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

Report

of the

Auditor-General

Annual Report
for the
year ended 30 June 2010

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2010

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Annual Report for the year ended 30 June 2010

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes 1 to 5 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.

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Environment and Heritage (DEH) was an administrative unit established under the PSA, and was responsible to the Minister for Environment and Conservation.

On 1 July 2010, DEH was restructured and retitled the Department of Environment and Natural Resources. For further explanation of the nature of this restructure, refer note 33 to the financial statements.

Functions

DEH's functions were conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation and animal welfare

- managing the State's public land, including national parks, marine parks, botanic gardens and coastline

- being a custodian of information and knowledge about the State's environment.

Note 1 to the financial statements provides further explanation on the objectives of DEH.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, areas of review included:

- accounts payable
- revenue, receipting and banking
- payroll
- grants
- fixed assets
- credit cards.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the 2009-10 Independent Auditor's Report, which details the qualification to DEH's financial statements.

> ***Basis for qualified auditor's opinion***
>
> *Property, Plant and Equipment reported in the Statement of Administered Financial Position excludes Unallotted Crown Land as DEH has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of Crown Land Property, Plant and Equipment included in the Statement of Administered Financial Position.*
>
> *This is disclosed in Note A1(c) to the Administered Financial Statements.*
>
> *As the integrity of Crown Land holdings and values administered by DEH has not been ascertained, I am unable to form an opinion on the reasonableness of the values of Property, Plant and Equipment relating to Crown Lands, brought to account in the Statement of Administered Financial Position.*
>
> ***Qualified auditor's opinion***
>
> *In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department for Environment and Heritage as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*

Fixed assets - accounting for Crown land

Background

Over a number of years, Audit has commented on the accounting treatment of Crown lands and the completeness and accuracy of Crown land base information.

DEH has not been able to formulate a suitable methodology for determining a reliable measure of the value of unallotted Crown land. Hence these land holdings have not been reflected in the administered financial statements.

Certain leased and licensed Crown land is included in the Statement of Administered Financial Position. However there have been limitations on the reliability of base information used to value this land.

As a result, the Independent Auditor's Report on DEH's financial statements in past years qualified administered property, plant and equipment relating to Crown lands.

DEH commenced a Crown lands database project in 2007-08 to address audit qualification issues. The scope of this project included:

- establishment of policies and procedures for the management of Crown land assets
- changes to the Tenements and Billing System (TABS)
- analysis of data quality and data cleansing requirements
- implementation of appropriate conversion processes from the Land Ownership and Tenure System (LOTS) database to TABS
- implementation of an interface between TABS and Masterpiece fixed assets.

During 2008-09, the project team completed the transfer of Crown lands data from the LOTS database to TABS. The team also completed a data cleansing exercise to ensure the integrity of Crown lands data reflected in TABS.

2009-10 developments

In 2009-10, initial discussions were held between DEH and Shared Services SA regarding the accounting methodologies to be adopted for the various types of Crown lands.

DEH originally planned to finalise an appropriate valuation methodology for all Crown land in 2009-10, with a view to reflecting all unallotted Crown land in the administered financial statements in this year. However DEH advised this was not possible given competing resource demands associated with the ongoing implementation of shared services, Sustainable Budget Commission reporting requirements and machinery of government changes.

DEH advised that provided required resources are available, they plan to finalise appropriate accounting methodologies and treatments for all Crown lands in 2010-11.

2009-10 Independent Auditor's Report

Unallotted Crown land is not yet reflected in the administered financial statements. Limitations on the base information used to value leased and licensed Crown land included in the administered financial statements also remain.

In addition, DEH has not finalised an appropriate valuation methodology for all Crown land.

As a result, the Independent Auditor's Report to the financial statements again qualifies the completeness and valuation of Crown land included in the Statement of Administered Financial Position.

Assessment of controls

In my opinion, the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of TIs 2 and 28, cash, payroll and fixed assets as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Chief Executive of DEH. DEH's response to the letter indicated that appropriate action would be taken to address the matters raised. Major matters raised with DEH and the related responses are detailed below.

Implementation of TIs 2 and 28

In 2008-09, DEH developed a draft financial management compliance plan (FMCP) in order to address TIs 2 and 28 requirements. This draft plan outlined DEH's main compliance activities, including details of responsible officers and the planned frequency for each compliance activity. However, Audit noted the FMCP was yet to be finalised, formally endorsed by senior management and distributed to responsible officers.

Audit follow up in 2009-10 indicated the FMCP had been significantly revised, however it was not yet finalised and endorsed. Therefore, DEH did not have a fully operational FMCP or program during 2009-10. Independent assessments of all compliance activities had also not been completed during the year.

As a result, DEH has not complied with TI 28 in 2009-10. Further, given the FMCP was not yet distributed, DEH officers may have been unaware of their roles and responsibilities in implementing compliance activities required by the plan, including the reporting of compliance failures.

DEH responded that a revised FMCP was finalised and approved by the Risk Management and Audit Committee on 8 July 2010. The revised FMCP has also been distributed to responsible officers.

Policy and procedure framework

In 2008-09, Audit noted DEH's policy and procedure framework had not been updated since October 2002. Audit follow up in 2009-10 indicated that significant work had been performed to update the framework, however the framework was not yet finalised and distributed. Audit also noted that DEH had not yet established a central register to monitor the timely update of policies and procedures.

DEH responded that a register of all DEH policies and procedures is being established. A draft framework for policy and procedure development, including policy templates, has also been prepared. It is planned that the framework will be rolled out for use by staff in September 2010.

Legislative compliance framework

DEH has not established a register detailing the officers responsible for ensuring compliance with each applicable piece of legislation. A formal process for reporting legislative breaches is also not in place. Hence DEH does not currently have a systematic framework for identifying, tracking and managing compliance with legislation.

DEH responded that a legislative compliance framework is currently being developed which will cover its administrative legislation and policy for both controlled and administered entities. It is planned that this framework will be completed by the end of 2010.

Cash

During 2009-10, revenue related reconciling items on the bank reconciliation were not adequately explained and cleared in a timely manner. Relevant reconciling items were corrected prior to 30 June 2010.

Payroll

There is no central monitoring to ensure all HR administrators have received signed bona fide reports in a timely manner from all pay points within their responsibility. DEH responded that a formal bona fide monitoring procedure will be developed and communicated to relevant staff by December 2010. This procedure will include an approach for central monitoring of bona fide reports.

Fixed assets

The fixed asset accounting procedure has not been updated to reflect several additional checking processes required to ensure asset revaluations are accurately and completely recorded. DEH responded that review and update of the procedure will be completed by December 2010.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefits	**92**	84
Supplies and services	**64**	65
Depreciation and amortisation	**18**	20
Other expenses	**9**	9
Total expenses	**183**	178
INCOME		
Fees and charges	**18**	21
Grants and contributions	**27**	18
Other revenue	**2**	2
Total income	**47**	41
Net cost of providing services	**136**	137
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues from SA Government	**129**	132
Payments to SA Government	**-**	(7)
Net result	**(7)**	(12)
OTHER COMPREHENSIVE INCOME	**(1)**	16
Total comprehensive result	**(8)**	4

	2010	2009
	$'million	$'million
NET CASH PROVIDED BY OPERATING ACTIVITIES	**17**	18
ASSETS		
Current assets	**111**	115
Non-current assets	**310**	311
Total assets	**421**	426
LIABILITIES		
Current liabilities	**27**	30
Non-current liabilities	**19**	20
Total liabilities	**46**	50
TOTAL EQUITY	**375**	376

Statement of Comprehensive Income

Expenses

Total expenses increased by $5 million (3 percent). This increase is primarily due to TVSP expenses ($8.3 million) and associated leave termination payments ($2.8 million) within employee benefits.

The increases associated with TVSPs were partly offset by a decrease in depreciation and amortisation ($1.8 million), due mainly to the extension of asset useful lives and certain assets becoming fully depreciated during 2009-10.

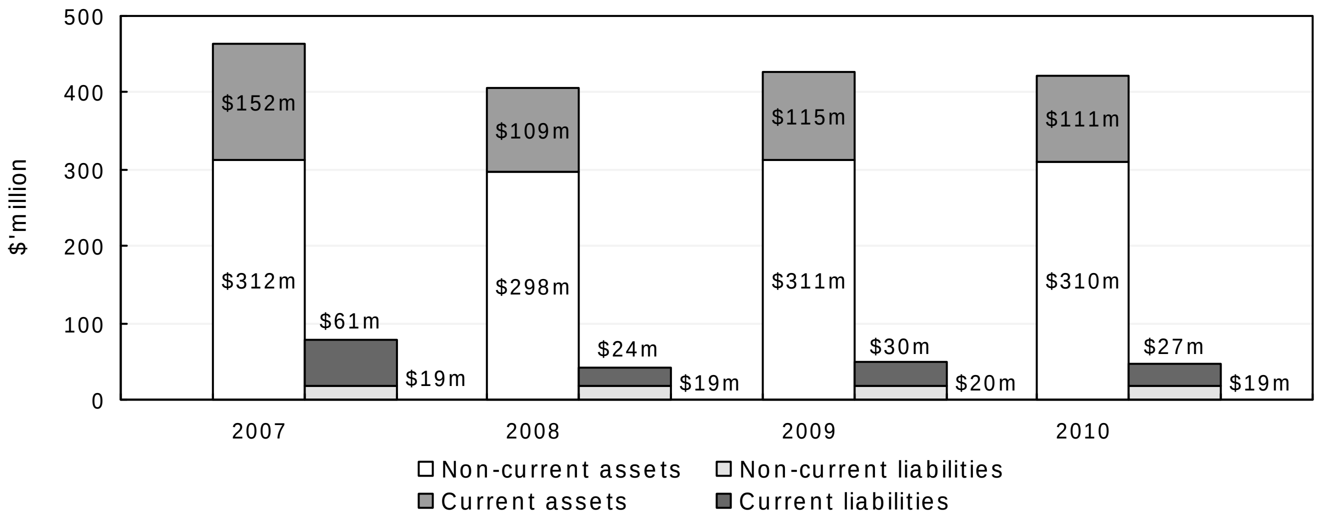
Income

Total income increased by $6 million (15 percent). The major items causing this change were:

- fees and charges decreased by $4 million due mainly to a decrease in sale of support services ($3.6 million). In 2008-09, DEH was engaged by the Department of Water, Land and Biodiversity Conservation to develop a feasibility study for the long-term management of the Coorong, Lower Lakes and Murray Mouth
- grants and contributions increased by $10 million due mainly to an increase in grants received from the Commonwealth Government ($3.8 million) and other SA Government entities ($5.8 million). This increase primarily relates to funding for Coorong, Lower Lakes and Murray Mouth projects. The 'Further commentary on operations' section provides additional information on these projects.

Statement of Financial Position

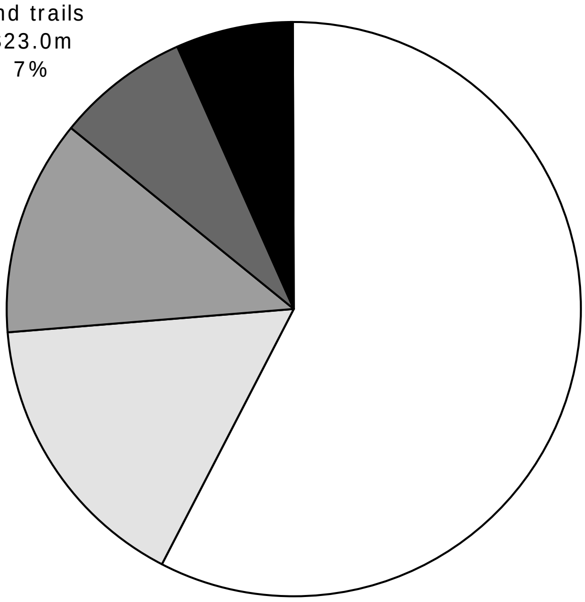
For the four years to 2010, a structural analysis of assets and liabilities is shown in the following chart.



DEH's assets comprise two main items, property, plant and equipment and cash.

Non-current assets - property, plant and equipment

In 2010 this item makes up 73 percent (72 percent) of total assets. Land, buildings and improvements and park infrastructure are the dominant items of property, plant and equipment. The split of property, plant and equipment by asset category is detailed in the following pie chart:



Note 22 provides further details of items and amounts.

Property, plant and equipment decreased from $309 million to $308 million, due mainly to depreciation expense of $18 million, offset by additions of $16 million.

Current assets - cash

This item, $102 million ($103 million) represents 93 percent (90 percent) of total current assets and 24 percent (24 percent) of total assets. The main component of cash in 2009-10 is the accrual appropriation account of $90 million (88 percent). This is further discussed below under Statement of Cash Flows.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**17**	17	5	29
Investing	**(18)**	(15)	(12)	(12)
Financing	**-**	-	(38)	-
Change in cash	**(1)**	2	(45)	17
Cash at 30 June	**102**	103	101	146

DEH's cash at 30 June 2010 comprises operating deposit accounts ($12 million) and an accrual appropriation account ($90 million). Access to the accrual appropriation account is subject to the Treasurer's/ Under Treasurer's approval.

Administered items

Net gain from disposal of non-current assets

Net gain from disposal of non-current assets decreased by $5 million, due mainly to a decrease in Crown land sales during 2009-10.

Payments to SA Government

Payments to SA Government decreased by $7 million. This is consistent with the decrease in Crown land sales during 2009-10. The proceeds of Crown land sales are paid to the Consolidated Account.

Other current liabilities

Other current liabilities increased by $2 million, due mainly to a security deposit received for the sale of Crown land to the Minister for the Arts ($2.5 million). This land is located on the Glenside Hospital site and will be used for the construction of new SA Film Corporation premises.

FURTHER COMMENTARY ON OPERATIONS

Coorong, Lower Lakes and Murray Mouth projects

At the end of 2008, DEH was given responsibility for developing a long-term plan and business case for managing the Coorong, Lower Lakes and Murray Mouth (CLLMM) region. The long-term plan has been developed during 2008-09 and 2009-10 with input from the community, scientists and industry and aims to secure a future for the region as a healthy, productive and resilient wetland of international importance.

The final CLLMM long-term plan and business case was released in June 2010. The plan and business case was presented to the Australian Government, which will conduct a due diligence process prior to the roll-out of key elements of the plan.

During 2009-10, a number of projects were approved in advance of the implementation stage of the long-term plan. These early works projects involve activities such as:

- managing acid sulphate soil hotspots through limestone application and artificial wetland construction
- dilution of hypersaline water in the Coorong South Lagoon
- revegetation to stabilise exposed acid sulphate soils
- maintaining water levels in Lake Albert to reduce acidification risk.

The Australian government committed $21 million in funding for these projects in July 2010.

These early works projects have been funded through the Australian Government's Murray Futures program, which will provide up to $200 million for Lower Lakes and Coorong recovery projects. The early works projects are due to be completed by 30 June 2011. The implementation stage of the long-term plan is scheduled for completion in June 2015.

Total CLLMM project development expenditure incurred to date is $10 million.

Lower Lakes Bioremediation and Revegetation Project

The Lower Lakes Bioremediation and Revegetation Project commenced in 2009-10. The purpose of the project is to address some of the serious environmental issues the region is facing. This two-year project involves on-ground revegetation works, including the collection and propagation of native seeds for local revegetation to:

- assist ecosystem stability and resilience
- stabilise sand/dust movement
- assist management of acidification
- improve biodiversity in treated areas.

The project funding deed requires the Australian Government to provide $10 million. The Australian Government contribution is funded from the $200 million Murray Futures program.

Total project expenditure incurred during 2009-10 was $2 million.

Adelaide's Living Beaches Project

The Government of South Australia approved a new strategy in November 2005 for managing Adelaide's metropolitan beaches – 'Adelaide's Living Beaches – A Strategy for 2005-25'. The strategy will investigate and develop infrastructure to manage Adelaide's beaches within four cells along the metropolitan coastline.

The total project budget provides $23 million for construction of sand transfer infrastructure. Subject to further Cabinet consideration of the project, construction of project infrastructure is expected to be completed by June 2012.

The project expenditure for 2009-10 was $5 million. Costs incurred to date of $34 million have primarily been in the areas of project establishment costs, sand collection and pumping pipeline trials and ongoing programs of beach replenishment sandcarting and harbour maintenance dredging.

In 2009-10, the Semaphore Park Breakwater was completed and transferred from capital works in progress. This asset cost $2.5 million and is reflected in park infrastructure within property, plant and equipment.

