deposits	(334)	(302)
(Decrease) increase in employee benefits	(72)	15
Decrease (increase) in debtors and accrued levy income	216	(191)
Decrease (increase) in prepayments	1	(9)
Decrease in accrued interest	5	11
(Decrease) increase in payables	(46)	7
Loss (gain) on disposal of assets	4	8
(Increase) in GST paid	(5)	(3)
(Decrease) increase in training liability	(565)	352
Net Cash used in Operating Activities	(574)	(45)

19. Financial Instruments**(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts, interest is credited to revenue as it accrues. Interest is earned on a daily balance at the prevailing daily rate for money on call and is paid at month end.

Receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Term deposits are recognised at cost. Interest is accrued as it is earned. Term deposits are with the Board's bank with interest being paid on maturity.

Financial Liabilities

Accounts payable and training expenditure approved but not yet paid are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Accounts are generally settled within 30 days.

(b) Credit Risk Exposures

The credit risk on the Board's financial assets that have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts. The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing within 1 year \$'000	Non- Interest Bearing \$'000	2003 Total \$'000	2002 Total \$'000
Financial Assets:						
Cash	3.24	545	-	1	546	284
Receivables		-	-	630	630	846
Investments	4.78	-	6 176	-	6 176	6 744
		<u>545</u>	<u>6 176</u>	<u>631</u>	<u>7 352</u>	<u>7 874</u>
Financial Liabilities:						
Training expenditure approved but not yet paid		-	-	450	450	1 015
Creditors and accrued expenses		123	-	95	218	145
		<u>123</u>	<u>-</u>	<u>545</u>	<u>668</u>	<u>1 160</u>
Net Financial Assets (Liabilities)		<u>422</u>	<u>6 176</u>	<u>86</u>	<u>6 684</u>	<u>6 714</u>

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Board approximates their carrying value.

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department was established, as an Administrative Unit pursuant to the *Public Sector Management Act 1995*, on 1 July 2002. The Department was initially established as the Department of Employment, Further Education, Science and Small Business. On 1 October 2002 the name of the Department was changed to the Department of Further Education, Employment, Science and Technology.

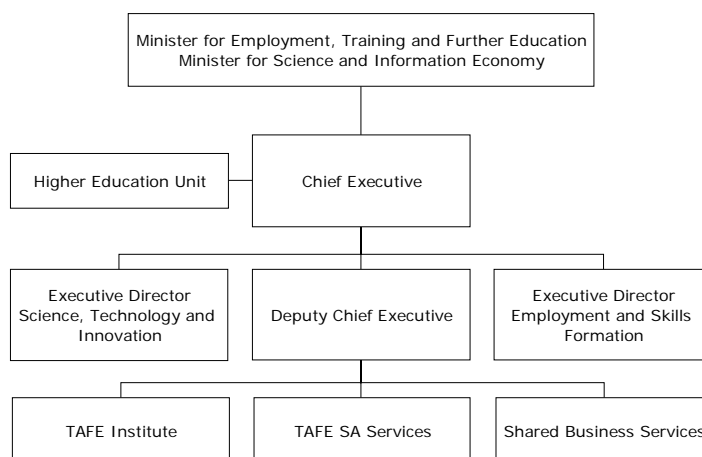
Functions

The functions of the Department of Further Education, Employment, Science and Technology include:

- maximising the benefits to South Australia from the scientific, technological, research, innovation and further education strengths of the State;
- management of TAFE SA, the public provider of vocational education and training;
- management of the State's interface with industry and commerce on training matters;
- management of the State's interaction with the Commonwealth Government on vocational education, employment and science matters, and with the Australian National Training Authority.

Structure

The structure of the Department of Further Education, Employment, Science and Technology is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Further Education, Employment, Science and Technology for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention (including aspects of Institute operations) covered:

- expenditure, including accounts payable and payroll
- revenue, including student fees and specific agreements
- general ledger
- procurement practices
- non-current assets, including adequacy of asset register maintenance
- liabilities, including provisions.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the disclosures in Note 2(b) to the financial statements concerning the Restructuring of Administrative Arrangements. The note discloses that for the purposes of determining operating expenses and revenues incurred by the Department of Education and Children's Services on behalf of the Department of Further Education, Employment, Science and Technology, an allocation process was utilised.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with the Department', is sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

Significant Matters Raised with the Department

Regency Institute

Budgetary Control and Management Reporting

There is a need to significantly improve the quality of budgetary control and management reporting at Regency. The late presentation of budget data and an inadequate analysis of variations have not assisted the Institute in being able to effectively monitor and manage its financial operations.

The Institute has advised that:

- strategies and actions have been taken to control the 2003 budget within agreed financial parameters;
- budgets for 2003 have been loaded and a strict regime of budget analysis, monitoring and reporting has been put in place;
- a process has been established to ensure rigorous budgetary planning, control and management reporting for 2004 and subsequent academic years;
- a new sub committee of Council has been established to focus on budget, strategy and performance;
- several new positions have been created with a prime focus on budgeting, planning and control, management reporting and business management.

Unsigned Agreements

In relation to two courses being conducted through the International College of Hotel Management in arrangement with external parties, the respective Agreements have not been signed despite students enrolling in courses in 2002. The rights and responsibilities of the parties to the Agreements may be compromised as a result of unsigned Agreements.

The Institute acknowledged that Agreements should be signed prior to the obligation under the Agreements being implemented. It is expected that both Agreements will soon be signed.

Adelaide Institute

Procurement Practices

Audit noted instances where the procurement practices of the Institute resulted in purchases circumventing the approved government procurement procedures and the resulting approval process. In one example, 27 purchase orders were generated to meet internal approval processes instead of seeking the requisite approval through the Authorised Purchasing Unit.

Employment Practice

It was noted that the Institute has engaged a number of employees, employed under the *Technical and Further Education Act 1976*, as Hourly Paid Instructors. This is despite the Conditions of Employment Manual prohibiting such an arrangement following advice from the Crown Solicitor.

The audit issues were referred to the Department while this Report was being prepared. A response from the Department will be received at a later date.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As this is the first year of operation of the Department, a detailed analysis of the financial statements cannot be undertaken as there are no comparative amounts. The following comments provide some analysis on financial operations of the Department.

Statement of Financial Performance

Operating Revenues

The principal source of funding for the Department is government appropriation which totalled \$210.9 million. This amount includes \$12.75 million, being a cash injection to reflect expected expenditure overruns in TAFE Institutes and employment programs. Other operating revenues included Commonwealth grants of \$90.8 million and \$65.1 million from student and other fees and charges.

Operating Expenses

Employee benefits constituted 54.2 percent, or \$209.6 million. of the total operating expenses of \$386.6 million. Other major expenses included \$21.9 million for Vocational Education and Training Provider expenses (refer Note 5) and \$14.3 million for employment programs (refer Note 6).

FURTHER COMMENTARY ON OPERATIONS

Kirby Review

On 20 August 2002, the Minister for Employment, Training and Further Education announced an examination of the Technical and Further Education (TAFE) system with the terms of reference being to examine and report on:

- legal, financial and policy requirements affecting TAFE institutes as a result of the State's participation in the national Vocational Education and Training system;
- financial and educational pressures facing the management of TAFE Institutes in meeting demand for training from individuals and industry;
- the balance needed between Institute self-government and systemic collaboration in responding to these requirements and pressures;
- structural, management and reporting arrangements among TAFE Institutes and between Institutes and the Department;
- the role, legal status and powers of Institute Councils;
- management and reporting relationships within TAFE Institutes;
- the structure and role of TAFEbiz and its relationship with the Department;
- capital planning and asset management arrangements within the TAFE systems.

In December 2002, the Kirby Report was presented to the Minister noting three concerns that stood out:

- lack of leadership provided to the system in recent years;
- the absence of any strategic planning that would set priorities with regard to State development;
- the failure to maximise the benefits of collaboration between Institutes, that had resulted in duplication and wasteful competition.

These concerns are addressed within the following principal recommendations:

- The Minister establish a new set of governance arrangements to take forward the State's role in vocational education and training and particularly its public service provision through the network of TAFE institutes.
- The Minister take immediate and longer term action to place TAFE SA on a sound and sustainable financial footing, with appropriate financial management and information systems to sustain the network into the future.

The Kirby recommendations have been accepted by Government and a departmental steering committee has been established to oversee the implementation of the recommendations. Recommendations already implemented include the establishment of:

- a TAFE SA Board to be responsible for strategic planning;
- the TAFE SA Executive with principal responsibilities including implementation of the Strategic Plan; the provision of educational leadership and providing a collegial approach to program leadership.

In addition to the Kirby recommendations, the Minister has announced that there will be a comprehensive review of all TAFE programs to ensure that they are meeting the changing needs of learners, enterprises and industries. This follows on from a recommendation in the report on Skills for the Future.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:		
Employee benefits	4	209 597
Supplies and services	5	121 932
Grants and subsidies	6	36 933
Depreciation	7	14 456
Other	8,12	3 643
Total Operating Expenses		386 561
OPERATING REVENUES FROM ORDINARY ACTIVITIES:		
Commonwealth grants	9	90 834
Student and other fees and charges	10	65 089
Other grants and contributions		5 816
Interest income		908
Other	11,12	9 817
Total Operating Revenues		172 464
NET COST OF SERVICES		214 097
REVENUES FROM STATE GOVERNMENT:		
Recurrent appropriations		201 350
Accrual appropriations		3 825
Capital appropriations		5 746
Funds from other Government entities		4 586
Total Government Revenues		215 507
SURPLUS FOR THE YEAR BEFORE RESTRUCTURING		1 410
Net revenues from restructuring	13	427 187
Surplus for the year after restructuring		428 597
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		428 597

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000
CURRENT ASSETS:		
Cash on hand, at bank and on deposit	14	38 536
Receivables	15	9 745
Other	17	2 913
Total Current Assets		51 194
NON-CURRENT ASSETS:		
Receivables	15	221
Investments	16	727
Property, plant and equipment	18	455 158
Total Non-Current Assets		456 106
Total Assets		507 300
CURRENT LIABILITIES:		
Payables	19	17 447
Employee benefits	21	17 950
Other	22	4 054
Total Current Liabilities		39 451
NON-CURRENT LIABILITIES:		
Payables	19	2 998
Interest bearing liabilities	20	499
Employee benefits	21	35 755
Total Non-Current Liabilities		39 252
Total Liabilities		78 703
NET ASSETS		428 597
EQUITY:		
Accumulated surplus		428 597
TOTAL EQUITY		428 597
Commitments	25,26	
Contingent liabilities	27	

Statement of Cash Flows for the year ended 30 June 2003

		2003
		Inflows (Outflows)
		\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:	Note	
Employee benefits		(199 032)
Supplies and services		(131 951)
Grants and subsidies		(35 055)
Other		(286)
		(366 324)
RECEIPTS:		
Commonwealth grants		90 834
Student and other fees and charges		67 834
Other grants and contributions		5 816
Interest received		957
GST receipts from taxation authority		3 832
Other		5 492
		174 765
CASH FLOWS FROM GOVERNMENT:		
Recurrent appropriations		199 472
Accrual appropriations		3 825
Capital appropriations		5 746
Funds from other Government entities		4 586
		213 629
Net Cash provided by Operating Activities	28	22 070
CASH FLOWS FROM INVESTING ACTIVITIES:		
PAYMENTS FOR:		
Purchase of non-current assets		(4 023)
PROCEEDS FROM:		
Sales of non-current assets		104
Net Cash used in Investing Activities		(3 919)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PROCEEDS FROM:		
Transfer funds from other Government entities on restructure		20 385
Net Cash provided by Financing Activities		20 385
NET INCREASE IN CASH HELD		38 536
CASH AT 1 JULY		-
CASH AT 30 JUNE	14	38 536

**Program Schedule of Department's Expenses and Revenues
for the year ended 30 June 2003**

	Employment and Skills Formation				Science, Technology	2003 Total \$'000
	VET \$'000	Higher Education \$'000	Regulatory Services \$'000	Employment Devlpmnt \$'000	and Innovation \$'000	
EXPENSES:						
Employee benefits	197 916	336	2 861	6 129	2 355	209 597
Supplies and services	108 945	19	789	10 950	1 229	121 932
Grants and subsidies	14 720	-	49	14 509	7 655	36 933
Depreciation	14 456	-	-	-	-	14 456
Other	3 643	-	-	-	-	3 643
Total Operating Expenses	339 680	355	3 699	31 588	11 239	386 561
REVENUES:						
Commonwealth grants	87 365	-	-	1 787	1 682	90 834
Student and other fees and charges	65 085	-	-	3	1	65 089
Other grants and contributions	5 444	-	-	80	292	5 816
Interest income	867	-	-	-	41	908
Other	8 143	-	270	615	789	9 817
Revenues from State Govt	174 205	355	3 429	28 219	9 299	215 507
Total Operating Revenues	341 109	355	3 699	30 704	12 104	387 971
SURPLUS FOR THE YEAR	1 429	-	-	(884)	865	1 410

A Program Schedule of the Department's Assets and Liabilities has not been produced, as that information is not readily available.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

This is the first general purpose financial report for the Department of Further Education, Employment, Science and Technology (DFEEST) which was established as a new administrative unit in 2002-03. The new agency was initially named the Department of Employment, Further Education, Science and Small Business from 1 July 2002 but was retitled to the Department of Further Education, Employment, Science and Technology from 1 October 2002 and comprised a number of units from within the former Department of Education, Training and Employment, the Department of the Premier and Cabinet and Department for Administrative and Information Services.

1. Objectives and Funding

(a) Objectives

DFEEST is a new agency contributing to the economic prosperity and social well-being of South Australia through workforce development which focuses on skill formation and employment development, and by building the research and innovative capacity of the State.

DFEEST has responsibilities for:

- whole of government advice on skill formation, employment, research, technology and innovation to underpin economic development and social inclusion;
- maximising the benefits to South Australia from the scientific, technological, research, innovation and further education strengths of the State;
- strategic planning and policy development in vocational education and training, adult community education and higher education to promote quality, accessibility and enhanced skill formation outcomes from the State's further education infrastructure, including advising the State Training Authority on planning issues;
- management of TAFE SA, South Australia's public provider of vocational education and training;
- management of the State's interface with industry and commerce on training matters;
- management of the State's interaction with the Commonwealth Government on vocational education, employment and science matters, and with the Australian National Training Authority, and in so doing maximising South Australia's funding and advantage from national programs;
- provision of strategic policy advice for the information economy and the Information Communication Technology and biotechnology sectors;
- contributing to the establishment of South Australia as a preferred international education capital;
- development of the State's research capacity and infrastructure involving both higher education and industry;
- supporting the Premier's Science and Research Council as the source of strategic advice to Government;
- provision of a leadership focus for the State's interactions with universities.

(b) Financial Statements

The Department is predominantly funded by State Government appropriations supplemented by some Commonwealth grants. In addition, some revenues are generated on a sales or fee for service basis. These include:

- student fees and charges;
- training for various organisations;
- sale of curriculum material;
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987* and to comply with the *Australian National Training Authority Act 1992*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements have been prepared on the accrual basis of accounting and in accordance with the historical cost convention, except as otherwise stated.

(b) Restructuring of Administrative Arrangements

Throughout 2002-03, the Department of Further Education, Employment, Science and Technology corporate financial transactions were undertaken in the Department of Education and Children's Services (DECS) accounting system which did not fully differentiate the cost of shared corporate services between the two agencies, nor the respective balances for the Statement of Financial Position.

For the purposes of determining opening balances of the assets and liabilities as at 1 July 2002 for DFEEST and operating expenses and revenue incurred by DECS on behalf of DFEEST during the 2002-03 financial year, a review was undertaken to ensure they were determined based on a fair and equitable allocation process agreed to by both agencies. This process included the establishment of a Joint Steering Committee to oversee the process and establishment of several Functional Reference Organisational Groups which recommended corporate budget allocations and related expenditure for 2002-03.

In addition the Department assumed responsibility for the Office of Innovation and Centre for Lifelong Learning from the Department of the Premier and Cabinet effective 1 July 2002, and the Information Economy Policy Office from the Department for Administrative and Information Services effective 1 October 2002.

The net revenues from restructuring of administrative arrangements are disclosed at Note 13.

(c) **Income Recognition**

Appropriations, grants, donations, gifts and bequests, and other contributions are recognised as revenues when the Department obtains control. Control is normally obtained upon their receipt.

Revenues in respect of sales and student and other fees and charges are billed and recognised when the services have been rendered or goods despatched.

(d) **Employee Benefits and Employment Related Expenses**

Provisions have been established for the Department's liability for various employee benefits arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. Employee benefits include entitlements to wages and salaries, long service leave, annual leave, non-attendance days and superannuation.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1976* but are non-cumulative. Employment related expenses include on-costs such as payroll tax on employee entitlements together with the workers' compensation insurance premium.

(i) **Employee Benefits**

(a) **Salaries, Wages, Annual Leave and Non-Attendance Days**

Liabilities for salaries, wages, annual leave and non-attendance days are recognised, and are measured at their nominal amount in respect of employees' services up to that date.

The annual leave and non-attendance days entitlements are calculated by multiplying each employee's entitlement by their nominal amount at the reporting date. Where leave loadings are paid, they are included in the calculation.

(b) **Long Service Leave**

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.

Long service leave liability entitlements have been calculated using an Education specific benchmark of ten years, advised by the Department of Treasury and Finance, based on current salaries and wages.

(c) **Superannuation**

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(d) **Sick Leave**

Sick leave is not provided for in the financial report as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employees' current entitlement.

(e) **Workers Compensation**

To reflect the liability for outstanding (unsettled) workers compensation claims a provision is raised. The amount of the provision is based on an actuarial assessment prepared for the Department for Administrative and Information Services, Occupational Health and Injury Management Branch.

Lump sum payments and legal costs are a liability of the Department for Administrative and Information Services and therefore are not a liability of the Department.

(ii) **Employment Related Expenses**

(a) **Fringe Benefits Tax**

The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any unpaid fringe benefits tax at period end is shown as a liability in the Statement of Financial Position.

(b) **Payroll Tax**

Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee entitlement liabilities is also shown as a liability in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Financial Performance. The payroll tax liability is only payable when the employee entitlements are paid.

(c) **WorkCover Premium**

This expense is calculated at a percentage rate applied to gross salaries as determined by WorkCover Corporation. This expense is a charge in the Statement of Financial Performance and any unremitted amounts to WorkCover Corporation are expressed as a liability in the Statement of Financial Position.

(e) Repairs and Maintenance

Generally repairs and maintenance costs are expensed as incurred. However, repairs and maintenance are recognised as increases in assets (ie capitalised) if expenditure results in:

- (i) an effective increase in the future economic benefits that are expected to be derived from using the asset and the increase in future benefits that will be utilised; and/or
- (ii) an effective increase in the quality of the services provided by the asset beyond that previously determined; and/or
- (iii) an effective extension to the asset's useful life as a result of the expenditure.

(f) Receivables

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and an allowance is raised in respect of any balance where recovery is considered doubtful.

(g) Allowance for Doubtful Debts

The allowance for doubtful debts is established based on a review of outstanding amounts at year end. Bad debts are written off when they are identified as irrecoverable.

(h) Inventory

Inventories are measured as the lower of cost (as determined by the latest purchase price) and net realisable value.

(i) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

Details of commitments of current non-cancellable operating leases are disclosed at Note 25.

(j) Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by the Department.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than five years are to be revalued at intervals not exceeding three years. The relevant classes are shown as revalued amounts in the Statement of Financial Position.

In accordance with Accounting Policy Statement APS No 3 'Valuation of Non-Current Assets' issued by the Department of Treasury and Finance, the Department has elected to measure each class of non-current asset on the fair value basis as required by Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 1 January 2002. Land purchased after this date is recorded at cost.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates. The valuations for buildings are current as at 31 March 2002 and paved areas are current as at 31 March 2001. The building data provided in the statements relates specifically to buildings and paved areas. The building data excludes fencing, landscaping, infrastructure, pergolas and sheds because they either cannot be reliably measured or no information is centrally recorded.

Buildings under construction are recorded as work in progress and are valued at cost.

Library Collection

The library collection is recorded at valuation. The valuation for collections within TAFE Institutes was carried out as at 30 June 2002 by VALCORP Aust Pty Ltd, and is on the basis of written down current cost.

Plant and Equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation. Only individual items costing \$5 000 or more are capitalised and recorded in the Statement of Financial Position. Items under \$5 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

(k) Depreciation of Non-Current Assets

Non-current assets with an acquisition cost individually equal to or greater than \$5 000 are systematically depreciated using the straight line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. Depreciation rates are reviewed annually by the Department.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Other plant and equipment	7 - 40

(l) Payables

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Investments

Investments are carried in the Statement of Financial Position at the lower of cost and recoverable amount.

(n) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

(o) Cash Alignment Policy

The Government is considering introducing a new policy with respect to aligning agency cash balances with appropriation and expenditure authority. It is not practical to estimate the potential effect this may have on the financial position of the Department. This policy may come into effect during the course of 2003-04 and, depending on implementation arrangements, the Department may be required to transfer a portion of its cash balance to the Consolidated Account effective on or after June 2004.

(p) Rounding

All amounts are rounded to the nearest thousand dollars.

(q) Comparative Figures

As this is the first report for the Department there are no comparative amounts shown.

3. Programs and Sub-Programs

The programs and sub-programs presented in this report are:

Program 1: Employment and Skills Formation

Description/Objective: To strengthen the economic prosperity and social well-being of South Australia through strategic employment and skills formation activity.

Sub-Program 1.1 Vocational Education and Training

Provision of vocational education and training by TAFE institutes and other providers outside the school sector (including publicly funded Adult Community Education), including contestable and non-contestable of funding; policy advice and support for post-secondary education.

Sub-Program 1.2 Higher Education

Provision of advice to the Minister on higher education policy and planning.

Sub-Program 1.3 Regulatory Services

Provision of registration, accreditation and approval services for registered training organisations, and the regulation of apprenticeships and traineeships.

Sub-Program 1.4 Employment Development

Assisting individuals into employment and assisting organisations/communities to provide employment pathways, particularly for disadvantaged target groups.

Program 2: Science, Technology and Innovation

Description/Objectives: Provides the Government's principal strategic focus for science, technology and innovation policy development and program delivery in South Australia that links the government, business, industry and education sectors.

4. Employee Benefits	2003
	\$'000
Salaries and wages (including annual leave)	169 561
Superannuation	17 854
Payroll tax	10 976
Long service leave	8 063
Workers' compensation	1 867
Other employee related costs	1 276
	<u>209 597</u>
5. Supplies and Services	
VET Provider Expenses	21 916
Printing and consumables	12 971
Minor works, maintenance and equipment	12 669
Computer Communications	11 954
Fees - Contractors, consultants and other outsourced services	10 958
Trainee reimbursements	8 258
Telecommunications	7 863
Utilities	6 703
Cleaning	6 644
Vehicle and travelling expenses	6 097
Rentals and leases	3 157
Other	12 742
	<u>121 932</u>
Consultancy Fees	
The Department engaged consultants during the period and incurred expenses of \$185 000.	
6. Grants and Subsidies	
Major grants and subsidies comprise:	
Employment programs	14 267
Vocational education and training programs	11 435
Science and technology programs	6 427
ANTA infrastructure program	4 612
Other specific grants	192
	<u>36 933</u>
7. Depreciation	
Depreciation expense for the reporting period was charged in respect of:	
Buildings and improvements	12 468
Computing, communication equipment, furniture and equipment	1 988
	<u>14 456</u>
8. Other Expenses	
Reduction in/written down value on disposal of non-current assets	2 528
Auditors' remuneration - auditing services*	343
Reduction in the value of investments	285
Share of net losses from associates	261
Allowance for doubtful debts and debt write-offs	226
	<u>3 643</u>
* The auditor provided no other services and received no other benefits.	
9. Commonwealth Grants	
Recurrent Grants:	
General purpose	66 141
Specific purpose	8 618
	<u>74 759</u>
Capital Grants:	
General purpose	11 800
Specific purpose	4 275
	<u>16 075</u>
Total Commonwealth Grants	<u>90 834</u>
10. Student and Other Fees and Charges	
Sales/Fee-for-service revenue	34 681
Student enrolment fees and charges	28 143
Other user fees and charges	2 265
	<u>65 089</u>
11. Other Revenues	
Assets recognised for the first time	3 628
Proceeds from sales of non-current assets	125
Sundry revenue	6 064
	<u>9 817</u>

12. Net Loss on Disposal of Non-Current Assets	2003
	\$'000
Proceeds from disposals	125
Less: Written down value	<u>2 528</u>
Loss on disposals	<u><u>2 403</u></u>
13. Net Revenues from Restructuring of Administrative Arrangements	
The net revenues/expenses relating to the restructure of administrative arrangements are as follows:	
Department of Education and Children's Services ^(a)	423 870
Technical and Further Education	
Office of Vocational Education and Training	
TAFEBizSA	
Office of Employment and Youth (employment issues and initiatives)	
Department of the Premier and Cabinet ^(b)	(268)
Office of Innovation	
Centre for Lifelong Learning and Development	
Department for Administrative and Information Services ^(c)	3 585
Information Economy Policy Office	
	<u><u>427 187</u></u>
(a)	During the 2002-03 financial year, the Department assumed responsibility for Technical and Further Education, Office of Vocational Education and Training, TAFEBizSA and the employment component of Employment and Youth from the Department of Education and Children's Services (formerly the Department of Education, Training and Employment) effective 1 July 2002. The following assets and liabilities were transferred:
	2003
	\$'000
Assets:	
Cash	16 916
Receivables	8 357
Investments	974
Property, plant and equipment	464 636
Other	2 542
Liabilities:	
Payables	(19 186)
Interest bearing liabilities	(499)
Employee benefits	(45 851)
Other	<u>(4 019)</u>
	<u><u>423 870</u></u>
(b)	During the 2002-03 financial year, the Department assumed responsibility for the Office of Innovation and Centre for Lifelong Learning from the Department of the Premier and Cabinet effective 1 July 2002. The following assets and liabilities were transferred:
	2003
	\$'000
Assets:	
Property, plant and equipment	51
Liabilities:	
Payables	(17)
Employee benefits	<u>(302)</u>
	<u><u>(268)</u></u>
(c)	During the 2002-03 financial year, the Department assumed responsibility for the Information Economy Policy Office from the Department for Administrative and Information Services effective 1 October 2002. The following assets and liabilities were transferred:
	2003
	\$'000
Assets:	
Cash	3 469
Receivables	46
Investments	300
Property, plant and equipment	148
Liabilities:	
Payables	(61)
Employee benefits	<u>(317)</u>
	<u><u>3 585</u></u>
14. Cash on Hand, at Bank and on Deposit	
Accrual appropriation excess fund Special Deposit Account with the Department of Treasury and Finance	
	17 763
Special Deposit Accounts with Department of Treasury and Finance	20 140
Cash at bank and on hand	<u>633</u>
	<u><u>38 536</u></u>

The Special Deposit Accounts are bearing floating interest rates determined by the applicable 90 day bank bill rate.

15.	Receivables		2003
	Current:		\$'000
	Fees and charges receivables		7 167
	Less: Allowance for doubtful debts		409
			6 758
	GST recoverable from the ATO		2 883
	Other receivables		104
			9 745
	Non-Current:		
	Workers Compensation receivable		221
			221
16.	Investments		
	Non-Current:		
	Shares in Associated company (refer below)		712
	Shares in Ngapartji Pty Ltd (refer below)		15
			727
	Subsidiary Company		
		Austraining International Pty Ltd	
		2003	
		\$'000	
	Interest in associated companies		400
	Share of retained profit		312
	Equity accounted amount of investment in associated companies		712
	Retained profits attributable to associated companies:		
	Balance at 1 July		491
	Share of operating loss and extraordinary items after income tax		(179)
	Balance at 30 June		312

Ngapartji Pty Ltd (Ngapartji)

The Minister for Science and Technology is the owner of one \$1 'A' class share in Ngapartji issued at par. In addition the Minister owns 300 \$1 'B' class (non-voting) shares issued at a premium of \$999 per share. Ngapartji closed in March 2003. It is expected there will be a small amount available for distribution to shareholders.

Austraining International Pty Ltd

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is based on unaudited financial statements as at 30 June 2003. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

17.	Other		2003
			\$'000
	Prepayments		1 829
	Inventories		1 084
			2 913
18.	(a) Property, Plant and Equipment		
		2003	
		Cost or	Accumulated
		Valuation	Depreciation
		\$'000	\$'000
		Written	Down Value
		\$'000	\$'000
	Land at valuation*	39 134	-
	Land at cost	395	-
	Buildings and improvements at valuation*	569 744	262 699
	Buildings and improvements at cost	69 274	2 234
	Computing, communication equipment, furniture and equipment at cost	35 125	19 422
	Construction work in progress	587	-
	Libraries at valuation*	25 254	-
		739 513	284 355
			455 158

* Valuations of land were performed at 1 January 2002 by the Valuer-General, buildings and improvements at 31 March 2002 and 31 March 2001 respectively by the Department of Administrative and Information Services and libraries at 30 June 2002 by VALCORP Aust Pty Ltd.

(b) Reconciliations

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

	2003							30.06.03 Carrying Amount \$'000
	Transfers in from other Govt Entities \$'000	Additions \$'000	Disposals \$'000	Transfer from WIP \$'000	Other Movements \$'000	Depreci- ation \$'000		
Land at valuation	40 412	349	1 627	-	-	-	39 134	
Land at cost	-	395	-	-	-	-	395	
Buildings and improvements at valuation	318 466	-	113	-	-	11 308	307 045	
Buildings and improvements at cost	64 389	2 946	-	865	-	1 160	67 040	
Computing, communication equipment, furniture and equipment at cost	15 802	2 397	788	-	280	1 988	15 703	
Construction work in progress	512	1 032	-	(865)	(92)	-	587	
Libraries at valuation	25 254	-	-	-	-	-	25 254	
	464 835	7 119	2 528	-	188	14 456	455 158	
19. Payables							2003	
Current:							\$'000	
Trade creditors							11 988	
Accruals							2 887	
On-costs on employee benefits							2 541	
Other							31	
							17 447	
Non-Current:								
On-costs on employee benefits							2 998	
20. Interest Bearing Liabilities								
Non-Current:								
Advances							499	
21. Employee Benefits								
Current:								
Accrued salaries and wages							5 355	
Provision for annual leave							4 685	
Provision for non-attendance days							3 559	
Provision for long service leave							2 446	
Workers Compensation							1 905	
							17 950	
Non-Current:								
Provision for long service leave							28 425	
Workers compensation							7 330	
							35 755	
Employee Benefits and Related On-Cost Liabilities								
Current:								
On-costs included in payables (Note 19)							2 541	
Provision for employee benefits (Note 21)							17 950	
							20 491	
Non-Current								
On-costs included in payables (Note 19)							2 998	
Provision for employee benefits (Note 21)							35 755	
							38 753	
Aggregate Employee Benefits and Related On-Costs Liabilities							59 244	
22. Other Liabilities								
Deposits							2 605	
Unearned revenue							1 423	
Other liabilities							26	
							4 054	

23. Remuneration of Employees	2003
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees
\$100 000 - \$109 999	11
\$110 000 - \$119 999	4
\$120 000 - \$129 999	5
\$130 000 - \$139 999	1
\$140 000 - \$149 999	2
\$150 000 - \$159 999	1
\$160 000 - \$169 999	1
\$170 000 - \$179 999	1
\$180 000 - \$189 999	1
\$250 000 - \$259 999	1
\$260 000 - \$269 999	1
	29
	29

Total remuneration received or due and receivable by the above employees was \$3.9 million (included in employee benefits).

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP). The TVSP impact on employee numbers and amounts is disclosed in Note 24.

During the year, two employees who transferred to the Department as a result of Government administrative restructures, had remuneration exceeding \$100 000. In relation to these employees, the full year total remuneration amounting to \$286 000 was included in the calculation of this remuneration note. This remuneration included \$200 000 paid by this Department and \$86 000 paid by the transferor department.

24. Targeted Voluntary Separation Packages (TVSPs)

There were no Targeted Voluntary Separation Packages paid during the reporting period.

25. Operating Leases

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Statement of Financial Position.

	2003
	\$'000
Payable no later than one year	2 749
Payable later than one year and not later than five years	5 532
Payable later than five years	270
Total (including GST)	8 551
	8 551
GST included in operating lease commitments	767
	767

26. Commitments for Capital Expenditure

At the end of the reporting period the Department had not entered into any contracts for capital expenditures which are not taken up in the financial statements.

27. Contingent Liabilities

At the end of the reporting period, the Department had a number of outstanding personal injury claims which meet the definition of liabilities but have not been recognised because they cannot be measured reliably.

28. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

	2003
	\$'000
Net Cash Provided by Operating Activities	22 070
Depreciation	(14 456)
Bad and doubtful debts	(226)
Investments - share of operating losses	(261)
Net assets recognised for first time	3 628
Decrement in value of assets	(285)
Loss on sale of assets	(2 403)
Increase in employee benefits	(9 474)
Increase in receivables	1 790
Increase in other current assets	371
Decrease in payables	691
Increase in other liabilities	(35)
Revenues from Government	(215 507)
Net Cost of Services	(214 097)
	(214 097)

29. Financial Instruments

(a) Accounting policies and Terms and Conditions Affecting Future Cash Flows
Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable 90 day bank bill rate

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

(a) Accounting policies and Terms and Conditions Affecting Future Cash Flows (continued)

Loans are recognised at the amounts lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than likely. Interest is credited to revenue as it accrues. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense when it is due.

All assets and liabilities are unsecured.

(b) Credit Risk Exposures

The credit risk on financial assets of the Department which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts.

(c) Interest Rate Risk Exposures

The Department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	2003			Total \$'000
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	
Financial Assets:				
Cash and deposits	4.598	37 903	633	38 536
Receivables		-	9 966	9 966
Investments		-	727	727
		37 903	11 326	49 229
Financial Liabilities:				
Trade and other creditors		-	14 066	14 066
Interest bearing liabilities		-	499	499
Other liabilities		-	2 631	2 631
		-	17 196	17 196
Net Financial Assets (Liabilities)		37 903	(5 870)	32 033

(d) Net Fair Value of Financial Assets and Financial Liabilities

The net fair value of financial assets and financial liabilities of the Department approximates their carrying value.

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

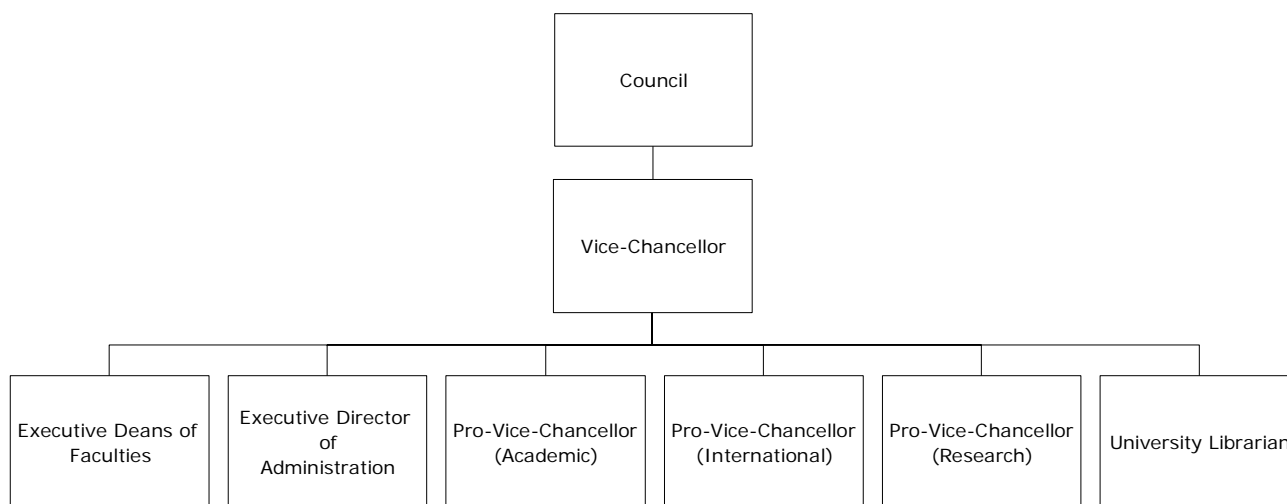
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council.

Functions

The functions of the University are to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

Structure

The structure of The University is illustrated in the following organisation chart:



As at 31 December 2002 the University had a number of controlled entities. Major entities include:

- *Flinders Consulting Pty Ltd*

The company's prime objective is to maintain a commercial operation that arranges the conduct of consultancies and other business objectives from which The University derives financial benefits. It utilises the skills and knowledge of the University staff, and engages and coordinates the specialist skills of external organisations and individuals.

- *Flinders Technologies Pty Ltd*

The company markets the University's intellectual property and negotiates the business arising therefrom.

- *Airborne Research Australia Pty Ltd*

The company's main activity relates to atmospheric research and includes high resolution physical and chemical measuring and analyses, research and monitoring, radiometry and remote sensing.

Full details of controlled entities are provided at Note 27 to the Financial Statements.

Audit Committee

As part of The University's corporate governance, the Council established an Audit Committee which comprises five external members, of whom two are members of Council, and it operates within the framework of a Charter. The Audit Committee's primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Audit representatives attended Audit Committee meetings throughout the year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of The University for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the University in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

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

For the year ended 31 December 2002, specific areas of audit attention included:

- expenditure and accounts payable
- revenue and debtors
- payroll
- assets
- liabilities
- computer processing environment
- controlled entities.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor. The response to the management letter was generally considered to be satisfactory. Major matters raised with the University and the related response are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Funding Act 1988*, Applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of The Flinders University of South Australia and of the economic entity as at 31 December 2002 and the results of their operations and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with Agencies', is sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Preparation of Annual Financial Statements

Audit raised with the University the need to improve some processes leading to the production of the annual financial statements. In particular, review processes need to be put in place to gain a greater level of assurance that a complete set of financial statements are produced by targeted dates each year and that these statements have been subject to thorough quality assurance processes to ensure their completeness and accuracy.

The University responded satisfactorily to the matters raised by Audit.

Computer Processing Environment

Audit observed that Information Services Division does not have a documented:

- Information Technology Strategic Plan; or
- Business Continuity Plan.

In addition, information security policies and procedures are in draft form and not approved by management.

Audit believes that attending to these matters would enhance controls within the computer processing environment.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration to the Audit suggestions having regard to its assessment of risk and feasibility relevant to the issues raised.

Other Matters

Other matters raised by Audit mainly relate to improving internal control procedures over the daily processing of transactions within the fixed assets, payroll, revenue and accounts payable systems. Audit believes that enhancing control processes in these areas will help reduce the possibility of errors or unauthorised transactions.

These include:

- Fixed assets: improvement required with respect to reconciliation processes between the asset register and the general ledger and control processes relating to the disposal of assets and stock take functions;
- Payroll and Personnel: review required of the process of updating new casual employees to the payroll system to ensure that only bona fide employees are included;
- Revenue from General Debtors: improvement required of controls over the issuance of credit memos;
- Accounts Payable: improvement required in controls over the updating of the vendor masterfile.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration to the Audit suggestions having regard to its assessment of risk and feasibility relevant to the issues raised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements (Consolidated)

	2002 \$'million	2001 \$'million	Percentage Change
OPERATING REVENUE			
Commonwealth Government financial assistance	92	89	3
HECS	32	31	3
Fees and charges	24	20	20
Other	37	34	9
Total Operating Revenue	185	174	6

	2002 \$'million	2001 \$'million	Percentage Change
OPERATING EXPENDITURE			
Employee benefits	116	111	5
Other expenses	60	56	7
Total Operating Expenses	176	167	5
Net Operating Result	9	7	29
Net Cash Flows from Operations	19	10	90
ASSETS			
Current assets	42	35	20
Non-current assets	243	233	4
Total Assets	285	268	6
LIABILITIES			
Current liabilities	23	20	15
Non-current liabilities	37	35	6
Total Liabilities	60	55	9
EQUITY	225	213	6

Statement of Financial Performance (Consolidated)

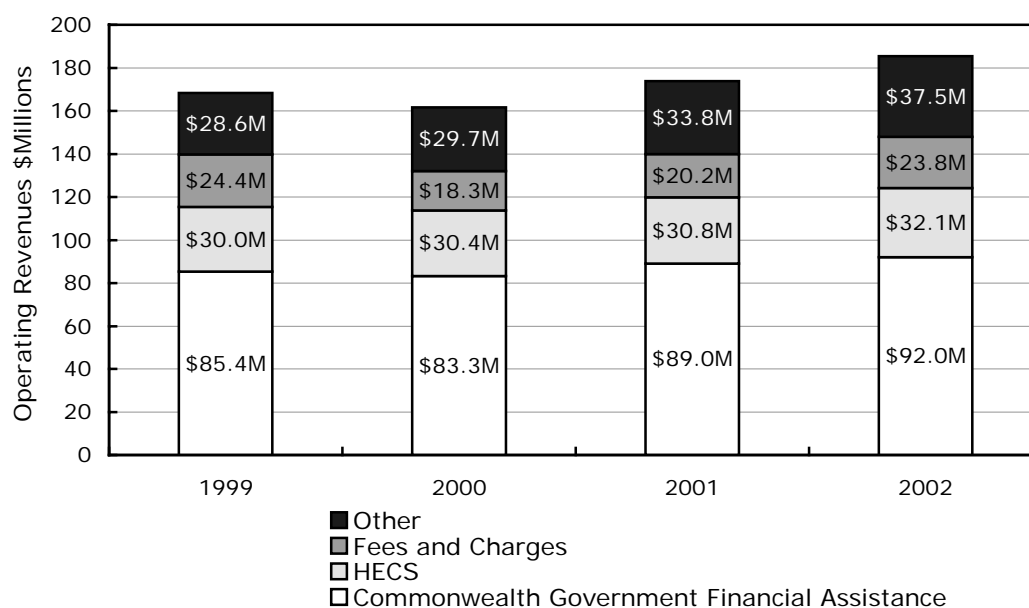
Operating Revenues

Revenue from ordinary activities increased by \$11.6 million (6 percent). Included in this amount were increases of:

- \$3 million (3 percent) in Commonwealth Government financial assistance (excluding HECS).
- \$3.6 million (18 percent) in Fees and charges.

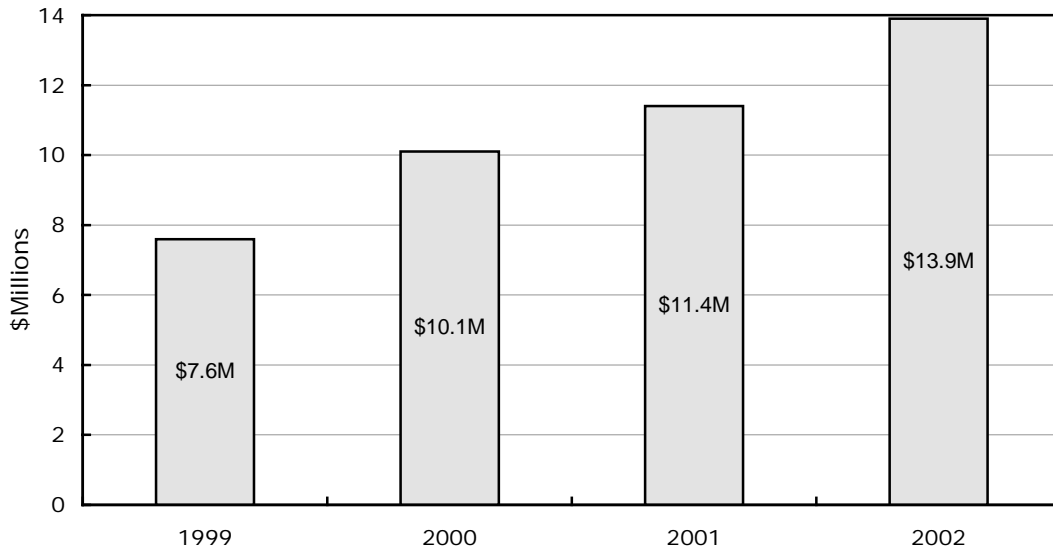
Included in other Operating Revenue is an amount of \$2.3 million (\$200 000) relating to a deferred Government Superannuation contribution. This is offset by a corresponding expense. Therefore, there is no effect on the Operating Result from Ordinary Activities. Refer to Note 21 to the financial statements for further details of this arrangement.

A structural analysis of operating revenues for the University for the four years to 2002 is presented in the following chart.



The preceding chart shows that although the University is dependent to a large extent on financial assistance from the Commonwealth Government it is increasing the proportion of revenue from Fees and Charges and Other Revenue.

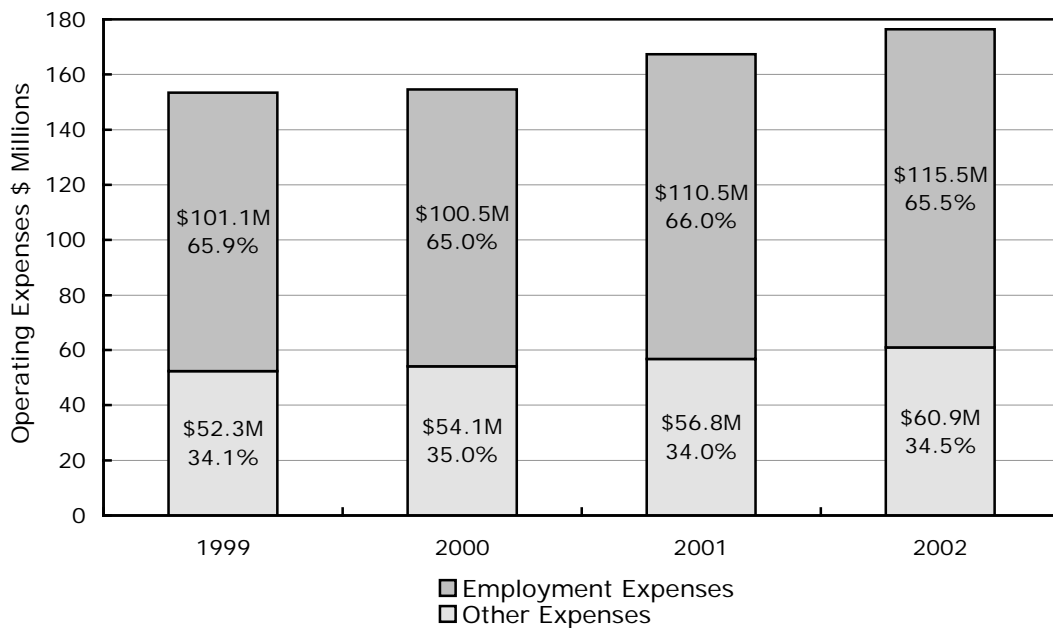
The following chart highlights the upward trend in revenue from fee paying overseas students. This increase is predominantly due to an increase in student enrolments.



Operating Expenses

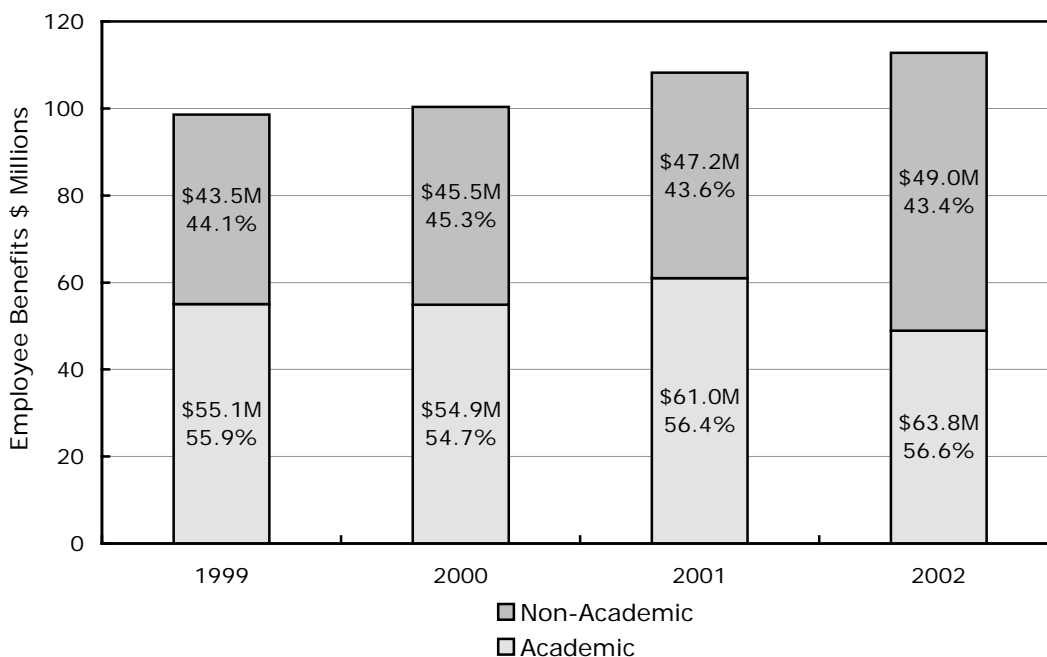
During the year ended 31 December 2002, total operating expenses rose by \$9.1 million (5 percent) to \$176.4 million. Employment benefits expenses increased by \$5.0 million (5 percent) to \$115.5 million. The main reason for this increase was redundancy expenses amounting to \$1.6 million. In addition, other expenses increased by \$4.1 million (7 percent) to \$60.9 million. The increase was due mainly to increases in consultancy expenditure of \$1.3 million which predominantly related to expenditure of funds on a joint venture and an increase in travel of \$1 million.

A structural analysis of the main operating expense items for the University is shown in the following chart.



The preceding chart shows the proportion of employment expenses to total expenditure has remained constant over the last three years. Prior to 2001 recoups of expenditure were offset against expenditure.

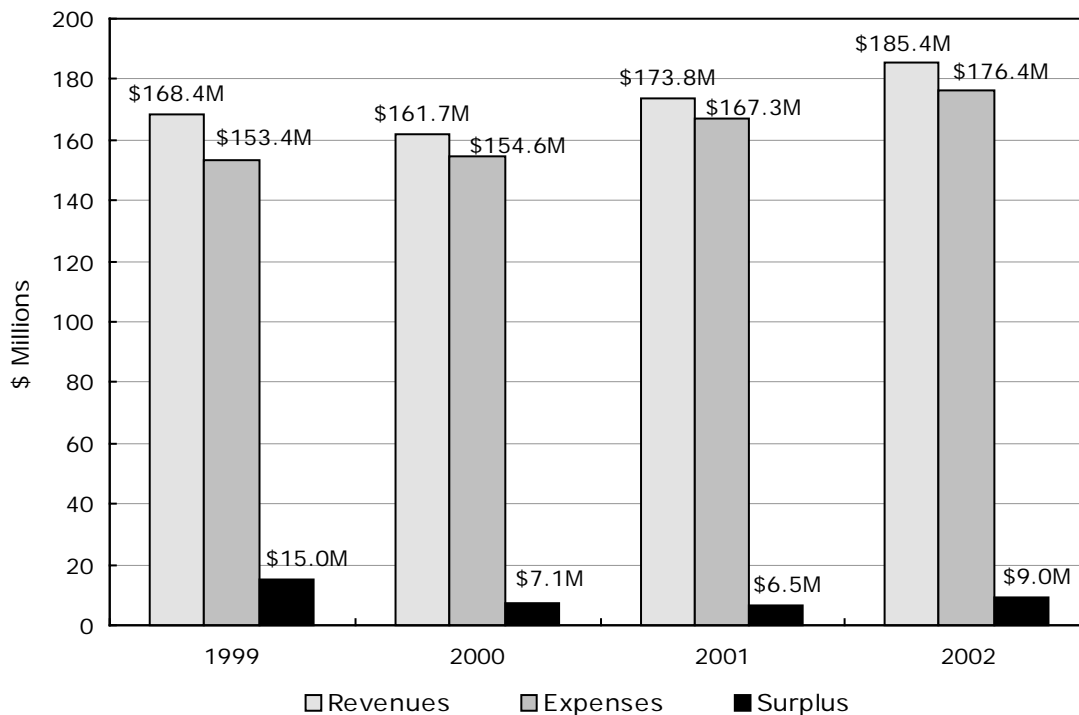
The following chart shows that the proportion of academic to non-academic employee benefits has remained consistent over the last four years. This chart reflects the parent entity only.



Operating Result

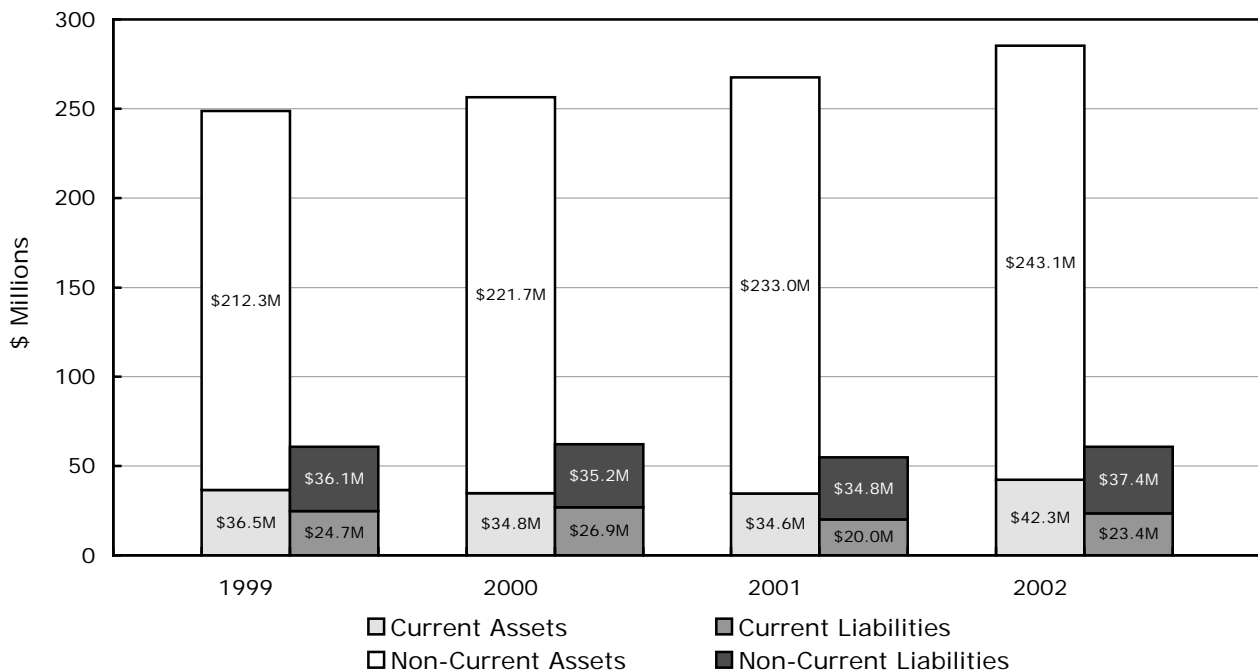
The University has recorded a small surplus for the year ended 31 December 2002. This represents 5 percent of total operating revenues. The surplus has remained consistent over the last three years.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2002.



Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2002 is shown in the following chart.



The structural analysis shows an increase in assets over the period under review of \$36.6 million (14.7 percent) compared to little change overall in liabilities. Non-current assets increased by \$30.8 million (14.5 percent) predominantly due to capital expenditure and revaluations upwards of property, plant and equipment of \$15.5 million, and other financial assets of \$13.7 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
Net Cash Flows				
Operations	18.8	10.4	6.3	15.2
Investing	(9.3)	(18.3)	2.5	(15.4)
Change in Cash	9.5	(7.9)	8.8	(0.2)
Cash at 30 June	12.0	2.5	10.4	1.6

The analysis of cash flows shows that cash has increased as the University has made a conscious decision to draw down investments, as it is envisaged that additional student housing that is being built (refer Commentary on Operations section) will be financed from cash reserves.

The increased cash flow from Operations is consistent with changes to the Statement of Financial Performance.

FURTHER COMMENTARY ON OPERATIONS

Student Housing

In August 2002 Council approved the construction of 40 accommodation units on University land which will provide an additional 200 beds for students. This is expected to enhance the University's ability to attract students. On campus accommodation through Flinders Housing (a unit of the University) has full occupancy during term time and demand currently outweighs supply. As the number of international students are increasing so is demand for accommodation. This will also assist in the provision of accommodation for rural students attending the University.

A Master Plan for residential housing was approved in 1996. This development is consistent with the plan. In addition, the present proposal was included in the Capital Plan 2001 - 2010 that was approved by Council in 2001.

The proposal to construct additional student accommodation on campus, with a proposal for funding the development, and accompanied by a risk assessment, was considered by the University's Infrastructure Committee at its meeting held in June 2002. At that meeting, the proposal was endorsed and it was subsequently endorsed by the Resources Committee at its meeting held in July 2002.

The capital cost of the proposed development is \$ 11.9 million. The project will be financed by the University out of existing cash and other investments but may require external financial assistance from time to time to maintain adequate cash liquidity for the University.

It is intended that the Student Housing development will be self funding and will generate an income stream for the University in the longer term. The project is expected to be completed in December 2003. Expenditure to 31 December 2002 was \$1.5 million.

Statement of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from Ordinary Activities:					
Commonwealth Government financial assistance	1(k),2.1	91 997	89 034	91 943	88 856
State Government financial assistance	2.2	5 544	4 875	5 544	4 875
Higher Education Contribution Scheme:					
Student contributions		4 124	3 626	4 124	3 626
Commonwealth payments		27 996	27 230	27 996	27 230
Postgraduate Education Loan Scheme		721	-	721	-
Fees and charges	1(k),2.3	23 846	20 185	21 855	18 478
Superannuation:					
Deferred government contribution	21	2 300	200	2 300	200
Commonwealth supplementation		1 820	1 398	1 820	1 398
Investment income	1(k),2.4	3 291	3 008	3 368	2 752
Royalties, trademarks and licenses	2.5	357	338	282	209
Consultancy and contract research	1(k),2.6	11 801	10 593	8 340	7 151
Other revenue	2.7	11 608	13 305	11 164	12 584
Total Revenue from Ordinary Activities		185 405	173 792	179 457	167 359
Expenses from Ordinary Activities:					
Employee benefits	3.1	115 524	110 546	112 804	108 202
Depreciation and amortisation	3.2	8 266	7 917	7 734	7 353
Buildings and grounds	3.3	9 623	8 787	9 590	8 715
Bad and doubtful debts	3.4	470	83	538	105
Other	3.5	42 542	40 001	38 595	35 461
Total Expenses from Ordinary Activities		176 425	167 334	169 261	159 836
Net Operating Result		8 980	6 458	10 196	7 523
Adjustment to retained accumulated funds as a result of the adoption of accounting standard AAS 15 'Revenue'	1(k)	-	8 906	-	8 906
Increase in asset revaluation reserve	1(s),18	2 771	2 917	9 189	2 910
Total Revenue, Expenses and Valuation					
Adjustments attributed to the Parent Entity and Recognised Directly in Equity		11 751	18 281	19 385	19 339
TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		11 751	18 281	19 385	19 339

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

Statement of Financial Position as at 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CURRENT ASSETS:					
Cash assets	1(o),7	554	566	354	391
Receivables	1(c),8	11 027	11 716	9 346	10 954
Inventories	1(h),9	409	413	409	413
Other financial assets	1(c),10	28 198	20 544	24 930	16 453
Other assets	11	2 080	1 394	2 049	1 390
Total Current Assets		42 268	34 633	37 088	29 601
NON-CURRENT ASSETS:					
Receivables	1(c),8	23 128	21 042	23 128	21 042
Other financial assets	1(c),10	28 606	26 642	31 189	23 488
Property, plant and equipment	1(l),12	190 177	184 310	186 612	179 716
Other assets	11	1 176	991	1 525	1 359
Total Non-Current Assets		243 087	232 985	242 454	225 605
Total Assets		285 355	267 618	279 542	255 206
CURRENT LIABILITIES:					
Payables	1(c),14	8 475	7 808	7 865	7 114
Interest Bearing Liabilities	15	1 877	950	2 538	1 573
Provisions	1(d),(e),16	7 885	7 526	7 594	7 322
Other liabilities	17	5 193	3 730	3 874	3 488
Total Current Liabilities		23 430	20 014	21 871	19 497
NON-CURRENT LIABILITIES:					
Interest-bearing liabilities	15	552	-	552	-
Provisions	1(d),(e),16	36 824	34 805	36 745	34 720
Total Non-Current Liabilities		37 376	34 805	37 297	34 720
Total Liabilities		60 806	54 819	59 168	54 217
NET ASSETS		224 549	212 799	220 374	200 989
EQUITY:					
Reserves	18	17 255	13 587	22 969	12 883
Accumulated funds	19	207 294	199 212	197 405	188 106
TOTAL EQUITY		224 549	212 799	220 374	200 989

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

Statement of Cash Flows for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	32				
INFLOWS:					
Financial Assistance:					
DEST		79 581	74 473	79 581	74 473
Other Commonwealth		16 524	16 649	16 470	16 471
Total Commonwealth		96 105	91 122	96 051	90 944
South Australian Government		5 980	5 363	5 980	5 363
Higher Education Contribution Scheme:					
Student payments		4 124	3 626	4 124	3 626
Commonwealth payments		28 567	27 230	28 567	27 230
Fees and charges		25 251	20 825	22 183	19 024
Investment income		3 029	2 808	2 774	2 407
Consultancy and contract research		12 968	11 637	9 507	7 853
Other revenue		13 258	10 741	14 195	10 708
OUTFLOWS:					
Staff salaries		(92 283)	(89 671)	(90 109)	(87 903)
Staff related costs		(20 461)	(19 485)	(19 996)	(19 091)
Other		(57 759)	(53 835)	(53 824)	(48 126)
Net Cash provided by Operating Activities	32(i)	18 779	10 361	19 452	12 035
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of investments		10 056	4 229	9 004	1 776
Proceeds from sale of property, plant and equipment		505	927	505	661
OUTFLOWS:					
Purchase of investments		(8 677)	(12 731)	(8 349)	(11 978)
Purchase of property, plant and equipment		(11 198)	(10 678)	(11 172)	(10 468)
Net Cash used in Investing Activities		(9 314)	(18 253)	(10 012)	(20 009)
CASH FLOWS FROM FINANCING ACTIVITIES					
INFLOWS		-	-	-	-
OUTFLOWS		-	-	-	-
Net cash provided (used) by Financing Activities		-	-	-	-
NET INCREASE (DECREASE) IN CASH HELD		9 465	(7 892)	9 440	(7 974)
CASH AT 1 JANUARY		2 519	10 411	2 344	10 318
CASH AT 31 DECEMBER	1(o),7	11 984	2 519	11 784	2 344

The Statement of cash flows is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Financial Reporting Framework

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).¹

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values, the only exception being financial assets and property, plant and equipment which are measured on a fair value basis.

The consolidated financial statements (the economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities.

Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) Principles of Consolidation

A controlled entity is any entity controlled by Flinders University (the University). Control exists where the University has the capacity to dominate decision making in relation to the financial and operating policies of another entity so that the other entity operates with the University to achieve the objectives of the University. A list of controlled entities is contained in Note 27.

The effects of transactions between controlled entities and the University have been eliminated on consolidation.

(b) Depreciation

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item:	Percent
Buildings and Infrastructure	2.50
Equipment:	
Motor vehicles	20.00
General equipment	16.67
Computer hardware	33.33
Computer software	20.00
Aircraft	10.00
Library	
Library monographs	2.50
Library serials	2.00

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 12. Depreciation expense by asset class is shown in Note 3.2.

(c) Financial Instruments

i. Cash
Bank accounts are recognised at nominal amounts, and interest is credited to revenue in the month following accrual.

ii. Receivables
Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days.

iii. Other Financial Assets (Investments)
Investments include term deposits and deposits at call, government securities, Commonwealth Indexed Bonds, managed funds, interest in business undertakings, equities, investment property and debenture stock.

Investments are recognised at fair value.

The Mark Oliphant Building Investment property was independently valued as at 31 December 2002 by Norm Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Pty Ltd.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value.

iv. Payables
Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken.

¹ DEST requirements are specified in the publication 'Guidelines for the Preparation of Annual Financial Statements for the 2002 Reporting Period by Australian Higher Education Institutions'.

- v. Interest Bearing Liabilities
The University holds funds on behalf of affiliated student entities, controlled entities and one external entity (Mawson Fellowship Program Fund). The University invests these funds along with University funds and shares the investment income.
- vi. Other Liabilities: Funds Held on behalf of Other Entities
Funds held on behalf of other entities are shown at amounts due. These do not incur any interest charges.

(d) *Employee Entitlements*

Employee entitlements expected to be settled within one year have been recognised at their nominal amount. Entitlements expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

- i. Long Service Leave
The long service leave liability is independently actuarially estimated by the long hand method prescribed by AAS30 Accounting for Employee Entitlements. The long service leave liability includes associated on-costs.
- ii. Annual Leave
The University has a liability for unused annual leave for non-academic staff. In accordance with conditions of employment, academic staff are required to take annual leave each year and no annual leave is accrued at year end. The liability for annual leave includes associated on-costs.
- iii. Sick Leave
No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.
- iv. Superannuation
Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Statement of Financial Performance. Note 21 provides details in respect of the individual Schemes.
- v. Invalidity Fund
The Invalidity Fund exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the fund, based on an independent actuarial review conducted every three years. The last actuarial review was conducted for the liability as at 31 December 2000. For the years between actuarial reviews, the University estimates the liability by extrapolation from the most recent review.
- vi. Redundancy/Severance
Provision is also made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed term staff.

(e) *Workers Compensation*

The University is responsible for payments of workers' compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers' compensation arrangements on behalf of the University.

The provision for workers' compensation liability is actuarially determined every three years, with the intervening years calculated by applying an extrapolation of the most recent actuarial calculation to the latest value of claims on hand. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The last actuarial calculation was conducted as at 31 December 2000.

(f) *Foreign Currency*

Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There are no material foreign currency monetary items outstanding at balance date.

(g) *Goods and Services Tax*

The University recognises revenues and expenses net of the amount of goods and services tax (GST), except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows included in the statement of cash flows are 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 taxation authority is classified as operating cash flows.

(h) *Inventories*

Inventories are stores of consumable items including printing and maintenance materials. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Inventory is valued at the lower of cost or net realisable value.

(i) *Investments in Business Undertakings*• *Controlled Entities*

Investments in controlled entities are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared.

• *Associates*

Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 28.

• *Joint Ventures**Joint Venture Operations*

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Statement of Financial Performance, where material. Details of joint ventures are included in Note 25.

Joint Venture Entities

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 26.

(j) *Leased Assets*• *University as Lessee*

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University, are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

• *University as Lessor*

The University leases space in an investment property to external entities. It also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

(k) *Revenue Recognition*i. *Commonwealth Financial Assistance*

DEST provide annual grants for teaching and research to the University each year, with the first payment being received at the end of the previous year. This advance payment is brought to account in the period in which it is received because the University has control of the funds and there is not a direct reciprocal obligation to DEST. Prior to 2001, DEST Guidelines required that the advance payment was treated as a liability in the year of receipt and it was recognised as revenue in the year to which it related. In 2001 the DEST Guidelines were changed to remove this requirement. As a result, the requirements of AAS15 'Revenue' became applicable to the advance grant for the first time and the advance grant was treated as revenue in the year of receipt. In 2001 an adjustment of \$8.906 million was made to opening retained earnings because the change in accounting policy involves the application of AAS15 for the first time.

Other revenue from DEST is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

ii. *Consultancy and Contract Research*

Revenue from Consultancy and Contract Research is recognised in the period in which the consultancies/contract services are provided. Research Grant revenue is recognised as revenue when received.

iii. *Donations*

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated.

iv. *Fees and Charges: Student Revenue*

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided.

v. *Investment income*

Interest income is recognised as it accrues. The indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared, determined or recommended by external entities before 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. Realised gains and losses are included in the Net Operating Result. Unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Capital gains and losses on other investments are recognised when the investment is sold.

(l) *Property, Plant and Equipment*

Property, Plant and Equipment, except for Library (refer 1(l)(iii)), are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the assets class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value.

i. Land

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University was revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd.

ii. Buildings and Infrastructure

Buildings and infrastructure controlled by the University were independently revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. An aircraft hangar owned by ARA Airborne Research Australia Pty Ltd, a controlled entity, was independently revalued in 2002 by Alex Smithson B App Sc (Val) FAPI of Knight Frank.

Buildings under construction are measured at cost.

iii. Library Books - Monographs and Serials

The base value of the Library collection is reported at Council's valuation based on current average written down replacement cost as at 31 December 1993. Additions subsequent to 31 December 1993 are capitalised at cost. It is planned to revalue the Library to fair value no later than 30 June 2005 under the transitional provisions of AASB 1041 'Revaluation of Non-Current Assets'.

iv. Equipment

This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired. The depreciated value of equipment is deemed to be its fair value.

The acquisition cost for software includes the cost of staff time and consultants costs incurred in implementing the software.

v. Aircraft

Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

Aircraft were independently revalued in 2000 by R A Douglas MSAA of Douglas Aircraft Sales.

vi. Works of Art

The University revalued the Works of Art collection as at 31 December 2002.

(m) *Student Service Fees*

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student services fee revenue and associated expenditure are not reflected in the financial statements.

(n) *Doubtful debts*

The collectability of receivables is assessed at balance date and provision made for any doubtful debts.

(o) *Cash*

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within two working days.

For the purpose of the Statement of Financial Position, Cash assets are at call deposits at bank.

(p) *Income Tax Status*

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to fringe benefits tax, the goods & services tax and payroll tax.

(q) *Rounding to the Nearest \$'000*

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(r) *Comparative Figures*

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

(s) *Changes in Accounting Policies*

The accounting policies adopted are consistent with those of the previous year except for the following:

In 2002, in order to comply with State Treasury's Accounting Policy, Statement Number 3 Valuation of Non-Current Assets the University adopted the measurement of non-current assets (except Library) at their fair value. The table below shows the asset classes affected and the amount of the revaluation.

	Consolidated 2002 \$'000	University 2002 \$'000
Investments	867	6 762
Works of Art	2 427	2 427
	<u>3 294</u>	<u>9 189</u>

The revaluations increased the asset values shown in the Statement of Financial Position and the Asset Revaluation Reserve. There was no impact on the net operating result for the period.

2.	Revenue from Ordinary Activities	Consolidated		University	
2.1	<i>Commonwealth Government Financial Assistance (including Superannuation contributions from the Commonwealth but excluding HECS and PELS)</i>	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Note				
	Teaching and Learning:				
	34.1				
	Operating purposes excluding HECS and PELS	49 689	47 983	49 689	47 983
	Teaching hospitals	182	178	182	178
	Capital development pool	1 171	-	1 171	-
	Australian Research Council:				
	34.2				
	Large grants	1 703	2 202	1 703	2 202
	Research Fellowships	197	195	197	195
	Indigenous Researchers Development Scheme	30	25	30	25
	Strategic Partnerships with Industry	674	772	674	772
	Linkage infrastructure	220	-	220	-
	International Researcher Exchange	15	6	15	6
	DEST:				
	34.3				
	Institutional Grants Scheme	7 038	7 006	7 038	7 006
	Research Training Scheme	10 631	10 399	10 631	10 399
	Systemic Infrastructure Initiative	460	40	460	40
	Research Infrastructure Block	2 954	2 314	2 954	2 314
	Australian Postgraduate Awards	1 815	1 814	1 815	1 814
	International Postgraduate Research Scholarships	261	286	261	286
		<u>77 040</u>	<u>73 220</u>	<u>77 040</u>	<u>73 220</u>
	Other Commonwealth Government:				
	National Health and Medical Research Council	5 887	7 156	5 887	7 156
	Other Research	4 824	4 890	4 824	4 890
	Other Commonwealth Government Non-Research	4 246	3 768	4 192	3 590
		<u>14 957</u>	<u>15 814</u>	<u>14 903</u>	<u>15 636</u>
	Total Commonwealth Government	<u>91 997</u>	<u>89 034</u>	<u>91 943</u>	<u>88 856</u>
	2.2 <i>State Government Financial Assistance</i>				
	Research Financial Assistance	1 485	587	1 485	587
	Reimbursements	3 021	2 835	3 021	2 835
	Non-research	1 038	1 453	1 038	1 453
		<u>5 544</u>	<u>4 875</u>	<u>5 544</u>	<u>4 875</u>
	2.3 <i>Fees and Charges</i>				
	Fee-paying overseas students	13 868	11 375	13 868	11 375
	Fee-paying non-overseas postgraduate students	1 955	1 688	1 955	1 688
	Non-overseas students undertaking non-award courses	81	77	81	77
	Other:				
	Student housing and other rental charges	2 448	2 797	2 438	2 797
	Car parking revenue	843	781	843	781
	Other	4 651	3 467	2 670	1 760
		<u>23 846</u>	<u>20 185</u>	<u>21 855</u>	<u>18 478</u>
	2.4 <i>Investment Income</i>				
	Dividends:				
	Wholly owned controlled entities	-	-	500	250
	Other entities	469	360	210	94
		<u>469</u>	<u>360</u>	<u>710</u>	<u>344</u>
	Interest	1 589	1 634	1 412	1 364
	Managed Funds	450	428	436	412
	Rental Revenue	783	586	810	632
		<u>3 291</u>	<u>3 008</u>	<u>3 368</u>	<u>2 752</u>

		Consolidated		University	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
2.5	Royalties, Trademarks and Licences	357	338	282	209
2.6	Consultancy and Contract Research				
	Consulting	7 033	6 219	4 271	2 771
	Other research	4 768	4 374	4 069	4 380
		11 801	10 593	8 340	7 151
2.7	Other Revenue				
	Proceeds from sale of assets	738	1 349	505	691
	Contribution of assets	1 289	824	1 289	824
	Net increments arising from the revaluation of assets (land, buildings and infrastructure)	-	2 512	-	2 512
	Donations and bequests	884	509	884	509
	Scholarships and prizes	1 016	1 142	1 027	1 144
	Other:				
	Other State Government education grants	2 752	2 348	2 824	2 327
	Other	4 929	4 621	4 635	4 577
		11 608	13 305	11 164	12 584
3.	Expenses from Ordinary Activities				
3.1	Employee Benefits				
	Academic				
	Salaries	43 908	44 074	43 144	43 759
	Contributions to superannuation and pension scheme:				
	Deferred employee benefits for Superannuation	1 840	160	1 840	160
	Emerging cost	1 671	1 101	1 671	1 101
	Funded	6 522	6 899	6 467	6 878
	Payroll tax	3 076	3 186	3 053	3 176
	Workers compensation	301	311	294	309
	Long service leave expense	1 480	1 297	1 480	1 279
	Annual leave	4 193	4 295	4 193	4 295
	Redundancy expenses	1 631	-	1 631	-
	Total Academic	64 622	61 323	63 773	60 957
	Non-Academic				
	Salaries	38 057	37 134	36 560	35 659
	Contributions to superannuation and pension scheme:				
	Deferred employees benefits for superannuation	460	40	460	40
	Emerging cost	418	275	418	275
	Funded	5 563	5 645	5 415	5 273
	Payroll tax	2 491	2 552	2 444	2 485
	Workers compensation	262	269	252	256
	Long service leave expense	982	862	953	834
	Annual leave	2 539	2 446	2 399	2 423
	Redundancy expenses	130	-	130	-
	Total Non-Academic	50 902	49 223	49 031	47 245
	Total Employees Benefits	115 524	110 546	112 804	108 202
3.2	Depreciation and Amortisation				
	Buildings and infrastructure	2 370	2 596	2 339	2 547
	Equipment	3 197	2 546	3 083	2 433
	Aircraft	387	402	-	-
	Library collections	2 312	2 373	2 312	2 373
		8 266	7 917	7 734	7 353
3.3	Buildings and Grounds	9 623	8 787	9 590	8 715
3.4	Bad and Doubtful Debts	470	83	538	105

3.5 Other Expenses

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Scholarships and prizes	5 947	5 764	5 944	5 763
Telecommunications	1 689	1 209	1 646	1 185
Non-capitalised equipment	4 161	4 405	4 128	4 324
Travel, staff development and entertainment	5 975	5 020	5 562	4 810
Operating lease rental expenses	985	574	787	546
Carrying amount of assets sold	433	1 301	258	772
Student related expenditure	916	837	916	832
Library	1 374	1 203	1 370	1 202
Advertising	1 021	1 045	1 020	1 038
Fees and charges	7 329	5 430	5 149	3 281
Equipment maintenance	1 482	1 885	1 428	1 448
Software	1 436	1 649	1 425	1 643
Consumables	5 817	6 879	5 158	5 662
Postage/Freight	832	814	824	810
Printing and photocopying	760	680	748	639
Insurance	778	339	666	283
Other	1 607	967	1 566	1 223
Total Other Expenses	42 542	40 001	38 595	35 461

4. Sales of Assets

Proceeds from sale:				
Investments	233	422	-	30
Property, plant and equipment	505	927	505	661
	738	1 349	505	691
Carrying amount of assets sold:				
Investments	175	284	-	30
Property, plant and equipment	258	1 017	258	742
	433	1 301	258	772
Net gains on sale of assets:				
Investments	58	138	-	-
Property, plant and equipment	247	-	247	-
	305	138	247	-
Net losses on sale of assets:				
Investments	-	-	-	-
Property, plant and equipment	-	90	-	81
	-	90	-	81

5. Responsible Persons and Executive Officers**5.1 Responsible Persons**

The principal governing body of the University is its Council.