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefits	5	**92 401**	83 831
Supplies and services	6	**64 106**	64 640
Grants and subsidies	7	**4 214**	4 168
Depreciation and amortisation	8	**18 113**	19 868
Net loss from disposal of non-current assets	9	**3 669**	3 006
Net loss (gain) from disposal of land held for sale	14	**-**	840
Other expenses	10	**1 027**	1 848
Total expenses		**183 530**	178 201
INCOME:			
Fees and charges	11	**17 796**	21 616
Grants and contributions	12	**27 402**	17 493
Interest revenue	13	**160**	133
Other income	15	**2 061**	1 591
Total income		**47 419**	40 833
NET COST OF PROVIDING SERVICES		**136 111**	137 368
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	**128 729**	132 259
Payments to SA Government	16	**-**	(6 434)
Total revenues from SA Government		**128 729**	125 825
NET RESULT		**(7 382)**	(11 543)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus	28	**(279)**	15 926
Total other comprehensive income		**(279)**	15 926
TOTAL COMPREHENSIVE RESULT		**(7 661)**	4 383

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010 $'000**	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**102 639**	103 408
Receivables	18	**5 790**	9 495
Inventories	19	**1 202**	1 141
Other current assets	20	**861**	436
Total current assets		**110 492**	114 480
NON-CURRENT ASSETS:			
Receivables	18	**42**	44
Other financial assets	21	**3**	3
Property, plant and equipment	22	**307 838**	308 554
Intangible assets	23	**2 357**	2 747
Total non-current assets		**310 240**	311 348
Total assets		**420 732**	425 828
CURRENT LIABILITIES:			
Payables	24	**17 979**	20 200
Employee benefits	25	**8 388**	9 009
Provisions	26	**354**	345
Current other liabilities	27	**834**	637
Total current liabilities		**27 555**	30 191
NON-CURRENT LIABILITIES:			
Payables	24	**1 650**	1 792
Employee benefits	25	**14 893**	15 037
Provisions	26	**1 167**	1 017
Non-current other liabilities	27	**1 220**	1 633
Total non-current liabilities		**18 930**	19 479
Total liabilities		**46 485**	49 670
NET ASSETS		**374 247**	376 158
EQUITY:			
Asset revaluation surplus	28	**185 377**	185 656
Retained earnings	28	**188 870**	190 502
TOTAL EQUITY		**374 247**	376 158

Total equity is attributable to the SA Government as owner

Expenditure commitments	30		
Contingent liabilities	31		

Statement of Changes in Equity for the year ended 30 June 2010

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	28	169 730	194 176	363 906
Asset adjustments previously recognised:				
First time recognition of assets	28	-	7 374	7 374
ARAMIS revisions	28	-	1 011	1 011
Adjustments this reporting period:				
Transfer of asset to Crown lands	28	-	(435)	(435)
Correction of suspense accounts	28	-	(81)	(81)
Restated balance at 1 July 2008	28	169 730	202 045	371 775
Net result for 2008-09	28	-	(11 543)	(11 543)
Gain on revaluation of property, plant and equipment	28	15 926	-	15 926
Total comprehensive result for 2008-09		15 926	(11 543)	4 383
Balance at 30 June 2009	28	185 656	190 502	376 158
Net result for 2009-10	28	-	(7 382)	(7 382)
Loss on revaluation of property, plant and equipment	28	(279)	-	(279)
Total comprehensive result for 2009-10		(279)	(7 382)	(7 661)
Asset adjustments - first time recognition of assets	28	-	3 169	3 169
Asset adjustments - ARAMIS revisions	28	-	2 581	2 581
Total asset adjustments		-	5 750	5 750
Balance at 30 June 2010	28	**185 377**	**188 870**	**374 247**

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

Statement of Cash Flows
for the year ended 30 June 2010

	Note	**2010 Inflows (Outflows) $'000**	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(93 992)**	(81 381)
Supplies and services payments		**(74 897)**	(69 796)
Grants and subsidies payments		**(4 349)**	(4 383)
GST paid to ATO		**-**	(95)
Other payments		**(2)**	(12)
Cash used in operations		**(173 240)**	(155 667)
CASH INFLOWS:			
Fees and charges		**23 158**	21 085
Grant and contribution receipts		**29 762**	19 085
Interest received		**145**	142
GST recovered from the ATO		**6 027**	5 832
Other receipts		**2 061**	1 591
Cash generated from operations		**61 153**	47 735
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**128 729**	132 259
Payments to SA Government		**-**	(6 434)
Total cash generated from SA Government		**128 729**	125 825
Net cash provided by operating activities	29	**16 642**	17 893
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS			
Purchase of property, plant and equipment		**(17 438)**	(15 194)
Cash used in investing activities		**(17 438)**	(15 194)
CASH INFLOWS			
Proceeds from sale of property, plant and equipment		**27**	139
Proceeds from sale of investments		**-**	5
Cash generated from investing activities		**27**	144
Net cash used in investing activities		**(17 411)**	(15 050)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(769)**	2 843
CASH AND CASH EQUIVALENTS AT 1 JULY		**103 408**	100 565
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**102 639**	103 408

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 4)	Activity 1		Activity 2		Activity 3		Activity 4	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**13 710**	16 394	**12 077**	11 747	**6 422**	5 412	**8 038**	7 941
Supplies and services	**14 358**	14 006	**8 727**	9 959	**2 230**	2 312	**2 642**	2 982
Grants and subsidies	**1 229**	1 390	**64**	57	**-**	30	**815**	290
Depreciation and amortisation	**8 045**	8 918	**8 045**	8 918	**77**	110	**163**	209
Net loss from disposal of non-current assets	**-**	-	**-**	-	**-**	-	**-**	-
Net loss from disposal of land held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Other expenses	**-**	28	**623**	1 365	**-**	(8)	**-**	-
Total expenses	**37 342**	40 736	**29 536**	32 046	**8 729**	7 856	**11 658**	11 422
INCOME:								
Fees and charges	**1 124**	2 130	**9 767**	9 314	**1 004**	1 147	**3 004**	2 980
Grants and contributions	**6 873**	9 496	**89**	21	**12**	605	**643**	1 119
Interest	**75**	21	**80**	96	**-**	-	**5**	11
Other income	**64**	66	**331**	38	**484**	111	**25**	51
Total income	**8 136**	11 713	**10 267**	9 469	**1 500**	1 863	**3 677**	4 161
NET COST OF PROVIDING SERVICES	**29 206**	29 023	**19 269**	22 577	**7 229**	5 993	**7 981**	7 261
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Total net revenues from SA Government	**-**	-	**-**	-	**-**	-	**-**	-
NET RESULT	**(29 206)**	(29 023)	**(19 269)**	(22 577)	**(7 229)**	(5 993)	**(7 981)**	(7 261)

(Activities - refer note 4)	Activity 5		Activity 6		Activity 7		Activity 8	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**5 543**	5 768	**5 255**	4 061	**1 775**	1 559	**185**	192
Supplies and services	**4 686**	7 486	**3 028**	2 297	**1 059**	1 391	**36**	37
Grants and subsidies	**66**	696	**90**	76	**570**	486	**660**	660
Depreciation and amortisation	**149**	308	**87**	99	**150**	191	**-**	-
Net loss from disposal of non-current assets	**-**	-	**-**	-	**-**	-	**-**	-
Net loss from disposal of land held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Other expenses	**42**	-	**103**	38	**60**	17	**-**	-
Total expenses	**10 486**	14 258	**8 563**	6 571	**3 614**	3 644	**881**	889
INCOME:								
Fees and charges	**708**	25	**571**	75	**321**	736	**3**	5
Grants and contributions	**561**	1 548	**1 903**	1 674	**113**	61	**-**	-
Interest	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**194**	-	**27**	53	**10**	3	**-**	-
Total income	**1 463**	1 573	**2 501**	1 802	**444**	800	**3**	5
NET COST OF PROVIDING SERVICES	**9 023**	12 685	**6 062**	4 769	**3 170**	2 844	**878**	884
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**-**	-	**-**	-	**250**	250	**-**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Total net revenues from SA Government	**-**	-	**-**	-	**250**	250	**-**	-
NET RESULT	**(9 023)**	(12 685)	**(6 062)**	(4 769)	**(2 920)**	(2 594)	**(878)**	(884)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

(Activities - refer note 4)	Activity 9		Activity 10		Activity 11		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**25 590**	21 205	**2 887**	883	**10 919**	8 669	**92 401**	83 831
Supplies and services	**14 260**	14 285	**5 591**	1 864	**7 489**	8 021	**64 106**	64 640
Grants and subsidies	**274**	431	**91**	50	**355**	2	**4 214**	4 168
Depreciation and amortisation	**661**	480	**4**	1	**732**	634	**18 113**	19 868
Net loss from disposal of non-current assets	**3 669**	3 006	**-**	-	**-**	-	**3 669**	3 006
Net loss from disposal of land held for sale	**-**	840	**-**	-	**-**	-	**-**	840
Other expenses	**199**	402	**-**	-	**-**	6	**1 027**	1 848
Total expenses	**44 653**	40 649	**8 573**	2 798	**19 495**	17 332	**183 530**	178 201
INCOME:								
Fees and charges	**160**	1 153	**-**	2 885	**1 134**	1 166	**17 796**	21 616
Grants and contributions	**3 218**	2 723	**13 805**	-	**185**	246	**27 402**	17 493
Interest	**-**	5	**-**	-	**-**	-	**160**	133
Other income	**503**	1 088	**4**	-	**419**	181	**2 061**	1 591
Total income	**3 881**	4 969	**13 809**	2 885	**1 738**	1 593	**47 419**	40 833
NET COST OF PROVIDING SERVICES	**40 772**	35 680	**(5 236)**	(87)	**17 757**	15 739	**136 111**	137 368
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**128 479**	132 009	**-**	-	**-**	-	**128 729**	132 259
Payments to SA Government	**-**	(6 434)	**-**	-	**-**	-	**-**	(6 434)
Total net revenues from SA Government	**128 479**	125 575	**-**	-	**-**	-	**128 729**	125 825
NET RESULT	**87 707**	89 895	**5 236**	87	**(17 757)**	(15 739)	**(7 382)**	(11 543)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Environment and Heritage

The Department for Environment and Heritage (the Department) is responsible for nature conservation, heritage conservation and animal welfare. We collect and provide information and knowledge about the State's environment. We manage the State's public land, which includes our national parks, marine parks, botanic gardens and coastline. We also advise on environment policy.

This is achieved through commitment to the following objectives:

Involving all South Australians
Encouraging all South Australians to enjoy and be actively involved with their rich heritage and diverse natural environments.

A healthy environment
Improving South Australia's rich heritage and diverse natural environments, both public and private, particularly sites and places of state significance.

Sustainable growth
Facilitating economic growth and work to help others recognise that sound environmental management and economic growth are complementary contributors to the sustainable growth of our State.

Better decisions and partnerships
Providing quality information and policy advice based on evidence and research. Building and maintaining strong partnerships to deliver better decisions and results.

Getting results
Making sure that the Department is accountable and well led, and gets the results it sets out to achieve.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes

- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. The Department has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed

  (b) expenses incurred as a result of engaging consultants

  (c) employees TVSP information

  (d) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or other wise made available, directly or indirectly by the entity to those employees

  (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of preparation (continued)

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as Departmental income, expenses, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(e) Rounding

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

(f) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

The Department prepares a business activity statement on behalf of its controlled entities, administered items and for other clients provided with business services under the grouping provisions of the GST legislation. Under these provisions the Department is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable forms part of the receivables and payables recorded in the Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows of the Department.

(g) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(h) *Income*

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

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

The following are specific recognition criteria:

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

Contributions received
Contributions are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Department has obtained control or the right to receive for:

- contributions with unconditional stipulations — this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (ie grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations — this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

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

Revenues from SA Government
Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Other income
Other income consists of salaries and wages recoveries, sponsorships and donations, recoveries of insurance claims lodged with SAICORP and other sundry income.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefits
Employee benefits include all costs related to employment including wages and salaries, leave entitlements and non-monetary benefits. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current Departmental staff. DTF centrally recognises the superannuation liability in the whole of government financial statements.

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution and the expense recognition criteria are met.

Payments to SA Government
Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and are paid directly to the Consolidated Account.

(j) Current and non-current classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(l) Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

(m) Inventories

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

(n) Financial assets

The Department measures financial assets at historical cost.

(o) Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

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

Heritage assets

In accordance with APF III, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land
Land comprising national, conservation and recreation parks and wilderness protection areas and reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Administered property, plant and equipment relates to the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However limitations exist on the reliability of the base information used to determine the valuation of this land.

The Department is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009* . This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

(p) Revaluation of non-current assets

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

The Department revalues its land, buildings and improvements, park infrastructure and roads, tracks and trails on at least a three year rolling basis. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Property, plant and equipment assets due for revaluation are assessed to determine whether they should be classified as generic assets or unique assets.

Generic building, infrastructure and road assets are valued using a data dictionary approach. Plant and equipment and moveable vehicle assets were also valued using a data dictionary approach for the first time as at 30 June 2008. The data dictionary model is contained within the Department's ARAMIS system. The data dictionary model calculates a value for an asset based on description, grade/composition, condition and size/quantity. For buildings, infrastructure and roads, the model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years.

Unique assets are items which cannot be categorised within standard data dictionary groups. Assets that are deemed to be unique are externally valued by independent professional valuers.

The valuers used by the Department are as follows:

- Data dictionary: Buildings, infrastructure and roads
  1 July 2008, Valcorp Australia Pty Ltd,
  Mr F Taormina, BAppSc(Val), AAPI
- Data dictionary: Plant and equipment and moveable vehicles
  30 June 2008, Valcorp Australia Pty Ltd,
  Mr F Taormina, BAppSc(Val), AAPI
- Independent professional valuation
  1 July 2008, Valcorp Australia Pty Ltd,
  Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI.

The fair value of unique items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

(q) Impairment

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

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

(r) Depreciation and amortisation of non-current assets

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

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

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

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

Land is not depreciated.

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

Class of asset	*Useful life (years)*
Buildings and improvements	5-70
Computing equipment	3-5
Furniture and fittings	5-20
Moveable vehicles	3-40
Park infrastructure	4-60
Plant and equipment	3-25
Roads, tracks and trails	4-60
Other	5-65
Intangible assets:	
Computer software (externally acquired)	3-10
Computer software (internally generated)	3
Other (war services leases)	45

(s) Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis. For the war services leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $5000.

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

(t) Payables

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

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

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

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

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

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

(u) *Employee benefits*

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

Wages, salaries, annual leave and sick leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long service leave

The liability for long service leave is recognised after an employee has completed 5.5 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Employee benefit on-costs

Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Provisions

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

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(v) *Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has entered into one or more operating leases.

Operating leases

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

Lease incentive

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

(w) *Unrecognised contractual commitments and contingent assets and liabilities*

Commitments include operating lease, capital and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

3. New and revised account standards and policies

The Department did not change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

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

Activity 1: Nature Conservation
Protecting, maintaining, improving and restoring ecosystems, habitats, species and populations by developing nature conservation policies and programs with industries, government and communities and by undertaking and supporting research, surveys and monitoring of South Australia's biodiversity.

Activity 2: Public Land - Visitor Management
Promoting public enjoyment and the conservation of the state's natural and cultural heritage through the provision of sustainable opportunities for environmentally sensitive, economically viable and socially responsible visitor experiences.

Activity 3: Public Land - Fire Management
Managing fire to reduce the risk to life and property, and conserve our natural and cultural heritage on lands managed by the Department for Environment and Heritage.

Activity 4: Public Land - Stewardship
Ensuring that public lands and protected areas are managed effectively.

Activity 5: Coast and Marine Conservation
Ensuring the conservation, protection and ongoing sustainable productivity of South Australia's coastal, estuarine and marine environments.

Activity 6: Botanic Gardens Management
Managing the natural and cultural resources of the Botanic Gardens and State Herbarium to advance plant conservation and sustainable horticulture practices, and to enrich society.

Activity 7: Heritage Conservation
Ensuring that the state's built and maritime heritage and heritage objects are identified, protected, conserved, maintained and celebrated.

Activity 8: Animal Welfare
Ensuring animals are treated humanely and that companion animals are managed appropriately.

Activity 9: Agency Support Services
The provision of business support services to the various operational units within the Department for Environment and Heritage, the Environment Protection Authority, Zero Waste SA and other related boards and committees. These services include the provision and management of information to support the state's environmental needs, human resource management, financial management, IT infrastructure, IT Helpdesk support, facilities management, project management, asset management, administrative support, business planning, governance, government business, executive support, public affairs, procurement and environmental policy advice.

Activity 10: Adaptive Management of the Lower Lakes and Coorong
Securing the long-term future of the Coorong, Lower Lakes and Murray Mouth as a healthy, productive and resilient wetland system that maintains its international importance.

Activity 11: Knowledge and Information
Building an innovative and sustainable knowledge and information capacity through research, analysis, monitoring and coordination of information, science and technological business activities in collaboration with the Department for Environment and Heritage programs, partner organisations and the community.

The disaggregated disclosures - schedule of expenses and income presents information regarding the Department's activities for the years ended 30 June 2010 and 30 June 2009.

AASB 1052 requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. The Department cannot currently reliably attribute assets and liabilities across activities. Hence this additional disclosure has not been made.

5. Employee benefits

	2010	2009
	$'000	$'000
Salaries and wages	61 595	60 007
Annual leave	5 430	5 610
Long service leave	2 708	2 645
Employment on-costs - superannuation	6 857	7 854
Employment on-costs - other	4 530	4 497
TVSPs	8 288	-
Board and Committee fees	84	47
Other employment related expenses	2 909	3 171
Total employee benefits	92 401	83 831

TVSPs

Amount paid to these employees:	2010 $'000	2009 $'000
TVSPs	8 288	-
Annual leave and long service leave paid during the reporting period	2 805	-
	11 093	-
Recovery from DTF	(7 146)	-
Net cost to the Department	3 947	-
Number of employees who received a TVSP during the reporting period	81	-

Employee remuneration

The table below includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $12.964 million ($9 million).

The number of employees whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	45	33
$110 000 - $119 999	15	12
$120 000 - $129 999	3	4
$130 000 - $139 999	6	5
$140 000 - $149 999	7	6
$150 000 - $159 999	2	1
$160 000 - $169 999	1	2
$170 000 - $179 999	2	3
$180 000 - $189 999	1	1
$190 000 - $199 999	3	1
$200 000 - $209 999	1	-
$210 000 - $219 999	1	1
$220 000 - $229 999	1	1
$240 000 - $249 999*	1	-
$250 000 - $259 999*	1	-
$260 000 - $269 999*	1	-
$300 000 - $309 999*	1	-
$320 000 - $329 999	-	1
$330 000 - $339 999	1	-
$340 000 - $349 999*	1	-
$350 000 - $359 999*	1	-
Total	95	71

* This remuneration band includes an employee who received a TVSP payment.

The table includes TVSPs paid where the employee's normal remuneration exceeds the $100 000 threshold. In 2009-10, six employees in the table received a TVSP.

6. Supplies and services

	2010 $'000	2009 $'000
Accommodation and property management	9 066	9 031
Consultants	93	221
Contractors	4 196	4 862
Cost of goods sold	766	788
External auditors remuneration	264	238
Fee for service	21 888	17 687
General administration	6 292	4 427
Heritage advisers	472	541
Information technology and communication expenses	6 082	6 325
Minor works, maintenance and equipment	3 943	7 489
Monitoring fees	214	145
Sand replenishment	1 387	3 032
Scientific and technical services	618	1 794
Transportation	281	273
Travel and accommodation	1 342	1 537
Vehicle and aircraft	4 943	5 059
Other	2 259	1 191
Total supplies and services	64 106	64 640

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:

	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	8	38	11	37
Between $10 000 - $50 000	4	55	5	103
Above $50 000	-	-	1	81
Total paid/payable to the consultants engaged	12	93	17	221

External auditor's remuneration

External auditor's remuneration (included in the external's auditors remuneration expense amount shown above) represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General's Department.