(a) Names of 2002 Council Members

Membership of Council 2002:

Sir Eric James Neal, AC, CVO, HonDEng Syd, HonDUniv SAust, HonDUniv Flin, CEng, CPEng, FIE Aust, FIEGasE(London) Chancellor

Ms Kerrie Ashcroft, BA Well

Mr Nicholas Begakis, AM, BElecEng UniSA

Mr John Branson, LLB Adel, FAICD

Mr Ian Arthur Chesterman, AM, FAIBF

Ms Leonie Clyne, BA Flin (member from October 2002)

Associate Professor Owen Edgar Covick, BA Essex, MA Essex

Professor Anne Rosalie Edwards, BA Lond, PhD Lond, FASSA

Mr Andrew V Fletcher, BEng(Civil) Adel

Ms Louise Hicks, LLB Adel, BEc Adel, ACA (member to October 2002)

Ms Gosia Hill, BA Flin, BSocAdmin Flin

Mr Eamonn Maloney

Ms Denise Anne Martin, BA Flin, GDipGpWk SAIT

Ms Mary Mitchell, LLB Adel, GradDipLegPrac SAIT (member from December 2002)

Mrs Judith Mary Roberts, AM

Mr Michael Shanahan, AM

Mr Ron George Slee, BA Adel, DipT ATC, MA Adel

Ms Anne Thompson, BEd, GradDipEd, MA Flin

Ms Umandeep Uppal

Professor Hilary Patience Mary Winchester, BA Oxf, DPhil Oxf

Professor Lindon Michael Harper Wing, MB,BS Syd, FRACP

Mr Ian Garth Yates, BA Flin

(b) Remuneration of Council Members

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

5.2 Executive Officers

Executive Officers' Remuneration

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated Number of Staff		University Number of Staff	
	2002	2001	2002	2001
\$100 000 - \$109 999	1	1	-	-
\$110 000 - \$119 999	3	2	2	2
\$120 000 - \$129 999	-	5	-	4
\$130 000 - \$139 999	4	1	4	1
\$140 000 - \$149 999	1	1	1	1
\$190 000 - \$199 999	2	2	2	1
\$200 000 - \$209 999	1	-	-	-
\$260 000 - \$269 999	-	1	-	1
\$280 000 - \$289 999	1	-	1	-
	13	13	10	10
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of executives	2 002	1 738	1 584	1 471

The DEST Guidelines specify that executives are defined as the Chief Executive Officer and those staff in a senior line position directly reporting to that position.

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax.

6. Remuneration of Auditors

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Auditing the financial report:					
South Australian Auditor-General		157	153	157	153
Other auditors		12	9	2	1
		169	162	159	154
7. Cash Assets		554	566	354	391
Cash at bank					

Reconciliation of Cash

Cash at end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash		554	566	354	391
Deposit at 24 hour call	10	11 430	1 953	11 430	1 953
		11 984	2 519	11 784	2 344

8. Receivables

Current:					
General debtors		8 729	9 633	7 113	8 871
Student debtors		1 338	898	1 338	898
Loans receivable		14	28	14	28
Superannuation receivable		1 900	1 700	1 900	1 700
Provision for doubtful debts		(954)	(543)	(1 019)	(543)
		11 027	11 716	9 346	10 954
Non-Current:					
Loans receivable		42	56	42	56
Loans receivable, controlled entity		-	-	208	208
Superannuation receivable		23 100	21 000	23 100	21 000
Provision for doubtful debts		(14)	(14)	(222)	(222)
		23 128	21 042	23 128	21 042

9. Inventories

Current:					
At cost		409	413	409	413

10. Other Financial Assets

Investments

Current:					
Deposits					
Deposits at 24 hour call		11 430	1 953	11 430	1 953
Term deposits		16 768	18 591	13 500	14 500
		28 198	20 544	24 930	16 453

10. Other Financial Assets (continued)	Consolidated		University	
	2002	2001	2002	2001
Investments (continued)	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Bonds and Other:				
Government securities	2 441	2 441	2 441	2 441
Indexed bonds	5 870	5 449	5 870	5 449
Debenture Stock	563	68	-	-
Equities:				
Interests in business undertakings:				
Controlled entities at 2002 Council valuation	-	-	7 465	1 465
Other entities	491	161	491	161
Other equities	7 038	7 206	3 572	3 412
Managed Funds:				
HSBC Asset Management	2 028	2 089	2 028	2 089
Tower Trust	863	757	-	-
Unisure Pty Ltd	4 200	4 472	4 200	4 472
Property:				
Property Trust	7	7	7	7
Property held for investment purposes	5 115	3 992	5 115	3 992
	28 606	26 642	31 189	23 488
Total Investments	56 804	47 186	56 119	39 941
11. Other Assets				
Current:				
Prepayments	2 080	1 394	2 049	1 390
Non-Current:				
Advances to controlled entity	-	-	1 525	1 359
Project costs carried forward	1 176	991	-	-
	1 176	991	1 525	1 359
12. Property, Plant and Equipment				
Land, Buildings and Infrastructure				
Crown Land:				
2001 independent valuation	10 420	10 420	10 420	10 420
Freehold Land:				
2001 independent valuation	1 190	1 190	1 190	1 190
Buildings:				
2001,2002 independent valuation	87 095	87 572	86 695	86 617
At cost	2 501	-	2 501	-
	89 596	87 572	89 196	86 617
Infrastructure:				
2001 independent valuation	4 415	4 415	4 415	4 415
At cost	300	-	300	-
	4 715	4 415	4 715	4 415
	105 921	103 597	105 521	102 642
Accumulated depreciation	(2 339)	-	(2 339)	-
Buildings Under Construction:	1 449	30	1 449	30
	105 031	103 627	104 631	102 672
Library Collection				
1993 University Valuation	81 320	81 486	81 320	81 486
At cost	29 937	27 093	29 937	27 093
	111 257	108 579	111 257	108 579
Accumulated depreciation	(44 383)	(42 210)	(44 383)	(42 210)
	66 874	66 369	66 874	66 369
Equipment				
At cost	-	32 029	-	31 011
At fair value	35 651	-	34 616	-
Accumulated depreciation	(24 519)	(22 301)	(23 733)	(21 619)
	11 132	9 728	10 883	9 392
Aircraft				
At independent valuation 2000	3 670	3 670	-	-
Accumulated depreciation	(754)	(367)	-	-
	2 916	3 303	-	-
Works of Art				
2002 University valuation	4 224	-	4 224	-
University valuation 1999-2001	-	28	-	28
1995 independent valuation	-	1 048	-	1 048
At cost	-	207	-	207
	4 224	1 283	4 224	1 283
	190 177	184 310	186 612	179 716

Movement in Carrying Amounts

Movement in the carrying amounts for each class of Property, Plant and Equipment between the beginning and end of the reporting period.

(a) Economic Entity	Land, Buildings & Infra- structure	Library	Equipment	Aircraft	Works of Art	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	103 627	66 369	9 728	3 303	1 283	184 310
Additions	4 298	2 844	4 832	-	514	12 488
Disposals	-	(27)	(231)	-	-	(258)
Revaluation increments/(decrements)	(523)	-	-	-	2 427	1 904
Depreciation expense	(2 371)	(2 312)	(3 197)	(387)	-	(8 267)
Carrying amount at the end of reporting period	105 031	66 874	11 132	2 916	4 224	190 177

(b) Parent Entity						
Balance at the beginning of the year	102 672	66 369	9392	-	1 283	179 716
Additions	4 298	2 844	4 805	-	514	12 461
Disposals	-	(27)	(231)	-	-	(258)
Revaluation increments	-	-	-	-	2 427	2 427
Depreciation expense	(2 339)	(2 312)	(3 083)	-	-	(7 734)
Carrying amount at the end of reporting period	104 631	66 874	10 883	-	4 224	186 612

Land, Buildings and Infrastructure Revaluation

Land, buildings and infrastructure were revalued as at 31 December 2001 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

In 2001, the revaluation amounts of \$5.429 million (Consolidated) and \$5.422 million (University) resulted in a revaluation increment of \$2.512 million being taken up as revenue in the Statement of Financial Performance and \$2.917 million (Consolidated) and \$2.910 million (University) being taken up as increases in the Asset Revaluation Reserve. The revaluation increment was included in the 2001 Statement of Financial Performance as it is a partial reversal of a previous revaluation decrement included in the 1998 Statement of Financial Performance.

During 2002, an aircraft hangar owned by ARA Airborne Research Australia Pty Ltd, a controlled entity of the University, was written down to its fair value, based on an independent market valuation conducted by Alex Smithson, B App Sc (Val) FAPI of Knight Frank. The amount of the write down is \$523 000 and on consolidation this has been charged to the Asset Revaluation Reserve.

13. Restricted Assets

Crown Land is not owned by the University and therefore cannot be sold by the University.

The University has restrictions imposed on the real property listed above (land, buildings and improvements) under *The Flinders University of South Australia Act 1966*. Section 3 (4) of the Act states:

The University cannot alienate, mortgage, charge, or demise any lands, tenements, or hereditaments of the University other than with the approval of the Governor, except by way of lease for a term not exceeding 21 years from the time when the lease is made in and by which there is reserved, during the whole term, the highest rent that can be reasonably obtained.

14. Payables

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current:				
Creditors	3 579	2 369	3 468	2 208
Accrued expenses	4 896	5 439	4 397	4 906
	8 475	7 808	7 865	7 114

15. Interest Bearing Liabilities

Current:				
Funds held on behalf of external entities:				
Student entities	1 877	950	1 877	950
Advances from controlled entities	-	-	661	623
Total Current	1 877	950	2 538	1 573
Non-Current:				
Funds held on behalf of external entities	552	-	552	-
Total Non-Current	552	-	552	-

16. Provisions	Consolidated		University	
	2002	2001	2002	2001
Current:	\$'000	\$'000	\$'000	\$'000
Annual leave	2 816	2 777	2 649	2 683
Long service leave	2 409	2 295	2 285	2 185
SA Superannuation Scheme	1 900	1 700	1 900	1 700
Outstanding claims – Unisure Pty Ltd	563	538	563	538
Severance – contract employees	197	216	197	216
Total Current	7 885	7 526	7 594	7 322
Non-Current:				
Long service leave	12 629	12 648	12 550	12 563
SA Superannuation Scheme	23 100	21 000	23 100	21 000
Invalidity Fund	250	350	250	350
Outstanding claims – Unisure Pty Ltd	845	807	845	807
Total Non-Current	36 824	34 805	36 745	34 720
Aggregate Employee Entitlements	44 709	42 331	44 339	42 042
	2002	2001	2002	2001
	Number	Number	Number	Number
Number of full time equivalent employees at year end	1 474	1 473	1 442	1 453
17. Other Liabilities				
Current:				
Income in advance:				
Fees and charges	1 645	1 380	1 645	1 380
Other	1 470	392	151	150
	3 115	1 772	1 796	1 530
Funds held on behalf of external entities	2 078	1 958	2 078	1 958
Total Current	5 193	3 730	3 874	3 488
18. Reserves				
(a) Reserves comprise:				
Asset revaluation	6 926	4 155	12 640	3 451
Endowment	9 829	8 929	9 829	8 929
Other	500	503	500	503
	17 255	13 587	22 969	12 883
The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.				
The endowment reserve is used to record the value of gifts, prizes and bequests provided to the University.				
The other reserve is used to record the balance held in the student loan funds.				
(b) Movements in Reserves				
<i>Asset Revaluation Reserve:</i>				
Balance at beginning of financial year	4 155	1 238	3 451	541
Asset revaluation increment	3 294	2 917	9 189	2 910
Asset revaluation decrement	(523)	-	-	-
Balance at End of Financial Year	6 926	4 155	12 640	3 451
<i>Endowment:</i>				
Balance at beginning of financial year	8 929	7 702	8 929	7 702
Transfers to reserves	900	1 227	900	1 227
Balance at End of Financial Year	9 829	8 929	9 829	8 929
<i>Other Reserves:</i>				
Balance at beginning of financial year	503	511	503	511
Transfers from reserves	(3)	(8)	(3)	(8)
Balance at End of Financial Year	500	503	500	503
19. Retained Surplus				
Balance at beginning of year	199 212	185 067	188 106	172 896
Operating result from ordinary activities after income tax	8 979	6 458	10 196	7 523
2001 year end balance adjustment	-	8 906	-	8 906
Transfers from reserves	(897)	(1 219)	(897)	(1 219)
Balance at End of Year	207 294	199 212	197 405	188 106
20. Commitments for Expenditure				
(a) Capital Expenditure Commitments				
Building Works:				
Within 12 months	10 699	354	10 699	354
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	10 699	354	10 699	354

(a) Capital Expenditure Commitments (continued)	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Plant and Equipment:				
Within 12 months	932	746	932	746
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	932	746	932	746
Joint Ventures:				
Within 12 months	-	-	-	-
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	-	-	-	-
(b) Lease Commitments	Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 23 to the financial statements.			
(c) Other Expenditure Commitments				
Within 12 months	2 602	1 929	1 994	1 453
12 months or longer and not longer than 5 years	981	1 266	981	1 266
Longer than 5 years	-	36	-	36
	3 583	3 231	2 975	2 755

21. **Superannuation Plans**

The University contributes to the following employee superannuation funds:

UniSuper

(a) *UniSuper Defined Benefit Plan or Investment Choice Plan (formerly Superannuation Scheme for Australian Universities - (SSAU))*

UniSuper Management Pty Ltd administers the scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund.

Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin conducted the last actuarial investigation on 30 November 2001. A funding and solvency certificate required under Regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 30 June 2002. The certificate is valid until 31 December 2003 unless certain specified events occur in which case the certificate is valid to the date of those events.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June, the amounts of the fund applicable to Flinders University for members in the defined benefits plan were:

	University	
	2002 \$'000	2001 \$'000
Net market value	112 327	133 562
Accrued benefits	120 760	121 035
(Deficit) Surplus	(8 433)	12 527
Vested Benefits	120 760	121 035

The above disclosure shows that the accrued member benefits exceed the net market value of investments by \$8.433 million (7 percent). UniSuper has advised the following:

The position referred to above, ie the assets of the Defined Benefit Plan (DBP) are less than the liabilities, is an outcome of recent market declines. The accounting valuation on which these figures are based is made on the hypothetical basis of all DBP members having to be paid at once.

Employers should not be unduly concerned by this. The Fund's actuary has confirmed that this situation is expected to occur from time to time (as indeed it did in the early years of the Fund) because investment markets can vary considerably while the benefits of the Defined Benefit Plan are more stable. The key point to remember is that, based on reasonable assumptions about the future, the actuary expects all our commitments to members to be met and the existing contribution rates to remain appropriate.

(b) *UniSuper Award Plus Plan (formerly Tertiary Education Superannuation Scheme (TESS))*

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Legislation.

South Australian Superannuation Scheme

The University has 94 (2001: 95) present and former employees who are members of closed state government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth government funds the University on an emerging cost basis and recovers the state's share of the cost directly from the State government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2002 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$25.0 million (\$22.7 million in 2001). This represents an increase in the liability of \$2.3 million since 31 December 2001. The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (see Note 8). Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2002	2001
	\$'000	\$'000
University's gross liability	26 300	24 100
Funded component	1 300	1 400
Unfunded Liability	25 000	22 700

Superannuation Scheme No. 1*Superannuation Scheme*

Prior to the inception of the Superannuation Scheme for Australian Universities – SSAU – the University operated its own schemes. Employees were given the option of transferring to SSAU or remaining with the University's own scheme. As at 30 June 2002, there were 14 members of the scheme (2001: 17 staff). The scheme, managed by a Board of Trustees, is similar to that of SSAU with the University contributing, as a minimum, twice that of employees.

The administrator of the scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2002	2001
	\$'000	\$'000
Net market value	5 158	6 059
Accrued benefits	4 338	5 003
Surplus	820	1 056
Vested Benefits	4 338	5 003

The surplus in the fund is 19 percent (2001: 21 percent).

NSP Buck undertook the last actuarial review as at 1 January 2001. At that time the scheme had a surplus of \$1.090 million, which was 21 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the scheme allowed the suspension of employer's contributions until 31 December 2003. No employer contributions were made in 2002 (2001: nil).

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the Superannuation Scheme for South Australian Universities (SSAU). The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

Based on independent actuarial advice, the University has recognised a liability of \$250 000 (2001: \$350 000) for the Scheme. This is equal to the estimated present value of future disablement benefits as at 31 December 2001, together with a small amount still to be repaid to former members as a result of the University taking over direct responsibility for the scheme. The last actuarial investigation was completed as at 31 December 2000 by J Holbrook BEc BSc of William M Mercer Pty Ltd.

22. Contingent Liabilities and Contingent Assets

Contingent Liabilities

Loan Support

In 1998, the Flinders University Union Incorporated borrowed funds from BankSA for the redevelopment of the Union building, which is a building owned by the University. The amount of the loan is \$1 million and it is repayable over 5 years. The University collects student services fee revenue on behalf of the various student entities and has provided a written undertaking to BankSA that sufficient funds will be transferred each year from those fees directly to the Union so that their loan repayment commitments are met.

The nominal value of the loan outstanding as at 31 December 2002 is \$156 000 (2001: \$374 000).

Claims from Former Students

The University is subject to claims for damages from three former students. If successful, all of the claims are covered by insurance.

Contingent Assets

In June 2002, the University applied to DEST for funding under the second round of the Workplace Reform Funding Programme as it believed that it had met sufficient criteria to be successful. However receipt of funding is contingent on the approval from the relevant Minister. At year end, no decision had yet been made by the Minister and so the amount attributable to 2002 of \$823 000 was a contingent asset at that time. The application was approved on 1 April 2003. Had approval been received before year end, the Net Operating Result of the University and the Consolidated Entity would have increased by \$823 000.

23. Leases

University as Lessee

Total rents paid during the reporting period were

Consolidated		University	
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
1 072	703	787	660

Commitments

Contracted but not provided for in the financial statements and payable as follows:

Within 12 months	63	116	38	91
12 months or longer and not longer than 5 years	300	125	200	50
Longer than 5 years	357	476	25	-
	720	717	263	141

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

University as Lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within 12 months	523	669	583	727
12 months or longer and not longer than 5 years	532	877	639	1 039
Longer than 5 years	-	-	-	-
	1 055	1 546	1 222	1 766

In 2000 the University purchased the Mark Oliphant building in Science Park. The University has recognised this as an investment property with a gross value of \$5.115 million (2001: \$3.992 million). In accordance with Australian Accounting Standard AAS 4 'Depreciation', it is not depreciated.

As at 31 December 2002 75 percent (2001: 75 percent) of the building is leased to entities outside the economic entity. A further 5 percent (2001: 5 percent) is leased to entities outside the University but within the economic entity.

The University also leases a small amount of space on its main campus to commercial entities that provide services to students and staff and to other research entities in the Port Lincoln Marine Science Centre.

24. Economic Dependency

The economic entity is to a significant extent dependant on monies received pursuant to the Commonwealth Department of Education, Science and Training (DEST) operating and research grants and the Higher Education Contribution Scheme (HECS). In 2002, funding from both DEST and HECS totalled \$104.968 million (2001: \$100.698 million) and represented 57 per cent (2001: 58 per cent) of revenue.

25. Joint Venture Operations

Name of Entity	Principal Activity	Output Interest	
		2002 Percent	2001 Percent
Centre for Remote Health	Provision of health education and research to remote areas	50	50
Greater Green Triangle, University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, the Greater Green Triangle region	50	50

The economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial reports and consolidated financial reports under their respective asset categories:

25. Joint Venture Operations (continued) <i>Centre for Remote Health</i>	Consolidated		University	
	2002	2001	2002	2001
Current Assets:	\$'000	'000	\$'000	'000
Receivables	951	1 131	951	1 131
Non Current Assets:				
Property, plant and equipment	1 608	1 239	1 608	1 239
Total Assets	2 559	2 370	2 559	2 370
Current Liabilities:				
Payables	39	187	39	187
Annual Leave	8	-	8	-
Total Current Liabilities	47	187	47	187
Non-Current Liabilities:				
Long Service Leave Reserve	12	-	12	-
Total Liabilities	59	187	59	187
Net Assets	2 500	2 183	2 500	2 183
Greater Green Triangle				
Current Assets:				
Receivables	548	479	548	479
Non-Current Assets:				
Property, plant and equipment	48	25	48	25
Total Assets	596	504	596	504
Current Liabilities:				
Annual Leave	3	-	3	-
Non-Current Liabilities:				
Long Service Leave Reserve	1	-	1	-
Total Liabilities	4	-	4	-
Net Assets	592	504	592	504

The University's joint venture operations have no contingent liabilities as at 31 December 2002 (2001: Nil).

26. Joint Venture Entities

Interest in Joint Venture Entities

(a) The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AAS 19 *Accounting for Interests in Joint Ventures*.

Relevant disclosures are as follows:

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2002 Percent	2001 Percent
Co-operative Research Centres (CRC)				
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	(U) 30 June	To provide research and postgraduate education in signal and information processing for sensors	9	9
Co-operative Research Centre for Tissue Growth and Repair (TGR)	(U) 30 June	To coordinate research, postgraduate training and commercialisation of applications of growth factors that support the growth and repair of human and animal tissues	10	10
TGR Biosciences Pty Ltd	31 December	To discover novel bioactives, develop therapies to enhance tissue growth and repair and provide cell-based high-throughput screening services.	7	-
Co-operative Research Centre for Aboriginal and Tropical Health (ATH)	(U) 30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice	10	10
Other Joint Venture Entities				
Centre for Groundwater Studies (CGS)	(U) 30 June	Is a co-operative research and education venture focussed on processes affecting recharge, discharge, contamination and remediation of groundwater	11	11
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	(U) 31 Dec	Is a co-operative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	7	28

Interest in Joint Venture Entities (continued)

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2002 Percent	2001 Percent
Other Joint Venture Entities				
South Australian Tertiary Admissions Centre (SATAC)	(U) 30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses	25	25
South Australian Academic Research and Development Network (SAARDNet)	(U) 31 Dec	To provide high speed communication links and enhanced network and shared resources between higher education and research organisations	20	20
South Australian Centre for Economic Studies (SACES)	(U) 31 Dec	To conduct research on economic issues for government and private sector bodies with particular application to South Australia	50	50

(U) Unincorporated

Ownership (or voting rights) interest as determined by agreement or proportion of cash and in kind contributions.

	Share Accumulated Funds		Expenditure Commitments	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	74	87	20	20
Co-operative Research Centre for Tissue Growth and Repair (TGR)	37	228	-	75
TGR Biosciences Pty Ltd	93	-	-	-
Co-operative Research Centre for Aboriginal and Tropical Health (ATH)	132	150	50	50
Centre for Groundwater Studies (CGS)	32	6	-	-
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	154	7	50	50
South Australian Tertiary Admission Centre (SATAC)	281	174	336	280
South Australian Academic Research and Development Network (SAARDNet)	3	5	-	10
South Australian Centre for Economic Studies (SACES)	43	27	-	-
	849	684	456	485

(b) Other Information

- (1) *Capital Expenditure Commitments*
No material capital expenditure commitments.
- (2) *Contingent Liabilities*
No material contingent liabilities.
- (3) *After Balance Date Events*
No material after balance date events.

26A. Other Business Undertakings

Investments in business undertakings that are carried in the Financial Statements at fair value.

University	Principal Activities	Ownership Interest		Investment at Fair Value	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000
Ngapartji Pty Ltd	Technology Training	14.9	12.5	150	150
IDP Education Australia Ltd	Promotes Australian Universities to international students.	2.64	2.71	10	10
AARNet	Delivers high capacity internet based network services to the education and research sector.	2.64	2.64	1	1
International Education Network Pty Ltd	Provision of education in China	8.7	-	300	-
m.Net Corporation Ltd	Provision of wireless and mobile internet technology	12.5	-	30	-
AITEC Pty Ltd	Provides educational programs and project management services	9.83	16.33	491	161
				491	161

The University's investment in IDP Education Australia Ltd and AARNet is at cost. These shareholdings are not tradeable and no dividends are paid.

The University's share of the net assets of AITEC Pty Ltd as at 30 June 2002 was \$41 000 (31 December 2001: \$45 000). This amount has not been included in the financial statements as the recoverable amount is estimated to be zero.

Consolidated, Other than University

University	Principal Activities	Ownership Interest		Investment at Fair Value	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000
YourAmigo Pty Ltd	An enterprise search and Internet infrastructure company	14	14	2 595	2 595

27. Controlled Entities

Flinders University is the parent entity or ultimate parent entity of the following entities, all of which are incorporated in Australia.

	Principal Activities	Ownership Interest	
		2002 Percent	2001 Percent
Flinders Consulting Pty Ltd	Arranges the conduct of commercial consultancies	100	100
Flinders Reproductive Medicine Pty Ltd (100 percent owned by Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service	100	100
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies	100	100
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property	100	100
MediMolecular Pty Ltd (75 percent owned by Flinders Consulting Pty Ltd)	Biotech company	75	-
Airborne Research Australia Pty Ltd	Undertakes atmospheric research	100	100
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies	100	100
National Institute of Labour Studies Foundation Inc (100% owned by NILS Inc)	Supports the activities of NILS Inc	100	100
Heaslip Trust	Supports medical education activities in the School of Medicine	100	100
Lung Health Diagnostic Pty Ltd	Biotech development company	60	-

The University's investment in Lung Health Diagnostics Pty Ltd has been expensed, as in its initial stage of development it is not probable that the University will recover its investment.

MediMolecular has not been included in the consolidated financial statements as its financial transactions and balances are not material.

28. Associated Entities

Name of Entity	Principal Activity	Ownership Interest		Carrying Amount		Investment At Cost	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unisure Pty Ltd	Provision of workers' compensation services and investment of funds set aside for workers' compensation	33.3	33.3	-	-	-	-

Unisure Pty Ltd

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 2002 the Unisure Unit Trust held net assets of \$2.9 million on behalf of the University (2001: \$3.2 million).

The University has incorporated the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

29. Disaggregated Information

The University operates in the field of higher education in Australia and provides teaching and research services.

30. Subsequent Events

In June 2002, the University applied to DEST for funding under the second round of the Workplace Reform Funding Programme. The application was approved on 1 April 2003 and the University will receive an amount of \$823 000 relating to 2002 and an increase of 2 percent to the DEST Operating Grant on an ongoing basis. The estimated increase that would apply to 2003 is \$1.5 million. Had approval been received before year end, the Net Operating Result of the University and the Consolidated Entity would have increased by \$823 000.

31. Assets and Liabilities of Trusts for which the Institution is Trustee

The University is the trustee of two trusts:

Trust Name	Purpose
ADS Students	Payment of stipends to AusAID students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

The amounts held in trust are immaterial and have not been included in the University's Statement of Financial Position.

A controlled entity of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders ART Clinic Trust. The assets and liabilities of the trust are brought to account in the consolidated entity's Statement of Financial Performance and Statement of Financial Position.

32. Notes to the Statement of Cash Flows

(i) Reconciliation of Net Cash utilised in Operating Activities to Operating Result	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating result	8 980	6 458	10 196	7 523
Add: (Gain)/Loss from sale of assets	(305)	90	(247)	81
	8 675	6 548	9 949	7 604
Add: Non-cash items:				
Depreciation	8 266	7 917	7 734	7 353
Land and buildings revaluation	-	(2 512)	-	(2 512)
Assets received for no consideration	(1 289)	(824)	(1 289)	(824)
Share bequest - DH Schultz	-	(2 111)	-	(2 111)
Equity investment - ARA Aircraft	-	-	-	(390)
Capitalised interest on investments	(262)	(483)	(262)	(483)
Other	(334)	(285)	(332)	(346)
Sub Total	15 056	8 250	15 800	8 291
Change in assets and liabilities:				
(Increase) Decrease in receivables	(1 397)	1 583	(478)	1 953
Decrease (Increase) in inventories	4	(91)	4	(91)
(Increase) in other assets	(871)	(1 117)	(825)	(968)
Increase in payables	667	1 450	751	1 152
Increase in provisions	2 378	773	2 297	755
Increase (Decrease) in other liabilities*	2 942	(487)	1 903	943
Net Cash provided by Operating Activities	18 779	10 361	19 452	12 035

* Note: 2001 amounts exclude adjustment of \$8.906 million to opening liabilities as advised in Note 1(k)(i).

(ii) Financing Facilities

Flinders University has the following arrangements with the ANZ

Bank:

Overdraft facility⁽¹⁾

Amount used

Unused overdraft facility

500	500	500	500
-	-	-	-
500	500	500	500

Visa credit cards facility⁽²⁾

Amount used

Unused credit cards facility

2 783	2 118	2 693	2 068
176	131	171	130
2 607	1 987	2 522	1 938

(1) Facility is secured by a charge over term deposit \$500 000.

(2) The credit cards facility is unsecured.

(iii) Non-Cash Financing and Investing Activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$1.289 million (2001: \$759 000) by means of donations. In 2001 the University also received a transfer of land adjacent to the main campus from the State Government for no consideration. The estimated value of the land is \$65 000. These acquisitions are not reflected in the Statement of Cash Flows.

(iv) Cash Balances Not Available For Use

All cash balances are available for use (2001 all available).

(v) Tax Status

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

33. Financial Instruments

The following is the Institution's accounting policies and terms and conditions for each class of financial asset financial liability and equity instruments.

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Cash at Bank	1(o)	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the month following accrual
Deposits at 24 hour call	10	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the month following accrual.
Term Deposits	10	Recognised at nominal amounts.	Interest accrued credited to revenue on maturity.
Government Securities (excluding Indexed Bonds)	10	Recognised at nominal amounts.	Interest accrued credited to revenue on half yearly basis.
Commonwealth Indexed Bonds	10	Recognised at market value.	Interest accrued credited to revenue on quarterly basis. Indexation factor credited to revenue as at year end.
Debenture Stock	10	Recognised at cost, which approximates to fair value.	Carrying amount of investments adjusted to fair value as at year end.

33. Financial Instruments (continued)

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Managed Funds	10	Recognised at market value.	Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December.
Equities	10	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Interest in Business Undertakings	10	Recognised at fair value.	Carrying amounts of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Investment Property - Mark Oliphant Building	10	Recognised at market value.	Independently valued by Edward Rushton Australia Pty Ltd as at 31 December 2002.
Receivables	8	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (ie Provision for Bad and Doubtful Debts).	Credit is allowed for a 30 day term.
(ii) Financial Liabilities			
Trade Creditors and Accruals	14	Liabilities are recognised for amounts paid in future for goods and services received, whether or not billed to the University.	Trade Liabilities are normally settled within 30 days of statement.
Interest Bearing Liabilities	15	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.

The following table details the economic entity's exposure to interest rate risk as at 31 December 2002:

	2002						Non-Interest Bearing	2002 Total \$'000
	Weighted Average Interest Rate Percent	Variable Interest Rate \$'000	Fixed Interest Rate Less than 1 year \$'000	Fixed Interest Rate 1 to 5 years \$'000	Fixed Interest Rate More than 5 years \$'000	Interest Bearing \$'000		
Financial Assets:								
Price risk:								
Interest rate risk	5.00	2 028	16 768	5 847	2 464	-	27 107	
Market risk	5.58	5 063	-	53	-	13 151	18 267	
Credit risk	8.5	-	14	42	-	34 099	34 155	
Cash flow risk	4.46	11 984	-	-	-	-	11 984	
		19 075	16 782	5 942	2 464	47 250	91 513	
Financial Liabilities:								
Price risk:								
Interest rate risk	4.52	2 429	-	-	-	-	2 429	
Credit risk	-	-	-	-	-	8 475	8 475	
		2 429	-	-	-	8 475	10 904	

The following table details the economic entity's exposure to interest rate risk as at 31 December 2001:

	2001						Non-Interest Bearing	2001 Total \$'000
	Weighted Average Interest Rate Percent	Variable Interest Rate \$'000	Fixed Interest Rate Less than 1 year \$'000	Fixed Interest Rate 1 to 5 years \$'000	Fixed Interest Rate More than 5 years \$'000	Interest Bearing \$'000		
Financial Assets:								
Price risk:								
Interest rate risk	4.86	2 089	18 591	5 603	2 288	-	28 571	
Market risk	4.12	5 229	-	67	-	11 366	16 662	
Credit risk	8.5	-	28	42	-	32 689	32 759	
Cash flow risk	3.87	2 519	-	-	-	-	2 519	
		9 837	18 619	5 712	2 288	44 055	80 511	
Financial Liabilities:								
Price risk:								
Interest rate risk	5.06	950	-	-	-	-	950	
Credit risk	-	-	-	-	-	7 808	7 808	
		950	-	-	-	7 808	8 758	

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in marked interest rates.

33. Financial Instruments (continued)

Currency risk/foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The University's financial instruments are all domestic, and therefore there is no exposure to any foreign exchange risk.

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Net Fair Value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

34. Acquittal of Commonwealth Government Financial Assistance

Amounts received and expended pursuant to the *Higher Education Funding Act 1988*, excluding HECS:

	University			
	Operating Financial Assistance, Excluding HECS		Teaching Hospital	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
34.1 Teaching and Learning				
Financial assistance in advance (paid in the previous reporting period for the current reporting period.)	3 779	3 576	14	14
Financial assistance paid in previous reporting period for future reporting periods	-	1 500	-	-
Plus: Financial assistance received during reporting period.	48 957	47 983	182	178
Less: Financial assistance in advance (received in the reporting period for the next reporting period.)	(3 760)	(3 779)	(15)	(14)
Accrual adjustments:				
2001 Undergraduate Overenrolment (Paid in current reporting period)	35	-	-	-
Undergraduate Overenrolment	697	-	-	-
Financial assistance in advance adjusted to opening retained earnings	(3 779)	(5 076)	(14)	(14)
Financial assistance in advance recognised as revenue for the period	3 760	3 779	15	14
Revenue attributed to the reporting period	49 689	47 983	182	178
Plus: Surplus/deficit prior year	7 135	165	14	-
Plus: Financial assistance in advance adjusted to opening retained earnings	-	5 076	-	14
Funds available for the reporting period	56 824	53 224	196	192
Less: Expenses for current period	(51 641)	(46 089)	(181)	(178)
Surplus/Deficit for Reporting Period	5 183	7 135	15	14

Note: Financial assistance excludes Superannuation Supplementation, the Research Training Scheme and the Institutional Grants Scheme.

	Capital Development Pool		HECS	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-	2 232	2 175
Financial assistance paid in previous reporting period for future reporting periods	-	-	-	-
Plus: Financial assistance received during reporting period (including Commonwealth superannuation supplementation)	1 171	-	28 571	27 230
Plus: contributions actually received from students	-	-	4 124	3 626
Less: Financial assistance in advance (received in reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-	(2 463)	(2 232)
Accrual adjustments:				
Adjustment to 2001 upfront receipts in the current reporting period	-	-	(4)	-
Financial assistance in advance adjusted to opening retained earnings	-	-	(2 232)	(2 175)
Financial assistance in advance recognised as revenue for the period	-	-	2 463	2 232
Shortfall in student receipts from DEST estimate	-	-	(571)	-
Revenue attributed to the Reporting Period	1 171	-	32 120	30 856
Plus: Surplus/deficit prior year	-	209	2 232	-
Plus: Financial assistance in advance adjusted to opening retained earnings	-	-	-	2 175
Funds available for the reporting period	1 171	209	34 352	33 031
Less: Expenses for current period	-	(209)	(31 889)	(30 799)
Surplus/Deficit for Reporting Period	1 171	-	2 463	2 232

34.1 Teaching and Learning (continued)

	PELS	
	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-
Financial assistance paid in previous reporting period for future reporting periods	-	-
<i>Plus:</i> Financial assistance received during reporting period (including Commonwealth superannuation supplementation)	649	-
<i>Less:</i> Financial assistance in advance (received in reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-
Accrual adjustments:		
Funds owed by DEST	72	-
Revenue attributed to the Reporting Period	721	-
<i>Plus:</i> Surplus/deficit prior year	-	-
Funds available for the reporting period	721	-
<i>Less:</i> Expenses for current period	(721)	-
Surplus/Deficit for Reporting Period	-	-

34.2 Australian Research Council

	Large Grants		Research Fellowships	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
<i>Plus:</i> Financial assistance received during reporting period	1 703	2 205	197	195
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	(134)	-	(6)	-
Recovery of unspent financial assistance from previous years	-	(56)	-	-
<i>Plus:</i> Adjustments to previous years financial assistance	-	53	-	-
Accrual adjustments:				
Financial assistance in advance recognised as revenue for the period	134	-	6	-
Revenue attributed to the reporting period	1 703	2 202	197	195
<i>Plus:</i> Surplus/deficit prior year	946	1 066	8	8
Funds available for the reporting period	2 649	3 268	205	203
<i>Less:</i> Expenses for current period	(1 959)	(2 322)	(222)	(195)
Surplus (Deficit) for Reporting Period	690	946	(17)	8

	Indigenous Researchers' Development		Strategic Partnerships with Industry	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
<i>Plus:</i> Financial assistance received during reporting period	30	25	674	764
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	(3)	-	(52)	-
Recovery of unspent financial assistance from previous years	-	-	-	8
Accrual adjustments:				
Financial assistance in advance recognised as revenue for the period	3	-	52	-
Revenue attributed to the reporting period	30	25	674	772
<i>Plus:</i> Surplus/deficit prior year	13	17	466	536
Funds available for the reporting period	43	42	1 140	1 308
<i>Less:</i> Expenses for current period	(27)	(29)	(617)	(842)
Surplus/Deficit for Reporting Period	16	13	523	466

34.2 Australian Research Council (continued)

	Linkage Infrastructure		International Researcher Exchange	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
<i>Plus:</i> Financial assistance received during reporting period	220	-	15	11
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	-	-	(1)	-
<i>Less:</i> adjustments to previous years financial assistance	-	-	-	(5)
Accrual adjustments				
<i>Plus:</i> Financial Assistance in advance recognised as revenue for the period	-	-	1	-
Revenue attributed to the reporting period	220	-	15	6
<i>Plus:</i> Surplus/deficit prior year	-	90	7	12
Funds available for the reporting period	220	90	22	18
<i>Less:</i> Expenses for current period	(32)	(90)	(3)	(11)
Surplus/Deficit for Reporting Period	188	-	19	7

34.3 DEST Research Financial Assistance

	Institutional Grants Scheme		Research Training Scheme	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	562	560	845	830
<i>Plus:</i> Financial assistance received during reporting period	7 038	7 006	10 631	10 399
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	(562)	(562)	(899)	(845)
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	(562)	(560)	(845)	(830)
Financial assistance in advance recognised as revenue for the period	562	562	899	845
Revenue attributed to the reporting period	7 038	7 006	10 631	10 399
<i>Plus:</i> Surplus/deficit prior year	848	165	845	-
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	560	-	830
Funds available for the reporting period	7 886	7 731	11 476	11 229
<i>Less:</i> Expenses for current period	(6 937)	(6883)	(10 452)	(10 384)
Surplus/Deficit for Reporting Period	949	848	1 024	845

	Systemic Infrastructure Initiative		Research Infrastructure	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	40	-	232	181
<i>Plus:</i> Financial assistance received during reporting period	460	40	2 954	2 314
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	-	(40)	(276)	(232)
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	(40)	-	(232)	(181)
Financial assistance in advance recognised as revenue for the period	-	40	276	232
Revenue attributed to the reporting period	460	40	2 954	2 314
<i>Plus:</i> Surplus/deficit prior year	40	-	869	642
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	-	-	181
Funds available for the reporting period	500	40	3 823	3 137
<i>Less:</i> Expenses for current period	(450)	-	(2 923)	(2 268)
Surplus/Deficit for Reporting Period	50	40	900	869

34.3 DEST Research Financial Assistance (continued)

	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
Plus: Financial assistance received during reporting period	1 815	1 814	261	286
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Accrual adjustments				
Financial assistance in advance recognised as revenue for the period	-	-	-	-
Revenue attributed to the reporting period	1 815	1 814	261	286
Plus: Surplus/deficit prior year	75	(4)	-	-
Funds available for the reporting period	1 890	1 810	261	286
Less: Expenses for current period	(1 783)	(1 735)	(261)	(286)
Surplus/Deficit for Reporting Period	107	75	-	-

34.4 Summary of Unspent Financial Assistance

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December 2002 \$'000	Amount of unspent financial assistance that it is more likely will be approved by the CwIth for carry forward 2002 \$'000	Amount of unspent financial assistance that it is more likely will be recovered by the CwIth 2002 \$'000
Teaching and Learning			
Operating, excluding HECS	5 183	5 183	-
Teaching hospitals	15	15	-
Capital Development Pool	1 171	1 171	-
HECS	2 463	2 463	-
PELS	-	-	-
ARC			
Large grants	690	690	-
Research Fellowships	(17)	(17)	-
Indigenous Researchers' Development	16	16	-
Strategic partnerships with industry (SPIRT)	523	523	-
Linkage - infrastructure	188	188	-
International Researcher Exchange	19	19	-
DEST			
Institutional Grants Scheme	949	949	-
Research Training Scheme	1 024	1 024	-
Systemic Infrastructure Initiative	50	50	-
Research Infrastructure	900	900	-
Australian Postgraduate awards	107	107	-
International Postgraduate Research Scholarships	-	-	-
Total	13 281	13 281	-

35. Entity Information

Flinders University is a body corporate established by an Act of the South Australian Parliament, 'The Flinders University of South Australia Act, 1966'. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

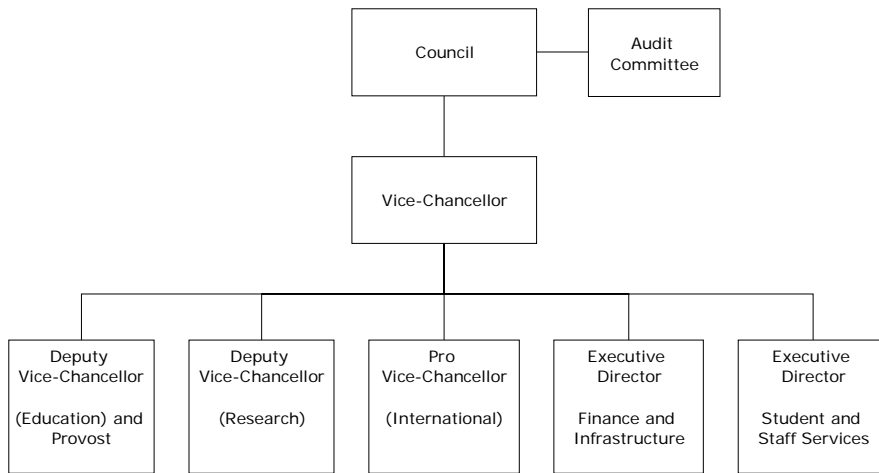
The University is established by the *University of Adelaide Act 1971*.

Functions

The University's major product and service is the provision of higher education and research.

Structure

The structure of the University of Adelaide is illustrated in the following organisation chart.



The University is dependent to a large extent on Commonwealth Government grants which may be approved for general spending or for specific purposes. In addition to these sources of funds, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2002 the University had a number of controlled entities. Major entities include:

- ARI Pty Ltd (formerly Luminis Pty Ltd) — This is a wholly-owned subsidiary of the University and is the trustee of the ARI Investment Trust, of which the University is the sole beneficiary. The main functions of ARI Pty Ltd are to commercially develop and evaluate the University's intellectual property; to manage research activities; to administer consulting funds on behalf of academics; and to manage the University's investments in related companies.
- Martindale Holdings Pty Ltd — This company:
 - acts as trustee of the JAT Mortlock Trust. This Trust carries on the business of primary production;
 - manages a joint venture JS Davies Estate, whose principal activity is farming.
- Lubims Pty Ltd — This is a wholly-owned subsidiary, which is the trustee of a Trust, created for the Department of Community Medicine to purchase a property to operate the family practice unit.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the University in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

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

During 2002, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants, student fees and sundry raisings
- student financial system
- non-current assets, including revaluations of property, plant and equipment
- liabilities, including provisions and borrowings
- internal audit activities.

The audits of the controlled entities for the year ending 31 December 2002 were carried out by private accounting firms.

The work done by the internal auditor was considered in designing the audit programs.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor. The response to the management letter was satisfactory. Major matters raised with the University and the related responses are reported in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, *Higher Education Funding Act 1988*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the University of Adelaide and of the economic entity as at 31 December 2002, their financial performance and their cash flows for the year then ended.

Assessment of Controls

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

Significant Matters Raised with the University***Student Financials***

The audit indicated a need for an independent review of master-file changes that have fee implications; a regular and timely review of outstanding student fees and appropriate follow-up action for recovery; and an independent check of refunds paid.

The University indicated that action has been taken to address these issues.

Sundry Revenue

The audit revealed that not all business units were producing and reviewing an aged debtors report on a regular basis. In addition, reminder letters for overdue debts had not been issued for some time and a user guide had not progressed past a draft format.

The University advised that a new debtors report will be developed to assist in the review of debtors and business units will be reminded of the need for regular debtor review. A feasibility study, in relation to a system upgrade, is currently being undertaken and may lead to system generated reminder letters. The user guide will be issued to all business units following completion of action resulting from the feasibility study.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2002 \$'million	2001 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Commonwealth Government financial assistance	177	159	12
HECS	42	39	7
Fees and charges	56	46	21
Other	96	81	19
Total Operating Revenue	371	325	14
<i>OPERATING EXPENSES</i>			
Employee benefits	201	188	7
Other expenses	154	143	8
Total Operating Expenses	355	331	7
Surplus (Deficit)	16	(6)	
<i>ASSETS</i>			
Current assets	68	89	(24)
Non-current assets	652	595	10
Total Assets	720	684	5
<i>LIABILITIES</i>			
Current liabilities	43	69	(38)
Non-current liabilities	56	53	6
Total Liabilities	99	122	(19)
<i>EQUITY</i>	621	562	11

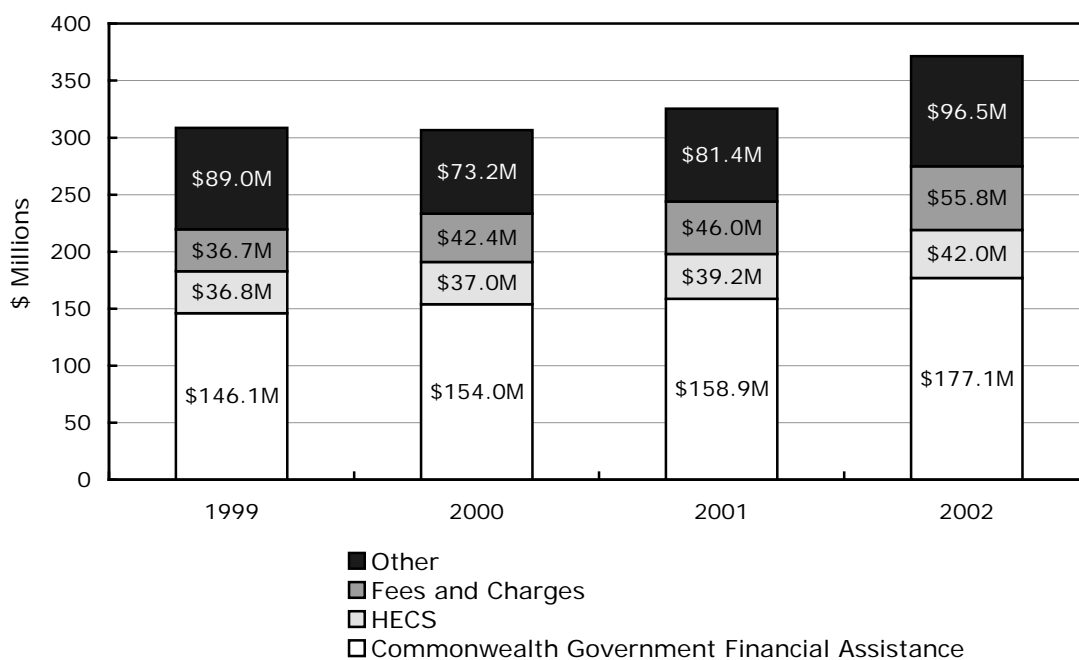
Statement of Financial Performance

Operating Revenues

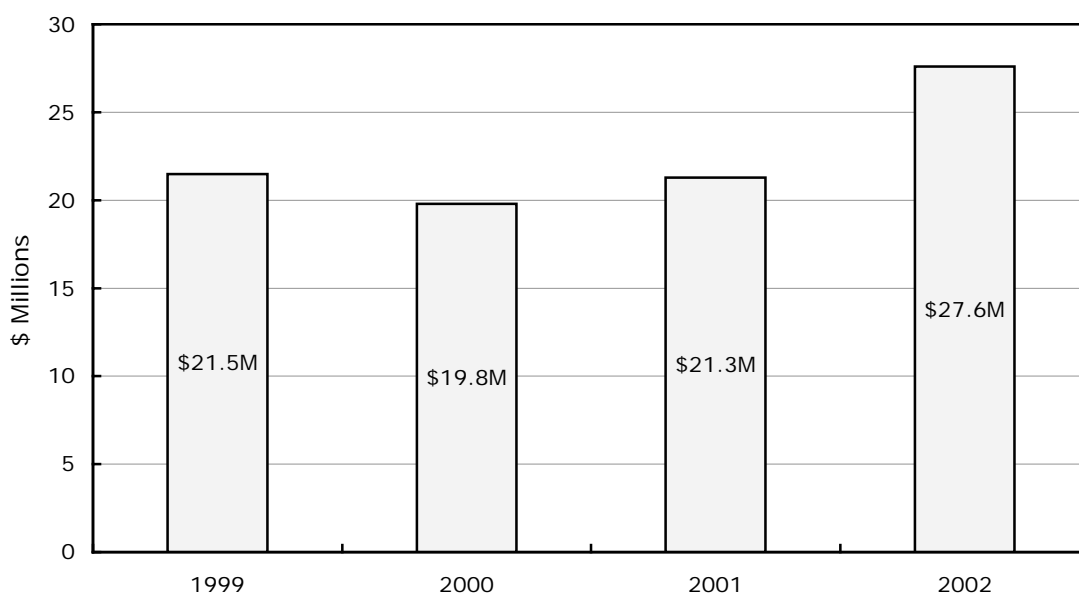
Operating revenue increased by \$45.9 million to \$371.4 million mainly as a result of an increase in:

- Commonwealth Government financial assistance of \$18.2 million;
- State Government financial assistance of \$3.4 million;
- student fees of \$8 million. The principal increase in student fees was \$6.3 million from international fee paying students;
- revenue of \$4.8 million generated by controlled entities.

For the four years to 2002 a structural analysis of operating revenues for the University is presented in the following chart.



The following chart highlights the general upward trend in international fee paying students.



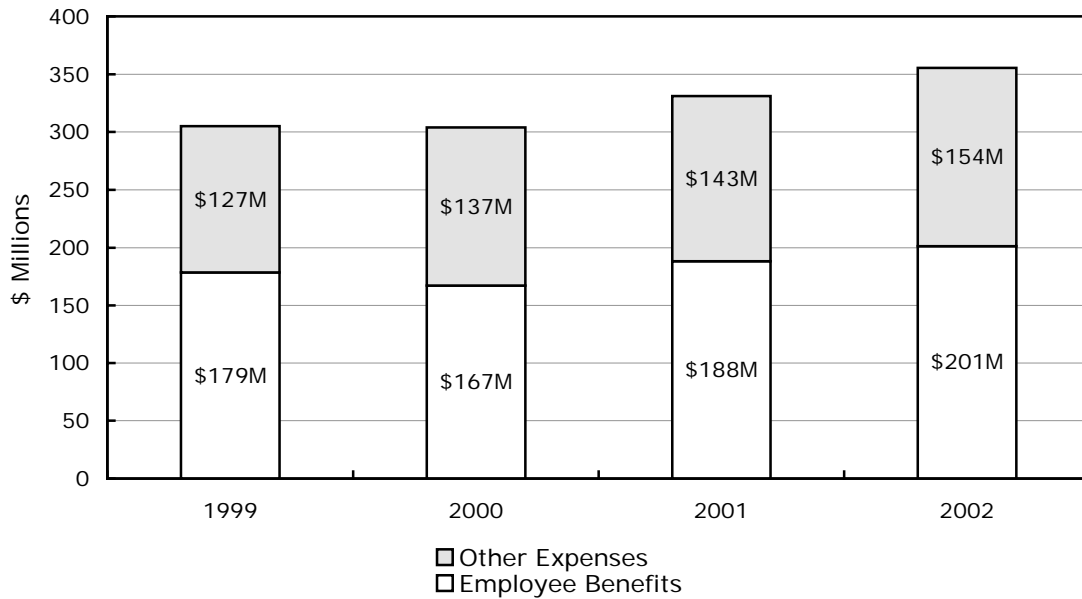
Operating Expenses

Operating expenditure increased by \$24.5 million to \$355.5 million.

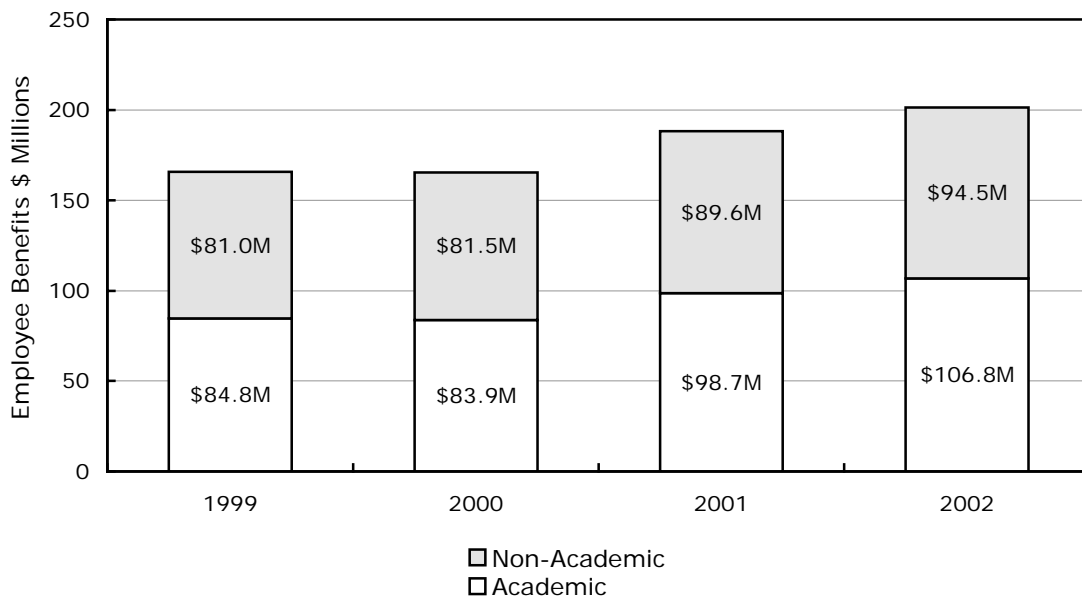
Payments totalling \$9.8 million for voluntary separation packages were the main reason that employee benefits rose by \$13 million to \$201.3 million.

The increase of \$11.5 million in other expenses is mainly attributed to teaching and research materials, up by \$4.1 million to \$33.9 million principally to service additional research activity, and to administration, communication and travel, up by \$5 million to \$53.9 million.

For the four years to 2002 a structural analysis of the main operating expense items for the University is shown in the following chart.



The following chart shows that the proportion of academic to non-academic employee benefits has remained fairly static over the last four years.

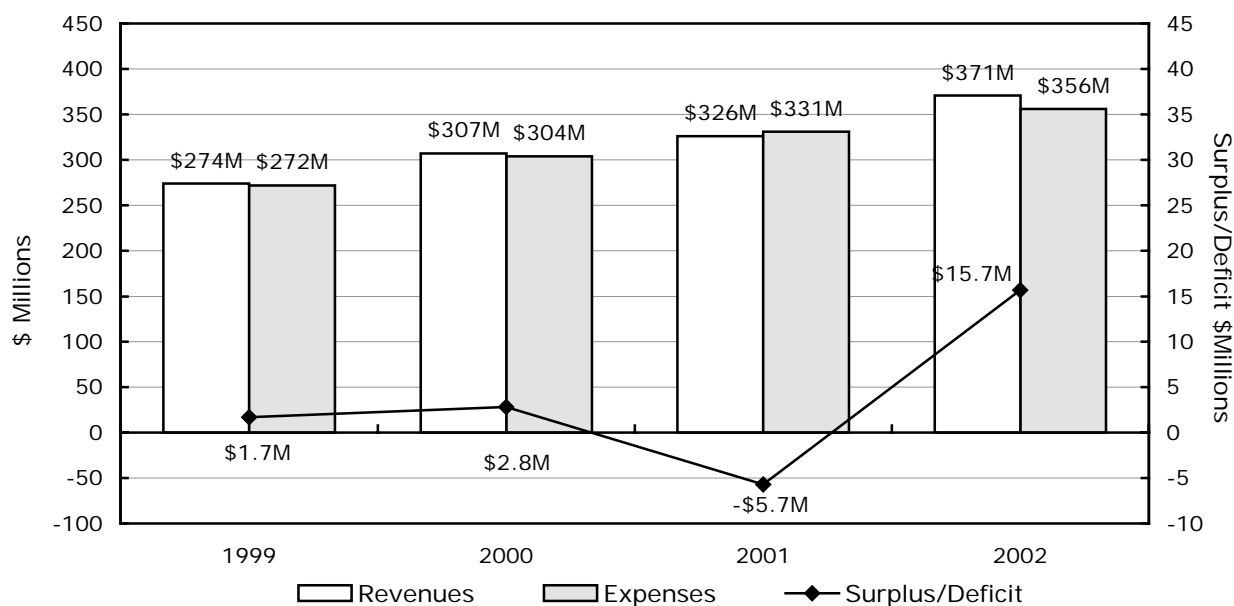


Operating Result

The consolidated operating surplus for the year was \$15.7 million which compares to a deficit in 2001 of \$5.7 million. The University operations disclose a surplus of \$12.4 million (\$6.4 million deficit). In 2001, the independent audit report was qualified on the basis of non recognition of revenue received in advance. This had the effect of overstating the University's deficit by \$4.7 million. Note 4 to the financial statements reports a change in accounting policy whereby such revenue received in advance has been recorded as revenue in 2002.

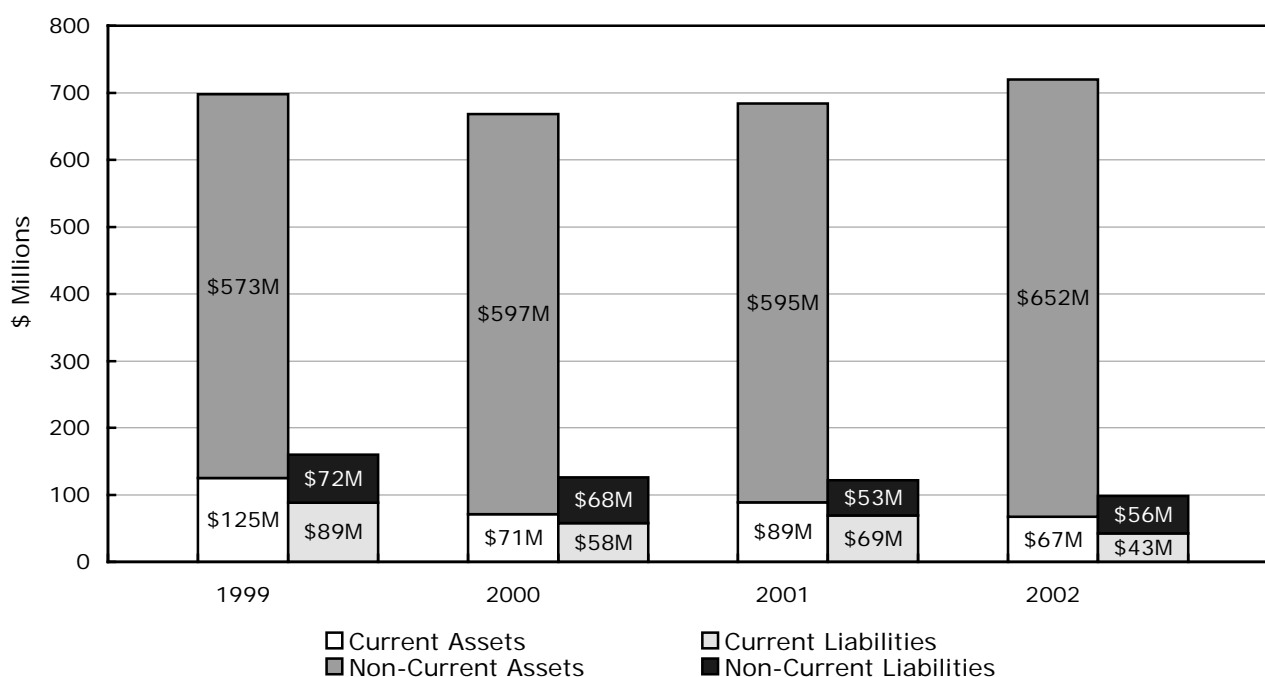
The improved result for 2002 reflects an increase in Commonwealth Government financial assistance, principally through a \$15.3 million Institutional research grant, and an increase in student fees of \$8 million.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2002.



Statement of Financial Position

For the four years to 2002 a structural analysis of assets and liabilities is shown in the following chart.



The significant reduction in current assets over the period of the analysis is the result of:

- the completion, in 2000, of the Transgenic Research and Development project;
- fluctuations in the valuations of shares held in Bresagen and GroPep;
- the use of short term deposits, in 2002, for the repayment of a loan by the University.

The increase in non-current assets reflects asset purchases and a revaluation undertaken in 2002.

Current liabilities have decreased markedly following completion of the Transgenic Research and Development project and repayment of a loan.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
Net Cash Flows				
Operations	23.8	14.3	18.8	19.8
Investing	(18.8)	(22.6)	(35)	(36.6)
Financing	(20.2)	-	-	-
Change in Cash	(15.2)	(8.3)	(16.2)	(16.8)
Cash at 30 June	24.9	40.1	48.4	64.6

The analysis of cash flows shows that the University's cash position has reduced by \$39.7 million over the three period. This reduction has resulted from funds spent on capital works and the repayment of a loan in 2002.

FURTHER COMMENTARY ON OPERATIONS

National Wine Centre

In July 2003, the State Government and the University of Adelaide signed an agreement which provides for the University to lease the Centre for 40 years at a cost of \$1 million. The University will be responsible for the operational costs of the Centre from 9 September 2003.

Statement of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES:	5,6				
Received under <i>Higher Education Funding Act 1988</i> :					
Base operating financial assistance		115 314	104 612	115 314	104 612
Other operating financial assistance		3 798	2 496	3 798	2 496
Higher Education Contribution Scheme		41 977	38 533	41 977	38 533
		161 089	145 641	161 089	145 641
Learning and Teaching:					
Student fees	5	39 294	31 290	39 294	31 290
Grants		10 080	6 263	10 080	6 263
		49 374	37 553	49 374	37 553
Research Grants and Fees:					
National competitive grants		40 996	37 173	40 996	37 173
Public sector – Other		11 370	11 639	11 150	11 419
Industry and other		14 280	9 217	14 280	9 567
		66 646	58 029	66 426	58 159
Research Other:					
Cooperative Research Centre direct funding		4 343	4 392	4 343	4 392
Research Infrastructure Program		8 360	6 907	8 360	6 907
		12 703	11 299	12 703	11 299
Other:					
Investment revenue	5	296	3 623	678	3 612
Property revenue	5	6 347	5 725	5 847	5 725
Specialist services and trading	5	44 302	41 585	14 330	14 286
Deferred employee superannuation benefits	22	4 100	1 800	4 100	1 800
Other	5	26 294	20 030	23 793	19 221
		81 339	72 763	48 748	44 644
Total Operating Revenue from Ordinary Activities		371 151	325 285	338 340	297 296
Share of net profits of associates and joint ventures					
Accounted for using the equity method	5	226	217	-	-
Total Revenue from Ordinary Activities		371 377	325 502	338 340	297 296

**Statement of Financial Performance
for the year ended 31 December 2002 (continued)**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:	6				
Salaries and related expenses	3(o),6	194 320	185 280	186 562	178 027
Student services		17 069	15 440	17 069	15 440
Teaching and research materials		33 979	29 834	33 966	29 834
Buildings and grounds		18 284	16 745	18 284	16 690
Borrowing costs	6	1 269	2 049	1 252	2 040
Administration, communication and travel		53 940	48 910	33 769	29 803
Finance and fund administration		94	1 643	94	1 470
Miscellaneous equipment, depreciation and WDV of assets sold		29 554	28 057	27 939	27 346
Deferred and HEFA superannuation	6	6 986	3 011	6 986	3 011
Total Operating Expenses from Ordinary Activities		355 495	330 969	325 921	303 661
OPERATING SURPLUS (DEFICIT) BEFORE MINORITY INTERESTS		15 882	(5 467)	12 419	(6 365)
Operating deficit attributable to outside equity interest	27	(159)	(222)	-	-
OPERATING SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		15 723	(5 689)	12 419	(6 365)
CHANGE IN EQUITY - NET INCREASE:					
Impact from change in accounting policy	4	-	13 187	-	13 187
Outside equity interest		134	-	-	-
Asset revaluation reserve	17	43 061	12 126	45 633	42 500
Capital profits reserve		-	171	-	-
TOTAL CHANGES IN EQUITY		58 918	19 795	58 052	49 322

Statement of Financial Position as at 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CURRENT ASSETS:					
Cash		11 861	14 181	1 467	5 578
Receivables	7	25 974	17 595	22 717	14 852
Other financial assets	8	20 679	46 986	16 732	30 555
Inventories	9	3 463	3 969	1 660	1 646
Other	10	5 398	6 243	3 215	4 534
Total Current Assets		67 375	88 974	45 791	57 165
NON-CURRENT ASSETS:					
Other financial assets	8	62 213	66 288	105 290	110 782
Investments accounted for using the equity method	11	807	581	363	448
Property, plant and equipment	12	551 527	494 425	517 973	472 264
Deferred government superannuation contribution	22	37 800	33 700	37 800	33 700
Total Non-Current Assets		652 347	594 994	661 426	617 194
Total Assets		719 722	683 968	707 217	674 359
CURRENT LIABILITIES:					
Payables	13	23 932	20 208	15 737	12 052
Interest-bearing liabilities	14	115	20 156	6	22 121
Provisions	15	10 780	12 602	10 136	12 029
Deferred employee superannuation benefits	22	2 700	2 400	2 700	2 400
Other	16	5 131	13 773	5 128	13 596
Total Current Liabilities		42 658	69 139	33 707	62 198
NON-CURRENT LIABILITIES:					
Interest-bearing liabilities	14	307	293	94	95
Provisions	15	20 456	20 953	20 436	20 938
Deferred employee superannuation benefits	22	35 100	31 300	35 100	31 300
Total Non-Current Liabilities		55 863	52 546	55 630	52 333
Total Liabilities		98 521	121 685	89 337	114 531
NET ASSETS		621 201	562 283	617 880	559 828
EQUITY:					
Capital reserves	17	426 084	383 626	438 983	393 350
Specific purpose reserves	17	114 278	108 076	114 278	108 076
Accumulated results - of operations		78 948	68 665	64 619	58 402
Total University Interest		619 310	560 367	617 880	559 828
Accumulated results - Outside equity interest		1 891	1 916	-	-
TOTAL EQUITY		621 201	562 283	617 880	559 828

Statement of Cash Flows for the year ended 31 December 2002

		Consolidated		University	
		2002	2001	2002	2001
		Inflows	Inflows	Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)	(Outflows)	(Outflows)
INFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Commonwealth Government financial assistance		172 865	165 712	172 865	165 712
State Government financial assistance		15 354	8 420	15 134	8 200
Higher Education Contribution Scheme:	34				
Student payments		6 638	6 063	6 638	6 063
Higher Education Trust Fund		35 339	33 100	35 339	33 100
Postgraduate Education Loan Scheme		1 293	-	1 293	-
Student fees		32 737	29 436	32 737	29 436
Other fees and charges		18 398	15 618	13 077	12 542
Donations and bequests		7 161	5 533	7 561	5 533
Investment income received		4 486	5 413	4 989	5 271
Consultancy and contract research		26 872	30 814	18 517	19 352
Specialist services and produce trading		27 602	25 654	9 599	9 817
Other		5 691	1 998	3 687	2 814
Total Inflows		354 436	327 761	321 436	297 840
OUTFLOWS:					
Salaries and related expenses		(202 144)	(185 390)	(194 417)	(175 314)
Student services		(17 082)	(15 440)	(17 069)	(15 440)
Goods and services		(110 481)	(111 054)	(88 466)	(96 102)
Interest paid		(934)	(1 560)	(917)	(1 557)
Total Outflows		(330 641)	(313 444)	(300 869)	(288 413)
Net Cash provided by Operating Activities	18	23 795	14 317	20 567	9 427
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		2 395	1 067	2 006	1 006
Proceeds from sale of investments		821	4 424	-	4 424
Increase in borrowings		145	-	-	-
Repayment of loan		115	396	1 078	193
Total Inflows		3 476	5 887	3 084	5 623
OUTFLOWS:					
Payments for property, plant and equipment		(22 131)	(28 372)	(18 512)	(27 449)
Payments for interest in joint ventures		-	(101)	-	(101)
Decrease in borrowings		(140)	(11)	(2 078)	(11)
Additional lending		(28)	-	-	-
Total Outflows		(22 299)	(28 484)	(20 590)	(27 561)
Net Cash used in Investing Activities		(18 823)	(22 597)	(17 506)	(21 938)

Statement of Cash Flows
for the year ended 31 December 2002 (continued)

		Consolidated		University	
		2002	2001	2002	2001
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM FINANCING ACTIVITIES:		\$'000	\$'000	\$'000	\$'000
OUTFLOWS:	Note				
Repayment for borrowings		(20 038)	-	(20 038)	-
Dividends paid to minority interests		(120)	-	-	-
Total Outflows		(20 158)	-	(20 038)	-
Net Cash used in Financing Activities		(20 158)	-	(20 038)	-
NET DECREASE IN CASH HELD		(15 186)	(8 280)	(16 977)	(12 511)
CASH AT 1 JANUARY		40 122	48 402	31 519	44 030
CASH AT 31 DECEMBER	18	24 936	40 122	14 542	31 519

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with applicable Australian Accounting Standards and Urgent Issue Group Consensus Views, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Commonwealth Department of Education, Science and Training (DEST).

2. Scope of Reporting

The financial statements and notes disclose the operating results and 2001 comparative results of The University of Adelaide as follows:

University - refers to all aspects of operation of The University of Adelaide only.

Consolidated - refers to the financial results of The University of Adelaide together with financial results of its controlled entities. It includes accounts for the University's interests in associated entities and its joint venture operations.

The controlled entities of The University of Adelaide, included in this report are:

- Lubims Pty Ltd
- Adelaide Research & Innovation Pty Ltd (formerly Luminis Pty Ltd) as trustee for Adelaide Research & Innovation Investment Trust (formerly Luminis Investment Trust)
- Australian Company Number 060 292 486 Pty Ltd formerly Camtech (SA) Pty Ltd as trustee for
— Camtech Discretionary Trust
- Repromed Pty Ltd
- Disc Pty Ltd
- Martindale Holdings Pty Ltd as trustee for - JS Davies Estate
— JAT Mortlock Trust

Refer to Note 27 Investments in Controlled Entities.

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity, and except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University being the parent entity, and its controlled entities ('the Consolidated Entity').

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Statement of Financial Performance. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Revenue Recognition

Grant Revenue

Grant revenue is recognised in the accounting period it is received or when there is a right to receive the grant revenue. Refer Note 4 Change in Accounting Policy.

Student Tuition Fees and Charges

Student tuition fees and charges are recognised in the accounting period in which the service is provided.

Consultancy, Contract and Industry Research

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

Bequests and Donations

Bequests and donations are recognised as income in the accounting period they are received.

Interest and Investment Income

Interest and income from investments are recognised as they accrue (Refer to Note 3(i)).

Asset Sales

The gross proceeds of asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is treated as deferred expenditure and is brought to account in the Statement of Financial Position.

(g) Employee Entitlements*Wages, Salaries and Annual Leave*

The provision for employees' entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long Service Leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements, which are not expected to be settled within twelve months, are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Statement of Financial Performance. Refer to Note 22 for details relating to the individual schemes.

(h) Doubtful and Bad Debts

The collectibility of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Other Financial Assets

Funds are invested in the following categories under guidelines determined by the University. Details of these other financial assets are disclosed in Note 8.

Cash on Deposit

These are cash balances held in interest earning facilities with financial institutions.

Composite Fund

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures, are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by an independent portfolio manager. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These investments are reported in the Statement of Financial Position at market values obtained from the portfolio manager. Unrealised gains or losses are recognised in the Statement of Financial Performance.

As at balance date the University was in the process of changing independent portfolio managers. Longer term investments in the Fund were invested in cash deposits to enable this change. During 2003 a proportion of these cash deposits will be re-invested in longer term investments.

Recognition of Movements in Value

The movement in value of investments held for trading at the financial year end, is brought to account as income. The movement in value of investments of a non trading nature is reflected in the asset revaluation reserve.

(j) Investments in Business Undertakings

Controlled Entities

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Statement of Financial Performance when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at the lower of cost or recoverable amount.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Statement of Financial Performance after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity.

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 29 (a)(i). In the ordinary course of events this income which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in Other Unincorporated Joint Ventures, as described in Note 29 (a)(ii), are accounted for using the equity method of accounting.

Other Business Undertakings

The Consolidated Entity holds, through The Adelaide Research & Innovation Investment Trust, significant investments in two publicly listed investments, namely GroPep Ltd and BresaGen Ltd. It does not exercise any significant influence over the operations of these two entities. As at 31 December 2002 these have been valued at market value.

In addition, the Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non publicly listed investments, these have been valued at lower of cost or net realisable value.

(k) Inventories

Consumable Materials and Trading Stock

The University has a number of inventory stores at several locations. The inventory is valued at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in the Consolidated Entity at the lower of cost or net realisable value.

Livestock

The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(l) Non-Current Assets

Acquisitions

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(m).

Revaluations

In previous years land, buildings and works of art were independently valued every three years on an existing use basis of valuation and disclosed in the financial statements at the revalued amounts. This was in accordance with Accounting Policy Statements (APS) pronounced by the Treasurer of South Australia. During 2002 land, buildings and works of art were independently valued on a fair value basis in accordance with Australian Accounting Standards and in compliance with changes to the APS requirements.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided by government in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

Land and buildings are recorded at fair value on the basis of an independent valuation carried out by Mr N Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd on 21 December 2002. Previously buildings have been valued at replacement cost and cost. The change in valuation method has had no financial impact on the Statement of Financial Performance.

Other Collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

The Library was revalued on 31 December 2002 using an internal valuation based on the annual price movement of books and journals.

Works of Art

Works of art greater than \$2 000, are recorded at fair value on the basis of an independent valuation carried out by Mr J.F.B. Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 12 December 2002. No provision for depreciation is made for works of art.

In previous years only works of art greater than \$25 000 had been recognised. The recognition of those assets not previously valued has had a financial impact on the Statement of Financial Performance of \$1.09 million and has been disclosed as other revenue.

Software

The University capitalises certain software costs with a purchase price greater than \$100 000 and an expected useful life greater than twelve months, together with all costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational.

Leased Plant and Equipment

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer to Note 19 Future Expenditure Commitments.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(m) Depreciation and Amortisation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

	Range
Buildings	20-160 years
Leasehold improvements	10-50 years
Library	5-50 years
Plant and equipment including motor vehicles	5-10 years
Software and implementation costs	3-5 years
Leased plant and equipment	10 years

(n) Workers Compensation

The University is responsible for payments of workers' compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by William M. Mercer using the Claims Paid Development Method wherein all past claims are brought to current value with an allowance for late reporting of claims and administration costs.

(o) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements, and other costs incidental to the employment of staff such as professional development costs, fringe benefit tax etc.

(p) Operating Revenue - Other

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges, etc.

(q) Recognition of Donations and Bequests

All donations and bequests received by the University are brought to account as income.

(r) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

(s) Comparative Information

These financial statements and notes display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DEST and the major impact has been upon the Statement of Cash Flows.

In addition, there has been a reclassification of 'Other' Land and Buildings into 'Trust'. This reclassification has resulted from the 2002 independent revaluation and is as follows:

- Other Land of \$1.3 million moved to Trust Land
- Other Buildings of \$56.2 million moved to Trust Buildings

4. Change in Accounting Policy**Treatment of Grant Revenue**

Prior to 2001, grant revenue for operating purposes was brought to account in the academic year for which the grant was advanced.

This was consistent with the former Commonwealth Department of Education, Training and Youth Affairs Reporting Guidelines, prescribing the accounting treatment for grants. The University viewed these guidelines as taking precedence over AAS 15 - Revenue. The guidelines were withdrawn in 2001 which meant that Section 9 of AAS 15 was applied for the first time in 2001. This had the effect of requiring the University to bring grants to account as revenue in the year they are received. The transitional provisions of AAS 15 were used such that revenue deferred from the year 2001 was treated as a prior year adjustment to accumulated surplus and the grant received in December 2001 for the 2002 academic year was recognised as revenue in 2001.

This had the effect of increasing the Equity in 2001 by \$13.2 million and increasing the Operating Deficit in 2001 by \$368 000.

In 2002 grant revenue has been included in the Statement of Financial Performance when it was received or when there was a right to receive the grant revenue.