	2010	2009
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	264	238
Total external auditor's remuneration	264	238

Supplies and services provided by entities within SA Government

Accommodation and property management	5 065	4 869
External auditors remuneration	264	238
Fee for service	6 285	1 044
General administration	2 125	587
Total supplies and services provided by entities within the SA Government	13 739	6 738

7. Grants and subsidies

Community organisations and associations	2 552	1 438
Grant refunds:		
Local Government	-	2
Entities within the SA Government	3	102
Individuals - heritage, fencing and other agreements	169	266
Local Government	607	670
Entities within the SA Government	586	1 087
Universities	297	603
Total grants and subsidies	4 214	4 168

Grants and subsidies paid/payable to entities within the SA Government

Grant refunds:		
Entities within the SA Government	3	102
State Government	586	1 087
Total grants and subsidies paid/payable to entities within the SA Government	589	1 189

8. Depreciation and amortisation

Depreciation:		
Buildings and improvements	3 216	3 422
Computing equipment	659	513
Furniture and fittings	461	404
Moveable vehicles	863	1 022
Park infrastructure	5 990	6 657
Roads, tracks and trails	5 958	6 778
Plant and equipment	521	721
Other	29	18
Total depreciation	17 697	19 535
Amortisation:		
Application software - internally generated	385	245
Application software - externally purchased	9	66
Other - war services leases	22	22
Total amortisation	416	333
Total depreciation and amortisation	18 113	19 868

Revision of accounting estimates

During the year, the Department reassessed the useful lives of property, plant and equipment assets, resulting in an increase in the estimated useful life of certain assets. This has resulted in a decrease of $582 000 in the amount of depreciation calculated on these assets in 2009-10 compared to the amount that would have been expensed based on previous estimates of useful lives. The lower depreciation expense will also be reflected in future years.

9. Net loss from disposal of non-current assets

	2010	2009
	$'000	$'000
Buildings:		
Proceeds from disposal	6	-
Net book value of assets disposed	(449)	(411)
Net loss from disposal	(443)	(411)
Park infrastructure:		
Proceeds from disposal	-	-
Net book value of assets disposed	(1 691)	(938)
Net loss from disposal	(1 691)	(938)
Roads, tracks and trails:		
Proceeds from disposal	-	-
Net book value of assets disposed	(1 256)	(26)
Net loss from disposal	(1 256)	(26)

9. Net loss from disposal of non-current assets (continued)

	2010	2009
	$'000	$'000
Moveable vehicles:		
Proceeds from disposal	8	27
Net book value of assets disposed	57	(53)
Net gain from disposal	(49)	(26)
Computing equipment:		
Proceeds from disposal	11	-
Net book value of assets disposed	-	(48)
Net Loss from Disposal	11	(48)
Furniture and fittings:		
Proceeds from disposal	2	-
Net book value of assets disposed	(82)	(1 384)
Net loss from disposal	(80)	(1 384)
Plant and equipment:		
Proceeds from disposal	-	2
Net book value of assets disposed	(161)	(175)
Net loss from disposal	(161)	(173)
Total assets:		
Total proceeds from disposal	27	29
Total value of assets disposed	(3 696)	(3 035)
Total net loss from disposal	(3 669)	(3 006)

Assets transferred free of charge

These figures include the following assets transferred to the Board of the Botanic Gardens and State Herbarium free of charge. These assets primarily relate to the upgrade of Botanic Park ($1.774 million) and Western Entrance Infrastructure ($989 000).

	2010	2009
	$'000	$'000
Park infrastructure	1 639	452
Roads, tracks and trails	1 241	-
Moveable vehicles	44	-
Furniture and fittings	-	1 364
Plant and equipment	157	106
Total assets transferred free of charge	3 081	1 922

10. Other expenses

Bad and doubtful debts	(27)	56
Capital project costs not capitalised	859	1 771
Other	195	21
Total other expenses	1 027	1 848

Other expenses paid/payable to entities within the SA Government

Capital project costs not capitalised	859	1 771
Total other expenses paid/payable to entities within the SA Government	859	1 771

11. Fees and charges

Admissions and guided tours	5 925	5 472
Fees, levies and licences	739	827
Property rental and related income	3 538	3 502
Other property related income	177	323
Sale of goods	1 899	1 928
Sale of professional services	1 330	1 666
Sale of support services	3 287	6 913
Sale of spatial information	828	898
Sale of freehold titles	73	87
Total fees and charges	17 796	21 616

Fees and charges received/receivable from entities within the SA Government

Sale of support services	387	1 948
Sale of spatial information	200	200
Total fees and charges received/receivable from entities within the SA Government	587	2 148

12. Grants and contributions

Commonwealth Government	5 522	1 727
Grants received from administered entities	1 439	1 468
Grants received from other entities within the SA Government	19 641	13 827
Private industry and Local Government	800	471
Total grants and contributions	27 402	17 493

Grants and contributions received/receivable from entities within the SA Government	2010 $'000	2009 $'000
Administered entities	1 439	1 468
Other entities within the SA Government	19 641	13 827
Total grants and contributions received/receivable from entities within the SA Government	21 080	15 295

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date total $6.314 million ($4.244 million).

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 agreement. At reporting date these contributions relate to:

	2010 $'000	2009 $'000
Resource conservation and management	6 314	4 244
Total contributions	6 314	4 244

Conditions attached to these contributions include the completion of program milestones, project acquittal and other project specific requirements.

13. Interest revenue

Interest on deposit accounts from entities with the SA Government	154	117
Interest on deposit accounts from entities external to the SA Government	6	16
Total interest revenue	160	133

14. Net gain (loss) from disposal of land held for sale

Proceeds from disposal	-	110
Net book value of assets disposed	-	(950)
Net gain (loss) from disposal of land held for sale	-	(840)

15. Other income

Insurance recoveries	808	430
Salaries and wages recoveries	904	865
Sponsorships, donations, commissions and bequests	30	30
Other sundry revenue	319	266
Total other income	2 061	1 591

Insurance recoveries consist of monies received as a result of claims lodged with SAICORP. Insurance claims are recognised as income when a claim has been lodged with SAICORP.

Other income received/receivable from entities within the SA Government

Insurance recoveries	808	430
Salaries and wages recoveries	312	163
Total other income received/receivable from entities within the SA Government	1 120	593

16. Revenues from (payments to) SA Government

Revenues from SA Government:		
Consolidated appropriation	120 564	132 009
Contingency funds	8 165	250
Total SA Government revenues	128 729	132 259
Payments to SA Government:		
Return to Consolidated Account	-	(84)
Return of surplus cash	-	(6 350)
Total SA Government payments	-	(6 434)

Total revenues from government consist of $105.137 million ($114.364 million) for operational funding and $15.427 million ($17.895 million) for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	2010 $'000	2009 $'000
Deposits with the Treasurer	102 479	103 266
Cash on hand/imprest accounts	160	142
Total cash and cash equivalents	102 639	103 408

Deposits with the Treasurer

This includes $90.42 million ($93.358 million) held within the 'Accrual Appropriation Excess Funds Account'. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

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. Interest is earned on the average monthly balance of the Wildlife Conservation Fund, General Reserves Trust account and SA Lower Lakes Bioremediation and Revegetation (CLLMM) account. Interest is paid quarterly at DTF's 90 day average overnight cash interest rate. All other deposits with the Treasurer do not earn interest.

18. Receivables

	2010	2009
Current:	$'000	$'000
Receivables	3 767	7 152
Allowance for doubtful debts	(90)	(119)
	3 677	7 033
Accrued revenues	22	7
GST input tax recoverable	2 079	2 443
Workers compensation recoveries	12	12
Total current receivables	5 790	9 495

Receivables from entities within the SA Government

Receivables	2 329	4 064
Accrued revenues	22	7
Total current receivables from entities within the SA Government	2 351	4 071

Non-Current:		
Workers compensation recoveries	42	44
Total non-current receivables	42	44

Movements in the allowance for doubtful debts (impairment loss)

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2010	2009
	$'000	$'000
Carrying amount at 1 July	119	75
Amounts written off	(2)	(13)
(Decrease) Increase in the allowance	(27)	57
Carrying amount at 30 June	90	119

Interest rate and credit risk

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

19. Inventories

	2010	2009
Inventories held for distribution at no nominal amount:	$'000	$'000
Inventories held for distribution - at cost	375	411
Other inventories - at cost	20	20
Total inventories held for distribution at no or nominal amount	395	431
Inventories:		
Finished goods held for resale - at cost	807	710
Total held for resale at cost	807	710
Total inventories	1 202	1 141

20. Other current assets

Current:		
Prepayments	861	434
Other	-	2
Total current other assets	861	436

21. Other financial assets

Non-current:		
Equity in listed entities	3	3
Total non-current other financial assets	3	3

22. Property, plant and equipment

	2010	2009
	$'000	$'000
Land:		
Independent valuation(iii)	171 557	170 966
At cost(ii)	5 832	3 842
Total land	177 389	174 808
Buildings and improvements:		
Independent valuation(iii)	128 547	131 726
At cost(ii)	2 580	1 031
Accumulated depreciation	(81 917)	(81 722)
Total buildings and improvements	49 210	51 035
Park infrastructure:		
Independent valuation(iii)	163 574	165 113
At cost(ii)	10 596	5 373
Accumulated depreciation	(136 574)	(133 575)
Total park infrastructure	37 596	36 911
Roads, tracks and trails:		
Independent valuation(iii)	161 604	182 613
At cost(ii)	6 009	2 401
Accumulated depreciation	(144 647)	(161 296)
Total roads, tracks and trails	22 966	23 718
Capital works in progress	9 676	10 186
Total capital works in progress	9 676	10 186
Moveable vehicles:		
Independent valuation(iii)	8 832	8 218
At cost (deemed fair value)(i)	2 374	1 962
Accumulated depreciation	(7 764)	(6 431)
Total moveable vehicles	3 442	3 749
Computing equipment:		
At cost (deemed fair value)(i)	3 527	4 664
Accumulated depreciation	(2 665)	(3 455)
Total computing equipment	862	1 209
Furniture and fittings:		
At cost (deemed fair value)(i)	6 416	5 823
Accumulated depreciation	(3 118)	(2 673)
Total furniture and fittings	3 298	3 150
Plant and equipment:		
Independent valuation(iii)	2 450	2 650
At cost (deemed fair value)(i)	3 073	3 635
Accumulated depreciation	(3 663)	(4 061)
Total plant and equipment	1 860	2 224
Other:		
Independent valuation(iii)	2 341	1 578
At cost (deemed fair value)(i)	8	187
Accumulated depreciation	(810)	(201)
Total other	1 539	1 564
Total property, plant and equipment	307 838	308 554

Carrying amounts of plant and equipment

Classes of property, plant and equipment are valued as follows:

(i) At cost (deemed fair value): These assets have an acquisition cost below $1 million and are deemed held at fair value pursuant to APF III.

(ii) At cost (acquisition cost): This class includes one or more items that have an acquisition cost exceeding $1 million. All assets within this class are temporarily held at cost pending revaluation that occurs no later than three years from acquisition date.

(iii) Independent valuation: Generic assets are valued using the data dictionary model. Unique assets are items which can not be categorised within the standard data dictionary groups. These assets are valued separately by independent professional valuers. Refer note 2(p) for further details.

Movement reconciliation of property, plant and equipment

2010	Land $'000	Buildings $'000	Park infra-structure $'000	Roads, tracks and trails $'000	Moveable vehicles $'000	Computing equipment $'000
Carrying amount at 1 July	174 808	51 035	36 911	23 718	3 749	1 209
Transfers between classes	-	118	52	(341)	114	-
Additions	1 748	31	36	2	514	311
Transfers to (from) capital WIP	-	404	6 767	4 867	-	-
Depreciation expense	-	(3 216)	(5 990)	(5 958)	(863)	(659)
Net revaluation increment (decrement)	40	114	(224)	(47)	-	-
Asset - first time recognition	793	432	1 258	568	5	1
Disposals	-	(449)	(52)	(15)	(13)	-
Disposals - transfers for nil consideration	-	-	(1 639)	(1 241)	(44)	-
ARAMIS revisions upwards (downwards)	-	741	477	1 413	(20)	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Net revaluation decrement expensed	-	-	-	-	-	-
Carrying amount at 30 June	177 389	49 210	37 596	22 966	3 442	862

	Furniture and fittings $'000	Plant and equipment $'000	Other $'000	Capital works in progress $'000	2010 Total $'000
Carrying amount at 1 July	3 150	2 224	1 564	10 186	308 554
Transfers between classes	-	(109)	166	-	-
Additions	-	302	-	13 316	16 260
Transfers to (from) capital WIP	691	238	-	(12 967)	-
Depreciation expense	(461)	(521)	(29)	-	(17 697)
Net revaluation increment (decrement)	-	-	(162)	-	(279)
Asset - first time recognition	-	112	-	-	3 169
Disposals	(82)	(4)	-	-	(615)
Disposals - transfers for nil consideration	-	(157)	-	-	(3 081)
ARAMIS revisions upwards (downwards)	-	(30)	-	-	2 581
Capital WIP - expensed in current period	-	-	-	(859)	(859)
Net revaluation decrement expensed	-	(195)	-	-	(195)
Carrying amount at 30 June	3 298	1 860	1 539	9 676	307 838

2009	Land $'000	Buildings $'000	Park infra-structure $'000	Roads, tracks and trails $'000	Moveable vehicles $'000	Computing equipment $'000
Carrying amount at 1 July	161 740	53 178	38 559	21 187	4 003	726
Transfers between classes	-	(64)	(209)	(47)	-	-
Additions	1 460	-	21	6	570	1 044
Transfers to (from) capital WIP	-	382	3 136	1 242	-	-
Transfers to (from) intangibles	-	-	-	-	-	-
Depreciation expense	-	(3 422)	(6 657)	(6 778)	(1 022)	(513)
Net revaluation increment (decrement)	11 435	(156)	1 494	3 075	82	-
Asset - first time recognition	173	1 179	1 371	4 476	169	-
Disposals	-	(411)	(486)	(26)	(53)	(48)
Disposals - transfers for nil consideration	-	-	(452)	-	-	-
ARAMIS revisions upwards (downwards)	-	349	134	583	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Net revaluation decrement expensed	-	-	-	-	-	-
Carrying amount at 30 June	174 808	51 035	36 911	23 718	3 749	1 209

	Furniture and fittings $'000	Plant and equipment $'000	Other $'000	Capital works in progress $'000	2009 Total $'000
Carrying amount at 1 July	3 121	2 522	1 586	8 162	294 784
Transfers between classes	-	320	-	-	-
Additions	-	264	-	11 771	15 136
Additions - transfers to (from) capital WIP	1 816	85	-	(6 661)	-
Transfers to (from) intangibles	-	-	-	(1 315)	(1 315)
Depreciation expense	(404)	(721)	(18)	-	(19 535)
Net revaluation increment (decrement)	-	-	(4)	-	15 926
Asset - first time recognition	-	6	-	-	7 374
Disposals	(20)	(69)	-	-	(1 113)
Disposals - transfers for nil consideration	(1 364)	(106)	-	-	(1 922)
ARAMIS revisions upwards (downwards)	1	(56)	-	-	1 011
Capital WIP - expensed in current period	-	-	-	(1 771)	(1 771)
Net revaluation decrement expensed	-	(21)	-	-	(21)
Carrying amount at 30 June	3 150	2 224	1 564	10 186	308 554

23. Intangible assets

	2010 $'000	2009 $'000
Computer software - internally generated:		
Computer software - at cost (deemed fair value)	3 189	3 189
Accumulated amortisation	(1 752)	(1 367)
Total computer software	1 437	1 822
Computer software - externally generated		
Computer software - at cost (deemed fair value)	101	4 536
Accumulated amortisation	(84)	(4 536)
Total computer software	17	-

23. Intangible assets (continued)

	2010	2009
	$'000	$'000
Other:		
Revenue stream (war services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(97)	(75)
Total other	903	925
Total intangible assets	2 357	2 747

Computer software

Internally developed computer software includes the Department's Crown Lands System ($388 000), ARAMIS Solution software ($986 000) and Topographical Database ($61 000). Externally acquired computer software relates to ARCGIS software ($17 000).

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian war service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by the Department was negotiated during the 2005-06 year, and is being amortised over the next 23 years and three months in accordance with the expected life of the revenue stream.

Intangible asset movement reconciliation schedule

	Computer software (internal)	Computer software (external)	Revenue stream	Total
2010	$'000	$'000	$'000	$'000
Carrying amount at 1 July	1 822	-	925	2 747
Additions - acquisitions	-	26	-	26
Amortisation	(385)	(9)	(22)	(416)
Carrying amount at 30 June	1 437	17	903	2 357
2009				
Carrying amount at 1 July	752	66	947	1 765
Additions - transfers from capital works in progress	1 315	-	-	1 315
Amortisation	(245)	(66)	(22)	(333)
Carrying amount at 30 June	1 822	-	925	2 747

24. Payables

	2010	2009
	$'000	$'000
Current:		
Accruals	512	564
Creditors	16 170	17 758
Employee benefit on-costs	1 297	1 878
Total current payables	17 979	20 200

Current payables to entities within the SA Government

	2010	2009
Accruals	244	260
Creditors	3 845	3 606
Employee benefit on-costs	1 297	1 878
Total current payables to entities within the SA Government	5 386	5 744

	2010	2009
Non-current payables:		
Employee benefit on-costs	1 650	1 792
Total non-current payables	1 650	1 792

Non-current payables to entities within the SA Government

	2010	2009
Employee benefit on-costs	1 650	1 792
Total non-current payables to entities within the SA Government	1 650	1 792

Interest rate and credit risk

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

25. Employee benefits

	2010	2009
	$'000	$'000
Current:		
Accrued salaries and wages	2 261	2 082
Annual leave	5 038	5 319
Long service leave	1 089	1 608
Total current employee benefits	8 388	9 009
Non-current:		
Long service leave	14 893	15 037
Total non-current employee benefits	14 893	15 037

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2009 benchmark of 6.5 years to 5.5 years.

25. Employee benefits (continued)

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $548 000 and employee benefit expense of $548 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term rate is experiencing significant movement.