5. Operating Revenue

Student fee income includes:

	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Award Courses:				
Australian fee paying undergraduate students	664	398	664	398
Australian fee paying postgraduate students	3 504	4 146	3 504	4 146
International fee paying students	27 616	21 297	27 616	21 297
	31 784	25 841	31 784	25 841
Non-Award Courses:				
Continuing Education	409	451	409	451
Australian fee paying	835	529	835	529
Other teaching service fees	4 280	3 526	4 280	3 526
	5 524	4 506	5 524	4 506
	37 308	30 347	37 308	30 347
Tuition Fees – <i>Higher Education Funding Act</i> :				
Postgraduate Education Loan Scheme	1 293	-	1 293	-
Overseas postgraduate research scholarship	693	943	693	943
	39 294	31 290	39 294	31 290
Investment Revenue:				
General Fund earnings	2 773	3 113	2 258	2 798
Net realised (losses) gains on Composite Fund investments	(2 500)	2 262	(2 500)	2 262
General and Composite Fund investment market valuation adjustment	(692)	(2 150)	(692)	(2 150)
Royalty, trademarks and licences	564	273	564	9
Dividends received	151	125	48	18
Distribution from controlled entities	-	-	1 000	675
	296	3 623	678	3 612
Property Revenue:				
Rental charges/accommodation fees	3 776	3 347	3 776	3 347
Parking fees	956	818	956	818
Building development and maintenance recovery	912	923	412	923
Other property revenue	703	637	703	637
	6 347	5 725	5 847	5 725
Specialist Services and Trading:				
Consultancy fees	10 528	14 632	2 318	3 170
Library charges and fines	1 111	1 299	1 111	1 299
Sale of services	15 200	11 967	6 677	5 028
Sale of goods	9 072	8 178	2 685	3 091
Sponsorship and conference income	1 090	1 225	1 090	1 225
Other specialist services and trading	7 301	4 284	449	473
	44 302	41 585	14 330	14 286

5. Operating Revenue (continued)	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other Revenue:					
Requests and Donations received for:					
Research		1 658	1 404	2 058	1 404
Prizes and scholarships		765	998	765	998
General operational purposes and capital works		5 129	4 129	5 129	4 129
		7 552	6 531	7 952	6 531
Gross proceeds from sale of non-current assets		3 216	1 067	2 006	1 006
Recharge of costs to other organisations		2 484	2 157	2 484	2 157
Application management and late fee		655	561	655	561
Contribution of assets		-	3 300	-	3 300
Franchise fees		944	1 044	944	1 044
Bad debts recoveries		9	75	9	75
Initial recognition of works of art		1 090	-	1 090	-
Other revenue		10 344	5 295	8 653	4 547
		26 294	20 030	23 793	19 221
Share of net profits of associates, joint ventures: accounted for using the equity method:					
Associates	28	107	171	-	-
Joint venture operations	29	119	46	-	-
		226	217	-	-
6. Operating Surplus					
Operating surplus is arrived at after crediting and charging the following items:					
Credits:					
Net foreign exchange gain		123	239	123	239
Net gain on disposal of property, plant and equipment		1 239	227	1 011	168
Net gain on disposal of investments		310	58	-	-
Charges:					
<i>Salaries and Related Expenses:</i>					
Academic:					
Salaries		73 739	69 410	73 739	69 410
Contributions to superannuation schemes:					
Deferred employee superannuation benefits		2 323	1 012	2 323	1 012
Emerging cost		1 635	681	1 635	681
Funded		9 982	10 413	9 982	10 413
		13 940	12 106	13 940	12 106
Payroll tax		4 565	3 923	4 565	3 923
Annual leave		8 031	7 261	8 031	7 261
Long service leave		2 039	1 890	2 039	1 890
Workers compensation		344	332	344	332
Other		4 131	3 744	4 131	3 744
Total Academic Salaries and Related Expenses		106 789	98 666	106 789	98 666
Non-Academic:					
Salaries		68 277	65 344	61 127	58 514
Contributions to superannuation schemes:					
Deferred employee superannuation benefits		1 777	788	1 777	788
Emerging cost		1 251	530	1 251	530
Funded		8 127	8 461	7 715	8 111
		11 155	9 779	10 743	9 429
Payroll tax		3 747	3 360	3 690	3 336
Annual leave		6 026	5 699	5 983	5 681
Long service leave		1 639	1 485	1 576	1 508
Workers compensation		315	338	282	284
Other		3 358	3 620	3 358	3 620
Total Non-Academic Salaries and Related Expenses		94 517	89 625	86 759	82 372
		201 306	188 291	193 548	181 038
Total academic and non-academic salaries and related expenses represented by:					
Salaries and related expenses		194 320	185 280	186 562	178 027
Deferred and emerging cost of superannuation		6 986	3 011	6 986	3 011
		201 306	188 291	193 548	181 038

6.	Operating Surplus (continued)	Note	Consolidated		University	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Bad and Doubtful Debts Cost:					
	Student loans		54	14	54	14
	Student tuition		(313)	144	(313)	144
	Other debtors		103	8	103	(68)
			(156)	166	(156)	90
	Amortisation:					
	Leasehold improvements		217	20	178	20
	Software and system development costs		3 609	2 918	3 609	2 918
			3 826	2 938	3 787	2 938
	Depreciation:					
	Buildings		4 389	3 920	4 245	3 790
	Plant ,equipment and motor vehicles		5 571	5 348	4 811	4 751
	Library collection		6 035	5 946	6 035	5 946
			15 995	15 214	15 091	14 487
	Net loss on disposal of property, plant and equipment		1 008	2 047	816	2 047
	Borrowing Costs:					
	Interest		934	1 560	917	1 557
	Finance charges		335	489	335	483
			1 269	2 049	1 252	2 040
7.	Receivables	3(h)				
	Student tuition fees		5 642	1 913	5 642	1 913
	Less: Provision for doubtful debts		500	374	500	374
			5 142	1 539	5 142	1 539
	Sundry and trade debtors		21 415	17 014	17 909	13 638
	Less: Provision for doubtful debts		801	1 141	535	500
			20 614	15 873	17 374	13 138
	Student loans		201	174	201	174
	Other		17	9	-	1
	Total Receivables		25 974	17 595	22 717	14 852
8.	Other Financial Assets					
	Current:					
	Short-term investment portfolio:					
	Cash on deposit	3(i)	13 075	25 941	13 075	25 941
	Other	30	7 053	20 500	-	-
			20 128	46 441	13 075	25 941
	Loans:					
	Loans to controlled entities		-	-	3 106	4 069
	Other loans		551	545	551	545
			551	545	3 657	4 614
			20 679	46 986	16 732	30 555
	Non-Current:					
	Composite Fund at fair value:	3(i)				
	Australian fixed interest securities		-	4 355	-	4 355
	Australian equities		-	9 223	-	9 223
	Overseas equities		2	11 342	2	11 342
	Property trusts		259	2 178	259	2 178
	Cash and liquid assets		50 268	27 286	50 268	27 286
			50 529	54 384	50 529	54 384
	Managed investment held by Unisure Pty Ltd		6 874	8 311	6 874	8 311
	Interest in business undertakings:					
	Controlled entities	27	-	-	44 235	45 398
	Other investments	30	3 132	1 794	1 974	890
	Loans:					
	Other loans		2 178	2 299	2 178	2 299
	Less: Provision for doubtful debts		500	500	500	500
			1 678	1 799	1 678	1 799
			62 213	66 288	105 290	110 782

Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.

9.	Inventories (refer Note 3(k))	Note	Consolidated		University	
			2002	2001	2002	2001
			\$'000	\$'000	\$'000	\$'000
	Consumable materials and trading stock		1 801	1 775	1 760	1 746
	Livestock		1 762	2 294	-	-
	Less: Provision for obsolescence		(100)	(100)	(100)	(100)
			3 463	3 969	1 660	1 646
10.	Other Assets					
	Current:					
	Prepayments		4 343	5 581	3 058	4 373
	Accrued income		267	225	157	161
	Other		788	437	-	-
			5 398	6 243	3 215	4 534
11.	Investments Accounted for Using the Equity Method:					
	Associated entities:	28				
	At cost		-	-	298	298
	Equity accounted		440	333	-	-
	Joint venture entities:	29				
	At cost		-	-	65	150
	Equity accounted		367	248	-	-
			807	581	363	448
12.	Property, Plant and Equipment	3 (l)				
	12.1 Summary					
	Land					
	Trust land:					
	At independent valuation 1998		228	33 823	228	33 823
	At independent valuation 2002		66 065	-	66 065	-
			66 293	33 823	66 293	33 823
	Other land:					
	At independent valuation 1998		499	20 949	499	20 949
	At Council valuation 2000		-	17 744	-	-
	At Valuer-General's valuation 2001		3 300	3 300	3 300	3 300
	At independent valuation 2002		73 466	-	46 625	-
			77 265	41 993	50 424	24 249
	Total Land		143 558	75 816	116 717	58 072
	Buildings					
	Trust buildings:					
	At cost		-	48 446	-	48 446
	At independent valuation 1998		-	238 215	-	238 215
	At independent valuation 2002		273 393	-	273 393	-
			273 393	286 661	273 393	286 661
	Other buildings:					
	At cost		214	3 313	214	1 157
	At independent valuation 1998		-	41 894	-	41 894
	At independent valuation 1999		-	581	-	-
	At Council valuation 2000		-	155	-	-
	At independent valuation 2002		36 115	-	34 171	-
			36 329	45 943	34 385	43 051
	Capital work in progress:					
	At cost		2 213	5 306	2 213	5 306
	Total Buildings		311 935	337 910	309 991	335 018
	Provision for Depreciation of Buildings					
	Trust buildings:					
	At cost		-	(293)	-	(293)
	At independent valuation 1998		-	(8 875)	-	(8 875)
			-	(9 168)	-	(9 168)
	Other buildings:					
	At cost		(3)	(783)	(3)	-
	At independent valuation 1998		-	(1 608)	-	(1 600)
	At independent valuation 1999		-	(258)	-	-
	At Council valuation 2000		-	(52)	-	-
			(3)	(2 701)	(3)	(1 600)
	Total Provision for Depreciation		(3)	(11 869)	(3)	(10 768)
	Total Buildings Net of Depreciation		311 932	326 041	309 988	324 250
	Leasehold Improvements:					
	At cost		2 982	1 118	1 203	789
	Provision for amortisation		(480)	(320)	(152)	(51)
			2 502	798	1 051	738

12. Property, Plant and Equipment (continued) (refer Note 3(I))

12.1 Summary	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Library Collection:				
At cost	-	18 663	-	18 663
At Council valuation 1998	-	167 760	-	167 760
At Council valuation 2002	55 819	-	55 819	-
	55 819	186 423	55 819	186 423
Provision for depreciation	-	(133 738)	-	(133 738)
	55 819	52 685	55 819	52 685
Works of Art:				
At independent valuation 1999	-	2 790	-	2 790
At independent valuation 2002	4 188	-	4 188	-
	4 188	2 790	4 188	2 790
Plant and Equipment:				
At cost	102 255	99 720	94 984	93 174
Provision for depreciation	(68 727)	(63 425)	(64 774)	(59 445)
	33 528	36 295	30 210	33 729
Total Property, Plant and Equipment	551 527	494 425	517 973	472 264

Aggregate depreciation and amortisation allocated during the year is recognised as an expense and disclosed in Note 6 Operating Surplus.

12.2 Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Buildings		Leasehold	Library	Works of Art	Plant and Equipment	Total
	Land	Inc WIP	Improve-ment				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated:							
Opening Balance	75 816	326 041	798	52 685	2 790	36 295	494 425
Additions	265	7 772	2 076	4 237	1 090	7 782	23 222
Disposals	(250)	(34)	(155)	(367)	-	(1 369)	(2 175)
Revaluation:							
Increments (Decrements)	67 727	(17 458)	-	5 299	308	-	55 876
Depreciation/amortisation	-	(4 389)	(217)	(6 035)	-	(9 180)	(19 821)
Closing Balance	143 558	311 932	2 502	55 819	4 188	33 528	551 527
Parent:							
Opening Balance	58 072	324 250	738	52 685	2 790	33 729	472 264
Additions	-	7 723	599	4 237	1 090	5 953	19 602
Disposals	(250)	(34)	(108)	(367)	-	(1 052)	(1 811)
Revaluation:							
Increments (Decrements)	58 895	(17 706)	-	5 299	308	-	46 796
Depreciation/amortisation	-	(4 245)	(178)	(6 035)	-	(8 420)	(18 878)
Closing Balance	116 717	309 988	1 051	55 819	4 188	30 210	517 973

12.3 Glenthorne

In May 2001, the University was the recipient of a grant of a parcel of land known as Glenthorne previously owned by the CSIRO. This land is intended to be used by the University for research, teaching and agricultural based commercial enterprises.

The transaction involved three parties. The Government of South Australia had agreed to purchase Glenthorne from the CSIRO for \$7 million, which was the value of the land if it were to be developed for housing. The Government of South Australia was intending to retain the land as open space. However, after consultation with various interested parties, the Government of South Australia decided that the ongoing development and management of the property would best be undertaken by the University. As a result, the Government of South Australia made a \$7 million grant to the University to purchase Glenthorne from the CSIRO.

However, the land is zoned for rural use and one of the conditions of the grant from the Government of South Australia was that the University preserve the land for agricultural and other related activities. The Valuer-General has valued the land for primary production at \$3.3 million. Should the University sell the property these same conditions would apply to the new owner and the University would be obliged to repay the original grant plus CPI to the Government of South Australia.

In accordance with AAS 6 Accounting Policies, the University whilst recognising the ascribed value of the \$7 million grant as income in 2001, wrote down the value of the land to fair value, with a charge to the Statement of Financial Performance of \$3.7 million in 2001.

As a result, the transaction as a whole had a beneficial impact on the University's Statement of Financial Performance of \$3.3 million in 2001.

13. Payables - Current	Consolidated		University	
	2002	2001	2002	2001
Accounts payable	13 941	13 823	10 640	10 316
Accruals	9 991	6 385	5 097	1 736
	23 932	20 208	15 737	12 052
14. Interest Bearing Liabilities				
Current:				
Bank loans and commercial paper	108	20 113	-	20 038
Lease liability	-	7	-	-
Other	7	36	6	36
Owing to controlled entities	-	-	-	2 047
	115	20 156	6	22 121
Non-Current:				
Bank loans and commercial paper	213	198	-	-
Other	94	95	94	95
	307	293	94	95
Bank Loans and Commercial Paper				
In 1991 the University obtained a loan facility to a maximum of \$22.9 million for a period of 10 years. During the course of 2001, the loan facility expired and the debt was converted into commercial bills. During the 2002 year the commercial bills were repaid from surplus cash on deposit.				
15. Provisions				
	Consolidated		University	
	2002	2001	2002	2001
Current:	\$'000	\$'000	\$'000	\$'000
Annual and long service leave provisions	9 860	11 745	9 216	11 211
Workers compensation provision	920	857	920	818
	10 780	12 602	10 136	12 029
Non-Current:				
Workers compensation provision	1 580	1 300	1 580	1 300
Long service leave provision	18 876	19 653	18 856	19 638
	20 456	20 953	20 436	20 938
16. Other Liabilities				
Current:				
Grants received in advance	-	6 780	-	6 603
Outside funded positions	1 054	831	1 054	831
Salary and wage deductions	351	3 432	348	3 432
Student tuition fees received in advance	1 871	2 702	1 871	2 702
Unspent Commonwealth financial assistance	1 328	-	1 328	-
Residential bonds	17	28	17	28
Employee benefits – redundancy	510	-	510	-
	5 131	13 773	5 128	13 596
Grants Received in Advance				
In December 2001, the University received an advance of its operating grant of \$5 million from DEST. An amount of \$0.3 million had been used as at 31 December 2001, reducing this amount to \$4.7 million. This amount was included in grants received in advance. The amount in grants received in advance has been included in grant revenue in the Statement of Financial Performance in 2002 together with a further \$5 million operating grant received from DEST during 2002. The grant was for the purpose of restructuring and will be offset by a reduction in DEST funding in three equal instalments in 2003, 2004 and 2005.				
17. Reserves				
17.1 Summary	Consolidated		University	
	2002	2001	2002	2001
Capital Reserves:	\$'000	\$'000	\$'000	\$'000
Capital reserve	2 970	2 970	-	-
Capital profits reserve	687	1 036	-	-
Asset revaluation reserve	143 303	100 242	159 859	114 226
Initial asset recognition reserve	279 124	279 378	279 124	279 124
	426 084	383 626	438 983	393 350
Specific Purpose Reserves:				
Special reserve	46 452	35 626	46 452	35 626
Bequests/donations unspent income reserve	12 415	10 087	12 415	10 087
Restricted purpose bequest capital reserve	44 782	47 880	44 782	47 880
Composite fund revaluation reserve	10 629	14 483	10 629	14 483
	114 278	108 076	114 278	108 076
17.2 Movements in Reserves				
Capital Reserve:				
Opening balance	2 970	2 970	-	-
Current year movement	-	-	-	-
Closing Balance	2 970	2 970	-	-

17.2 Movements in Reserves (continued)

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital Profits Reserve:				
Opening balance	1 036	865	-	-
Current year movement	(349)	171	-	-
Closing Balance	687	1 036	-	-
Asset Revaluation Reserve:				
Opening balance	100 242	88 116	114 226	71 726
Add (Less): Revaluation increment/decrement on investments	(12 815)	12 126	(1 163)	42 500
Add: Revaluation increment on property, plant and equipment	55 876	-	46 796	-
Closing Balance	143 303	100 242	159 859	114 226
Initial Asset Recognition Reserve:				
Opening balance	279 378	279 378	279 124	279 124
Current year movement	(254)	-	-	-
Closing Balance	279 124	279 378	279 124	279 124
Special Reserve:				
Opening balance	35 626	26 187	35 626	26 187
Transfer (to) from accumulated funds	10 826	9 439	10 826	9 439
Closing Balance	46 452	35 626	46 452	35 626
Bequests/Donations Unspent Income Reserve:				
Opening balance	10 087	9 547	10 087	9 547
Transfer (to) from accumulated funds	2 328	540	2 328	540
Closing Balance	12 415	10 087	12 415	10 087
Restricted purpose Bequest Capital Reserve:				
Opening balance	47 880	47 583	47 880	47 583
Transfer (to) from accumulated funds	(3 098)	297	(3 098)	297
Closing Balance	44 782	47 880	44 782	47 880
Composite Fund Revaluation Reserve:				
Opening balance	14 483	15 519	14 483	15 519
Transfer (to) from accumulated funds	(3 854)	(1 036)	(3 854)	(1 036)
Closing Balance	10 629	14 483	10 629	14 483

17.3 Nature and Purpose of Reserves*Capital Reserve*

Represents capital accounts held within controlled entities of the University.

Capital Profits Reserve

Represents the accumulation of realised revalued increments of assets sold.

Asset Revaluation Reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3(l).

Initial Asset Recognition Reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Specific Purpose Reserves

Represents a number of reserves generated through a series of specific purpose transactions, and can only be used in accordance with the attributes of the generating transactions, eg composite fund revaluations reserve, bequest/donations reserve etc. In particular, the special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

18. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term investments in money market instruments. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash	11 861	14 181	1 467	5 578
Short-term cash investment	13 075	25 941	13 075	25 941
	24 936	40 122	14 542	31 519

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit)	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating surplus (deficit)		15 882	(5 467)	12 419	(6 365)
Add (Less): Non-cash items:					
Amortisation	6	3 826	2 938	3 787	2 938
Depreciation	6	15 995	15 214	15 091	14 487
Write down (up) investments		4 307	2 150	4 307	2 150
Bad debts written off		6	528	-	452
Superannuation expense		4 100	1 800	4 100	1 800
Superannuation revenue		(4 100)	(1 800)	(4 100)	(1 800)
Other revenue/expenses		(1 725)	(3 714)	(1 104)	(4 117)
(Profit) Loss on sale of property, plant and equipment		(231)	1 820	(195)	1 879
Changes in assets/liabilities:					
(Increase) Decrease in inventories		506	(857)	(14)	33
(Increase) Decrease in receivables		(8 379)	(5 271)	(7 865)	(5 793)
(Increase) Decrease in other current assets		845	(155)	1 319	(1 181)
Increase (Decrease) in payables		3 724	(4 396)	3 685	(3 446)
Increase (Decrease) in other current liabilities		(8 642)	9 359	(8 468)	9 584
Increase (Decrease) in provisions		(2 319)	302	(2 395)	871
Increase (Decrease) in interest-bearing liabilities		-	1 866	-	(2 065)
Net Cash provided by Operating Activities		23 795	14 317	20 567	9 427

(c) **Interest-Bearing Liabilities**

Refer Note 14.

19. **Future Expenditure Commitments****Operating Expenditure**

Contracted but not provided for and payable:

Not later than one year	9 544	4 662	9 544	4 662
Later than one year but not later than five years	7 625	3 642	7 625	3 642
Later than five years	-	-	-	-
	17 169	8 304	17 169	8 304

Capital Expenditure

Contracted but not provided for and payable:

Not later than one year	8 764	6 994	8 764	6 994
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	8 764	6 994	8 764	6 994

Operating Lease Commitments

Future operating base rental not provided for and payable:

Not later than one year	4 454	2 998	3 983	2 892
Later than one year but not later than five years	7 515	6 823	5 440	5 123
Later than five years	4 117	2 444	1 200	-
	16 086	12 265	10 623	8 015

Finance Lease Commitments

Finance leases rentals are payable as follows:

Not later than one year	-	7	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	7	-	-

Less: Future lease finance charges

	-	-	-	-
	-	7	-	-

Lease liabilities provided for in the financial statements:

Current	-	7	-	-
Non-current	-	-	-	-
Total Lease Liability	-	7	-	-

The University leases plant and equipment under finance leases expiring from one to five years. At the end of the lease term the University has the option to purchase the equipment.

20. **Contingent Liabilities**(a) **Guarantees**

The University in 1997 provided a \$4.4 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Car Park Developments Pty Ltd. The guarantee is for a ten year period.

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Health and Aged Care, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

(b) Superannuation

(i) University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. No employer contributions were made in 2002, however actuarial advice has been received to re-commence employer contributions of 14 percent of salaries as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer to Note 22(c).

(ii) UniSuper Limited Superannuation Schemes
Refer to Note 22(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. No such provision is contained in the University's financial statements.

(d) Insurance Claims

Adelaide Research & Innovation Pty Ltd (ARI) was named co-defendant in an action for loss and damages with respect to the Hindmarsh Island Bridge. The total claim was approximately \$20 million. The claim related to alleged negligence in the employment of a consultant who assisted in making submissions to the Minister for Aboriginal Affairs. During 2001 judgment was made in favour of the co-defendants. The judgement was appealed but before the hearing date a discontinuance notice was filed.

Repromed Pty Ltd is currently party to a professional claim from a patient. In the directors opinion this claim is unlikely to be successful and in any event would be covered by the company's professional indemnity insurance policy.

(e) Taxation claim involving R&D Syndicate

In August 2000 ARI was notified by the Australian Taxation Office (ATO) that the Trust may be assessable to income tax in respect of certain income arising from the Transgenic Syndicated R&D Project in the 1991-92 and following years. The ATO claimed that, on the information available to it, ARI had not distributed that income to the beneficiary, The University of Adelaide. ARI has contested the ATO's view, and its legal advice strongly supports ARI's position that ARI is not properly liable for any tax. No assessment had been issued prior to the adoption of these financial statements.

In addition to this claim, the company has received notification from the sponsor of the R&D Syndication that in the event that their defence of a claim placed upon them by the ATO is unsuccessful, they will make a counter claim for the 2 967 000 BresaGen shares issued to ARI Investment Trust arising from the R&D syndication. The judgement was in favour of the Syndicate, however the ATO may appeal.

21. Events Subsequent to Balance Date

Subsequent to balance date, the University of Adelaide has entered into negotiations with the State Government of South Australia, and made a conditional and non-legally binding offer to lease the National Wine Centre for a period of 40 years, and to purchase related assets for an all up consideration of \$1 million. The transaction has not been concluded as the due diligence process is not yet complete. There is no financial consequence represented in the 2002 Financial Statements.

22. Superannuation Schemes

(a) The University contributes to a range of superannuation schemes, which are divided into the following categories:

- (i) Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Investment Choice Plan - formerly Superannuation Scheme for Australian Universities (SSAU)
 - UniSuper Award Plus Plan - formerly Tertiary Education Superannuation Scheme (TESS).
- (ii) Those operative but closed to future membership:
 - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985).
- (iii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme;
 - State Lump Sum Scheme.

(b) UniSuper Limited Superannuation Schemes

From 1984 the University became a participating institution in the Superannuation Scheme for Australian Universities (SSAU). As at 1 July 1998, the rules governing the Fund were amended to allow employees the option to remain within the defined benefits arrangement or convert to an accumulation fund. As from 1988 the University was also a participating institution in Tertiary Education Superannuation Scheme (TESS); a non-contributory scheme for University employees. On 1 October 2000, SSAU merged with TESS to form UniSuper. The employee's UniSuper plan is determined by the terms of employment. The superannuation plans are now administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2002 for employees in either the Defined Benefit Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 8 percent of salaries up to 30 June 2002 and 9 percent of salaries thereafter. The employee contribution rate throughout 2002 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

(b) UniSuper Limited Superannuation Schemes (continued)

An actuarial assessment, as at 31 December 1999, was completed on 18 May 2000. The assessment was conducted by Mr Grant Harslett (FIA, FIAA) of Towers Perrin. The actuary concluded that the assets of the fund were sufficient to meet all benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee of the University. An actuarial assessment as at 31 December 2002 was being undertaken at the time the financial statements were being prepared, however it was not available for disclosure at the time of signing the financial statements.

The Trustee of UniSuper has advised that the vested and accrued benefits of staff members who are in the Defined Benefits Plan were valued at the greater of the present value of expected future payment of benefits or the vested benefit, as follows:

- (i) Estimated vested and accrued benefits at 30 June 2002 - \$170.4 million (2001 - \$172.0 million).
- (ii) Estimated net market value of assets for current members, at 30 June 2002 available to pay the superannuation liabilities of The University of Adelaide members was \$158.5 million (2001 - \$189.8 million).
- (iii) The difference between the estimated net market value of assets and accrued benefits at 30 June 2002 apportioned to The University of Adelaide was \$11.9 million (2001 - \$17.8 million). The 2002 shortfall is an outcome of market decline. The accounting valuation is made on the hypothetical basis of all DBP members having to be paid at once.

The Trustee has also advised the University that based on reasonable assumptions about the future, the actuary expects commitments to members to be met and the existing contribution rates to remain appropriate. The University has not been required to increase contribution rates to the scheme in 2002.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by William M Mercer Pty Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater) and is fully funded.

No employer contribution was made in 2002, however actuarial advice has been received to re-commence employer contributions of 14 percent of salaries as from 1 January 2003 to ensure that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members.

The actuary, William M Mercer Pty Ltd, has provided the following information on the Scheme, based on the most recent financial report of the superannuation fund:

- (i) Vested benefits as at 30 June 2002 was \$9.7 million (2001 - \$10.3 million)
- (ii) Net market value of the assets of the Scheme available to pay benefits as at 30 June 2002 was \$10.3 million (2001 - \$12.2 million).
- (iii) Accrued benefits as at the date of last measurement being 30 June 2001 of \$11.6 million; the previous measurement as at 30 June 1998 was \$9.5 million.
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2001, was \$0.6 million; the difference at the last measurement as at 30 June 1998 was \$3.0 million.

(d) State Government Superannuation Schemes

In 1991 employees of the City Campus of South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the Superannuation Board of South Australia. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2002 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2002, there is an unfunded liability of \$37.8 million (2001 - \$33.7 million). This represents an increase in liability of \$4.1 million since 31 December 2001. This is recognised as expenditure in the 2002 Statement of Financial Performance, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under Section 20 of the *Higher Education Funding Act* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant (ie 14 percent of salaries). Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 2002 Reporting Period by Australian Higher Education Institutions' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$37.8 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

(d) State Government Superannuation Schemes (continued) Summary	Consolidated		University	
	2002	2001	2002	2001
Deferred Government Superannuation Contribution:	\$'000	\$'000	\$'000	\$'000
Non-current asset	37 800	33 700	37 800	33 700
Deferred Employee Superannuation Benefits:				
Current liability	2 700	2 400	2 700	2 400
Non-current liability	35 100	31 300	35 100	31 300
	37 800	33 700	37 800	33 700
The total employer contributions were:				
UniSuper Defined Benefit Plan or Investment Choice Plan	13 378	13 486	13 378	13 486
UniSuper Award Plus Plan	6 087	5 817	6 087	5 817
State Government Superannuation Schemes (3 percent)	45	63	45	63
	19 510	19 366	19 510	19 366

23. Disaggregation Information (previously Segment Information)

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities are not significant so as to warrant disaggregation information disclosure.

24. Auditors' Remuneration

	Consolidated		University	
	2002	2001	2002	2001
Amounts paid or payable were:	\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General	165	160	165	160
Other auditors of controlled entities	60	74	-	-
	225	234	165	160
Other services	-	-	-	-
	225	234	165	160

25. Remuneration for University Senior Management

	University	
	2002	2001
Amounts paid or payable to University Senior Management	\$'000	\$'000
	2 338	3 804
	Number	Number
\$100 000 - \$109 999	2	-
\$150 000 - \$159 999	-	2
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	1	2
\$180 000 - \$189 999	1	1
\$210 000 - \$219 999	1	1
\$220 000 - \$229 999	1	3
\$230 000 - \$239 999	1	-
\$240 000 - \$249 999	1	-
\$260 000 - \$269 999	1	-
\$280 000 - \$289 999	2	-
\$300 000 - \$309 999	-	1
\$1 600 000 - \$1 609 999	-	1
	11	12

Remuneration is based upon the total remuneration package which includes employer and employee (pre tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

The Vice-Chancellor and other senior managers derive board fees for services rendered to organisations outside of the University which they pay or direct as income to the University.

26. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, future contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

		2002					
		Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:	Note						
Cash		11 861	-	-	-	-	11 861
Receivables	7	-	-	-	-	25 974	25 974
Other financial assets	8,11	39 728	24 056	-	1 678	18 237	83 699
		<u>51 589</u>	<u>24 056</u>	<u>-</u>	<u>1 678</u>	<u>44 211</u>	<u>121 534</u>
Weighted average interest rate		4.03%	4.65%	-	6.21%	-	
Financial Liabilities:							
Payables	13	-	-	-	-	23 932	23 932
Interest-bearing liabilities	14	-	108	213	-	101	422
		<u>-</u>	<u>108</u>	<u>213</u>	<u>-</u>	<u>24 033</u>	<u>24 354</u>
Weighted average interest rate		-	3.7%	3.7%	-	-	
		2001					
		Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash		14 181	-	-	-	-	14 181
Receivables	7	-	-	-	-	17 595	17 595
Other financial assets	8, 11	15 815	37 411	-	6 154	54 475	113 855
		<u>29 996</u>	<u>37 411</u>	<u>-</u>	<u>6 154</u>	<u>72 070</u>	<u>145 631</u>
Weighted average interest rate		3.75%	5%	-	12.93%	-	
Financial Liabilities:							
Payables	13	-	-	-	-	20 208	20 208
Interest-bearing liabilities	14	-	20 038	-	-	411	20 449
		<u>-</u>	<u>20 038</u>	<u>-</u>	<u>-</u>	<u>20 619</u>	<u>40 657</u>
Weighted average interest rate		-	8.55%	-	-	-	

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas share trading and foreign currency cash exposures. The terms of the hedge contracts are usually less than three months.

(c) Credit Risk Exposure

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

(i) On-Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments of the Consolidated Entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts.

The Consolidated Entity's financial assets and liabilities are not materially exposed to any individual overseas country or individual customer.

(ii) Off-Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

(d) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

(i) On-Statement of Financial Position Financial Instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

- (i) *On-Statement of Financial Position Financial Instruments (continued)*
Monetary financial assets and financial liabilities not readily traded in an organised financial market, are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

- (ii) *Off-Statement of Financial Position Financial Instruments*
The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

27. Investment in Controlled Entities

Controlled entities and contribution to operating result before elimination of consolidation items:

	Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Controlled Entity:						
Adelaide Research and Innovation Investment Trust	10 199	21 228	2 898	2 898	1 958	(1 669)
Lubims Pty Ltd	1 563	789	-	-	274	112
Martindale Holdings Pty Ltd as trustee for:						
JS Davies Estate	14 388	11 663	-	-	954	1 331
JAT Mortlock Trust	18 085	11 718	-	-	997	861
	44 235	45 398	2 898	2 898	4 183	635

JS Davies

The University holds a 5/6th interest in a joint venture named JS Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and included in consolidated figures for the group. The remaining 1/6th is recognised as an outside equity interest.

Fair Value of Investments in Controlled Entities

The investment in controlled entities has been reported at fair value using the net asset basis. Refer Note 3(j).

28. Investments in Associates

(a) Equity and Contribution to Results

Associate Entity	Principal Activity	Holding Percent	Consolidated Carrying Amount		Investment At Cost	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Held by the University						
AITEC Pty Ltd	Provides advanced information technology courses	7.8	-	55	-	-
Unisure Pty Ltd	Responsible for processing of Tertiary Institution Workers Compensation Insurance	33.3	-	-	-	-
Ngee Ann Adelaide Education Centre Pty Ltd	Operates a graduate education centre in Singapore	50.0	440	278	298	298
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia	39.0	-	-	-	-
Australian Grain Technology Pty Ltd	Responsible for the development of research into new grain varieties	25.0	-	-	-	-
			440	333	298	298

In 2002 AITEC Pty Ltd underwent a restructuring that resulted in the University's shareholding reducing to 7.83 percent (2001 – 25 percent). As the University no longer has a significant influence in AITEC Pty Ltd, the University no longer accounts for this investment using the equity method.

(b) Movements in Carrying Amounts of Investments In Associates

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At beginning of financial year	333	162	-	-
Share of operating profits (losses)	107	171	-	-
	440	333	-	-

(c) Results Attributed to Associates

	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Operating profits (losses)	107	171	-	-
Retained profits attributable to associates at start of financial year	333	162	-	-
Retained profits attributable to associates at the end of the financial year	440	333	-	-

(d) Accounting for Associates**(i) Capital and Other Expenditure Commitments**

There are no material capital expenditure commitments relating to associated entities.

(ii) Contingent Liabilities

There are no material contingent liabilities relating to associated entities.

(iii) After Balance Date Events

There are no material after balance date events to report for associated entities.

(iv) Assets, Revenue and Expenditure

Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.

(v) Off-Statement of Financial Position Financial Instruments

The reporting entity, nor any of its associated entities, have any Off-Statement of Financial Position Financial Instruments.

29. Interests in Joint Ventures**(a) Groups**

The University participates in a number of joint ventures. These operations are not material to the University and there is no separate disclosure for 2002 in accordance with the Australian Accounting Standard AAS 19 – Accounting for Interests in Joint Ventures. For reporting purposes these have been segregated into two groups as follows: Refer accounting policy 3(j).

(i) Cooperative Research Centres

The University participated in a number of Cooperative Research Centres (CRCs) during 2002. These Centres have the characteristics of joint ventures and have been reported as such.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRC are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure with the overall impact for the period being revenue neutral. Consequently, they are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd, there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

			Participation Percent
Australian Petroleum CRC	(U)	(C)	13
CRC for Welded Structures	(I)	(C)	7
CRC for Molecular Plant Breeding	(U)	-	17
CRC for Clean Power from Lignite	(U)	(C)	9
CRC for Sensor Signal and Information Processing	(U)	-	16
CRC for Tissue Growth and Repair	(U)	(C)	16
CRC for Viticulture	(U)	(C)	18
CRC for Water Quality and Treatment	(U)	(C)	6
CRC for Australian Weed Management	(U)	(C)	7
CRC for Biological Control of Pest Animals	(U)	(C)	8
CRC for Cattle & Beef Quality	(U)	(C)	-
CRC for Freshwater Ecology	(U)	(C)	1
CRC for Smart Internet Technology	(U)	-	5
CRC for Plant-Based Management of Dryland Salinity	(U)	(C)	-
CRC for Landscape Environments and Mineral Exploration	(U)	(C)	5

The University is a supporting participant (but not a signatory) for the CRC for Cattle and Beef Quality.

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, of \$3 million in cash and \$27.8 million in kind.

<i>(ii) Other Unincorporated Joint Ventures</i>			
Name	Principal Activity		Participation Percent
South Australian Regional Network Organisation (SAARDNet)	To provide high speed microwave networks to link areas of research concentration in South Australia	(U)	20
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes	(U)	33
National Course in General Arbitration & Dispute Resolution	To develop and deliver tertiary courses in general arbitration and alternative dispute resolution	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students	(U)	25

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The Consolidated Entity's reported interest in the assets employed in the joint ventures total \$367 000 (2001 - \$248 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3(j).

(b) Equity and Contribution to Results Joint Venture Entity

Held by The University of Adelaide:	Participation Percent	Consolidated Carrying Amount		Investment at Cost	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
National Course in General Arbitration and Dispute Resolution	50	19	4	65	65
Middleback Field Centre	33	24	23	-	-
South Australian Regional Network Organisation	20	-	5	-	85
South Australian Centre for Economic Studies	50	43	27	-	-
South Australian Tertiary Admissions Centre	25	281	189	-	-
		367	248	65	150

The South Australian Regional Network Organisation (SAARDNet) is no longer a going concern and has ceased operations.

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(c) Movements in Carrying Amounts of Joint Ventures:				
At beginning of financial year	248	202	-	-
Share of operating profits (losses)	119	46	-	-
	367	248	-	-
(d) Results Attributed to Joint Ventures:				
Operating profits (losses)	119	46	-	-
Retained profits attributable at start of financial year	248	202	-	-
Retained profits attributable at end of financial year	367	248	-	-

(e) Accounting for Joint Ventures

- (i) Capital and Other Expenditure Commitments*
There are no material capital expenditure commitments relating to joint ventures.
- (ii) Contingent Liabilities*
There are no known material contingent liabilities relating to joint ventures.
- (iii) After Balance Date Events*
There are no material after balance date events to report for joint ventures.
- (iv) Assets, Revenue and Expenditure*
Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.
- (v) Off-Statement of Financial Position Financial Instruments*
The reporting entity, nor any of its joint ventures, have any Off-Statement of Financial Position Financial Instruments.

30. Other Investments

The University holds investments in the following business undertakings:

Entity	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Investments at Cost		76	103	86	86
Investments at Council Valuation 2002:					
Other	3(j)	3 056	1 691	1 888	804
Held by ARI Investment Trust at Council valuation ⁽¹⁾	3(j)				
BresaGen Ltd - Biotechnology research		2 983	7 670	-	-
GroPep Ltd - Biotechnology research		4 070	12 830	-	-
		7 053	20 500	-	-
		10 185	22 294	1 974	890

(1) These investments are publicly listed and have been recorded at the market value at balance date.

31. Related Party Transactions**(a) Councillor Related Transactions**

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members are trivial and domestic in nature.

Mr Brian Croser, AO, is a director of Petaluma Ltd. One of the subsidiary's of this group transacts business on normal commercial trading terms with JAT Mortlock Trust through Martindale Holdings Pty Ltd as trustee.

Mr NR Adler, AO, is Chairman and director of the board of The Australian Trade Commission (Austrade), which provides on normal commercial terms to the University, various marketing services, primarily in the area of international students.

Mr NR Adler, AO, is the major shareholder and Chairman of the board of directors of Amtrade International Pty Ltd, which provides on normal commercial terms to the University, various chemical and plastic raw materials.

Dr H Reid, OAM, is a board member of St Mark's College Incorporated. The University has advanced a loan to St Mark's College at an interest rate calculated as the CPI for the previous year plus 1 percent.

(b) Property Leases

The University is the lessor of long term leases at peppercorn rents to the CSIRO, Australian Wine Research Institute and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 29.

(c) Fees Paid To Members of Council

No remuneration was paid to any members of Council, or its standing committees for the financial year. Some members of Council are employees of the University and as such receive remuneration in the course of their employment with the University.

(d) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the normal fee structure as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 32 to Note 39 has been prepared in accordance with the DEST reporting guidelines.

32. Statement of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES:					
Commonwealth Government financial assistance		177 132	158 906	177 132	158 906
State Government financial assistance	38	15 131	11 720	14 911	11 500
Higher Education Contribution Scheme (HECS):	34				
Student contributions		6 638	6 063	6 638	6 063
Commonwealth payments		35 339	33 100	35 339	33 100
Postgraduate Education Loan Scheme (PELS)	34	1 293	-	1 293	-
Fees and charges	39	55 766	45 965	50 385	42 889
Superannuation:					
Deferred Government contributions		4 100	1 800	4 100	1 800
Commonwealth supplementation		2 465	1 212	2 465	1 212
Investment income		(268)	3 350	114	3 603
Royalties, trademarks and licences	5	564	273	564	9
Consultancy and contract research		30 246	29 966	22 036	18 504
Other revenue		42 971	33 147	23 363	19 710
Total Operating Revenue from Ordinary Activities		371 377	325 502	338 340	297 296

32. Statement of Financial Performance for the year ended 31 December 2002 (continued)

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits	6	201 306	188 291	193 548	181 038
Depreciation and amortisation	6	19 821	18 152	18 878	17 425
Buildings and grounds		18 284	16 745	18 284	16 690
Bad and doubtful debts	6	(156)	166	(156)	90
Borrowing cost expense	6	1 269	2 049	1 252	2 040
Other expenses		114 971	105 566	94 115	86 378
Total Operating Expenses from Ordinary Activities		355 495	330 969	325 921	303 661
OPERATING RESULT FROM ORDINARY ACTIVITIES		15 882	(5 467)	12 419	(6 365)

33. Commonwealth Government Financial Assistance

(a) Financial Assistance received pursuant to the Higher Education Funding Act 1988 (including Superannuation Contributions from the Commonwealth, but excluding HECS and PELS)

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Teaching and Learning:				
Operating purposes (excluding HECS and PELS)	79 204	82 203	79 204	82 203
Teaching Hospitals	530	518	530	518
ARC:				
Discovery – Projects	2 845	-	2 845	-
Large grants	3 667	5 221	3 667	5 221
Research Fellowships	1 813	1 889	1 813	1 889
Federation Fellowships	314	-	314	-
Linkage – Projects	876	-	876	-
SPIRT	957	1 583	957	1 583
Linkage – Infrastructure	225	2 218	225	2 218
Linkage – International	83	-	83	-
International Researcher Exchange	236	291	236	291
Centres of Excellence	3 712	1 675	3 712	1 675
ANZCAART	30	21	30	21
DEST:				
Institutional Grants Scheme	15 310	-	15 310	-
Research Training Scheme	24 070	23 501	24 070	23 501
Systemic Infrastructure Initiative	201	-	201	-
Research Infrastructure	8 134	5 778	8 134	5 778
Australian Postgraduate Awards	4 116	3 972	4 116	3 972
International Postgraduate Research Scholarships	693	943	693	943
Sub-total pursuant to the Higher Education Funding Act 1988	147 016	129 813	147 016	129 813

(b) Other Commonwealth Government Financial Assistance Received

AusIndustry	15	-	15	-
Australian Biological Resources Study	66	57	66	57
Australian Telescope National Facility	-	13	-	13
Australian Centre for International Agricultural Research	656	459	656	459
Australian Institute of Aboriginal & Torres Strait Islander Studies	31	-	31	-
Australian Institute of Health and Welfare	595	269	595	269
Australian Synchrotron Research Program	-	13	-	13
Australian Wine Research Institute	-	11	-	11
Australian Wool Research and Promotion Organisation	-	23	-	23
AusAid	-	10	-	10
Bureau of Rural Sciences	8	-	8	-
Centrelink	136	7	136	7
CSIRO	420	175	420	175
Defence, Science and Technology Organisation	280	111	280	111
Department of Agriculture, Fisheries and Forestry	7 724	9 389	7 724	9 389
Department of Communications, IT and Arts	15	-	15	-
Department of Education, Science and Training	118	172	118	172
Department of Foreign Affairs and Trade	5	-	5	-
Department of Health and Aged Care	22 022	18 821	22 022	18 821
Department of Immigration and Multicultural and Indigenous Affairs	20	-	20	-
Department of Industry, Tourism and Resources	265	376	265	376
Department of Primary Industries and Energy	-	49	-	49
Environment Australia	-	48	-	48
Horticulture Australia Limited	-	252	-	252
Medical Services Advisory Committee	205	-	205	-
Other	-	50	-	50
Sub-total other Commonwealth Government Financial Assistance Received	32 581	30 305	32 581	30 305
Total Commonwealth Government Financial Assistance excluding HECS and PELS	179 597	160 118	179 597	160 118

34. Acquittal of Commonwealth Government Financial Assistance - Teaching and LearningAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:

<i>Teaching and Learning</i>	Parent Entity (University) Only							
	Operating Financial Assistance excluding HECS and PELS		Teaching Hospitals		HECS		PELS	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	5 172	-	42	-	2 812	-	-	-
<i>Add:</i> Financial assistance received during reporting period	79 419	87 203	530	518	35 339	33 100	1 293	-
<i>Add:</i> Contributions actually received from students	-	-	-	-	6 638	6 063	-	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	(5 030)	(5 000)	(43)	-	(3 080)	-	-	-
<i>Accrual Adjustments:</i>								
<i>Less:</i> 2002 Financial assistance received in 2001	(5 172)	-	(42)	-	(2 812)	-	-	-
<i>Add:</i> 2003 Financial assistance received in 2002	5 030	-	43	-	3 080	-	-	-
<i>Less:</i> Work place reform adjustment	(215)	-	-	-	-	-	-	-
Revenue attributed to the Reporting Period	79 204	82 203	530	518	41 977	39 163	1 293	-
<i>Add:</i> Surplus prior year	715	2 170	-	-	-	-	-	-
Funds available for the reporting period	79 919	84 373	530	518	41 977	39 163	1 293	-
<i>Less:</i> Expenses for current Period	79 919	83 658	530	518	41 977	39 163	1 293	-
Surplus for Reporting Period	-	715	-	-	-	-	-	-

35. Acquittal of Commonwealth Government Financial Assistance – Australian Research CouncilAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:

<i>Australian Research Council</i>	Parent Entity (University) Only							
	Discovery Projects		Large Grants		Research Fellowships		Federation Fellowships	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	-	-	-	-
<i>Add:</i> Financial assistance received during reporting period	2 845	-	3 667	5 221	1 813	1 889	314	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	(238)	-	(152)	-	(111)	-	(24)	-
<i>Accrual Adjustments:</i>								
<i>Add:</i> 2003 Financial assistance received in 2002	238	-	152	-	111	-	24	-
Revenue attributed to the reporting period	2 845	-	3 667	5 221	1 813	1 889	314	-
<i>Add:</i> Surplus prior year	-	-	1 479	1 542	329	157	-	-
Funds available for the current period	2 845	-	5 146	6 763	2 142	2 046	314	-
<i>Less:</i> Expenses for current period	1 873	-	4 079	5 284	1 809	1 717	48	-
Surplus for current period	972	-	1 067	1 479	333	329	266	-

35. Acquittal of Commonwealth Government Financial Assistance – Australian Research Council (continued)

<i>Australian Research Council (continued)</i>	Parent Entity (University) Only							
	Linkage Projects		SPIRT		Linkage Infrastructure		Linkage International	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	900	-	-	-
Add: Financial assistance received during reporting period	876	-	957	1 583	225	2 218	83	-
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(58)	-	(49)	-	-	-	(8)	-
Accrual Adjustments:								
Less: 2002 Financial assistance received in 2001	-	-	-	-	(900)	-	-	-
Add: 2003 Financial assistance received in 2002	58	-	49	-	-	-	8	-
Revenue attributed to the reporting period	876	-	957	1 583	225	2 218	83	-
Add: Surplus prior year	-	-	775	784	1 303	403	-	-
Funds available for the current period	876	-	1 732	2 367	1 528	2 621	83	-
Less: Expenses for current period	517	-	1 213	1 592	1 528	1 318	43	-
Surplus for current period	359	-	519	775	-	1 303	40	-

<i>Australian Research Council</i>	Parent Entity (University) Only					
	International Researcher Exchange		Centres of Excellence		ANZCAART	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	-	-
Add: Financial assistance received during reporting period	236	291	(1) 3 712	1 675	30	21
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(1)	-	-	-	-	-
Accrual Adjustments:						
Add: 2003 Financial assistance received in 2002	1	-	-	-	-	-
Revenue attributed to the reporting period	236	291	3 712	1 675	30	21
Add: Surplus prior year	172	63	1 047	1 512	-	-
Funds available for the current period	408	354	4 759	3 187	30	21
Less: Expenses for current period	221	182	2 444	2 140	30	21
Surplus for current period	187	172	2 315	1 047	-	-

(1) Centres of Excellence includes plant functional genomics (\$2 million)

36. Acquittal of Commonwealth Government Financial Assistance – DESTAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:

<i>DEST Research Financial Assistance</i>	Parent Entity (University) Only							
	Institutional Grants Scheme		Research Training Scheme		Systemic Infrastructure Initiative		Research Infrastructure	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	1 223	-	2 017	-	17	-	636	-
<i>Add:</i> Financial assistance received during reporting period	15 310	-	25 398	23 501	201	-	8 134	5 778
<i>Less:</i> Financial assistance in advance (received in the next reporting period)	(1 224)	-	(2 167)	-	(8)	-	(816)	-
<i>Accrual Adjustments:</i>								
<i>Less:</i> 2002 Financial assistance received in 2001	(1 223)	-	(2 017)	-	(17)	-	(636)	-
<i>Add:</i> 2003 Financial assistance received in 2002	1 224	-	2 167	-	8	-	816	-
Revenue attributed to the reporting period	15 310	-	25 398	23 501	201	-	8 134	5 778
<i>Add:</i> Surplus prior year	-	-	-	-	-	-	189	-
Funds available for the current period	15 310	-	25 398	23 501	201	-	8 323	5 778
<i>Less:</i> Expenses for the current period	15 310	-	23 920	23 501	84	-	7 954	5 589
Surplus for the reporting period	-	-	1 478	-	117	-	369	189

<i>DEST Research Financial Assistance (continued)</i>	Parent Entity (University) Only			
	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-
<i>Add:</i> Financial assistance received during reporting period	4 116	3 972	693	943
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	-	-	-	-
Revenue attributed to the reporting period	4 116	3 972	693	943
<i>Add:</i> Surplus prior year	-	-	35	-
Funds available for the current period	4 116	3 972	728	943
<i>Less:</i> Expenses for the current period	4 005	3 972	728	908
Surplus for the current period	111	-	-	35

37. Summary of Unspent Financial Assistance

<i>Category of Financial Assistance</i>	Amount of unspent financial assistance as at 31 December	Amount of unspent financial assistance that is more likely to be approved by the Commonwealth Government to carry forward	Amount of unspent financial assistance that is more likely to be repaid to the Commonwealth Government
Teaching and Learning:			
Operating (excluding HECS and PELS)	-	-	-
Teaching hospitals	-	-	-
HECS	-	-	-
PELS	-	-	-
ARC:			
Discovery – Projects	972	972	-
Large Grants	1 067	1 067	-
Research Fellowships	333	333	-
Federation Fellowships	266	266	-
Linkage – Projects	359	359	-
SPIRT	519	519	-
Linkage – Infrastructure	-	-	-
Linkage – International	40	40	-
International Researcher Exchange	187	187	-
Centres of Excellence	2 315	2 315	-
ANZCAART	-	-	-

37. Summary of Unspent Financial Assistance (continued)

<i>Category of Financial Assistance</i>	Amount of unspent financial assistance as at 31 December 2002 \$'000	Amount of unspent financial assistance that is more likely to be approved by the Commonwealth Government for carry forward 2002 \$'000	Amount of unspent financial assistance that is more likely to be repaid to the Commonwealth Government 2002 \$'000
Institutional Grants Scheme	-	-	-
Research Training Scheme	1 478	150	1 328
Systemic Infrastructure Initiative	117	117	-
Research Infrastructure	369	369	-
Australian Postgraduate Awards	111	111	-
International Postgraduate Research Scholarships	-	-	-
Total	8 133	6 805	1 328

38. State Government Financial Assistance**(a) South Australian Government, State Government Financial Assistance**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Arts SA		81	89	81	89
Bio Innovation SA		4 187	-	4 187	-
Coast Protection Board		-	20	-	20
Department for Administrative and Information Services		120	-	120	-
Department for Environment and Heritage		217	166	217	166
Department for Education and Children's Services		999	164	999	164
Department of Human Services		950	1 162	950	1 162
Department of Industry and Trade		-	303	-	303
Department of the Premier and Cabinet		36	35	36	35
Department of Primary Industries and Resources		883	1 068	883	1 068
Department of Treasury and Finance		-	3 300	-	3 300
Department of Water, Land and Biodiversity Conservation		628	304	628	304
Drug and Alcohol Services Council		137	-	137	-
Environment Protection Agency		9	-	9	-
Institute of Medical and Veterinary Science		107	139	107	139
Mt Lofty Catchment Program		-	10	-	10
Planning SA		1	-	1	-
Police Department SA		150	150	150	150
Port Pirie Regional Health Service		-	123	-	123
Repatriation General Hospital		10	-	10	-
Royal Adelaide Hospital		1 287	1 139	1 287	1 139
SAICORP		-	20	-	20
SA Centre for Rural Health		-	20	-	20
SA Dental Service		-	171	-	171
SA Housing Trust		-	8	-	8
SA Museum		6	5	6	5
SA Rural and Remote Medical Support Agency		-	18	-	18
South Australian Research and Development Institute		2 092	294	2 092	294
South Australian State Energy Research Advisory Committee		33	25	33	25
South Australian Tourism Commission		38	-	38	-
SYP Health Commission		220	220	-	-
The Office of Economic Development		30	-	30	-
The Queen Elizabeth Hospital/North Western Adelaide Health Service		2 127	1 852	2 127	1 852
Torrens and Patawalonga Catchment Water Management Boards		5	6	5	6
Transport SA		6	30	6	30
Women's and Children's Hospital		559	497	559	497
WorkCover Corporation		34	27	34	27
Other		-	208	-	208
Total South Australian Government Financial Assistance		14 952	11 573	14 732	11 353
(b) Other State Government Grants Financial Assistance		179	147	179	147
Total State Government Financial Assistance		15 131	11 720	14 911	11 500

39. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:

Student fee income	5	37 308	30 347	37 308	30 347
Library charges and fines		1 111	1 299	1 111	1 299
Application management and late fees		655	561	655	561
Parking fees		956	818	956	818
Rental charges/accommodation fees		3 776	3 347	3 776	3 347
Recharge of costs to other organisations		2 484	2 157	2 484	2 157
Franchise fees		944	1 044	944	1 044
Other		8 532	6 392	3 151	3 316
Total Fees and Charges		55 766	45 965	50 385	42 889

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

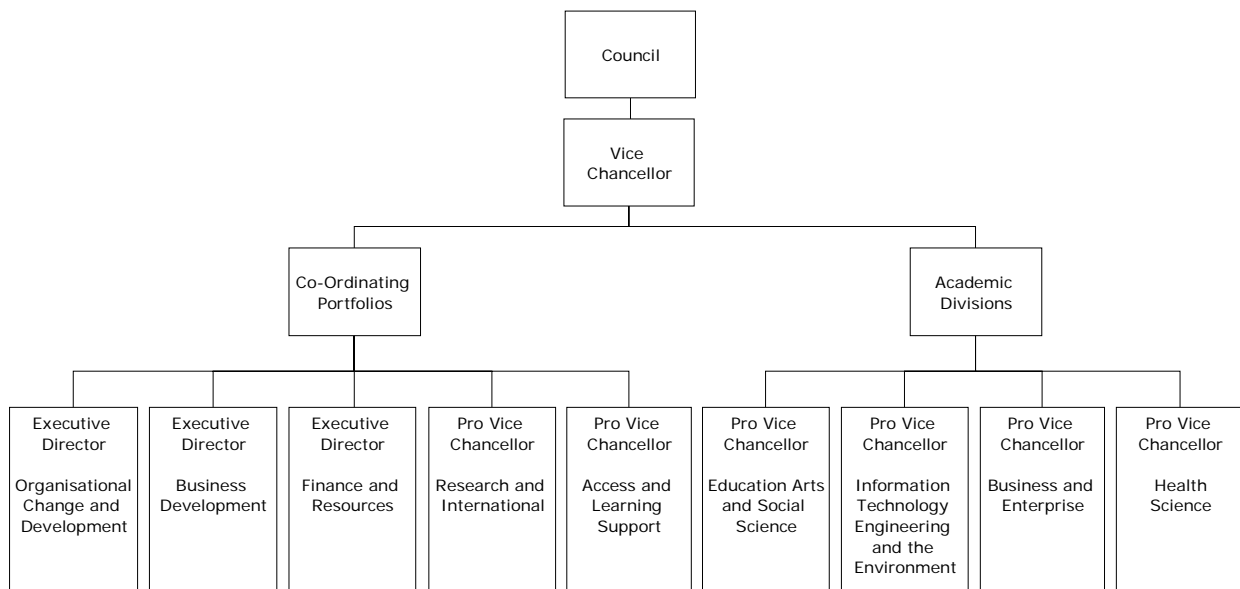
The University of South Australia (the University) was established pursuant to the *University of South Australia Act 1990*.

Functions

The function of the University is to advance, disseminate and preserve knowledge through the provision of a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

Structure

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



The University operated from six campuses during 2002: City East, City West, Magill, Mawson Lakes, Underdale and Whyalla.

During 2002, the following entities were controlled by the University:

- ITEK Pty Ltd — The University established ITEK Pty Ltd as trustee for the ITEK Trust and the GTA Trust which provide University business incubation and technology commercialisation services.
- University of South Australia Foundation Incorporated (the Foundation) — The main purposes of the Foundation are to generate interest in the University and to attract broadly based levels of philanthropic support for the benefit of the University.

Audit Committee

The University has an Audit Committee which comprises members of the Council, the Vice Chancellor (ex officio) and an academic staff representative. The Audit Committee meets on at least a quarterly basis and reports to the Council. The Audit Committee operates within the framework of an Audit Committee Charter with the primary function of assisting Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives of the Auditor-General attend meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University in respect of each year of operation.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the University in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

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

For the year ended 31 December 2002, specific areas of audit attention included:

- strategic planning
- budgetary control
- payroll
- expenditure
- fixed assets
- revenue, receipting and banking
- procurement.

The audit also included a review of the University's controlled entity, the Foundation, whereas the audit of ITEK Pty Ltd was carried out by a private accounting firm.

Audit Communications to Management

Matters arising during the course of the Audit were detailed in management letters to the Vice Chancellor and the Executive Director of Finance and Resources. Responses to the management letters have been received by Audit and considered to be satisfactory. Major matters raised with the University and the related responses are considered in 'Audit Findings and Comments'. The responses indicate the University's approach to cost effective, risk based control.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2002 Independent Audit Report, which details the qualification to the University's financial report.

Qualification

The University has reported as part of Other Liabilities in Note 16 to the financial statements, Commonwealth Grants representing revenue received in advance of \$15.1 million (\$13.9 million in 2001).

The 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001. The Commonwealth Operating Grant received from DEST is considered to be a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', the advance grant should have been recognised as revenue in the year of receipt. The University has recognised Commonwealth Grants of \$13.9 million received in 2001 as revenue in 2002 and \$15.1 million received in 2002 as Other Liabilities. As

a result, the revenue received under the Higher Education Funding Act 1988 recognised in Commonwealth Government Financial Assistance and the Operating Result from Ordinary Activities are both understated by \$1.2 million (\$0.2 million in 2001); Accumulated Results of Operations is understated by \$15.1 million (\$13.9 million) and Current Liabilities-Other are overstated by \$15.1 million (\$13.9 million).

The University has disclosed its accounting treatment of the operating grant received from DEST in Note 1(d) to the financial statements.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the economic entity as at 31 December 2002, the results of their operations and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with Agencies', is sufficient to provide reasonable assurance that the financial transactions of the University of South Australia have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Commonwealth Operating Grants

Consistent with past practice, in 2002 the University recognised the first instalment of the Commonwealth Operating Grant for 2003 (totalling \$15.1 million) which was received in December 2002 as revenue received in advance.

It was noted, however, that the 2001 DEST Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001.

It is Audit's opinion that the Commonwealth Operating Grant received from DEST represents a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. As a consequence, in accordance with AASB 1004 'Revenue', it is Audit's view that the advance grant should be recognised as revenue in the year of receipt. As a result the Independent Audit Report on the University's financial statement for 2002 was qualified with respect to the treatment of Government Operating Grants.

Details included under the heading 'Audit Opinions' of this section provides further information including the financial effect on the University's financial statements resulting from the non compliance with the accounting standard.

Payroll Processing

The Casual Administration System (CAS) was implemented in January 2002 to process casual employee payments. The functionality of CAS enables the efficient and effective monitoring of casual employee payments through the production of summary and detailed reports. However, Audit review of monitoring practices in the University's schools and units indicated this reporting functionality was not being utilised. As a consequence, minimal independent review is undertaken to confirm the validity and accuracy of casual payments. Further, there is no requirement for staff to ensure that casual employees are valid per appropriately authorised contracts or other documentation.

The University responded that procedures would be developed and implemented to ensure reports were generated from CAS and reviewed by relevant staff to ensure the validity and accuracy of casual payments. Further, procedures would be implemented to ensure that the appropriate authorisations have been evidenced prior to updating the details into the payroll system.

The other matters arising from the audit of payroll included: accuracy and completeness of leave recording, completion of checklists by staff leaving the University, and independent review of payroll adjustments.

Accounts Payable Processing

The audit review of accounts payable processing identified control improvements were possible regarding the disbursement of payments in the following specific areas:

- systems functionality: inappropriate levels of access granted to officers in respect of system functions, in particular cash disbursements and purchase order release limits;
- integrity of disbursements: lack of evidence that officers are checking that cash disbursements made are valid and accurate;
- segregation of duties: inadequate segregation of duties regarding the processing of payments thus increasing the possibility of invalid transactions being processed;
- validity of transactions: lack of checking functions to ensure all payments are bona fide.

The University responded satisfactorily to all of the above matters highlighting its acceptance and/or considerations in relation to Audit suggestions and having regard to its assessment of risk and feasibility relevant to each matter.

Revenue

The Medici Student Information System (Medici) is the University's primary student records system which records revenue received with respect to overseas onshore fees, HECS student contributions, postgraduate student fees and other student fees. Issues arising from the audit primarily related to a lack of controls that ensured monies received from students, as reflected in Medici, were accurately and completely reconciled to the University's bank account and general ledger revenue accounts on a timely basis.

As of August 2003, the University has employed resources to undertake the reconciliation of cash transactions between Medici and the general ledger. In addition, a system based interface project was commenced in early 2003 which is planned to be implemented by 30 November 2003.

The other matters arising from the audit of revenue included: review and approval of offshore program fees, timeliness of banking, and procedures relating to the management of contracts for the provision of educational programs for offshore students. The University responded satisfactorily to all of these other matters highlighting its acceptance and/or considerations in relation to Audit suggestions.

Procurement

In relation to the 2001 Audit, an extensive review to assess the quality of the tendering and contracting activity associated with the University's procurement process was undertaken. As a result of this review, Audit recommended the University enhance existing documented procedures by providing additional guidance in respect of several aspects of the procurement process. The University responded that procedures would be enhanced by providing, where required, additional guidance.

Audit follow-up conducted as part of the 2002 Audit revealed that the procedures had not been revised. Audit recommended that the University revise its procedures as a matter of priority, in order to ensure that optimal procurement practices are adopted.

In addition, the 2002 Audit included an examination of documentation supporting the execution of tendering and contracting processes relating to the Blueprint 2005 capital program to date (details included under 'Further Commentary on Operations' provides further information). The findings of this review support the need to establish additional procedural guidance, specifically in relation to the reporting requirements of selection panels, including decisions made and processes followed in arriving at those decisions.

The University responded that the relevant procedural guidance has been revised and updated for Audit's advice.

Risk Management

The University has significant foreign operations, particularly as a result of International Offshore Teaching activity. As such, there is significant potential for foreign exchange fluctuations to affect the income flows stemming from this activity to the University. A review of the risk register indicated that foreign exchange exposure is classified as a high risk to the University, and while the risk register notes that remediation strategies are in place, the residual risk is still considered to be high.

Although an analysis of the University's exposures from foreign currency transactions was undertaken in mid 2002 and considered, it had not been formalised.

The University responded that analysis to date had not suggested that alternative strategies would be cost effective in further reducing potential exposure to foreign currency fluctuations. A planned review by the University will assist in formalising the status of this risk.

Financial Statements - Preparation and Review Processes

Audit identified opportunities for improvement in the overall preparation and review processes relating to the University's financial statements. Specifically, Audit recommended enhancements with respect to:

- The review and amendment of accounting policies should generally be considered on a more timely basis. Specifically these matters should be resolved by, or as close as possible to, the reporting date.
- Prior to finalising the financial statements for audit review, it is important that the University undertake a quality assurance process which encompasses:
 - a detailed variation analysis of financial statement items to explain major variances with a view to identify any anomalies,
 - an independent review of general ledger journals, key reconciliations and calculations,
 - obtaining management representations on a timely basis.

The University has responded positively to these matters, indicating support for the recommendations made.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements (Consolidated)

	2002 \$'million	2001 \$'million	Percentage Change
OPERATING REVENUE			
Commonwealth Government financial assistance	116	111	5
HECS	61	61	-
Fees and charges	65	58	12
Other	66	45	47
Total Operating Revenue	308	275	12
OPERATING EXPENDITURE			
Employee benefits	156	154	1
Other expenses	138	114	21
Total Operating Expenses	294	268	10
Operating Result from Ordinary Activities	14	7	100
Net Cash Flows from Operations	38	28	36
ASSETS			
Current assets	131	94	39
Non-current assets	619	646	(4)
Total Assets	750	740	1
LIABILITIES			
Current liabilities	74	69	7
Non-current liabilities	290	275	5
Total Liabilities	364	344	6
EQUITY	386	396	(3)

Statement of Financial Performance (Consolidated)

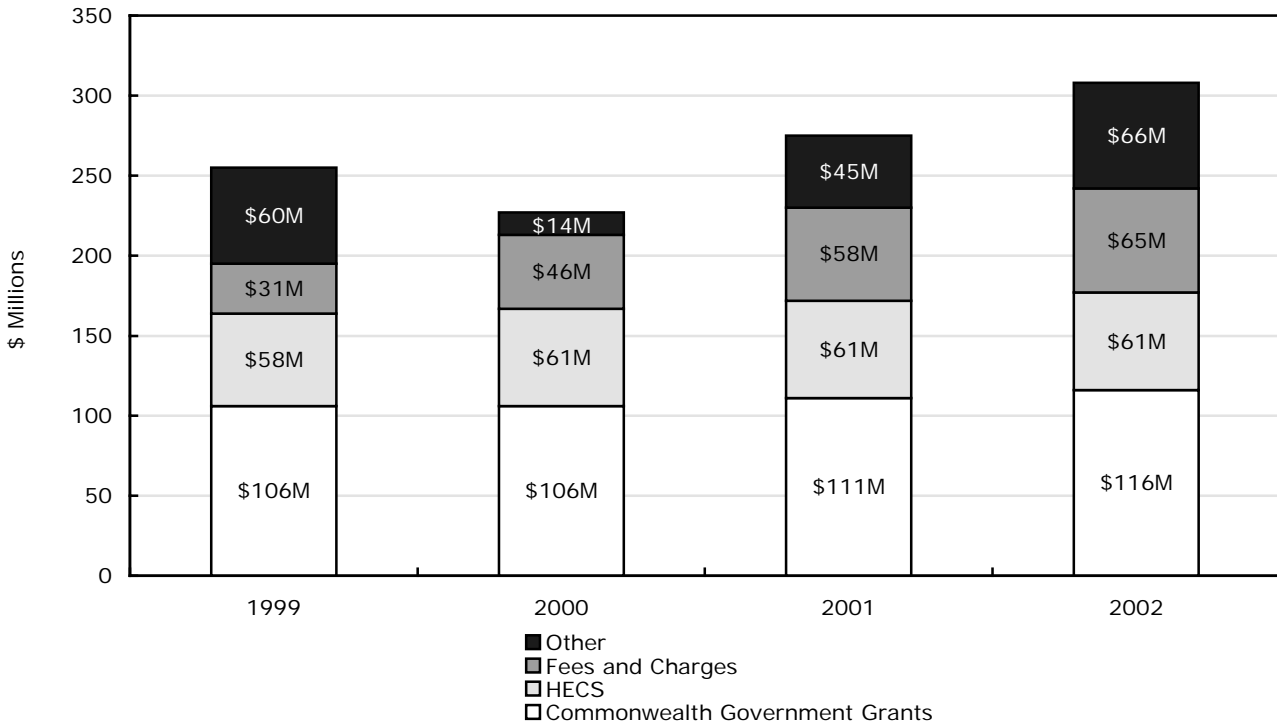
Operating Revenues

The increase in revenue is due mainly to an increase in revenue from fee paying overseas students which increased by \$7.2 million to \$45.1 million (\$37.9 million in 2001). This revenue forms part of fees and charges in the chart below.

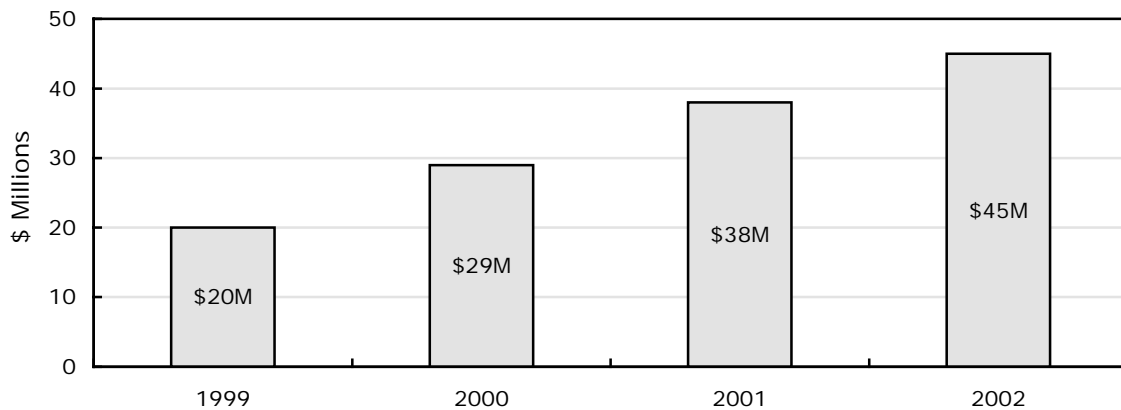
Funding from the University’s main revenue sources, Commonwealth Government Financial Assistance and the Higher Education Contribution Scheme (HECS), increased by \$4.6 million from \$172.5 million to \$177.1 million. The increase is due mainly to an increase in Commonwealth Government Financial Assistance, notably a \$3.1 million increase in Operating Financial Assistance excluding HECS and PELS.

Other revenue has increased by \$21.2 million to \$66 million (\$44.8 million in 2001) due mainly to an increase in the deferred Government superannuation contribution. This supplement is offset by a corresponding expense. Therefore, there is no effect on the Operating Result from Ordinary Activities. Refer to Note 20 to the financial statements for further details of this arrangement.

A structural analysis of operating revenues for the University over recent years is presented in the following chart.



The chart demonstrates the success of the University in increasing the proportion of revenue from fees and charges which mainly relates to fee-paying overseas students. This increase is a result of an increase in both student enrolments and course fees. The following chart highlights the upward trend in fees from overseas students.

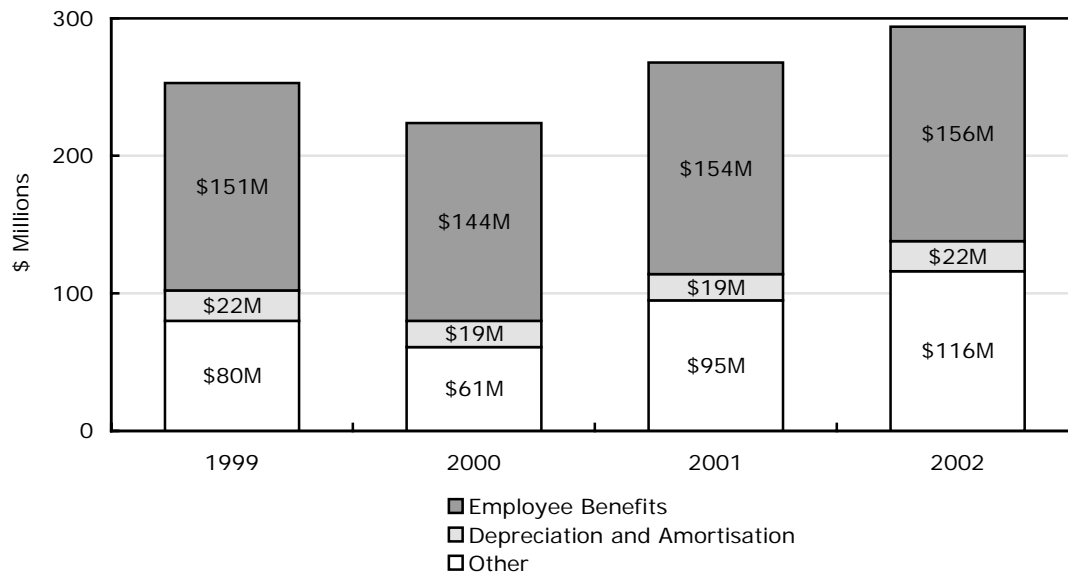


Operating Expenses

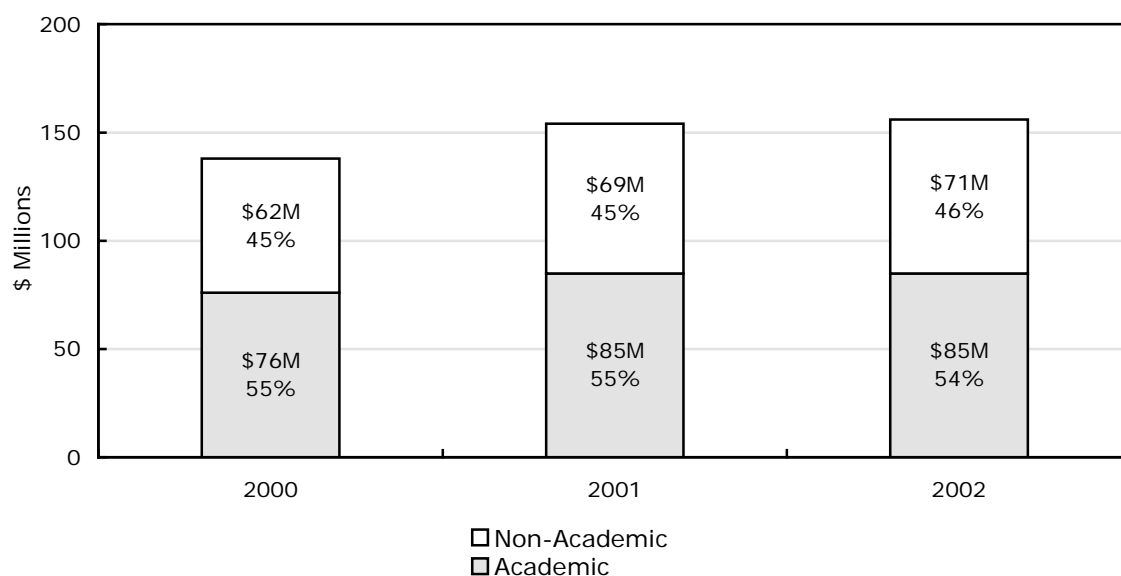
Operating expenses (excluding deferred Government superannuation contribution) increased by \$8.3 million from \$247.5 million to \$255.8 million. The main operating expense of the University (as for most service entities) is employee benefits. This item (excluding Commonwealth Supplemented Superannuation) increased by \$2 million to \$156 million.

Other expenses (excluding deferred Government superannuation contribution) increased by \$6.4 million from \$93.5 million to \$99.9 million. The increase in other expenses was due primarily to an increase of \$3.5 million in depreciation and amortisation expense as a result of a reduction in useful lives of the University's property, plant and equipment (\$6.7 million as disclosed in Note 1(g) to the financial statements).

A structural analysis of the main operating expense items for the University is shown in the following chart.



The following chart shows the changes in employee benefits for academic and non-academic staff over recent years.

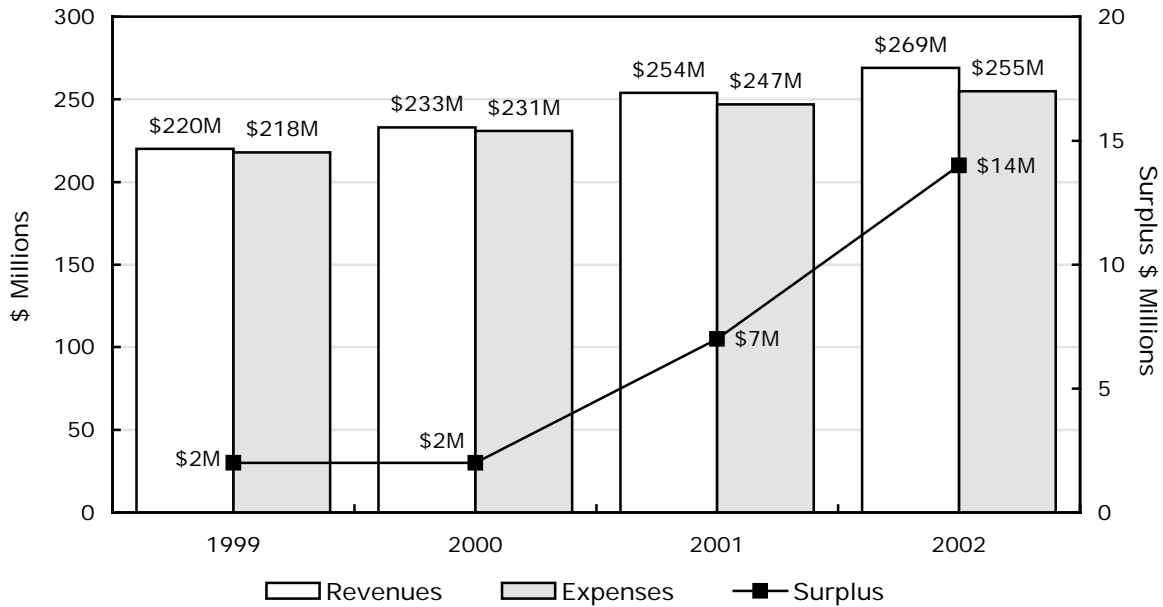


The chart highlights the increase in employee benefits cost since 2000 due to changes in staffing numbers and the more recent increases in staff salary costs due to an average wage increase and an increase in targeted voluntary separation packages. The proportion of costs between academics and non-academics remains relatively constant.

Operating Result

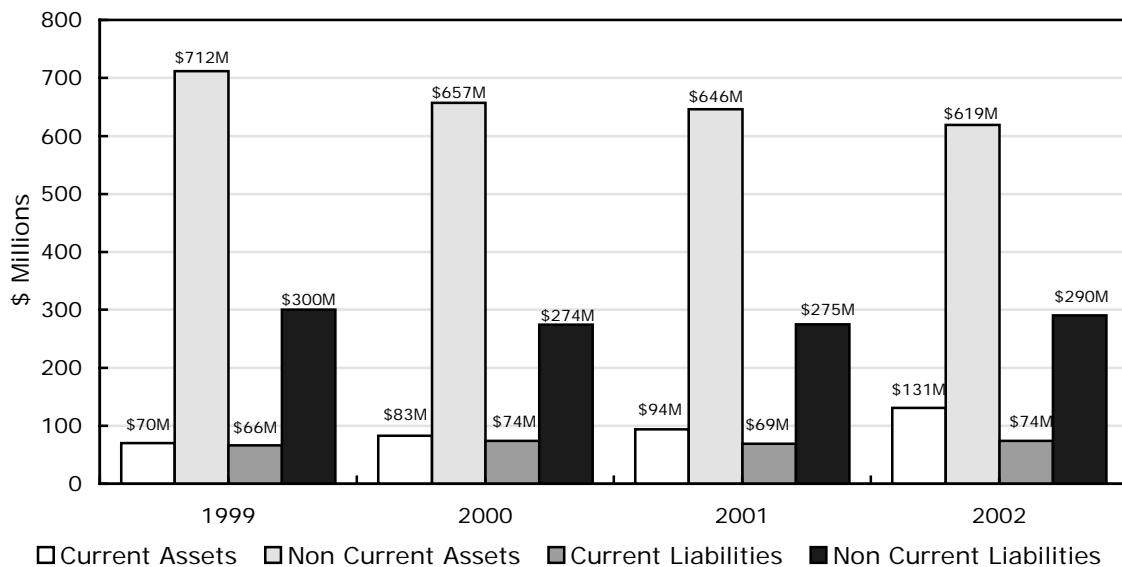
The result of operations for the year was a surplus of \$13.6 million (surplus of \$6.9 million in 2001), an increase of \$6.7 million. The result reflects an increase of \$15 million in Revenue from Ordinary Activities (excluding deferred Government superannuation contribution) compared to an increase of \$8.3 million in Expenses from Ordinary Activities (excluding deferred Government superannuation contribution).

The following chart shows the movement in revenues, expenses and the surplus for the current and preceding three years. For the purposes of this analysis, the deferred Government superannuation contribution has been excluded from the revenues and expenses as it has no effect on the operating result.



Statement of Financial Position (Consolidated)

A structural analysis of assets and liabilities for the current year and the three preceding years is shown in the following chart.



This analysis shows a gradual increase in current assets and a decrease in non-current assets over the period of review. Whereas liabilities have only increased slightly. Over the period total assets have reduced by 4 percent while total liabilities have reduced by 1 percent.

Current assets has increased during 2002 by 39 percent due primarily to an increase in cash (further commentary provided under Statement of Cash Flows) and a reclassification of land and buildings relating to the Salisbury campus as property held for resale. Over the period of review, current assets has steadily increased due to an accumulation of cash held in short term deposits.

Over the period of review, non-current assets has continued to decline due mainly to a devaluation of land and buildings in both 2000 (\$25.9 million) and 2002 (\$23.3 million) which were considered to be surplus to the University's capacity and a revision of useful lives (\$6.7 million) resulting in a decrease in the carrying amount of property, plant and equipment. This, however, will be expected to increase over the next few years to reflect the major development presently being undertaken by the University. Refer to the commentary under the heading 'Further Commentary on Operations'.

Total liabilities has decreased over the period of review due mainly to the repayment of borrowings. During 2002, however, non-current liabilities increased by \$15 million due to an increase in the deferred Government superannuation contribution. This amount, however, is offset by a corresponding amount in non-current assets, therefore having no effect on Net Assets. Refer to Note 20 to the financial statements for further details.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
Net Cash Flows				
Operations	38	28	27	14
Investing	(10)	(13)	(13)	(12)
Financing	(0.4)	(6)	(5)	(5)
Change in Cash	27.6	9.0	9.0	(3.0)
Cash at 31 December	85	58	49	40

The analysis of cash flows shows that the University's net cash flows has increased significantly during 2002 due to increased cash generated from operations and making no debt repayments. The increase in cash from operations is due mainly to increases in fees and charges and cash received in relation to consultancy and contract research.

FURTHER COMMENTARY ON OPERATIONS

Blueprint 2005 Capital Program

The Blueprint 2005 Capital Program (Blueprint 2005) represents a major \$100 million investment by the University in the refurbishment and expansion of the City West, City East, Magill and Mawson Lakes campuses. Blueprint 2005 aims to improve the teaching and learning environment while reducing the annual costs of the maintenance and operation of the University's property.

Approximately \$8.8 million of the total investment will be spent on Principal Consultant fees. In 2002, the University adopted a Qualification Based Selection process for the selection of Principal Consultants for each of the campus projects of Blueprint 2005 to develop schematic designs for the project. The main priority of such a process is to ensure that the best design is selected. Once the most qualified firm has been chosen and a detailed scope of services has been agreed upon, an acceptable fee is negotiated. Construction commenced in 2003 with completion due by the end of 2005.

A significant aspect of Blueprint 2005 is the relocation of the Underdale Campus. As a result, the land and buildings of the Underdale Campus have been classified in the financial statements as property held for resale.

Statement of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
REVENUE:					
Commonwealth Government financial assistance	2.1, 32	115 886	111 080	115 808	110 981
South Australia Government financial assistance	2.2	2 294	2 074	2 294	2 074
Higher Education Contribution Scheme:					
Student contributions	32.1	8 996	8 528	8 996	8 528
Commonwealth contributions	32.1	52 267	52 906	52 267	52 906
Postgraduate Education Loans Scheme (PELS)	32.1	555	-	555	-
Fees and charges	2.3	65 403	57 785	58 902	51 149
Investment income	2.4	3 139	2 661	4 778	3 569
Royalties, trademarks and licenses	2.5	367	535	367	509
Consultancy and contract research	2.6	14 873	14 002	14 873	14 002
Other revenue	2.7	5 617	4 814	5 372	4 155
		269 397	254 385	264 212	247 873
Superannuation:					
Commonwealth supplementation	20	21 895	20 164	21 895	20 164
Deferred government contributions	20	16 300	500	16 300	500
Total Revenue from Ordinary Activities		307 592	275 049	302 407	268 537
EXPENSES:					
Employee benefits	3.1	155 965	153 975	153 260	151 087
Depreciation and amortisation	3.2	22 324	18 779	22 163	18 630
Buildings and grounds	3.3	10 811	12 182	10 811	12 182
Bad and doubtful debts	3.4	491	617	491	553
Other expenses	3.5	64 363	59 714	62 442	57 960
Borrowing cost expense	4	1 862	2 230	1 862	2 230
		255 816	247 497	251 029	242 642
Superannuation:					
Commonwealth supplemented	3.1,20	21 895	20 164	21 895	20 164
Deferred employee benefits	3.1,20	16 300	500	16 300	500
Total Expenses from Ordinary Activities		294 011	268 161	289 224	263 306
OPERATING RESULT FROM ORDINARY ACTIVITIES		13 581	6 888	13 183	5 231
Direct credits or debits to equity:					
Asset revaluation reserves	17	(23 383)	(3 339)	(23 273)	(3 491)
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTED TO THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY		(23 383)	(3 339)	(23 273)	(3 491)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(9 802)	3 549	(10 090)	1 740

Statement of Financial Position as at 31 December 2002

	Note	Consolidated		University	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:					
Cash	8	84 952	57 553	81 021	53 896
Receivables	9	13 269	11 117	12 120	10 147
Other financial assets	10	115	119	115	119
Property, plant and equipment	12	6 280	-	6 280	-
Deferred government superannuation contribution	20	23 600	22 900	23 600	22 900
Other assets	11	2 405	2 303	2 379	2 288
Total Current Assets		130 621	93 992	125 515	89 350
NON-CURRENT ASSETS:					
Other financial assets	10	7 585	7 321	6 664	7 000
Property, plant and equipment	12	357 869	400 045	357 687	399 756
Deferred government superannuation contribution	20	253 700	238 100	253 700	238 100
Total Non-Current Assets		619 154	645 466	618 051	644 856
Total Assets		749 775	739 458	743 566	734 206
CURRENT LIABILITIES:					
Payables	13	12 664	12 567	12 589	12 424
Provision for State superannuation	20	23 600	22 900	23 600	22 900
Provisions	15	12 044	12 866	11 886	12 725
Other liabilities	16	25 282	20 467	24 663	20 568
Total Current Liabilities		73 590	68 800	72 738	68 617
NON-CURRENT LIABILITIES:					
Payables	13	3 362	3 279	3 362	3 279
Interest bearing liabilities	14	15 000	15 000	15 000	15 000
Provision for State superannuation	20	253 700	238 100	253 700	238 100
Provisions	15	17 270	17 130	17 270	17 130
Other liabilities	16	825	1 319	825	1 319
Total Non-Current Liabilities		290 157	274 828	290 157	274 828
Total Liabilities		363 747	343 628	362 895	343 445
NET ASSETS		386 028	395 830	380 671	390 761
EQUITY:					
Asset revaluation reserve	17	7 515	30 898	7 473	30 746
Accumulated results of operations	18	378 513	364 932	373 198	360 015
TOTAL EQUITY		386 028	395 830	380 671	390 761

Statement of Cash Flows for the year ended 31 December 2002

		Consolidated		University	
		2002 Inflows (Outflows)	2001 Inflows (Outflows)	2002 Inflows (Outflows)	2001 Inflows (Outflows)
	Note	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Financial Assistance:					
Commonwealth operating		115 220	112 599	115 143	112 599
Other government		2 294	2 134	2 294	2 045
Higher Education Contribution Scheme:					
HECS upfront receipts		8 996	8 528	8 996	8 528
HECS Trust Fund		53 446	54 468	53 446	54 468
Postgraduate Education Loans Scheme (PELS)		555	-	555	-
Fees and Charges		67 078	50 248	60 680	50 248
Investment income		3 139	3 418	4 778	3 821
Royalties, trademarks and licenses		367	509	367	509
Consultancy and contract research		17 885	13 526	17 864	13 526
Other revenue		6 196	11 940	5 976	3 936
Superannuation supplementation		21 927	15 335	21 927	15 335
Taxes recovered		3 021	3 707	3 021	3 707
OUTFLOWS:					
Staff salaries and related expenditure		(154 210)	(151 465)	(151 524)	(148 443)
Non salary payments		(84 241)	(75 433)	(82 179)	(73 762)
Superannuation payments		(21 895)	(19 320)	(21 895)	(19 320)
Interest and other expenditure of finance paid		(1 890)	(2 454)	(1 890)	(2 454)
Net Cash provided by Operating Activities	30	37 888	27 740	37 559	24 743
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		203	720	203	612
OUTFLOWS:					
Payments for property, plant and equipment		(10 240)	(13 075)	(10 185)	(12 902)
Payments for investments		-	(993)	-	(474)
Net Cash used in Investing Activities		(10 037)	(13 348)	(9 982)	(12 764)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Principal repayments under finance lease		(452)	(415)	(452)	(415)
Repayment of borrowings		-	(5 056)	-	(5 056)
Net Cash used in Financing Activities		(452)	(5 471)	(452)	(5 471)
NET INCREASE (DECREASE) IN CASH HELD		27 399	8 921	27 125	6 508
CASH AT 1 JANUARY		57 553	48 632	53 896	47 388
CASH AT 31 DECEMBER	8,30	84 952	57 553	81 021	53 896

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements are a general purpose financial report and have been prepared on a full accrual basis in accordance with applicable Australian Accounting Standards (AASB), other authoritative pronouncements of the Public Sector Accounting Standards Board and the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).

The financial statements comply with relevant provisions of the South Australian Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions.

The financial statements have been prepared on the basis of historic costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

Any changes to accounting policies for 2002 are documented within the notes below.

(b) Principles of Consolidation

The consolidated accounts include the accounts of the University and its controlled entities. The effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

(c) Comparative Figures

The previous year's figures are provided in the financial statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in the presentation of the current year's figures.

(d) Revenue Recognition**(i) Grants**

- *Commonwealth Financial Assistance*

Commonwealth financial assistance is provided under the *Higher Education Funding Act (HEFA), 1988*. In accordance with Australian Accounting Standard AASB 1004 Revenue, the first instalment of the Commonwealth financial assistance for 2003, received during December 2002 and therefore received in advance of the operating year to which it relates, has been recognised as revenue in advance and is presented as a liability in the Statement of Financial Position, rather than as revenue for the 2002 year. The Grant relates to funding the teaching and research for the 2003 calendar year.

On the basis of independent professional advice, the University regards the receipt of Commonwealth financial assistance as a 'reciprocal transfer' as defined in AASB 1004, since the University is required to teach a HECS-funded load in 2003, undertake the research, and provide the necessary facilities and services in return for the grant of financial assistance.

Where the Minister is satisfied that a higher education institution has, after receipt of the financial assistance, failed to meet a condition applicable to the financial assistance, the financial assistance or part thereof is required to be returned to the Commonwealth. It is therefore, in the view of the University, a 'reciprocal payment'.

Under these conditions the revenue received in advance should not be recognised as revenue until the relevant year.

- *Other Grants*

Where other grants are received, they are recognised in accordance with the terms and conditions of the grant.

(ii) Fees and Charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment Income

Interest income is recognised as it accrues.

(iv) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(e) Inventories

Consumable supplies are recognised as an expense at the time of acquisition and are not shown in the Statement of Financial Position as inventories.

(f) Property, Plant and Equipment

The University currently values its property, library collection and other plant and equipment on the basis of written down current cost, except for property held for resale which is at fair value. A revaluation of all assets to fair value will be undertaken by 31 December 2005 in accordance with the South Australian Treasurer's Accounting Policy Statements. When the University moves to fair value, any write down in the value of assets would be set against revaluation reserves and retained earnings under the transitional provisions of the accounting standards.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) Property Held for Resale

Property identified as surplus to requirements and approved for sale has been recognised as property held for resale. Property held for resale is valued at market value based on either the eventual sale price or independent assessment (Colliers Jardine, October 2002).

(ii) Land

Land occupied by the University is either owned by the University or by the State Government. The value of the land, except that associated with property held for resale, is recognised at unimproved value on the basis that the University effectively controls the land occupied.

Land is revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services.

(iii) Buildings

Buildings, other than those associated with property held for resale, have been recognised on the basis of written down current cost that reflects their remaining useful life.

Buildings are revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services. Buildings will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

(iv) Library Collection

The library collection is recognised at written down current cost. The collection is at University valuation and was last revalued at 31 December 2001. The library collection will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

An initial assessment of the impact of revaluing the library collection to fair value was made at 31 December 2002. The assessment indicates that the library collection will need to be written down. Any negative impact from a write down would be taken to revaluation reserves and retained earnings under the transitional provisions of the accounting standards.

(v) Plant and Equipment

Other plant and equipment is recorded at historic cost. Historic cost is deemed to represent written down current cost for valuation purposes.

(g) Depreciation and Amortisation

Depreciation and amortisation is calculated on a straight line basis on all property, plant and equipment other than land and buildings under construction. Depreciation rates are calculated to allocate the written down cost of an asset over its estimated remaining useful life.

Asset Class	Initial Useful Life
Property:	
Buildings	50 years
Library Collection:	
Books	10 years
Journals	15 years
Electronic Materials	10 years
Other Plant and Equipment:	
IT infrastructure	5 years
IT systems	7 years
Other plant and equipment	10 years
Motor vehicles	5 years

The useful lives of assets were reviewed during 2002. The useful life of buildings was reduced from 60 to 50 years which had the effect of increasing the depreciation charge in 2002 by \$1.943 million. The useful life of the library collection was reduced from 15 to 10 years for books, and 20 years to 15 years for journals, which had the effect of increasing the depreciation charge in 2002 by \$3.816 million. The useful life of other plant and equipment was reduced from 10 to 5 years for IT infrastructure and 10 to 7 years for IT systems, which had the effect of increasing the depreciation charge in 2002 by \$0.919 million.

(h) Restrictions on Assets

Land includes \$10.761 million of Crown Lands and \$8.024 million of land dedicated for education use by the Minister of Education. Such lands are unable to be sold.

(h) Restrictions on Assets (continued)

The University has restrictions on all land by application of the *University of South Australia Act, 1990* Section 6(4) which states:

The University cannot, except with the approval of the Governor and in accordance with any terms or conditions stipulated by the Governor in granting that approval, sell, lease (except for a term not exceeding 21 years), or otherwise dispose of, mortgage or charge any of its real property.

(i) Employee Entitlements

Leave liabilities are calculated to include on-costs. Only on-costs accruing to employees are recognised under employee provisions, while on-costs not accruing to employees are recognised as payables.

The long service leave liability is independently estimated by the long hand method prescribed by AASB1028 Employee Benefits. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability.

The liability for annual leave (including the leave loading) is calculated on current wage rates.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets other than receivables are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

2. Revenue from Ordinary Activities		Consolidated		University		
		2002	2001	2002	2001	
2.1	Commonwealth Government Grants (excluding HECS)	Note	\$'000	\$'000	\$'000	\$'000
	Teaching and Learning:					
	Operating Financial Assistance excluding HECS and PELS	32.1	92 636	89 494	92 636	89 494
	Australian Research Council:	32.2				
	Discovery - Fellowships		129	-	129	-
	Discovery - Large grants		630	647	630	647
	Research fellowships		-	157	-	157
	Discovery - Indigenous researchers' development		9	35	9	35
	Linkage - SPIRT		1 808	1 693	1 808	1 693
	Linkage - Infrastructure equipment and facilities		591	-	591	-
	International research exchange		16	24	16	24
	Other - Shared university projects		14	-	14	-
	Linkage - Centres of excellence (Key Centres)		698	684	698	684
	DEST:	32.3				
	Institutional grants scheme		4 214	3 704	4 214	3 704
	Research training scheme		7 216	7 555	7 216	7 555
	Research infrastructure		1 041	713	1 041	713
	Australian postgraduate awards		1 343	1 165	1 343	1 165
	International postgraduate research scholarships		255	215	255	215
	Teaching awards		50	-	50	-
	Small research grants		-	219	-	219
			110 650	106 305	110 650	106 305
	Other Commonwealth Government Grants:					
	Other Commonwealth government research Grants		4 816	4 259	4 738	4 160
	Aboriginal tutorial assistance scheme grant		235	241	235	241
	Other Commonwealth grants		185	275	185	275
			5 236	4 775	5 158	4 676
			115 886	111 080	115 808	110 981
2.2	South Australian Government Financial Assistance					
	Anangu Teacher Education Program (AnTEP)		149	149	149	149
	Research grants		2 145	1 921	2 145	1 921
	Other		-	4	-	4
			2 294	2 074	2 294	2 074

2.	Revenue from Ordinary Activities (continued)	Consolidated		University	
		2002	2001	2002	2001
2.3	Fees and Charges	\$'000	\$'000	\$'000	\$'000
	Continuing education	2 326	976	2 326	976
	Fee-paying overseas students	45 108	37 904	45 108	37 904
	Fee-paying non-overseas postgraduate students	3 124	4 022	3 124	4 022
	Fee-paying non-overseas undergraduate students	-	-	-	-
	Fee-paying non-overseas non award students	106	-	106	-
	Other fees and charges:				
	Open Learning Australia (OLA)	1 206	1 215	1 206	1 215
	Fees - Civil aviation	630	689	630	689
	Hire of facilities	1 961	2 141	1 961	2 141
	Secondment support	826	660	826	660
	Seminar/workshops	710	649	710	649
	All other	9 406	9 529	2 905	2 893
		65 403	57 785	58 902	51 149
2.4	Investment Income				
	Dividends	28	28	1 884	1 096
	Interest	2 763	2 271	2 546	2 111
	Investment income from related parties	348	264	348	264
	Other	-	98	-	98
		3 139	2 661	4 778	3 569
2.5	Royalties, Trademarks and Licenses				
	Royalties	367	535	367	509
2.6	Consultancy and Contract Research				
	Consultancy fees	6 154	3 668	6 154	3 668
	Contract research	8 719	10 334	8 719	10 334
		14 873	14 002	14 873	14 002
2.7	Other Revenue				
	Donations and bequests	849	1 301	467	661
	Scholarships and prizes	797	765	797	746
	Other	3 971	2 748	4 108	2 748
		5 617	4 814	5 372	4 155
3.	Expenses from Ordinary Activities				
3.1	Employee Benefits				
	Academic				
	Salaries	70 456	69 978	70 456	69 978
	Contributions to superannuation and pension schemes:				
	Emerging cost - Operating grant funded	246	256	246	256
	Funded	8 218	7 111	8 218	7 111
	Payroll tax	3 997	4 207	3 997	4 207
	Workers compensation	428	453	428	453
	Long service leave expense	1 734	2 663	1 734	2 663
	Annual leave	153	447	153	447
		85 232	85 115	85 232	85 115
	Non-Academic				
	Salaries	58 808	56 069	56 625	53 679
	Contributions to superannuation and pension schemes:				
	Emerging cost - Operating grant funded	414	269	56	67
	Funded	6 205	6 106	6 205	5 960
	Payroll tax	3 270	3 261	3 270	3 261
	Workers Compensation	559	371	537	351
	Long service leave expense	1 516	2 219	1 514	2 217
	Annual Leave	(39)	565	(179)	437
		70 733	68 860	68 028	65 972
	Total employees benefits	155 965	153 975	153 260	151 087
	Contributions to superannuation and pension scheme: - Emerging cost - Commonwealth supplemented:				
	Academic	18 611	16 750	18 611	16 750
	Non Academic	3 284	3 414	3 284	3 414
	Deferred employee benefits for superannuation				
	Academic	13 855	-	13 855	-
	Non-Academic	2 445	500	2 445	500
		38 195	20 664	38 195	20 664

3.1 Employee Benefits (continued)

Payments for annual leave are included in the salaries line above. The movement in the provision for annual leave is shown in the annual leave line above.

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

Employee benefits include targeted voluntary separation packages as follows:

	2002	2001
	Number	Number
Number of targeted voluntary separation packages	38	28
	\$'000	\$'000
Targeted voluntary separation package expenses	1 687	1 488
Accrued annual leave and long service leave payments	660	599
Total amount associated with separations	2 347	2 087

There is no entitlement to recover separation payments from the Office for the Commissioner for Public Employment.

3.2 Depreciation and Amortisation

	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Amortisation leased assets	435	435	435	435
Buildings	11 839	11 826	11 825	11 810
Library collection	6 366	3 798	6 366	3 798
Plant and equipment	3 684	2 720	3 537	2 587
	22 324	18 779	22 163	18 630

3.3 Buildings and Grounds

Building maintenance	10 208	11 541	10 208	11 541
Grounds maintenance	603	641	603	641
	10 811	12 182	10 811	12 182

3.4 Bad and Doubtful Debts

Doubtful debts	491	617	491	553
----------------	------------	-----	------------	-----

3.5 Other Expenses

Scholarships and prizes	6 685	6 378	6 649	6 324
Telecommunications	4 021	3 861	3 957	3 796
Non-capitalised equipment (non-IT)	1 700	1 162	1 700	1 161
Travel, staff development and entertainment	11 414	10 226	11 249	10 051
External services	16 838	13 876	16 410	13 672
IT, hardware and software	6 098	5 920	6 098	5 920
Library acquisitions	939	1 135	939	1 135
Printing	1 849	1 955	1 849	1 955
Operating lease rental expenses	4 306	3 327	4 306	3 327
Loss on sale of assets (refer Note 5)	499	701	499	701
Net loss on revaluation of assets	-	1 210	-	1 210
Other	10 014	9 963	8 786	8 708
	64 363	59 714	62 442	57 960

Included within external services for 2002 is an amount for consultants of \$1.380 million exclusive of GST (2001: \$2.265 million).

4. Borrowing Cost Expense

Interest expense	1 517	1 821	1 517	1 821
Loan guarantee fees	132	150	132	150
Bank charges	213	259	213	259
	1 862	2 230	1 862	2 230

5. Sales of Assets

Property, plant and equipment				
Proceeds from sale	(203)	(720)	(203)	(612)
Carrying amount of assets sold	702	1 421	702	1 313
Loss on sale of depreciable assets	499	701	499	701

6. Responsible Persons and Executive Officers**6.1 Responsible Persons**

	Consolidated		University	
	2002	2001	2002	2001
	Number	Number	Number	Number
(a) Number of persons who were Responsible Persons	12	12	12	12

Responsible persons represent external members of the University Council.

(b) The University did not provide any remuneration or retirement benefits to responsible persons during the reporting period.

6.2 Executive Officers

	Consolidated		University	
	2002	2001	2002	2001
(a) Executive Officer's Remuneration	Number of Executives	Number of Executives	Number of Executives	Number of Executives
\$100 000 - \$109 999	1	-	1	-
\$170 000 - \$179 999	-	2	-	1
\$180 000 - \$189 999	-	6	-	6
\$190 000 - \$199 999	4	-	4	-
\$210 000 - \$219 999	-	1	-	1
\$220 000 - \$229 999	2	-	2	-
\$230 000 - \$239 999	1	-	1	-
\$360 000 - \$369 999	-	1	-	1
\$380 000 - \$389 999	1	-	1	-
	9	10	9	9
(b) Aggregate Remuneration of Executive Officers	\$'000	\$'000	\$'000	\$'000
	1 679	1 751	1 679	1 596
(c) Aggregate Retirement and Superannuation Benefits of Executive Officers	275	295	275	273
7. Remuneration of Auditors				
Auditing the financial report	180	173	167	161
Other services	24	13	24	13
	204	186	191	174
8. Cash Assets				
Cash at bank	5 974	5 627	5 527	3 636
Short term deposits	78 978	51 926	75 494	50 260
	84 952	57 553	81 021	53 896
9. Receivables				
Trade debtors	9 775	8 958	8 625	7 988
Provision for doubtful debts	(429)	(466)	(428)	(466)
	9 346	8 492	8 197	7 522
Student fees	2 083	1 535	2 083	1 535
Provision for doubtful debts	(502)	(277)	(502)	(277)
	1 581	1 258	1 581	1 258
Student loans	260	610	260	610
Provision for doubtful debts	(124)	(415)	(124)	(415)
	136	195	136	195
Commonwealth	2 206	1 172	2 206	1 172
	13 269	11 117	12 120	10 147
10. Other Financial Assets				
Current:				
Workers Compensation Investment Fund	115	119	115	119
Non-Current:				
Investment in controlled entity	-	-	562	562
Workers' compensation investment fund	5 632	5 968	5 632	5 968
Share investments	1 647	470	470	470
Other investments	306	883	-	-
	7 585	7 321	6 664	7 000
11. Other Assets				
Prepayments	1 395	653	1 387	639
Accrued income	945	1 650	927	1 649
Other	65	-	65	-
	2 405	2 303	2 379	2 288

12. Property, Plant and Equipment	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current:				
Property Held for Resale:				
At valuation 31 December 2002	6 280	-	6 280	-
Non Current:				
Property Held for Resale:				
At valuation 31 December 2002	13 700	-	13 700	-
Land:				
At valuation 31 December 2001	26 138	39 065	26 138	39 065
Buildings:				
At valuation 31 December 2001	464 300	511 127	464 234	511 063
At cost	171	-	171	-
Accumulated depreciation	(195 121)	(199 848)	(195 057)	(199 797)
	269 350	311 279	269 348	311 266
Buildings Under Construction:				
At cost	5 351	-	5 351	-
Library Collection:				
At valuation 31 December 2001	56 566	56 566	56 566	56 566
At cost	1 772	-	1 772	-
Accumulated depreciation	(30 893)	(24 527)	(30 893)	(24 527)
	27 445	32 039	27 445	32 039
Plant and Equipment:				
At cost	39 027	37 896	38 464	37 281
Accumulated depreciation	(23 142)	(20 234)	(22 759)	(19 895)
	15 885	17 662	15 705	17 386
Total Non-Current Property, Plant and Equipment	357 869	400 045	357 687	399 756
Total Property, Plant and Equipment	364 149	400 045	363 967	399 756
Reconciliation of Movements in Property, Plant and Equipment				
Property Held for Resale:				
Carrying amount at beginning of year	-	-	-	-
Reclassification	43 253	-	43 253	-
Revaluations	(23 273)	-	(23 273)	-
Carrying amount at end of year	19 980	-	19 980	-
Land:				
Carrying amount at beginning at year	39 065	29 323	39 065	29 323
Disposals	(127)	(70)	(127)	(70)
Reclassification	(12 800)	-	(12 800)	-
Revaluation	-	9 812	-	9 812
Carrying amount at end of year	26 138	39 065	26 138	39 065
Buildings:				
Carrying amount at beginning of year	311 279	330 164	311 266	330 135
Additions	174	5 368	171	5 368
Disposals	-	(206)	-	(206)
Depreciation	(11 839)	(11 826)	(11 825)	(11 810)
Reclassification	(30 264)	-	(30 264)	-
Revaluations	-	(12 221)	-	(12 221)
Carrying amount at end of year	269 350	311 279	269 348	311 266
Buildings Under Construction:				
Carrying amount at beginning of year	-	-	-	-
Additions	5 540	-	5 540	-
Reclassification	(189)	-	(189)	-
Carrying amount at end of year	5 351	-	5 351	-
Library Collection:				
Carrying amount at beginning of year	32 039	36 006	32 039	36 006
Additions	1 772	2 529	1 772	2 529
Disposals	-	(405)	-	(405)
Depreciation	(6 366)	(3 798)	(6 366)	(3 798)
Revaluations	-	(2 293)	-	(2 293)
Carrying amount at end of year	27 445	32 039	27 445	32 039
Plant and Equipment:				
Carrying amount at beginning of year	17 662	16 551	17 386	16 223
Additions	2 754	4 974	2 701	4 816
Disposals	(412)	(707)	(410)	(631)
Depreciation and Amortisation	(4 119)	(3 156)	(3 972)	(3 022)
Carrying amount at end of year	15 885	17 662	15 705	17 386
Total Property, Plant and Equipment	364 149	400 045	363 967	399 756

13. Payables	Consolidated		University	
	2002	2001	2002	2001
Current:	\$'000	\$'000	\$'000	\$'000
Trade Creditors	10 175	10 063	10 100	9 920
Annual leave on-costs	1 925	1 939	1 925	1 939
Long service leave on-costs	564	565	564	565
	12 664	12 567	12 589	12 424
Non-Current:				
Long service leave on-costs	3 312	3 229	3 312	3 229
Non interest bearing liabilities	50	50	50	50
	3 362	3 279	3 362	3 279
14. Interest Bearing Liabilities				
SA Government Financing Authority (SAFA) loans	15 000	15 000	15 000	15 000
15. Provisions				
Current:				
Annual Leave	8 623	8 619	8 486	8 498
Long service leave	2 840	2 842	2 822	2 826
Separation scheme	98	683	98	683
Workers' compensation liability	483	722	480	718
	12 044	12 866	11 886	12 725
Non-Current:				
Workers' compensation liability	708	982	708	982
Long service leave	16 562	16 148	16 562	16 148
	17 270	17 130	17 270	17 130
16. Other Liabilities				
Current:				
Accrued interest	255	284	255	284
Finance lease	493	452	493	452
Other	326	799	-	291
Funds held on behalf of external entities	2 270	911	2 169	1 624
	3 344	2 446	2 917	2 651
Income in advance on incomplete projects	4 434	2 119	4 242	2 015
	1 883	1 860	1 883	1 860
Fees and charges	1 883	1 860	1 883	1 860
Commonwealth grant	15 131	13 852	15 131	13 852
HECS recovery	490	190	490	190
	17 504	15 902	17 504	15 902
	25 282	20 467	24 663	20 568
Non-Current	825	1 319	825	1 319
17. Reserves				
The University has two reserves in total. The land and buildings reserve is for the purposes of property revaluation, while the investment reserve is for the purpose of investment revaluation.				
(a) Reserves Comprise				
Asset Revaluation Reserves:				
Land and buildings	7 473	30 746	7 473	30 746
Investment revaluation reserve	42	152	-	-
Total Reserves	7 515	30 898	7 473	30 746
(b) Movements in Reserves				
Land and Buildings:				
Opening balance	30 746	33 155	30 746	33 155
Asset revaluation increment	1 095	-	1 095	-
Asset revaluation decrement	(24 368)	(2 409)	(24 368)	(2 409)
Closing Balance	7 473	30 746	7 473	30 746
Library Collection:				
Opening balance	-	1 082	-	1 082
Asset revaluation decrement	-	(1 082)	-	(1 082)
Closing balance	-	-	-	-
Investments Revaluation Reserve:				
Opening balance	152	-	-	-
Asset revaluation increment	-	152	-	-
Asset revaluation decrement	(110)	-	-	-
Closing balance	42	152	-	-
Total Reserves	7 515	30 898	7 473	30 746

18. Accumulated Result of Operations	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Opening balance	364 932	358 044	360 015	354 784
Operating result from ordinary activity	13 581	6 888	13 183	5 231
Closing Balance	378 513	364 932	373 198	360 015
19. Commitments for Expenditure				
(a) Capital Expenditure Commitments				
<i>Building Works</i>				
Not later than one year	4 075	1 473	4 075	1 473
(b) Lease Commitments				
<i>Operating Leases:</i>				
Not later than one year	2 824	2 711	2 824	2 711
Later than one year but not later than five years	3 511	4 645	3 511	4 645
Later than five years	720	-	720	-
	7 055	7 356	7 055	7 356
<i>Finance Leases:</i>				
Not later than one year	653	653	653	653
Later than one year but not later than five years	978	1 631	978	1 631
Later than five years	-	-	-	-
	1 631	2 284	1 631	2 284
Less: Future lease finance charges	(313)	(513)	(313)	(513)
	1 318	1 771	1 318	1 771
<i>Lease Liabilities Provided for in the Financial Statement:</i>				
Current	493	452	493	452
Non-Current	825	1 319	825	1 319
	1 318	1 771	1 318	1 771

Major operating leases include leases for accommodation and vehicles. At 31 December 2002 the University had a finance lease over a computer with a written down value of \$1.318 million. The terms of the agreement do not include renewal or purchase options.

20. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) South Australia Superannuation Fund

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2002 to be \$292.1 million (31 December 2001: \$276.3 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 1998.

The University's liability under the scheme has been partly funded by an amount of \$14.8 million (2001: \$15.3 million) arising from 3% productivity employer contributions. This results in an unfunded liability of \$277.3 million (2001: \$261.0 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that, while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5% real gap between CPI and salary increases and a further 3.5% real gap between salary increases and investment earnings.

(b) UniSuper

UniSuper is trustee of two superannuation schemes, being the Superannuation Scheme for Australian Universities (SSAU) and the Tertiary Education Superannuation Scheme (TESS).

(i) SSAU

The University contributes to SSAU at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation as at 31 December 1999 was conducted by Grant Harslett, FIA, FIAA on 18 May 2000.

A funding and solvency certificate required under regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations has been obtained from UniSuper with a date of effect of 30 June 2002 ceasing on 31 December 2003.

As at 30 June the University of South Australia's share of the fund as it relates to the defined benefits scheme was:

	2002	2001
	\$'000	\$'000
Net Market Value	70 692	76 558
Accrued Benefits	75 999	69 378
Difference	(5 307)	7 180
Vested Benefits	75 999	69 378

UniSuper as Trustee may approach the employer universities for additional contributions where UniSuper assets are determined to be insufficient to match the benefits. If the Trustee approaches the employers, the employers must jointly notify the Trustee as to the rate at which they are prepared to contribute to UniSuper. If employers fail to give notice to the Trustee, the Trustee must reduce the benefits payable.

(ii) Tertiary Education Superannuation Scheme (TESS)

The University contributes to the fund at a rate determined by the TESS Award. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Charge (SGC).

(c) Deferred Government Superannuation Contribution

The Commonwealth government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State government.

In 2002, an amount of \$16.3 million was brought to account to reflect the increase in the net unfunded past service cost for State superannuation (2001: an increase of \$0.5 million).

	2002	2001
	\$'000	\$'000
Deferred Government superannuation contribution at the beginning of the year	261 000	260 500
Increase (Decrease) in amount owing for unfunded liability	16 300	500
Deferred Government Superannuation Contribution at the end of the year	277 300	261 000
Comprising:		
Current asset	23 600	22 900
Non-Current asset	253 700	238 100
	277 300	261 000

21. Contingent Liabilities

The University has entered into an agreement with the Minister of the Department of Education, Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years an amount of \$0.680 million being the Minister's contribution to the Child Care Centre will be refunded. If the agreement is terminated after seven years a sum of \$0.680 million to be repaid is reduced on a pro rata basis reducing to zero after 21 years.

In 1994 the University received a South Australian government grant of \$1.0 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions the grant was awarded if the IWRI ceases to operate the University is liable to repay 10% of the grant for each complete year the IWRI fails to operate up to 2004.

The University has entered into an arrangement to underwrite student accommodation. The arrangement requires the University to fund vacancies up to a limit. At 31 December 2002 the University had a contingent liability of \$0.292 million.

The University has no other material contingent liabilities.

22. Leases

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance.

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

23. Joint Venture Operations

The University's interest in joint ventures is by note disclosure only, as these interests are immaterial in relation to the University's core activities.

The University participates in joint venture operations as described below.

Signal Processing Research Institute (SPRI) Building

	Reporting Date	Output 2002 Percent	Interest 2001 Percent
SPRI (Building)	30 June	30	30

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share.

24. Joint Venture Entities

The University has an interest in a number of joint venture entities as described below. The University's interest in these joint ventures is by note disclosure only as these interests are immaterial in relation to the University's core activities.

Entity (refer below)	Reporting Date	Ownership 2002 Percent	Interest 2001 Percent
(a) CRCSS	30 June	24	24
(b) CRCIMST	30 June	8	7
(c) CRCRET	30 June	8.3	8.3
(d) CRCST Pty Ltd	30 June	5	4
(e) CSSIP	30 June	5.2	5.2
(f) CWQT	30 June	5	6
(g) SAARDNet	31 December	20	20
(h) SACRRH	31 December	50	50
(i) SATAC	30 June	25	25

(a) Cooperative Research Centre for Satellite Systems (CRCSS)

The CRCSS is a national cooperative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

(b) Cooperative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)

The CRCIMST is a national cooperative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing.

(c) Cooperative Research Centre for Railway Engineering and Technologies (CRCRET)

The CRCRET is a national cooperative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.

(d) Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST Pty Ltd)

The CRCST is a national cooperative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.

(e) Cooperative Research Centre for Sensor Signal and Information Processing (CSSIP)

The CSSIP is a national cooperative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors.

(f) Centre for Water Quality and Treatment (CWQT)

The CWQT is a national cooperative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

(g) South Australian Academic Research and Development Network (SAARDNet)

SAARDNet is a joint venture by the University of Adelaide, Flinders University of South Australia, University of South Australia, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet facilitates greater data, voice and video communications between higher education and research organisations in South Australia.

(h) South Australian Centre for Rural and Remote Health (SACRRH)

The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SACRRH and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.

(i) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the eight Institutes of TAFE and the three universities in South Australia.

25. Controlled Entities

The University has 100% ownership of two controlled entities:

(a) ITEK Pty Ltd

ITEK Pty Ltd was formed on 1 July 1999. ITEK Pty Ltd is trustee for the ITEK trust and has a 100% controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formulation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) University of South Australia Foundation Incorporated

The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it seeks to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are used for the intended purpose.

26. Other Entities

The University also has an interest in Unisure Pty Ltd as described below.

Unisure Pty Ltd

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986* and is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers' compensation liabilities and the associated investment funds. As at 31 December 2002 the Unit Trust held net assets of \$4.558 million on behalf of the University of South Australia (2001: \$4.387 million).

The University's annual financial statements incorporate the financial transactions of the Unisure Unit Trust within the University column. The net assets employed in Unisure are as follows:

	University	
	2002	2001
	\$'000	\$'000
Current assets	115	119
Non-Current assets	5 632	5 968
Total Assets	5 747	6 087
Current liabilities	480	718
Non-current liabilities	708	982
Total Liabilities	1 188	1 700
Net Assets	4 559	4 387

Refer to Notes 10 and 15.

27. Disaggregation Information

	Revenue		Results		Total Assets	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Industry						
Higher Education	269 397	254 385	13 581	6 888	749 775	739 460
Geographical						
Australia	244 919	235 509	9 419	3 679	749 775	739 460
Asia	24 321	18 739	4 135	3 186	-	-
Other	157	137	27	23	-	-
	269 397	254 385	13 581	6 888	749 775	739 460

The University operates in the field of higher education principally in Australia and provides teaching and research services.

28. Subsequent Events

Subsequent to 31 December 2002, the Salisbury campus was sold for its carrying value of \$6.280 million. Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

29. Assets and Liabilities of Trusts for which the Institution is Trustee

Within the controlled group, the University of South Australia Foundation Inc is trustee or custodian for the following trusts:

- Aborigines Advancement League;
- Davey Scholarship;
- Donald Dyer Scholarship;
- Lydia Longmore Memorial Fund;
- The PW Stephens Engineering Prize; and
- William T Southcott Scholarship.

30. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits net of outstanding bank overdrafts and unrepresented cheques. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash at bank	5 974	5 627	5 527	3 636
Short-term deposits	78 978	51 926	75 494	50 260
	84 952	57 553	81 021	53 896

(b) Reconciliation of Operating Result from Ordinary Activities to Net Cash provided by Operating Activities

Operating result from ordinary activities	13 581	6 888	13 183	5 231
Add (Less): Items classified as investing activities:				
(Profit) Loss on sale of plant and equipment	499	701	499	701
Add (Less): Non-cash items:				
Depreciation and amortisation	22 324	18 779	22 163	18 630
Non cash donations	(165)	(162)	(165)	(162)
Revaluation expense	-	1 210	-	1 210
Other	(564)	1 420	-	765
Change in assets and liabilities:				
(Increase) Decrease in receivables	(2 152)	(881)	(1 973)	(328)
(Increase) Decrease in other assets	(15 754)	(1 015)	(15 600)	(979)
Increase (Decrease) in payables	180	(235)	248	89
Increase (Decrease) in provisions	15 618	1 644	15 601	1 626
Increase (Decrease) in other liabilities	4 321	(609)	3 603	(2 040)
Net Cash provided by Operating Activities	37 888	27 740	37 559	24 743

(c) Non Cash Financing and Investing Activities

The University received in the reporting period donations of works of art and library materials with a fair value of \$165 000 (2001: \$162 000). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

(d) Credit Standby Arrangements

The University has a \$5.0 million (2001: \$5.0 million) credit card facility with the National Australia Bank (NAB). The unused portion of this facility as at 31 December 2002 was \$4.413 million (2001: \$4.457 million).

The University has a \$0.760 million credit card facility with AMEX (2001: \$8.5 million with ANZ). The unused portion of this facility as at 31 December 2002 was \$0.750 million (2001: \$8.303 million).

(e) Loan Facilities

The University has \$15.0 million of borrowings remaining at 31 December 2002 from a loan facility with the South Australian Department of Treasury and Finance. No security is provided against the borrowings.

31. Financial Instruments**31.1 Interest Rate Risk 2002**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities as at 31 December 2002 is set out below.

	Variable Interest Rate \$'000	2002 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
		Less than 1 year \$'000	1 to 5 years \$'000	More Than 5 years \$'000		
Financial Assets:						
Cash	84 952	-	-	-	-	84 952
Receivables	-	-	-	-	13 269	13 269
Other financial assets	115	-	-	-	7 585	7 700
	85 067	-	-	-	20 854	105 921

Weighted average interest rate 4.67%

31.1 Interest Rate Risk 2002 (continued)

	2002					Non-Interest Bearing	Total \$'000
	Variable Interest Rate	Fixed Interest Rate Maturity					
		Less than 1 year	1 to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:							
Trade creditors	-	-	-	-	-	10 175	10 175
Annual Leave and long service leave on-costs	-	-	-	-	-	5 801	5 801
(Non) Interest bearing liabilities	-	-	15 000	-	-	50	15 050
Finance lease	-	493	825	-	-	-	1 318
Funds held on behalf of external entities	-	-	-	-	-	2 270	2 270
	-	493	15 825	-	-	18 296	34 614
Weighted average interest rate		11.89%	10.27%				

31.2 Interest Rate Risk 2001

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities as at 31 December 2001 is set out below.

	2001					Non-Interest Bearing	Total \$'000
	Variable Interest Rate	Fixed Interest Rate Maturity					
		Less than 1 year	1 to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:							
Cash assets	57 553	-	-	-	-	-	57 553
Receivables	-	-	-	-	-	11 117	11 117
Other financial assets	6 087	-	-	-	-	1 353	7 440
	63 640	-	-	-	-	12 470	76 110
Weighted average interest rate	3.79%						
Financial Liabilities:							
Trade creditors	-	-	-	-	-	10 063	10 063
Annual leave and long service leave on-costs	-	-	-	-	-	5 733	5 733
(Non) Interest bearing liabilities	-	-	15 000	-	-	50	15 050
Finance lease	-	452	1 319	-	-	-	1 771
Funds held on behalf of external entities	-	-	-	-	-	911	911
	-	452	16 319	-	-	16 757	33 528
Weighted average interest rate		11.89%	10.32%				

(b) Currency Risk

The University assesses the foreign exchange risk for its transnational activities and enters into hedging arrangements if appropriate. As at 31 December 2002 the University held US\$0.989 million and RM\$0.109 million (Malaysian Ringgitt) in offshore bank accounts.

(c) Credit Risk

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

(i) On-Balance Sheet Finance Instruments

The credit risk on financial assets excluding investments of the economic entity which have been recognised in the Statement of Financial Position is the carrying amount net of any provisions for doubtful debts.

The economic entity is not materially exposed to any individual overseas country or individual customer.

(d) Net Fair Values of Financial Assets and Liabilities**(i) Valuation Approach**

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

- **On-Balance Sheet Financial Instruments**
Monetary financial assets and liabilities not readily traded in an organised financial market are determined at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivable, accounts payable and loans are at net fair value.

Unlisted share investments of \$1.024 million are carried at cost, which is deemed to be fair value. These investments have not been re-valued to reflect the net assets of the respective entities.

- **Net Fair Values**
The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for borrowings at fixed rates of interest. The values of those borrowings are:

2002	2002	2001	2001
Carrying	Net Fair	Carrying	Net Fair
Amount	Value	Amount	Value
\$'000	\$'000	\$'000	\$'000
15 000	17 223	15 000	19 315

32. Acquittal of Commonwealth Government Financial Assistance

32.1 Teaching and Learning

	Operating Financial Assistance excluding HECS		Teaching Hospitals	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	8 702	8 778	-	-
Plus: Financial Assistance received during reporting period	113 947	109 848	-	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(9 151)	(8 702)	-	-
Accrual adjustments:				
(Over)/under funding for the year	2 206	4 179	-	-
Permanent accrual adjustments	-	650	-	-
Reversal prior year accrual	(1 172)	(1 363)	-	-
Revenue attributed to the reporting period	114 532	113 390	-	-
Plus: Surplus/(Deficit) prior year	361	585	-	-
Funds available for the reporting period	114 893	113 975	-	-
Less: Expenses for current period	(114 629)	(113 614)	-	-
Surplus/(Deficit) for reporting period	264	361	-	-

	Capital Development Pool	
	2002	2001
	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-
Plus: Financial Assistance received during reporting period	-	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-
Accrual adjustments:		
(Over)/under funding for the year	-	-
Reversal prior year accrual	-	-
Revenue attributed to the reporting period	-	-
Plus: Surplus (Deficit) prior year	717	753
Funds available for the reporting period	717	753
Less: Expenses for current period	(563)	(36)
Surplus/(Deficit) for reporting period	154	717

	HECS		PELS	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	4 154	4 233	-	-
Plus: Financial Assistance received during reporting period	53 446	54 326	555	-
Plus: Contributions actually received from students	8 996	8 528	-	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(5 033)	(4 201)	-	-
Accrual adjustments:				
(Over)/under funding for the year	(490)	(190)	-	-
Reversal prior year accrual	190	(1 262)	-	-
Revenue attributed to the reporting period	61 263	61 434	555	-
Plus: Surplus (Deficit) prior year	-	-	-	-
Funds available for the reporting period	61 263	61 434	555	-
Less: Expenses for current period	(61 263)	(61 434)	(555)	-
Surplus (Deficit) for reporting period	-	-	-	-

32.2 Australian Research Council

	Discovery - Fellowships		Discovery - Large Grants	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	78	157	688	650
<i>Less:</i> Financial Assistance in Advance (received in reporting period for the next reporting period)	(5)	-	(44)	-
Transfers to/from other shared University projects	56	-	(14)	(3)
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	129	157	630	647
<i>Plus:</i> Surplus (Deficit) prior year	34	-	237	226
Funds available for the reporting period	163	157	867	873
<i>Less:</i> Expenses for current period	(111)	(123)	(604)	(636)
Surplus (Deficit) for reporting period	52	34	263	237

	Discovery - Indigenous Researchers Development		Linkage – SPIRT	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	9	35	1 950	1 749
<i>Less:</i> Financial Assistance in advance (received in reporting period for the next reporting period)	-	-	(105)	-
Transfers to/from other shared University projects	-	-	(37)	(56)
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	9	35	1 808	1 693
<i>Plus:</i> Surplus (Deficit) prior year	29	8	821	696
Funds available for the reporting period	38	43	2 629	2 389
<i>Less:</i> Expenses for current period	(8)	(14)	(1 636)	(1 568)
Surplus (Deficit) for reporting period	30	29	993	821

	Linkage - Infrastructure Equipment & Facilities		International Research Exchange	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	989	-	18	24
<i>Less:</i> Financial assistance in Advance (received in reporting period for the next reporting period)	(398)	-	(2)	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	591	-	16	24
<i>Plus:</i> Surplus/(Deficit) Prior Year	-	-	22	5
Funds available for the reporting period	591	-	38	29
<i>Less:</i> Expenses for current reporting period	(591)	-	(32)	(7)
Surplus (Deficit) for reporting period	-	-	6	22

	Other - Shared University Projects		Linkage - Centres Of Excellence (Key Centres)	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	-	-	755	684
<i>Less:</i> Financial Assistance in Advance (received in reporting period for next reporting period)	-	-	(57)	-
Transfers to/from other shared University projects	14	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	14	-	698	684
<i>Plus:</i> Surplus (Deficit) prior year	8	100	204	322
Funds available for the reporting period	22	100	902	1 006
<i>Less:</i> Expenses for current reporting period	(8)	(92)	(799)	(802)
Surplus (Deficit) for reporting period	14	8	103	204

32.3 DEST Research Financial Assistance

	Institutional Grants Scheme		Research Training Scheme	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	337	-	577	604
Plus: Financial Assistance received during reporting period	4 239	337	7 212	7 527
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(362)	(337)	(573)	(577)
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	4 214	-	7 216	7 554
Plus: Surplus (Deficit) prior year	-	-	-	-
Funds available for the reporting period	4 214	-	7 216	7 554
Less: Expenses for current period	(4 214)	-	(7 216)	(7 554)
Surplus (Deficit) for reporting period	-	-	-	-

	Research Infrastructure		Australian Postgraduate Awards	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	83	57	-	-
Plus: Financial Assistance received during reporting period	1 058	739	1 343	1 165
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	(100)	(83)	-	-
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	1 041	713	1 343	1 165
Plus: Surplus/(Deficit) prior year	-	-	80	141
Funds available for the reporting period	1 041	713	1 423	1 306
Less: Expenses for current period	(1 041)	(713)	(1 402)	(1 226)
Surplus (Deficit) for reporting period	-	-	21	80

	International Postgraduate Research		Innovation Program	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
Plus: Financial Assistance received during reporting period	255	215	50	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	255	215	50	-
Plus: Surplus/(Deficit) prior year	-	19	-	-
Funds available for the reporting period	255	234	50	-
Less: Expenses for current period	(255)	(234)	-	-
Surplus/(Deficit) for reporting period	-	-	50	-

	Small Research	
	2002	2001
	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	17
Plus: Financial Assistance received during reporting period	-	202
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-
Accrual adjustments	-	-
Revenue attributed to the reporting period	-	219
Plus: Surplus/(Deficit) prior year	-	67
Funds available for the reporting period	-	286
Less: Expenses for current period	(45)	(205)
Surplus/(Deficit) for reporting period	36	81

32.4 Summary of Unspent Financial Assistance

	Amount of unspent grant as at 31 December 2002	Amount of unspent grant that is more likely to be approved by the Cwlth for carry forward	Amount of unspent grant that is more likely to be recovered by the Cwlth
	\$'000	\$'000	\$'000
Operating purposes excluding HECS and PELS:			
Higher Education Innovation Program	63	63	-
Equality of opportunity	201	201	-
Capital development pool	154	154	-
	418	418	-

32.4 Summary of Unspent Financial Assistance (continued)

	Amount of unspent grant as at 31 December 2002 \$'000	Amount of unspent grant that is more likely to be approved by the CwIth for carry forward \$'000	Amount of unspent grant that is more likely to be recovered by the CwIth \$'000
Australian Research Council:			
Discovery - Fellowships	52	52	-
Discovery - Large Grants	263	263	-
Discovery - Indigenous researchers' development	30	30	-
Linkage - SPIRT	993	993	-
International researcher exchange	6	6	-
Other - Shared University projects	14	14	-
Linkage - Centres of Excellence (Key Centres)	103	103	-
	1 461	1 461	-
DEST:			
Australian postgraduate awards	21	21	-
Innovation Program	50	50	-
Small Research	36	36	-
	107	107	-
	1 986	1 986	-

**MINISTER FOR HEALTH; MINISTER FOR SOCIAL JUSTICE;
MINISTER FOR HOUSING; MINISTER FOR YOUTH;
MINISTER ASSISTING THE PREMIER IN SOCIAL INCLUSION;
MINISTER FOR THE STATUS OF WOMEN**

PORTFOLIO – HUMAN SERVICES

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely:

- Minister for Health
- Minister for Social Justice
- Minister for Housing
- Minister for Youth
- Minister Assisting the Premier in Social Inclusion
- Minister for the Status of Women

The agencies included herein relating to the portfolio of Human Services are:

- HomeStart Finance
- Human Services - Department of
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Housing Trust

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Social Justice and is subject to the control and direction of the Minister.

Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership by persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes.

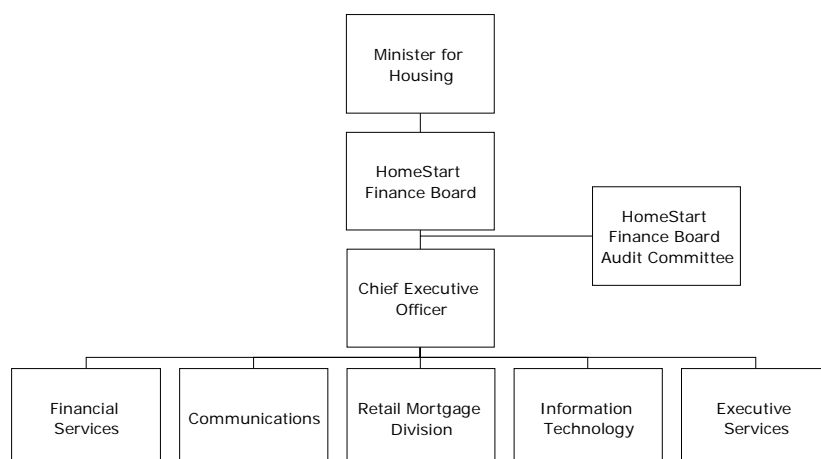
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- The management of concessional home loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989.
- Management of loans advanced by the South Australian Housing Trust to enable tenants to purchase their Trust homes.
- The Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Structure

The structure of HomeStart Finance is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

HomeStart Finance has an Internal Audit function which uses an external contractor to undertake the internal audit program. External Audit has considered the work undertaken by Internal Audit to supplement other procedures performed in evaluating HomeStart's internal control.

Audit Communications to Management

No significant matters arose from the external audit of HomeStart Finance.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of HomeStart Finance as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

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

Significant Matters Raised with Agencies

There were no significant matters raised with HomeStart Finance.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

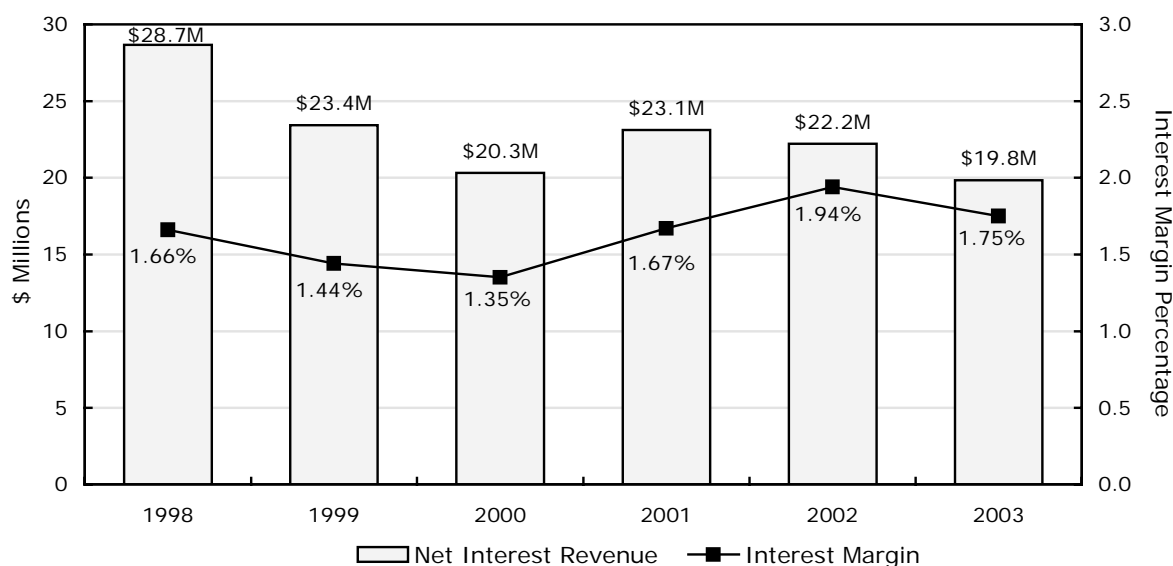
	2003 \$'million	2002 \$'million	Percentage Change
Interest income	49.3	53.1	(7)
Borrowing costs	29.5	30.9	(5)
Net Interest Revenue	19.8	22.2	(11)
Other revenue	3.2	2.5	28
Other expenses	14.4	15.2	(5)
Profit from ordinary activities before tax expense	8.6	9.5	(10)
Tax expense	2.6	2.9	(10)
Net Cash Flows from Operations	4.1	6.1	(33)
ASSETS			
Housing loans and advances	711.3	761.8	(7)
Other assets	27.7	24.8	12
Total Assets	739.0	786.6	(6)
LIABILITIES			
Borrowings	593.7	642.9	(8)
Other liabilities	6.9	6.4	8
Total Liabilities	600.6	649.3	(8)
EQUITY	138.4	137.3	1

Statement of Financial Performance

Net Interest Revenue

Net interest revenue decreased by \$2.4 million to \$19.8 million, notwithstanding the 'write-back' to income of \$0.7 million of interest income on non-accrual loans during the year due to improvements in the value of underlying loan security (property values). The decrease was a result of lower levels of lending, together with a lower interest rate margin between loans and cost of funds as demonstrated in the following chart.

Net Interest Revenue and Interest Margin



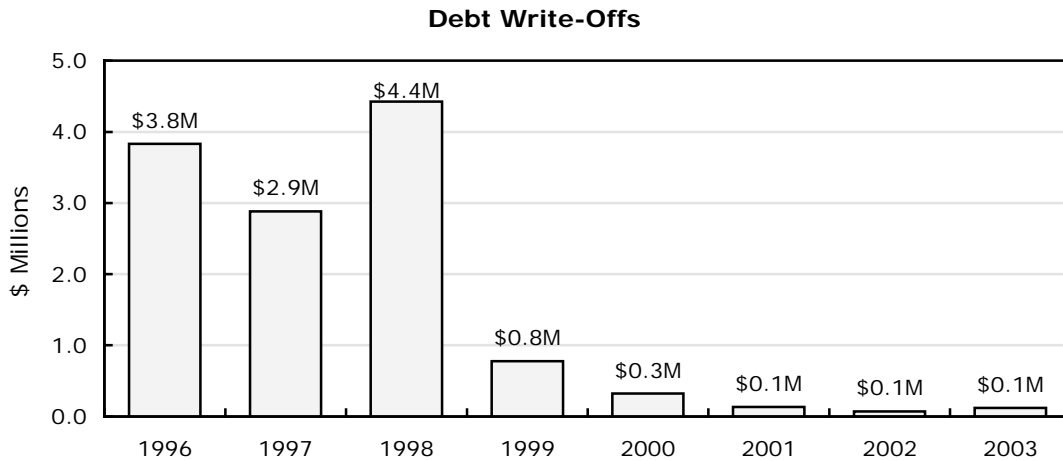
Income from Investments

Over the past three years HomeStart Finance have undertaken investments as part of a strategy for meeting loan shortfalls. Income from these investments increased slightly during the year to \$1.5 million.

Bad and Doubtful Debts Expense

The bad and doubtful debts expense for the year decreased by \$714 000 to a credit of \$595 000 (\$119 000 debit), notwithstanding that HomeStart Finance has continued to maintain their overall provisioning in recent years. The expense reversal reflects in part, the minimal level of actual write-offs that have had to be made over the last few years in an environment of decreasing interest rates and rising property values (that provide the loan security to HomeStart Finance).

The decrease in actual write-offs can be seen in the following chart.



Operating Result

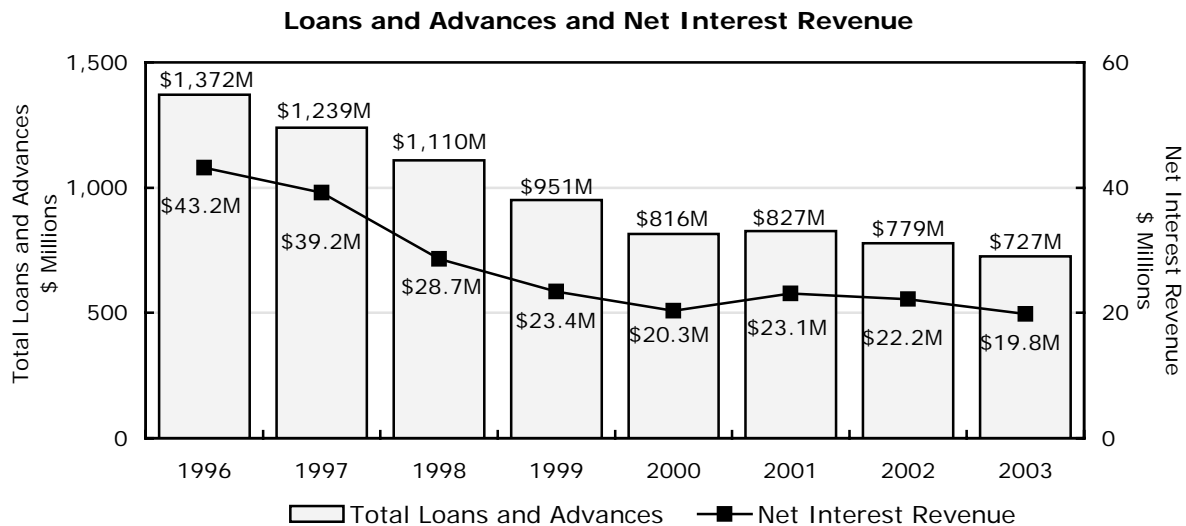
Profit after income tax decreased to \$6.0 million from \$6.7 million in 2001-02 due to a number of factors, including:

- a reduction in net interest revenue of \$2.4 million;
- an increase in other income of \$0.7 million;
- a decrease in the bad and doubtful debt expense of \$0.7 million.

Statement of Financial Position

Loans and Advances

As mentioned, lower net interest revenue has principally been a result of a decrease in the levels of lending. One of the reasons for the decrease over recent years has been the ability of borrowers to obtain finance from other lenders in a low interest rate environment. The extent of the decrease in lending is demonstrated in the following chart, together with the impact that it has had on the net interest revenue.



The small increase in 2001 coincided with the introduction of the First Home Owner's Grant. Total loans and advances at 30 June 2003 were \$100 million (12 percent) lower than at 30 June 2001. HomeStart Finance's current strategic plan has identified the need to 'grow' loan assets over the next three years through a range of initiatives.

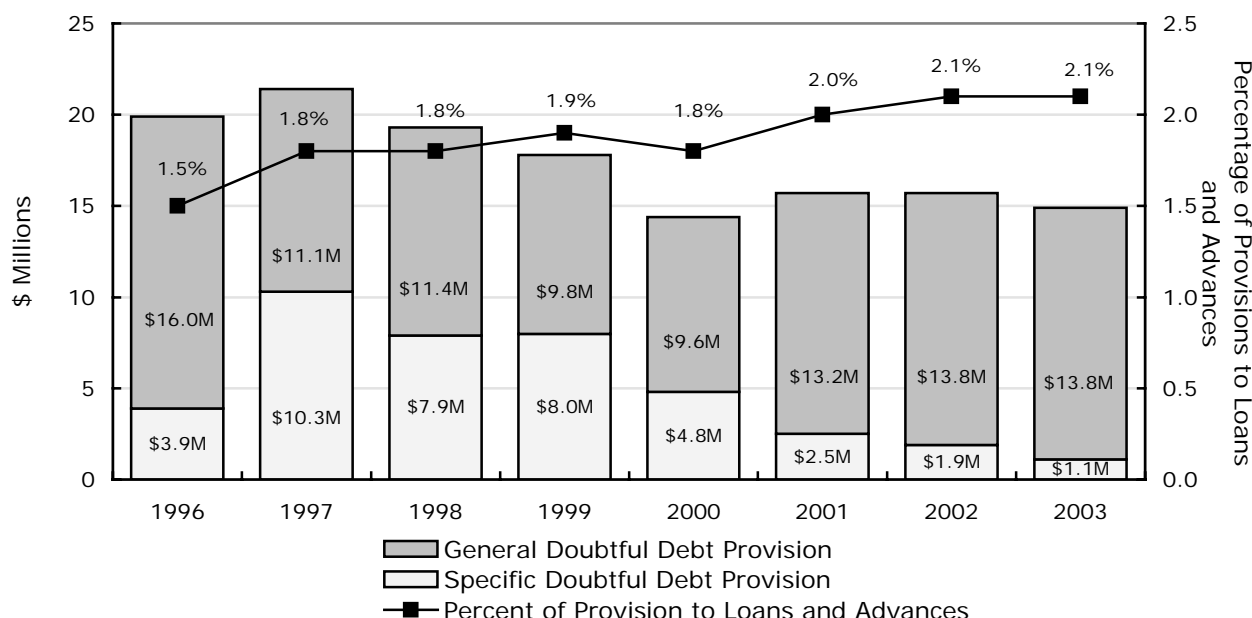
Asset Quality - Provision for Doubtful Debts

The market conditions have also influenced HomeStart Finance's provision for doubtful debts but in two different ways. The total provision is comprised of two components being the specific and general provision.

The specific provision (the estimate of potential loss exposure on identified problem loans) has decreased a further \$761 000 (\$620 000 decrease) to \$1.1 million (\$1.9 million) due to continued property value growth, improved principal repayments due to low interest rates and a reduction in loans in arrears.

The general provision (provision for presently unidentifiable losses that may arise in the portfolio) has remained steady at \$13.8 million despite a decrease in loans outstanding due to HomeStart Finance's concern about the possibility of a correction in property values in the event of reductions to the First Home Owners Grant (FHOG) and the potential for rising interest rates. HomeStart Finance's projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio.

As a result of the movements in the specific and general provisions, the total provision for doubtful debts has decreased by \$774 000 to \$14.9 million. The following chart shows the level of the total doubtful debts provision over the past eight years, and demonstrates that although the provision decreased during the year, total provisions as a proportion of loans and advances is at a peak for that period.

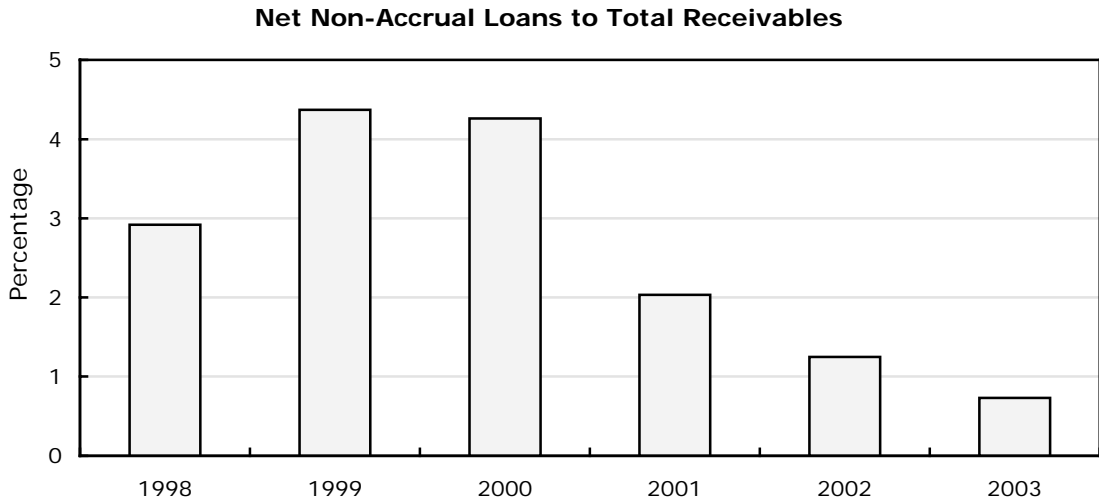


Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total receivables (net of interest foregone) is the lowest for six years as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

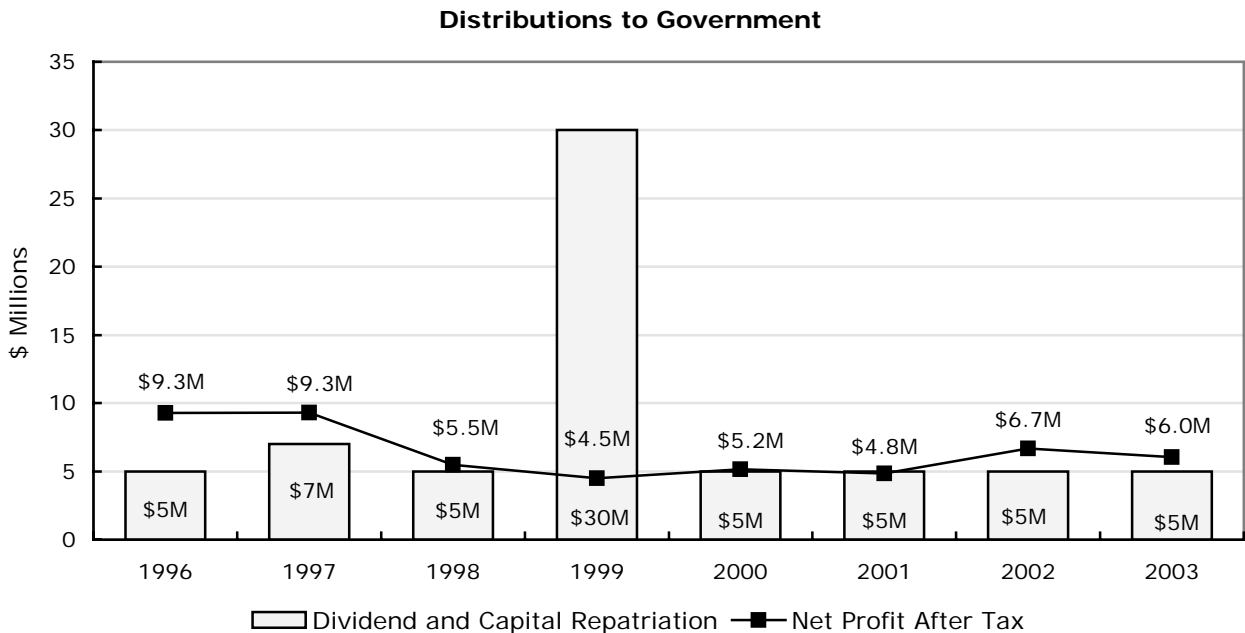


Statement of Cash Flows

Distributions to Government

HomeStart Finance has been required to maintain its distributions to the Government (Department of Human Services) and in 2002-03 made a dividend payment of \$1.99 million (\$2.21 million) and a capital repatriation of \$3.01 million (\$2.79 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart Finance. It is, however, noted that the level of retained surplus at 30 June 2003 was \$133.5 million (\$132.4 million).

The following chart shows net profit after tax and distributions made for the past eight years and highlights the sustained profit performance of HomeStart Finance over the period and the consistency of contributions to Government.



In addition to these distributions, HomeStart Finance pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount paid in 2002-03 was \$4.6 million (\$5.0 million).

HomeStart Finance is also subject to an income tax equivalent regime. The income tax expense in 2002-03 was \$2.6 million (\$2.9 million).

**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	2003 \$'000	2002 \$'000
Interest revenue	3	49 346	53 056
Borrowing costs	3	(29 516)	(30 851)
NET INTEREST REVENUE		19 830	22 205
Other revenue from ordinary activities	3	3 222	2 514
Bad and doubtful debts (expense) credit	3	595	(119)
Government guarantee fee	3	(4 606)	(5 046)
Loan manager fees	3	(2 163)	(2 510)
Depreciation expense	3	(441)	(594)
Personnel expense	3	(4 038)	(3 666)
Other expenses from ordinary activities	3	(3 770)	(3 238)
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		8 629	9 546
INCOME TAX EXPENSE	4	(2 589)	(2 864)
NET PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	16	6 040	6 682

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
Cash	21(a)	3 250	2 274
Investments	6	23 134	21 680
Housing loans and advances	7	711 259	761 765
Office and computer equipment	10	566	686
Other assets	11	808	214
Total Assets		739 017	786 619
LIABILITIES:			
Short-term interest bearing borrowings	12,13	168 890	349 836
Long-term interest bearing borrowings	12,13	424 801	293 021
Tax liability	4	1 869	1 814
Provisions	14	317	274
Other liabilities	15	4 756	4 330
Total Liabilities		600 633	649 275
NET ASSETS		138 384	137 344
EQUITY:			
Capital grants		4 918	4 918
Retained surplus	16	133 466	132 426
TOTAL EQUITY		138 384	137 344
Commitments	18		
Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on:			
Cash		17	29
Investments		586	804
Housing loans and advances		48 201	50 798
Other investment income		1 054	662
Fees and commissions received		329	332
Bad debts recovered		107	107
Interest paid on borrowings		(30 264)	(29 837)
Government guarantee fee		(4 606)	(5 046)
Loan manager fees		(2 173)	(2 556)
Administration		(7 838)	(7 073)
Grant received		572	-
Income tax paid		(2 534)	(2 098)
Other		631	-
Net Cash provided by Operating Activities	21(b)	4 082	6 122
CASH FLOWS FROM INVESTING ACTIVITIES:			
Customer loans repaid		241 259	224 911
Customer loans settled		(188 402)	(176 603)
Payments for investments		(1 457)	(12 489)
Payments for office and computer equipment		(322)	(308)
Proceeds on sale of assets		2	8
Other		-	44
Net Cash provided by Investing Activities		51 080	35 563
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from new borrowings		1 007 000	1 778 202
Principal repaid on borrowings		(1 056 166)	(1 825 934)
Financial instruments		(20)	29
Capital repatriation		(3 007)	(2 790)
Dividend paid		(1 993)	(2 210)
Net Cash used in Financing Activities		(54 186)	(52 703)
NET INCREASE (DECREASE) IN CASH HELD		976	(11 018)
CASH AT 1 JULY		2 274	13 292
CASH AT 30 JUNE	21(a)	3 250	2 274

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of HomeStart Finance

The role of HomeStart Finance is to operate in a commercial manner to:

- Develop, market and manage home finance and housing initiatives
- Increase home ownership opportunities as a choice for low-income households in South Australia.

HomeStart Loan

HomeStart provides mortgages to low to moderate income households and other needs groups with income linked and CPI indexed repayments. The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2003 was \$684.3 million (\$717.4 million).

HOME

The concessional H.O.M.E. Scheme is no longer open to new borrowers. The Scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-1990.

The outstanding value of the H.O.M.E. Scheme at 30 June 2003 was \$34.9 million (\$51 million).

Management and administration of the H.O.M.E. Rental Purchase Scheme, which was for SAHT tenants, was transferred from the SAHT to HomeStart in December 1992.

Other

HomeStart has advanced and administers a small group of miscellaneous loans.

Subsidies

HomeStart provides subsidised loans of up to \$25 000 to low income earners. The Advantage Loan has an interest rebate period of five years, after which the interest is indexed to the CPI. The outstanding value of the loans at 30 June 2003 was \$35.2 million (\$35.9 million).

In providing these loans HomeStart incurred direct cost of subsidy estimated to be \$1.7 million on the funds lent (\$1.9 million, 2002). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Financial Report**(a) Basis of Preparation**

Pursuant to Section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied, except where there is a change in accounting policy, and are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial amounts and other disclosures.

(b) Tax Equivalents

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to Section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

(c) Acquisition of Assets

Assets acquired are initially recorded at cost. Cost is determined as the value given as consideration plus incidental costs directly attributable to the acquisition, including all other costs incurred in preparing the assets for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the time of acquisition.

All acquisitions of assets with a cost, or other value, of \$500 or more are recognised as assets in the year of acquisition. Acquisitions with a lesser value are expensed in the period of acquisition.

(d) Depreciation

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

The depreciation rates used for each class of asset are as follows:

	Percent
Computer hardware	33
Computer software	33
Accounting software	33
Loan management systems	20
Office fit-out	20
Furniture and equipment	20

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation charges are expensed.

(e) Housing Loans and Advances

Housing loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to portfolios where specific identification is impracticable.

Specific Provision

The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- Arrears are 90 days or over, or exceed \$2 500; or
- Repayment reductions have been negotiated; or
- In other cases where HomeStart is taking action to manage the loan; or
- Action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision

This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart Loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- The profile of past loan losses from the portfolio
- Changes to risk levels of the portfolio – for example due to changes in new business
- The outlook for interest rates, the housing market and other key economic trends.

HomeStart uses internal projections and external actuary assessment of loan loss history to determine its general provision requirement, with the exception of the remaining H.O.M.E. loans and Rental Purchase Scheme loans which are set at a standard percentage of the portfolio balances, as these loans have seasoned and are now considered to be low risk.

For HomeStart Loans a prudential margin of 50 percent (50 percent) is included to provide sufficient confidence that the provision is adequate reflecting the inherent uncertainty in assumptions made in relation to loss forecasts and future economic trends.

(f) Bad and Doubtful Debts

All bad and doubtful debts are written off in the period in which they are identified. The write off of debts over \$20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

(g) Non-Accrual Loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken into account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual basis only if all arrears have been eliminated by payments from the customer and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

(h) Employee Benefits

HomeStart has applied the revised AASB 1028 'Employee Benefits' for the first time from 1 July 2002.

Liabilities for employee entitlements to wages, salaries and annual leave are now calculated using the remuneration rates HomeStart expects to pay when the liabilities are settled, not salary rates current at reporting date. This change in accounting policy does not have a material effect in the current financial year or any prior financial years presented in the report and is not expected to have a material effect in a subsequent financial year.

The provision for long service leave represents the present value of the estimated future cash outflows to be made by HomeStart resulting from employees' services provided up to the balance date.

Employee benefits are inclusive of employment related on-costs.

(i) Other Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to HomeStart Finance.

Accounts payable are normally settled within 30 days.

(j) Borrowings

Borrowings are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Other Liabilities.

(k) Derivative Financial Instruments

HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk.

Derivative financial instruments are not held for speculative purposes.

The net amount receivable or payable under interest rate agreements and realised losses and gains on forward rate agreements and futures contracts are recognised on an accrual basis in the statement of financial performance as an adjustment to interest expense during the period.

(l) Revenue Recognition

Interest income is recognised as it accrues.