26. Provisions

	2010	2009
Current:	$'000	$'000
Provision for workers compensation	354	345
Total current provisions	354	345
Non-current:		
Provision for workers compensation	1 167	1 017
Total non-current provisions	1 167	1 017
Provision movement:		
Carrying amount at 1 July	1 362	1 509
Additional provisions recognised	424	3
Reductions arising from payments	(265)	(150)
Carrying amount at 30 June	1 521	1 362

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

27. Other liabilities

	2010	2009
Current:	$'000	$'000
Lease incentive	326	328
Unearned revenue	164	139
Other	344	170
Total current other liabilities	834	637
Current other liabilities payable to entities within the SA Government		
Unearned revenue	42	-
Total current other liabilities payable to entities within the SA Government	42	-
Non-current:		
Lease incentive	1 173	1 568
Unearned revenue	47	65
Total non-current other liabilities	1 220	1 633
Non-current other liabilities payable to entities within the SA Government:		
Unearned revenue	47	65
Total non-current other liabilities payable to entities within the SA Government	47	65

28. 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 surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

2010	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July	185 656	190 502	376 158
Adjustments - first time recognition of assets:(i)			
Land	-	793	793
Buildings and improvements	-	432	432
Park infrastructure	-	1 258	1 258
Roads, tracks and trails	-	568	568
Moveable vehicles	-	5	5
Computing equipment	-	1	1
Plant and equipment	-	112	112
Subtotal: first time recognition of asset errors	-	3 169	3 169
Asset adjustments - ARAMIS revisions(ii)	-	2 581	2 581
Net result for the 2009-10 year	-	(7 382)	(7 382)
Net increment (decrement) related to revaluations:(iii)			
Land	40	-	40
Buildings and improvements	114	-	114
Park infrastructure	(224)	-	(224)
Roads, tracks and trails	(47)	-	(47)
Other	(162)	-	(162)
Subtotal: net increment (decrement) related to revaluations	(279)	-	(279)
Balance at 30 June	185 377	188 870	374 247

(i) *First-time recognition of assets*
Physical inspections of fixed assets during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in the current year.

(ii) *ARAMIS revisions*
ARAMIS revisions occur as a result of infrastructure stocktakes and park re-surveys resulting in an asset's description, grade/composition, condition or size/quantity being altered on the Data Dictionary System to correctly reflect the asset's current attributes.

(iii) *Net increments (decrements)*
During the year the Department revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. The valuations were obtained from Valcorp, Certified Practicing Valuers, and primarily related to building ruins on national parklands.

2009	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July	169 730	194 176	363 906
Adjustments - error corrections (previously recognised):			
Asset adjustments - first time recognition of assets:(i)			
Land	-	173	173
Buildings	-	1 179	1 179
Infrastructure	-	1 371	1 371
Roads	-	4 476	4 476
Vehicles	-	169	169
Plant and equipment	-	6	6
Subtotal: first time recognition of assets	-	7 374	7 374
Adjustments - error corrections (this reporting period):			
Asset adjustments - transfer of asset to crown lands(ii)	-	(435)	(435)
Correction of suspense account errors	-	(81)	(81)
	-	6 858	6 858
Asset adjustments - ARAMIS revisions(iii)	-	1 011	1 011
Restated balance at 1 July 2008	169 730	202 045	371 775
Net result for the 2008-09 year	-	(11 543)	(11 543)
Gain (loss) on revaluation of plant, property and equipment:(iv)			
Land	11 435	-	11 435
Buildings and improvements	(156)	-	(156)
Park infrastructure	1 494	-	1 494
Roads, tracks and trails	3 075	-	3 075
Moveable vehicles	82	-	82
Other	(4)	-	(4)
Subtotal: gain (loss) on revaluation of plant, property and equipment	15 926	-	15 926
Balance at 30 June 2009	185 656	190 502	376 158

(i) *First-time recognition of assets*
Physical inspections of fixed assets during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in the current year.

(ii) *Transfer of asset to Crown lands*
Land incorrectly classified as controlled by the Department in prior years was transferred to Crown lands within the Statement of Administered Financial Position.

(iii) *ARAMIS revisions*
ARAMIS revisions occur as a result of infrastructure stocktakes and park re-surveys resulting in an asset's description, grade/composition, condition or size/quantity being altered on the Data Dictionary System to correctly reflect the asset's current attributes.

(iv) *Revaluation of assets - professional valuation process undertaken*
During the year the Department revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. In addition, management applied its discretion in revaluing certain items early to provide more accurate information. Valuations used have been obtained from the Department's Data Dictionary System and also from Valcorp, Certified Practising Valuers. Professional valuations have been arrived at via reference to arms length or market transactions for similar items of property, plant and equipment and take into account any zoning or other restrictions on use.

29. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents:	$'000	$'000
Cash and cash equivalents at 30 June as per:		
Statement of Financial Position	102 639	103 408
Statement of Cash Flows	102 639	103 408

Reconciliation of net cash provided by operating activities to net cost of providing services:	2010 $'000	2009 $'000
Net cash provided by operating activities	16 642	17 893
Revenues from SA Government	(128 729)	(132 259)
Payments to SA Government	-	6 434
Non-cash items:		
Depreciation and amortisation	(18 113)	(19 868)
Capital works in progress expensed	(859)	(1 771)
Revaluation decrements expensed	(195)	(21)
Net loss from disposal of non-current assets	(3 669)	(3 006)
Net gain (loss) from disposal of non-current assets held for sale	-	(840)
Movement in assets and liabilities:		
(Decrease) Increase in receivables	(3 707)	3 409
Increase (Decrease) in inventories	61	(235)
Increase in other assets	425	15
Decrease (Increase) in payables	1 211	(5 540)
Decrease (Increase) in employee benefits	765	(2 024)
(Increase) Decrease in provisions	(159)	147
Decrease in other liabilities	216	298
Net cost of providing services	(136 111)	(137 368)

30. Expenditure commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date not recognised as liabilities in the financial statements are payable as follows:	2010 $'000	2009 $'000
Within one year	5 129	4 466
Later than one year but not later than five years	12 064	14 769
Later than five years	2 824	2 350
Total operating lease commitments	20 017	21 585

During the 2005-06 financial year, the Department received lease incentives for two leased properties amounting to $3.28 million. These lease incentives are being amortised at a rate of $328 000 per annum until 2015.

The operating leases held by the Department are related to property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Department has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements is payable as follows:	2010 $'000	2009 $'000
Within one year	2 364	585
Total capital commitments	2 364	585

The Department's capital commitments include amounts associated with the Plane Tree Drive upgrade ($1.149 million), Botanic Gardens ARS ($451 000) and Belair Infrastructure/Facilities upgrade ($413 000).

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	2010 $'000	2009 $'000
Within one year	3 184	3 183
Later than one year but not later than five years	4 017	7 383
Total remuneration commitments	7 201	10 566

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

31. Contingent liabilities

The Department is not aware of the existence of any contingent liabilities as at 30 June 2010.

32. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

South Australian National Parks and Wildlife Council

James J A (resigned 7 March 2010)
Ogle G R (resigned 9 April 2010)
Russel V J
Yates K (resigned 7 March 2010)
Mills R J (appointed 8 March 2010)
Lewis M M
Nicholls M F
Flemming A I
McIntosh W R (appointed 8 March 2010)
Carr P F (appointed 8 March 2010)*

South Australian Heritage Council

Brine J M C
Garnaut C M
Donaldson R T
Leydon G J (appointed 18 December 2009)
O'Connell M B
Owens L W
Staniforth M
Wigg C A

South Australian Heritage Council Register Committee

Bell P G
Burke H D
Brine J M
Klenke A T
Marsden S E
McDougall K
Queale M W
Wigg C A
Savva M

Witjira National Park Board of Management

Ah Chee A
Ah Chee M
Naylon-Fuschtei V
Tjami H

Adelaide Dolphin Sanctuary Advisory Board

Andrews D
Bossley M
Cugley J A
Ditter S
Gibbs S
Higgins-Desbiolles B
Holt P
Kavina C
Watts T

Kangaroo Management Reference Group

Ackland T M
Barrington D P
McBride M (Deputy)
Pfitzner D B
Lindner D
Johns G R
Mould J
Vickery F*
Lester K (appointed 1 January 2010)*
Dodd C (appointed 1 January 2010)*
Gyss A (appointed 1 January 2010)*
Tansell G (appointed 1 January 2010)*
Lewis A (appointed 1 January 2010)*
Lawrie S (appointed 1 January 2010)*
Borda R (appointed 1 January 2010)*
Starick S (appointed 1 January 2010)*
Warwick R (appointed 1 January 2010)*

ALB Steering Group

Foreman G
Roberts I
Iasiello W

Coorong and Lower Lakes RAMSAR Taskforce

Ball V M
Geddes M
Jones G E
Owen R
Scobie K L

Vulkathunha-Gammon Ranges National Park Cooperative Management Committee

Coulthard C
Coulthard J
McKenzie P
Coulthard R

Animal Welfare Advisory Committee

Allery L
Hazel S J*
Kidman S
Noonan D E*
Robb G
Starick W J

Ngaut Ngaut Conservation Park Co-Management Committee

Campbell I M
Campbell I L
Hutchinson C

Scientific Working Group

Cheshire A
Fairweather P
Connell S
Gillanders B
Kirkman H
Lindsay H
Moller L
Behergaray L

Wilderness Advisory Committee

Barker S (resigned 31 December 2009)
Bills C
Lesslie R
Whalen M

Wildlife Ethics Committee

McGrath K R
Peters M D
Pullen F M
Taylor L U
Boardman W*
Johnson L*
Manning B*
Schultz D*
West C*

Marine Parks Council of SA

Cheshire A*	Coleman P S
Grady M	Lindsay H
Owen P	Pyke C
Stehr H (resigned 19 October 2009)	Stovell S
Watts T	

* Denotes nil remuneration.

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$0	20	16
$1 - $9 999	90	86
Total	110	102

Individuals may be members of more than one board, committee or group associated with the Department.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and superannuation contributions. The total remuneration received or receivable by members was $86 000 ($52 000).

During the 2009-10 financial year, members of the Board were paid superannuation of $2000 ($1000).

In accordance with the DPC Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

33. Events subsequent to reporting date

On 18 May 2010 Cabinet announced its intention to transfer the Natural Resources Management Group and State Flora from the Department of Water, Land and Biodiversity Conservation (DWLBC) to the Department. This will result in 143 employees transferred from DWLBC to the Department. In addition, this administrative restructure will also see the Department’s name being changed to the Department of Environment and Natural Resources. These changes are effective as at 1 July 2010, and as such the financial effect of this machinery of government change has not been reflected in these financial statements.

34. Financial instruments/financial risk management

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

		2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$’000	$’000	$’000	$’000
Cash and cash equivalents	17	102 639	102 639	103 408	103 408
Receivables	18	5 832	5 832	9 539	9 539
Financial assets	21	3	3	3	3
Financial liabilities					
Payables	24	19 629	19 629	21 992	21 992

Credit risk

Credit risk arises when there is the possibility of the Department’s debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due, including impaired assets past due:

		Past due by			
	Current	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2010	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	4 849	478	86	329	5 742
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	90	90
2009					
Not impaired:					
Receivables	5 370	3 881	158	11	9 420
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	119	119

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturity		
	Less than 1 year	1-5 years	Carrying amount
2010	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalents	102 639	-	102 639
Receivables	5 790	42	5 832
Financial assets	-	3	3
Total financial assets	108 429	45	108 474
Financial liabilities:			
Payables	17 979	1 650	19 629
Total financial liabilities	17 979	1 650	19 629
2009			
Financial assets:			
Cash and cash equivalent	103 408	-	103 408
Receivables	9 495	44	9 539
Financial assets	-	3	3
Total financial assets	112 903	47	112 950
Financial liabilities:			
Payables	20 200	1 792	21 992
Borrowings	-	-	-
Other financial liabilities	-	-	-
Total financial liabilities	20 200	1 792	21 992

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The Department is funded principally from appropriations by the SA Government. The Department works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

35. South Australian Heritage Fund

The South Australian Heritage Fund (formerly the State Heritage Fund) was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within the Department's Financial Statements. When incorporating these amounts into the Department's Financial Statements all transactions between the Fund and the Department have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2010

	2010	2009
Expenses:	**$'000**	$'000
Grants and subsidies	**244**	141
Total expenses	**244**	141
Net cost of providing services	**244**	141
Revenues from SA Government	**250**	250
Net result	**6**	109

Statement of Financial Position as at 30 June 2010

	2010	2009
Current assets:	**$'000**	$'000
Cash	**442**	356
Total assets	**442**	356
Current liabilities:		
Payables	**109**	29
Total liabilities	**109**	29
Net assets	**333**	327
Equity:		
Retained earnings	**333**	327
Total equity	**333**	327

Statement of Changes in Equity for the year ended 30 June 2010

	Retained earnings $'000	Total $'000
Balance at 1 July 2008	218	218
Net result for 2008-09	109	109
Balance at 30 June 2009	327	327
Net result for 2009-10	6	6
Balance at 30 June 2010	**333**	**333**

Statement of Cash Flows for the year ended 30 June 2010

	2010 Inflows (Outflows)	2009 Inflows (Outflows)
Cash flows from operating activities:		
Cash outflows:	**$'000**	$'000
Grants and subsidies payments	**(164)**	(112)
Cash used in operations	**(164)**	(112)
Cash generated from SA Government	**250**	250
Net cash provided by operating activities	**86**	138
CASH AT 1 JULY	**356**	218
CASH AT 30 JUNE	**442**	356

Statement of Administered Comprehensive Income
for the year ended 30 June 2010

	2010	2009
	$'000	$'000
EXPENSES:		
Employee benefits	**334**	319
Supplies and services	**1 256**	1 089
Grants and subsidies	**5 844**	5 874
Depreciation and amortisation	**2 201**	2 312
Other expenses	**(40)**	42
Total expenses	**9 595**	9 636
INCOME:		
Fees and charges	**972**	955
Grants and contributions	**180**	138
Interest revenue	**119**	113
Resources received free of charge	**3 081**	2 862
Net gain from disposal of non-current assets	**3 444**	8 372
Other income	**1 307**	1 393
Total income	**9 103**	13 833
NET SURPLUS FROM (COST OF) PROVIDING SERVICES	**(492)**	4 197
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues from SA Government	**4 782**	4 646
Payments to SA Government	**(3 655)**	(10 984)
Total revenues from (payments to) SA Government	**1 127**	(6 338)
NET RESULT	**635**	(2 141)
OTHER COMPREHENSIVE INCOME		
Changes in property, plant and equipment asset revaluation surplus	**1 057**	3 878
Total other comprehensive income	**1 057**	3 878
TOTAL COMPREHENSIVE RESULT	**1 692**	1 737

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Administered Financial Position
as at 30 June 2010

	2010	2009
	$'000	$'000
CURRENT ASSETS:		
Cash and cash equivalents	**8 055**	4 963
Receivables	**287**	510
Inventories	**207**	154
Total current assets	**8 549**	5 627
NON-CURRENT ASSETS:		
Receivables	**12**	32
Property, plant and equipment	**84 024**	81 390
Total non-current assets	**84 036**	81 422
Total assets	**92 585**	87 049
CURRENT LIABILITIES:		
Payables	**205**	102
Other current liabilities	**2 930**	796
Total current liabilities	**3 135**	898
NON-CURRENT LIABILITIES:		
Payables	**-**	70
Total non-current liabilities	**-**	70
Total liabilities	**3 135**	968
NET ASSETS	**89 450**	86 081
EQUITY:		
Asset revaluation surplus	**47 878**	46 821
Retained earnings	**41 572**	39 260
TOTAL EQUITY	**89 450**	86 081

Total equity is attributable to the SA Government as owner

Statement of Administered Changes in Equity
for the year ended 30 June 2010

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	42 943	40 949	83 892
Asset adjustments previously recognised:			
First time recognition of assets	-	640	640
Asset adjustments - asset attribute revisions	-	(188)	(188)
Restated balance at 1 July 2008	42 943	41 401	84 344
Net result for 2008-09	-	(2 141)	(2 141)
Gain on revaluation of property, plant and equipment	3 878	-	3 878
Total comprehensive result for 2008-09	3 878	(2 141)	1 737
Balance at 30 June 2009	46 821	39 260	86 081
Net result for 2009-10	-	635	635
Gain on revaluation of property, plant and equipment	1 057	-	1 057
Total comprehensive result for 2009-10	1 057	635	1 692
Asset adjustments - first time recognition of assets	-	282	282
Asset adjustments - ARAMIS revisions	-	1 395	1 395
Total asset adjustments	-	1 677	1 677
Balance at 30 June 2010	**47 878**	**41 572**	**89 450**

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

Statement of Administered Cash Flows for the year ended 30 June 2010

	2010 Inflows (Outflows) $'000	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits payments	**(334)**	(321)
Supplies and services	**(1 223)**	(1 886)
Grants and subsidies payments	**(5 844)**	(5 874)
Other payments	**-**	3
Cash used in operations	**(7 401)**	(8 078)
CASH INFLOWS:		
Fees and charges	**1 219**	857
Grants and contribution receipts	**180**	138
Interest received	**115**	122
Other receipts	**1 307**	1 393
Cash generated from operations	**2 821**	2 510
CASH FLOWS FROM (TO) SA GOVERNMENT:		
Receipts from SA Government	**4 782**	4 646
Payments to SA Government	**(3 655)**	(10 984)
Net cash flows from (to) SA Government	**1 127**	(6 338)
Net cash used in operating activities	**(3 453)**	(11 906)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(84)**	(70)
Proceeds from sale of property, plant and equipment	**6 629**	9 085
Net cash provided by investing activities	**6 545**	9 015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3 092**	(2 891)
CASH AND CASH EQUIVALENTS AT 1 JULY	**4 963**	7 854
CASH AND CASH EQUIVALENTS AT 30 JUNE	**8 055**	4 963

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered items of the Department

(a) Reporting entities and strategic context

The activities of the administered items are:

Board of the Botanic Gardens and State Herbarium

The Board of the Botanic Gardens and State Herbarium (the Board) was established under section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

The Department is related to the Board in the following manner:

- The Board's budget forms part of the Department's budget approved by DTF.
- Assets constructed through the Department's capital works program, on behalf of the Board, are transferred to the Board at nil cost.
- Staff from the Department provide a number of services to the Board at nil cost.

However the Board constitutes a separate legal entity, with members appointed by the Governor of South Australia. Hence the Department cannot direct the Board to expend funds in a particular manner. As a result, the Board is not controlled by the Department and has therefore been reflected in the administered financial statements.

Crown lands
Crown lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus SA Government land and property. The net revenues from these sales are returned to DTF's Consolidated Account.

Ministerial other payments
This includes payments approved by the Minister for Environment and Conservation, such as grant payments to Zoos SA.

Special Acts allocation
This activity comprises salary and allowance payments for the Minister for Environment and Conservation.

(b) Administered items' financial arrangements
The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the PFAA. The financial activities of administered items that do not have their own deposit account are conducted through the Department's deposit account.