Non-interest income is recognised when earned or recovered.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Recoverable Amount of Non-Current Assets Valued on a Cost Basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(o) Operating Leases

Incentives received on entering into operating leases are recognised as liabilities that are reduced by allocating lease rental payments between rental expense and reduction of the liability. The allocation of lease rental payments is made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property.

(p) Investments
Investments in managed funds, regardless of the composition, are reflected in the financial statements at their market value at each balance date, which approximates their fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Statement of Financial Performance.

Investments in financial instruments such as bank accepted bills and cash are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.

(q) Cash
For the purpose of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risks of changes in value, net of outstanding bank overdrafts.

(r) Web Site Costs
Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

(s) Reclassification of Certain Employee Benefits
The liability for annual leave and related on-costs expected to be settled within 12 months of reporting date has been reclassified from provisions to other liabilities in the current year as a result of the adoption of the new Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. There is not any significant uncertainty relating to the amount and timing of future payments included in the liability for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

(t) Rounding of Amounts
All figures in the financial statements have been rounded to the nearest thousand dollars except where indicated.

3. Profit from Ordinary Activities Before Income Tax	2003	2002
Revenue from Ordinary Activities:	\$'000	\$'000
Interest Revenue:		
HomeStart and HOME	48 631	52 149
Deposits with Treasury and banks	110	112
Other	605	795
Total Interest Revenue	49 346	53 056
Other Revenue from Ordinary Activities:		
Fees and charges	989	916
Bad debts recovered	107	107
Unrealised change in market value of investments	(3)	227
Realised change in market value of investments	455	248
Managed funds distribution	598	414
Interest income from Investments	480	428
Other	596	174
Total Other Revenue from Ordinary Activities	3 222	2 514
Bad and doubtful debts:		
Direct write-offs:		
HomeStart	35	61
HOME	27	13
Other	45	-
Total	107	74
Doubtful debt provisions expenses (credit):		
HomeStart	(981)	108
HOME	328	(16)
Other	(49)	(47)
Total	(702)	45
Total Bad and Doubtful Debts Expenses (credit)	(595)	119
Borrowing Costs:		
HomeStart and HOME	29 516	30 851
Total Borrowing Costs	29 516	30 851
Government guarantee fee:		
Total government guarantee fee	4 606	5 046
Loan manager fees:		
HomeStart	2 163	2 252
HOME	-	258
Total loan manager Fees	2 163	2 510

3. Profit from Ordinary Activities Before Income Tax (continued)	2003	2002
Depreciation expense:	\$'000	\$'000
Computer hardware and software	311	282
Loan Management System	44	231
Office fit-out	33	36
Furniture and equipment	53	45
Total Depreciation Expense	441	594
Personnel expenses:		
Charges to provisions for annual leave	(2)	(15)
Charges to provisions for long service leave	(43)	21
Salaries and related costs	4 083	3 660
Total Personnel Expenses	4 038	3 666
Other Expenses from Ordinary Activities:		
Office accommodation - minimum lease payments	219	171
Marketing, product development and advertising	1 439	811
External Auditor's remuneration	81	77
Internal audit fees	194	172
Loan Management fees	229	163
Information Technology - Loan management system	184	298
Information Technology - Support and maintenance	215	256
Consultants' fees	154	253
Other	1 055	1 037
Total Other Expenses from Ordinary Activities	3 770	3 238

4. Income Tax

HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts the application of the corporate income tax rate of 30 percent (as per the *Income Tax Assessment Act 1936*) to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit from ordinary activities after extraordinary items.

	2003	2002
	\$'000	\$'000
Profit from ordinary activities before related income tax expense	8 629	9 546
Income tax calculated at 30 percent	(2 589)	(2 864)

5. Payment of Dividend to the Department of Human Services

Pursuant to Section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Human Services, that it pay a specified dividend or not pay a dividend, for that financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

During 2002-03, HomeStart recommended and paid a dividend of \$5 million which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

		2003	2002
		\$'000	\$'000
Profit from ordinary activities before related income tax expense	Note	6 040	6 682
Dividend	16	1 993	2 210
Capital repatriation	16	3 007	2 790
Total Dividend Paid		5 000	5 000

6. Investments

At cost:			
Bank Bills		9 958	9 956
At fair value:			
Composite Bond Index Investment		4 989	4 483
Listed Equities Funds		2 696	2 217
Listed Properties Funds		5 491	5 024
Total Investments		23 134	21 680

The Composite Bond Index Investment has a maturity date of 30 June 2003.

The following table breaks down Bank Bills into individual deals with corresponding market values, yield and maturity dates.

	Face Value	Market Value	Yield	Maturity
	\$'000	\$'000	Percent	Date
Bank Accepted Bill	1 000	994	4.79	14.07.03
Bank Accepted Bill	700	697	4.78	28.07.03
Bank Accepted Bill	2 000	1 992	4.78	28.03.03
Bank Accepted Bill	300	299	4.78	28.07.03
Bank Accepted Bill	1 000	996	4.78	28.07.03
Bank Accepted Bill	5 000	4 980	4.80	30.07.03
Total Bank Bills	10 000	9 958		

7. Housing Loans and Advances	2003 \$'000	2002 \$'000
Primary loans	691 159	743 116
Subsidised loans	35 160	35 894
Control accounts	542	233
Gross Loans and Advances	726 861	779 243
Specific provisions for impairment	(1 093)	(1 854)
Unearned income	(747)	(1 849)
General provisions for impairment	(13 762)	(13 775)
Net Loans and Advances	711 259	761 765

The balance of the housing loans are shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2(e).

Maturity Profile of HomeStart's Housing Loans and Advances at 30 June:	2003 \$'000	2002 \$'000
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	-	-
Longer than 1 year and not longer than 5 years	54	6 213
Longer than 5 years	726 807	773 030
Total Gross Loans and Advances	726 861	779 243

The maturity distribution of housing loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart Loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period.

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

	2003 \$'000	2002 \$'000
HomeStart	684 309	717 414
Specific provisions for impairment	(1 027)	(1 727)
General provisions for impairment	(13 340)	(13 631)
Impaired loans unearned income	(697)	(1 806)
	669 245	700 250
HOME	34 882	50 995
Specific provisions for impairment	(46)	(19)
General provisions for impairment	(403)	(102)
Impaired loans unearned income	(10)	(2)
	34 423	50 872
Other	7 670	10 834
Specific provisions for impairment	(20)	(108)
General provisions for impairment	(19)	(42)
Impaired loans unearned income	(40)	(41)
	7 591	10 643
Total Housing Loans after provision for Doubtful Debts	711 259	761 765

Total loans approved but not settled at 30 June 2003 amounted to \$11.6 million (\$12.4 million).

8. Provision for Doubtful Debts	SPECIFIC PROVISION:	
Opening Balance:		
HomeStart	1 727	2 333
HOME	19	-
Other	108	141
Total Opening Balance	1 854	2 474
Movement:		
HomeStart doubtful debts expense	(690)	(485)
HomeStart bad debt write-off	(18)	(121)
HOME doubtful debts expense	27	19
Other doubtful debts expense	(26)	(33)
Other bad debts write off	(54)	-
Total Movement	(761)	(620)
Closing Balance:		
HomeStart	1 027	1 727
HOME	46	19
Other	20	108
Total Closing Balance	1 093	1 854

8. Provision for Doubtful Debts (continued)	2003	2002
	\$'000	\$'000
GENERAL PROVISION:		
Opening Balance:		
HomeStart	13 631	13 037
HOME	102	137
Other	42	56
Total Opening Balance	13 775	13 230
Doubtful Debts Expense:		
HomeStart	(291)	594
HOME	301	(35)
Other	(23)	(14)
Total Doubtful Debts Expense	(13)	545
Closing Balance:		
HomeStart	13 340	13 631
HOME	403	102
Other	19	42
Total Closing Balance	13 762	13 775
Total Provision for Doubtful Debts	14 855	15 629

9. **Asset Quality Disclosures**

HomeStart provides for doubtful debts as discussed in Note 2(e). When management determines that loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.

	2003	2002
	\$'000	\$'000
Non-Accrual Loans:		
With provision	5 932	10 079
Without provision	1 185	3 328
Total	7 117	13 407
Specific provision	1 046	1 828
Interest forgone on non-accrual loans	747	1 849
Real Estate Acquired:		
Balance of loans at 30 June	345	395
Specific provision	47	26
Past Due Loans:		
Balance at 30 June	5 033	4 120
Total Impaired Assets	12 495	17 922
Total Specific Provision	1 093	1 854

10. **Office and Computer Equipment**

Computer hardware and software - At cost	1 469	1 380
Less: Accumulated depreciation	(1 150)	(957)
	319	423
Loan Management Systems - At cost	1 155	1 155
Less: Accumulated depreciation	(1 155)	(1 111)
	-	44
Office fitout - At cost	142	197
Less: Accumulated depreciation	(35)	(136)
	107	61
Furniture and equipment - At cost	376	343
Less: Accumulated depreciation	(236)	(185)
	140	158
Total Office and Computer Equipment	566	686

Reconciliations

Reconciliations of the carrying amounts for each class of office equipment are set out below:

Computer Hardware and Software:		
Carrying amount at 1 July	423	491
Additions	207	218
Disposals	-	(4)
Depreciation	(311)	(282)
Carrying Amount at 30 June	319	423
Loan Management System:		
Carrying amount at 1 July	44	275
Additions	-	-
Disposals	-	-
Depreciation	(44)	(231)
Carrying Amount at 30 June	-	44
Office Fit-out:		
Carrying amount at 1 July	61	69
Additions	80	28
Disposals	(1)	-
Depreciation	(33)	(36)
Carrying Amount at 30 June	107	61

Reconciliations (continued)		2003	2002
		\$'000	\$'000
Furniture and Equipment:			
Carrying amount at 1 July		158	141
Additions		35	62
Disposals		-	-
Depreciation		(53)	(45)
Carrying Amount at 30 June		140	158
11. Other Assets			
Accrued interest		145	166
Debtors		60	48
Accrued interest on derivatives		603	-
Total Other Assets		808	214
12. Borrowings			
Short-term interest bearing borrowings		168 890	349 836
Long-term interest bearing borrowings		424 801	293 021
Total Borrowings		593 691	642 857
Maturity Profile of HomeStart's Borrowings at 30 June 2002			
At call		1 890	1 836
Not longer than 3 months		167 000	158 000
Longer than 3 months and not longer than 12 months		-	190 000
Longer than 1 year and not longer than 5 years		424 801	293 021
Total Borrowings		593 691	642 857
13. Financing Arrangement			
HomeStart was required to pay a guarantee fee of 0.75 percent of outstanding borrowings to the Department of Treasury and Finance in 2002-03 (0.75 percent, 2001-02).			
HomeStart sources its borrowings from the South Australian Government Financing Authority and is subject to a gross borrowing limit.			
14. Provisions		2003	2002
		\$'000	\$'000
Employee Benefits		317	274
Total Provisions		317	274
15. Other Liabilities			
Accrued interest		2 954	3 051
Accrued loan manager fees		177	187
Creditors		326	193
Employee benefits		264	252
Aboriginal loan security deposit		250	250
Adelaide new owners grant		510	-
Other		275	397
Total Other Liabilities		4 756	4 330
Adelaide New Owners Grant			
The Corporation of the City of Adelaide (ACC) has provided a grant to HomeStart as part of a scheme known as 'Adelaide New Owners Grant'. The grant must be advanced to a maximum of 85 customers who meet the eligibility criteria for a HomeStart City Loan.			
HomeStart must repay to ACC such amount of the grant that is not advanced by HomeStart to purchasers.			
16. Retained Surplus		2003	2002
	Note	\$'000	\$'000
Retained surplus at 1 July		132 426	130 744
Profit from ordinary activities after related income tax expense		6 040	6 682
Dividend paid	5	(1 993)	(2 210)
Capital repatriation	5	(3 007)	(2 790)
Retained Surplus at 30 June		133 466	132 426
17. Additional Financial Instruments Disclosure			
(a) Interest Rate Risk			
Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured and monitored by the Asset and Liability Committee on a monthly basis.			
The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).			

(a) Interest Rate Risk (continued)

	2003		
	Average Balance \$'000	Interest \$'000	Average Interest Rate Percent
Interest Revenue:			
Cash used for operating activities	604	16	2.65
Cash used for investing activities	2 007	94	4.68
Housing loans and advances	<u>741 745</u>	<u>49 236</u>	<u>6.64</u>
	744 356	49 346	6.63
Interest Expense:			
Interest on borrowings	<u>604 453</u>	<u>29 516</u>	<u>4.88</u>
			2002
	Average Balance \$'000	Interest \$'000	Average Interest Rate Percent
Interest Revenue:			
Cash used for operating activities	1 132	26	2.30
Cash used for investing activities	1 698	86	5.06
Housing loans and advances	<u>801 644</u>	<u>52 944</u>	<u>6.60</u>
	804 474	53 056	6.60
Interest Expense:			
Interest on borrowings	<u>662 552</u>	<u>30 851</u>	<u>4.66</u>

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest or Less \$'000	2003 Interest Maturing in		Non- Interest Bearing \$'000	Total \$'000
				1 Year 5 years \$'000	1 Year to More than 5 years \$'000		
Financial Assets:							
Cash used for operating activities	3.65	640	-	-	-	(-)	640
Cash used for investing activities	4.70	2 610	-	-	-	(-)	2 610
Composite Bond Index Investment		-	-	-	-	4 989	4 989
Investment - Property and Equity		-	-	-	-	8 187	8 187
Bank Bills	4.79	-	9 958	-	-	-	9 958
Housing loans and advances	6.53	710 345	7 478	8 871	-	167	726 861
Other assets		-	-	-	-	808	808
		<u>713 595</u>	<u>17 436</u>	<u>8 871</u>	<u>-</u>	<u>14 151</u>	<u>754 053</u>
Financial Liabilities:							
Borrowings	4.72	<u>593 691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593 691</u>
Interest rate swaps (notional principal amounts)		<u>(38 000)</u>	<u>8 500</u>	<u>29 500</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest or Less \$'000	2002 Interest Maturing in		Non- Interest Bearing \$'000	Total \$'000
				1 Year 5 years \$'000	1 Year to More than 5 years \$'000		
Financial Assets:							
Cash used for operating activities	4.22	757	-	-	-	-	757
Cash used for investing activities	4.70	1 517	-	-	-	-	1 517
Composite Bond Index Investment		-	-	-	-	4 483	4 483
Investment - Property and equity		-	-	-	-	7 241	7 241
Bank Bill	4.84	-	9 956	-	-	-	9 956
Housing loans and advances	6.75	757 731	4 981	16 404	-	127	779 243
Other assets		-	-	-	-	214	214
		<u>760 005</u>	<u>14 937</u>	<u>16 404</u>	<u>-</u>	<u>12 065</u>	<u>803 411</u>
Financial Liabilities:							
Borrowings	4.72	642 857	-	-	-	-	642 857
Interest rate swaps (notional principal amounts)		<u>(29 000)</u>	<u>5 000</u>	<u>24 000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average interest rate is calculated on the balances outstanding as at 30 June.

The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

Off-Balance Sheet Derivative Instruments*Forward Rate Agreements and Futures Contracts*

HomeStart enters into forward rate agreements and/or 90 day bank bill futures contracts with a maximum tenure of six months for forward rate agreements and maximum maturity of 12 months for both in order to hedge its interest exposure.

There were no forward rate agreements outstanding as at 30 June 2003 or 30 June 2002.

At 30 June 2003 HomeStart had a short net position of \$30.0 million bank bill futures. These futures contracts will settle in December 2003, with the price being 95.73 or 4.27 percent.

At 30 June 2002 HomeStart had a short net position of \$90.0 million bank bill futures. \$30.0 million of these futures contracts settled in September 2002 and \$60.0 million in December 2002, with the average price being 94.55 or 5.45 percent.

Interest Rate Swaps

At 30 June 2003 HomeStart had floating/fixed swaps with a total notional value of \$38.0 million with the fixed rates varying between 4.73 percent and 6.62 percent. HomeStart also had floating/floating swaps with a notional value of \$100.0 million with the rates set at 30 and 90 day bank bill swap reference rate (BBSW). This assists HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

At 30 June 2002 HomeStart had floating/fixed swaps with a total notional value of \$29.0 million with the fixed rates varying between 5.07 percent and 6.62 percent. HomeStart also had floating/floating swaps with a notional value of \$60.0 million with the rates set at 30 and 90 day BBSW.

(b) Credit Risk

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia and is therefore exposed to the housing market in this State.

(c) Net Fair Value

The carrying amounts of HomeStart's financial assets approximate net fair value and the financial liabilities are recorded at face value.

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2003		2002	
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
Assets:	\$'000	\$'000	\$'000	\$'000
Cash	3 250	3 250	2 274	2 274
Composite Bond Index Investment	4 989	4 989	4 483	4 483
Bank Bills	9 958	9 958	9 956	9 956
Housing loans and advances	711 259	712 080	761 765	762 792
Investments	8 187	8 187	7 241	7 241
Other assets	808	808	214	214
Liabilities:				
Borrowings	593 691	593 509	642 857	642 274

Cash

The carrying value of cash approximates its net fair value.

Housing Loans and Advances

The carrying value of loans and advances is net of specific and general provisions for impairment and impaired loans unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment

The net fair value of the investment is based on quoted market price.

All Other Financial Assets

The carrying values of all other financial assets approximate their net fair values.

Borrowings

The net fair value of HomeStart's borrowings was determined based on the quoted marked prices.

(c) Net Fair Value (continued)*Off-Balance Sheet Financial Instruments*

	2003	2002
	\$'000	\$'000
The net fair value of off-balance sheet financial instruments held as at the reporting date are:		
Futures	4	(7)
Interest rate swaps	(290)	(88)

18. Commitments

Operating lease commitments:

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	344	259
Later than one year but not longer than five years	378	541
Total Operating Lease Commitments	722	800

19. Contingent Liabilities

HomeStart has no material contingent liabilities.

20. Segment Reporting

HomeStart operates in one geographical segment, South Australia, and its principal activities are the provision of home finance to low and moderate income groups.

21. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2003	2002
	\$'000	\$'000
Cash used for investing activities	2 610	2 052
Cash used for operating activities	640	222
Total Cash	3 250	2 274

(b) Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash provided by Operating Activities

Profit from ordinary activities after tax	6 040	6 682
Add (Less): Items classified as investing activities:		
Loss (Gain) on sale of fixed assets	(1)	(4)
Financial instruments	20	(29)
Add(Less): Non-cash items:		
Depreciation expense	441	594
Unrealised change in market value of investments	3	(227)
Bad debts written off	126	121
Unearned income on bad debts written off	59	68
Fees applied directly to loan accounts	(660)	(585)
Net Cash provided by Operating Activities before changes in Assets and Liabilities	6 028	6 620

Changes in assets and liabilities:

Decrease (Increase) in accrued interest income	21	84
Increase (Decrease) in provision for doubtful debts	(774)	(75)
Increase (Decrease) in provisions for employee entitlements	43	5
Increase (Decrease) in other liabilities	426	260
Increase (Decrease) in unearned interest income	(1 102)	(2 253)
Increase (Decrease) in tax liability	55	766
Decrease (Increase) in debtors and other assets	(615)	715

Net Cash provided by Operating Activities**4 082** 6 122

All cash flows are presented on a gross basis.

22. Remuneration and Retirement Benefits**(a) Board Members' Remuneration**

Number of HomeStart Board Members whose income from HomeStart was within the following bands:

	2003	2002
	Number of Board Members	Number of Board Members
\$0 - \$9 999	-	1
\$10 000 - \$19 999	1	-
\$20 000 - \$29 999	3	3
\$30 000 - \$39 999	1	1

Members of the Board of HomeStart who are employed under the *Public Sector Management Act 1995* are not entitled to fees. Five members received remuneration during the financial year.

	2003	2002
	\$'000	\$'000
Total income paid or payable or otherwise made available to all Board Members of HomeStart	132	115

(a) Board Members' Remuneration

The names of the Board Members who held office during the financial year are:

Jay Hogan	Vivienne Pring (term expired 7 July 2002)
Claude Long (appointed 15 August 2002)	Kate Spargo (term expired 7 July 2002, re-appointed 15 August 2002)
Stephen Mann	
Samuel Walters	

No Board Member has entered into a material contract with HomeStart during the financial year.

(b) Executive Remuneration

The number of executive officers whose remuneration, including non-monetary benefits, oncosts and back pay for previous years, was within the specified bands, are as follows:

	2003 Number of Executives	2002 Number of Executives
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	-
\$160 000 - \$169 999	1	1
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	-	1
	2003	2002
Total income paid or payable or otherwise made available to executive officers of HomeStart whose income is \$100 000 or more	\$'000 611	\$'000 596

(c) Auditors' Remuneration

Amounts received or due and receivable by HomeStart's auditors for:

Auditing the accounts	81	77
Other services	-	-

23. Related Parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Identification of Related Parties

Minister for Housing
Department of Human Services
Department of Treasury and Finance
Board Members
South Australian Government Financing Authority

The names of the Board Members who held office during the financial year are identified in Note 22.

24. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

Retailing Services

HomeStart contracts out its retailing services to BankSA, Home Loan Centre Pty Ltd, Home Loans Plus and Bernie Lewis Home Loans.

25. Employee Benefits**Employee Benefits and Related On-Cost Liabilities**

Included in other liabilities	\$'000	2002 \$'000
Provision for employee benefits	264	252
	317	274
Aggregate employee benefit and related on-cost liabilities	581	526

Employee Numbers

	2003	2002
	Number	Number
Number of employees at 30 June	62	53
Number of employees at 30 June - Full time equivalent	58.5	50.5

Superannuation

During 2002-03 HomeStart paid \$278 677 (\$254 708) with respect to HomeStart's superannuation obligations for employees in line with the requirements of the Commonwealth legislation.

\$107 719 (\$116 428) was paid to employees who made personal contributions to complying superannuation funds and \$170 958 (\$138 280) was paid to those employees who did not make personal superannuation contributions during 2002-03.

Superannuation contributions are charged against income as they are made.

26. Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of HomeStart Finance, the results of those operations, or the state of affairs of HomeStart in subsequent years.

DEPARTMENT OF HUMAN SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Human Services is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

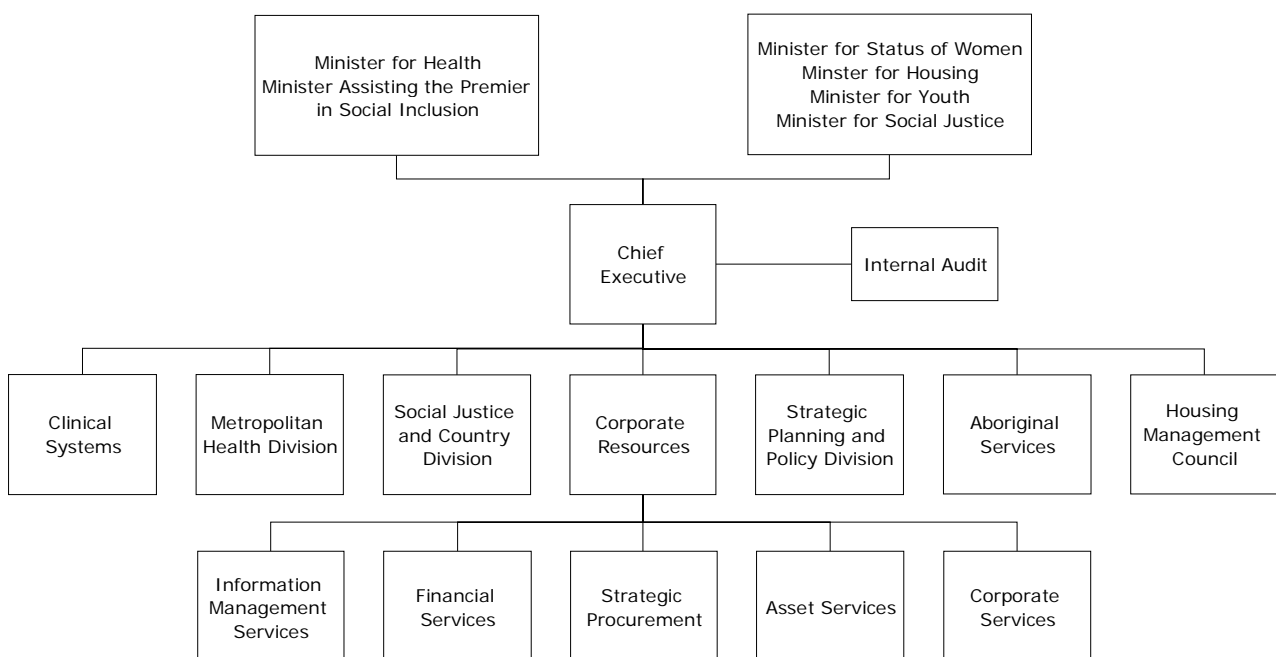
The Department has links with a range of entities including:

- the South Australian Health Commission and Incorporated Health Services (Units) established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and the South Australian Community Housing Authority;
- Statutory corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the South Australian Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations, as provider of risk management, internal audit and insurance services and in management of portfolio information systems.

Structure

The following is a diagrammatic representation of the structure of the Department.



Changes to Functions and Structure

Effective from 1 July 2002 the assets and liabilities of the Office for the Status of Women, the Office of Employment and Youth were transferred to the Department from the Department for Transport, Urban Planning and the Arts and the Department of Education, Training and Employment respectively.

Also, effective 1 July 2002 the assets and liabilities of the Radiation Protection Branch, the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency were transferred from the Department to other Government agencies. The assets and liabilities of the Radiation Protection Branch were transferred to the Department of Environment and Heritage, whereas the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency were both transferred to the Intellectual Disability Services Council.

The financial effect of the restructure on the Department was a net loss on restructure of \$ 1.0 million. Further details are provided in Notes 1(b) and 8 of the Department's financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Human Services for each financial year.

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and Services) is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department of Human Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- payroll
- accounts payable
- funding to Health Services
- non-current assets
- revenue
- grants to non-Government organisations.

At the time of preparing this Report, Audit has also recently completed or is in the process of finalising reviews relating to computing environments and operations of systems. The status of the reviews is commented on below under the section 'Audit Findings and Comments'.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Department's internal controls. Specific areas in which reliance was placed on internal audit work included their review of Payroll Services Processes and Procedures.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Human Services as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Human Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters outlined under the heading 'Significant Matters Raised with Agencies - Payroll', is sufficient to provide reasonable assurance that the financial transactions of the Department of Human Services have been conducted properly and in accordance with law.

Audit Committee and Internal Control

The Department's Audit Committee has continued in operation throughout the 2002-03 financial year. In March 2003 the committee charter was revised to also include risk management. The Terms of Reference of the committee were revised to reflect the inclusion of risk management.

The Department's Internal Auditors continued to conduct audits within the Department and in Portfolio Housing Agencies. In addition to using Departmental staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department included review of:

- aspects of Family and Youth Services operations;
- Payroll Services Processes and Procedures;
- Information Systems including post implementation reviews.

Internal Audit coverage of Family and Youth Services (FAYS) included review of alleged misappropriations from cash advance accounts operated in FAYS district offices. Review undertaken by Internal Audit to date has highlighted concerns regarding the adequacy of processes, procedures and internal controls over advance accounts.

Significant Matters Raised with Agencies

Payroll

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department. The Department is also directly responsible for processing payroll transactions for a number of housing portfolio agencies (ie the South Australian Housing Trust, the South Australian Community Housing Authority and the South Australian Aboriginal Housing Authority).

Audit Scope

In August 2002, the Department implemented a new payroll system (CHRIS) to process payroll transactions. Prior to this, the Department utilised the Concept payroll system. The audit for 2002-03 included review of the CHRIS payroll system to assess whether system controls over transactions processed by the system provides reasonable assurance that transactions have been processed correctly and information from the system may be relied upon for reporting and decision making purposes.

In addition, Internal Audit undertook a review of the Department's payroll operations which identified a significant number of issues requiring specific attention by the Department. External Audit coverage included evaluating the work undertaken by Internal Audit and included confirming Internal Audit's key findings and determining the extent of reliance that can be placed on the work performed by Internal Audit.

The External Audit review found that the Department had made some progress in addressing control weaknesses raised by Internal Audit from its review of the CHRIS payroll system and issues raised by External Audit in previous years (from its review of the Concept payroll system). The External Audit review found, however, that for the majority of the 2002-03 financial year internal controls did not provide an adequate control framework for the processing of the Department's payroll transactions. Some of the more significant observations made by External Audit during the course of its review included:

Bona Fide Certification Processes — For the majority of the financial year, there were no structured processes in place for the distribution, review and follow-up of Bona Fide reports.

Leave Recording and Management Processes — There was a lack of control to ensure leave was completely and accurately recorded in the Leave Recording Module of CHRIS.

Payroll Reconciliation Processes — For the majority of the financial year, there were breakdowns in the performance of key payroll reconciliations and effective maintenance of clearing accounts.

Documentation of Policies and Procedures — The Department had yet to formally document its Payroll policies and procedures.

Internal Audit's review also raised a number of issues which may have significant operational ramifications if not appropriately addressed in a timely basis. Audit considers that a formal project management approach is required to effectively respond to the issues raised. External Audit noted that, at the time of the audit, the Department was in the process of establishing a project plan to address outstanding issues in 2003-04. Audit recommended that the Department undertake ongoing monitoring, verification and reporting against the plan.

Response

In response the Department advised that a revised Project Plan for 2003-04 has been established to address key Payroll processing functions and outstanding Internal Audit and External Audit recommendations. Further, the Department advised that the Project Plan will be monitored on an ongoing basis and will be subject to review by Internal Audit on a quarterly basis.

Legal Compliance

Audit review for 2002-03 included a review of the arrangements implemented by the Department to ensure the requirements of all legislation applicable to the Department are complied with. In undertaking the review consideration was given to the requirements of the Financial Management Framework and to the range of legislation which has been assigned to the Department. Audit's preliminary review did not identify a formal, structured and robust compliance framework. Audit found that:

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

Audit sought clarification from the Department of its current position in managing legal compliance.

In response the Department advised that it has a number of procedures in place that assists in ensuring that legislative responsibilities are discharged. The Department reported that there have been no major implications from any failure in this area which the Department is aware of, however, it did recognise the need to continually improve governance arrangements and document them in a more formal way.

The Department advised that it will explore the possibility of working with the Crown Solicitor's Office and central agencies to develop a whole of Government framework to approach this matter. Internal Audit is in the process of reviewing a number of areas associated with legal compliance which will be reported to the Department for consideration.

Case Mix Audits

The audit of the Department included a review of the arrangements for providing funding to Health Services. Funding is provided to Health Services pursuant to funding agreements which require Health Services to manage their operations within funding levels reflected in the agreements while achieving specified activity levels. The funding agreements provide financial penalties where agreed activity levels are not achieved by Health Services.

Previous audits identified the Department had not consistently undertaken audits of activity data reported by Health Services to meet their obligations under casemix funding arrangements. Audit considers that the auditing of activity data will provide the Department with assurance that:

- activity data is prepared on a consistent basis between Health Services in accordance with Department guidelines;
- the reporting of inaccurate data by Health Services (intentional or inadvertent) is detected.

In May 2002 the Department engaged the services of Healthcare Management Advisors (HMA) to conduct an audit of external clinical coding and short stay admissions at eight metropolitan hospitals. The Casemix audit found that, in terms of accuracy, coding error was higher than had been anticipated and there was evidence of admissions which did not meet DHS admission criteria. The sample sizes used for the audit mean analysis of the financial impact of identified errors is not definitive. The report indicated the results were consistent with an overall overpayment to hospitals. The audit also found that hospitals and the Department need to develop strategies for improving the quality of coding through addressing factors affecting accuracy including:

- coder education;
- clinical education;
- consistent and timely guidelines from DHS in respect of coding standards and ISAAC guidelines; and
- the need to review the Casemix Summary Form and clinician/coder accountability for its validity as the basis for coding.

The report included a number of recommendations to address the findings of the review. External Audit suggested the Department adopt a formal project management approach to address the issues raised. Furthermore, External Audit sought advice on the Department’s response to the casemix audit including proposed action to address the key findings of the report.

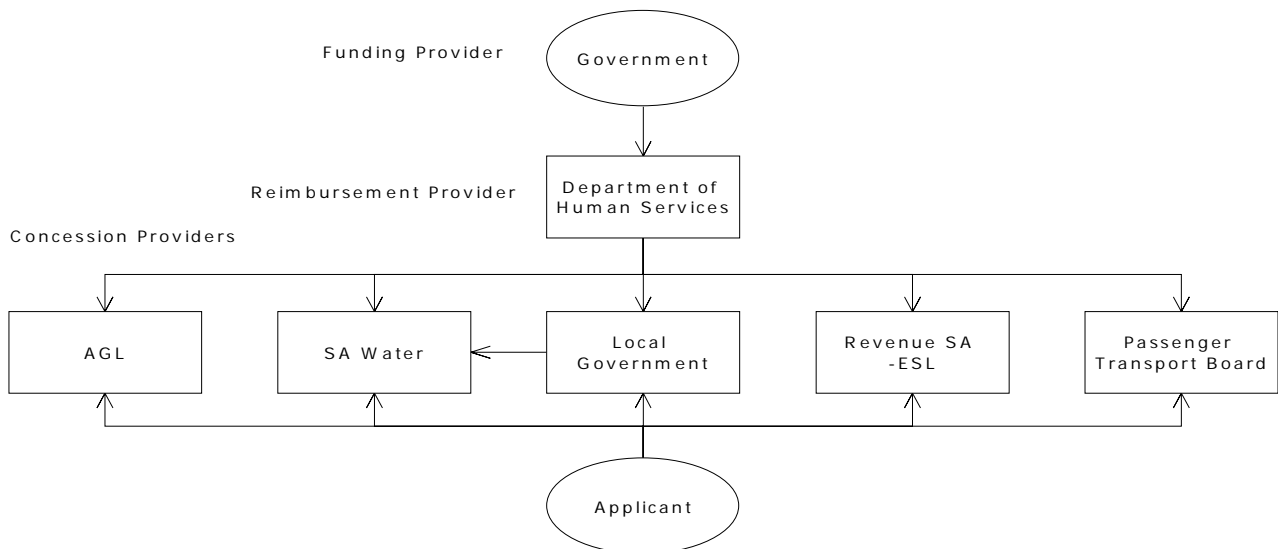
The Department advised that it has identified the need to conduct ongoing audits of morbidity data and it is considering a number of strategic options in undertaking the audits. The next case mix audit is planned to be undertaken in 2004. Furthermore, the Department provided details of strategies to improve coding guidelines and coder/clinical education. The Department advised it intends to develop a multi-layered plan to achieve a high degree of data accuracy including:

- incorporating data quality requirements in funding agreements with health services;
- provision of an education program;
- developing project teams to address data quality issues emanating from the Casemix audit;
- realignment of the responsibility for data quality.

The Department will undertake periodic desktop audits in conjunction with sample audits to measure improvements in data quality which will be reported to health services. The Department also advised that it supported External Audit’s suggestion that a project plan be developed to implement the recommendations of the Coding audit.

Administration of Concession Payments

The Department administers programs for provision of concessions to eligible recipients with respect to the Emergency Services Levy, water, sewer and council rates, electricity and transport charges. The value of concessions provided in the year to 30 June 2003 was \$87.5 million. The following diagram depicts the arrangements for provision of concessions and the parties involved.



The audit of concessions payments for a number of years has highlighted that the Department has not implemented appropriate documented agreements with the parties providing concessions which detail the respective roles, responsibilities and terms of arrangements. The audit for 2001-02 highlighted that the Department's processes for assessing claimants entitlement to concessions was essentially a paper based process and that automation of these processes may support increased efficiency and improved automated checking of entitlements.

Audit review for 2002-03 included a follow-up of matters previously raised with the Department. The following summarises the major findings from Audit's review.

Documentation of Service Level Agreements

It is Audit's view that an effective control environment requires the establishment of formal arrangements between the Government and the service providers. Audit review found that the Department continued work in establishing formal agreements, however, at the time of the audit the formal agreements had yet to be executed.

Timing of Entitlement Verification

Audit reviewed proposed changed arrangements for processing benefit claims and established that it is proposed that beneficiaries' entitlement to concessions are to be assessed and approved over the phone. This process does not provide for verification of entitlement before the concession is provided. Audit considers this creates a risk that concessions will be provided to claimants who are not entitled to the concession. The Department advised that whilst this could create a risk there are procedural checks to mitigate the potential for fraud. Further, the Department advised that due to resourcing issues it has not undertaken an entitlement verification matching run since October 2002. The Department intends to conduct a matching run in September 2003.

Data Matching

Audit identified the need to implement an integrated and technology based approach for the processing and on-going checking of concession entitlements. The review found that work had been undertaken with Centrelink to purchase a product that will enhance the Department's capacity to facilitate data matches. It was noted however that the purchase of the product has been delayed due to legal advice regarding some of the proposed conditions of the purchase contract. The Department advised that completion of negotiations with Centrelink representatives and execution of a contract is expected in October 2003.

Food Act

Audit review for 2002-03 included a review of the Department's progress with respect to implementation of the *Food Act 2001*. Audit found that the Department has applied resources and introduced a focussed project management approach with regard to the implementation of the Act.

As part of the review, Audit sought confirmation with respect to the status of progress in a number of areas including:

- Notification of food businesses;
- Inspection Standards of Practice.

The Department confirmed that a Statewide system is being developed to process the notification for food businesses on-line which will also capture manual notifications. The Department advised that national guidelines are being developed on the regularity of food business inspections which the State proposes to adopt when finalised. The recommended frequencies per the guidelines are to be provided to Councils. Inspections statistics of Councils will be available (for the 2003-04 financial year) on the Statewide system which will be analysed by the Department to check inspectorial performance of Councils.

Audit review for 2003-04 is to include ascertaining further progress made by the Department in these areas and to other matters pertaining to the implementation of the Act.

Review of Computing Environment and Operations

Review of Selected Health Unit Computer Processing Environments

During 2002 and 2003, Audit reviewed key computer processing environments (CPEs) at three major health units, being the Flinders Medical Centre, North Western Adelaide Health Service and the Royal Adelaide Hospital. These health units are major health service providers and are significant users of Information Technology critical to the health unit business and service delivery outcomes.

The reviews addressed aspects of organisational management, computer processing environments, systems and associated internal controls for the following areas:

- strategic policy and planning;
- business continuity planning;
- security policy and procedures;
- information systems operation;
- aspects of database maintenance, and network and systems software support.

Issues arising from the reviews included the currency of IT Strategic Plans, business continuity plans and procedures, and security configuration within certain critical applications. The review outcomes were formally communicated to the selected Health Units and satisfactory responses received. In addition, general findings emanating from the reviews were communicated to the Department to support overall planning and service improvement.

Review of Oacis Infrastructure and Network

The computing facility and network which supports operation of the State's primary patient clinical management system (Oacis), falls under the responsibility of the Department. Oacis is a clinical information system which provides real-time integration of patient information from multiple administrative and specialist clinical departmental systems and is a major initiative of the Department and the Government.

To further Audit's understanding of the security and control arrangements for the Oacis infrastructure and communications network, Audit undertook a review of certain aspects of the communications network operations and the Unix environment that supports the Oacis application. This work was principally undertaken at the EDS (Australia) Pty Ltd Information Processing Centre at Glenside.

The review identified some issues with respect to information security and business continuity controls.

The outcomes from Audit's review were formally communicated to the Department and the matters were addressed by the Department.

Review of E-Commerce Initiatives - Oacis Programme and HealthySA Web site

During 2002 and 2003, Audit undertook reviews of e-commerce initiatives at a number of government agencies including the Department of Human Services. The review focused on aspects of project management, achievements, and risk management arrangements for the Oacis programme, and matters of a legal and contractual nature for both the Oacis programme and HealthySA web site facility.

With regard to the Oacis programme, the review found that while the Department has been proactive in managing risks and issues, there are certain areas, such as privacy and confidentiality, where the Department may be exposed to future potential risks. Similarly, the HealthySA web site review identified issues including the use of disclaimers and the submission of material on the web site which may also present risk.

The Department is generally aware of the risk and is monitoring these matters on an ongoing basis.

Outcomes from the reviews were formally communicated to the Department and satisfactory responses provided.

Review of Complete Human Resource Information System (CHRIS)

The Department is responsible for managing the contract and project implementation of a new payroll and integrated human resource management system implemented with a private sector bureau service provider for the Department and major metropolitan Health Units.

Audit undertook an initial review of some areas of security control for the new system with a particular focus on the adequacy of controls over the computer processing environment managed by the private sector bureau service provider.

Matters arising during the review process were communicated to the Department and were being addressed at the time of preparation of this Report.

Audit is confirming other key aspects of certain security control and operational matters and arrangements between the Department and the private sector bureau service provider. Overall findings when completed will be the subject of a formal report to the Department.

Overall Concluding Comment

I intend to further report on the issues arising from the above reviews to Parliament, together with outcomes from certain other agency reviews, in the latter part of 2003.

Initiation of Reviews associated with Ministerial and Departmental Responsibilities

As reflected in my Report last year, the Government has initiated reviews of key areas of Departmental responsibilities including provision of Health and Child Protection services. These reviews were the Generational Health Review and the Child Protection Review. Both reviews were completed in 2002-03. The following commentary outlines Audit's understanding of the key findings and the status of the Government's response to the reviews.

Generational Health Review

The Generational Health Review was commissioned by the State Government in May 2002 to consider a broad range of issues associated with provision of health services within the State and to 'develop a framework to guide the South Australian health care system over the next 20 years'.

The review was formally presented to the Minister in April 2003.

One of the key messages of the review was that the 'health system is currently under stress with increasing budget and demand pressures. It is not sustainable into the next generation on grounds of quality of care, efficiency and equity'. Other key findings included the need to:

- review governance arrangements and enhance service integration and development;
- focus on primary health care, early intervention and prevention;
- improve the quality and safety of services;
- address health inequalities for some population groups;
- provide greater opportunities for the inclusion and participation of the community;
- develop a population based funding model;
- enhance the use of technology to enable the more effective use and exchange of information amongst health service providers.

The Review made a total of 74 recommendations covering the following areas:

- Governance and funding models;
- Promoting a more primary health oriented system;
- Accountability and transparency;
- Workforce development issues;
- Human rights issues.

In response to the Review, the Government (through the Department of Human Services) facilitated analysis of the Review and its recommendations which formed the basis of the Government's response to the Review and its future health care reform strategy. In July 2003, the Government released the 'First Steps Forward' which focuses on three key themes, namely, building better governance, building better services and building better system support. The 'First Steps Forward' reform package is to address two thirds of the Review's recommendations with the remaining to be considered as part of the Government's ongoing health reform strategy.

The following summarises the three key themes included in the 'First Steps Forward' reform package.

Better Governance — Includes establishing a Regional Health Structure which is intended to provide a basis for 'better integration of services and a comprehensive system of care'. The new structure includes:

- establishing two Regional Health Services for Adelaide (Central North Region and Southern Region);
- creation of a new organisation for women, children and youth;
- support for existing regional structures in the country;
- revitalising the South Australian Health Commission to provide independent advice on health reform implementation.

Other strategies include providing greater opportunities for community participation and improving clinical governance to ensure health services are delivering quality and safe clinical care. The establishment of a State Clinical Senate of health professionals was proposed to provide expert advice and establishing clinical governance processes.

Better Services — Includes sustaining and developing hospitals to provide for better integration with other health service providers including general practitioners, domiciliary support services and nursing home services. Other strategies include:

- developing primary health care to deliver health care services (ie GP or community health services) with the focus on prevention, early intervention, health promotion and health management;
- addressing health inequalities for certain population groups such as aboriginal people, children and people with a mental health illness.

Better Systems — Includes developing a Population Based Funding model which will allocate money based upon the needs of the community and will improve service integration and access. Other strategies will include improving:

- workforce planning, recruitment, retention and training;
- information management systems which will involve redeveloping systems to enable better exchange of information between health service providers;
- collaboration between State and Commonwealth Governments.

In August 2003, the Government released an Implementation Framework document which details an operational framework for the next 18 to 24 months to support the implementation of the 'First Steps Forward' reform program.

The Government's health care reform, including the measures outlined in the 'First Step's Forward' package will significantly change the manner in which health services are provided to the public. It is considered that these changes will also impact on the audit of agencies within the Health Portfolio.

Child Protection Review

The Child Protection Review (the Review) was commissioned by the State Government in March 2002.

The Review was undertaken by Ms Robin Layton QC. The report of the Review titled 'Our Best Investment: A State Plan to Protect and Advance the Interests of the Children' was formally released in March 2003. The Review included a State Plan, to assist with the prevention of child abuse and neglect in the community and improve outcomes for children and young people who have been abused or neglected.

The Review made 206 recommendations covering a broad range of areas and issues. The Review proposed five major structural changes which included the creation of the following statutory bodies:

- South Australian Child Protection Board
- Commissioner for Children and Young Persons
- Regional Child Protection Committees in country and metropolitan areas
- Guardian for Children and Young Persons
- Child Death and Serious Injury Review Panel.

The Review included other major recommendations for reform in relation to the following areas:

- early intervention and prevention;
- Department of Human Services - Family and Youth Services (with particular focus on delivery of services and quality of workforce);
- reform of the justice system for children;
- education and children's services in Child Protection Reform;
- screening and monitoring of persons working with children;
- legislative reform;
- training and education;
- children in detention.

The Review also highlighted priorities for implementation and identified priorities with no significant cost implications, others with moderate costs and the priorities with significant cost applications.

In June 2003, the Minister for Social justice provided the opportunity for the public to make written comment on the Review's recommendations. At the time of finalisation of this Report the Government had yet to release a formal response to the Review.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Rent, fees and charges	137.6	127.9	7.6
South Australian Government appropriations	1 420.4	1 414.1	0.4
Commonwealth Government grants	978.2	919.1	6.4
Other	51.5	45.0	14.4
Total Operating Revenue	2 587.7	2 506.1	3.3
OPERATING EXPENDITURE			
Employee benefits	200.9	186.7	7.6
Supplies, services and other expenses	183.9	222.5	(17.3)
Grants, subsidies and client payments	2 311.7	2 121.0	9.0
Total Operating Expenses	2 696.5	2 530.2	6.6
Surplus (Deficit)	(108.8)	(24.1)	(351.4)
Net Cash Flows	(7.6)	24.5	(131.0)
ASSETS			
Current assets	97.8	93.3	4.8
Non-current assets	137.4	107.1	28.3
Total Assets	235.2	200.4	17.4
LIABILITIES			
Current liabilities	62.9	59.1	6.4
Non-current liabilities	173.6	154.3	12.5
Total Liabilities	236.5	213.4	10.8
EQUITY	(1.3)	(13.0)	90.0

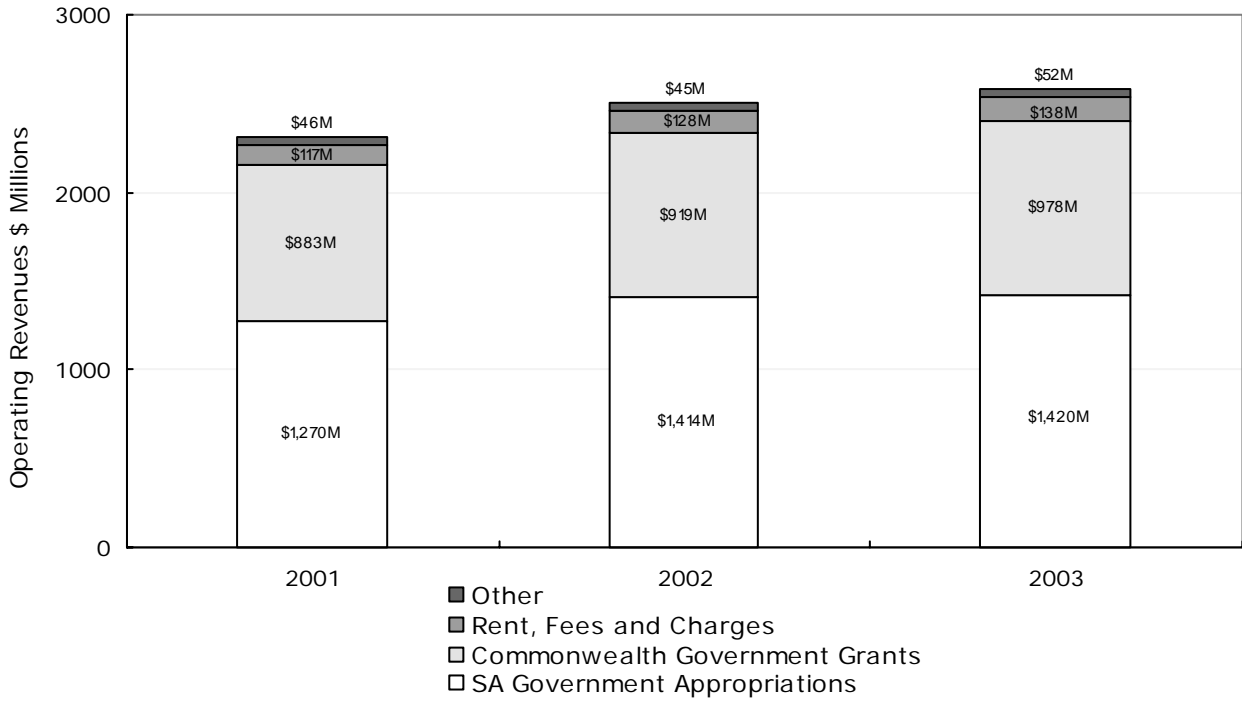
Statement of Financial Performance

Operating Revenues

During the year ending 30 June 2003, total Operating Revenues increased by \$82 million (3 percent) to \$2 588 million. Notably, Commonwealth Government grants increased by \$59 million and Rent, Fees and Charges increased by \$10 million. The increase in Commonwealth Grants is primarily attributable to a \$41 million increase in Australian Health Care Agreement funding.

South Australian Government Appropriations as reported increased by less than 1 percent, however, it is noted that the amount recorded in 2003 of \$1420 million included an adjustment for \$28 million to correct an error in the prior year. Specifically, in 2002 the Department recognised a State Government Appropriation designated as an 'Equity Contribution' totalling \$28 million as revenue rather than equity as required by Treasurer's Instructions. Refer to Notes 2(c) and 6(a) for further details.

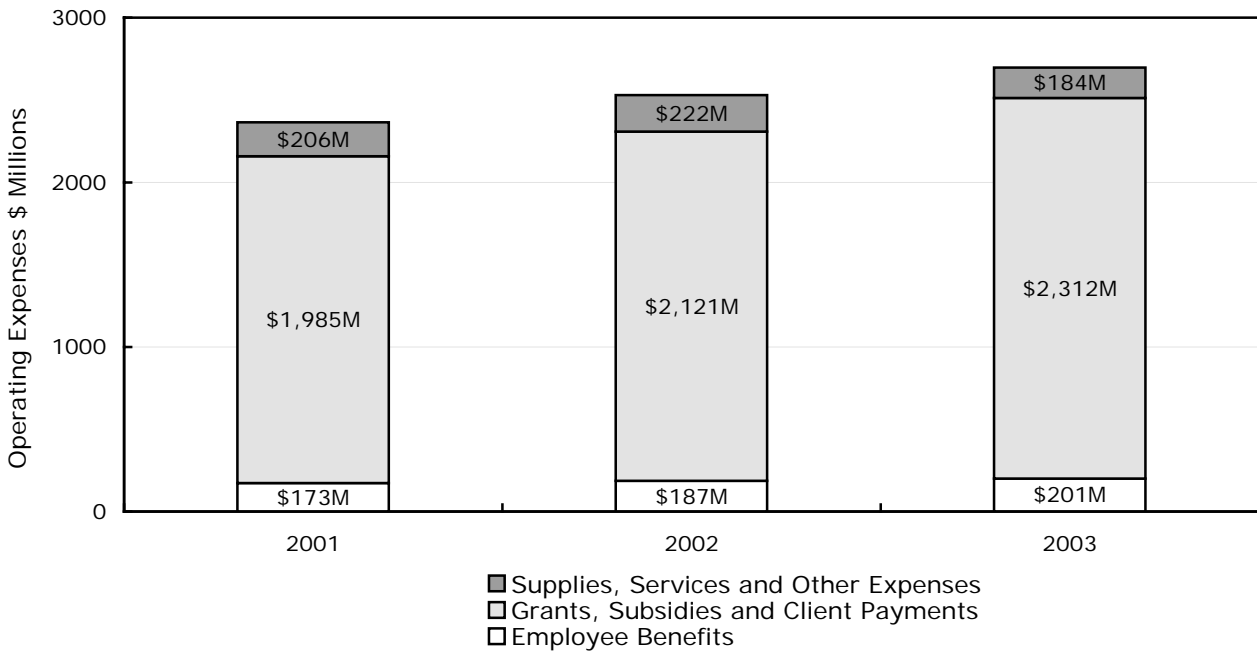
For the three years to 2003 a structural analysis of Operating Revenues for the Department is presented in the following chart. In 2000 amendments were enacted to the *South Australian Health Commission Act 1976* which resulted in the transfer of certain functions, powers, assets and liabilities of the South Australian Health Commission to the Department. As a consequence comparative figures for 2000 have not been included as they are not reflective of the Department's expanded role resulting from it assuming responsibility for activities previously undertaken by the Commission.



Operating Expenses

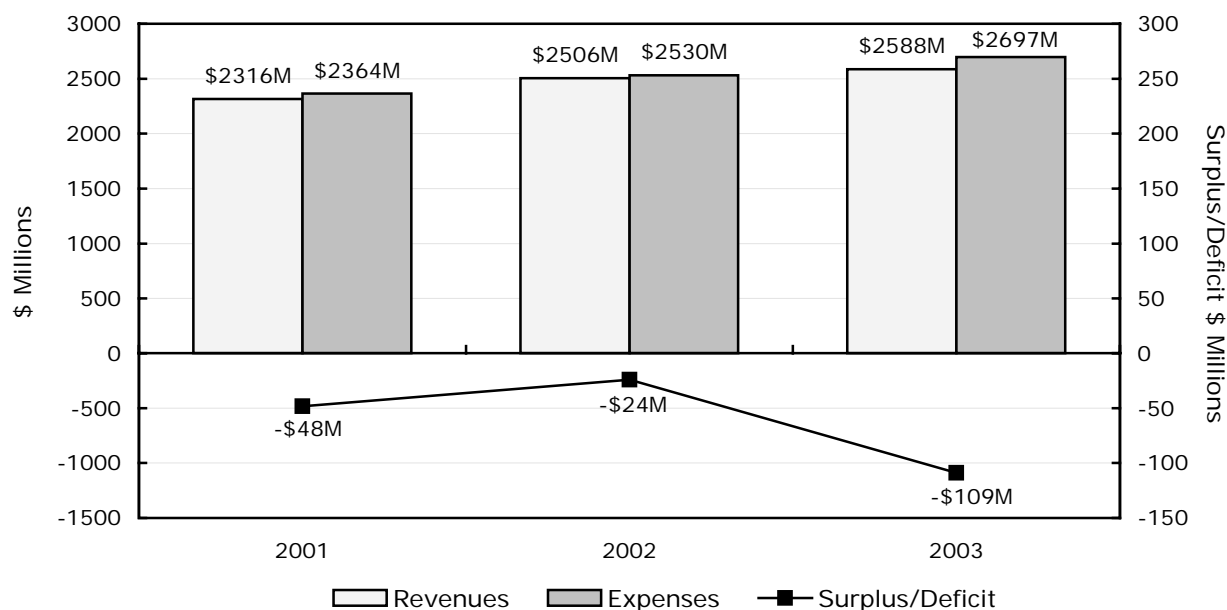
During the year ending 30 June 2003, total Operating Expenses increased by \$166 million (7 percent) to \$2697 million. Grants, Subsidies and Client Payments increased by \$191 million due predominately to an increase in recurrent and capital funding provided to Health Services. Note 4(c) provides details of funding provided to Health Services.

For the three years to 2003 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the three years to 2003.



The chart demonstrates that, over the period of review, the Department recorded deficits in each year. The deficit recorded in 2001 was due primarily to a \$41 million net loss on restructure resulting from the transfer of assets and liabilities from the Commission to the Department.

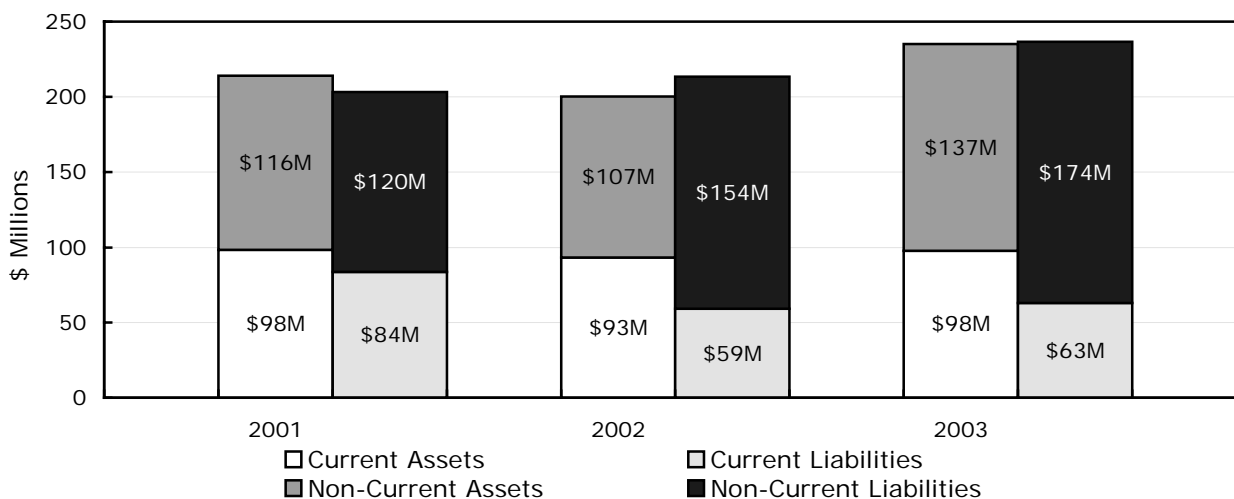
The deficit recorded in 2002 took into account an increase in Professional Indemnity insurance expense of \$30.7 million due to a change in accounting policy whereby the Department recognised for the first time a provision for claims incurred but not yet reported.

The deficit recorded in 2003 of \$ 109 million was due predominately to:

- grants allocated to Health Services, other organisations and clients exceeded revenues received from Commonwealth and State Governments. Note 6 to the financial statements provides a full analysis of the components of the funding from the Commonwealth and State Governments. Also, Note 5 provides details of funding provided to health services, other organisations and clients.
- the current year effect of correcting an equity contribution of \$28 million received in 2002 which was incorrectly recorded as revenue in 2002. Refer to Note 2(c) and 6(a) for further details.

Statement of Financial Position

For the three years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



The chart illustrates that for 2002 and 2003 the Department's total liabilities exceeded its total assets resulting in a negative equity position for those years of \$13 million and \$1 million respectively. The Department recorded a negative equity position for both years notwithstanding it received equity contributions from the State Government of \$60 million in 2003 and \$28 million for 2002.

Assets

Total Assets of the Department increased in 2003 by 17 percent (\$35 million) due primarily to the Department recording a revaluation increment of \$32 million resulting from the revaluation of its Land and Buildings to Fair Value. Refer to Note 2(d) and 10 for further details.

Further analysis and commentary of the Department's cash position is provided under the analysis of the Department's 'Statement of Cash Flows'.

Liabilities

Total Liabilities of the Department increased in 2003 by 11 percent (\$23 million) attributable mainly to an increase in the provision relating to Health Services' Professional Indemnity Insurance claims which rose by \$14 million and an increase in Provisions for Employee Benefits of \$8 million.

Statement of Cash Flows

The following table summarises the net cash flows for the current year and the preceding three years.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	(66.8)	24.4	11.0	(14.1)
Investing	(1.5)	0.2	(4.6)	(5.6)
Financing	60.7	(0.1)	0.5	-
Change in Cash	(7.6)	24.5	6.9	(19.7)
Cash at 30 June	53.7	61.3	36.8	29.9

In 2003 the net cash outflow was \$7.6 million, representing a net cash outflow from operating and investing activities, totalling \$68.3 million, offset by cash inflows from financing activities of \$60.7 million being mainly an equity contribution from the State Government.

Analysis of the Department's cash flows shows that the Department's sources of funds (including the equity injection from the State Government) were insufficient to meet the Department's operating cash requirements for 2003 resulting in it having to use \$7.6 million of its cash reserves on hand at the beginning of the year.

Cash as at 30 June 2003 is \$53.7 million. It is noted, however, that the Department is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the program. As at 30 June 2003 the value of unexpended funding commitments totalled \$89.7 million.

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES			
Rent, fees and charges	5(a)	137 555	127 865
Interest	5(b)	6 726	4 756
Dividends - HomeStart Finance		5 000	5 000
South Australian Government appropriations	6(a)	1 420 460	1 414 148
Commonwealth Government grants	6(b)	978 217	919 095
Grants from other South Australian Government Agencies	6(c)	34 515	29 623
Net gain from disposal of non-current assets	7	19	-
Other	5(c)	5 236	5 609
Total Ordinary Revenue		2 587 728	2 506 096
EXPENSES FROM ORDINARY ACTIVITIES			
Employee benefits	4(a)	200 930	186 697
Supplies and services	4(b)	179 029	215 536
Grants, subsidies and client payments	4(c)	2 311 728	2 121 027
Depreciation	4(d)	817	2 628
Net loss from disposal of non-current assets	7	-	1 298
Net loss from restructure	8	1 011	-
Total Ordinary Expenses		2 693 515	2 527 186
BORROWING COSTS EXPENSE	4(e)	3 060	3 008
DEFICIT FROM ORDINARY ACTIVITIES	18	(108 847)	(24 098)
Changes in equity through non-owner transactions			
Net increase (decrease) in asset revaluation reserve	18	31 909	-
Net increase (decrease) in accumulated funds on adoption of new standard	18	(63)	-
Total revenues, expenses and valuation adjustments recognised in equity		31 846	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(77 001)	(24 098)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash on hand and deposit accounts	19	53 712	61 278
Receivables	9	39 538	29 453
Inventories	12	2 484	624
Other	11	2 040	1 923
Total Current Assets		97 774	93 278
NON-CURRENT ASSETS:			
Receivables	9	38 711	39 580
Property, plant and equipment	10	98 171	67 501
Other	11	564	-
Total Non-Current Assets		137 446	107 081
Total Assets		235 220	200 359
CURRENT LIABILITIES:			
Payables	13	33 243	33 183
Provisions for employee benefits	14	17 698	14 470
Borrowings	15	267	161
Provisions	16	10 409	10 330
Other	17	1 244	945
Total Current Liabilities		62 861	59 089
NON-CURRENT LIABILITIES:			
Payables	13	25 646	25 275
Provisions for employee benefits	14	35 643	30 742
Borrowings	15	29 959	29 863
Provisions	16	81 887	67 852
Other	17	501	536
Total Non-Current Liabilities		173 636	154 268
Total Liabilities		236 497	213 357
NET ASSETS		(1 277)	(12 998)
EQUITY:			
Asset revaluation reserve	18	41 596	9 892
Accumulated funds	18	(131 595)	(22 890)
Equity contribution	18	88 722	-
TOTAL EQUITY		(1 277)	(12 998)
Unexpended Funding Commitments	20		
Expenditure Commitments	21		
Contingent Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Rent, fees and charges		140 839	141 721
Interest		3 649	1 579
Dividends - HomeStart Finance		5 000	5 000
Goods and services tax collected from other grouped members		633	353
Goods and services tax refund from the Australian Taxation Office		48 991	45 748
Goods and Services tax received from customers		4 789	4 592
South Australian Government appropriations		1 445 496	1 425 338
Commonwealth Government grants		974 319	919 095
Grants from other South Australian Government agencies		34 515	29 623
Loan principal repayments		603	1 195
Interest on loans		2 757	3 375
Administrative restructure		94	-
Other		3 348	6 559
Total Receipts		2 665 033	2 584 178
PAYMENTS:			
Employee benefits		(194 241)	(182 643)
Supplies and services		(168 005)	(181 989)
Grants, subsidies and client payments		(2 312 389)	(2 143 154)
Borrowing costs		(46)	(12)
Goods and services tax paid to other grouped members		(1 208)	(2 666)
Goods and services tax paid to suppliers		(51 301)	(46 675)
Interest on loans		(2 659)	(2 573)
New loans		(1 936)	-
Other		-	(34)
Total Payments		(2 731 785)	(2 559 746)
Net Cash (used in) provided by Operating Activities	19(b)	(66 752)	24 432
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(2 260)	(2 048)
Proceeds from sale of property, plant and equipment		728	2 228
Net Cash (used in) provided by Investing Activities		(1 532)	180
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(161)	(75)
Equity Contribution		60 879	-
Net Cash provided by (used in) Financing Activities		60 718	(75)
NET (DECREASE) INCREASE IN CASH HELD		(7 566)	24 537
CASH AT 1 JULY		61 278	36 741
CASH AT 30 JUNE	19(a)	53 712	61 278

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Functions of the Department

The vision of the Department of Human Services (the Department) is to significantly enhance the quality of life and safeguard the health and wellbeing of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- Provide a coordinated response to human services needs with a focus on wellbeing, illness prevention, safety, early intervention and the provision of quality care;
- Foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- Encourage individuals, families and communities to take responsibility for their own health and wellbeing;
- Take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and also controls and coordinates portfolio funding arrangements. It has responsibility for the administration and coordination of portfolio Human Resources Management and provides Corporate and Business Service functions to portfolio agencies. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976*, delegated by the Minister for Health, Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for Status of Women (the Ministers') to the Chief Executive of the Department.

(a) Departmental Functions

The functions of the Department altered significantly during the 2000-01 financial year due to amendments to the *South Australian Health Commission Act 1976*, that transferred many powers and functions formerly with the South Australian Health Commission (SAHC) to the Ministers'. The Ministers' then delegated many of those powers and functions to the Chief Executive of the Department.

One of the major functions delegated to the Chief Executive of the Department under the amendments to the *South Australian Health Commission Act 1976*, places a requirement upon the Department to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services. Hospitals, Health Centres and Health Services are either incorporated as body corporates under the *South Australian Health Commission Act 1976* (Incorporated Health Services) or are unincorporated (Unincorporated Health Services).

The financial affairs of Incorporated Health Services do not form part of the Department's financial report. Under the *South Australian Health Commission Act 1976*, Incorporated Health Services are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT), South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority (AHA), HomeStart Finance and various other non-government organisations. Similarly, the financial affairs of these organisations do not form part of the Department's financial report.

(b) Administrative Restructures

Effective from 1 July 2002, the assets and liabilities of the Office for the Status of Women were transferred from the Department of Transport, Urban Planning and the Arts to the Department. At the same date, the assets and liabilities of the Office of Employment and Youth were transferred from the Department of Education, Training and Employment to the Department. Conversely, the assets and liabilities of the Radiation Protection Branch of the Public and Environmental Health Service Section of the Department were transferred to the Department for Environment and Heritage. Similarly, the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency, both unincorporated health units of the Disability Services Section of the Department, were transferred to the Intellectual and Disability Service Council Incorporated. (Refer Note 8)

(c) Funding for the Department

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities;
- Payment from portfolio agencies for Business Service and Human Resource Management functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources the Department receives amounts from other sources including interest on cash deposits and dividends from portfolio agencies.

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cash flows. Additional timing differences arise from the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio.

2. Summary of Significant Accounting Policies**(a) Basis of Accounting**

The Department's Financial Statements are a general purpose financial report which has been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- Statements of Accounting Concepts;
- Applicable Australian Accounting Standards (AAS);

(a) Basis of Accounting (continued)

- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Australian Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, consideration is given to the order of preference of other pronouncements as outlined in Accounting Standard AAS 6 'Accounting Policies'.

All amounts are rounded to the nearest thousand dollars and expressed in Australian currency.

(b) Administered Items

The Department administers certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. These revenues, expenses, assets and liabilities are not controlled by the Department and consequently are not recognised in the Department's Financial Statements. These administered amounts are disclosed in the Schedules of Administered Revenues and Expenses, and Administered Assets and Liabilities as reflected in Note 26.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(c) Revenue Recognition*Government Appropriations*

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time control passes to the Department. In general, the Department gains control of Appropriations upon receipt of the funds. The exception to this is Tax Equivalent Regime Appropriations in which case control occurs when the Department fulfils the requirements that enable it to make a claim for those funds.

Appropriations to the Department designated as an 'Equity Contribution' are recognised directly in Equity in accordance with Treasurer's Instruction 3 'Appropriation'.

Equity Contributions

In the previous reporting period the Department recognised an Equity Contribution (\$27.843 million) as South Australian Government Appropriation Revenue disclosed in Note 6(a) 'General Appropriation'. In the current reporting period, an adjustment for the 2001-02 financial year Equity Contribution has been processed to remove the Equity Contribution from South Australian Government Appropriation Revenue and recognise it as a contribution of equity by the Government of South Australia. This adjustment has been processed in the current reporting period against South Australian Government Appropriation Revenue and is disclosed in Note 6(a) 'Prior Period Equity Contribution Adjustment' to maintain comparability across the two reporting periods and to improve user understandability.

Service Fee Income

Service fee income comprises revenue earned from the provision of services to entities external to the Department. The revenue is recognised when the fee in respect of services provided is receivable.

Dividends

Dividends are received by the Department from HomeStart Finance in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio entities consistent with Departmental strategic plans. Revenue is recognised upon agreement between the Minister for Housing and the HomeStart Board.

(d) Property, Plant and Equipment

The Statement of Financial Position includes property, plant and equipment controlled by the Department.

Assets Disclosed at Transferred Value

As a result of the administrative restructures detailed in Note 1(b) the Department assumed the reporting for assets, rights and liabilities of the:

- Office for the Status of Women
- Office of Employment and Youth

This involved the acquisition of property, plant and equipment at no cost to the Department. As permitted by Accounting Policy Statement APS 3, 'Revaluation of Non-Current Assets', Accounting Standards AAS 29 'Financial Reporting by Government Departments' and AASB 1041 'Revaluation of Non-Current Assets', all of these assets are recognised at their value immediately prior to the transfer except for land and buildings which have been revalued in the current financial year to fair value.

Assets Disclosed at Valuation

In the current financial year, revalued property, plant and equipment are recognised at fair value in accordance with provisions of AASB 1041 'Revaluation of Non-Current Assets' and in accordance with the revised Accounting Policy Statement 3 'Revaluation of Non-Current Assets', issued by the Department of Treasury and Finance.

In previous years, revalued property, plant and equipment was recognised at deprival value in accordance with the transitional provisions of AASB 1041 and APS 3 issued by the Department of Treasury and Finance.

In accordance with the requirements of APS 3, independent revaluations of classes of non-current assets have only been undertaken where there existed an asset within a class that satisfied the criteria specified in APS 3. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years.

Assets Disclosed at Valuation (continued)

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APS 3 have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 as issued by the Department of Treasury and Finance.

Asset classes that satisfied the criteria and have therefore been revalued include:

- Vacant Land
- Site Land
- Vacant Buildings
- Buildings and Improvements

The above mentioned non-current asset classes were revalued using the fair value methodology, as at 30 June 2003, based on independent valuations performed by:

- Rob Taylor - Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited
- Adrian Rowse - AAPI, CPV, FPD Savills (SA) Pty Limited
- Helen Dowling - Graduate Australian Property Institute (GAPI), Qualified Valuer, FPD Savills (SA) Pty Limited
- Alex Thamm - AAPI, Qualified Valuer, McGees Valuation and Advisory Services
- Neil Bray - Valuer-General, Valuation SA
- Clinton Ramm - B. Bus. Prop. (Val), AAPI, Valuer, Knight Frank
- Jason Oster - B. Bus. Prop. (Val), GAPI, Valuer, Knight Frank
- Nick Bell - B. Bus. Prop. (Val), AAPI, CPV, Knight Frank

In accordance with the transitional provisions of AASB 1041, any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in surplus (deficit) from ordinary activities in respect of that same class of non-current assets, in which case the revaluation increments have been credited directly to accumulated funds.

In accordance with the transitional provisions of AASB 1041, any revaluation decrements arising upon revaluing the abovementioned non-current assets classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited directly to accumulated funds.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APS 3 have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- Leasehold Improvements
- Buildings and Improvements in Progress
- Medical, Surgical, Dental and Biomedical Equipment
- Computing Equipment/System Development
- Other Plant and Equipment
- Plant and Equipment in progress

Other Property, Plant and Equipment Disclosure Information

The recoverable amount test prescribed in Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as income in the Statement of Financial Performance and Note 5(c)(i).

Items of property, plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

Work in progress are projects physically incomplete as at reporting date.

All property, plant and equipment acquired since the last revaluation of the class of non-current assets are accounted for at cost.

(e) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$5 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

	Years
Computer equipment/systems development	3
Other plant and equipment	3-15
Medical, surgical, dental and biomedical equipment	5-10
Buildings and improvements	25-50

Leased assets are amortised over the useful life of the asset or the lease term, in accordance with Accounting Standard AAS 4 'Depreciation'. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

(f) Leased Assets

Where material a distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all of the risks and benefits incidental to ownership.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. There were no material leased assets in place at the end of the reporting period.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 21(c) to the accounts.

(g) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(h) Payables

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest are identified as payables.

(i) Employee Benefits

In accordance with Accounting Standard AASB 1028 'Employee Benefits', a provision is made for the Department's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Department has a present obligation to pay to employees for services provided.

Sick Leave

No provision is made for sick leave as experience indicates that on average sick leave taken each reporting period is less than or equal to the accruing sick leave entitlements in each reporting period. This experience is expected to recur in future reporting periods such that it is improbable that existing accrued sick leave entitlements will be used by employees.

Annual Leave

A provision has been made for the unused component of annual leave, including annual leave loading, based on current remuneration rates and related on-costs as at reporting date.

Experience indicates that remuneration rates applicable when unused annual leave is taken do not differ materially from remuneration rates as at reporting date.

Long Service Leave

The liability for long service leave was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with Accounting Standard AASB 1028 'Employee Benefits'. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 4 percent per annum based on the current enterprise bargaining agreement and short-term forecasts
- Discounting of 5.5 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date

The actuarial calculations are based on the following approach to the expected time of payment and discounting:

Unconditionally Qualified

These employees can take their long service leave immediately, or take a payment in lieu of long service leave on termination of employment. It has been assumed that such entitlements will be taken uniformly over the following ten years, except that for those employees over the age of 55, where it is assumed that long service leave entitlements will be spread over the remaining years until age 65.

Conditionally Qualified

These employees can take a payment in lieu of their long service leave on termination of employment, but are required to complete the qualifying period before entitlement to take long service leave in service. It has been assumed that on average this group will take their long service leave either on leaving service prior to attaining the qualifying period, or for those who are still in the Departments' service at that stage, within the following ten years.

Unqualified

These employees presently have no entitlement to take long service leave, or be paid long service leave in lieu on termination of employment. A number though will remain in service long enough to receive the benefit of the long service leave already accrued and the probability of this occurrence has been taken into consideration.

Employee On-Costs

Related on-costs of payroll tax and superannuation have been calculated by applying their corresponding Department of Treasury and Finance levied rates to employee benefits and are recognised under Payables.

Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit.

Workers Compensation

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2002-03 financial year the Department has reflected a workers compensation provision of \$9.02 million (\$6.73 million). (Refer Note 14)

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with Australian Accounting Standard AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non-safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation amount payable to Health Services as at 30 June 2003 is \$29.92 million (\$29.87 million). (refer Note 13)

(j) Professional Indemnity and General Public Liability Insurance

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For Professional Indemnity claims after 1 July 1994 and General Public Liability and Property claims after 1 July 1999 the deductible per claim is \$1 000 000. For claims incurred prior to these dates the deductible per claim is \$50 000.

Professional Indemnity

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AAS 26 'Financial Reporting of General Insurance Activities' conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

During the 2001-02 financial year, the Department changed its accounting policy for determining the Provision for Professional Indemnity Insurance. In previous reporting periods the Department did not provide for Incurred But Not Yet Reported (IBNR) incidences.

In the 2001-02 and current reporting period, the Department elected to include all IBNR claims in determining the Provision for Professional Indemnity Insurance by adopting the recognition and reporting principles in AAS 26 'Financial Reporting of General Insurance Activities'.

General Public Liability Insurance and Property

The provision for claims is a management assessment based on advice from the claims manager (AON Risk Services Ltd). The claims manager assesses the claim and places a reserve on the claim file after receiving legal advice.

(k) Inventories

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off.

Items held for sale are accounted for at the lower of cost or net realisable value.

(l) Tax Status

The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

(m) Accounting for Goods and Services Tax (GST)

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

- The amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as a part of an item of expense;
- Receivables and payables are stated with the amount of GST included.

The net GST receivable from the ATO has been recognised as a receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have, however, been classified as operating cash flows.

3. Report by Program

(a) Department's Programs

In November 2002 the Government elected to change the reporting basis from outputs to programs. Information about the Department's programs and the revenues and expenses which are reliably attributable to those programs is disclosed in the following program schedule.

(b) Program Summary

Programs Reported under the Minister for Health:

Program S1: Population Health and Well-being
Disease prevention and management, environmental health management and education and promotion of health and well-being.

Program S2: Metropolitan Health Services
Provision and management of grants for the delivery of health and related services for persons living within metropolitan Adelaide and persons from rural areas that need specialist treatment in metropolitan Adelaide.

Program S3: Country Health Services
Provision and management of grants for the delivery of health and related services across country South Australia.

Program S4: Aboriginal Health Services
Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal health related matters.

Program S5: Shared Services - Health
Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

Programs Reported under the Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women:

Program K1: Aboriginal Social Services
Policy advise, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal social and emotional well-being matters.

Program K2: Office for Youth
The Office for Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia.

Program K3: Office for the Status of Women
Pursuit of the full and equal participation of women in the social and economic life of the State by providing effective and balanced policy advice to Government on the interests ad concerns of South Australian women, promoting innovative approaches to public policy that embraces gender based analysis, and providing high quality, state-wide information and referral services through the Women's Information Service.

Program K4: Housing Management Council
Grants for the provision and management of housing services to low income households and people in crisis. This includes grants for the provision of public housing and private rental services by the South Australian Housing Trust, the provision of public housing and community managed housing by the Aboriginal Housing Authority , the funding and regulation of community housing by the South Australian Community Housing Authority and the provision of crisis accommodation, supported accommodation and community capacity building by the Department.