The Department conducts a large number of activities directed towards meeting the administered items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the administered financial statements.

(c) Administered items' summary of significant accounting policies
The administered financial statements detail the sum of the individual administered items' revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of the Department, as detailed in note 2 of the Department's financial statements. Deviations from these policies are as follows:

Property, plant and equipment
Administered property, plant and equipment includes the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However limitations exist on the reliability of the base information used to determine the valuation of this land.

The Department is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

Total property, plant and equipment as disclosed in the Statement of Administered Financial Position consists of assets belonging to the Botanic Gardens and State Herbarium ($60.04 million) and Crown lands ($23.984 million).

Employee benefits
In general, administered items' utilise the services of contractors or the Department's employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by the Department's employees are provided free of charge. If, however, the services provided by the Department's employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee for service (cost recovery) basis. These charges are included in the Statement of Administered Comprehensive Income as employee benefits. Further, the liability for employee benefits arising from services rendered by employees is not recognised in the administered financial statements as the Department is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in the Department's financial statements.

Net gain from disposal of non-current assets
The net gain from disposal of non-current assets is determined by comparing proceeds with carrying amount. Given a suitable methodology for determining a reliable measure of the value of unallotted Crown land has not been identified, the carrying amount of all unallotted Crown land sold is $nil.

Details of administered revenues and expenses are provided in the following schedules.

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2010

	Botanic Gardens and State Herbarium	Crown lands	Minister's other payments	Special Acts allocation	**2010 Total**
EXPENSES:	$'000	$'000	$'000	$'000	**$'000**
Employee benefits	91	-	-	243	**334**
Supplies and services	564	692	-	-	**1 256**
Grants and subsidies	1 376	18	4 450	-	**5 844**
Depreciation and amortisation	2 180	21	-	-	**2 201**
Other expenses	(40)	-	-	-	**(40)**
Total expenses	4 171	731	4 450	243	**9 595**
INCOME:					
Fees and charges	982	(10)	-	-	**972**
Grants and contributions	180	-	-	-	**180**
Interest revenue	119	-	-	-	**119**
Resources received free of charge	3 081	-	-	-	**3 081**
Net gain from disposal of non-current assets	(86)	3 530	-	-	**3 444**
Other income	1 307	-	-	-	**1 307**
Total income	5 583	3 520	-	-	**9 103**
NET SURPLUS FROM (COST OF) PROVIDING SERVICES	1 412	2 789	(4 450)	(243)	**(492)**
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government	-	90	4 449	243	**4 782**
Payments to SA Government	-	(3 655)	-	-	**(3 655)**
Total SA Government revenues and payments	-	(3 565)	4 449	243	**1 127**
NET RESULT	1 412	(776)	(1)	-	**635**
OTHER COMPREHENSIVE INCOME:					
Changes in property, plant and equipment asset revaluation surplus	(201)	1 258	-	-	**1 057**
Total other comprehensive income	(201)	1 258	-	-	**1 057**
TOTAL COMPREHENSIVE RESULT	1 211	482	(1)	-	**1 692**

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2009

	Botanic Gardens and State Herbarium	Crown lands	Minister's other payments	Special Acts allocation	2009 Total
EXPENSES:	$'000	$'000	$'000	$'000	$'000
Employee benefits	77	-	-	242	319
Supplies and services	253	836	-	-	1 089
Grants and subsidies	1 469	3	4 402	-	5 874
Depreciation and amortisation	2 258	54	-	-	2 312
Other expenses	42	-	-	-	42
Total expenses	4 099	893	4 402	242	9 636
INCOME:					
Fees and charges	938	17	-	-	955
Grants and contributions	138	-	-	-	138
Interest revenue	113	-	-	-	113
Resources received free of charge	1 925	937	-	-	2 862
Net gain from disposal of non-current assets	(235)	8 607	-	-	8 372
Other income	1 393	-	-	-	1 393
Total income	4 272	9 561	-	-	13 833
NET SURPLUS FROM (COST OF) PROVIDING SERVICES	173	8 668	(4 402)	(242)	4 197
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues	-	-	4 402	244	4 646
Payments	-	(10 984)	-	-	(10 984)
Total SA Government revenues and payments	-	(10 984)	4 402	244	(6 338)
NET RESULT	173	(2 316)	-	2	(2 141)
OTHER COMPREHENSIVE INCOME:					
Changes in property, plant and equipment asset revaluation surplus	2 690	1 188	-	-	3 878
Total other comprehensive income	2 690	1 188	-	-	3 878
TOTAL COMPREHENSIVE RESULT	2 863	(1 128)	-	2	1 737

ENVIRONMENT PROTECTION AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993* (the EP Act)
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund (EPF) as established under the EP Act.

Under the EP Act, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the board in giving effect to its policies and decisions under the EP Act.

The EP Act permits the statutory authority to make use of the services of the administrative unit's employees and its facilities.

Functions

The EPA statutory authority is South Australia's primary environmental regulator for the control and minimisation of pollution and waste. It is responsible for the protection and enhancement of air and water quality, and control of pollution, waste and environmental noise.

The EPA statutory authority is also responsible for the EPF established under the EP Act. Note 31 outlines income and expenses of the EPF.

The EPA administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For details of the roles of both the statutory authority and administrative unit, refer note 1(a) of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, areas of review included:

- waste levies revenue
- licence fee revenue
- accounts payable
- payroll.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Environment Protection Authority as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Environment Protection Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of TIs 2 and 28 and waste levies as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Environment Protection Authority have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the EPA. The EPA's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the EPA.

Implementation of TIs 2 and 28

In 2008-09, the EPA had not established a formal documented Financial Management Compliance Program as required by TI 28. The EPA had also not performed independent assessments of compliance activities to support ongoing compliance with financial management requirements.

At the time of Audit follow up in 2009-10 the EPA had made progress in developing a Financial Management Compliance Framework (FMCF). However the program was not finalised and did not incorporate verification processes for compliance activities.

The EPA responded that a revised FMCF would include verification processes for compliance activities. The EPA Executive endorsed the revised FMCF in July 2010. In addition, the EPA has also provided internal audit training to staff in order to develop an internal audit function within the EPA.

Waste levies

The EPA conducts a number of audit activities to ensure the accuracy and completeness of waste data reported by waste depots. This waste data forms the basis of waste levies received by the EPA under the Environment Protection Regulations 2009. Revenue from waste levies totalled $24.2 million ($23.3 million).

The EPA's waste levy audit reports, summarising audit findings for 2008-09, were incomplete, not up to date or had not been prepared. As a result, there was an increased risk the EPA had not received all waste levies revenue it was entitled to under the regulations. Audit also reviewed progress to date with 2009-10 waste levy audit activities. For several waste depots assessed as extreme or high risk, there was no available documentary evidence at the time of audit that site inspections, weighbridge audits or surveillance activities had been performed.

This lack of audit activity and documentation was primarily due to staff vacancies in the Waste Licensing area during 2009-10.

The EPA responded that action has been taken to fill vacancies in the Waste Licensing area and document outstanding waste levy audit findings. Waste levy audit processes will also be incorporated into the FMCF, which will provide greater independent review and oversight of the waste levy audit program. Further, the EPA is currently scoping the use of contracted external parties to perform forensic audits of waste sites in 2010-11.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010 $'million	2009 $'million
EXPENSES		
Employee benefits	**21.9**	19.2
Grants and subsidies	**12.3**	12.4
Other expenses	**8.9**	9.3
Total expenses	**43.1**	40.9
INCOME		
Fees and charges	**37.3**	33.7
Other revenues	**1.5**	1.9
Total operating revenue	**38.8**	35.6
Net cost of providing services	**4.3**	5.3
REVENUES FROM SA GOVERNMENT		
Revenues from SA Government	**7.5**	3.9
Net result	**3.2**	(1.4)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**4.0**	(0.4)
ASSETS		
Current assets	**10.8**	7.3
Non-current assets	**7.2**	7.3
Total assets	**18.0**	14.6
LIABILITIES		
Current liabilities	**4.0**	3.8
Non-current liabilities	**4.1**	4.3
Total liabilities	**8.1**	8.1
EQUITY	**9.9**	6.5

Statement of Comprehensive Income

Expenses

Total expenses increased by $2.2 million (5 percent). This increase was due primarily to TVSP expenses ($2 million) and associated leave termination payments of $500 000 within employee benefits.

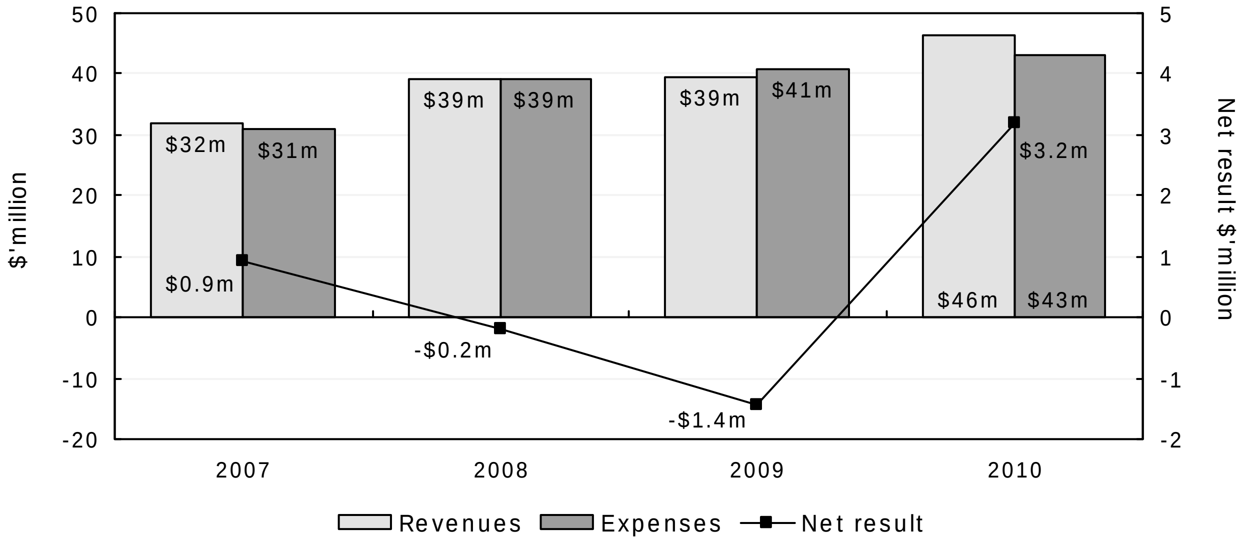
Income

Total income increased by $3.2 million (9 percent). The major item causing this change was a $3 million increase in license fees within fees and charges revenue. This is mainly due to licensees making payments for more than one annual license period during 2009-10, higher than planned resource efficiency and environment management fees and unbudgeted earthworks drainage and dredging fees which are difficult to predict on a year to year basis. License fees relate to more than one annual license period given revenue is recorded when relevant cash payments are received.

License fee income has also increased as a result of CPI increases in license fee rates effective from 1 July 2009.

Net result

The following chart shows the expenses, income and net result for the four years to 2010.



The net result in 2010 is due mainly to an increase in fees and charges and revenues from SA Government.

Statement of Financial Position

Current assets – cash

This item, $8.4 million ($5.1 million) represents 78 percent (70 percent) of total current assets and 47 percent (34 percent) of total assets. The main component of cash in 2009-10 is the Environment Protection Fund Deposit Account of $4.6 million (55 percent). This is further discussed below under Statement of Cash Flows.

Non-current assets – property, plant and equipment

In 2010 this item makes up 34 percent (42 percent) of total assets. Furniture and fittings is the dominant item of property, plant and equipment. Furniture and fittings includes leasehold improvements made to EPA premises in Victoria Square, Adelaide. Note 20 provides further details on this item and amounts.

Non-current liabilities – other liabilities

The EPA received a $1 million lease incentive in 2008-09 to occupy new rental premises in Victoria Square, Adelaide. This lease incentive liability is being amortised over the term of the lease (15 years). The portion of the lease incentive liability which is due to be amortised in 2010-11 has been classified as current.

Statement of Cash Flows

The following table summarises the net cash flows since 2007.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**4.0**	(0.4)	0.3	1.9
Investing	**(0.7)**	(4.7)	(0.6)	(0.5)
Financing	**-**	3.1	-	-
Change in cash	**3.3**	(2.0)	(0.3)	1.4
Cash at 30 June	**8.4**	5.1	7.1	7.4

EPA's cash at 30 June 2010 comprises an operating deposit account ($2.2 million), an accrual appropriation excess funds account ($1.6 million) and the EPF ($4.6 million).

Cash increased by $3.3 million in 2009-10. This is due mainly to increased receipts from SA Government, offset partly by payments for the purchase of property, plant and equipment.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefits	5	**21 939**	19 191
Supplies and services	6	**7 395**	8 042
Depreciation and amortisation	7	**980**	849
Grants and subsidies	8	**12 319**	12 352
Net loss from disposal of non-current assets	9	**149**	328
Other expenses	10	**304**	100
Total expenses		**43 086**	40 862
INCOME:			
Fees and charges	12	**37 286**	33 654
Grants and contributions	13	**1 371**	1 703
Interest revenue	14	**139**	132
Other income	15	**33**	73
Total income		**38 829**	35 562
NET COST OF PROVIDING SERVICES		**4 257**	5 300
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	16	**7 449**	3 867
Total revenues from SA Government		**7 449**	3 867
NET RESULT		**3 192**	(1 433)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		**174**	-
Total other comprehensive income		**174**	-
TOTAL COMPREHENSIVE RESULT		**3 366**	(1 433)

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'000**	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**8 395**	5 123
Receivables	18	**2 276**	2 086
Other current assets	19	**75**	88
Total current assets		**10 746**	7 297
NON-CURRENT ASSETS:			
Receivables	18	**4**	4
Property, plant and equipment	20	**6 124**	6 196
Intangible assets	21	**1 101**	1 168
Total non-current assets		**7 229**	7 368
Total assets		**17 975**	14 665
CURRENT LIABILITIES:			
Payables	22	**1 424**	1 456
Employee benefits	23	**2 338**	2 261
Provisions	24	**29**	27
Other current liabilities	25	**157**	81
Total current liabilities		**3 948**	3 825
NON-CURRENT LIABILITIES:			
Payables	22	**316**	358
Employee benefits	23	**2 867**	2 954
Provisions	24	**97**	80
Other non-current liabilities	25	**844**	911
Total non-current liabilities		**4 124**	4 303
Total liabilities		**8 072**	8 128
NET ASSETS		**9 903**	6 537
EQUITY:			
Contributed capital		**3 087**	3 087
Asset revaluation surplus		**440**	266
Retained earnings		**6 376**	3 184
TOTAL EQUITY		**9 903**	6 537

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2010

	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	-	266	4 617	4 883
Net result for 2008-09	-	-	(1 433)	(1 433)
Total comprehensive result for 2008-09	-	-	(1 433)	(1 433)
Equity contribution received	3 087	-	-	3 087
Balance at 30 June 2009	3 087	266	3 184	6 537
Net result for 2009-10	-	-	3 192	3 192
Gain on revaluation of land, buildings and infrastructure	-	174	-	174
Total comprehensive result for 2009-10	-	174	3 192	3 366
Balance at 30 June 2010	**3 087**	**440**	**6 376**	**9 903**

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

Statement of Cash Flows
for the year ended 30 June 2010

	Note	**2010 Inflows (Outflows) $'000**	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(22 041)**	(19 198)
Supplies and services		**(7 455)**	(8 406)
Payment of grants and subsidies		**(12 319)**	(12 352)
Other payments		**(310)**	(86)
Cash used in operations		**(42 125)**	(40 042)
CASH INFLOWS:			
Fees and charges		**37 104**	33 924
Grant and contribution receipts		**1 371**	1 703
Interest received		**132**	139
Other receipts		**33**	67
Cash generated from operations		**38 640**	35 833
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government:		**7 449**	3 867
Cash generated from SA Government		**7 499**	3 867
Net cash provided by (used in) operating activities	29	**3 964**	(342)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(692)**	(4 736)
Cash used in investing activities		**(692)**	(4 736)
CASH INFLOWS:			
Proceeds from sale of financial assets		**-**	6
Cash generated from investing activities		**-**	6
Net cash used in investing activities		**(692)**	(4 730)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from government		**-**	3 087
Cash generated from financing activities		**-**	3 087
Net cash provided by financing activities		**-**	3 087
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3 272**	(1 985)
CASH AND CASH EQUIVALENTS AT 1 JULY		**5 123**	7 108
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**8 395**	5 123

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Environment Protection Authority

(a) *Strategic context*

The Environment Protection Authority reporting entity (the Authority) includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund established under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment.

The administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For further information regarding the reporting entity, refer to note 2(c).

The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- conduct compliance investigations and institute environmental monitoring and evaluation programs
- provide advice and assistance regarding best environmental management practice.

The Authority has a key advocacy and engagement role across government and with the people of South Australia, business and communities throughout South Australia, to achieve a healthy and valued environment.

(b) *Financial arrangements*

The Department for Environment and Heritage (DEH) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DEH at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services. A Memorandum of Understanding was signed on 31 May 2004 between DEH and the Authority relating to the future provision of these services. A number of accounting services previously provided by DEH were transitioned to Shared Services SA (SSSA) in 2008-09. These services included payroll, accounts payable and financial accounting.

The statutory authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- environment licences
- waste levies from landfill depots
- fines and penalties
- Section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with DTF pursuant to section 8 and section 21 of the PFAA. The deposit accounts are used for funds provided by parliamentary appropriation together with revenues from services provided and from fees and charges.

2. Summary of significant accounting policies

(a) *Statement of compliance*

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Authority has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period ending 30 June 2010.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies.
  - (b) expenses incurred as a result of engaging consultants
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

The Environment Protection Authority reporting entity includes the following:

- the Environmental Protection Authority - a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund established under the *Environment Protection Act 1993.*

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The Authority's financial statements include assets, liabilities, revenues and expenses attributable to radiation protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in note 32. However, assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The Environment Protection Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and liabilities of the Fund are recognised by the Authority in the Statement of Financial Position, the Fund's revenues and expenses have been recognised in the Authority's Statement of Comprehensive Income and the Fund's changes in equity have been recognised in the Authority's Statement of Changes in Equity. The transactions of the Fund are disclosed in note 31.