Program K5: Disability Services
Provision and management of grants for the delivery of a range of services for people with a disability, their carers and families. This includes accommodation services, community support services to enable living in a non-institutional setting, community access services, respite care, advocacy and information. (Services for people with a disability through Home and Community Care are included in the Ageing Services Program.)

Program K6: Ageing Services
Provision and management of grants for the delivery of services to support frail older people, younger people with disabilities and their carers. This includes assessment for and provision of a comprehensive, coordinated, flexible and integrated range of home and community care services to assist in enhancing independence in the community and avoid premature or inappropriate admission to long term residential care.

Program K7: Community Based Services
Community based care services to protect the health, social well-being and quality of life of the community.

Program K8: Family and Youth Services
Services provided by Family and Youth Services to promote the safety and well-being of vulnerable families, children and young people.

Program K9: Shared Services - Social Justice
Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

(b) Program Summary (continued)

Program	2003								
	S1	S2	S3	S4	S5	K1	K2	K3	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenues from Ordinary Activities:									
Rent, fees and charges	936	29 559	517	563	38 550	132	(4)	67	
Interest	-	-	-	-	2 462	-	-	5	
Dividends - HomeStart Finance	-	-	-	-	-	-	-	-	
South Australian Government appropriations	13 546	734 130	170 723	9 724	157 032	1 039	2 955	1 615	
Commonwealth Government Grants	21 630	597 950	130 732	178	10 650	4	-	-	
Grants from other South Australian Government Agencies	804	18 026	1 499	57	1 626	6	20	-	
Net gain from disposal of non-current assets	-	28	-	-	3	-	-	-	
Other	338	203	46	27	3 129	24	56	6	
Total Ordinary Revenue	37 254	1 379 896	303 517	10 549	213 452	1 205	3 027	1 693	

	2003								
	S1	S2	S3	S4	S5	K1	K2	K3	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Expenses from Ordinary Activities:									
Employee benefits	12 022	14 881	3 116	3 057	26 644	597	950	915	
Supplies and services	19 465	11 452	1 796	1 016	90 727	174	549	508	
Grants, subsidies and client payments	6 660	1 409 882	311 448	7 206	105 224	511	1 971	48	
Depreciation	126	(1 074)	4	1	178	-	3	-	
Loss from restructure	-	-	-	-	505	-	-	-	
Total Ordinary Expenses	38 273	1 435 141	316 364	11 280	223 278	1 282	3 473	1 470	
Borrowing Costs Expense	-	-	-	-	3 028	-	-	-	
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	(1 019)	(55 245)	(12 847)	(731)	(12 854)	(77)	(446)	223	

	2003							2003
	K4	K5	K6	K7	K8	K9	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenues from Ordinary Activities:								
Rent, fees and charges	45 737	13	160	891	598	19 836	137 555	
Interest	-	-	-	-	-	4 259	6 726	
Dividends - HomeStart Finance	5 000	-	-	-	-	-	5 000	
South Australian Government appropriations	86 347	131 576	(32 128)	32 113	87 896	23 892	1 420 460	
Commonwealth Government Grants	72 480	59 568	61 173	16 073	251	7 528	978 217	
Grants from other South Australian Government Agencies	8 002	767	1 789	423	1 108	388	34 515	
Net gain from disposal of non-current assets	-	-	-	-	(14)	2	19	
Other	-	25	346	15	252	769	5 236	
Total Ordinary Revenue	217 566	191 949	31 340	49 515	90 091	56 674	2 587 728	
Expenses from Ordinary Activities:								
Employee benefits	44 223	3 901	2 397	5 230	65 473	17 525	200 930	
Supplies and services	299	2 219	793	2 955	15 827	31 249	179 029	
Grants, subsidies and client payments	179 543	195 716	25 732	43 184	14 481	10 122	2 311 728	
Depreciation	-	15	-	561	914	89	817	
Loss from restructure	-	-	-	-	-	506	1 011	
Total Ordinary Expenses	224 065	201 851	28 922	51 930	96 695	59 491	2 693 515	
Borrowing Costs Expense	-	-	-	-	11	21	3 060	
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	(6 499)	(9 902)	2 418	(2 415)	(6 615)	(2 838)	(108 847)	

4. Ordinary Expenses	(a) <i>Employee Benefits</i>	Note	2003	2002
			\$'000	\$'000
	Salaries and wages	(i)	144 106	138 286
	Superannuation		17 311	15 134
	Annual leave		12 924	12 172
	Payroll tax		10 429	8 874
	Long service leave		8 236	7 767
	Workers compensation		5 227	2 487
	Other		2 697	1 977
			200 930	186 697

(i) *Targeted Voluntary Separation Packages (TVSPs)*

TVSP amounts paid by the Department are included within salary and wages expenses.

During the year a total of 37 (79) employees of the Department accepted packages in line with the State Government's policy.

(a) Employee Benefits (continued)

The TVSP component of termination payments totalled \$2.72 million (\$5.69 million). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$2.72 million (\$5.69 million) has been recovered relating to 2002-03.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$0.93 million (\$1.44 million) were paid to employees who received a TVSP.

(b) Supplies and Services

	Note	2003 \$'000	2002 \$'000
Communication and computing		50 390	47 294
Insurance		37 349	52 215
Contractors and agency staff		16 951	24 410
Accommodation and property related		19 325	18 172
Drugs and medical supplies		14 617	9 892
Interstate patient transfers		11 125	12 006
Printing, stationery, postage and periodicals		4 910	4 370
Motor vehicles		3 918	3 856
Travel and accommodation		2 947	2 983
Seminars, courses and training		2 171	2 184
Managed Payments		2 026	1 831
Client related expenses		1 972	14 734
Consultant fees		1 501	1 105
Minor equipment		1 256	1 236
Advertising and promotions		1 179	1 561
External audit fees		227	331
Interpreter and translator fees		86	94
Bad and doubtful debts		(8 450)	6 188
Other administration		15 529	11 074
		179 029	215 536

(c) Grants, Subsidies and Client Payments

Recurrent funding to incorporated health services	(i)	1 764 234	1 633 813
Housing assistance		110 137	108 388
Capital funding to incorporated health services	(ii)	106 042	77 308
Funding to non-government organisations	(iii)	100 810	88 766
SAHT - Tax equivalent regime		58 429	54 888
Community accommodation and respite services		28 076	26 340
Supported accommodation assistance		24 804	24 799
Home and community care		24 261	21 713
GST compensation		12 940	12 940
Children's payments		11 742	11 066
Family and community development		6 852	6 499
Alternative care		6 680	6 367
Patient assisted transport scheme		4 507	3 145
HIV/AIDS and related diseases		3 170	3 161
Emergency financial assistance		2 354	2 362
Community Cultural Recreation Centre		1 746	1 769
Concessions		1 129	1 394
Sensory Options co-ordination		1 097	1 101
Funds for seniors		581	418
Other		42 137	34 790
		2 311 728	2 121 027

(i) Recurrent Funding to Incorporated Health Services

Royal Adelaide Hospital	374 134	350 399
North Western Adelaide Health Service	275 305	286 014
Flinders Medical Centre	208 175	188 981
Women's and Children's Hospital	156 601	147 708
Repatriation General Hospital	77 745	77 415
Intellectual Disability Services Council	84 741	62 366
Northern and Far Western Regional Health Service	60 846	59 919
Modbury Hospital	56 283	52 787
Hills Mallee Southern Regional Health Service	53 779	49 924
South East Regional Health Service	52 427	47 967
Wakefield Regional Health Service	37 117	35 581
South Australian Dental Service	39 500	34 228
Noarlunga Health Service	35 426	32 986
Mid North Regional Health Service	32 862	30 961
Eyre Regional Health Service	29 402	27 397
Riverland Health Authority	27 632	25 595
Julia Farr Services	23 668	23 191
Child and Youth Health	21 630	20 161
Institute of Medical and Veterinary Science	23 014	19 596
Drug and Alcohol Services Council	16 001	15 982
Other	77 946	44 655
	1 764 234	1 633 813

		2003	2002
		\$'000	\$'000
(ii)	<i>Capital Funding to Incorporated Health Services</i>		
	North Western Adelaide Health Service	49 446	28 510
	Royal Adelaide Hospital	27 621	17 705
	Flinders Medical Centre	2 293	5 476
	Northern and Far Western Regional Health Service	2 670	4 151
	Modbury Hospital	2 144	3 578
	Intellectual Disability Services Council	2 550	3 285
	South East Regional Health Service	2 818	2 505
	Noarlunga Health Service	152	1 718
	Child and Youth Health	300	1 685
	South Australian Dental Service	1 492	1 598
	Hills Mallee Southern Regional Health Service	1 084	731
	Mid North Regional Health Service	3 314	816
	Adelaide Central Community Health Service	909	793
	Wakefield Regional Health Service	2 692	780
	Northern Metropolitan Community Health Service	162	699
	Women's and Children's Hospital	766	667
	Riverland Health Authority	360	627
	Repatriation General Hospital	1 933	625
	Institute of Medical and Veterinary Science	581	129
	Eyre Regional Health Service	2 253	562
	Other	502	668
		106 042	77 308
(iii)	<i>Funding to Non-Government Organisations</i>		
	Australian Red Cross	21 430	22 340
	Minda Incorporated	24 215	22 745
	Royal District Nursing Service of SA Inc.	20 875	19 574
	Crippled Children's Association	9 404	8 669
	SHINE SA	3 069	2 927
	Aboriginal Health Council	2 106	-
	SA Amputee Service	1 957	-
	Royal Society for the Blind	1 952	1 939
	SA Rural & Remote Medical Support Agency	1 826	1 378
	Nganampa Health Council	1 340	930
	Royal Flying Doctors Service	1 202	1 173
	Southern District War Memorial Hospital	1 154	1 046
	Calvary Hospital	911	927
	Southern Cross Care	778	720
	Port Adelaide Central Mission	290	264
	Other	8 301	4 134
		100 810	88 766
(d)	Depreciation		
	Buildings and improvements	1 231	1 238
	Medical, surgical, dental and biomedical equipment	307	348
	Other plant and equipment	272	208
	Computing equipment/systems development	68	82
	Vacant buildings	4	14
	Leasehold improvements	1 305	738
	Leasehold improvements adjustments	(i) (2 370)	-
		817	2 628
(i)	During the current reporting period the Department became aware of the incorrect recognition, in the past, of certain Leasehold Improvement assets. The recognition of these assets also resulted in the overstatement of the associated depreciation expense. Accordingly, in the current reporting period a correction has been processed to remove the overstatement of the depreciation in the past.		
(e)	Borrowing Costs		
	Interest on borrowings	3 014	2 996
	Other	46	12
		3 060	3 008
5.	Ordinary Revenue		
(a)	Rent, Fees and Charges		
	Employee services	(i) 46 045	40 981
	Interstate patient transfers	28 930	27 808
	Insurance recoveries from Health Services	26 273	24 940
	Recoveries	19 144	15 725
	Business Services	15 295	16 341
	Fees, fines and penalties	1 351	1 602
	Rent	517	468
		137 555	127 865
(i)	Represents the recovery of costs for the provision of employee related services to the South Australian Housing Trust (SAHT), the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA).		

	2003	2003
	\$'000	\$'000
(b) Interest		
Interest on funds held	3 613	1 685
Interest on loans	3 113	3 071
	6 726	4 756
(c) Other Revenue		
Capital contributions	1 894	1 312
Assets received for nil consideration	1 733	183
Prior period adjustments not assignable	155	10
Other	1 454	4 104
	5 236	5 609
<i>(i) Assets Received for Nil Consideration</i>		
During the reporting period the Department received the following assets free of charge or for nominal consideration:		
Site Land	1 163	114
Vacant buildings	570	60
Other plant and equipment	-	9
	1 733	183

6. Contribution from Government

(a) South Australian Government Appropriations		
General appropriation	1 351 526	1 321 912
Prior period equity contribution adjustment	(27 843)	-
Tax equivalent regime reimbursement - SAHT	58 429	54 888
Tax equivalent regime reimbursement - HomeStart Finance	2 525	2 067
State Housing Assistance Funds	35 823	35 281
	1 420 460	1 414 148

(i) In the previous reporting period the Department recognised the Equity Contribution Appropriation of \$27.843 million as a component of the 2002 'General Appropriation' figure. In the current reporting period, an adjustment for the 2001-02 Equity Contribution Appropriation has been processed to remove the Equity Contribution Appropriation from revenue and recognise is as a contribution of equity by the Government of South Australia. This adjustment is disclosed above as 'Prior Period Equity Contribution Adjustment' to maintain comparability across the two reporting periods and to improve user understandability.

	2003	2002
	\$'000	\$'000
(b) Commonwealth Government Grants		
Australian Health Care Agreement - Base Funding Arrangement	605 632	564 498
Housing Assistance	73 169	73 138
Department of Veteran Affairs	66 555	61 119
Commonwealth State Disability Agreement	59 568	56 969
Home and Community Care	58 556	54 023
Highly Specialised Drugs	25 011	22 039
Supported Accommodation Assistance Program	15 873	15 217
Public Health Outcome Funding Agreement	11 429	10 980
GST Compensation	9 517	9 517
FBT Employee Remuneration	9 405	10 742
Red Cross Blood Transfusion Service	8 942	9 660
Meningococcal C Vaccine	7 714	-
National Health Development Funding	6 571	8 452
Essential Vaccines	6 442	6 418
Police Diversion	4 584	4 584
Aged Care Assessment Program	3 888	3 664
Woomera Hospital	1 077	1 051
General	491	1 286
Mental Health Information	255	1 696
Family Law Act	-	1 202
Other	3 538	2 840
	978 217	919 095

Refer to Note 20 'Unexpended Funding Commitments'.

(c) Grants from other South Australian Government Agencies		
FBT Employee Remuneration	12 084	-
Community Development Fund	9 900	9 900
Department of Treasury and Finance - Contingency Funds	8 254	13 842
TVSP Recoveries	2 195	5 134
Other	2 082	747
	34 515	29 623

Refer to Note 20 'Unexpended Funding Commitments'.

7. Net Gain (Loss) from Disposal of Non-Current Assets

Proceeds from disposal of non-current assets	887	2 228
Less: Written down value of non-current assets	856	3 489
Less: Other costs of disposal	12	37
	19	(1 298)

8. Net Loss on Restructure

On 1 July 2002, the Office for the Status of Women (OSW) was realigned, resulting in a transfer of functions and staff from the Department of Transport, Urban Planning and the Arts to the Department. The realignment resulted in a net gain of \$100 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Cash at bank	93	-
Debtors	194	-
	<u>287</u>	<u>-</u>
Liabilities:		
Payables	17	-
Provision for employee benefits	170	-
	<u>187</u>	<u>-</u>
Gain from Restructure	100	-

Similarly on 1 July 2002, the Office of Employment and Youth (OY) was realigned, resulting in a transfer of functions and staff from the Department of Education, Training and Employment to the Department. The realignment resulted in a net loss of \$462 000 due to the transfer of the following liabilities:

	2003 \$'000	2002 \$'000
Liabilities:		
Payables	106	-
Provision for employee benefits	356	-
	<u>462</u>	<u>-</u>
Loss from Restructure	462	-

Conversely on 1 July 2002, the Radiation Protection Branch of the Public and Environmental Health Service Section of the Department (RPB) was realigned, resulting in a transfer of functions and staff from the Department to the Department of Environment and Heritage. The realignment resulted in a net loss of \$132 000 due to the transfer of the following assets and liabilities:

	2002 \$'000	2002 \$'000
Assets:		
Plant and equipment	19	-
Capital works in progress	498	-
	<u>517</u>	<u>-</u>
Liabilities:		
Payables	22	-
Provision for employee benefits	363	-
	<u>385</u>	<u>-</u>
Loss from restructure	132	-

Similarly, the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency (APN) an unincorporated health unit of the Disability Services Section of the Department transferred to the Intellectual and Disability Services Council Incorporated. The realignment resulted in a net gain of \$388 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Debtors	43	-
	<u>43</u>	<u>-</u>
Liabilities:		
Provision for employee benefits	431	-
	<u>431</u>	<u>-</u>
Gain from Restructure	388	-

Similarly, the assets and liabilities of the Brain Injury Options Co-ordination Agency (BIOC) an unincorporated health unit of the Disability Services Section of the Department transferred to the Intellectual and Disability Services Council Incorporated. The realignment resulted in a net loss of \$905 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Debtors	1 321	-
	<u>1 321</u>	<u>-</u>
Liabilities:		
Provision for employee benefits	416	-
	<u>416</u>	<u>-</u>
Loss from restructure	905	-
Net Loss on Restructure for OSW, OY, RPB, APN and BIOC	1 011	-

9. Receivables

Current:		
Debtors	9 836	12 743
Employee related services recoverable	5 262	3 158
Health service budget over-runs	8 182	1 930
Grants	5 083	1 185
Tax equivalent regime (Treasury Appropriation)	4 732	1 925
GST recoverable from Australian Taxation Office	4 415	6 319

9. Receivables (continued)		2003	2002
Current:	Note	\$'000	\$'000
Interstate patient transfers		1 327	371
Loans	(i)	747	595
Interest		554	597
Overpaid salaries		210	191
Property sales		130	-
Sundry		5	1 413
Less: Provision for doubtful debts		945	974
		39 538	29 453
Non-Current:			
Health service budget over-runs		45 859	55 409
Loans	(i)	38 711	37 167
Sundry		-	1 285
Less: Provision for doubtful debts		45 859	54 281
		38 711	39 580

(i) *Reconciliation of Inter-Health Loans*

As at 30 June 2003 the balance of loans to Health Services and related movements is as follows:

Balance as at 1 July	37 762	39 256
Add:		
Advances to health services	1 936	-
Capitalised interest charges	363	427
Total repayable	40 061	39 683
Less:		
Principal repayments received	603	1 863
Loans written off	-	58
Balance as at 30 June	39 458	37 762

The Department to 30 June 2003 has financed the Health Services with loans amounting to \$9.52 million (\$8.02 million) from Department funds and \$29.94 million (\$29.74 million) from back to back loan arrangements with the Department of Treasury and Finance.

	2003	2002
	\$'000	\$'000
The movements and status of the back to back loan arrangements are as follows:		
Balance as at 1 July	29 739	29 386
Add:		
Capitalised interest charges	363	427
Total repayable	30 102	29 813
Less:		
Principal repayments	161	74
Balance as at 30 June	29 941	29 739

10. **Property, Plant and Equipment**(a) *Land and Buildings*

Vacant land (At fair value - valuation)	16 974	8 350
Site land (At fair value - valuation)	36 445	15 041
Vacant buildings (At fair value - valuation)	376	125
Less: Accumulated depreciation	-	19
	376	106
Buildings and improvements (At fair value - valuation)	73 555	75 086
Less: Accumulated depreciation	36 214	39 598
	37 341	35 488
Leasehold improvements (At deemed fair value)	10 236	10 672
Less: Accumulated depreciation	7 765	9 213
	2 471	1 459
Buildings and improvements in Progress (At deemed fair value)	2 143	3 838
Total Land and Buildings	95 750	64 282

(b) *Plant and Equipment*

Medical, surgical, dental and biomedical equipment (At deemed fair value)	3 618	3 646
Less: Accumulated depreciation	2 496	2 484
	1 122	1 162
Computing equipment/systems development (At deemed fair value)	3 351	3 898
Less: Accumulated depreciation	3 269	3 775
	82	123

(b) Plant and Equipment (continued)	2003	2002
	\$'000	\$'000
Other plant and equipment (At deemed fair value)	2 567	2 448
Less: Accumulated depreciation	1 350	1 137
	1 217	1 311
Plant and Equipment in progress (At deemed fair value)	-	623
Total Plant and Equipment	2 421	3 219
Total Property, Plant and Equipment	98 171	67 501

Reconciliation

A reconciliation of the carrying amount of each class of **land and buildings** at the beginning and end of the current financial year are displayed in the table below.

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improve- ments \$'000	Leasehold Improve- ments \$'000	Building & Improve- ments in Progress \$'000	2003 Total Land & Buildings \$'000
Carrying amount at 1 July	8 350	15 041	106	35 488	1 459	3 838	64 282
Purchases	-	-	-	-	-	1 644	1 644
Disposals	(509)	-	(333)	(14)	-	-	(856)
Transfers between classes	-	-	-	-	-	112	112
Assets received for nil consideration	1 163	-	570	-	-	-	1 733
First time recognition	-	-	100	-	-	-	100
Administrative restructure	-	-	-	-	-	(498)	(498)
Transfers from works in progress	-	-	-	563	2 001	(2 564)	-
Net revaluation increment (decrement)	7 970	21 404	(63)	2 535	-	-	31 846
Depreciation	-	-	(4)	(1 231)	1 065	-	(170)
Other	-	-	-	-	(2 054)	(389)	(2 443)
Carrying Amount at 30 June	16 974	36 445	376	37 341	2 471	2 143	95 750

A reconciliation of the carrying amount of each class of **plant and equipment** at the beginning and end of the current financial year is displayed in the table below:

	Medical Surgical Dental and Biomedical Equipment \$'000	Medical Surgical Dental and Biomedical Equipment Development \$'000	Computing Equipment and Systems \$'000	Other Plant and Equipment \$'000	Plant and Equipment In Progress \$'000	2003 Total Plant & Equipment \$'000
Carrying amount at 1 July	1 162	123	35	1 311	623	3 219
Purchases	274	-	35	158	-	467
Transfers between classes	-	-	(5)	5	(112)	(112)
Write-offs	-	-	(10)	(20)	-	(30)
First time recognition	-	-	7	47	-	54
Administrative restructure	(7)	-	-	(12)	-	(19)
Depreciation	(307)	(68)	(68)	(272)	-	(647)
Other	-	-	-	-	(511)	(511)
Carrying Amount at 30 June	1 122	82	82	1 217	-	2 421

11. Other Assets		2003	2002
Current Assets:		\$'000	\$'000
Prepayments	Note	2 040	1 923
Non-Current Assets:			
Prepayments		564	-
12. Inventories			
Drug supplies		2 437	579
Other		47	45
		2 484	624
13. Payables			
Current:			
Creditors		15 956	12 979
Health service workers compensation		9 006	9 030
Health service budget under-runs		2 542	3 957
Grants to non-government organisations		3 145	4 617
Employee benefit on-costs	(i)	2 225	1 851
Grants to SA Housing Trust - Tax Equivalent Regime		52	273
Interest		292	300
Other		25	176
		33 243	33 183

13. Payables (continued)		2003	2002
Non-Current:	Note	\$'000	\$'000
Health service workers compensation		20 909	20 843
Employee benefit on-costs	(i)	3 395	2 877
Grants to non-government organisations		1 342	1 555
		25 646	25 275

(i) *Employee Benefit On-Costs*

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. The employee benefit on-costs associated with each type of employee benefit are as follows:

Current:		2003	2002
Accrued Payroll Tax:		\$'000	\$'000
Annual leave		596	544
Long service leave		225	212
Accrued salaries and wages		78	2
		899	758
Superannuation:			
Annual leave		969	868
Long service leave		229	222
Accrued salaries and wages		128	3
		1 326	1 093
Total Current Employee Benefit On-Costs		2 225	1 851
Non-Current:			
Accrued Payroll Tax:			
Long service leave		1 612	1 388
Superannuation:			
Long service leave		1 783	1 489
		3 395	2 877

14. Provision for Employee Benefits

Current:			
Annual leave		9 546	8 628
Long service leave		3 933	3 638
Workers compensation		2 952	1 689
Accrued salaries and wages		1 186	554
Accrued superannuation contributions		14	-
Other		67	(39)
		17 698	14 470
Non-Current:			
Long service leave		29 562	25 701
Workers compensation		6 072	5 041
Other		9	-
		35 643	30 742

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 13 as they do not accrue to employees.

The aggregate current liability from employee benefits and related on costs is \$19.92 million (\$16.32 million).

The aggregate non-current liability from employee benefits and related on costs is \$39.04 million (\$33.62 million).

15. Borrowings

Current:		2003	2002
Department of Treasury and Finance - Loans		\$'000	\$'000
		267	161
		267	161
Non-Current:			
Department of Treasury and Finance - Loans		29 674	29 578
Advance - Treasury Imprest Account		285	285
		29 959	29 863
Repayable:			
Not later than one year		267	161
Later than one year but not later than five years		2 642	1 950
Later than five years		27 317	27 913
		30 226	30 024

16. Provisions			2003	2002
Current:		Note	\$'000	\$'000
Insurance		(i)	10 119	10 030
Other			290	300
			10 409	10 330
Non-Current:				
Insurance		(i)	81 887	67 852
			81 887	67 852

(i) Insurance Provision Movement Schedule as at 30 June 2003

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
Carrying Amount as at 1 July	76 225	888	768	77 881
Increase to Provision due to New Claims	19 028	378	1 155	20 561
Reduction due to Payments	(4 709)	(1 087)	(820)	(6 616)
Net Revision of Estimates	(627)	919	(112)	180
Carrying Amount as at 30 June	89 917	1 098	991	92 006

17. Other Liabilities		2003	2002
Current:		\$'000	\$'000
Unclaimed monies		871	761
Interstate patient transfer		247	-
Unearned revenue		35	93
Other		91	91
		1 244	945
Non-Current:			
Unearned revenue		501	536
		501	536

18. Equity

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Equity Contribution	2003 Total \$'000
Balance as at 1 July	(22 890)	9 892	-	(12 998)
Deficit for the year	(108 847)	-	-	(108 847)
Net increments/decrements related to the revaluation of:				
Site land	-	21 404	-	21 404
Vacant land	-	7 970	-	7 970
Buildings and improvements	-	2 535	-	2 535
Vacant buildings	(63)	-	-	(63)
Transfer to Accumulated Funds	-	(205)	-	(205)
Transfers from Asset Revaluation Reserve	205	-	-	205
Equity contribution ⁽ⁱ⁾	-	-	88 722	88 722
Balance as at 30 June	(131 595)	41 596	88 722	(1 277)

(i) The equity contribution is comprised of the current year contribution of \$60.879 million and an adjustment of \$27.843 million associated with the previous reporting periods contribution.

	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Equity Contribution \$'000	2002 Total \$'000
Balance at 1 July	515	10 299	-	10 814
Deficit for the year	(24 098)	-	-	(24 098)
Administered item equity overstatement adjustment	(20)	-	-	(20)
Transfers to accumulated funds	-	(407)	-	(407)
Transfers from asset revaluation reserve	407	-	-	407
Transfers to accumulated funds on disposal of assets	306	-	-	306
Balance as at 30 June	(22 890)	9 892	-	(12 998)

19. Notes to the Statement of Cash Flows

(a)		2003	2002
Cash held at the end of the reporting year as shown in the Statement of Cash Flows is represented by the following balances:		\$'000	\$'000
Special Deposit Account		52 583	60 141
Advance accounts		1 095	1 095
Other deposits		25	42
Cash on hand		9	-
		53 712	61 278

(b) Reconciliation of Deficit from Ordinary Activities to the Net Cash Inflow from Operating Activities	2003	2002
	\$'000	\$'000
Deficit from ordinary activities	(108 847)	(24 098)
Adjustments:		
Depreciation	817	2 628
Bad and doubtful debts	-	6 188
Assets received for nil consideration	(1 733)	183
Assets written off/expensed	930	-
First time recognition	(154)	-
Prior period adjustment unassignable	(155)	-
Gain on sale of assets	(19)	-
Leasehold improvement adjustment	2 105	-
Prior period equity contribution adjustment	27 843	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(10 255)	28 986
(Increase) decrease in restructure assets	1 687	-
(Increase) decrease in other assets	(2 541)	846
(Decrease) increase in payables	599	(24 014)
(Decrease) increase in employee benefits	8 813	3 449
(Decrease) increase in restructure liabilities	(582)	-
(Decrease) increase in other liabilities	626	(893)
(Decrease) increase in provisions	14 114	31 157
Net Cash Inflow (Outflow) from Operating Activities	(66 752)	24 432

20. Unexpended Funding Commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2003 the Department had outstanding funding commitments to the following programs:

	2003	2002
	\$'000	\$'000
Commonwealth State Housing Agreement	33 395	35 258
Industrial Relations Award Back Payments	20 000	-
Home and Community Care	7 589	5 660
Police Diversion	4 119	2 136
Commonwealth State Disability Agreement	3 544	4 344
Quality Development Funding	3 236	2 268
Mental Health Programs	2 673	970
Supported Accommodation Assistance Program	1 890	2 079
Childhood Immunisation Vaccines	1 772	-
Meningococcal C	1 675	-
Veteran Homecare Program	1 401	684
Diabetes Review and Education	1 180	-
MMR Vaccination Campaign	910	-
Public Health Outcome Funding Agreement	838	-
National Health Development Fund	711	2 402
Aboriginal Kinship	675	-
Catherine House	650	-
Enrolled Nurses Cadetship Initiative	605	723
Nosocomial Infection Unit	566	-
Health Promotions	13	1 021
Patient Assistance Transport Scheme Expansion	-	1 500
Other	2 220	852
	89 662	59 897

21. Expenditure Commitments

(a) Capital Expenditures Commitments

The total value of capital expenditure commitments as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements.

Not later than one year	12 895	10 955
Later than one year but not later than five years	10 156	22 440
Later than five years	-	-
Total (including GST)	23 051	33 395

Included in the capital expenditure commitments above is \$1.943 million (\$3.036 million) which is the GST component of the capital expenditure commitments.

(b) Other Expenditure Commitments

The total value of other expenditure commitments as at the end of the reporting period for specific projects detailed below. These amounts have not been brought to account in the financial statements.

Not later than one year	57 285	90 016
Later than one year but not later than five years	12 021	18 355
Later than five years	-	-
Total (including GST)	69 306	108 371

(b) Other Expenditure Commitments (continued)

Included in the other expenditure commitments above is \$5.528 million (\$9.852 million) which is the GST component of the other expenditure commitments.

(c) Operating Lease Commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2003 \$'000	2002 \$'000
Not later than one year	13 204	13 099
Later than one year but not later than five years	23 694	29 765
Later than five years	10 730	15 135
Total (including GST)	47 628	57 999

Included in the operating lease commitments above is \$4.33 million (\$5.27 million) which is the GST component of the operating lease payments.

The Department has over 50 lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rates.

22. Contingent Liabilities

During the year a disagreement between the Department and an external party transpired. The contract is currently subject to independent arbitration. If arbitration is unsuccessful, the disagreement could result in litigation. If litigation were to be the outcome and the Department lost the case the cost to the Department is estimated to be \$60 000.

23. Employee Remuneration

The number of employees whose remuneration exceeded \$100 000 was:

	2003 Number of Employees	2002 Number of Employees
\$100 000 - \$109 999	10	7
\$110 000 - \$119 999	9	6
\$120 000 - \$129 999	7	11
\$130 000 - \$139 999	12	2
\$140 000 - \$149 999	5	6
\$150 000 - \$159 999	5	4
\$160 000 - \$169 999	3	3
\$170 000 - \$179 999	3	-
\$180 000 - \$189 999	-	3
\$190 000 - \$199 999	2	1
\$200 000 - \$209 999	2	-
\$210 000 - \$219 999	-	-
\$220 000 - \$229 999	-	-
\$230 000 - \$239 999	-	-
\$240 000 - \$249 999	-	-
\$250 000 - \$259 999	-	-
\$260 000 - \$269 999	1	1
\$270 000 - \$279 999	-	1
\$290 000 - \$299 999	1	-
\$340 000 - \$349 999	-	1
	60	46
Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000	8 422	6 678

The table above discloses the number of employees of the Department whose remuneration exceeded \$100 000. This includes Departmental employees assigned to the South Australian Housing Trust, Aboriginal Housing Authority and the South Australian Community Housing Authority.

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated Fringe Benefits Tax and contract termination payments, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

24. Financial Instruments Disclosure**(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.

Trade accounts receivables are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date. A provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived. Interest is credited to revenue as it accrues. Principal is repaid in full at maturity. Interest rates are fixed and interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or goods and services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense on an effective yield basis.

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2003 Total \$'000
Financial Assets:							
Cash and deposits	4.70	53 712	-	-	-	-	53 712
Loans	9.59	1 929	703	4 215	30 422	2 189	39 458
Health services budget over-run	n/a	-	-	-	-	8 182	8 182
Debtors	n/a	-	-	-	-	30 609	30 609
		55 641	703	4 215	30 422	40 980	131 961
Financial Liabilities:							
Creditors and accruals	n/a	-	-	-	-	26 432	26 432
Borrowings	10.10	-	267	2 642	27 032	285	30 226
Health services budget under-run	n/a	-	-	-	-	2 542	2 542
Health services workers Compensation	n/a	-	-	-	-	29 915	29 915
		-	267	2 642	27 032	59 174	89 115

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2002 Total \$'000
Financial Assets							
Cash and deposits	4.52	61 278	-	-	-	-	61 278
Loans	9.73	-	657	4 153	30 764	2 188	37 762
Health services budget over-run	n/a	-	-	-	-	3 058	3 058
Debtors	n/a	-	-	-	-	28 213	28 213
		61 278	657	4 153	30 764	33 459	130 311
Financial Liabilities							
Creditors and accruals	n/a	-	-	-	-	24 628	24 628
Borrowings	10.14	-	161	1 950	27 628	285	30 024
Health services budget under-run	n/a	-	-	-	-	3 957	3 957
Health services workers Compensation	n/a	-	-	-	-	29 873	29 873
		-	161	1 950	27 628	58 743	88 482

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

	2003		2002	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash and deposits	53 712	53 712	61 278	61 278
Loans	39 458	49 432	37 762	50 515
Health services budget over-run	8 182	8 182	3 058	3 058
Debtors	30 609	30 609	28 213	28 213
	131 961	141 935	130 311	143 064
Financial Liabilities:				
Creditors and accruals	26 432	26 432	24 628	24 628
Borrowings	30 226	41 391	30 024	42 089
Health services budget under-run	2 542	2 542	3 957	3 957
Health services workers compensation	29 915	29 915	29 873	29 873
	89 115	100 280	88 482	100 547

25. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.29 million (\$0.30 million) for the reporting period.

26. Administered Items

The following revenues, expenses, assets and liabilities were administered and have not been included in the financial statements of the Department. In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the items have been classified as:

- Schedule A (i): Administered Assets and Liabilities as at 30 June 2003
 Schedule A (ii): Administered Assets and Liabilities as at 30 June 2002
 Schedule B (i): Administered Revenues and Expenses as at 30 June 2003
 Schedule B (ii): Administered Revenues and Expenses as at 30 June 2002

Schedule A (i) - Schedule of Administered Assets and Liabilities as at 30 June 2003

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2003 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets:								
Cash on hand and deposit accounts	5 457	972	7 415	-	-	1 879	690	16 413
Receivables	7	-	-	67	185	-	-	259
Non- Current Assets:								
Property, plant and equipment	7	-	-	-	-	-	-	7
Total Assets	5 471	972	7 415	67	185	1 879	690	16 679
Current Liabilities:								
Payables	119	-	-	-	-	-	-	119
Borrowings	-	-	-	64	185	-	-	249
Provision for employee benefits	99	-	-	3	-	-	-	102
Other provisions	7	-	-	-	-	-	-	7
Total Liabilities	225	-	-	67	185	-	-	477
Total Net Assets	5 246	972	7 415	-	-	1 879	690	16 202

Other comprised of:

Dame Roma Mitchell Trust Fund
 Alternative Care Fund
 Community Service Obligations
 Family Maintenance Orders
 Supported Residential Trust Fund
 Duke of Edinburgh Trust Fund
 Beyond Blue
 United Medical Protection

Schedule A (ii) - Schedule of Administered Assets and Liabilities as at 30 June 2002

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets:								
Cash on hand and deposit accounts	7 163	260	1 404	-	-	1 312	2 484	12 623
Receivables	854	-	-	126	185	-	-	1 165
Non- Current Assets:								
Property, plant and equipment	10	-	-	-	-	-	-	10
Total Assets	8 027	260	1 404	126	185	1 312	2 484	13 798
Current Liabilities:								
Payables	133	-	160	-	-	-	-	293
Borrowings	-	-	-	126	185	-	-	311
Provision for employee benefits	64	-	-	-	-	-	-	64
Total Liabilities	197	-	160	126	185	-	-	668
Total Net Assets	7 830	260	1 244	-	-	1 312	2 484	13 130

Other comprised of:

Dame Roma Mitchell Trust Fund
 Alternative Care Fund
 Aboriginal Health Council
 Family Maintenance Orders
 Supported Residential Trust Fund
 Duke of Edinburgh Trust Fund
 Beyond Blue
 United Medical Protection
 Enfield Council

Schedule B (i) - Schedule of Administered Revenues and Expenses for the year ended 30 June 2003

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2003 Total
Expenses from Ordinary Activities:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee related	498	1	-	385	-	16	236	1 136
Supplies and services	473	232	-	-	-	139	1 339	2 183
Grants, subsidies and client payments	7 329	2 359	87 546	-	-	2 783	9 298	109 315
Depreciation	3	-	-	-	-	-	-	3
Total Ordinary Expenses	8 303	2 592	87 546	385	-	2 938	10 873	112 637
Revenues from Ordinary Activities:								
Department Appropriation	-	3 300	93 678	-	-	3 500	7 331	107 809
Commonwealth Grants	-	-	-	-	-	-	-	-
Other Government Grants and Contributions	-	-	39	385	-	-	308	732
Rent, Fees and Charges	5 280	-	-	-	-	4	1 257	6 541
Interest	418	4	-	-	-	-	31	453
Other	21	-	-	-	-	2	152	175
Total Ordinary Revenues	5 719	3 304	93 717	385	-	3 506	9 079	115 710
Borrowing Costs Expense	-	-	-	-	-	-	-	-
Surplus (Deficit) from Ordinary Activities	(2 584)	712	6 171	-	-	568	(1 794)	3 073

Other comprised of:

Dame Roma Mitchell Trust Fund
Alternative Care Fund
Community Services Obligations
Family Maintenance Orders
Supported Residential Trust Fund
Duke of Edinburgh Trust Fund
Beyond Blue
United Medical Protection

Schedule B (ii) - Schedule of Administered Revenues and Expenses for the year ended 30 June 2002

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2002 Total
Expenses from Ordinary Activities:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee related	272	-	-	247	-	30	154	703
Supplies and services	352	209	-	-	-	124	1 045	1 730
Grants, subsidies and client payments	4 713	2 686	89 807	-	-	2 777	8 802	108 785
Depreciation	3	-	-	-	-	-	-	3
Total Ordinary Expenses	5 340	2 895	89 807	247	-	2 931	10 001	111 221
Revenues from Ordinary Activities:								
Department Appropriation	-	2 300	88 930	-	-	3 000	9 375	103 605
Commonwealth Grants	-	-	-	-	-	-	-	-
Other Government Grants and Contributions	-	-	43	247	-	-	491	781
Rent, Fees and Charges	8 627	-	-	-	-	44	630	9 301
Interest	374	18	-	-	-	-	118	510
Other	-	-	-	-	-	4	61	65
Total Ordinary Revenues	9 001	2 318	88 973	247	-	3 048	10 675	114 262
Borrowing Costs Expense	-	-	-	-	-	-	-	-
Surplus (Deficit) from Ordinary Activities	3 661	(577)	(834)	-	-	117	674	3 041

Other comprised of:

Dame Roma Mitchell Trust Fund
Alternative Care Fund
Aboriginal Health Council
Family Maintenance Orders
Supported Residential Trust Fund
Duke of Edinburgh Trust Fund
Beyond Blue
United Medical Protection
Enfield Council

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services, over the past four years.

Health Sector FTE Mix (Unaudited)

Staff Categories:	2003 Number	2002 Number	2001 Number	2000 Number
Nurses	8 196	8 117	7 904	7 975
Medical Staff	1 484	1 475	1 423	1 411
Scientific and Technical	1 078	1 113	1 160	1 181
Administrative and Clerical	4 052	4 024	3 958	3 920
Allied Health, Hotel, and other staff	6 518	6 607	6 472	6 491
Total Staff	21 328	21 336	20 917	20 979
Increase (Decrease)	(8)	419	(62)	101
Percentage Increase (Decrease)	(0.3)	2	(0.2)	0.5

The decrease in staffing numbers for the year ended 30 June 2003 reflects a decrease in Scientific and Technical and Allied Health, Hotel, and Other Staff categories. This decrease was offset by increases in other categories.

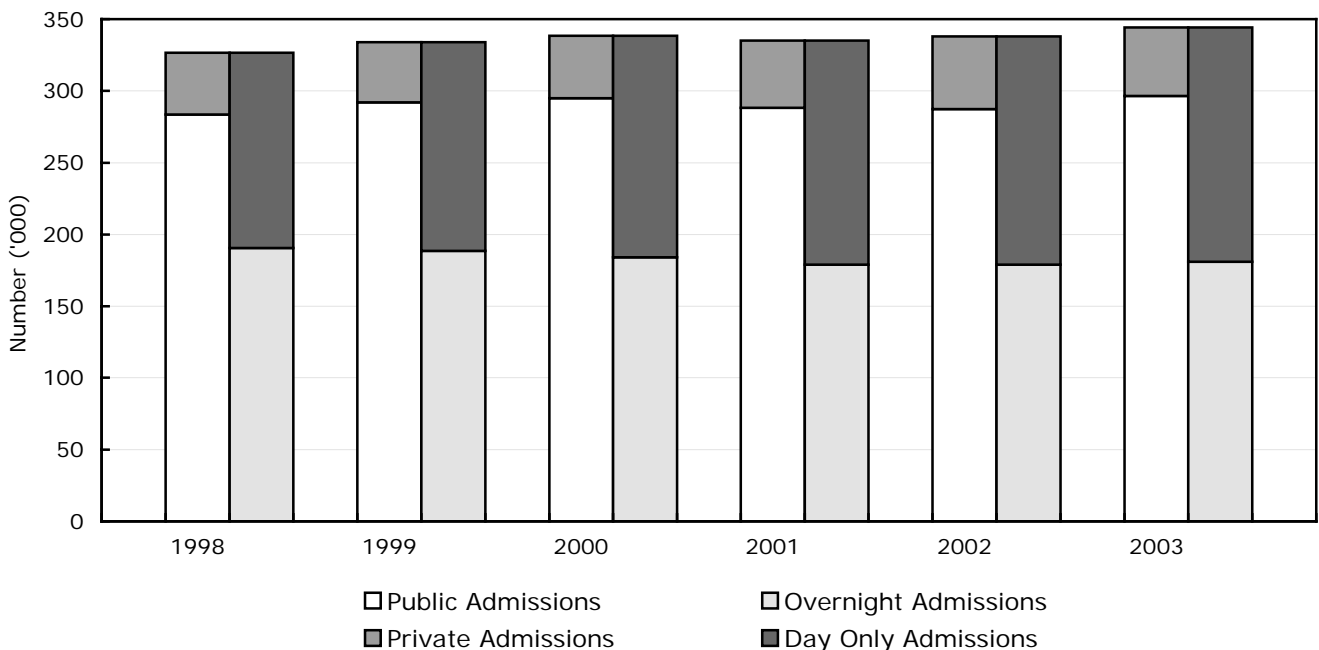
Hospital Activity Statistics

The charts below indicate the trends over the past six years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

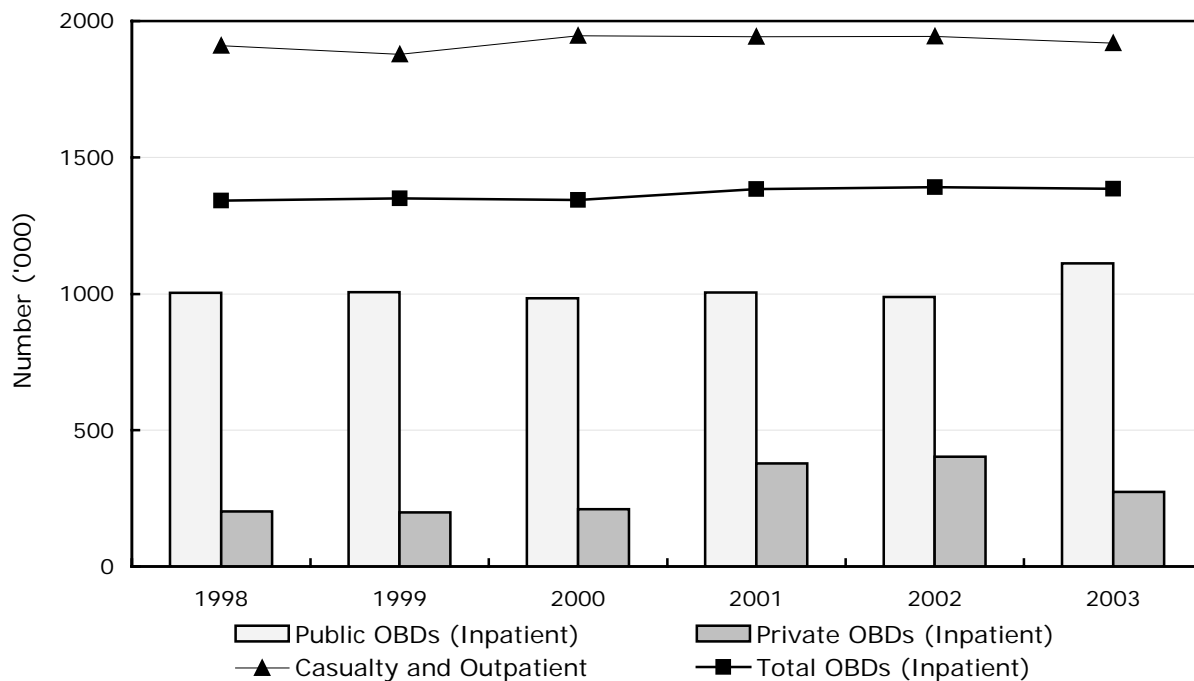
The charts illustrate:

- an increased number of attendances at hospitals;
- an increased level of public admissions and decreased private admissions;
- a small decrease in total Average Occupied Bed Days but an increase in public Occupied Bed Days offset by a reduction in private Occupied Bed Days. There has also been a decrease in the Average Patient Length of Overnight Hospital Stay.

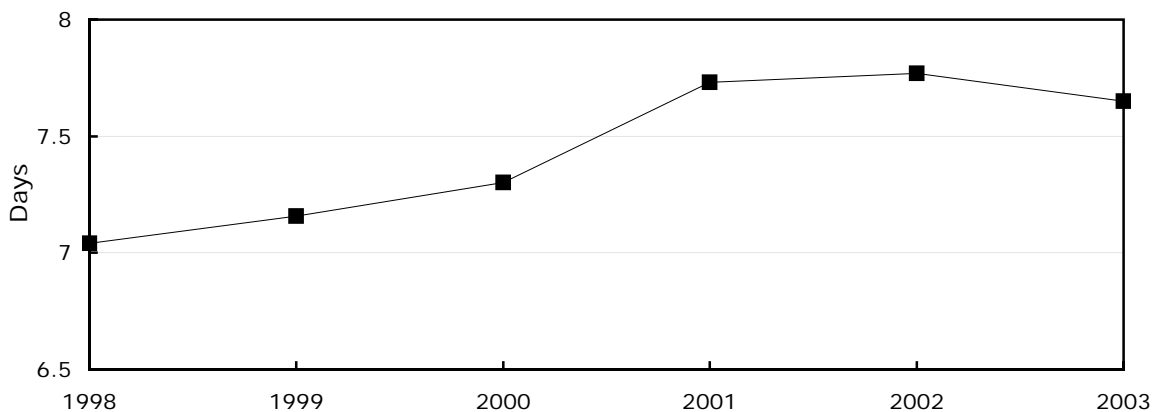
Patient Admissions (Unaudited)



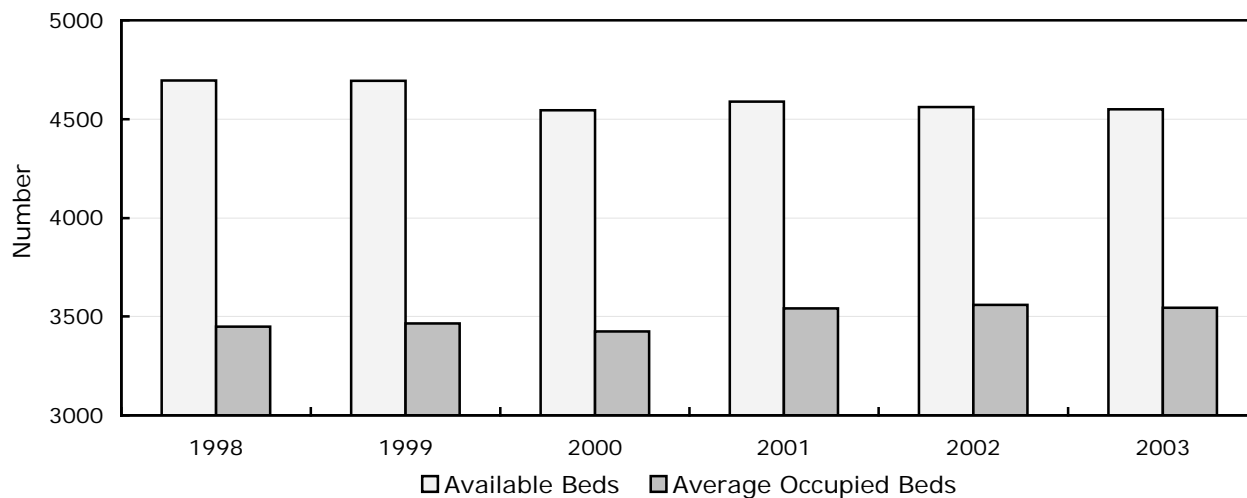
Patient Mix and Activity (Unaudited)



Average Patient Length of Overnight Hospital Stay (Unaudited)



Hospital Bed Utilisation (Unaudited)



Audit Mandate and Coverage - Health Services (Units)

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include review coverage of the following auditable areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements.

Issues arising from the reviews of the auditable areas are referred to Health Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament.

Unaudited Health Service Financial Activity

In previous years this section of the report on the Department has included information on Health Service financial activity. This information has been provided to Audit by the Department.

Audit again sought this information from the Department. The Department has changed systems and information formats to meet changed structural arrangements within the health sector. As a consequence the Department was unable to provide Audit with data in a format consistent with previous years, to a standard of quality, and within a timeframe which would enable presentation of the unaudited Health Service Financial Activity within this Report.

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Aboriginal Housing Authority (the Authority) was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

Functions

The functions of the Authority are:

- Development of strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people.
- To liaise with other agencies providing assistance to Aboriginal people to achieve a coordinated response.
- To receive and allocate resources for Aboriginal housing programs.

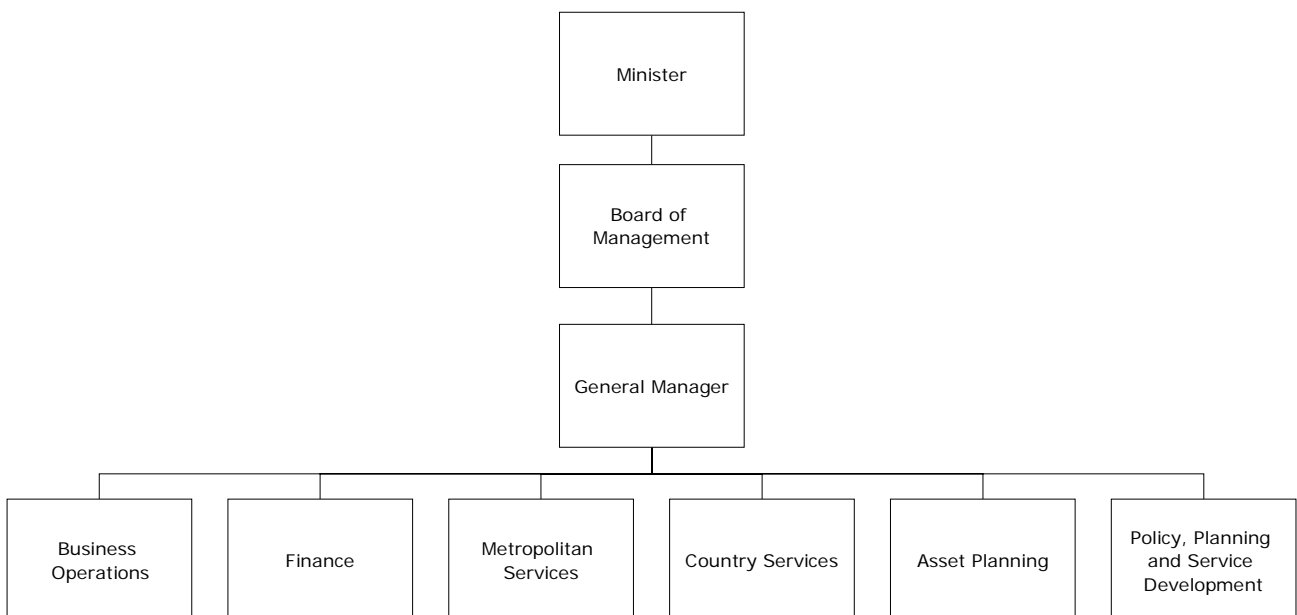
The Authority provides these functions through the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

Structure

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Authority for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- monitoring of service providers
- budgetary control and management reporting
- Community Housing Program
- raising and recovery of rent and other tenant charges
- capital expenditure
- repairs and maintenance of properties
- purchase and sale of properties.

The systems operated by the Trust to process transactions and account balances of the Authority were audited as part of the audit of the Trust.

The work of the internal auditor was considered in designing the audit programs and reliance was placed on the work of internal audit in assessing the effectiveness of the Authority's internal controls. Specific areas in which reliance was placed on internal audit work included:

- repairs and maintenance of properties;
- raising and recovery of rent and other tenant charges.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the General Manager. Major matters raised with the Authority and the related responses are considered in Audit Findings and Comments.

The current year's audit noted a number of instances of inaction regarding issues arising from the previous year's audit. It is important that the Authority address in an effective manner all matters that have been raised and remain outstanding.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Aboriginal Housing Authority as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the South Australian Aboriginal Housing Authority have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Risk Management

The audit of the Authority for 2001-02 identified opportunities to improve the management of risk through the establishment of a risk management plan, performance of regular reviews of the progress of internal audits and regular monitoring of the implementation of internal and external audit recommendations.

The Authority responded that:

- a risk management plan would be developed;
- service level agreements would be monitored to ensure that all internal audits are conducted;
- an Audit Findings and Implementation Register would be established and monitored.

This year Audit noted that although an Audit Findings and Implementation Register had been established, the other actions had not been implemented.

The Authority responded that development of a risk management plan had commenced and will be completed towards the start of 2004-05. It also advised that Internal Audit will be invited to attend meetings of the Risk Management and Audit Sub-Committee of the Board.

Monitoring of Service Provision

In past reports Audit identified that the Authority had not implemented procedures to ensure services are provided in accordance with service level agreements.

Last year the Authority responded that an officer had been given responsibility for holding quarterly meetings with service providers and ensuring services are provided in accordance with the agreements.

Audit again noted that the meetings with the service providers were not held.

The Authority responded that discussions have occurred with the service providers to establish transparent processes for reviewing and monitoring of service level agreements.

Service Level Agreements

Audit identified that the service level agreements with the Trust did not effectively support control of key services provided to the Authority by a Trust subcontractor, including:

- obtaining and evaluating quotes or tenders from builders for the construction of rental houses;
- recommending to the Authority the preferred builder;
- entering building contracts as agent for the Authority.

The Authority responded that a comprehensive review of services provided by the subcontractor will be completed in 2003-04.

Strategic Asset Management

Last year Audit noted that a strategic asset management plan had not been established for the maintenance, upgrade, acquisition and disposal of houses controlled by the Authority.

The Authority responded that a plan would not be established until after the task of progressively determining the condition of each house is completed. This year the Authority advised that the task is substantially completed and a strategic asset management plan will be finalised in 2003-04.

Management Reports to the Board

Last year Audit identified that little information was provided each month to the Board with respect to the management of some of its key operations.

The Authority responded that better information on the management of the key operations would be provided to the Board.

This year Audit noted that a monthly data report to the Board was implemented that provides information on the management of key operational areas. Following review of the new report Audit indicated that it would be improved by providing information about:

- vacancy, responsive and planned maintenance on houses and the amount of such maintenance recharged to tenants;
- detailed analysis of tenant and other debt;
- number and cost of houses acquired against plans (including houses transferred from SA Housing Trust and houses purchased).

Audit also noted that significant trends identified in the monthly data report were sometimes not explained in supporting narrative.

The Authority responded that future reports would explain significant trends and that the purpose of the report is to provide information for strategic decisions and that the Authority will review whether it is appropriate to include the information suggested by Audit.

Delegations of the Board

In 2001-02, Audit recommended the Authority implement specific measures to improve processes for ensuring compliance with the Board's delegations of authority, and the regular update of those delegations.

The Authority responded that the delegations had been updated and distributed to all officers.

This year Audit identified that the Levels of Authority Policy Summary issued to officers was not reflective of the latest delegations which were approved by the Board in August 2002.

The Authority responded that the Levels of Authority Policy Summary would be changed to reflect the current delegations.

Rent Rebates

The section of this Report on the South Australian Housing Trust discusses issues with respect to control over provision of rent rebates to tenants. Similar to the Trust, the amount of rent rebate provided by the Authority to its tenants is mainly based upon the household composition and household income. The Authority, like the Trust, faces challenges in verifying information provided by tenants in respect of household composition and household income. The Trust has been developing and implementing initiatives to improve the verification process which are detailed within that part of the Report dealing with the South Australian Housing Trust. In summary, the initiatives include regularly obtaining proof of income from tenants and the home visits program. The Authority has also adopted these initiatives within its operations.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Government Revenues	21.4	21.8	(2)
Other	10.7	9.4	14
Total Operating Revenue	32.1	31.2	3
<i>OPERATING EXPENDITURE</i>			
Rental House Ownership Costs	9.2	8.4	10
Grants	8.5	10.9	(22)
Staffing Costs	4.5	3.3	36
Other expenses	5.6	3.9	44
Total Operating Expenses	27.8	26.5	5
Surplus	4.3	4.7	(9)
Net Cash Flows from Operations	7.9	10.2	(22)

	2003 \$'million	2002 \$'million	Percentage Change
ASSETS			
Current assets	10.3	12.2	(16)
Non-current assets	179.5	155.3	16
Total Assets	189.8	167.5	13
LIABILITIES			
Current liabilities	4.1	3.0	37
Non-current liabilities	0.5	0.3	67
Total Liabilities	4.6	3.3	39
EQUITY	185.2	164.2	13

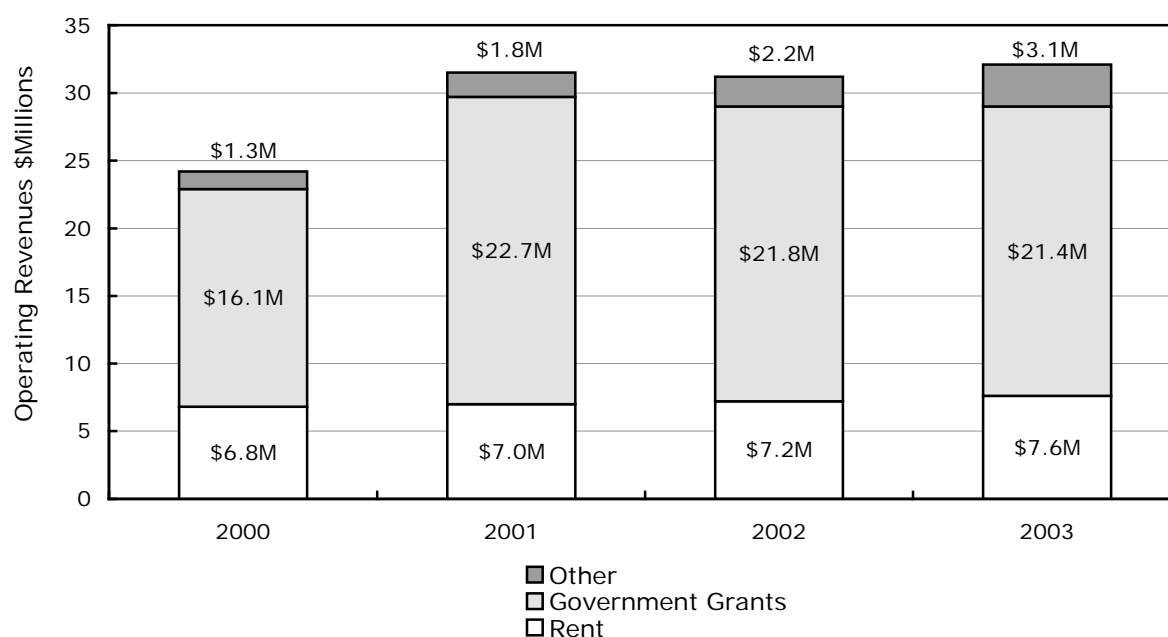
Statement of Financial Performance

Operating Revenues

Government grants represent between 67 and 72 percent of the Authority's revenue each year for the last three years and reflects the dependency of the Authority on Government grants.

Rent from tenants represent 24 percent of the Authority's revenue in 2002-03 and increased by 5.3 percent in 2002-03 whereas rent increased by 2.9 percent in both 2000-01 and 2001-02.

A structural analysis of operating revenues for the Authority for the four years to 2003 is presented in the following chart.



Figures for 2000 include revenues for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000. The figures for 2000 exclude net revenue from restructuring of \$131.1 million.

Operating Expenses

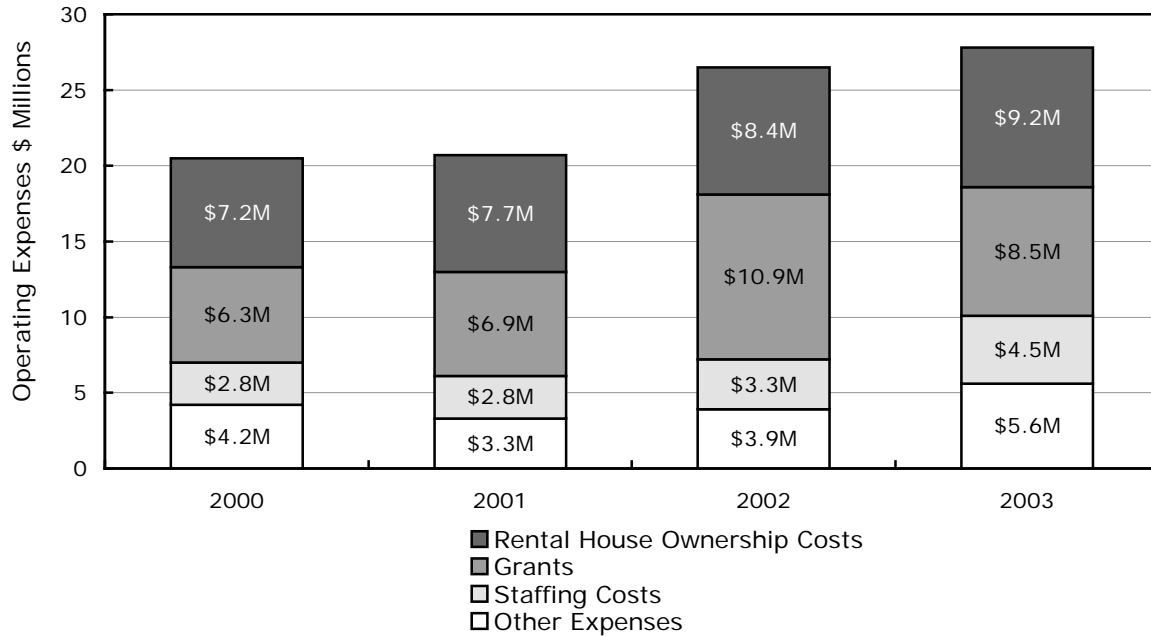
Staffing costs have increased significantly over the last two years. These costs increased by \$1.2 million (27 percent) in 2002-03 and \$500 000 (15 percent) in 2001-02. The increases were due mainly to increases in the number of employees involved in the Community Housing Program.

Grants expense decreased by \$2.4 million (22 percent) in 2002-03 reflecting reduced grants provided under the Community Housing Program.

Rental house ownership costs increased in 2002-03 by \$0.8 million (10 percent) due mainly to an increase of \$0.5 million (11 percent) in maintenance expense.

Other expenses increased by \$1.8 million (46 percent) due mainly to the increase in the provision for doubtful debts and write off of buildings.

A structural analysis of the main operating expense items for the Authority is shown in the following chart.



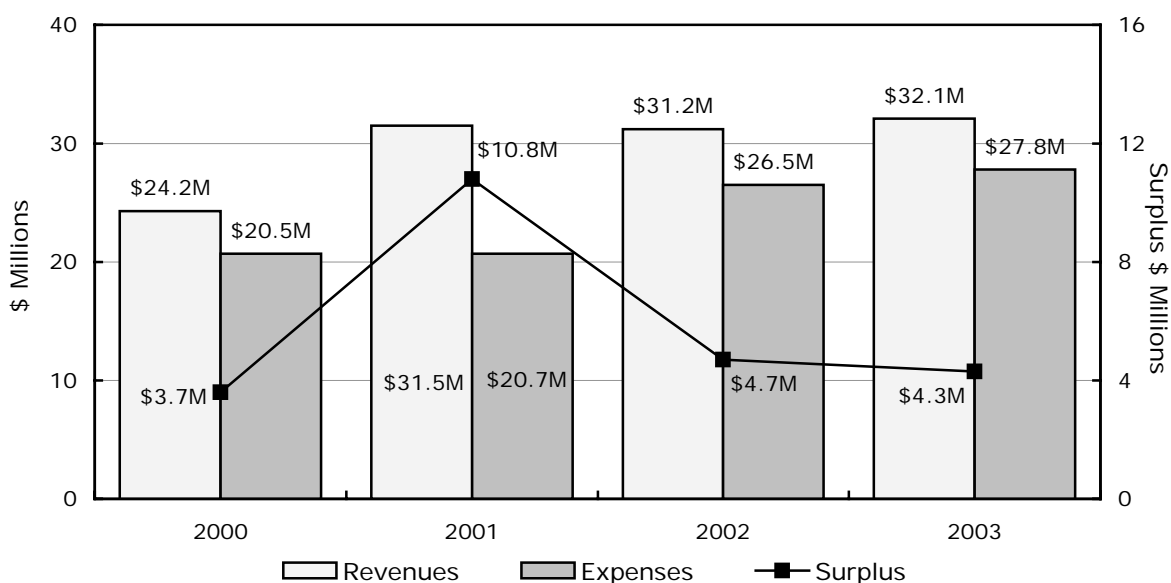
Rental house ownership costs include maintenance, council and water rates, depreciation and insurance.

Figures for 2000 include expenses for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000.

Operating Result

The operating surplus has decreased each year for the last two years as expenses have increased at a higher rate than revenues.

The following chart shows the operating revenues, operating expenses and surpluses for the current and preceding three years.



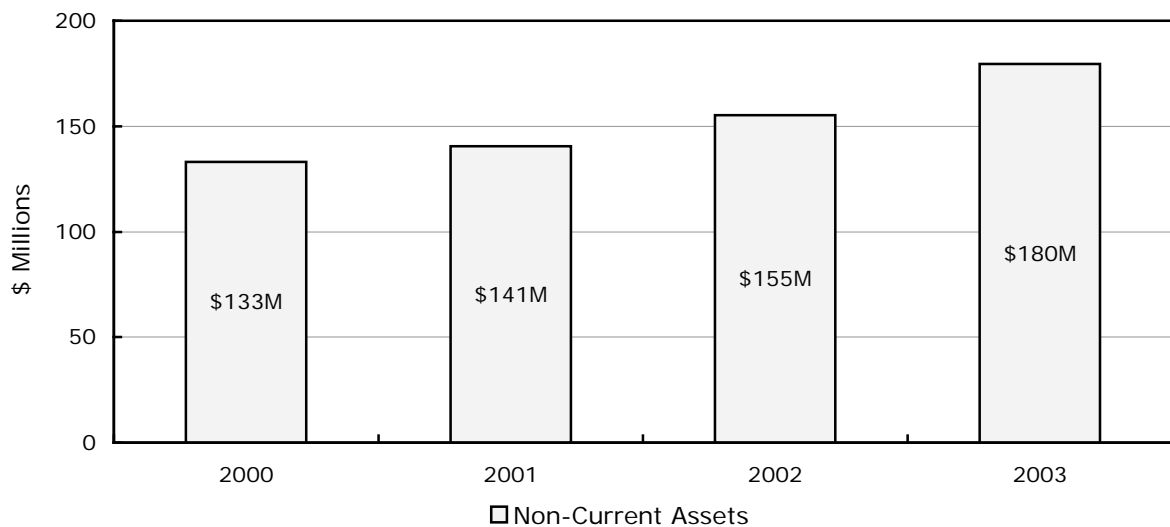
Figures for 2000 include revenues and expenses for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000. The figures for 2000 exclude net revenue from restructuring of \$131.1 million.

Statement of Financial Position

The operations of the Authority are capital intensive as is reflected in the investment in non-current assets which principally reflect rental properties. The Authority's rental properties were transferred to it from the Housing Trust on the Authority's establishment or were acquired subsequently using funds from operations.

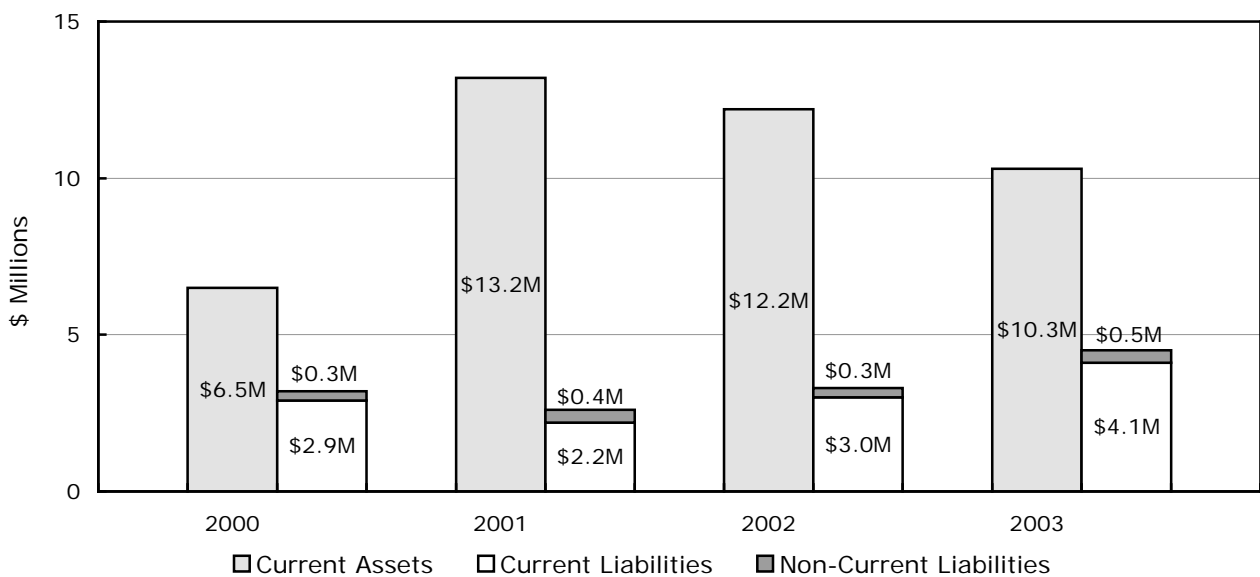
The increase in non-current assets since the Authority's establishment reflect the acquisition of new and the upgrading of existing properties and the increase in values of assets held in line with increases in market values.

Analysis of non-current assets for the four years to 2003 is shown in the following chart.



Current assets have decreased over the past two years due mainly to a decrease in both grant funding receivables and an increase in provision for doubtful debts.

A structural analysis of current assets and both current and non-current liabilities for the four years to 2003 is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	7.9	10.2	8.1	6.1
Investing	(9.5)	(7.4)	(6.2)	(3.6)
Change in Cash	(1.6)	2.8	1.9	2.5
Cash at 30 June	5.7	7.3	4.5	2.6

The analysis of cash flows reflects the impact of grant funding, recognised as an operating cash flow, being applied to meet investing cash flows associated with the purchase, construction and upgrade of rental houses.

At 30 June 2003 the Authority had recurrent and capital expenditure commitments of \$6 million.

FURTHER COMMENTARY ON OPERATIONS

State Government Owned Housing

At 30 June 2003 there were 1812 lettable houses owned by the State Government and controlled by the Authority for rental to Aboriginal people. A further 56 houses were being upgraded. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

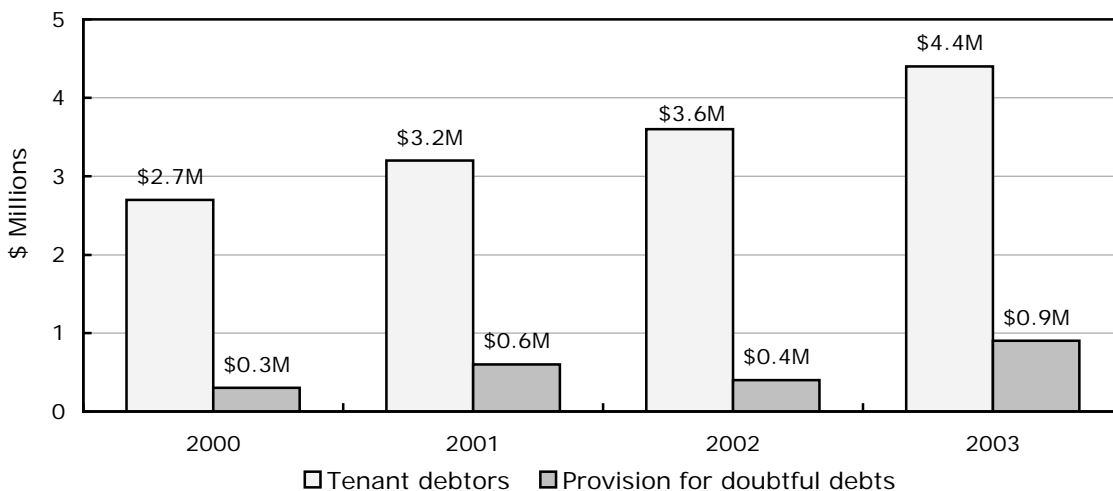
Rent Revenue

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. Rent charged to tenants was \$7.6 million (\$7.2 million) and the rental rebates were \$4.9 million (\$4.6 million).

The number of tenancies at 30 June 2003 was 1715 (1710). The percentage of tenancies receiving rebates at 30 June 2003 was 78 percent (85 percent).

Tenant Debtors

The following chart reflects the increase in gross tenant debt. The provision for doubtful debts was reduced in 2001-02 reflecting a change to the method for calculating the provision and was increased in 2003-03 reflecting another change to the method. Bad debts written off in 2002-03 amounted to \$601 000 (\$664 000).



Community Owned Housing

Community housing grants provided by the Authority fund the acquisition of housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance. Refer to Note 3(b) to the Financial Statements.

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Rent	4(a)	7 608	7 203
Recoveries	4(b)	1 746	1 333
Interest		248	248
Net revenue from disposal of non-current assets	4(c)	523	227
Other revenue		509	405
Total Ordinary Revenues		10 634	9 416
CONTRIBUTIONS FROM GOVERNMENT:			
Grant programs	4(d)	18 028	18 092
Other grants	4(e)	3 408	3 707
Total Contributions from Government		21 436	21 799
Total Revenues		32 070	31 215
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants		8 462	10 890
Maintenance		4 981	4 476
Staffing costs	5(a)	4 452	3 320
Council and water rates		2 037	1 888
Depreciation	5(b)	2 094	1 868
Business services fees	5(c)	1 346	1 016
Bad and doubtful debts	5(d)	1 070	452
Rent		411	399
Insurance		94	134
Other	5(e)	2 815	2 091
Total Expenses		27 762	26 534
Surplus from Ordinary Activities		4 308	4 681
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net increase in asset revaluation reserve		16 727	8 374
Total Revenues, Expenses and Valuation Adjustments Recognised directly in Equity		16 727	8 374
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		21 035	13 055

**Statement of Financial Position
as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	12(a)	5 702	7 350
Receivables	6	4 595	4 851
Inventories	7	29	42
Total Current Assets		10 326	12 243
NON-CURRENT ASSETS:			
Property, plant and equipment	8	179 549	155 294
Total Non-Current Assets		179 549	155 294
Total Assets		189 875	167 537
CURRENT LIABILITIES:			
Payables	9	3 840	2 666
Other	10	295	304
Total Current Liabilities		4 135	2 970
NON-CURRENT LIABILITIES:			
Payables	9	497	359
Total Non-Current Liabilities		497	359
Total Liabilities		4 632	3 329
NET ASSETS		185 243	164 208
EQUITY:			
Accumulated surplus	14	156 285	151 977
Asset revaluation reserve	14	28 958	12 231
TOTAL EQUITY		185 243	164 208
Commitments	11		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Supplies and services		(10 054)	(9 474)
Staffing costs		(4 166)	(3 262)
Grants		(8 462)	(10 890)
Goods and services tax remitted to the Department of Human Services		(494)	(14)
Goods and services tax paid to suppliers		(877)	(1 053)
RECEIPTS:			
Receipts from customers		8 208	7 521
Goods and services tax received from the Department of Human Services		1 126	728
Goods and services tax received from customers		385	412
Cash flows from Government		22 011	25 997
Interest received		248	227
Net Cash provided by Operating Activities	12(b)	7 925	10 192
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(12 026)	(10 259)
Proceeds from sale of property, plant and equipment		2 453	2 842
Net Cash used in Investing Activities		(9 573)	(7 417)
NET (DECREASE) INCREASE IN CASH HELD		(1 648)	2 775
CASH AT 1 JULY		7 350	4 575
CASH AT 30 JUNE	12(a)	5 702	7 350

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to significantly enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The AHA principal sources of funds include grants from the Commonwealth and State Governments, rents and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

2. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The AHA's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- Statement of Accounting Concepts;
- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Accounting Standard AASB 1001 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

(b) Revenue Recognition

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 4(c) for further details.

Recoveries

Recoveries for costs on-charged by the AHA are included in revenue.

Grants

Grants for all purposes have been recognised as revenue when received.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all land, buildings, plant and equipment controlled by the AHA.

The Capital Works in Progress reflects developments that will be utilised in the AHA's operations. The carrying amounts for capital works in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital works in progress and expensed in the current year. The carrying amount for capital works in progress includes a revaluation increment or decrement where the property has previously been revalued.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the AHA has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

The recoverable amount test has not been applied as the AHA is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

(c) Property, Plant and Equipment (continued)

Plant, equipment and leasehold improvements not revalued as at 30 June 2003 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

(i) Rental Properties

All land and buildings have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2003.

(ii) Vacant Land

All vacant land, which is held for future development and AHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2003.

Items of plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

(d) Inventories

The AHA has a policy that annually at 31 October the carrying amount of real property inventories other than those subject to development as capital work in progress are compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount is adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

(e) Depreciation

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment are depreciated over their estimated useful life using the straight line basis.

Major depreciation periods are:

Rental properties (dwellings)*	Years 50
Administrative land and buildings	10-75
Plant and equipment	3-10

* An estimated useful life of 50 years is assumed for rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

(f) Leased Property, Plant and Equipment

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 11.

(g) Employee Benefits as Staffing Costs

Employees of the Department of Human Services are assigned to staff the AHA. The accruing entitlement of Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

The amount payable for annual leave and long service leave represents the amount which the AHA has a present obligation to pay resulting from employee's services provided up to the reporting date. In respect of long service leave the payable was estimated using the short hand method in accordance with Accounting Standard AASB 1028 'Employee Benefits'. The Department of Treasury and Finance advised benchmark of seven years service was used. A payable has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs. Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employer's superannuation contributions thereon. This provision, relating to employee entitlements of Department of Human Services employees assigned to the AHA, has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

(h) Superannuation

The accruing on-costs relating to employee entitlements of the Department of Human Services employees assigned to the AHA have been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

(h) Superannuation (continued)

Contributions are made by the AHA to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, and such amounts will be treated as a payable not an employee related entitlement.

(i) Insurance

The AHA has an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance expense item 'Insurance' reflects the cost of the contribution to SAICORP.

(j) Workers Compensation

The AHA, by virtue of the Department of Human Services exemption, is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The AHA has insurance cover which limits the exposure for losses.

(k) Provisions

Doubtful Debts

Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write-off history has also been raised.

(l) Unearned Revenue

Lump sums received for leases assigned on AHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(m) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts identified. Bad debts are written off as incurred.

(n) Payables

Those amounts which represent liabilities for goods and services provided to the AHA and other amounts, including interest are identified as payables.

(o) Tax Status

The activities of the AHA are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including payroll tax are applicable.

(p) Accounting for Goods and Services Tax (GST)

The AHA is part of a GST group. The nominated representative (Department of Human Services) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

- The amount of GST incurred by the AHA as a purchaser that is not recoverable from the Department of Human Services is recognised as part of the cost of acquisition of an asset or as a part of an item of expense;
- Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Department of Human Services has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Department of Human Services have however been classified as operating cash flows.

3. Report by Major Activities

(a) Tenant/Client Services Public Rental

Statewide AHA program incorporating the management of public rental housing.

General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program.

(b) Community Housing Program

The Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.

General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program).

3. Report by Major Activities (continued)

	Tenant/Client Services Public Rental		Community Housing Program		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenues from Ordinary Activities:						
Rent	7 608	7 203	-	-	7 608	7 203
Recoveries	1 573	1 245	173	88	1 746	1 333
Interest	129	164	119	84	248	248
Net revenue from disposal of non-current assets	523	227	-	-	523	227
Other revenue	354	73	155	332	509	405
Total Ordinary Revenues	10 187	8 912	447	504	10 634	9 416
Contributions from Government:						
CSHA	8 969	6 965	7 600	8 712	16 569	15 677
GST Compensation	620	620	-	-	620	620
Other grants	839	1 795	-	-	839	1 795
ATSIC	-	-	3 408	3 707	3 408	3 707
Total Contributions from Government	10 428	9 380	11 008	12 419	21 436	21 799
Total Revenues	20 615	18 292	11 455	12 923	32 070	31 215
Expenses from Ordinary Activities:						
Grants	-	-	8 462	10 890	8 462	10 890
Maintenance	4 981	4 419	-	57	4 981	4 476
Staffing costs	2 310	2 128	2 142	1 192	4 452	3 320
Council and water rates	2 037	1 884	-	4	2 037	1 888
Depreciation	1 977	1 775	117	93	2 094	1 868
Business services fees	700	669	646	347	1 346	1 016
Bad and doubtful debts	1 070	452	-	-	1 070	452
Rent	214	262	197	137	411	399
Insurance	94	134	-	-	94	134
Other	1 443	1 316	1 372	775	2 815	2 091
Total Expenses	14 826	13 039	12 936	13 495	27 762	26 534
Surplus (Deficit) from Ordinary Activities	5 789	5 253	(1 481)	(572)	4 308	4 681
OPENING ACCUMULATED SURPLUS	148 279	143 026	3 698	4 270	151 977	147 296
CLOSING ACCUMULATED SURPLUS	154 068	148 279	2 217	3 698	156 285	151 977
Outstanding Commitments	1 936	784	4 107	5 912		

4. Revenues from Ordinary Activities

(a) Rent	2003 \$'000	2002 \$'000
Gross rent	12 535	11 848
Rental rebates	(4 927)	(4 645)
	7 608	7 203
(b) Recoveries		
Maintenance	506	548
Bad debts	193	369
Water charges	220	209
Salary and wages	332	132
Other	495	75
	1 746	1 333
(c) Net Revenue from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	2 442	2 265
Less: Cost of sales	1 919	2 038
	523	227
(d) Grant Revenue		
Commonwealth State Housing Agreement	16 569	15 677
GST Compensation	620	620
Other	839	1 795
	18 028	18 092
(e) Other Grants		
Aboriginal and Torres Strait Islander Commission	3 408	3 707
	3 408	3 707

5. Expenses from Ordinary Activities	2003	2002
(a) Staffing Costs	\$'000	\$'000
Salaries and wages	3 161	2 475
Superannuation	333	253
Annual leave	306	252
Payroll tax	330	129
Board and committee fees	37	78
Long service leave	280	59
Other salary related expenses	5	74
	4 452	3 320
(b) Depreciation		
Freehold buildings	1 851	1 594
Computing equipment	141	205
Leasehold improvements	85	47
General plant and equipment	16	22
Administration buildings	1	-
	2 094	1 868
(c) Business Services Fees		
The AHA engages the services of other units within the Department of Human Services to deliver a range of business services to the AHA. Service Level Agreements outline the nature of this service and the fee charged to the AHA.		
(d) Bad and Doubtful Debts	2003	2002
	\$'000	\$'000
Bad debts written off	601	664
Doubtful debts expense	469	(212)
	1 070	452
(e) Other		
Communication and computing	560	339
Buildings Written Off	485	-
Accommodation and travel	422	371
Contractors fees	222	242
Minor equipment	55	217
Vehicle expenses	311	178
Printing, stationery, postage and periodicals	158	125
Consultancies	26	91
Audit remuneration*	61	67
Training	60	64
Bank charges	15	-
Other	440	397
	2 815	2 091
* Includes remuneration of \$50 000 paid or payable to the auditors for the audit of the financial report of the AHA for the year ending 30 June 2003. No other services were provided by the auditors.		
6. Receivables		
Debtors	5 291	4 216
Grant funding	114	689
Excess water	18	34
GST recoverable from the Department of Human Services	76	347
Provision for doubtful debts	(904)	(435)
	4 595	4 851
7. Inventories		
Vacant land	27	38
Stores	2	4
	29	42
8. Property, Plant and Equipment		
Freehold land and buildings (At valuation)	172 841	147 431
Accumulated depreciation	(1 309)	(982)
	171 532	146 449
Vacant land (At cost)	888	420
Leasehold improvements (At cost)	887	877
Accumulated depreciation	(375)	(290)
	512	587
Administration Land and Buildings (At cost)	63	-
Accumulated Depreciation	(1)	-
	62	-
Capital works in progress	6 384	7 539

8. Property, Plant and Equipment (continued)	2003	2002
	\$'000	\$'000
General plant and equipment (At cost)	216	187
Accumulated depreciation	(53)	(37)
	163	150
Computing equipment (At cost)	628	628
Accumulated depreciation	(620)	(479)
	8	149
Total Property, Plant and Equipment	179 549	155 294

Reconciliation

	2003			
Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:	Freehold Land and Buildings \$'000	Vacant Land \$'000	Leasehold Improvements \$'000	Administration Land and Buildings \$'000
Carrying amount at 1 July	146 449	420	587	-
Additions	13 503	378	10	148
Disposals/scrapped	(2 469)	-	-	(85)
Transfers to works in progress	(726)	-	-	-
Transfers to completed works	-	95	-	-
Net revaluation increment less revaluation decrements	16 780	-	-	-
Depreciation expense	(1 851)	-	(85)	(1)
Other movements	(154)	(5)	-	-
Carrying Amount at 30 June	171 532	888	512	62

Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:	Capital Works in Progress \$'000	General Plant and Equipment \$'000	Computing Equipment \$'000	2003 Total \$'000
Carrying amount at 1 July	7 539	150	149	155 294
Additions	7 182	29	-	21 250
Disposals/scrapped	-	-	-	(2 554)
Transfers to works in progress	726	-	-	-
Transfers to completed works	(9 063)	-	-	(8 968)
Net revaluation increment less revaluation decrements	-	-	-	16 780
Depreciation expense	-	(16)	(141)	(2 094)
Other movements	-	-	-	(159)
Carrying Amount at 30 June	6 384	163	8	179 549

9. Payables	2003	2002
Current Payables:	\$'000	\$'000
Creditors	3 125	1 965
Staffing benefits	367	219
GST payable to the Department of Human Services	294	398
Council and water rates	51	84
	3 840	2 666
Non-Current Payables:		
Staffing Benefits	497	359
	497	359
10. Other Liabilities		
Current Liabilities:		
Insurance provisions	213	227
Unearned revenue	82	77
	295	304

11. Expenditure Commitments		
Capital Expenditure		
The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below.		
These amounts have not been brought to account in the financial statements:		
Not later than one year	1 936	784

Recurrent Expenditure	2003	2002
The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements:	\$'000	\$'000
Not later than one year	4 107	5 912
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable inclusive of GST:		
Not later than one year	438	434
Later than one year but not later than five years	745	1 133
Total	1 183	1 567

The operating leases disclosed above are for administrative properties 153 Wakefield Street and 15 Cypress Street, Adelaide and are for terms of 10 and 4 years respectively. The leases for 153 Wakefield Street and 15 Cypress Street have three years remaining. Both leases contain renewal options for both the lessee and lessor.

12. Notes to the Statement of Cash Flows	2003	2002
(a) Reconciliation of Cash Assets	\$'000	\$'000
For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash held in deposit account	5 697	7 345
Cash on hand	5	5
	5 702	7 350
(b) Reconciliation of Net Cash Provided by Operating Activities to Surplus from Ordinary Activities Before Asset Disposals		
Net Cash provided by Operating Activities	7 925	10 192
Depreciation	(2 094)	(1 868)
Buildings written off	(485)	-
Net revenue from disposal of non-current assets	523	227
	5 869	8 551
Change in Assets and Liabilities:		
(Decrease) in receivables excluding receivables from asset sales	(256)	(3 109)
(Decrease) in inventories	(2)	(2)
(Increase) in payables	(1 312)	(726)
Decrease (increase) in other liabilities	9	(33)
	(1 561)	(3 870)
Surplus from Ordinary Activities	4 308	4 681

13. Remuneration of Board Members and Employees		
(a) Board Members' Remuneration		
The AHA Board of Management comprises nine members and eight Deputy Members. Board Members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board Members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures.		

Board Members of the AHA during the financial year were:

Mr G Cooley (Chairperson)	Mr H Miller (from 20 February 2003)
Ms S Rankine (Deputy Chairperson)	Mr T Sansbury (from 20 February 2003)
Mr Y Lester (from 20 February 2003)	Mr A McKenzie (from 20 February 2003)
Mr H Rankine (from 20 February 2003)	Mr B Butler (to 5 December 2002)
Ms K Larkins (from 27 February 2003)	Dr A Barton (to 5 December 2002)
Mr K Wanganeen (from 20 February 2003)	Mr D Fraser (to 5 December 2002)

The number of Board Members whose remuneration from the AHA falls within the following bands:

	2003	2002
	Number of	Number of
	Members	Members
\$nil	5	-
\$1 - \$10 000	5	9
\$10 001 - \$20 000	2	1
	12	10
	2003	2002
	\$'000	\$'000
Total remuneration received, or due and receivable by the Board Members of the AHA	54	56

In addition, two Deputy Members were paid \$7 500.

(a) Board Members' Remuneration (continued)

Board Members and Deputy Members of the AHA have declared the following interest in the following community organisations which have received funding from the AHA. The Board Members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA had entered into transactions during the year.

Mr V Wilson (Deputy Member for Sheeren Rankine) - declared his interest as Manager of Kalparrin Community and ATSIC Regional Council Patpa Warra Yunti.

Grant expenditure 2002-03 - \$21 600

Mr G Cooley - declared his interest as Chairperson from Umoona Community Council

Grant expenditure 2002-03 - \$103 500

Mr J Scott (Deputy Member for Mr H Miller) - declared his interest as Manager of Scotdesco Community Inc and ATSIC Regional Council Patpa Warra Yunti.

Grant expenditure 2002-03 - \$36 100

Mr H Miller - declared his interest in respect to the Port Lincoln Aboriginal Community Council.

Grant expenditure 2002-03 - \$56 500

Ms Gwen Miller (Deputy Member for Mr Yami Lester) - declared her interest in Yarilena Community Organisation (member).

Grant expenditure 2002-03 - \$30 800

Mr A McKenzie - declared his interest in respect to the Davenport Community Council (resident) and Viliwarrinha Yura Aboriginal Cooperation (member) Port Augusta City Council Aboriginal Advisory Council.

Grant expenditure (Davenport) 2002-03 - \$219 500

Grant expenditure (Viliwarrinha) 2002-03 - \$10 500

(b) Employees' Remuneration

One employee assigned by the Department of Human Services to the AHA normal remuneration exceeded \$100 000. Remuneration includes salary, employers superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax.

The number of employees whose normal remuneration was over \$100 000 was:

	2003	2002
	Number of	Number of
	Employees	Employees
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-
	2003	2002
	\$'000	\$'000
Total value of remunerations in excess of \$100 000 were	155	149

14. Equity

Equity represents the residual interest in the net assets of the AHA. The State Government holds the equity interest in the AHA on behalf of the South Australian community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Accumulated	Asset	2003	Accumulated	Asset	2002
	Surplus	Revaluation	Total	Surplus	Revaluation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	151 977	12 231	164 208	147 296	3 857	151 153
Changes in equity:						
Surplus from ordinary activities	4 308	-	4 308	4 681	-	4 681
Increments related to the revaluation of:						
Rental properties	-	16 480	16 480	-	8 406	8 406
Revaluation increment (decrements) on disposal of properties	-	247	247	-	(32)	(32)
Balance as at 30 June	156 285	28 958	185 243	151 977	12 231	164 208

15. Additional Financial Instruments Disclosure**(a) Credit Risk**

The AHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. The AHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to AHA staff and tenants.

(b) Interest Rate Risk Exposure

The AHA is not exposed to any interest rate risk exposure, there are no fixed interest assets or liabilities. The only interest bearing component of the AHA is that of the floating interest rate for Cash and Deposits which was deemed to be 4.6 percent as at 30 June 2003.

(c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below. For the financial assets and liabilities which are subject to normal trade credit terms, the carrying value is considered to be fair value.

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	5 702	5 702	7 350	7 350
Receivables	4 595	4 595	4 851	4 851
Total Financial Assets	10 297	10 297	12 201	12 201
Financial Liabilities:				
Payables	4 337	4 337	3 025	3 025
Total Financial Liabilities	4 337	4 337	3 025	3 025
Net Financial Assets	5 960	5 960	9 176	9 176

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991 (the Act)*.

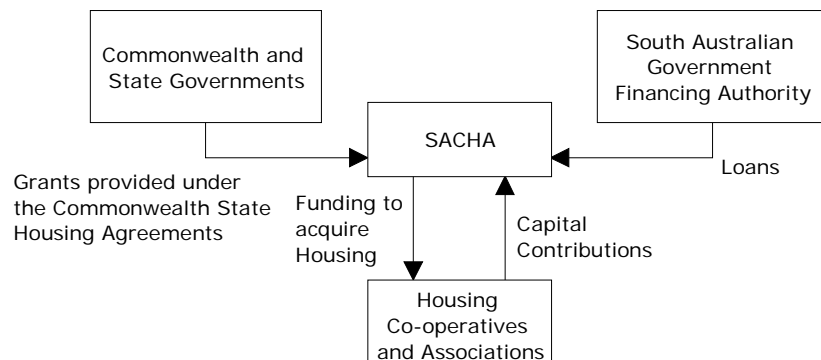
Functions

The Authority has a broad range of functions associated with the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

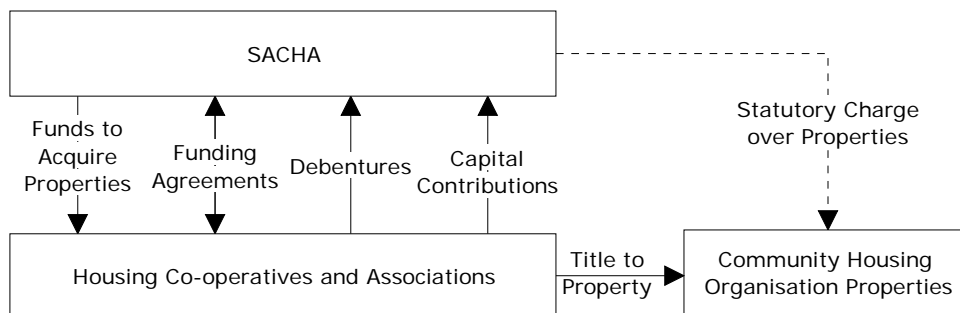
- The provision of advice to the Minister for Housing.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations (CHOs) which receive funds from it on the other.

The first chart documents the overview of the relationships.

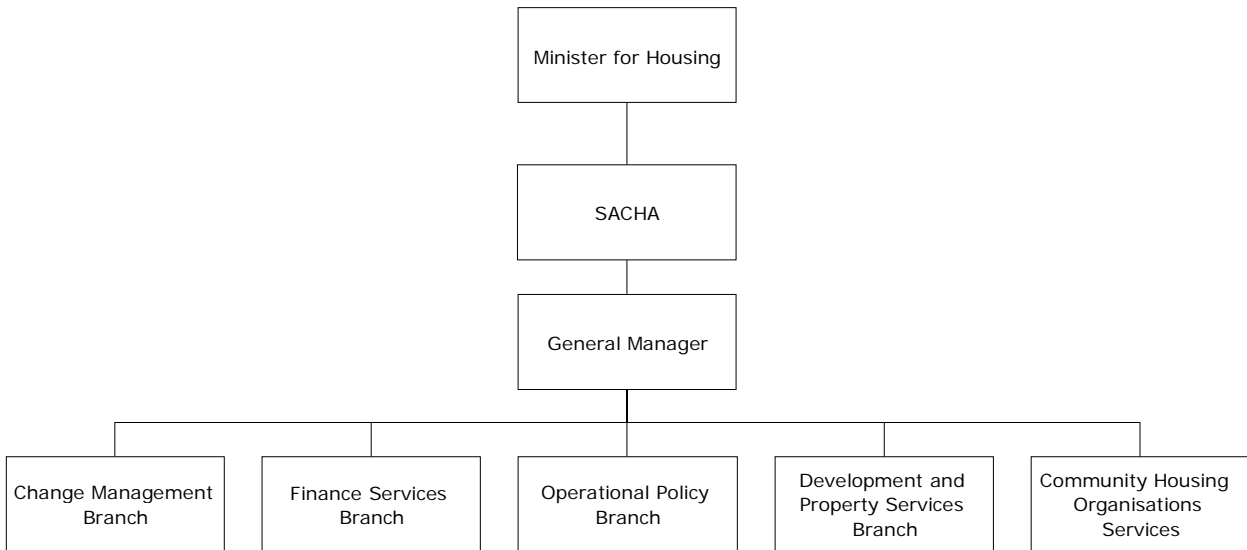


The second chart documents in more detail the relationship between the Authority and CHOs.



Structure

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



Audit Committee

The Authority has an Audit Committee which comprises three Authority members appointed by the Board. The Audit Committee meets on at least a quarterly basis and reports to the Board on the effectiveness of controls over the operations of the Authority. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03 specific areas of audit attention included:

- budgetary control
- management reporting
- expenditure, including both capital and operating
- revenue (including contributions from co-operatives and associations)
- payroll
- non-current assets (including debentures and property and equipment).

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Authority. Responses to the management letter were generally considered to be satisfactory. Major matters raised with the Authority and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Community Housing Authority as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', is sufficient to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Reconciliations

The preparation of reconciliations of financial and related data is a key control activity in that it contributes significantly to the integrity of the data. Moreover, this data is used as the basis for the preparation of management and financial reports upon which decision making is based. The audit revealed that key reconciliations were either not being performed for the entirety or part of 2002-03. Audit considered that the preparation of the following reconciliations would enhance the control environment of SACHA.

- Reconciliation of work in progress as reported in the General Ledger to the Property Database.
- Reconciliation of the movement in the value of debentures as reported in the Debenture Register to supporting records such as the Sales Register and Property Database.
- Reconciliation of legal documentation, such as Debentures and Certificate of Titles, to the Debenture Register.
- Reconciliation of actual project expenses as reported in the Property Database to the Accounts Payable system.
- Reconciliation of expenditure transactions as processed through the Accounts Payable system to the General Ledger.

Management have agreed that a majority of the above reconciliations will be performed on a regular basis with the exception of the reconciliation of the movement in the value of debentures. Management indicated that this particular reconciliation would require considerable resources, if undertaken on a monthly basis, given the volume and nature of property movements. Management and Audit will discuss this matter further to identify the benefits gained in undertaking the reconciliation on a more regular basis rather than at 30 June each year.

Payroll

SACHA's payroll processing function is outsourced to the Department of Human Services (DHS) pursuant to an annual Service Level Agreement which details the obligations of both parties. To a significant degree, SACHA rely on the control environment of DHS for the processing of payroll transactions. Notwithstanding this arrangement, the Financial Management Framework places the responsibility for monitoring and reporting on the effectiveness of controls with the Chief Executive of an agency. Consequently, the responsibility for ensuring an effective control environment rests with SACHA and cannot be devolved despite outsourcing the

provision of services and processing controls. In reviewing SACHA's control environment, Audit considers that the level and extent of reporting, monitoring and review of the effectiveness of the following control areas could be improved:

- Processes to allow for the overall monitoring of controls performed by DHS and the identification and consideration of control issues on a timely basis.
- Controls surrounding the validity of payroll transactions to ensure that only bona fide employees of SACHA are being paid.
- Controls surrounding the completeness and accuracy of processing payroll transactions to ensure the validity of SACHA's expenditure.

Management agreed with the recommendations made including, regular meetings with representatives of DHS to review their performance and, implementing procedures to ensure the validity, completeness and accuracy of payroll expenditure.

Housing Reform

In 2000-01 Audit raised a number of matters relating to the implementation of the Housing Reform Agenda. Audit coverage for 2001-02 and 2002-03 focussed on monitoring SACHA's progress in addressing these matters. For further details of these matters, refer to my reports for the years ending 30 June 2001 and 30 June 2002. Audit noted that in 2002-03, SACHA continued to work through these issues and that they were included in its 2002-03 Business Plan (which will also flow into 2003-04).

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

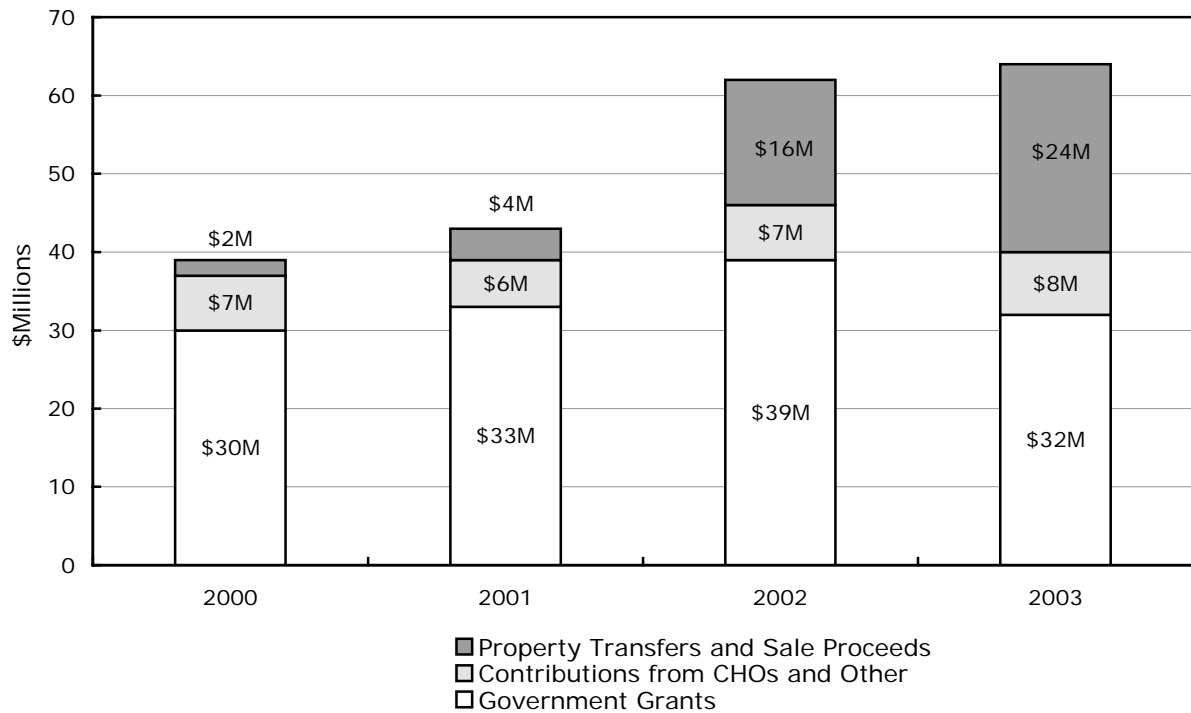
Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	32	39	(18)
Property transfer and sales proceeds	24	16	50
Other revenue	8	7	14
Total Operating Revenue	64	62	3
OPERATING EXPENDITURE			
Borrowing costs	9	9	-
Net book value of transfers and properties sold	24	15	60
Other expenses	6	4	50
Total Operating Expenses	39	28	39
Net Surplus from Ordinary Activities	25	34	(26)
Net Cash Flows from Operations	14	24	(42)
ASSETS			
Current assets	23	19	21
Non-current assets	454	366	24
Total Assets	477	385	24
LIABILITIES			
Current liabilities	2	2	-
Non-current liabilities	121	121	-
Total Liabilities	123	123	-
EQUITY	354	262	35

Statement of Financial Performance

Operating Revenues

For the four years to 2003 a structural analysis of operating revenues for the Authority is presented in the following chart.



The above chart indicates the extent to which the Authority is reliant on Government grants and the consistency of other sources of revenue.

Government Grants

During 2002-03 Government grants (reflecting funding for both recurrent and capital purposes) decreased by \$7.2 million to \$32.1 million. The decrease predominantly reflects the decrease in funding relating to grants specifically provided for the purpose of acquiring South Australian Housing Trust properties at market value.

Property Transfer and Sales Proceeds

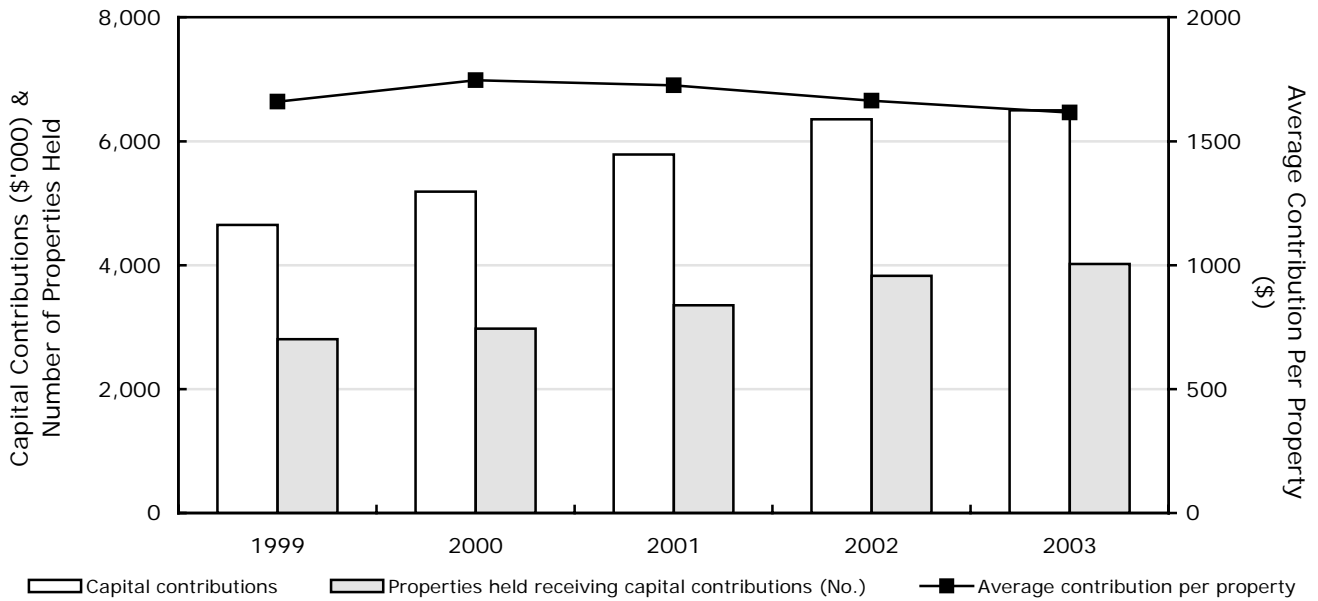
The increase in property transfer and sales proceeds over the past two years relates to changes in practices as a result of the introduction of the GST whereby the Authority developed properties in its own name. As a result, property transfers are now reflected as revenue in the Statement of Financial Performance. Further details are provided under Operating Expenses.

Contributions from Community Housing Organisations

During 2002-03 capital contributions from the CHOs (excluding insurance premiums recharged to CHOs) were \$6.3 million. The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs' tenants and is subject to income tests. After allowing for rental subsidies, the capital contributions totalling \$6.3 million (\$6.4 million) were insufficient to meet the Authority's borrowing costs, which totalled \$8.8 million (\$9.2 million).

Note 21(a) to the financial statements provides details of the weighted average interest rate return on capital funding to housing organisations which represents total capital contributions received divided by total funding to housing organisations. The weighted average interest rate decreased to 1.73 percent in 2002-03 from 1.83 percent. This decrease was due predominantly to higher property values relating to funding provided to housing organisations.

The following chart shows the trend of capital contributions from CHOs over the past five years.



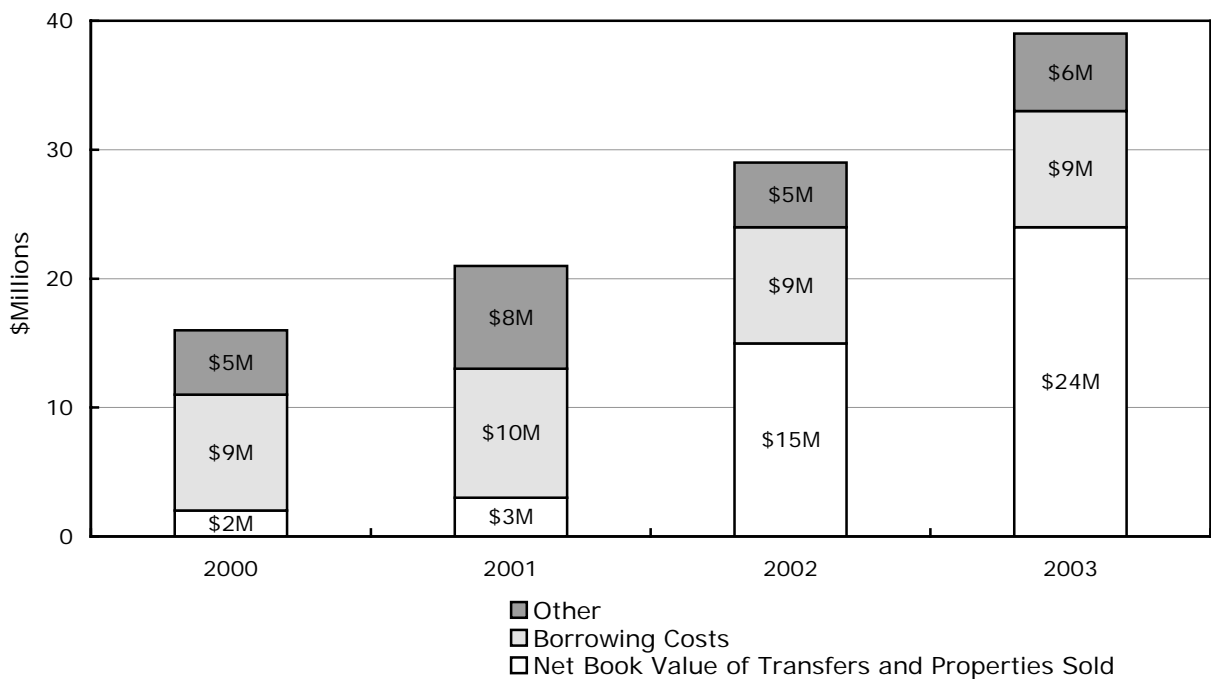
The chart highlights that while the total capital contributions received and the number of properties have increased over the period, in 2002-03 the proportion of capital contributions per property (ie debentured, mortgaged, leased etc) continued to decline to levels consistent with 1999.

The primary reason for this decline is an increase in operating levies to meet increased property and operating costs (increased by \$5 per property per week as disclosed in Note 2.5 to the financial statements). As a consequence, the CHOs retain a higher portion of the rental income which decreases the capital contribution paid to the Authority.

Operating Expenses

During 2002-03, total operating expenses increased by \$10.6 million to \$39.2 million. This increase was due primarily to an increase in the number of properties transferred to CHOs (which in the main represented properties transferred from the South Australian Housing Trust) and the full year impact of changed practices due to the GST (further explanation is provided later).

For the four years to 2003 a structural analysis of the main operating expense items for the Authority is shown in the following chart.



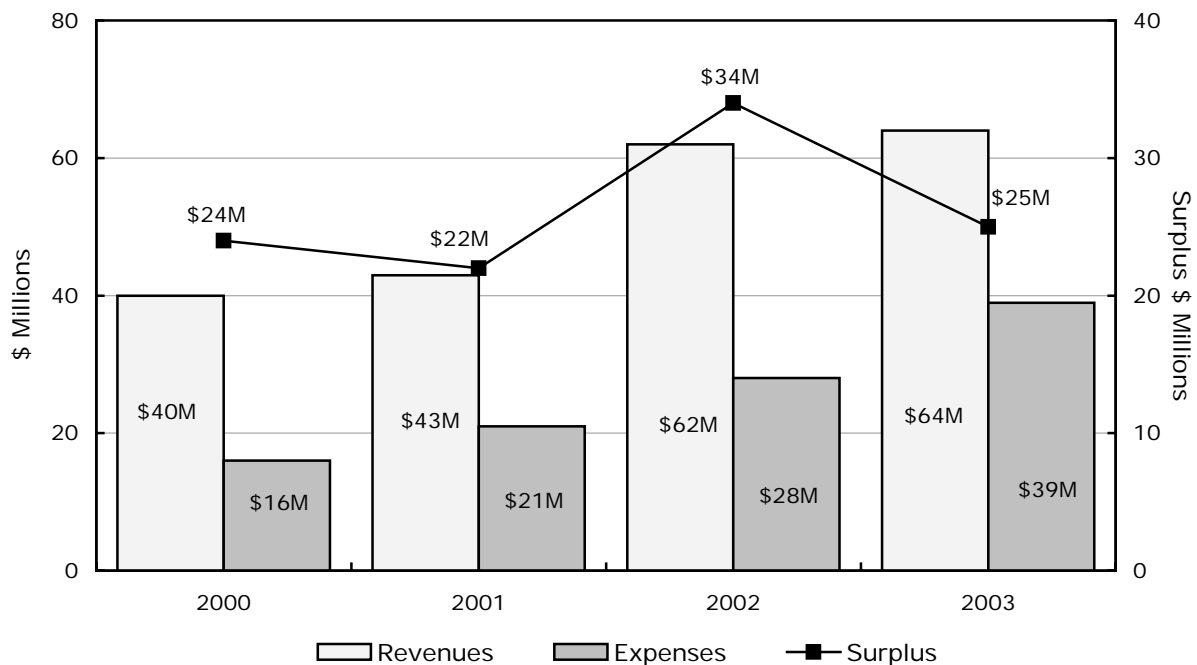
The chart highlights that over the period of review the Authority's operating expenses, with the exception of the net book value of transfers and properties sold, have remained relatively constant.

For GST purposes, the Authority decided to develop properties in their own name and then on completion transfer the property to the CHOs. This differed from previous practice whereby the Authority advanced monies to the CHOs for the purchase, upgrade or construction of dwellings. These advances are reported as loans to CHOs in the Statement of Financial Position (refer to Note 17 for further details). The new practice is reflected in the Statement of Financial Performance as a sales transaction where transfer proceeds are shown as revenue and the net book value of transfers are shown as an expense. This arrangement commenced from 1 January 2002 and accounts for the increase in expenses over the past two years. This increase is consistent with the increase in revenue.

Operating Result

For 2002-03 the Net Surplus from Ordinary Activities decreased by \$8.6 million from \$33.7 million to \$25.1 million. The decrease reflects a \$2 million increase in Revenues from Ordinary Activities and a \$10.6 million increase in Expenses from Ordinary Activities.

The following chart shows the movement in revenues, expenses and surpluses for the four years to 2003.



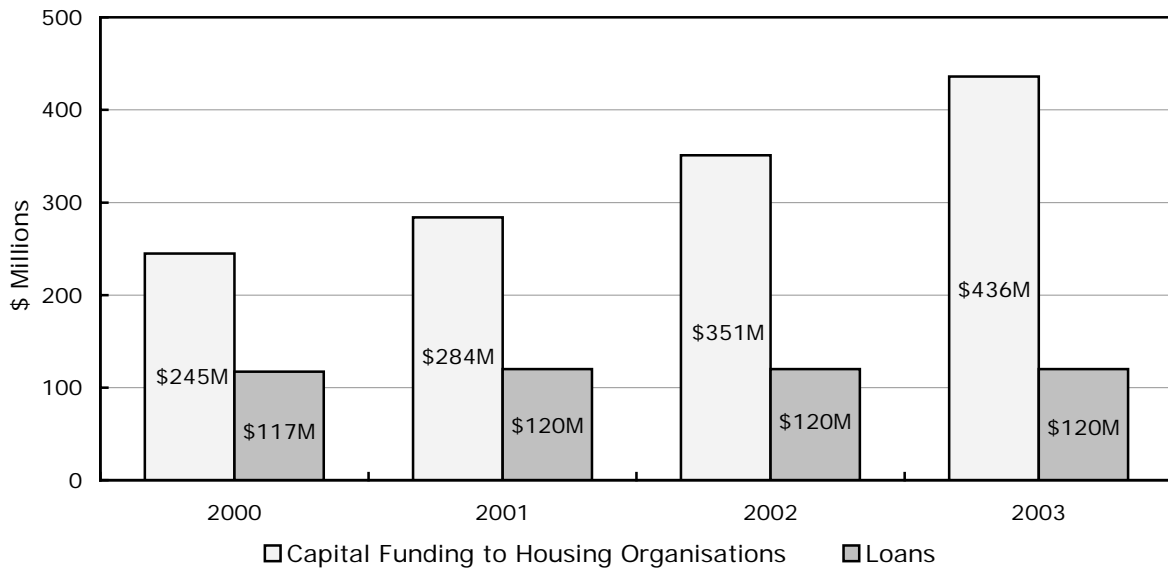
Over the past four years, the surplus has been consistently large. This is due primarily to operating revenue including Government grants of a capital nature, the expenditure of which is reflected in the Statement of Financial Position as Capital Funding to Housing Organisations. The Capital Funding to Housing Organisations is also supplemented by borrowings the Authority has with the South Australian Government Financing Authority.

In 2003, the decrease in the surplus was due mainly to a decrease in Government grants as previously explained.

Statement of Financial Position

The Statement of Financial Position contains one dominant item of assets (Capital Funding to Housing Organisations) and one dominant item of liabilities (Loans), both of which are non-current. Current assets and current liabilities are less significant and have remained relatively stable over a number of years.

For the four years to 2003 a structural analysis of Capital Funding to Housing Organisations and Loans is shown in the following chart.



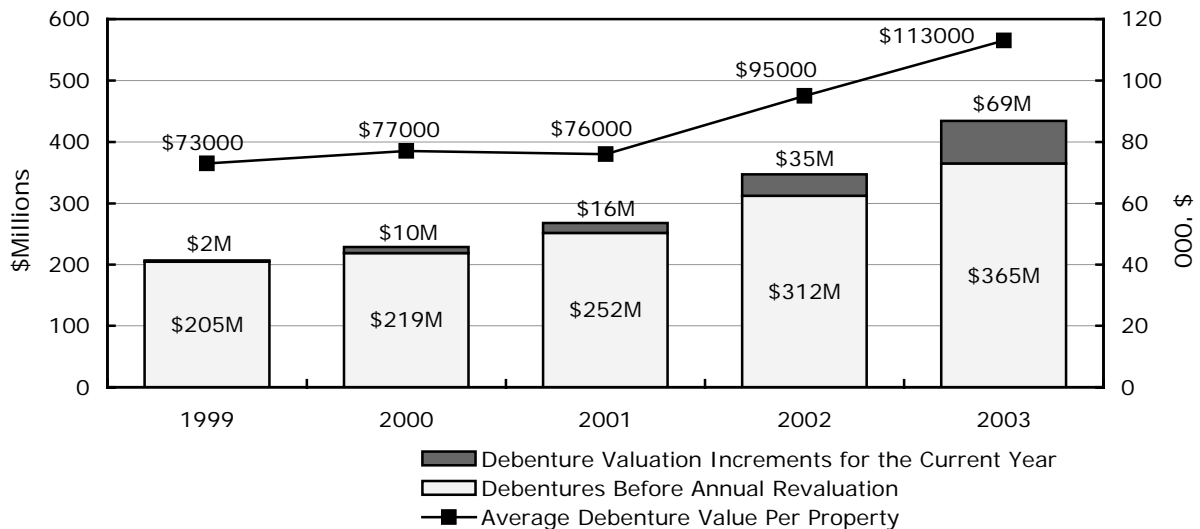
Capital Funding to Community Housing Organisations

The number of CHOs receiving funding from the Authority to acquire houses in 2002-03 was 126 (134). Properties from which the Authority has earned capital contributions totalling \$6.3 million were as follows:

Property Type	2003 Number	2002 Number
Debentured properties	3 829	3 666
Mortgaged properties	21	21
Properties leased from SAHT and sub-leased back to CHOs	113	117
Properties directly leased to CHOs	59	24
Total	4 022	3 828

In addition to the above properties, a total of 24 (35) properties were leased back to the South Australian Housing Trust (SAHT), 239 (232) properties were included in work in progress and 13 (14) properties were held by the Authority (which were surplus to the requirements of CHOs).

Funding to CHOs supported by issued debentures at 30 June 2003 was \$434 million (\$346.8 million), an increase of \$87.2 million reflecting, in the main, net additions to debentures of \$18.2 million and a revaluation of the underlying properties by \$69 million (\$34.9 million). The following chart shows the growth in the value of debentures issued to CHOs over the past five years.



The chart shows that annual debenture revaluation increments have been significant for the past three years. The revaluation increment in 2002-03 was \$69 million, which represented an increase of 15.9 percent in the value of properties debentured. The valuation increments reflect the continued strength of the property market at this point in time. Equally, any weakening in the property market can be expected to be reflected in downward movements in the value of debentures.

Capital Commitments

As at 30 June 2003, obligations under approved new-build and spot purchase projects in progress totalled \$10.5 million (\$13 million). Cash at Treasury and on hand totalled \$20.7 million (\$16.8 million).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	14.4	24.2	4.8	15.6
Investing	(10.5)	(17.9)	(19.3)	(16.3)
Financing	-	-	-	-
Change in Cash	3.9	6.3	(14.5)	(0.7)
Cash at 30 June	20.7	16.8	10.6	25.1

Net Cash Provided by Operating Activities decreased by \$9.8 million resulting mainly from decreased cash flows received from Government (ie a decrease of \$10 million from \$30.8 million to \$20.8 million).

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Government grants	2.2, 3	32 059	39 251
Contributions received and receivable from community housing organisations	2.2, 4	6 953	6 739
Interest and sundry income	5	831	528
Lease receipts from SA Housing Trust	2.16	164	11
Contributed assets	6	345	-
Property transfer and sale proceeds	7	23 561	15 523
Capital project recoveries	2.4	375	224
Total Revenues		64 288	62 276
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing and related costs	2.12	2 167	2 133
Net book value of transfers and properties sold	7	23 789	15 048
Rental expenses	2.3	242	279
Office expenses		195	173
Other expenses	8	744	641
Community housing organisations costs	9	867	1 081
Grants to community housing organisations	10	1 046	818
Asset Management Grant - Comhouse		-	41
Borrowing costs	11	8 775	9 243
Lease payments to SA Housing Trust	2.16	579	764
GST provision write back		-	(1 624)
Decrement on revaluation of property		767	-
Total Expenses		39 171	28 597
NET SURPLUS FROM ORDINARY ACTIVITIES			
		25 117	33 679
Net (decrease) increase in asset revaluation reserve	12	(51)	133
Net increase in debenture indexation reserve	13	66 729	31 227
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY			
		66 678	31 360
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		91 795	65 039

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash at Treasury and on hand	14	20 739	16 836
Receivables	15	1 802	1 516
Total Current Assets		22 541	18 352
NON-CURRENT ASSETS:			
Capital funding to housing organisations	2.8, 17	435 961	351 178
Property and equipment	2.9, 19	18 171	15 087
Total Non-Current Assets		454 132	366 265
Total Assets		476 673	384 617
LIABILITIES:			
CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	2 259	2 101
Total Current Liabilities		2 259	2 101
NON-CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	213	149
Loans	20	119 927	119 664
Capital indexed bond	2.15	-	197
Hot water service warranty provision	2.14, 18	671	698
Total Non-Current Liabilities		120 811	120 708
Total Liabilities		123 070	122 809
NET ASSETS		353 603	261 808
EQUITY:			
Accumulated surplus	23	238 022	212 617
Asset revaluation reserve	12	-	110
Debenture indexation reserve	13	115 581	49 081
TOTAL EQUITY		353 603	261 808
Capital Commitments	24		

**Statement of Cash Flows
for the year ended 30 June 2003**

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Payments to suppliers and employees		(4 587)	(3 959)
Borrowing costs		(8 075)	(8 422)
Lease payments to SA Housing Trust		(579)	(753)
GST payments on purchases		(605)	(1 224)
RECEIPTS:			
Receipts from housing organisations		6 121	6 183
Interest received		785	542
Lease receipts from SA Housing Trust		164	11
GST receipts from taxation authority		377	974
GOVERNMENT RECEIPTS:			
Cash flows from government		20 801	30 827
Net Cash provided by Operating Activities	22	14 402	24 179
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding to housing organisations		(15 240)	(20 713)
Proceeds from sales of property		4 779	2 852
Purchase of office and computer equipment		(38)	(34)
Net Cash used in Investing Activities		(10 499)	(17 895)
NET INCREASE IN CASH HELD		3 903	6 284
CASH AT 1 JULY		16 836	10 552
CASH AT 30 JUNE	14	20 739	16 836

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority (SACHA) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA is derived from Commonwealth and State Government grants, rents, sale of properties and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) to fund non-current assets.

2. Statement of Accounting Policies**2.1 Basis of Accounting**

The Authority has fully employed the accrual basis of accounting in the preparation of the accounts and has consistently applied its accounting policies. The financial statements are a general purpose financial report drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money.

2.2 Revenue Recognition*Government Grants*

The Authority recognises grant funds as income when monies are received and controlled or when all conditions under which funding is provided have been fulfilled by the Authority.

Contributions Received and Receivable from Community Housing Organisations

The Authority recognises these contributions when cash is received throughout the period. An estimate of the June amount receivable is accrued.

Other Revenue

Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectible.

2.3 Rental Expenses

In accordance with a Service Level Agreement with the Department of Human Services, the Authority is invoiced by the Department of Human Services on a monthly basis for the cost of building occupancy and vehicle use. As such, the Authority has no lease liabilities under these arrangements.

2.4 Capital Project Recoveries

Technical services are provided to assist Community Housing Organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1 750 per house, which is added to the loans provided to individual Community Housing Organisations.

2.5 Insurance

SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of Community Housing Organisations. In addition, the minimum insurance standards have been amended to incorporate a Financial Insurance Package. SACHA has assumed responsibility for the administration and recharging of insurance premiums to Community Housing Organisations.

The Authority responded to the significant increases in insurance premiums and deductibles this year, by providing a subsidy to Community Housing Organisations approximating the additional costs of cover. In addition, a \$5 per property per week increase in the operating levy was approved, \$2 of which was specifically allocated to meet the increased cost of insurance.

2.6 Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentures for properties with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2.7 Accounting for Capital Indexed Debt

The SAFA Capital Indexed Debt was refinanced in August 2002 with an alternative fixed SAFA loan.

2.8 Debentures

Debentures issued by Community Housing Organisations with respect to tenantable housing and reflecting the value of funds provided to Community Housing Organisations to acquire and upgrade or to construct new buildings are revalued at balance date to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments or decrements have been reflected in the Debenture Indexation Reserve.

2.9 Property and Equipment

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Revaluation increments for this class of assets have been accounted for by crediting the Asset Revaluation Reserve. Revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Statement of Financial Performance as Decrement on Revaluation of Property.

Work in Progress reflects properties under construction and is valued at cost.

Items of office and computer equipment acquired at a cost of \$1 000 and above were capitalised during 2002-03.

2.10 Depreciation

Equipment is carried at cost and is depreciated over its estimated useful life using the straight-line basis. For computer equipment the depreciation period is 3 years whilst general office equipment is depreciated over a 10 year period.

Property is not depreciated as it is held awaiting sale or transfer to Community Housing Organisations, and on transfer, the underlying debenture asset is not subject to depreciation requirements.

2.11 Accounting for Goods and Services Tax (GST)

SACHA is part of a GST group. The nominated representative of the GST group (the Department of Human Services) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by SACHA. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

2.12 Staffing and Related Costs

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability of the Authority to the Department. The amount is reflected in trade creditors and accrued expenses (refer Note 16).

2.13 Provision for Doubtful Debts

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

2.14 Hot Water Service Warranty Provision

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a provision to cover future expenditure. Properties acquired by Community Housing Organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby Community Housing Organisations joining Comhouse Co-operative Ltd (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

2.15 Capital Indexed Bond

SACHA had issued a Capital Indexed Bond as part of the settlement of a land purchase. This bond was redeemed on the fifth anniversary of the completion date of the project in March 2003.

2.16 Lease Arrangements with the SA Housing Trust

SACHA leases a number of properties from the SA Housing Trust to support ongoing demand for housing within the community housing sector. Lease arrangements in respect of these properties are cancellable with three months notice, and as such no lease commitment is required to be disclosed, consistent with the requirements of Australian Accounting Standard AASB 1008 'Leases'.

Under reciprocal arrangements with the SA Housing Trust, SACHA leases properties to the SA Housing Trust which are also cancellable with three months notice.

2.17 Comparative Figures

The previous year's figures are provided in the financial report for comparative purposes. Where applicable, figures have been adjusted to conform with changes in presentation and classification in the current year.

3. Government Grants	2003	2002
	\$'000	\$'000
CSHA - Commonwealth ⁽ⁱ⁾	7 577	7 760
CSHA - State matching ⁽ⁱ⁾	4 938	3 803
CSHA grants - SAHT transfers ⁽ⁱⁱ⁾	11 258	17 671
CHP grants ⁽ⁱⁱⁱ⁾	4 959	4 982
Other State grants	3 327	5 035
Total	32 059	39 251

(i) Refers to the Commonwealth/State Housing Agreement.

(ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to the Authority for the purpose of acquiring South Australian Housing Trust (SAHT) properties at market value.

(iii) Refers to a tied program (entitled the Community Housing Program) under the Commonwealth/State Housing Agreement.

4. Contributions Received and Receivable from Community Housing Organisations	2003	2002
	\$'000	\$'000
Capital contributions	6 288	6 315
Major maintenance contributions	43	50
Insurance premiums re-charged to CHOs	622	374
	6 953	6 739

5. Interest and Sundry Income		
Interest	828	528
Sundry income	3	-
	831	528

6. Contributed Assets
In the past, grants have been provided to some Non-Government Organisations under arrangements which did not require them to issue debentures to the Authority. These grants have been expensed as advanced.

During 2002-03, Non-Government Organisations voluntarily returned 6 properties previously funded by these grants for no consideration. The Authority has recognised these properties as Contributed Assets.

7. Surplus/Deficit on Sale of Properties	2003	2002
	\$'000	\$'000
Transfers to Community Housing Organisations: ⁽ⁱ⁾		
Transfer proceeds	18 822	12 671
Net book value of transfers	(19 401)	(12 488)
	(579)	183
Sales to other parties:		
Sale proceeds	4 739	2 852
Net book value of properties sold	(4 388)	(2 560)
	351	292
Total	(228)	475

(i) To meet statutory obligations, SACHA raised tax invoices against Community Housing Organisations to record the GST liability on the transfer of certain properties developed by SACHA.

8. Other Expenses		
Auditors remuneration ⁽ⁱ⁾	56	55
Board fees	57	63
Board expenses	1	3
Depreciation	32	38
Legal fees	31	23
Brokerage and valuation fees	11	7
Department of Human Services - Service fees	201	171
Insurance	9	7
Aborted project costs	7	19
Fringe benefits tax	18	19
Computing costs	8	5
Sundry expenses	19	11
Blocked GST input credits - Department of Human Services	15	8
Product development	7	3
Training	56	39
Inspections and holding costs	-	5
Bad and doubtful debts	15	-
Lease back to SAHT expenses	8	-
Property holding costs - SACHA	82	-
Business plan projects ⁽ⁱⁱ⁾	111	165
	744	641

(i) Auditors remuneration relates directly to audit services performed. No related practice service payments were made to the auditors.

(ii) Includes payments to consultants for these projects totalling \$12 000 (\$56 000).

9. Community Housing Organisation Costs	2003	2002
	\$'000	\$'000
Emergency Services Levy payments ⁽ⁱ⁾	1	155
Provision adjustments Hot Water Service Warranty (see Note 2.14)	64	264
Insurance payments (see Note 2.5)	802	662
	867	1 081

(i) SACHA agreed to meet the costs of the Emergency Services Levy on behalf of Community Housing Organisations for the 2001-02 financial year. The Authority has approved an increase in the operating levies of Community Housing Organisations effective 1 July 2002 to address the expected future costs of this levy.

10. Grants to Community Housing Organisations	2003	2002
	\$'000	\$'000
Community Housing Council of South Australia (CHCSA) ⁽ⁱ⁾	255	247
Large Community Housing Organisations: ⁽ⁱⁱ⁾		
Northern Suburbs Housing Co-operative	57	67
The Women's Housing Association	145	146
Multi Agency Community Housing Association	51	35
Red Shield Housing Association	71	25
Housing Spectrum Housing Association	51	45
Portway Housing Association	66	45
DASH Housing Association	123	45
Lutherans Housing Association	51	20
IDAA	10	-
Westside	35	-
Inner City Co-op	2	-
National Community Housing Forum	10	-
Community housing sector training through external service providers	109	142
Country Community Housing Organisations travel reimbursements	10	1
	1 046	818

(i) The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).

(ii) During the year the Authority held negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and tenant complexity and is conditional on performance measures outlined in their funding agreements. This is an extension to the original three year agreement.

11. Borrowing Costs	2003	2002
	\$'000	\$'000
Gross borrowing costs on debt (see Note 20)	8 482	8 219
Loan indexation expense (see Note 2.7)	293	984
Capital Indexed Bond expense (see Note 2.15)	-	40
	8 775	9 243

12. Asset Revaluation Reserve		
Opening Asset Revaluation Reserve	110	-
Movements during the year:		
Increments arising from the transfer of properties (held at Valuer-General's capital values) between SACHA and Community Housing Organisations	66	63
(Decrements) Increments arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2003	(117)	70
Net (Decrease) Increase in Asset Revaluation Reserve arising from revaluation	(51)	133
Transfer to accumulated surplus on sale of properties	(59)	(23)
Closing Asset Revaluation Reserve	-	110

13. Debenture Indexation Reserve		
Opening Debenture Indexation Reserve	49 081	18 029
Movements during the year:		
Decrements arising from the difference between the debenture face value and the cost of acquiring or developing properties at the time of their transfer	(2 132)	(3 634)
Increments arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2003	68 861	34 861
Net Increase in Debenture Indexation Reserve arising from revaluation	66 729	31 227
Transfer to accumulated surplus on sale of properties	(229)	(175)
Closing Debenture Indexation Reserve	115 581	49 081

14. Cash at Treasury and on Hand
During the reporting year cash transactions for the Authority were transacted through the Authority's Co-operative Housing Development Fund account. A lump sum of \$6 million is on deposit at call with SAFA in a Cash Management Fund, to maximise interest received on committed but incomplete capital projects.

14. Cash at Treasury and on Hand (continued)

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

	2003	2002
	\$'000	\$'000
Cash held in Co-operative Housing Development Fund	14 738	10 835
Cash held in SAFA Cash Management Fund	6 000	6 000
Cash on hand	1	1
	20 739	16 836

15. Receivables

Trade Debtors	423	266
Accrued Income ⁽ⁱ⁾	728	660
GST Recoverable on trade creditors	171	101
GST Recoverable on property transfers to Community Housing Organisations	564	604
	1 886	1 631
Less: Provision for doubtful debts	84	115
	1 802	1 516

(i) Accrued income includes capital contributions from Community Housing Organisations relating to June and payable in July, arrears in capital contributions and accrued bank interest.

16. Trade Creditors and Accrued Expenses

Current:		
Trade creditors	905	967
Amount payable to the Department of Human Services relating to staff leave provisions and on costs ⁽ⁱ⁾	79	47
Accrued interest payable to SA Government Financing Authority	1 156	749
GST payable ⁽ⁱⁱ⁾	29	227
Other expenses accrued	90	111
	2 259	2 101
Non-Current:		
Amount payable to the Department of Human Services relating to staff leave provisions and on-costs ⁽ⁱ⁾	213	149
	2 472	2 250

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.

(ii) This amount represents SACHA's liability to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations during the financial year.

17. Capital Funding to Housing Organisations

	2003	2002
	\$'000	\$'000
Debentures with community housing organisations (at Valuer-General's capital values) ⁽ⁱ⁾	435 006	347 617
Less: Equity shares (refer Note 2.6)	1 051	772
Net debentures	434 015	346 845
Loans to community housing organisations (at cost) ⁽ⁱⁱ⁾	1 887	4 274
Housing Association mortgages ⁽ⁱⁱⁱ⁾	59	59
	435 961	351 178

Assets of the Authority are not held to generate income but to provide housing for Community Housing Organisation members and as such their value does not reflect the yield to the Authority from those assets.

(i) Debentures

On completion and tenanting of their properties, individual Community Housing Organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

The Authority recognises that the debentures issued by Community Housing Organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further, the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual Community Housing Organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge Community Housing Organisations' debentures.

(i) *Debentures (continued)*

(a) New Debentures

When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and in a small number of cases where this is not available, independent market valuation or total project cost is used.

(b) Discharge of Debentures

When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.

(ii) *Loans to Community Housing Organisations*

The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by Community Housing Organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and Community Housing Organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of Community Housing Organisations' properties to secure the Authority's interest in the property.

(iii) *Housing Association Mortgages*

The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program.

18. Hot Water Service Warranty Provision	2003	2002
	\$'000	\$'000
Opening hot water service warranty provision	698	504
Movements during the year:		
Increments arising from transfers to the provision (refer Note 2.14)	64	264
Decrements arising from actual claims against the provision	(91)	(70)
	671	698
19. Property and Equipment		
(a) SACHA Owned Property		
Owned Property (at valuation) ⁽ⁱ⁾	1 068	735
Property leased to Community Housing Organisations (at valuation) ⁽ⁱⁱ⁾	3 515	1 879
Property leased back to South Australian Housing Trust (at valuation) ⁽ⁱⁱⁱ⁾	1 577	2 181
Community Housing work-in-progress projects (at cost) ^(iv)	11 919	10 206
	18 079	15 001
(b) Office and Computer Equipment		
Office and computer equipment (at cost)	240	202
Accumulated depreciation	(148)	(116)
	92	86
Total Property and Equipment	18 171	15 087

(i) Houses formerly belonging to Community Housing Organisations (at Valuer-General's capital values) but surplus to their requirements, awaiting to be disposed or redeveloped.

(ii) The Authority has acquired a number of multi unit properties from the South Australian Housing Trust that are as yet not subdivided and therefore not debentured. These have been leased to Community Housing Organisations.

(iii) The Authority holds a number of properties which were acquired from the South Australian Housing Trust for the purpose of community housing but are still tenanted by public housing tenants in the short term. These properties will be transferred to Community Housing Organisations once these tenants have vacated.

(iv) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to Community Housing Organisations.

Property and Equipment Movement Reconciliation**(a) SACHA Owned Property**

	2003			Community Housing Work in Progress	Total
	Owned Property \$'000	Property Leased to CHOs \$'000	Property Leased Back to SAHT \$'000		
Carrying amount at 1 July	735	1 879	2 181	10 206	15 001
Additions	1 938	2 483	33	23 297	27 751
Disposals	(1 743)	-	(462)	(21 584)	(23 789)
Property revaluation	138	(847)	(175)	-	(884)
Carrying Amount at 30 June	1 068	3 515	1 577	11 919	18 079

Property and Equipment Movement Reconciliation (continued)

(a) SACHA Owned Property	2002				Total \$'000
	Owned Property \$'000	Property Leased to CHOs \$'000	Property Leased Back to SAHT \$'000	Community Housing Work in Progress Projects \$'000	
Carrying amount at 1 July	956	-	139	14 172	15 267
Additions	561	1 787	2 042	6 632	11 022
Disposals	(760)	-	-	(10 598)	(11 358)
Property revaluation	(22)	92	-	-	70
Carrying Amount at 30 June	735	1 879	2 181	10 206	15 001

(b) Office and Computer Equipment	2003			Total \$'000
	Office Equipment \$'000	Computer Equipment \$'000		
Carrying amount at 1 July	57	29		86
Additions	13	25		38
Disposals	-	-		-
Depreciation expense	(8)	(24)		(32)
Carrying Amount at 30 June	62	30		92

	2002			Total \$'000
	Office Equipment \$'000	Computer Equipment \$'000		
Carrying amount at 1 July	40	50		90
Additions	23	11		34
Disposals	-	-		-
Depreciation expense	(6)	(32)		(38)
Carrying Amount at 30 June	57	29		86

20. Loans	(a) Loans from the South Australian Government Financing Authority (SAFA)	30 June 2003			30 June 2002	
		Interest Rates Percent	Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
	<i>Maturity Date</i>					
	Short Term Interest Only Debt					
	No fixed term	4.930	15 100	15 161	15 100	15 303
	Medium to Long Term Interest Only Debt					
	15 September 2006	7.545	10 000	10 842	10 000	10 579
	15 October 2007	6.205	7 000	7 435	7 000	7 102
	28 October 2007	6.535	10 000	10 781	10 000	10 334
	15 September 2008	5.845	15 000	15 782	-	-
	15 September 2009	7.025	14 217	15 683	14 217	14 844
	15 March 2010	7.295	10 000	11 229	10 000	10 616
	20 December 2010	6.080	10 000	10 541	10 000	9 824
	15 September 2011	6.000	15 000	15 950	-	-
	15 September 2012	6.045	13 610	14 520	-	-
	Average Weighted Cost	6.27	119 927	127 924	76 317	78 602
	Capital Indexed Debt					
	20 August 2002	-	-	-	37 347	37 850
	Total	6.27	119 927	127 924	113 664	116 452
	Plus Treasury Guarantee Fee	0.75				
	Total Weighted Cost	7.02				
	(b) Loans from HomeStart Finance					
	Total	-	-	-	6 000	6 000
	Grand Total	⁽ⁱⁱ⁾ 7.02	119 927	127 924	119 664	122 452

(i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity.

(ii) Weighted Average Effective Interest Rate.

21. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from SAFA that comprise the major part of the Authority's debt. Funding arrangements relevant to interest rate risk are set out in Note 11. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.69	20 738	-	-	-	1	20 739
Receivables	-	-	-	-	-	1 802	1 802
Funding to housing organisations	1.73	434 211	-	-	-	-	434 211
		454 949	-	-	-	1 803	456 752
Financial Liabilities:							
Loans from SAFA	7.02	15 100	-	27 000	77 827	-	119 927
Trade creditors	-	-	-	-	-	2 472	2 472
		15 100	-	27 000	77 827	2 472	122 399

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2002 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.12	16 835	-	-	-	1	16 836
Receivables	-	-	-	-	-	1 516	1 516
Funding to housing organisations	1.83	351 178	-	-	-	-	351 178
		368 013	-	-	-	1 517	369 530
Financial Liabilities:							
Loans from SAFA	7.14	-	52 447	10 000	51 217	-	113 664
Loans from HomeStart Finance	5.03	6 000	-	-	-	-	6 000
Capital Indexed Bond	-	-	-	-	-	197	197
Trade creditors	-	-	-	-	-	2 250	2 250
		6 000	52 447	10 000	51 217	2 447	122 111

(b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from Community Housing Organisations as agreed. The credit risk on financial assets is recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

(c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 20 in relation to loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

	2003		2002	
	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
Financial Assets:				
Cash	20 739	20 739	16 836	16 836
Receivables	1 802	1 802	1 516	1 516
Capital funding to housing organisations	435 961	435 961	351 178	351 178
	458 502	458 502	369 530	369 530
Financial Liabilities:				
Loans from SAFA	119 927	127 924	113 664	116 452
Loans from HomeStart Finance	-	-	6 000	6 000
Capital Indexed Bond	-	-	197	197
Trade creditors	2 472	2 472	2 250	2 250
	122 399	130 396	122 111	124 899

(i) The fair value of loans from the South Australian Government Financing Authority has been determined by discounting back the future cash flows on loan repayments to market interest rates.

22. Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Ordinary Activities	2003	2002
	\$'000	\$'000
Net Cash Provided by Operating Activities	14 402	24 179
Adjustments:		
Government grants	11 258	17 671
Premium on indexed loan	-	212
Depreciation	(32)	(38)
Decrement on revaluation of property	(767)	-
Provision adjustment Hot Water Service warranty	(64)	(264)
Provision for doubtful debts	(15)	-
Capital project recoveries	375	224
(Deficit) surplus on sale of properties	(228)	475
Contributed assets	345	-
Bond indexation	-	(40)
Loan indexation	(293)	(984)
Change in assets and liabilities:		
Increase (Decrease) in receivables - Trade and other debtors	286	(8 914)
(Increase) Decrease in trade creditors and accruals	(150)	1 158
Net Surplus from Ordinary Activities	25 117	33 679

23. Accumulated Surplus		
Opening balance	212 617	178 740
Transfers from asset revaluation reserve	59	23
Transfers from debenture indexation reserve	229	175
Surplus for the year	25 117	33 679
Closing Balance	238 022	212 617

24. Capital Commitments		
Loans for Capital Expenditure Projects		
Obligations under approved new-build and spot purchase projects in progress.		
Payable not later than one year	10 529	13 039
Total Capital Commitments	10 529	13 039

25. Executive Remuneration	2003	2002
The number of employees whose remuneration from the Authority falls within the following bands:	Number of Employees	Number of Employees
\$110 000 - \$119 999	1	-
Total remuneration received, due or receivable, by employees whose remuneration exceeds \$100 000	\$'000	\$'000
	112	-

The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department of Human Services and subsequently assigned to the Authority.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

26. Remuneration of Board Members and Related Party Transactions	
The Board of the Authority comprises seven members. These members are:	

K F Kelly, Chairperson
P R Coidan
C M Davidson Appointed October 2002
V Deegan
D R Lee
E H McCarthy Appointed July 2002
D J Sczesny
E M Melhuish Retired September 2002 on completion of term of appointment

The number of Board members whose remuneration from the Authority falls within the following bands were:	2003	2002
	Number of Members	Number of Members
\$nil	1	1
\$1 - \$9 999	6	6
\$10 000 - \$19 999	1	1
	8	8
Total remuneration received, due or receivable, by the Board members from the Authority	\$'000	\$'000
	57	63

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exceptions:

- (i) A Board Member was an employee of an organisation (Housing Spectrum Inc.) which received grant funding from the Authority.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Housing Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. The Act provides for the continuation of the Trust as the principal provider of public housing in the State.

Functions

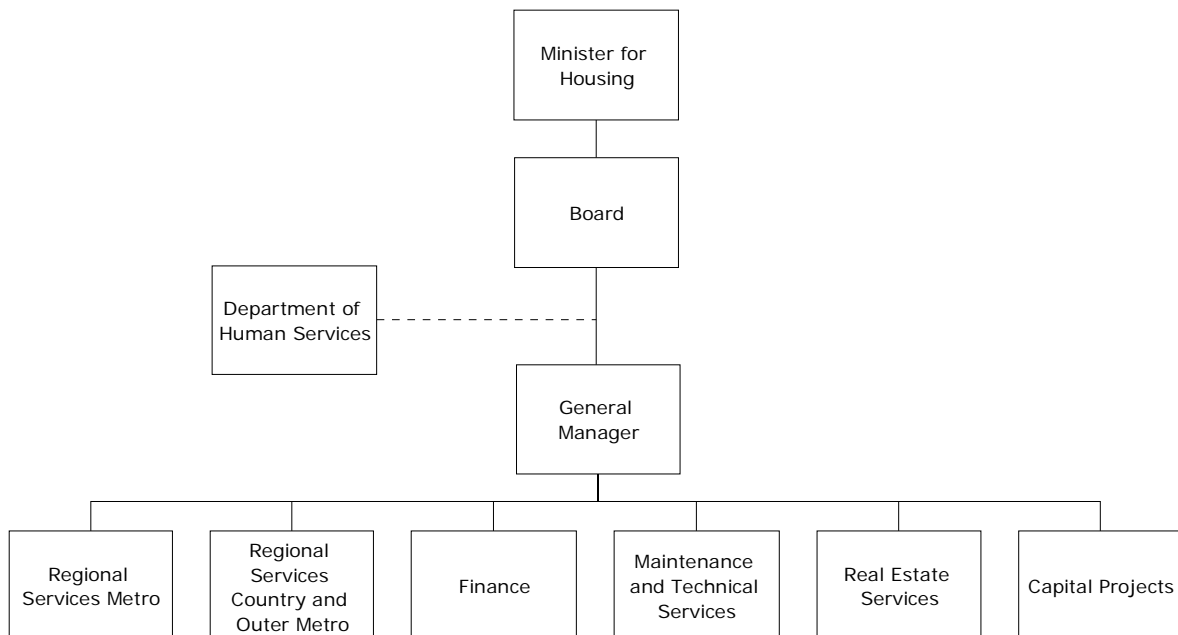
The functions of the Trust are to undertake the following:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 13 to the Trust's financial statements.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The *South Australian Housing Trust Act 1995* (the Act), subsection 27(2), requires the Trust to keep proper accounting records and to produce financial statements, in respect of each financial year. Subsection 27(4) of the Act requires the Auditor-General to audit the accounts and financial statements.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- rent raising and recovery
- house sales
- accounts payable
- maintenance expenditure
- fixed assets (including rental properties)
- inventory
- risk management and the internal audit function.

In addition, systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, which included corporate related services, payroll and aspects of accounts payable processing, were reviewed as part of the audit of the Department.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls in the following areas:

- Revenue receiving.
- Review of Real Estate Services' activities including house sales and purchasing, marketing and conveyancing.
- Review of Trust information systems development and implementation activities.

In addition, reliance was placed on the work undertaken by the Department of Human Services' Internal Audit team with respect to the CHRIS Payroll System used by the Department to process payroll transactions for employees assigned to the Trust.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the General Manager. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Trust and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Housing Trust as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

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

Financial Management Framework

The Trust is required by the Treasurer's Instructions to implement the Financial Management Framework. The review of controls in operation at the Trust indicate that the prescribed elements of the Financial Management Framework have received attention by the Trust. The following provides an overview of key areas of the Trust's control environment relevant to the Financial Management Framework.

Risk Management

The Trust has established Risk Management programs which continued during the year. Arrangements for reporting upon and monitoring risk management outcomes were reviewed by Audit. The review highlighted that there was scope to improve certain aspects of the Trust's risk management practices which are discussed later under the heading 'Significant Matters Raised with Agencies'.

Audit Committee and Internal Audit

The Trust Board has an Audit Committee comprising members of the Board and an external advisor. Trust executives, Internal Audit staff and representatives of the Auditor-General attend Audit Committee meetings. The Audit Committee meets on a regular basis to review progress in addressing the Trust's Internal Audit Program, the outcomes of specific reviews completed, action taken with respect to audit findings and other relevant matters which emerge.

Management of the Trust's Internal Audit function is undertaken by Department of Human Services staff under a Service Level Agreement between the Trust and the Department. Specific Internal Audit assignments are performed either by Departmental staff or by external contractors from a panel of approved service providers.

The Trust supplements the work of Internal Audit with a program of self assessments which provides for the checking of processes undertaken by the Trust's regional staff. The Self Assessment programs cover the core business activities of Public Housing, Private Rental programs and Maintenance with the outcomes of reviews being reported upon to the Audit Committee.

The Internal Audit program for the year ended 30 June 2003 included:

- information systems audits
- review and update of Self Assessment programs
- revenue receiving
- review of certain aspects of Real Estate Services
- business continuity planning
- human resources development
- review of the audit plan structure.

Work undertaken by Internal Audit in 2002-03 was reduced compared to the approved plan and to previous years. Significant effort was applied to updating Self Assessment programs and revising the process for preparing the Internal Audit Program. This resulted in reduced activity in specific Internal Audit reviews and delays in implementing Self Assessment programs. External Audit acknowledges the proposed benefits of reviewing and updating the Self Assessment programs, however, it was considered that the reduced activity and delays in the Self Assessment programs reduced the effectiveness of the Trust's control environment for 2002-03 as compared to previous years.

Significant Matters Raised with Agencies

Risk Management

The 2002-03 Audit included a review of the corporate governance structures in place at the Trust which included examination of the Trust's risk management processes and practices. The review focussed on the requirements of the Financial Management Framework and best practices outlined in the Australian and New Zealand Standard 'AS/NS 4360:1999 Risk Management'. The review found that the Trust had in place some key elements considered to be consistent with sound risk management practices, however, there was scope to improve certain aspects of the Trust's practices. Specifically, the review found that there was a need to:

- review resourcing requirements of the risk management function;
- document the context in which risk management is to be applied at the Trust;

- enhance reporting to the Risk Management Committee and the Trust Board;
- ensure staff are appropriately trained in risk management by undertaking a Training Needs Analysis and then addressing the training needs identified by the analysis;
- improve the level of documentation of established risk management practices including evaluation criteria, risk identification, evaluation processes and the basis for excluding risks from the treatment plan;
- promulgate policies and guidance to all staff to enhance the culture of risk management within the Trust.

In response the Trust acknowledged that there was scope to improve risk management practices and advised that it had developed a work plan to address the matters raised by Audit.

Rent Management System

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2003 was \$137 million (\$125 million) of which \$34.9 million is provided to the Trust as grant funds and the balance represents foregone revenue to the Trust.

Audit focused on Trust processes which provide assurance that rent rebates provided to Trust tenants are determined in accordance with established policies and guidelines. This process includes Regional Self Assessment programs, obtaining proof of income from tenants, and arrangements for provision of information regarding tenants income by Centrelink to the Trust. The following discussion reflects the areas of review, audit findings and the Trust's response.

Self Assessment

The Regional Self Assessment program represents processes implemented by the Trust to review the work performed by regional staff and involves the completion of a series of checks to confirm that control processes have been operating effectively during the period of review. The program covers a wide range of activities associated with managing Trust property tenancies and the provision of assistance to eligible persons in private rental arrangements and represents an important element of the Trust's control environment. Audit noted that, at the time of the audit, self assessments had not been undertaken for a considerable period of time with the last assessments for Public Housing undertaken in late 2001 and Private Rental assessments last undertaken in September 2002.

In response the Trust advised that the Public Housing program recommenced in May 2003 and is currently underway. The program was delayed due to the review of the program content and relevant samples on the advice of Internal Audit. Further, the Trust advised that it is committed to the Regional Self Assessment program and will conduct reviews of Public Housing and Private Rental activities on an annual basis.

Income Confirmation Service

A high proportion of the Trust's tenants receive benefits from the Commonwealth (ie Centrelink). Income details obtained from Centrelink are used to determine tenants entitlement to rebated rent. In 2002-03 the Trust implemented an Information Confirmation Service (ICS). Under this arrangement tenants on Centrelink benefits, who agreed to participate in the process, have their details sent electronically to the Trust for confirmation. Previously, income details were obtained from Centrelink manually as part of the Trust's Proof of Income Review processes. Audit review revealed, that at the time of the audit, the Trust's policies and procedures did not address the frequency with which information is obtained under the new arrangements. Audit recommended that the Trust determine the frequency with which information will be obtained under the new ICS arrangements and update its policies and procedures to reflect these requirements.

The Trust advised that a full rent review program has been established and relevant policies and procedures have been amended to reflect these changes.

Proof of Income

Prior to the implementation of the new Income Confirmation Service arrangements, the major process used by the Trust to maintain the accuracy of tenants income details were Proof of Income Reviews. Audit review found Proof of Income Reviews had not been performed since October 2002 as a consequence of the phased implementation of the ICS arrangements in November 2003. Not all tenants are subject to ICS arrangements and, as a consequence, income verification procedures did not cover all tenants receiving rebated rent. Audit considers it important that tenants who decline to participate in the ICS arrangements are covered by an alternative ongoing proof of income process.

In response the Trust advised that mixed households (ie households containing ICS tenants and tenants who are not subject to ICS arrangements) were reviewed in April 2003 and non-ICS tenants are to be reviewed in August 2003. Furthermore, details of the frequency of future reviews for non-ICS tenants are incorporated in the new rent review program.