(d) Transferred functions

The Authority has not transferred any functions during the 2009-10 financial year. However, as detailed in note 1(b), payroll, accounts payable and financial accounting services previously outsourced to DEH, were transitioned to SSSA during 2008-09. These arrangements are subject to service level agreements between the Authority and SSSA.

(e) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(f) Rounding

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

(g) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

SSSA prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DEH is liable for the payments and entitled to the receipts associated with GST. Therefore, the Authority's net GST receivable/payable is recorded in DEH's Statement of Financial Position. GST cash flows applicable to the Authority are recorded in DEH's Statement of Cash Flows.

(h) Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Authority will occur and can be reliably measured.

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

Income

The following are specific recognition criteria:

Fees and charges

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

Licence fees are recognised as revenue by the Authority upon receipt. This includes licence fees received under the *Radiation Protection and Control Act 1982*.

Waste levies are recognised by the Authority on an accrual basis.

Contributions received

Contributions are recognised as an asset and income when the Authority obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Contributions received (continued)
Generally, the Authority has obtained control or the right to receive for:

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Authority have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government
Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Authority and the appropriation is recorded as contributed equity. The Authority received a $3.1 million equity contribution in 2008-09.

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

Other income
Other income consists of sundry expense reimbursements.

Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Authority will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefits
Employee benefits include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current Authority staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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

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

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

Land assets are not depreciated.

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

Class of asset	*Useful life (years)*
Computing equipment	3-10
Intangibles	3-15
Infrastructure	5-50
Plant and equipment	3-30
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when the Authority has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the Authority have been contributions with unconditional stipulations attached.

(j) **Current and non-current classification**

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) **Assets**

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

Where an asset line item combines accounts expected to be settled within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from fees and charges, interest and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally due within 30 days after the issue of an invoice.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Authority will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets - acquisition and recognition
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value over $5000 are capitalised.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value).

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

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

Revaluation of non-current assets (continued)
The Authority undertook an independent professional valuation in 2009-10 for all land, buildings and infrastructure. The valuer used by the Authority was as follows:

- *Land, Buildings and Infrastructure*
  1 July 2009, Valcorp Australia Pty Ltd, Mr N Zwaans, BBus(Property), GAPI, Mr F Taormina, BAppSc(Val), AAPI.

Fair value was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Assets deemed to be at fair value
APF III states that revaluation of a non-current asset is required only when its fair value at the time of acquisition is greater than $1 million and its estimated useful life is greater than three years.

Asset classes that did not satisfy this criteria and are therefore deemed to be at fair value include:

- moveable vehicles
- computing equipment
- application software
- furniture and fittings
- plant and equipment.

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

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

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

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

The acquisition or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $5000.

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

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

Where a liability line item combines accounts expected to be settled within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

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

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

Employee benefit on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Authority has entered into one or more operating leases.

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

- *Lease incentive*
  All incentives for the agreement of a new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

  The aggregate benefit of lease incentives received by the Authority in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

  Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

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

Wages, salaries, annual leave and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long service leave
The liability for long service leave is recognised after an employee has completed 5.5 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

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

When the Authority expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease, capital and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

3. New and revised accounting standards and policies

The Authority did not change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which the Authority has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2010. The Authority has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

4. Activities of the Authority

The Authority is funded by appropriation and fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities, the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic policy for all South Australians. As the Authority conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

5. Employee benefits

	2010 $'000	2009 $'000
Salaries and wages	14 215	14 072
TVSPs (refer below)	1 960	-
Long service leave	875	424
Annual leave	1 362	1 367
Employment on-costs - superannuation	1 783	1 884
Employment on-costs - other	1 011	891
Boards and committee fees	164	186
Other employment related expenses	569	367
Total employee benefits	21 939	19 191

TVSPs

Amount paid to these employees:		
TVSPs	1 960	-
Annual leave and long service leave during the reporting period	528	-
Total	2 488	-
Recovery from DTF	1 806	-
Net amount paid by Environment Protection Authority	682	-

The number of employees who received a TVSP during the reporting period was 14 (nil).

Employee remuneration	2010	2009
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$100 000 - \$109 999	16	15
\$110 000 - \$119 999	4	5
\$120 000 - \$129 999	1	-
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	2
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	2	1
\$200 000 - \$209 999	-	1
\$270 000 - \$279 999	1	-
\$330 000 - \$339 999	1	-
Total number of employees	27	26

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $3.583 million ($3.141 million).

6. Supplies and services

	2010 $'000	2009 $'000
Accommodation and property management expenses	2 218	2 676
Consultants	14	10
Contractors	561	772
Fee for service	649	911
General administration	1 082	944
Information technology and communication expenses	606	598
Minor works, maintenance and equipment	381	458
Monitoring fees	528	27
Scientific and technical services	383	589
Transportation	132	139
Travel and accommodation	156	187
Vehicle and aircraft	421	363
Other	264	368
Total supplies and services	7 395	8 042

Supplies and services provided by entities within the SA Government

Accommodation and property management expenses	2 187	2 561
Scientific and technical services	29	166
General administration	520	357
Vehicle and aircraft	349	350
Total supplies and services - SA Government entities	3 085	3 434

Consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	1	3	-	-
Between $10 000 and $50 000	1	11	1	10
Total paid/payable to the consultants engaged		14		10

7. Depreciation and amortisation

	2010	2009
Depreciation:	$'000	$'000
Buildings and improvements	2	3
Computing equipment	19	27
Furniture and fittings	451	215
Moveable vehicles	6	3
Infrastructure	13	15
Plant and equipment	163	397
Other	-	2
Total depreciation	654	662
Amortisation:		
Application software	326	187
Total amortisation	326	187
Total depreciation and amortisation	980	849

8. Grants and subsidies

Grants and subsidies paid/payable to entities within the SA Government:		
Department for Environment and Heritage	144	269
Zero Waste SA*	11 743	11 682
Other	10	-
Total grants and subsidies - SA Government entities	11 897	11 951
Grants and subsidies paid/payable to entities external to the SA Government:		
Community organisations and associations	160	150
Individuals - solar hot water rebate	163	214
Commonwealth Government	99	37
Total grants and subsidies - non- SA Government entities	422	401
Total grants and subsidies	12 319	12 352

* As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the *Zero Waste SA Act 2004*.

9. Net loss from disposal of non-current assets

	2010	2009
Furniture and fittings:	$'000	$'000
Proceeds from disposal	-	-
Net book value of assets disposed	(148)	(324)
Net loss from disposal	(148)	(324)
Plant and equipment:		
Proceeds from disposal	1	-
Net book value of assets disposed	(2)	(2)
Net loss from disposal	(1)	(2)
Other assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(2)
Net loss from disposal	-	(2)
Total assets:		
Total proceeds from disposal	1	-
Total value of assets disposed	(150)	(328)
Total net loss from disposal of non-current assets	(149)	(328)

10. Other expenses

Bad and doubtful debts	14	9
Capital project costs - not capitalised	-	9
Other	290	82
Total other expenses	304	100
Other expenses paid/payable to entities within the SA Government:		
Other (including audit fees - refer note 11)	77	77
Total other expenses - SA Government entities	77	77

11. Auditor's remuneration

	2010 $'000	2009 $'000
Audit fees paid/payable to the Auditor-General's Department	77	77
Total audit fees	77	77

Other services

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

12. Fees and charges

	2010	2009
Fines and penalties	238	259
License fees	12 712	9 749
Waste levies	24 237	23 267
Sale of goods	-	1
Sale of professional services	50	65
Section 7 enquiries	49	313
Total fees and charges	37 286	33 654

13. Grants and contributions

	2010	2009
Grants and contributions received/receivable from entities within the SA Government:		
Administered entities(iii)	-	105
SA Government grants(i)	1 080	1 221
Total grants and contributions - SA Government entities	1 080	1 326
Grants and contributions received/receivable from entities external to the SA Government:		
Commonwealth Government(ii)	291	377
Total grants and contributions - non-SA Government entities	291	377
Total grants and contributions	1 371	1 703

	2010	2009
(i) SA Government grants and contributions:		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	-	55
Department of Water, Land and Biodiversity Conservation	481	701
SA Murray-Darling Basin Natural Resources Management Board	70	22
SA Water Corporation	-	27
Zero Waste SA	1	64
Department of Further Education, Employment, Science and Technology	150	150
Department for Environment and Heritage	353	200
Department of the Premier and Cabinet	5	-
Department of Primary Industries and Resources	20	-
Other	-	2
	1 080	1 221
(ii) Commonwealth Government:		
Natural Heritage Trust	-	50
Department of the Environment, Water, Heritage and the Arts	90	200
Bureau of Meteorology	33	65
CSIRO	2	26
Department of Agriculture, Fisheries and Forestry	-	36
Murray-Darling Basin Authority	166	-
	291	377
(iii) Administered entities:		
Adelaide Coastal Waters Study	-	105
	-	105

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date were $4.875 million ($3.867 million). The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2010 $'000	2009 $'000
Environment Protection Fund	4 626	3 380
Water Quality Improvement Program	73	127
NRG Flinders	51	214
Chemcollect	81	99
External funded projects	44	47
	4 875	3 867

The Environment Protection Fund is established under section 24 of the *Environment Protection Act 1993*. The Fund must be kept as directed by the Treasurer. Prescribed percentages of solid waste levies and licence fees are paid into the Fund under section 8 of the Environment Protection Regulations 2009. The Fund may be applied by the Minister or by the Authority with the approval of the Minister.

14. Interest revenue

	2010 $'000	2009 $'000
Interest from entities within the SA Government	139	132
Total interest revenue	139	132

15. Other income

Salaries and wages recoveries	1	-
Other sundry revenue	32	73
Total other income	33	73

16. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriations Act*	5 327	3 852
Contingency funds	2 122	15
Total revenues from SA Government	7 449	3 867

Total revenues from government consists of $6.921 million ($3.355 million) for operational funding and $528 000 ($512 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer notes 5 to 11. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	2010 $'000	2009 $'000
Deposits with the Treasurer	3 764	1 738
Environment Protection Fund Deposit Account	4 626	3 380
Cash on hand/imprest accounts	5	5
Total cash and cash equivalents	8 395	5 123

Deposits with the Treasurer

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

Interest rate risk

Cash on hand is non-interest bearing. The Environment Protection Fund Deposit Account earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

18. Receivables

	2010 $'000	2009 $'000
Current:		
Receivables	2 265	2 088
Allowance for doubtful debts	(5)	(11)
	2 260	2 077
Accrued revenues	15	8
Workers compensation recoveries	1	1
Total current receivables	2 276	2 086
Receivables from entities within the SA Government:		
Receivables	116	49
Accrued revenues	15	8
	131	57
Non-current:		
Receivables from entities external to the SA Government:		
Workers compensation recoveries	4	4
	4	4
Total non-current receivables	4	4

Movement in allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	2010 $'000	2009 $'000
Carrying amount at 1 July	11	2
Increase in the allowance	1	9
Amounts written off	(5)	-
Decrease in allowance recognised in the Statement of Comprehensive Income	(2)	-
Carrying amount at 30 June	5	11

Interest rate and credit risk

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

19. Other assets

	2010	2009
Current:	$'000	$'000
Prepayments	75	88
Total current other assets	75	88

20. Property, plant and equipment

	2010 $'000	2009 $'000
Land:		
Independent valuation	200	100
Total land	200	100
Buildings and improvements:		
Independent valuation	77	91
Accumulated depreciation	(33)	(55)
Total buildings and improvements	44	36
Infrastructure:		
Independent valuation	380	303
Accumulated depreciation	(72)	(49)
Total infrastructure	308	254
Capital works in progress:		
Capital works in progress	86	111
Total capital works in progress	86	111
Moveable vehicles:		
At cost (deemed fair value)	247	79
Accumulated depreciation	(125)	(74)
Total moveable vehicles	122	5
Computing equipment:		
At cost (deemed fair value)	165	191
Accumulated depreciation	(133)	(146)
Total computing equipment	32	45
Furniture and fittings:		
At cost (deemed fair value)	5 441	5 748
Accumulated depreciation	(618)	(597)
Total furniture and fittings	4 823	5 151
Plant and equipment:		
At cost (deemed fair value)	4 320	4 241
Accumulated depreciation	(3 811)	(3 747)
Total plant and equipment	509	494
Other:		
At cost (deemed fair value)	65	65
Accumulated depreciation	(65)	(65)
Total other	-	-
Total property, plant and equipment	6 124	6 196

Asset movement reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is displayed in the following table.

Asset movement reconciliation 2009-10	Carrying amount 01.07.09 $'000	Additions $'000	Additions - transfer to (from) CWIP $'000	Depreciation/ amortisation expense $'000
Land	100	-	-	-
Buildings and improvements	36	-	-	(2)
Infrastructure	254	-	3	(13)
Capital works in progress	111	470	(495)	-
Moveable vehicles	5	118	5	(6)
Computing equipment	45	6	-	(19)
Furniture and fittings	5 151	-	271	(451)
Plant and equipment	494	163	16	(163)
Other	-	-	-	-
Intangible assets	1 168	59	200	(326)
Total	7 364	816	-	(980)

Asset movement reconciliation 2009-10 (continued)	Net revaluation increment (decrement) $'000	Disposals $'000	Carrying amount 30.06.10 $'000
Land	100	-	200
Buildings and improvements	10	-	44
Infrastructure	64	-	308
Capital works in progress	-	-	86
Moveable vehicles	-	-	122
Computing equipment	-	-	32
Furniture and fittings	-	(148)	4 823
Plant and equipment	-	(1)	509
Other	-	-	-
Intangible assets	-	-	1 101
Total	174	(149)	7 225

Asset movement reconciliation 2008-09	Carrying amount 01.07.08 $'000	Transfer between classes $'000	Additions $'000	Additions - transfer to (from) CWIP $'000
Land	100	-	-	-
Buildings and improvements	39	-	-	-
Infrastructure	226	29	14	-
Capital works in progress	498	-	5 502	(5 880)
Moveable vehicles	8	-	-	-
Computing equipment	34	19	19	-
Furniture and fittings	606	-	2	5 082
Plant and equipment	666	88	65	74
Other	146	(144)	-	-
Intangible assets	625	8	-	724
Total	2 948	-	5 602	-

	Depreciation/ amortisation expense $'000	Disposals $'000	Non-capital WIP expensed in current period $'000	Carrying amount 30.06.09 $'000
Land	-	-	-	100
Buildings and improvements	(3)	-	-	36
Infrastructure	(15)	-	-	254
Capital works in progress	-	-	(9)	111
Moveable vehicles	(3)	-	-	5
Computing equipment	(27)	-	-	45
Furniture and fittings	(215)	(324)	-	5 151
Plant and equipment	(397)	(2)	-	494
Other	(2)	-	-	-
Intangible assets	(187)	(2)	-	1 168
Total	(849)	(328)	(9)	7 364

21. Intangible assets

	2010 $'000	2009 $'000
Electronic Environment Licensing Forms (E-ELF):		
At cost (deemed fair value)	167	167
Accumulated depreciation	(124)	(107)
Total E-ELF	43	60
Integrated Information system (IIS):		
At cost (deemed fair value)	474	474
Accumulated depreciation	(357)	(298)
Total Integrated Information System (IIS)	117	176
General Environment Information System (GENI):		
At cost (deemed fair value)	1 493	1 293
Accumulated depreciation	(720)	(522)
Total General Environment Information System (GENI)	773	771
Complaints and Reports of Environmental Significance System (CARES):		
At cost (deemed fair value)	240	240
Accumulated depreciation	(181)	(152)
Total Complaints and Reports of Environmental Significance System (CARES)	59	88
Others:		
At cost (deemed fair value)	331	272
Accumulated depreciation	(222)	(199)
Total others	109	73
Total intangible assets	1 101	1 168

22. Payables

	2010	2009
Current:	$'000	$'000
Creditors	1 045	1 088
Accrued expenses	77	77
Employee benefit on-costs	302	371
Total current payables	1 424	1 456
Payables to SA Government entities:		
Creditors	237	171
Accrued expenses	77	77
Employee benefit on-costs	302	371
	616	619
Non-current:		
Employee benefit on-costs	316	358
Total non-current payables	316	358
Payables to SA Government entities:		
Employee benefit on-costs	316	358
	316	358

Interest rate and credit risk

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

23. Employee benefits

	2010	2009
Current:	$'000	$'000
Annual leave	1 181	1 192
Short-term long service leave	604	584
Accrued salaries and wages	553	485
Total current employee benefits	2 338	2 261
Non-current:		
Long service leave	2 867	2 954
Total non-current employee benefits	2 867	2 954
Total employee benefits	5 205	5 215

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2008-09 benchmark of 6.5 years to 5.5 years in 2009-10. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $169 000 and employment benefit expense of $169 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

24. Provisions

	2010	2009
Current:	$'000	$'000
Provision for workers compensation	29	27
Total current provisions	29	27
Non-current:		
Provision for workers compensation	97	80
Total non-current provisions	97	80
Total provisions	126	107

Provision movement

Carrying amount at 1 July	107	122
Additional provisions recognised	19	-
Reductions resulting from re-measurement or settlement without cost	-	(15)
Carrying amount at 30 June	126	107

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

25. Other liabilities

	2010	2009
Current:	$'000	$'000
Lease incentive	67	67
Other	90	14
Total current other liabilities	157	81
Non-current:		
Lease incentive	844	911
Total non-current other liabilities	844	911

26. Unrecognised contractual commitments

Capital commitments

	2010 $'000	2009 $'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, is payable as follows:		
Within one year	-	550
Total capital commitments	-	550

The Authority's capital commitments in 2009 related to remaining fitout expenses for 250 Victoria Square and 13 Byron Place Adelaide. These projects were completed by 30 June 2010.

Remuneration commitments

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

	2010 $'000	2009 $'000
Within one year	942	1 054
Later than one year but not later than five years	804	1 988
Total remuneration commitments	1 746	3 042

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

Operating lease commitments

	2010 $'000	2009 $'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2 003	2 072
Later than one year but not later than five years	8 533	8 107
Later than five years	21 237	25 004
Total operating lease commitments	31 773	35 183
Representing:		
Non-cancellable operating leases	31 773	35 183
Total operating lease commitments	31 773	35 183

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

27. Contingent assets and liabilities

Contingent assets

The Authority is not aware of the existence of any contingent assets as at 30 June 2010.

Contingent liabilities

The Authority is not aware of the existence of any contingent liabilities as at 30 June 2010.

28. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

Board of the Environment Protection Authority

Ms Cheryl Bart
Mr Stephen Hains
Ms Jane Yuile
Mrs Cheryl Hill
Ms Megan Dyson
Ms Linda Bowes

Radiation Protection Committee

Ms Sharon Paulka
Dr Gerald Laurence
Ms Jill Fitch
Ms Katheryn Taylor
Dr Michael Lardelli

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$0	3	2
$1 - $9 999	2	4
$10 000 - $19 999	-	1
$20 000 - $29 999	5	5
$30 000 - $39 999	-	1
$50 000 - $59 999	1	-
Total number of board and committee members	11	13

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was $187 852 ($188 797).

There were no new appointments nor expirations of term for either the Board of the Environment Protection Authority or the Radiation Protection Committee during the financial year.

In accordance with DPC Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

29. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	8 395	5 123
Cash and cash equivalents disclosed in the Statement of Cash Flows	8 395	5 123

Reconciliation of net cash provided by operating activities to net cost of providing services

	2010	2009
Net cash provided by (used in) operating activities	3 964	(342)
Revenues from SA Government	(7 449)	(3 867)
Add (less) non-cash items:		
Depreciation and amortisation expense of non-current assets	(980)	(849)
Net loss on disposal of assets	(149)	(328)
Lease incentive	-	1 000
Movement in assets and liabilities:		
Increase (Decrease) in receivables	190	(285)
(Decrease) Increase in other assets	(13)	9
Decrease in payables	198	359
Decrease (Increase) in employee benefits	10	(21)
(Increase) Decrease in provisions	(19)	15
Increase in other liabilities	(9)	(991)
Net cost of providing services	(4 257)	(5 300)

30. Financial instruments/financial risk management

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Statement of Financial Position		2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	17	8 395	8 395	5 123	5 123
Receivables	18	2 280	2 280	2 090	2 090
Financial liabilities					
Payables	22	1 740	1 740	1 814	1 814

Credit risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations resulting in a financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The Authority has minimal concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Authority does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

The following table discloses the ageing of financial assets past due, including impaired assets past due.

		Past due by			
	Current (not overdue)	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2010	$'000	$'000	$'000	$'000	$'000
Not Impaired:					
Receivables	1 488	300	93	404	2 285
Impaired:					
Receivables	-	-	-	5	5
2009					
Not Impaired:					
Receivables	935	894	100	172	2 101
Impaired:					
Receivables	-	-	-	11	11

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

Maturity analysis of financial assets and liabilities (continued)

		Contractual maturity		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	8 395	8 395	-	-
Receivables	2 280	2 276	4	-
Total financial assets	10 675	10 671	4	-
Financial liabilities:				
Payables	1 740	1 424	316	-
Total financial liabilities	1 740	1 424	316	-
2009				
Financial assets:				
Cash and cash equivalents	5 123	5 123	-	-
Receivables	2 090	2 086	4	-
Total financial assets	7 213	7 209	4	-
Financial liabilities:				
Payables	1 814	1 456	358	-
Total financial liabilities	1 814	1 456	358	-

Liquidity risk

Liquidity risk arises where the Authority is unable to meet its financial obligations as they fall due. The Authority is funded principally from waste levies and annual licence fees. The Authority works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Authority's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Authority has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

31. The Environment Protection Fund

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2010

	2010	2009
EXPENSES:	**$'000**	$'000
Employee benefits	**189**	537
Supplies and services	**668**	615
Grants and subsidies expense	**100**	32
Total expenses	**957**	1 184
INCOME:		
Fees and charges	**1 993**	1 838
Interest revenue	**139**	132
Total income	**2 132**	1 970
NET RESULT	**1 175**	786

Statement of Financial Position as at 30 June 2010

CURRENT ASSETS:		
Cash and cash equivalents	**4 626**	3 380
Receivables	**91**	128
Total current assets	**4 717**	3 508
Total assets	**4 717**	3 508
CURRENT LIABILITIES:		
Payables	**60**	18
Employee benefits	**7**	15
Total current liabilities	**67**	33
Total liabilities	**67**	33
NET ASSETS	**4 650**	3 475
EQUITY:		
Retained earnings	**4 650**	3 475
TOTAL EQUITY	**4 650**	3 475

Statement of Changes in Equity for the year ended 30 June 2010

	Retained earnings $'000	Total $'000
Balance at 30 June 2008	2 689	2 689
Net result for 2008-09	786	786
Balance at 30 June 2009	3 475	3 475
Net result for 2009-10	1 175	1 175
Balance at 30 June 2010	**4 650**	**4 650**

Statement of Cash Flows for the year ended 30 June 2010

	2010 Inflows (Outflows) $'000	2009 Inflows (Outflows) $'000
Cash flows from operating activities:		
CASH INFLOWS:		
Fees and charges	**2 037**	1 860
Interest received	**132**	124
Total cash inflows	**2 169**	1 984
CASH OUTFLOWS:		
Employee benefits payments	**(199)**	(528)
Payments for supplies and services	**(624)**	(739)
Grant and contribution payments	**(100)**	(32)
Total cash outflows	**(923)**	(1 299)
Net cash inflows from operating activities	**1 246**	685
Cash at 1 July	**3 380**	2 695
Cash at 30 June	**4 626**	3 380

32. Radiation protection function

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982.*

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. Transactions between the Radiation Protection Division and the statutory authority have been eliminated in preparing the financial statements.

Statement of Comprehensive Income for the year ended 30 June 2010

Radiation Protection Division	**2010**	2009
EXPENSES:	**$'000**	$'000
Employee benefits	**1 193**	1 271
Supplies and services	**48**	108
Total expenses	**1 241**	1 379
INCOME:		
Fees and charges	**1 483**	1 511
Other revenue	**12**	-
Total income	**1 495**	1 511
Net benefit of providing services	**254**	132

DEPARTMENT FOR FAMILIES AND COMMUNITIES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Families and Communities (DFC or the Department) is an administrative unit established pursuant to the PSA.

Functions

DFC works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected. DFC is responsible for delivering specific programs to the public with respect to activities assigned to it under various Acts.

In addition, DFC provides all the employee and housing related services to the South Australian Housing Trust (SAHT) through the Housing SA division of DFC. A service level agreement with the SAHT sets out the arrangements.

For more information about DFC's objectives and functions refer to note 1 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- payroll expenditure
- supplies and services including brokerage expenditure
- payments to non government organisations
- other grants, subsidies and client payments
- accounts receivable
- financial accounting
- concession payments
- client trust accounts
- purchase cards
- TVSPs.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department for Families and Communities as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department for Families and Communities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to implementation of TIs 2 and 28, brokerage expenditure, grants and subsidies, grant payments for disability equipment, Families SA - alternative care, payroll, accounts payable, financial accounting, patient and client fees, concessions, client trust funds and Shared Services SA annual internal controls letter as outlined under 'Communication of audit matters' are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of DFC and the Executive Director of Shared Services SA (SSSA). Responses to the management letters were generally considered to be satisfactory. Major matters raised with DFC and SSSA and related responses are detailed below.

Implementation of TIs 2 and 28

Audit review in 2009-10 found that the Department continued to make progress towards the implementation of a financial management compliance program including:

- establishing a financial management compliance policy
- continuing to develop and refine a financial management compliance controls register
- improved independent monitoring of certain financial controls.

Good compliance processes existed for some areas, however, for other areas work completed focused on establishing or revising policy and procedure rather than compliance with policies and procedures. Consequently, while the Department's financial management compliance program continued to develop, it was not mature enough in 2009-10 to comprehensively identify and address control deficiencies and report them to the Chief Executive.

A recent internal audit review found that while a compliance program had been implemented there are opportunities to enhance the compliance culture of the organisation in relation to financial controls. The Department advised of its intended actions to enable the financial compliance program to reach its next level of maturity.

Brokerage expenditure

DFC contracts (brokers) services from the non-government sector to address individual client needs. Brokerage payments include services to clients of the Department's Disability SA and Domiciliary Care SA divisions. The audit identified a need to improve aspects of the control environment.

The following is a summary of audit observations:

- The Department maintains a preferred provider panel list of eligible service providers. When required, service providers are selected from this list to perform brokerage services. Audit recommended that the Department establish policy and guidance documents which set its minimum expectations when assessing the most appropriate provider from the list. DFC advised it would review practices and ensure guidelines are developed and communicated.

- Some contract service agreements were signed outside of the Department's financial delegations. The Department advised it intends to review brokerage purchasing and payment procedures to identify where various financial authorisations should be actioned. It indicated the financial authorisation register would be updated where required.

- Consistent with prior findings, Audit recommended the Department improve processes for verifying the receipt of brokerage services prior to payment. DFC advised that it will document processes to allow reasonable certainty that services contracted and invoiced have been supplied.

- Audit recommended that where exceptions to processes and controls are required to enable flexibility, these circumstances be defined and alternative controls be identified and documented. The Department responded that it will ensure that all areas of processing are adequately documented and that compensating controls to address areas of risk are established.

- The Department had progressed developing and implementing policies and procedures for major brokerage activities and internal controls, as Audit recommended in 2008-09. However, many important activities were not yet covered. The Department advised its intention to review policies and procedures to ensure that all major processes are documented.

Grants and subsidies

Prior year reports have identified number of concerns with DFC's administration of grant payments including grants to non-government organisations (NGOs).

One of DFC's key objectives in its 'Five Year Strategic Plan 2009-2013' is to improve its contract management system and develop a transparent and robust process to award funding agreements.

Last year the Department's Risk Management and Internal Audit team (RMIA) reviewed grants management. The RMIA report highlighted required improvement to provide reasonable assurance that there is value for money, probity, performance and compliance from NGO funded activities. The report recommended improvement in the areas of: needs based planning; budgeting and unit costing; and performance management. Audit review of controls in 2009-10 focused on progress the Department had made in these areas.

In 2009-10 the Department developed an implementation plan that responded to the RMIA report findings and made progress in addressing the matters raised. As proposed target dates for actions on the implementation plan generally extend beyond 2009-10, the concerns raised previously remain largely relevant.

The following summarises the Department's progress against targets during 2009-10:

Needs based planning and sector analysis

Strong evidence supporting funding decisions is important to ensure limited resources can be targeted to the areas of most need supporting the Department's objectives. RMIA recommended that each division perform a high level needs assessment and map existing services to these needs to better identify unmet needs and future priorities.

The Department has a project to develop a needs based regional planning framework with a target completion date in 2012-13. Review of a sample of grants made during 2009-10 noted that concerns raised by RMIA continued to exist for grant funding allocations in 2009-10.

Budgeting and unit costing

RMIA noted that, in general, funding was not guided by established unit costs. These factors limit the effectiveness of reviewing value for money and performance.

The Department began developing a financial costing framework including upfront research and analysis and pilot site evaluations of cost. The project has a target completion date in 2012-13. In summary, progress is at the early stages of project work. Given the nature of the reforms, the project has not yet had any significant impact on controls.

Performance management

RMIA found limited evidence of review of information on financial acquittals, outputs against targets, key performance indicators and other qualitative information. It recommended that further documented procedures be implemented to provide additional guidance as to the expected level of review.

The Department further reviewed the level of financial acquittal and performance management activities being undertaken. While the Department intends to implement a financial analysis procedure that specifies the minimum levels of analysis, these important guidelines are not yet developed and have a target date of 31 December 2010.

DFC responded that it is committed to improving the way it contracts with and funds the community services sector and that the initiatives it has commenced have been given a high level of commitment, time and resources. The Department provided details of initiatives which are already in place or are being developed. It advised the process of establishing improved high level control and direction of grant funding will take several years to attain a level of maturity deemed suitable for the complexity, diversity and quantum of grant funding managed by the Department.

The Department's response indicated that ongoing work to develop policies to continue the improvement of performance management and in particular financial performance management across funded organisations, will be delivered by December 2010. It further advised that it intended to continue to utilise RMIA to provide an ongoing independent monitoring process.

Other matters raised by Audit requiring attention included instances where grant expenditure was paid directly through general accounts payable rather than through the grant management system increasing the risk that certain grant specific controls may be avoided. The Department advised of its intention to review the instances identified by Audit and to develop policies and procedures which clarify when payments should be processed through the grants management system.

Grant payments for disability equipment

Background

At the time of last year's Report Audit was progressing a review of aspects of grant payments for disability equipment.

The review has been completed and related to grant payments to the Julia Farr Association (JFA). It involved a review of documentation and information requested of the Department to ascertain the principles and premises underpinning the JFA grant payments; discussion of concerns with the Department regarding the grant payments; subsequent review of financial management principles applied to a further tranche of disability grant payments provided to the Department in the latter part of 2009-10; and the submission of an audit management letter on the overall review to the Department in August 2010 with a response received in early September 2010. The Department provided full cooperation with the review.

Summary of issues

In June 2007 and May 2008 Cabinet approved grants to a number of NGOs to facilitate the purchase of disability equipment for the benefit of the community. The Cabinet submissions were specific as to the recipient of the grants and the amounts to be paid. The equipment grant monies were approved as additional one-off expenditure initiatives around Budget time in those years. The monies were to be expended prior to 30 June in each year.

One-off grants were subsequently paid to NGOs prior to the end of the relevant financial years. As part of these grants, the Department paid JFA $2.92 million in June 2007 and $2.15 million in June 2008. JFA had no role in managing, prescribing or providing disability equipment. During 2007-08 to 2009-10, JFA was invoiced to recoup the grant monies and recover the cost of disability equipment the Department ordered and purchased. Of crucial importance, it is acknowledged that the grant funds allocated to the Department were used to facilitate the purchase of disability equipment as was approved by Cabinet.

The Cabinet approved funding for disability equipment was received too late in each of the financial years to provide the manageable opportunity for the orderly purchase of disability equipment before the end of the year. It is understood that this factor, together with the risks either of not receiving the funds or not retaining the funds through an approved carryover process, were the motivating factors for the practice of one-off grants to JFA and their subsequent recovery. The payments to JFA achieved expenditure and outflow of cash to the non-government sector prior to the end of the particular financial years to meet budgetary and financial reporting outcomes.

The Department in its response to the concerns raised by Audit has explained that:

- it was acting to fulfil Cabinet's required outcomes that the funds were to be used for providing disability equipment and with the clear direction that the expense was to be incurred in the relevant years
- it did not initiate bids for one-off funding but was responding to specific requests from the former Minister to bring forward bids to attract funding where Cabinet had identified budget capacity to facilitate one-off funding in priority areas
- in each instance the one-off funding provided in 2006-07 and in 2007-08 would enable systematic distribution of equipment over the ensuing next 12 months.

While these matters more fully explained the motivating factors for the use of the funding/reimbursement practice for JFA, the practice nonetheless did not meet the principles and responsibilities expected of public sector agencies in relation to financial administration and accountability process. There can be circumstances sometimes where those responsible for decision making may consider that the benefits of certain actions outweigh the adherence to generally accepted processes for good management and accountability. In this case the Department was able to secure additional funding available to achieve reductions in the adult disability equipment waiting list by making grant payments to JFA. However, the maintenance of adequate and appropriate financial accountability standards must prevail. The grant payments, initially by the Department to JFA in 2007 and in 2008 and subsequent recovery from JFA to the Department, did not meet these standards.

Audit is satisfied that managing departmental funds through JFA has ceased. In April 2010 the Department received additional approved funding for the supply and management of disability equipment. Again this was too late in the year to allow the full funding to be spent prior to 30 June. However, approval for the funding included approval to carry forward unspent funding at 30 June 2010. This and other actions taken to administer the funding, demonstrated good management and accountable practice and indicated no repeat of the abovementioned or similar practice used in relation to JFA.

The key issues reported and the main points of the Department's responses follow.

- *Use of a non-government organisation to hold SA Government funds*

The use of JFA to hold government funds was not appropriate and undermined the Department's responsibility for accountable management and use of government resources. Audit recommended that NGOs should not be used to hold departmental funds.

The Department responded that specific arrangements with JFA were negotiated at an operational level and had not been appropriately communicated to DFC corporate finance.

The Department further responded that given that JFA had virtually no role in the prescribing and purchase of disability equipment, with the benefit of hindsight, it should not have received funds for this purpose.

- *Important information for decision making was absent*

The background and discussion provided in a 2007 Cabinet submission and a 2008 Ministerial minute of funding initiatives was insufficient to convey information important to decision making. While the 2007 submission stated Disability SA (a division of DFC) would continue to be responsible for prescribing and purchasing adult disability equipment, and would operate in conjunction with the NGOs managing the funds, the Cabinet submission did not sufficiently discuss information important to the decision making process. In particular it did not disclose the specific purpose of providing Disability SA equipment funds to JFA including that disability grants were to be made to a NGO which had no involvement in providing equipment. Further, it did not disclose the appropriateness of holding funds outside of the government sector. Audit recommended that Cabinet submissions provide all information relevant to decision making.

The Department agreed that the specific purpose of providing Disability SA equipment funds to JFA was relevant to the decision making process. It advised that in the future, DFC procedures would seek to ensure all relevant information is brought to the attention of internal and external decision makers.

- *Financial reporting*

Information presented in the Department's financial report must properly represent the nature of transactions made. DFC made non-recourse grant payments to JFA which resulted in the transfer of control of cash assets from the Department to JFA, resulting in an expense to the Department. The practice used by the Department resulted in expenditure recognition prior to the year end, although the Department intended to and did expend those same funds on equipment in the following financial years. The consequence of the Department making the grant payments and subsequently recouping that funding from JFA, was inappropriate financial reporting, as this did not report the actual purpose of the payments and receipts.

The Department advised that it took the view that it had lost economic control of the funds in question by the making of non recourse grants and that it was therefore appropriate to record those expenses in the relevant years, consistent with the budget outcomes being sought by Cabinet.

- *Lack of documentation and formal conditions*

Risks associated with the payments to JFA were compounded by a lack of documentation and formal conditions. The Department has a responsibility to ensure all grants provided are used for the purpose they are provided. Where a grant is provided for a specific purpose, relevant conditions should be set out in documented agreements requiring recipients to demonstrate outcomes. Adequate monitoring records and reporting mechanisms should be maintained to demonstrate funds are used for their intended purpose.

The Department proposed that a more prescriptive process be documented and followed if non recourse grants are to be issued in the future including:

- the conditions to be met to justify funding via non recourse arrangement
- information to be included in submissions to Cabinet
- required content of the grant agreement including its purpose and deliverables
- authorisation and monitoring processes.

The Department advised of a particular grant paid in June 2010 that was made without formal documentation. This was inconsistent with the proposed policy and DFC advised that it intends to remedy the oversight by establishing formal documentation specifying the purpose for which the grant was made.