Debt Management

A key element of the Trust's strategy for managing tenant debt is ensuring arrangements are established with tenants for all outstanding debts. Audit review of the Trust's Debt Management processes revealed that arrangements were entered into with tenants to pay outstanding rent outside Trust policy.

In response the Trust advised that its current credit policy has been reviewed and as a consequence a new draft policy has been established. Furthermore, the Trust is currently working to improve debt management processes to ensure compliance with the new policy.

Payroll

The Department of Human Services (the Department) is responsible for processing payroll transactions for staff assigned to the Trust in accordance with a service level agreement. Audit review of the Department's payroll function revealed that for the majority of the 2002-03 financial year internal controls over the processing of the payroll transactions were ineffective. Major areas of concern included:

- bona fide certification processes;
- leave recording and management processes;
- payroll reconciliation processes;
- documentation of payroll policies and procedures.

Further commentary on these matters is provided under the Department of Human Services section of this Report (under the heading 'Significant Matters Raised with Agencies').

Maintenance Expenditure - Contract Management

As the principal provider of the State's public housing and related services, the Trust manages the costs associated with ownership of Trust properties including their maintenance. Audit review for 2002-03 included a review of contract management arrangements associated with maintenance expenditure. The review found that contract management processes practised by the Trust for maintenance expenditure were sound in relation to the following:

- Developing and releasing tender documentation.
- Receipt and evaluation of tender submissions.
- Decision making and approval processes for awarding tenders.
- Maintaining contractor information in databases and in the Maintenance System.

Audit identified opportunities to improve contract management practices by:

- addressing inconsistencies in maintenance policies and procedures;
- preparing enhanced formal policies and procedures covering aspects of contract execution, evaluation of contractor performance and enhanced succession planning.

In response the Trust acknowledged the that there was scope to improve contract management practices employed by the Trust. The Trust advised that inconsistencies in maintenance policies and procedures have been resolved. Also, the Trust advised that it is aiming to improve the overall contracting processes by establishing a corporate contracts team. This will ensure that there is a higher level of consistency in contract management across the Trust. The Trust has advised that it will include preparation of acquisition plans in its contract management arrangements.

Accounts Payable

The audit of the Trust's accounts payable function identified the following areas of weakness in controls:

- arrangements for validating the authority for expenditure within the Accounts Payable system were not aligned with the Trust's Levels of Authority;
- systems controls to provide assurance that payment was only made for goods and services received at approved rates could be bypassed.

Audit understand that processing the Trust's accounts payable transactions involved both Trust and Department of Human Services officers. It is also understood that addressing identified issues will require collaboration between the Trust and the Department.

The Trust advised that it will work with the Department to address the matters raised by Audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Rent	181.5	177.7	2.1
Commonwealth government grants	47.6	41.6	14.4
State government grants	81.4	76.2	6.8
Other	37.0	20.8	78.7
Total Operating Revenue	347.5	316.2	9.9
<i>OPERATING EXPENDITURE</i>			
Staffing costs	36.0	32.6	10.4
Borrowing costs	44.9	45.3	(0.9)
Maintenance	65.6	64.0	2.5
Council rates and water charges	46.1	45.0	2.4
Land tax equivalent	58.1	54.5	6.6
Depreciation	42.3	40.0	5.8
Other expenses	63.1	53.5	17.9
Total Operating Expenses	356.1	334.9	6.3
Surplus (Deficit)	(8.6)	(18.7)	54.0
Net Cash Flows	1.6	15.6	(89.7)
<i>ASSETS</i>			
Current assets	119.4	112.3	6.3
Non-current assets	3 565.3	3 180.1	12.1
Total Assets	3 684.7	3 292.4	11.9
<i>LIABILITIES</i>			
Current liabilities	41.6	39.3	5.9
Non-current liabilities	821.4	836.4	(1.8)
Total Liabilities	863.0	875.7	(1.5)
<i>EQUITY</i>	2 821.7	2 416.7	16.8

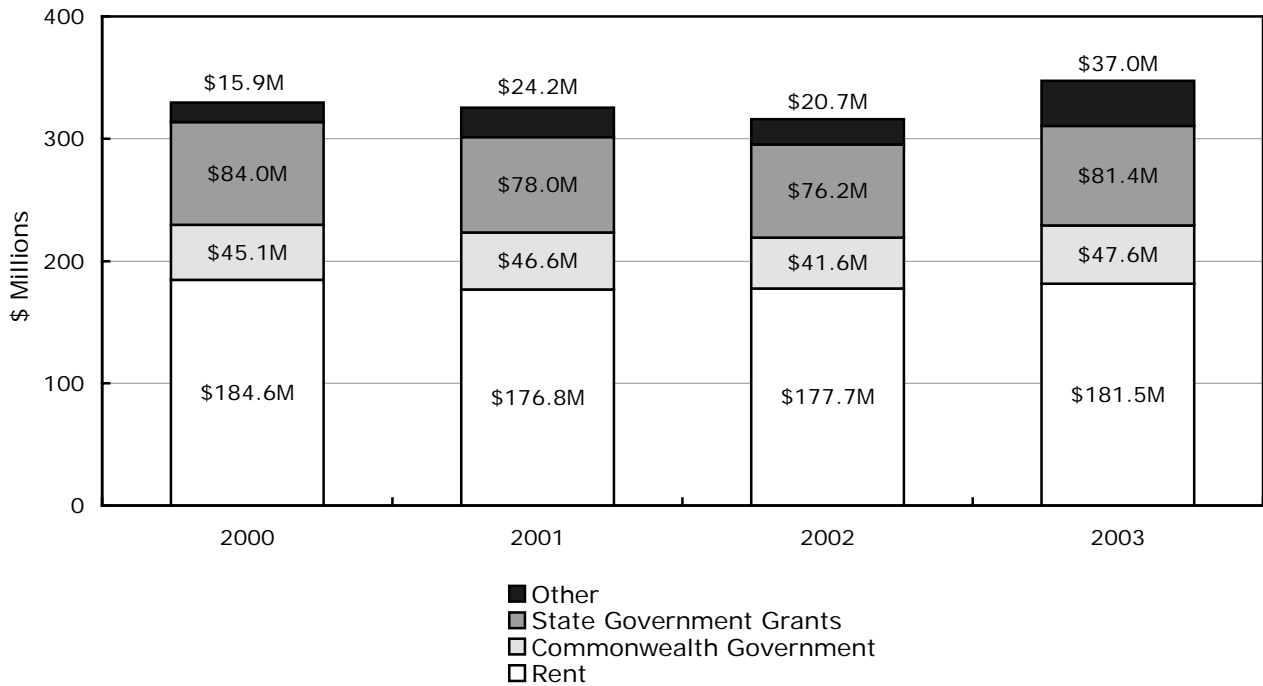
Statement of Financial Performance

Operating Revenues

During the year ended 30 June 2003, total Operating Revenues increased by \$31.3 million (9.9 percent). Notably, Net Revenue from Disposal of Non-current Assets increased by \$13.5 million from \$5.6 million to \$19.1 million. Refer to Note 12 to the financial statements.

Commonwealth Government Grants for the year increased by \$6 million from \$41.6 million to \$47.6 million due predominately to an increase in rent subsidy grants. State Government Grants increased by \$5.2 million to \$81.4 million due predominately to an increase in Tax Equivalent Reimbursement funding received from the Government.

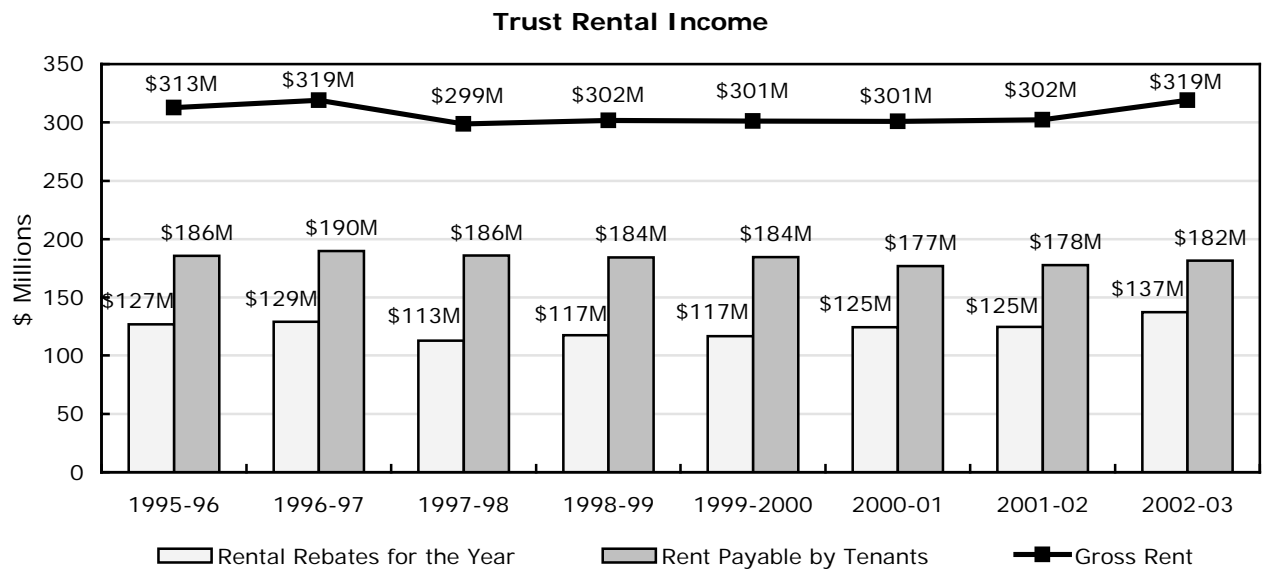
For the four years to 2003 a structural analysis of Operating Revenues for the Trust is presented in the following chart. The chart demonstrates a steady decrease in the preceding three years followed by an increase of nearly 10 percent (\$31.3 million) in 2003.



Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 9058 (9478) new applications for tenancies and was able to house 4187 (4419) new tenants during the year. The level of housing stock was 48 271 (49 543) at 30 June 2003.

The trend identified in previous years, for a higher proportion of Trust tenants to be eligible for reduced rent due to low income continued and, at 30 June 2003, 39 666 (40 004) tenants or 85.3 percent (84.9 percent) of all tenants were eligible for rent rebates. The trend is illustrated in the following chart:



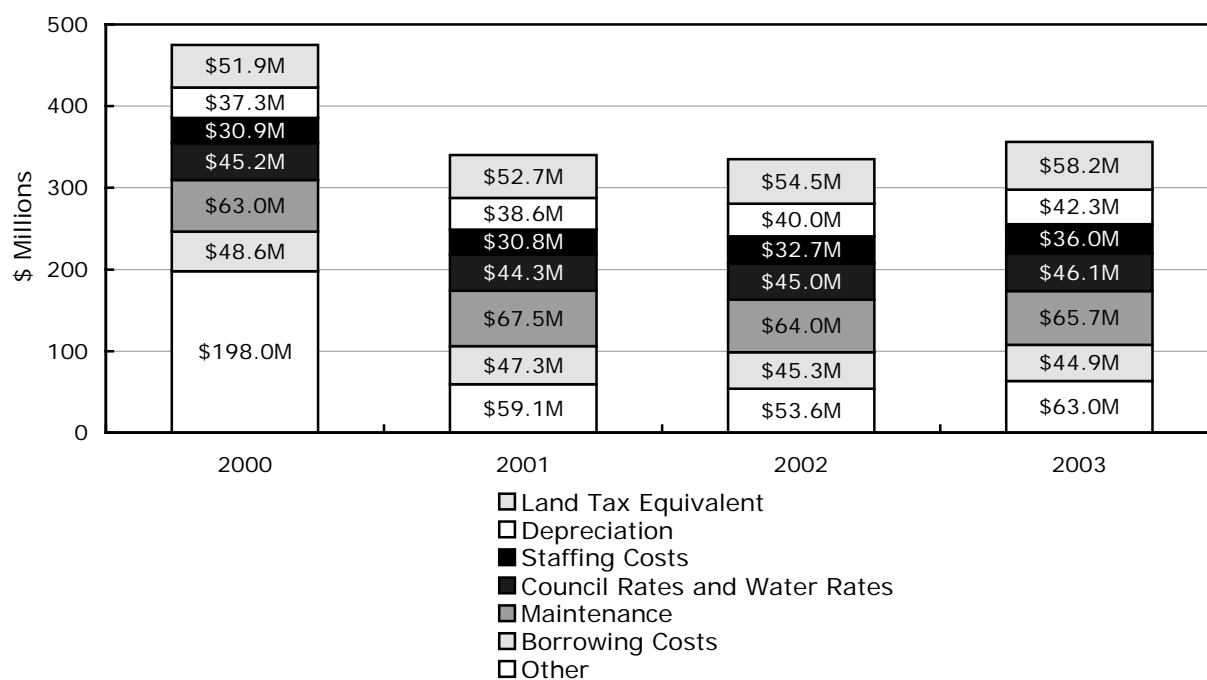
The chart also highlights an increase in Gross Rent and Rental Rebates in 2003 due to an increase in market rents.

Operating Expenses

For the four years to 2003 a structural analysis of the main operating expense items for the Trust is shown in the following chart.

The chart highlights decreases in Operating Expenses for the years preceding the current year, followed by an increase in 2003. Operating Expenses were significantly higher in 2000 due to the recognition of a net loss on restructure of \$131.1 million arising from the transfer of assets and liabilities from the Trust to the South Australian Aboriginal Housing Authority.

During the year ended 30 June 2003, total Operating Expenses increased by \$21.2 million (6.3 percent). This increase was due to increases in a number of expense items including, land tax equivalent (\$3.6 million), staffing costs (\$3.4 million) and bad and doubtful debts (\$3.8 million) which are included in other expenses.

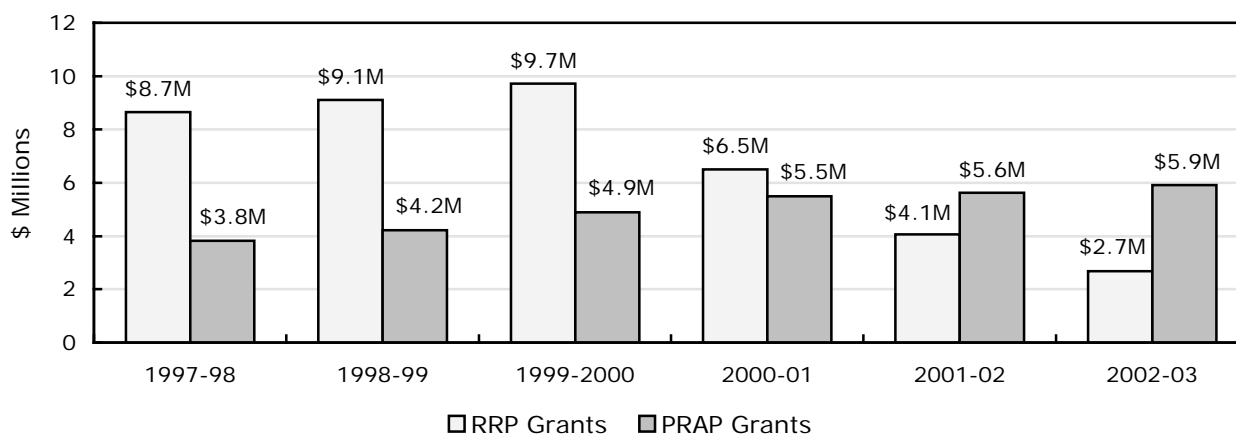


Grant Funded Programs

The Trust's recurrent expenditure with respect to grant funded programs was \$21.3 million (\$23 million) reflecting direct expenditure on the programs of \$11.9 million (\$11.7 million) and administration costs of \$9.4 million (\$11.3 million) representing an overall reduction of \$1.7 million.

The overall reduction in the Trust's expenditure on grant funded programs was due principally to a decrease in administrative costs associated with the Private Rental Assistance Program (PRAP) and the Rent Relief Program (RRP) which decreased by \$653 000 and \$1.2 million respectively.

The following chart shows the changing level of grant funded spending over the past six years on the Rent Relief Program and the Private Rental Assistance Program.



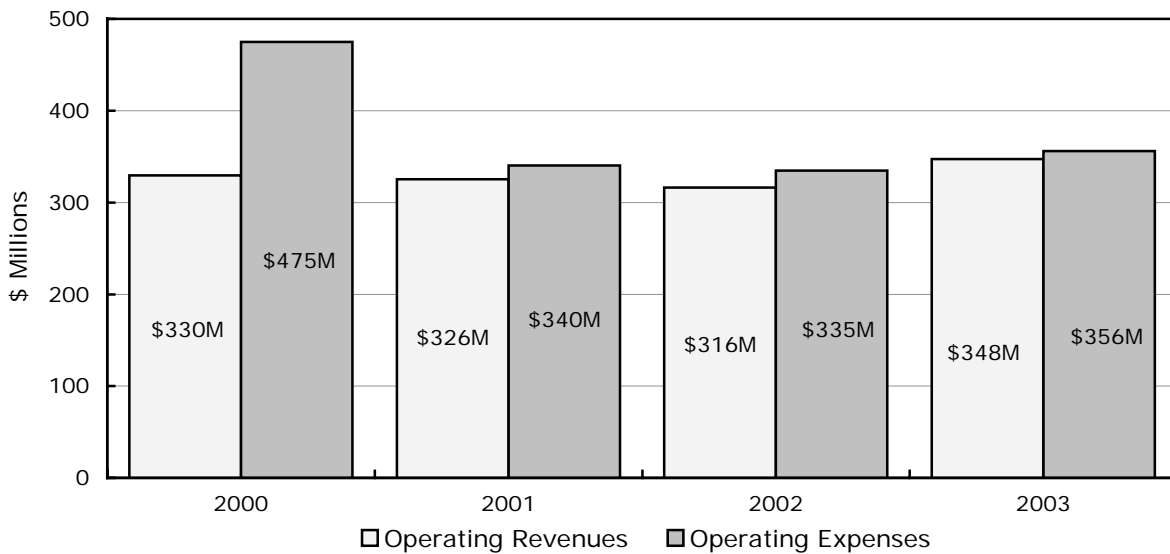
The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by providing payments to tenants, of amounts up to \$25 per week. The number of recipients of assistance for the year to 30 June 2003 was 2417 (3463), reflecting an ongoing reduction in the number of beneficiaries following closure of the scheme to new entrants in May 2000. This reduction resulted in a decrease in RRP grant payments of \$1.4 million.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing an information service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses. Grant payments for the program in 2003 increased by \$279 000.

The Private Rental Assistance programs include a bond guarantee scheme which enables the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by \$572 000 from \$10.44 million to \$11.01 million as at 30 June 2003.

Operating Result

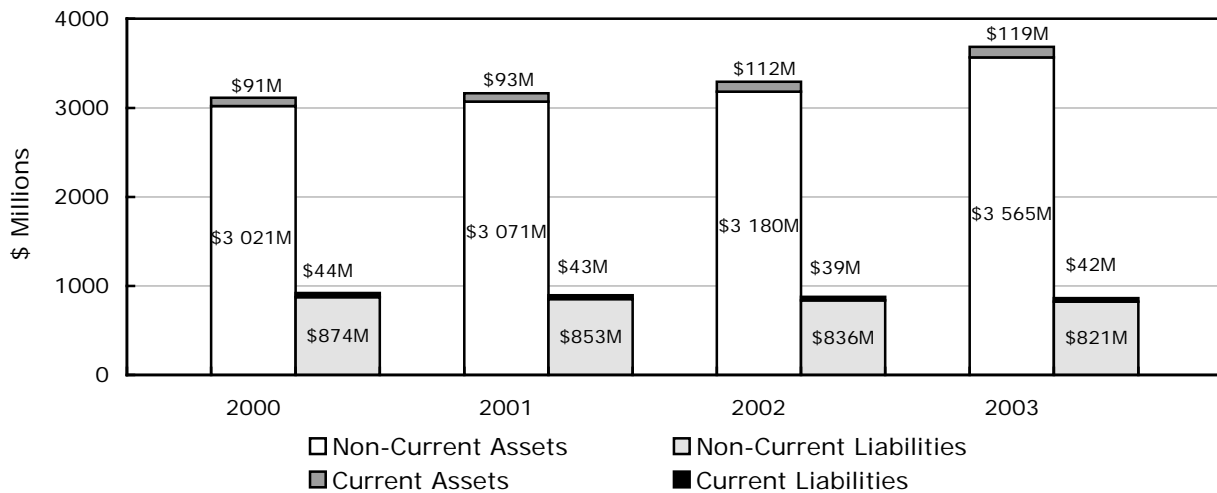
The following chart shows the Operating Revenues and Operating Expenses for the four years to 2003.



The chart demonstrates that in 2000, the Trust recorded a large deficit of \$145.3 million followed by relatively smaller deficits in following years. The deficit recorded in 2000 was due primarily to the net loss recorded on restructure of \$131.3 million resulting from the transfer of responsibility for the State's Aboriginal Housing programs from the Trust to the South Australian Aboriginal Housing Authority.

Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2003 is shown in the following chart.



The structural analysis shows a decrease in liabilities of 6 percent over the period of review, in comparison to an increase in assets of 18 percent over the same period. The chart shows that, over the past two years, there has been a significant increase in non-current assets totalling \$494 million. The increase over this period is due primarily to the continued upward trend in the property market with the Trust's rental property values over this period increasing by \$459 million or 15 percent. As at 30 June 2003 the value of the Trust's rental properties was \$3.5 billion.

The increase in property values has occurred notwithstanding that there has been a 6 percent decrease in the number of properties held over the same period.

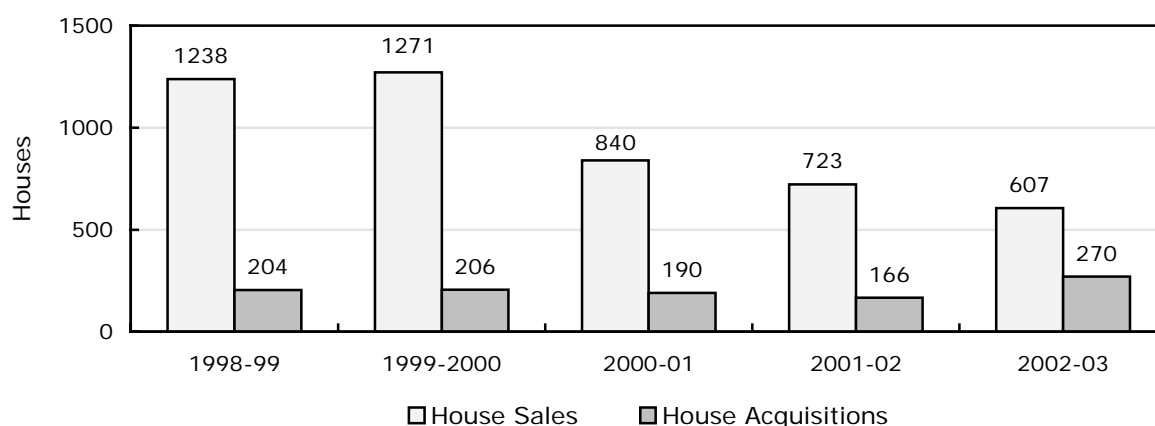
The decrease in liabilities over the period is due primarily to the reduction in Trust borrowings due to principal repayments.

Asset Management

The Trust has continued to respond to changes in demand for housing, the need to quit housing stock which is of inappropriate amenity or involves high levels of maintenance by establishing annual targets for house sales. In addition to house sales the Trust transfers houses to the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority.

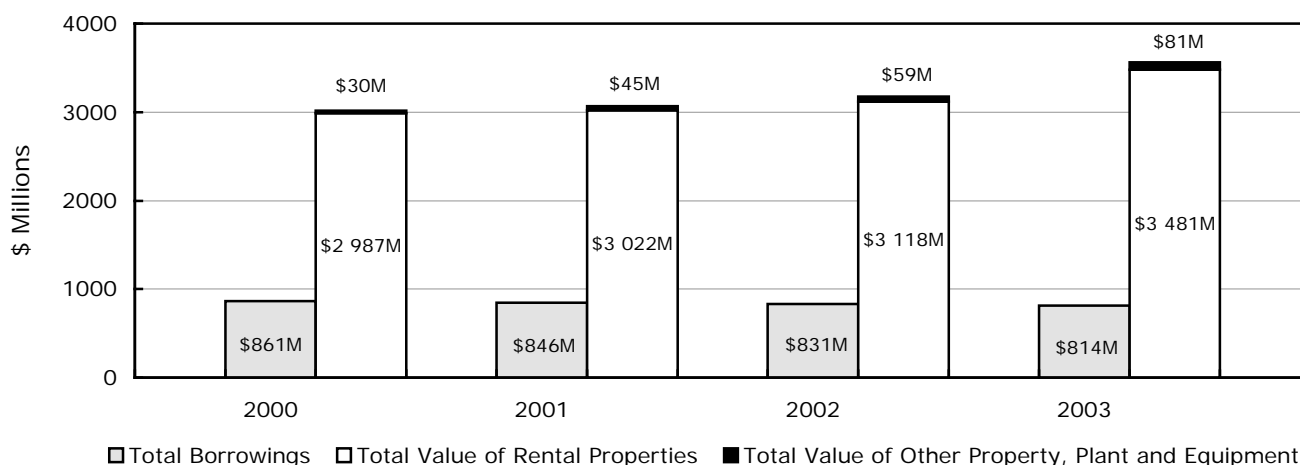
As a consequence of adopting the house sales and house transfer programs the Trust's housing stocks have fallen from 62 322 dwellings at 30 June 1994 to 48 271 dwellings at 30 June 2003.

The following chart depicts the level of house sales (excluding transfer to other housing authorities) and the offsetting acquisitions of houses over the past five years to demonstrate the net impact of house sales on the level of Trust housing stock.



Indebtedness

The following chart demonstrates the ongoing reduction in Trust indebtedness over the past five years in comparison to the increase in the value of the Trust's assets. Notably, the chart highlights a 5 percent decrease in borrowings over the period against a 17 percent increase in property values. The increase in property values has occurred notwithstanding that there has been a 10 percent decrease in the number of properties held over the same period.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	28.0	15.3	18.4	27.5
Investing	(9.9)	16.2	9.8	1.2
Financing	(16.5)	(15.9)	(15.1)	(39.6)
Change in Cash	1.6	15.6	13.1	(10.9)
Cash at 30 June	54.5	52.9	37.3	24.2

The analysis shows that the Trust's cash holdings have consistently increased over the period of review. The Trust's net change in cash was significantly lower in 2003, compared to the two preceding years. This was due primarily to the fact that in 2003 the Trust's use of cash for investing activities (representing acquisition of fixed assets) was higher than cash sources from investing (mainly proceeds from sales of fixed assets) as compared to the two preceding years.

**Statement of Financial Performance
for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Rent		181 500	177 690
Interest	4	3 622	2 725
Recoveries	5	11 184	10 616
Sundry		2 833	1 810
Commonwealth Government	13	47 562	41 568
State Government	13	81 438	76 193
Net revenue from disposal of non-current assets	12	19 125	5 624
Net revenue from restructuring	32	178	-
Total Revenue		347 442	316 226
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing costs	6, 29	35 960	32 647
Borrowings costs	7	44 881	45 257
Maintenance		65 648	63 972
Council rates and water charges		46 116	44 973
Land tax equivalent	2(m)	58 148	54 478
Depreciation	8	42 285	39 971
Business services fees		13 013	13 207
Rent	9	5 545	4 902
Insurance		3 508	3 635
Bad and doubtful debts	10	7 992	4 203
Grants	13	11 910	11 686
Other	11	21 076	15 989
Total Expenses		356 082	334 920
SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(8 640)	(18 694)
Income tax equivalent	2(m)	-	-
SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX		(8 640)	(18 694)
Non-Owner Transaction Changes in Equity:			
Increase in asset revaluation reserve arising on revaluation of non-current assets	23	425 485	178 742
(Decrement) on revaluation of rental dwellings:			
Transferred to capital work programs	23	(10 612)	(9 780)
Subject to sale contracts	23	(1 251)	(2 181)
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity		413 622	166 781
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		404 982	148 087

**Statement of Financial Position
as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	27(a)	54 504	52 923
Receivables	15	16 632	17 012
Inventories	16	47 569	41 821
Other current assets	17	652	538
Total Current Assets		119 357	112 294
NON-CURRENT ASSETS:			
Receivables	15	835	1 207
Inventories	16	2 343	2 376
Property, plant and equipment	18	3 562 148	3 176 598
Total Non-Current Assets		3 565 326	3 180 181
Total Assets		3 684 683	3 292 475
CURRENT LIABILITIES:			
Payables	19	11 527	9 423
Interest-bearing liabilities	20	17 207	16 254
Employee entitlements and other provisions	21	3 361	3 754
Other current liabilities	22	9 524	9 883
Total Current Liabilities		41 619	39 314
NON-CURRENT LIABILITIES:			
Payables	19	2 881	1 878
Interest-bearing liabilities	20	797 241	814 662
Employee entitlements and other provisions	21	17 715	16 067
Other non-current liabilities	22	3 512	3 821
Total Non-Current Liabilities		821 349	836 428
Total Liabilities		862 968	875 742
NET ASSETS		2 821 715	2 416 733
EQUITY:			
Accumulated surplus	14	843 106	812 466
Asset revaluation reserve	23	1 978 609	1 604 267
TOTAL EQUITY		2 821 715	2 416 733
Commitments and Contingencies	25, 26		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note		
Receipts from customers		188 532	185 159
Interest received		3 601	2 712
State Government		81 533	76 638
Commonwealth Government		46 462	42 749
Total Receipts		320 128	307 258
PAYMENTS:			
Payments to suppliers and employees		(190 627)	(193 395)
Finance charges paid		(43 345)	(44 121)
Land tax equivalents paid		(58 148)	(54 478)
Total Payments		(292 120)	(291 994)
Net Cash provided by Operating Activities	27(b)	28 008	15 264
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sale of property, plant and equipment		80 179	92 851
Net proceeds from investment mortgage loans		117	119
Total Receipts		80 296	92 970
PAYMENTS:			
Payments for property, plant and equipment		(90 255)	(76 774)
Total Payments		(90 255)	(76 774)
Net Cash (used in) provided by Investing Activities		(9 959)	16 196
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(16 468)	(15 885)
Net Cash used in Financing Activities		(16 468)	(15 885)
NET INCREASE IN CASH HELD		1 581	15 575
CASH AT 1 JULY		52 923	37 348
CASH AT 30 JUNE	27(a)	54 504	52 923

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Housing Trust (the Trust) is the State's public housing authority. The Trust's role and powers are based on the *South Australian Housing Trust Act 1995* and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement which defines the objectives and responsibilities of both the Minister for Housing and the Trust. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.

2. Summary of Significant Accounting Policies

The significant policies that have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The financial statements are a general purpose financial report that has been prepared pursuant to the *South Australian Housing Trust Act 1995* and the *Public Finance and Audit Act 1987* and in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and applicable Accounting Policy Statements. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets that have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated, are consistent with those applied in the previous year.

(b) Revenue Recognition*Rental Income*

Rent payable in respect of each property is recognised as revenue and charged to tenants weekly in advance.

The Trust calculates a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's policy is that no tenant will be required to pay more than 25 percent of their household assessable income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

Recoveries

Recoveries for costs on-charged by the Trust are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

(c) Property, Plant and Equipment

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2003 the Trust has no borrowings tied to such projects.

Capital work in progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amounts for capital work in progress have been projected to completion and compared with external market value on completion. Any estimated over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

The Trust has a policy that all land and buildings are to be revalued annually at 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non Current Assets'. In accordance with this policy the carrying amount of Rental Properties, Administrative Properties and Vacant Land reflect the Valuer-General's values (for rating purposes) issued as at 1 July 2002. The Valuer-General's values are deemed to be fair values for financial reporting purposes.

The Trust, as part of its operations, transfers non-current assets from one class to another and in so doing also transfers the relevant assets revaluation component from one class to another within the Equity asset revaluation reserve accounts. However, if these assets have a revaluation component (increment or decrement) attached to them and their new class has a previous decrement, the assets revaluation component shall remain in the asset revaluation reserve balance but unattached to an individual asset.

Plant and equipment are carried at cost.

(d) Inventories

At 31 October 2002 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- for Vacant Land, the Valuer-General's value (for rating purposes) issued as at 1 July 2002.
- for Houses and Developed Land, the value as per current sale prices.

The capital work in progress included in Inventories reflects developments intended for sale and has been written down to the net present value of the projected cash flows to the Trust. The write down has been adjusted, first against the available Asset Revaluation Reserve, with the excess being expensed.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment are depreciated over their estimated useful life using the straight-line basis.

Major depreciation periods are:	Years
Rental properties (dwellings) *	50
Administrative properties	10-75
Plant and equipment	3-10

* An estimated useful life of 50 years is assumed for the rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

(f) Leased Plant and Equipment

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

As at 30 June 2003 the Trust has no finance leases.

(g) Joint Ventures

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Statement of Financial Performance.

As at 30 June 2003 the Trust has no joint ventures.

(h) Employee Entitlements, as Staffing Costs

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlement of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (seven for 2003, eight for 2002) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

(i) Superannuation

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

During the year the Trust has provided for employer superannuation contributions at the average rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The carried forward provision is indexed annually and subject to annual payment such that it will be extinguished by 31 December 2025.

The latest actuarial review of the superannuation liabilities of the Trust was completed by the consulting actuaries Brett & Watson Pty Ltd as at 30 June 2002. The provision for superannuation, recognised in the accounts as at 30 June 2003 is consistent with the review recommendations. Refer Note 21 for further details.

(j) Insurance

The Trust is party to an agency agreement with SAICORP (South Australian Government Captive Insurance Corporation) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

The Trust undertakes annual reviews of insurance risk and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance Provisions

The provision for Rental and Purchase Agreement Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date, the un-expensed write-down estimate of properties that have not been repaired and may be sold in a damaged condition, and for Rental Purchase and Sale Under Agreement properties an estimate for future claim payments for claims incurred but not reported at balance date.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claim payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments and in respect of claims incurred but not reported at balance date an allowance is estimated based on historical claims.

(k) Provisions (Excluding Insurance)

Doubtful Debts

Specific provision has been made for particular doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised. During the year the Trust's debt and debt write off history has been reviewed and analysed resulting in an upgraded method of providing for doubtful debts being adopted for this year. Last year's comparative figures have not been brought to account - refer Note 15.

Payroll Tax on Employee Entitlements

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Human Services.

Audit Fees

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit. The provision based on a current estimate was not discounted to its present value as the effect of discounting was not material.

Deferred Separation Title Costs for Attached Housing

For sales of rental properties to tenants subject to the separation of the property title and services, the Trust provides for the estimated cost of such separation. Due to the duration of separation projects being variable and less than 12 months the provision value was not discounted to its present value as the effect of discounting was not material.

(l) Unearned Revenue

Lump sums received for leases assigned on Trust properties are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

(m) Tax Status

The activities of the Trust are exempt from the Commonwealth's Income Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax and Goods and Services Tax (GST). The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as Payroll Tax are applicable.

The Trust is part of a GST group. The nominated representative of the GST group, the Department of Human Services, is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences incurred/earned by the Trust. The reimbursement receivable from/payable to the nominated representative of the GST group have been recognised as a receivable/payable in the Statement of Financial Position.

The Trust is subject to the Tax Equivalent Regime (TER) administered by the Department of Treasury and Finance. The application of the TER requires the Trust to pay to the Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty and Debts Taxes were applicable. Currently all amounts paid to the Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 30 percent of relevant Surplus from Ordinary Activities.

(n) Rounding

Unless otherwise shown in the accounts, amounts are expressed in Australian currency and have been rounded to the nearest one thousand dollars.

(o) Administered Items, Controlled Entities, Subsidiaries and Trust Funds

The Trust does not administer any revenues, expenses, assets or liabilities controlled by the South Australian Government or another South Australian Government Agency, nor does it have an administrative role, ownership or control in any other entity, subsidiary or trust fund.

3. Statement of Outputs

The following is a summary of the Trust's outputs:

Community Support and Development

Support for community activities and networks that develop caring and cohesive communities, including liaison with Government, Local Government, and community organisations in the development and regeneration of urban environments and maintaining and improving private rental housing standards.

Environmental Health Management

Promotion of proper standards of environmental health and includes the management of hazardous substances.

Private Rental Assistance

The provision of rent relief payments, rent in advance/arrears payments, bond guarantees, and referral and advice.

Public Housing

Management of public housing assets and tenancies, including needs assessment, case management and individual support for households with complex needs, including disability, homelessness, children and families at risk, frail aged, youth and mental health and domestic violence issues.

Crisis Accommodation

Funding for the expansion and upgrading of properties which are used by community organisations to provide emergency accommodation for homeless people or those at risk of homelessness.

Net Allocated Expenses

The cost of goods and services indirectly contributing to the provision of the Trust's outputs, which have been allocated to the output through the 'other' expenditure category.

REVENUES FROM ORDINARY ACTIVITIES	2003						2003 Total \$'000	2002 Total \$'000
	Communty Support & Dvlpmnt \$'000	Envrntal Health Mangmnt \$'000	Private Rental Assistance \$'000	Public Housing \$'000	Crisis Accomm \$'000	Net Allocated Expenses \$'000		
Gross rents	39	-	-	318 920	-	-	318 959	302 383
Less: Rental rebates	-	-	-	(137 459)	-	-	(137 459)	(124 693)
Rents payable by tenants	39	-	-	181 461	-	-	181 500	177 690
Interest	41	-	-	3 581	-	-	3 622	2 725
Recoveries	413	-	3 169	6 276	-	1 326	11 184	10 616
Sundry	46	-	82	2 183	-	522	2 833	1 810
Commonwealth Government	-	-	9 402	32 775	5 385	-	47 562	41 568
State Government	710	-	4 465	76 201	-	62	81 438	76 193
Net revenue from disposal of non-current assets	7 757	-	-	10 984	-	384	19 125	5 624
Net revenues from restructuring	-	-	-	178	-	-	178	-
Total Revenues	9 006	-	17 118	313 639	5 385	2 294	347 442	316 226
EXPENSES FROM ORDINARY ACTIVITIES:								
Staffing costs	2 499	-	3 617	29 660	184	-	35 960	32 647
Borrowing costs	-	-	-	43 304	-	1 577	44 881	45 257
Maintenance	-	49	-	65 401	-	198	65 648	63 972
Council rates and water charges	-	-	-	46 062	-	54	46 116	44 973
Land tax equivalents	-	-	-	58 148	-	-	58 148	54 478
Depreciation	-	-	-	39 274	-	3 011	42 285	39 971
Business services fees	1 084	-	1 540	10 334	55	-	13 013	13 207
Rent	-	-	-	1 720	-	3 825	5 545	4 902
Insurance	-	-	-	3 474	-	34	3 508	3 635
Bad and doubtful debts	-	-	1 738	6 254	-	-	7 992	4 203
Grants	-	-	8 596	-	3 314	-	11 910	11 686
Other	10 598	-	1 627	15 191	65	(6 405)	21 076	15 989
Total Expenses	14 181	49	17 118	318 822	3 618	2 294	356 082	334 920
Surplus (Deficit) from Ordinary Activities before Income Tax	(5 175)	(49)	-	(5 183)	1 767	-	(8 640)	(18 694)
Income Tax Equivalent	-	-	-	-	-	-	-	-
Surplus (Deficit) from Ordinary Activities after Tax	(5 175)	(49)	-	(5 183)	1 767	-	(8 640)	(18 694)

4. Interest Income		2003	2002
Interest received or due and receivable:		\$'000	\$'000
Treasury deposit account		3 601	2 703
Customers		21	22
		3 622	2 725
5. Recoveries			
Grant Program receipts		3 578	3 419
Maintenance		3 938	3 675
Water charges		2 009	1 912
Administrative services to other agencies		1 659	1 610
		11 184	10 616
6. Staffing Costs			
Salaries and wages		30 570	27 940
Long service leave		1 888	1 220
Superannuation		4 937	3 034
Other salary related expenses		2 822	2 613
		40 217	34 807
Charged to capital program		(4 257)	(2 160)
		35 960	32 647
7. Borrowing Costs			
Interest on borrowings		37 107	37 823
Treasurer's guarantee fee		6 197	6 287
Interest accrued against provision for superannuation		1 536	1 136
Bank fees		41	11
		44 881	45 257
8. Depreciation			
Rental properties (dwellings)		39 274	35 876
Administrative properties - Buildings		58	61
Administrative properties - Leasehold improvements		188	235
Plant and equipment		98	120
Computer systems development		2 667	3 679
		42 285	39 971
9. Rent			
Lease rental expense - Administrative properties		3 841	3 507
Lease rental expense - Rental properties		1 704	1 395
		5 545	4 902
10. Bad and Doubtful Debts			
Bad debts written off		5 520	5 158
Provision for doubtful debts adjustment		2 472	(955)
		7 992	4 203
11. Specific Disclosures			
Variances on Capital Works Program		7	129
Increment on revaluation of vacant land property:			
Due to transfer of assets from rental properties to vacant land class		-	(877)
Due to annual revaluation		(467)	(52)
Decrement (Increment) on real property inventories		16	12
Consultant services		247	269
Auditor-General's audit fees		241	247
12. Disposal of Non-Current Assets			
	Sale Proceeds	Cost of Sales	Surplus (Deficit)
	2003	2002	2003
	\$'000	\$'000	\$'000
Rental properties*	51 458	60 111	40 807
Projects	28 702	28 113	20 400
Joint Ventures	-	-	-
Inventory vacant land	500	2 479	328
	80 660	90 703	61 535
			85 079
			19 125
			5 624

* The cost of sales comprise the Valuer-General's property valuations, costs of separating services and titles in respect of double units sold, marketing and agent fees. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

13. Grants	Revenue			Expenditure			
	CWith Grants	State Grants	Other Revenue	2003 Total	Admin Costs	Grants Costs	2003 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Crisis Accommodation	3 314	-	-	3 314	-	3 314	3 314
Housing Improvement and Rent Control	-	465	411	876	876	-	876
Private Rental Assistance Program	7 372	3 549	3 198	14 119	8 203	5 916	14 119
Rent Relief	2 030	916	53	2 999	319	2 680	2 999
Total 2003	12 716	4 930	3 662	21 308	9 398	11 910	21 308
Total 2002	12 901	6 253	3 855	23 009	11 323	11 686	23 009

Grant Revenue Comprises:	2003			2002		
	CWith	State	Total	CWith	State	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grant funded programs (As above)	12 716	4 930	17 646	12 901	6 253	19 154
Rebate subsidy grant	23 985	10 943	34 928	18 252	9 406	27 658
Tax equivalent Reimbursement	-	58 429	58 429	-	54 888	54 888
GST compensation	8 790	3 030	11 820	8 835	3 105	11 940
Administration subsidy	-	894	894	-	763	763
General purpose	-	2 967	2 967	-	1 611	1 611
Capital programs	2 071	245	2 316	1 580	167	1 747
	47 562	81 438	129 000	41 568	76 193	117 761

14. Accumulated Surplus Reconciliation	2003	2002
	\$'000	\$'000
Balance at 1 July	812 466	792 717
Surplus (deficit) from ordinary activities after income tax	(8 640)	(18 694)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	39 280	38 443
Balance at 30 June	843 106	812 466

15. Receivables	2003	2002
Current Assets:		
Debtors	18 441	17 430
Provision for doubtful debts*	(4 040)	(1 518)
	14 401	15 912
Interest	282	261
Grants - Tax equivalent reimbursement	175	270
- Other programs	1 453	353
	1 910	884
Residential mortgage and sale under agreement loans	321	216
	16 632	17 012

* Refer Note 2(k). The 30 June 2002 provision calculated under the revised method is \$3.912 million.

Non-Current Assets:	2003	2002
Mortgage and sale under agreement loans:		
Residential housing	845	1 267
Provision for doubtful debts	(10)	(60)
	835	1 207

16. Inventories	2003	2002
Current Assets:		
Stores	175	27
Finished houses	-	1 411
Developed land	8298	16 820
Vacant land*	3 984	4 084
	12 457	22 342
Capital works in progress	35 112	19 479
	47 569	41 821
Non-Current Assets:		
Capital works in progress	2 343	2 376

* Vacant land does not include \$0.026 million (\$0.037 million) of land transferred to the South Australian Aboriginal Housing Authority under a management agreement with the Trust.

17. Other Current Assets	2003	2002
Prepayments	652	538

18. Property, Plant and Equipment		2003	2002
Rental properties (dwellings):		\$'000	\$'000
Freehold land:			
At independent valuation		1 468 405	1 325 633
Buildings:			
At independent valuation		2 039 586	1 816 532
Accumulated depreciation		(27 180)	(24 289)
		2 012 406	1 792 243
Total Rental Properties*		3 480 811	3 117 876

* Includes \$17.261 million (\$16.216 million) for properties subject to lease and management agreements and \$11.929 million (\$10.854 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme.

Excludes \$0.098 million (\$0.180 million) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.

Administrative Properties:		2003	2002
		\$'000	\$'000
Freehold land:			
At independent valuation		615	735
Buildings:			
At independent valuation		1 964	2 026
Accumulated depreciation		(40)	(40)
		1 924	1 986
Leasehold improvements:			
At cost		2 920	1 871
Accumulated amortisation		(1 047)	(858)
		1 873	1 013
Total Administrative Properties		4 412	3 734
Vacant Land (Freehold):			
At independent valuation		8 460	10 259
Total Vacant Land*		8 460	10 259

* Excludes \$195 000 (\$182 000) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.

Plant and Equipment:			
Plant and equipment - At cost		-	12
Accumulated depreciation		-	(12)
		-	-
Office equipment - At cost		1 151	1 176
Accumulated depreciation		(680)	(642)
		471	534
Computer equipment - At cost		168	212
Accumulated depreciation		(163)	(199)
		5	13
Computer system development - At cost		22 753	20 029
Accumulated amortisation		(16 942)	(14 275)
		5 811	5 754
Total Plant and Equipment		6 287	6 301
Capital Works in Progress:			
Capital Work in Progress		62 178	38 428
Total Property, Plant and Equipment		3 562 148	3 176 598

19. Payables			
Current Liabilities:			
Creditors		11 527	9 423
Non-Current Liabilities:			
Creditors		2 881	1 878
20. Interest-Bearing Liabilities			
Current Liabilities:			
Borrowings - SA Department of Treasury and Finance		16 964	16 011
Managed Houses Scheme		243	243
		17 207	16 254
Non-Current Liabilities:			
Borrowings - SA Department of Treasury and Finance		792 809	809 987
Managed Houses Scheme		4 432	4 675
		797 241	814 662

South Australian Department of Treasury and Finance loans consists of concessional interest rate borrowing (originally under the Commonwealth/State Housing Agreement) of \$809.773 million (\$825.998 million) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent to 5.7 percent (3.0 percent to 5.7 percent). The weighted average interest rate is 4.19 percent (4.47 percent).

20. Interest-Bearing Liabilities (continued)

The Managed Houses Scheme of \$4.675 million (\$4.918 million) under the memorandum of understanding between the Trust and the Treasurer, will be amortised against Managed Houses Scheme expenses over the remaining term of the agreement.

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur:

	2003	2002
	\$'000	\$'000
Borrowings – Current:		
Not later than one year	17 207	16 254
Borrowings – Non-Current:		
Later than one year but not later than five years	76 724	72 918
Later than five years	720 517	741 744
Total Non-Current Borrowings	797 241	814 662
Total Borrowings	814 448	830 916

21. Employee Entitlements and Other Provisions

Current Liabilities:

Employee entitlements	1 224	1 000
Superannuation	1 224	1 000
Other Provisions		
Insurance of rental and purchase agreement properties	645	709
Public risk	894	1 267
Professional indemnity	265	153
Deferred separation title costs for attached housing	146	438
Audit fees	187	187
	2 137	2 754
	3 361	3 754

Non-Current Liabilities:

Employee entitlements	17 715	16 067
Superannuation - refer Note 2(i) for further details.	17 715	16 067

Superannuation

An actuarial review of the superannuation liabilities of the Trust as at June 2002 has been completed by the consulting actuaries Brett & Watson Pty Ltd. The revised provision for superannuation as recommended in their report, has been brought to account as at 30 June 2003. The adjustment of \$1.394 million increase to the existing provision has been recognised as an expense. Refer Note 2(i) for further details.

	2002	Additions (new and increased provisions)	Reductions provisions	to to	Reductions due to payments	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Provision Movement Schedule:						
Superannuation	17 067	2 930	-	(1 058)	(1 058)	18 939
Rental and purchase agreements	709	2 257	(15)	(2 306)	(2 306)	645
Public Risk	1 267	106	(270)	(209)	(209)	894
Professional indemnity	153	118	(6)	-	-	265
Deferred separation costs	438	1 688	(476)	(1 504)	(1 504)	146
Audit fees	187	268	(27)	(241)	(241)	187
	19 821	7 367	(794)	(5 318)	(5 318)	21 076

22. Other Current and Non-Current Liabilities

Current Liabilities:

Unearned revenue	3 121	2 889
Deposits held:		
Tenant deposits held	1 990	1 949
Sale deposits held	4 413	5 045
	6 403	6 994
Total Other-Current	9 524	9 883

Non-Current Liabilities:

Unearned revenue	3 512	3 821
------------------	--------------	-------

23. Asset Revaluation Reserve

Balance at 1 July 2002	1 604 267	1 475 929
Increment on revaluation of freehold land and buildings	425 485	178 742
Decrement on revaluation of rental houses:		
Transferred to capital work programs	(10 612)	(9 780)
Subject to sale contracts	(1 251)	(2 181)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	(39 280)	(38 443)
Balance at 30 June 2003	1 978 609	1 604 267

24. Interests in Management Agreements

The Trust, subject to a management agreement, has an interest of 50 percent in joint landholdings with the Land Management Corporation for the purpose of acquiring and holding land at Seaford for subsequent development and sale. The Trust's investment consists of \$2.343 million (\$2.376 million) of vacant land. For the period ending 30 June 2003 the management fee expensed to the deficit from ordinary activities of the Trust was \$35 000 (\$55 000).

25. Commitments**Capital Expenditure**

Contracted but not provided for and payable:
Not later than one year

2003	2002
\$'000	\$'000
10 859	17 566

Recurrent Expenditure

Recurrent expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable:
Not later than one year

5 650	5 789
--------------	-------

During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2003 is dependent upon the existing recipients continuing to meet the programs' eligibility criteria and the relevant legislation remaining in force. In all programs grant funds from the State Government and/or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2003, refer to Note 13.

Management Agreements

Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:
Not later than one year
Later than one year but not later than five years
Later than five years

2003	2002
\$'000	\$'000
1 349	1 161
4 200	4 176
20 017	21 511
25 566	26 848

Operating Leases

The Trust leases several administrative properties with lease periods up to 10 years and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

	2003	2002
	\$'000	\$'000
Not later than one year	3 444	3 538
Later than one year but not later than five years	11 030	11 531
Later than five years	4 458	8 459
	18 932	23 528

26. Contingent Liabilities**Progressive Purchase Scheme**

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 177 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$3.219 million (\$7.1 million). The collective value of the properties subject to mortgage is estimated to be \$13.889 million (\$11.745 million), based on the Valuer-General's overall capital value.

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2003 is \$11.013 million (\$10.441 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$8.1 million (\$14.850 million). These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to \$1 million.

Properties Subject to Lease Agreement

The South Australian Housing Trust transferred properties to the South Australian Aboriginal Housing Authority (AHA) that are subject to a lease/management agreement. The agreement provides for the Trust to purchase the properties on vacancy of the current AHA tenant. The total value of properties subject to this agreement is \$93 000 (\$175 000).

27. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and cash held in joint venture and project bank accounts.

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:	2003	2002
	\$'000	\$'000
Cash at Treasury*	53 268	51 744
Cash on hand	400	505
Cash - Joint venture and projects*	836	674
	54 504	52 923

* Interest rates applicable at 30 June 2003:
Cash at Treasury 4.60 percent (4.17 percent).
Cash - Joint ventures and projects, 2.8 percent - 3.8 percent (2.8 - 3.8 percent).

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit) after Income Tax

Net Cash provided by Operating Activities	28 008	15 264
Adjustments:		
Depreciation and amortisation	(42 285)	(39 971)
Provision adjustments	(2 147)	942
Buildings written off	(9 414)	(4 756)
Notional Interest on Superannuation Provision	(1 536)	(1 136)
Construction variances, decrement on property investments	(7)	(129)
Surplus (deficit) on revaluation	467	929
Deficit on inventory revaluation	(16)	-
Net revenue from disposal of Non-Current Assets	19 125	5 624
Superannuation Provision	(1 394)	-
Revenue from restructure	178	-
	(37 029)	(38 497)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	1 987	(2 395)
Increase (Decrease) in other current assets	114	276
Decrease (Increase) in payables	(3 107)	5 787
Decrease (Increase) in operating provisions	292	(158)
Decrease (Increase) in other liabilities	37	(59)
Decrease (Increase) in employee entitlements	1 058	1 088
	381	4 539
Operating Surplus (Deficit) after Income Tax	(8 640)	(18 694)

28. Remuneration of Board Members and Employees**Board Members Remuneration**

The Trust Board comprises seven members appointed by the Governor. The fees paid to Board members in their capacity as Board members are set by the Executive Council.

The number of Board Members whose remuneration from the Trust falls within the following bands:	2003	2002
	Number of Members	Number of Members
Nil payment	-	2
\$10 001 - \$20 000	5	4
\$20 001 - \$30 000	2	2
	7	8
Total remuneration received, or due and receivable by the Board Members from the Trust	\$'000	\$'000
	148	130

Related Party Disclosures

No Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

Employees' Remuneration

The number of employees whose remuneration from the Trust falls within the following bands:	2003	2002
	Number of Employees	Number of Employees
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	4
\$130 000 - \$139 999	3	-
\$150 000 - \$159 999	1	-
\$180 000 - \$189 999	-	1
	5	6
Total remuneration received, or due and receivable by employees whose remuneration exceeds \$100 000	\$'000	\$'000
	684	804

The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

29. Targeted Voluntary Separation Packages (TVSPs)

During the period five staff members, who were employees of the Department of Human Services and assigned to the Trust, accepted a package in line with the State Government's policy.

The TVSP component of the costs for the period amounted to \$339 000 (\$423 000). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment. A total of \$211 000 (\$423 000) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$ 92 000 (\$120 000) were paid to employees who received a package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

30. Additional Financial Instrument Disclosures**Interest Rate Risk**

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt.

Note 20 contains details of the interest rates applicable to interest bearing liabilities and Note 27(a) contains details of the interest rates applicable to the cash held in the bank accounts.

Credit Risk

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below.

The entity has calculated net fair value for Concessional Loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be face value.

Summary of Fair Values

	2003		2002	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Liabilities:				
Concessional Housing Loans	809 773	728 788	825 998	654 808
Managed Houses Scheme	4 675	4 675	4 918	4 918
Payables	14 408	14 408	11 301	11 301
	828 856	747 871	842 217	671 027
Financial Assets:				
Cash	54 504	54 504	52 923	52 923
Receivables	17 467	17 467	18 219	18 219
	71 971	71 971	71 142	71 142

31. Property, Plant and Equipment Movement Schedule

	Rental Houses and Land	Administrative Properties and Leasehold Improvements	Plant and Equipment	Vacant Land	2003 Total \$'000
	\$'000	\$'000	\$'000	\$'000	
Gross Carrying Amount					
Balance at 30 June 2002	3 142 165	4 632	21 429	10 259	3 178 485
Additions	66 256	1 078	2 763	2 461	72 558
Disposals	(88 524)	(293)	(120)	(4 727)	(93 664)
Net revaluations increments (decrements)	389 388	82	-	467	389 937
Net revaluation decrement on contract for sale	(1 294)	-	-	-	(1 294)
Balance at 30 June 2003	3 507 991	5 499	24 072	8 460	3 546 022
Accumulated Depreciation/Amortisation					
Balance at 30 June 2002	(24 289)	(898)	(15 128)	-	(40 315)
Disposals	383	-	108	-	491
Net revaluation decrements	35 957	57	-	-	36 014
Net revaluation decrement on contract for sale	43	-	-	-	43
Depreciation/amortisation expensed	(39 274)	(246)	(2 765)	-	(42 285)
Balance at 30 June 2003	(27 180)	(1 087)	(17 785)	-	(46 052)
Net Book Value					
Balance at 30 June 2002	3 117 876	3 734	6 301	10 259	3 138 170
Plus Capital works in progress					38 428
Total Property, Plant and Equipment as at 30 June 2003					3 176 598
Balance at 30 June 2003	3 480 811	4 412	6 287	8 460	3 499 970
Plus Capital works in progress					62 178
Total Property, Plant and Equipment as at 30 June 2003					3 562 148

32. Net Revenues from Restructure

During the year, the Social Justice and Country Division of the Department of Human Services utilised Commonwealth/State Housing Agreement funds to purchase and upgrade dwellings for the Supported Accommodation for People with Complex needs Demonstration Project in the Noarlunga region. On completion of the project, ownership together with the on-going responsibility for these dwellings was transferred to the South Australian Housing Trust. The \$0.178 million capital cost of the dwellings transferred has been brought to account as an increase to the non-current asset, 'Property, plant and equipment' and as a 'Net revenue from restructuring'.

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2003

A

Access Cabs System
Passenger Transport Board, 1131

Accounting for CFS Volunteer Funds
Country Fire Service Board, 761

Accounting for Crown Land
Environment and Heritage, Department for, 321

Accounting for Fixed Assets
Environment and Heritage, Department for, 321

Accrued Superannuation Liabilities
Judges' Pensions Scheme, 1251
Parliamentary Superannuation Scheme, 1339

Actuarial Review
South Australian Superannuation Scheme, 1422

Additional Prizes and Unclaimed Prizes
Lotteries Commission of South Australia, 1286

Adelaide Convention Centre Corporation, 1171
First Full Year of Operations, 1175

Adelaide Entertainments Corporation, 1188

Adelaide Festival Centre Trust, 893

Adelaide Festival Corporation, 910

Adelaide Hills, Joint Venture Relationship
TransAdelaide, 1153

Adelaide Institute
Further Education, Employment, Science and
Technology, Department of, 404

Administration of Concession Payments
Human Services, Department of, 548

Administrative and Information Services,
Department for, 5
Audit of Financial Statements, 7
Hindmarsh Stadium Loan, 9
Light Vehicle Fleet - Sale and Leaseback
Arrangement, 18
Outsourcing of Warehouse Operation, 10
Qualified Audit Opinion, 7
Risk Management, 8

Ambulance Service, Review of
SA St John Ambulance Service Inc, 844

Ambulance Transport Fees
SA St John Ambulance Service Inc, 839

Arid Areas Catchment Water Management Board
Catchment Water Management Boards, 228

Art Gallery Board, 923
Heritage Collections, 927

Asset Allocation and Risk
Superannuation Funds Management Corporation of
South Australia, 1457

Asset Quality – Non-Accrual Loans
HomeStart Finance, 527

Attorney-General's Department, 654
Bona Fide and Leave Reporting, 656
Net Gambling Revenue, 662

Audit of Financial Statements
Administrative and Information Services,
Department for, 7
Education and Children's Services, Department
of, 195
Environment and Heritage, Department for, 319
Further Education, Employment, Science and
Technology, Department of, 403
Motor Accident Commission, 1302
National Wine Centre, 1327
South Australian Forestry Corporation, 141
South Australian Motor Sport Board, 177
University of South Australia, 492
Water, Land and Biodiversity Conservation,
Department of, 364

Auditor-General's Department, 89

Austrics
TransAdelaide, 1152

B

Bad and Doubtful Debts Expense
HomeStart Finance, 526

Blueprint 2005 Capital Program
University of South Australia, 499

Bona Fide and Leave Reporting
Attorney-General's Department, 656

Business, Manufacturing and Trade, Department
for, 103
Edinburgh Parks Project, 105

C

Capital Operations
Education and Children's Services, Department
of, 200

Case Mix Audits
Human Services, Department of, 547

Catastrophe Reinsurance Program
South Australian Government Captive Insurance
Corporation (SAICORP), 1374

Catchment Water Management Boards, 227
Arid Areas Catchment Water Management
Board, 228
Delegation of Authority not Approved, 228
Eyre Peninsula Catchment Water Management
Board, 228
Northern Adelaide and Barossa Catchment Water
Management Board, 228, 231
Onkaparinga Catchment Water Management
Board, 228, 246
Patawalonga Catchment Water Management
Board, 228, 260
River Murray Catchment Water Management
Board, 228, 275
South East Catchment Water Management
Board, 228, 289
Torrens Catchment Water Management
Board, 228, 302

CFS Volunteer Funds, Accounting for
Country Fire Service Board, 761

Child Protection Review
Human Services, Department of, 552

Common Public Sector Interest Rate (CPSIR)
South Australian Government Financing
Authority, 1400

Concession Payments, Administration of
Human Services, Department of, 548

Construction Industry Training Board, 389

Contract Management
Passenger Transport Board, 1127

Contributions for Past Service Liability
South Australian Superannuation Scheme, 1420

Contributions to the Government
Land Management Corporation, 1261

Contributions to the State Government
South Australian Water Corporation, 62

Core Business Information System (CBIS)
Public Trustee, 698, 701

Corporate Governance Arrangements
South Australian Government Captive Insurance
Corporation (SAICORP), 1367

Correctional Services, Department for, 741

Country Fire Service Board, 759
Accounting for CFS Volunteer Funds, 761

Courts Administration Authority, 778
Status of Financial Statements, 778

Crown Land, Accounting for
Environment and Heritage, Department for, 321

D

DAIS. *See* Administrative and Information Services, Department for

Debt Management
Treasury and Finance, Department of, 1485

DEH. *See* Environment and Heritage, Department for

Delegation of Authority not Approved
Catchment Water Management Boards, 228
Northern Adelaide and Barossa Catchment Water Management Board, 232
Onkaparinga Catchment Water Management Board, 247
Patawalonga Catchment Water Management Board, 261
River Murray Catchment Water Management Board, 276
South East Catchment Water Management Board, 290
Torrens Catchment Water Management Board, 303

Department for Administrative and Information Services. *See* Administrative and Information Services, Department for

Department for Business, Manufacturing and Trade.
See Business, Manufacturing and Trade, Department for

Department for Correctional Services. *See* Correctional Services, Department for

Department for Environment and Heritage. *See* Environment and Heritage, Department for

Department of Education and Children's Services. *See* Education and Children's Services, Department of

Department of Further Education, Employment, Science and Technology. *See* Further Education, Employment, Science and Technology, Department of

Department of Human Services. *See* Human Services, Department of

Department of Industry and Trade. *See* Industry and Trade, Department of

Department of Justice. *See* Justice, Department of

Department of Primary Industries and Resources. *See* Primary Industries and Resources, Department of

Department of the Premier and Cabinet. *See* Premier and Cabinet, Department of the

Department of Transport and Urban Planning. *See* Transport and Urban Planning, Department of

Department of Treasury and Finance. *See* Treasury and Finance, Department of

Department of Water, Land and Biodiversity Conservation. *See* Water, Land and Biodiversity Conservation, Department of

Disbursement Service
South Australian Film Corporation, 1021

Disposal of Government-owned Electricity Assets
Electricity Supply Industry, 1223

Distribution Lessor Corporation
Electricity Supply Industry, 1225

Distributions to Government
HomeStart Finance, 528

Dividend Payment
South Australian Asset Management Corporation, 1351

Documentation of Policies and Procedures
Human Services, Department of, 547

DWLBC. *See* Water, Land and Biodiversity Conservation, Department of

E

Economic Development Board, 124
Employment Arrangements, 126
Framework for Economic Development in South Australia, 128
Performance Agreements and Charters, 126
State of the State Report, 127

Edinburgh Parks Project
Business, Manufacturing and Trade, Department for, 105

Education and Children's Services, Department of, 193
Audit of Financial Statements, 195
Capital Operations, 200
Emphasis of Matter, 195
IT Management and Control, 196
Qualified Audit Opinion, 195
Risk Management, 199

Electricity Supply Industry, 1223
Disposal of Government-owned Electricity Assets, 1223
Distribution Lessor Corporation, 1225
Generation Lessor Corporation, 1227
RESI Corporation, 1233
Transmission Lessor Corporation, 1230

Emergency Services Administrative Unit, 779

Emphasis of Matter
Education and Children's Services, Department of, 195
Further Education, Employment, Science and Technology, Department of, 403
Motor Accident Commission, 1302

Employment Arrangements
Economic Development Board, 126
Office of Economic Development, 126

Environment and Heritage, Department for, 318
Accounting for Crown Land, 321
Accounting for Fixed Assets, 321
Audit of Financial Statements, 319
Financial Management Framework, 320
Land Information Revenue, 322
Procurement Practices, 320
Qualified Audit Opinion, 319
Transfer of Land Services Group and LOTS, 322

Environment Protection Authority, 346

EPA. *See* Environment Protection Authority

ESAU. *See* Emergency Services Administrative Unit

Expiation Fees
Police Department, 821

Expiation Notices Withdrawn
Police Department, 815

Eyre Peninsula Catchment Water Management Board
Catchment Water Management Boards, 228

F

Film Producers, Disbursement Service to
South Australian Film Corporation, 1021

Financial Management Framework
Environment and Heritage, Department for, 320
Water, Land and Biodiversity Conservation,
Department of, 365

Firearm Licences and Registrations
Police Department, 815

Fixed Assets
Water, Land and Biodiversity Conservation,
Department of, 368

Fixed Assets, Accounting for
Environment and Heritage, Department for, 321

Flinders University of South Australia, 420
Student Housing, 427

Food Act
Human Services, Department of, 549

Forest Assets, Valuation of
South Australian Forestry Corporation, 141

Framework for Economic Development in South
Australia
Economic Development Board, 128
Office of Economic Development, 128

Funding of the Employer Liability
South Australian Superannuation Scheme, 1424

Funding of Zero Coupon Bond Repayments
South Australian Government Financing
Authority, 1396

Funds SA. *See* Superannuation Funds Management
Corporation of South Australia

Further Education, Employment, Science and
Technology, Department of, 402
Adelaide Institute, 404
Audit of Financial Statements, 403
Emphasis of Matter, 403
Kirby Review, 405
Regency Institute, 403

G

Gambling Revenue, Net
Attorney-General's Department, 662

Generation Lessor Corporation
Electricity Supply Industry, 1227

Generational Health Review
Human Services, Department of, 551

Growing Timber
South Australian Forestry Corporation, 146

Guarantee by the Treasurer
Local Government Finance Authority of South
Australia, 1107

H

Heritage Collections
Art Gallery Board, 927
Libraries Board of South Australia, 958
Museum Board, 977

Heritage Collections, Management of
History Trust of South Australia, 939

Hindmarsh Stadium Loan
Administrative and Information Services,
Department for, 9

History Trust of South Australia, 938
Management of Heritage Collections, 939

HomeStart Finance, 523
Asset Quality – Non-Accrual Loans, 527
Asset Quality - Provision for Doubtful Debts, 527
Bad and Doubtful Debts Expense, 526
Distributions to Government, 528
Loans and Advances, 526
Net Interest Revenue, 525

Human Services, Department of, 544
Administration of Concession Payments, 548
Case Mix Audits, 547
Child Protection Review, 552
Documentation of Policies and Procedures, 547
Food Act, 549
Generational Health Review, 551
Leave Recording and Management Processes, 547
Payroll Reconciliation Processes, 547

I

Income Confirmation Service
South Australian Housing Trust, 627

Industrial and Commercial Premises Corporation, 1235

Industry and Trade, Department of, 160
See also Business, Manufacturing and Trade,
Department for

Investment Result
Motor Accident Commission, 1304

Investment Returns
Superannuation Funds Management Corporation of
South Australia, 1458

Investments
South Australian Government Captive Insurance
Corporation (SAICORP), 1372

IT Management and Control
Education and Children's Services, Department
of, 196

J

Joint Venture, Relationship Adelaide Hills
TransAdelaide, 1153

Judges' Pensions Scheme, 1249
Accrued Superannuation Liabilities, 1251

Justice, Department of, 653

K

Kirby Review
Further Education, Employment, Science and
Technology, Department of, 405

L

Land Information Revenue
Environment and Heritage, Department for, 322

Land Management Corporation, 1258
Contributions to the Government, 1261
Land Sales, 1262
Port Adelaide Waterfront Redevelopment, 1265

Land Sales
Land Management Corporation, 1262

Land Services Group, Transfer of
Environment and Heritage, Department for, 322

Leave Recording and Management Processes
Human Services, Department of, 547

Legal Advice
 SA St John Ambulance Service Inc, 839
 Legal Services Commission, 797
 Liability for Accrued Benefits
 South Australian Superannuation Scheme, 1422
 Libraries Board of South Australia, 954
 Heritage Collections, 958
 Research, 958
 Light Vehicle Fleet - Sale and Leaseback Arrangement
 Administrative and Information Services,
 Department for, 18
 Local Government Finance Authority of South
 Australia, 1107
 Guarantee by the Treasurer, 1107
 Net Average Interest Margin, 1111
 Profit and Distributions, 1111
 LOTS, Transfer of
 Environment and Heritage, Department for, 322
 Lotteries Commission of South Australia, 1281
 Unclaimed Prizes and Additional Prizes, 1286

M

Maintenance Expenditure - Contract Management
 South Australian Housing Trust, 628
 Major Contracts, Management of
 South Australian Water Corporation, 58
 Management of Heritage Collections
 History Trust of South Australia, 939
 Management of Major Contracts
 South Australian Water Corporation, 58
 Management of Sick Leave
 Police Department, 817
 Management Reports to the Board
 South Australian Aboriginal Housing Authority, 585
 Monitoring and Review of the Control Environment
 Water, Land and Biodiversity Conservation,
 Department of, 366
 Motor Accident Commission, 1300
 Audit of Financial Statements, 1302
 Emphasis of Matter, 1302
 Investment Result, 1304
 Outstanding Claims, 1306
 Solvency Level, 1307
 Museum Board, 973
 Heritage Collections, 977

N

National Wine Centre, 1326
 Audit of Financial Statements, 1327
 Qualified Audit Opinion, 1328
 University of Adelaide, 460
 Net Gambling Revenue
 Attorney-General's Department, 662
 Non-Accrual Loans – Asset Quality
 HomeStart Finance, 527
 Northern Adelaide and Barossa Catchment Water
 Management Board, 231
 Catchment Water Management Boards, 228
 Delegations of Authority not Approved, 232

O

Office of Economic Development, 124
 Employment Arrangements, 126
 Establishment, 124
 Framework for Economic Development in South
 Australia, 128
 Performance Agreements and Charters, 126
 State of the State Report, 127

Onkaparinga Catchment Water Management
 Board, 246
 Catchment Water Management Boards, 228
 Delegations of Authority not Approved, 247
 Outsourcing of Warehouse Operations
 Administrative and Information Services,
 Department for, 10
 Outstanding Claims
 Motor Accident Commission, 1306
 South Australian Government Captive Insurance
 Corporation (SAICORP) Section 1, 1371
 South Australian Government Captive Insurance
 Corporation (SAICORP) Section 2, 1373

P

Parliamentary Superannuation Scheme, 1337
 Accrued Superannuation Liabilities, 1339
 Passenger Transport Board, 1125
 Access Cabs System, 1131
 Contract Management, 1127
 Passenger Transport Contracts
 TransAdelaide, 1149
 Past Service Liabilities
 South Australian Superannuation Scheme, 1421
 Past Service Liability Funding
 South Australian Superannuation Scheme, 1422
 Patawalonga Catchment Water Management
 Board, 260
 Catchment Water Management Boards, 228
 Delegation of Authority not Approved, 261
 Payroll Reconciliation Processes
 Human Services, Department of, 547
 Performance Agreements and Charters
 Economic Development Board, 126
 Office of Economic Development, 126
 PIRSA. *See* Primary Industries and Resources,
 Department of
 Police Department, 813
 Expiation Fees, 821
 Firearm Licences and Registrations, 815
 Management of Sick Leave, 817
 Withdrawn Expiation Notices, 815
 Workers Compensation, 820
 Police Superannuation Scheme, 1347
 Status of Financial Statements, 1347
 Port Adelaide Waterfront Redevelopment
 Land Management Corporation, 1265
 Premier and Cabinet, Department of the, 988
 Primary Industries and Resources, Department
 of, 1069
 Procurement
 State Opera of South Australia, 1039
 University of South Australia, 494
 Procurement Arrangements
 State Supply Board, 48
 Procurement Practices
 Environment and Heritage, Department for, 320
 State Supply Board, 48
 Profit and Distributions
 Local Government Finance Authority of South
 Australia, 1111
 Proof of Income Reviews
 South Australian Housing Trust, 627
 Provision for Doubtful Debts - Asset Quality
 HomeStart Finance, 527
 Public Trustee, 697
 Core Business Information System (CBIS), 698, 701

Q

Qualified Audit Opinion
Administrative and Information Services,
Department for, 7
Education and Children's Services, Department
of, 195
Environment and Heritage, Department for, 319
National Wine Centre, 1328
South Australian Forestry Corporation, 141
South Australian Motor Sport Board, 178
University of South Australia, 493
Water, Land and Biodiversity Conservation,
Department of, 364

R

Regency Institute
Further Education, Employment, Science and
Technology, Department of, 403
Regional Self Assessment Program
South Australian Housing Trust, 627
Research and Heritage Collections
Libraries Board of South Australia, 958
RESI Corporation
Electricity Supply Industry, 1233
Revenues from Ordinary Activities
South Australian Water Corporation, 59
Review of Ambulance Service
SA St John Ambulance Service Inc, 844
Risk Management
Administrative and Information Services,
Department for, 8
Education and Children's Services, Department
of, 199
State Opera of South Australia, 1038
Treasury and Finance, Department of, 1485
University of South Australia, 494
River Murray Catchment Water Management
Board, 275
Catchment Water Management Boards, 228
Delegations of Authority not Approved, 276

S

SA St John Ambulance Service Inc, 838
Ambulance Transport Fees, 839
Legal Advice, 839
Review of Ambulance Service, 844
SAAMC. *See* South Australian Asset Management
Corporation
SAFA. *See* South Australian Government Financing
Authority
SAICORP. *See* South Australian Government Captive
Insurance Corporation (SAICORP)
Sick Leave, Management of
Police Department, 817
Significant Matters
University of Adelaide, 456
Solvency Level
Motor Accident Commission, 1307
South Australian Aboriginal Housing Authority, 583
Management Reports to the Board, 585
Strategic Asset Management Plan, 585
South Australian Asset Management Corporation, 1348
Dividend Payment, 1351
South Australian Community Housing Authority, 603
South Australian Film Corporation, 1020
Disbursement Service, 1021

South Australian Forestry Corporation, 139
Audit of Financial Statements, 141
Growing Timber, 146
Qualified Audit Opinion, 141
Valuation of Forest Assets, 141
South Australian Government Captive Insurance
Corporation (SAICORP), 1365
Catastrophe Reinsurance Program, 1374
Corporate Governance Arrangements, 1367
Investments, 1372
Section 1 Outstanding Claims, 1371
Section 2 Outstanding Claims, 1373
South Australian Government Financing
Authority, 1393
Common Public Sector Interest Rate (CPSIR), 1400
Funding of Zero Coupon Bond Repayments, 1396
South Australian Housing Trust, 624
Income Confirmation Service, 627
Maintenance Expenditure - Contract
Management, 628
Proof of Income Reviews, 627
Regional Self Assessment Program, 627
South Australian Metropolitan Fire Service, 857
South Australian Motor Sport Board, 176
Audit of Financial Statements, 177
Qualified Audit Opinion, 178
South Australian Superannuation Board, 1417
South Australian Superannuation Scheme, 1419
Actuarial Review, 1422
Contributions for Past Service Liability, 1420
Liability for Accrued Benefits, 1422
Past Service Liabilities, 1421
Past Service Liability Funding, 1422
South Australian Tourism Commission, 1203
South Australian Water Corporation, 56
Contributions to the State Government, 62
Management of Major Contracts, 58
Revenues from Ordinary Activities, 59
South East Catchment Water Management Board, 289
Catchment Water Management Boards, 228
Delegation of Authority not Approved, 290
Southern State Superannuation Scheme, 1437
State Electoral Office, 874
State of the State Report
Economic Development Board, 127
Office of Economic Development, 127
State Opera of South Australia, 1037
Procurement, 1039
Risk Management, 1038
State Supply Board, 47
Procurement Arrangements, 48
Procurement Practices, 48
State Theatre Company of South Australia, 1052
Status of Financial Statements
Courts Administration Authority, 778
Police Superannuation Scheme, 1347
Transport and Urban Planning, Department of, 1168
Strategic Asset Management Plan
South Australian Aboriginal Housing Authority, 585
Student Housing
Flinders University of South Australia, 427
Superannuation Funds Management Corporation of
South Australia, 1452
Asset Allocation and Risk, 1457
Investment Returns, 1458

T

Timber, Growing
South Australian Forestry Corporation, 146
Torrens Catchment Water Management Board, 302
Catchment Water Management Boards, 228
Delegation of Authority not Approved, 303
TransAdelaide, 1145
Austriacs, 1152
Joint Venture, Relationship Adelaide Hills, 1153
Passenger Transport Contracts, 1149
Transfer of Land Services Group and LOTS
Environment and Heritage, Department for, 322
Transmission Lessor Corporation
Electricity Supply Industry, 1230
Transport and Urban Planning, Department of, 1168
Status of Financial Statements, 1168
Treasurer, the, Guarantee by
Local Government Finance Authority of South
Australia, 1107
Treasury and Finance, Department of, 1482
Debt Management, 1485
Risk Management, 1485

U

Unclaimed Prizes and Additional Prizes
Lotteries Commission of South Australia, 1286
University of Adelaide, 454
National Wine Centre, 460
Operating Result, 459
Significant Matters, 456
University of South Australia, 491
Audit of Financial Statements, 492
Blueprint 2005 Capital Program, 499
Procurement, 494
Qualified Audit Opinion, 493
Risk Management, 494

V

Valuation of Forest Assets
South Australian Forestry Corporation, 141

W

Warehouse Operations, Outsourcing of
Administrative and Information Services,
Department for, 10
Water Information and Licensing Management
Application (WILMA) Development
Water, Land and Biodiversity Conservation,
Department of, 366
Water, Land and Biodiversity Conservation,
Department of, 363
Audit of Financial Statements, 364
Financial Management Framework, 365
Fixed Assets, 368
Monitoring and Review of the Control
Environment, 366
Qualified Audit Opinion, 364
Water Information and Licensing Management
Application (WILMA) Development, 366
Withdrawn Expiation Notices
Police Department, 815
Workers Compensation
Police Department, 820