- *Payments in variance to cabinet submission*

Disability equipment payments to individual NGOs in June 2008 varied from that approved by Cabinet. It is essential that DFC have a process in place to ensure that decisions of Cabinet are complied with and can be tracked for payments made by the Department. Audit recommended that grants be made in accordance with Cabinet submissions unless changes are appropriately authorised.

DFC responded that they have processes in place to ensure they comply with the decisions of Cabinet. The response indicated that the changes were made after the Cabinet submission was approved but it had not been possible to confirm the reasons for the change, notwithstanding that in aggregate the total did not change.

The Department advised that during the period it was aware that the former Minister was continuing to have discussions with the Treasurer and other Cabinet members in relation to the disbursement of funding to NGOs. The Department has also noted that the grants ultimately paid to the individual NGOs, although differing from the Cabinet approved amounts, did agree with the amounts announced in a Premier's media release dated 22 May 2008.

Families SA – Alternative care

Review of the Department's systems to manage alternative care support payments identified the following areas where controls could be improved:

- The *Family and Community Services Act 1972* and the Department's 'Standards of Alternative Care in South Australia (DFC 2008)' require regular assessments of caregivers. The audit found that the Department's annual review of a number of registered caregivers was past due. Audit recommended that the Department ensure that each carer is reviewed in accordance with legislation and departmental standards. The Department advised that currently non-government support agencies are monitored on a monthly basis for any outstanding annual reviews. Its intention is to replicate this process within Families SA for relative and kinship care services. The Department advised that it is anticipated that all annual reviews will be current by the end of September 2010.

- Sample testing noted instances where ongoing carer payments were paid directly through the general accounts payable system rather than through the appropriate management system. The Department advised that it would highlight existing policy to operational units which requires that manual payments only be made in emergency situations. Further it advised that manual payments would be reviewed on a regular basis.

- Reconciliations were not performed between the payment system and the general ledger. The Department responded that given the nature and method of manual payments the reconciliation has proven problematic and difficult. It advised that work is continuing to simplify the reconciliation and indicated that it will incorporate a reconciliation process in its new case management system.

Payroll

Bona fide reports

While significant components of the payroll processing environment are performed by SSSA, key aspects of the control environment remain with the Department. Specifically, the Department has an important role in reviewing payroll reports each pay run, validating employee payments and providing an important review function, independent from SSSA. These bona fide review processes are an integral component of any payroll control environment.

New bona fide and leave monitoring controls were implemented across the Department in February 2010. However, for a significant portion of the financial year (to February 2010), the Department's review of the bona fide payroll reports was not adequate to ensure the validity and accuracy of employee payments.

The Department responded that it has introduced a new bona fide and leave reporting system which distributes reports automatically. The new system maintains verification records on a database allowing improved confirmation and follow up of outstanding verifications. Further, the Department advised it has continued to follow up outstanding bona fide reports issued under the old process.

Payroll – Kronos

The Kronos payroll system was implemented throughout the Department from approximately December 2008 and currently is used to record time worked and rosters for approximately 2000 staff with payroll expenditure in excess of $130 million annually.

A review of Kronos payroll processing identified the following areas where controls could be improved:

- Weaknesses were noted in controls ensuring the complete and accurate interface of payroll data between Kronos and the CHRIS payroll systems. The Department responded it would review its interface and reconciliation processes.

- The Crisis Response unit within Families SA standardises employee payments across a three fortnightly roster. It was not evident how these practices were consistent with either the award or enterprise bargaining agreement. The Department responded that it would investigate and ensure compliance with the relevant awards.

- Better segregation was needed to ensure those with system administration, review or authorisation responsibilities are restricted from adding or amending live payroll data. The Department responded that a review of administrative processes would be undertaken and, where practical, segregation of duties or compensating controls will be implemented.

Payroll - Provision of services by Shared Services SA

The audit identified a need to improve aspects of the SSSA payroll function relevant to the Department. Audit recommended that SSSA:

- better segregate duties between those employees who can process changes to the CHRIS payroll system and those with important oversight, review and disbursement responsibilities

- conduct a comprehensive and consistent review of payroll variation reports

- address long standing balances in general ledger payroll clearing accounts

- restrict payroll staff access to general ledger files prior to upload into the general ledger.

SSSA accepted that there may be some risk with its segregation of duties, however considered it was not practical to have officers with limited access and that procedures were in place to minimise the risk. All other findings were accepted and SSSA advised of their intended actions.

Accounts payable

Audit identified a need to improve the following aspects of the control environment.

- Significant changes were made in 2009-10 to the way expenditure authority levels are updated on Basware (the main expenditure system) including changes to how delegation profiles on the system are authorised, processed and checked. Responsibilities for undertaking these controls also changed. These new processes, controls and responsibilities are not documented nor are they included in arrangements with SSSA. Audit recommended the Department and SSSA formalise their arrangements and develop detailed policy and procedure covering these matters. The Department responded that it has since met with SSSA regarding these matters and will update its authorisation policy. SSSA advised that it is currently in the process of developing procedures for its eProcurement systems administration function.

- Where requisitions and invoices are approved manually, authorisations are not checked to ensure adequate delegation. Audit recommended that the Department implement compliance processes which ensure that expenditure initiated via manual requisition or through manual approval of invoices can only be paid when approved by an authorised delegate. The Department responded that it is currently investigating options to increase the use of system enforced compliance with delegations.

Accounts payable - Provision of services by Shared Services SA

The audit identified a need to improve aspects of SSSA accounts payable functions relevant to the Department.

- Instances were noted where changes were made to system records of vendor electronic funds transfer bank details without the authorisation and use of the electronic funds transfer authorisation form as required by policy.
- Audit could not verify that important interface reconciliations between certain feeder systems and Masterpiece accounts payable were performed.
- Improved preventative or review controls were needed over the use of proposed special and super delegations.

SSSA acknowledged the matters raised and advised of their intended actions.

Financial accounting

While significant components of the financial accounting environment are performed by SSSA, key aspects of the control environment remain with the Department. In particular the Department has a role in working with SSSA to establish authorisation limits, user access and define the structure and usefulness of the chart of accounts. The audit identified a need to improve the following aspects of these control responsibilities:

- restrict the number of people who can authorise general ledger journals to those who have a responsibility to make adjustments to the general ledger. DFC responded that it considered the journal authorisation levels pose minimal risk to the Department, however, advised it would establish a register of authorised positions for certain types of journals
- establish processes which ensure the chart of accounts is only changed after a request by an authorised officer. The Department advised it would amend its policy to limit chart of account changes to divisional management accountants
- establish a process to formalise requests for Masterpiece user access, including authorisation through use of standardised forms. The Department responded that it would develop a procedure and request form that will assist to strengthen access controls
- review the chart of accounts to ensure accounts no longer required are removed. The Department responded that it will undertake such a review.

SSSA – Financial accounting

Audit identified a need to improve aspects of the financial accounting functions relevant to the Department control environment including:

- a need to strengthen controls to limit processing of journals to those authorised by delegated officers. SSSA responded that its current processes are robust, but indicated that a review of journal processing will be conducted
- key reconciliation tasks should be performed and reviewed in a timely manner and be supported by procedural documents which encourage consistency and accountability. SSSA advised a timetable for the completion of reconciliations will be prepared
- a need to better segregate systems access and duties between those who can process data and those with important review and authorisation responsibilities, including responsibility for bank reconciliations. SSSA agreed with the recommendation and advised it would assess its structure to achieve improved control
- a need to establish a process to formalise requests for Masterpiece user access, including authorisation through the use of standardised forms. SSSA advised it would work with DFC to develop a standard form for use when requesting access.

Patient and client fees

Patient and client fees include contributions by the client toward services provided including supported accommodation. The process and rates for client charging are long established and date back to when most individuals were clients of former health services. The charges and rates were based on historical authorities provided by health acts and regulations which are no longer relevant in a departmental context. The charges are no longer supported by statutory authority. For a department to levy and collect any fee or charge, it must have the legal authority to do so. This authority provides the support, in law, for charges raised.

Audit sought clarification of authority under which patient and client fees are currently being levied and any future plans or directions. The Department responded that it had sought legal advice from the Crown Solicitor about how best to ensure authority to continue to charge these fees. The Department's response indicated that the Crown Solicitor's Office had provided two alternatives, either DFC could re-establish statutory authority under a relevant act or ensure a legal contractual relationship with each client exists. The Department response indicated that legal advice confirms that documentation between DFC and clients demonstrates that legally binding fee for service contracts are currently in place. DFC intended to make recommendations regarding this matter to the Minister for Ageing and the Minister for Disability.

Concessions

Over recent years Audit has commented on the Department's inability to comprehensively reconcile concession payments with client details maintained on the Department's databases. The Department had advised that concerns would be addressed through implementing a new database system for concessions and seniors card administration.

The new Concessions and Seniors Information system (CASIS) was planned for implementation during 2009-10 however this did not occur and it was not operational during the year. Consequently Audit concerns on the inability of DFC to comprehensively reconcile concession payments with client details maintained on the Department's databases remain.

The Department responded that the project to address this matter is progressing, however, implementation is now planned for January 2011 due to delays in the development of CASIS, and to coincide with quarterly billing cycles.

Client trust funds

The client trust account holds funds on behalf of approximately 600 clients. The balance of the client trust account at 30 June 2010 was $10.3 million ($9.66 million). During 2009-10 receipts totalled $12.7 million and payments were $12.1 million. As trust funds cannot be used by the Department to achieve its own objectives they are not included in the controlled financial statements, however they are disclosed as an administered item.

The audit identified a need to improve the following aspects of the control environment:

- There is a need to better segregate duties between those employees who can process data and those with important review, authorisation and disbursement responsibilities. The Department agreed and has undertaken to provide better segregation of duties.

- The Department regularly undertakes internal reviews of transaction records at its various client locations. Improvements are required in the way reports resulting from these reviews are acknowledged and followed up. The Department responded that more formal follow up and escalation procedures have been introduced.

Shared Services SA annual internal controls letter

To assist the Department in assessing the adequacy of the design and operation of internal controls for outsourced functions, SSSA provided the Department with an annual controls letter listing significant exceptions in the performance of internal controls. The letter provides a summary of various reviews and issues including external and internal audits.

SSSA reported that, excluding the various exceptions listed in its letter, the control environment operated effectively for the year ended 30 June 2010.

Reported significant exceptions identified by SSSA internal audit for the 2009-10 reporting period included the following areas that need to be addressed by SSSA:

- the need to improve user access and authorisations for financial systems
- improvement of segregation of duties
- review of policies and procedures
- independent review of financial transactions.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefit expenses	**436**	415
Supplies, services and other expenses	**203**	202
Grants, subsidies and client payments	**1 139**	685
Total expenses	**1 778**	1 302
INCOME		
Rent, fees and charges	**118**	110
Commonwealth revenues	**542**	243
Other revenues	**11**	6
Total income	**671**	359
Net cost of providing services	**(1 107)**	(943)
REVENUES FROM SA GOVERNMENT	**1 086**	896
Net result	**(21)**	(47)
OTHER COMPREHENSIVE INCOME	**14**	53
Total comprehensive result	**(7)**	6
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**12**	(14)
ASSETS		
Current assets	**67**	65
Non-current assets	**305**	276
Total assets	**372**	341
LIABILITIES		
Current liabilities	**127**	96
Non-current liabilities	**85**	79
Total liabilities	**212**	175
TOTAL EQUITY	**160**	166

Statement of Comprehensive Income

Expenses

In 2010, total expenses increased by $476 million to $1.8 billion. This primarily reflects an increase in grants, subsidies and client payments of $454 million and employee benefit expenses of $21 million.

Grants, subsidies and client payments, $1.1 billion, is the most material expenditure item. Note 8 of the financial statements discloses a detailed list of grants, subsidies and client payments by program and by recipient type.

Grants to SAHT increased by $420 million to $764 million primarily reflecting increased Commonwealth and State Government funding including:

- National Partnership Agreement on Nation Building and Jobs Plan increased by $280 million
- National Partnership Agreement on Remote and Indigenous Housing increased by $89 million
- National Affordable Housing Agreement increased by $73 million which replaces and is offset by decreases in the superseded Commonwealth State Housing Agreement of $50 million

- National Partnership Agreement on Homelessness increased by $12 million
- Housing Affordability Fund increased by $9.5 million
- Tax Equivalent Regime Payments increased by $33 million

This was offset by the following decreases in SAHT payments:

- Supported Accommodation Assistance program (superseded) decreased by $15.7 million
- Social Inclusion funding decrease by $3.3 million
- Common Ground decreased by $5.5 million.

Grants, subsidies and client payments, excluding SAHT payments, were $375 million up $34 million from the prior year. Contributing to the increase were the following programs:

- Home and Community Care up $8 million
- Stronger Families Safer Children - Early Intervention up $3 million
- Alternative Care Support payments up $6 million
- Alternative Care grants up $9 million
- Disability grants increased by $88 million which replaces and is offset by decreases in the superseded Commonwealth State/Territory Disability Agreement of $82 million.

Funding to NGOs increased by $24 million to $258 million. Note 8.1 of the financial statements discloses a detailed list of funding to NGOs by recipient where the total payments to an NGO are greater than $1 million.

While in total supplies, services and other expenses remained relatively consistent, reflecting an increase of only $1 million, underlying movement in expenses include the following items:

- brokerage care services up $13 million to $70 million
- prior year expenses included a $9 million devaluation of buildings, no similar expense item existed in 2010.

Employee benefit expenses increased by $21 million (5 percent) to $436 million. Employee benefit expenses includes TVSPs to 69 employees of $7 million. Reference should be made to note 5 to the financial statements which provides further detail of TVSP payments and recoveries from DTF.

Income

Commonwealth revenues increased by $299 million to $542 million.

On 1 January 2009 new Federal-State funding arrangements were introduced. The arrangement consolidated a number of older arrangements into other categories. Commonwealth Government funding relating to DFC programs are now in the main received via DTF either through its administered special deposit account or through its Consolidated Account. The Commonwealth revenues amounts in the financial statement only records funding received either directly from the Commonwealth Government or via DTF's administered special deposit account.

Commonwealth Government funding relating to DFC programs but received by DTF into the Consolidated Account is no longer separable from other SA Government appropriations. For example, significant housing and disability special purpose payments received by DTF are combined together with general appropriations from SA Government. Consequently, Commonwealth revenues and SA Government appropriations are not directly comparable with the prior year.

Appropriations from SA Government increased by $190 million to $1.1 billion.

General appropriation increased $153 million including the impact of the following items:

- the flow-on effect of significant commonwealth housing and disability specific purpose payments. From the Department's perspective this is no longer separable from general SA Government appropriations

- increased appropriation of $21 million to meet Families SA alternative care and Disability SA cost pressures.

DTF contingency funds increased by $17 million. 2009-10 contingency funds include receipts for:

- TVSP reimbursement, $7.2 million
- additional funding to meet alternative care cost pressures, $8.6 million
- wage parity supplementation, $7.5 million.

Tax equivalent regime reimbursements increased $20 million to $171 million.

Net result

The net result for 2009-10 was a deficit of $21 million, compared to a deficit of $47 million for 2008-09.

Contributing to the deficit were a number of non-operating items specific to the 2009-10 year, including:

- tax equivalent regime payables to the SAHT of $18.7 million for June 2010 for which reimbursement from DTF was yet to be received

- increase of $4.1 million in employee benefits liability due to changed actuarial discount rate 5.1 percent (5.5 percent) (refer note 24)

- a reduction in insurance provision resulting from changed arrangements with SAICORP of $1.9 million

- an upwards revaluation of buildings recognised as a revenue of $4.8 million.

Statement of Financial Position

Assets

In 2010 non-current assets increased by $29 million (11 percent) due mainly to a revaluation of land and buildings as at 30 June 2010 of $18.8 million and capital works purchases of $11.5 million. The revaluation was based on an independent valuer's assessment of fair value in accordance with AASs.

The impacts of the valuation were:

- an increment in land values of $14 million recognised as a gain to the asset revaluation surplus

- an increment in building values of $4.8 million recognised as a revenue, reversing a prior year decrement recognised as an expense.

Liabilities

Current liabilities increased by $31 million. This primarily reflects an increase in current payables of $27 million impacted by:

- an increase in grants payable to SAHT for the tax equivalent regime, $16.1 million

- a changed accounting policy to accrue all outstanding invoices. Under the previous accounting policy, DFC only recognised payables individually greater than $5000. This change in accounting policy resulted in an increase in payables of $3.5 million as at 30 June 2010.

Non-current liabilities increased by $5.6 million due mainly to an increase in employee benefits.

Equity

Total equity decreased by $5.5 million due to the following:

- net deficit of $21.4 million.
- land and buildings revaluation resulting in an increase to the asset revaluation surplus of $14 million.
- SA Government equity contribution of $1.9 million

Statement of Cash Flows

The following table summarises the net cash flows since 2005-06.

	2010	2009	2008	2007	2006
	$'million	$'million	$'million	$'million	$'million
Net cash flows					
Operating	**12**	(14)	19	(12)	(4)
Investing	**(13)**	(3)	(4)	(4)	(2)
Financing	**2**	13	12	10	11
Change in cash	**1**	(4)	27	(6)	5
Cash at 30 June	**42**	41	45	18	24

While the Department experienced a net deficit of $21 million it recorded net cash inflows from operating activities of $12 million. The main reasons for this difference are expensing of non-cash items as follows:

- depreciation and amortisation expenses, $4.4 million
- increased current payables, $27 million
- increase in employee benefits, $10 million.

This was offset by:

- an increase in receivables, $4.6 million
- a revaluation of buildings recognised as revenue, $5 million.

Refer to note 33 to the financial statements.

Of the Department's cash balances, $3.4 million is held in DTF's Accrual Appropriation Excess Fund Account, which can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Current liabilities, $127 million exceed current assets of $67 million by $60 million. Further, DFC 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 funding arrangements. As at 30 June 2010 the value of unexpended funding commitments was $3.2 million. Refer to note 16 to the financial statements for details of unexpended funding commitments.

Note 29.5 addresses liquidity risk. In reviewing this, consideration also needs to be given to the following:

- Current liabilities include employee benefits and provisions estimated to fall due within 12 months of balance date.

- Current liabilities tax equivalent regime payables to the SAHT of $18.7 million for June 2010 for which reimbursement from DTF was yet to be received.

- Departmental appropriations are transferred monthly based on projected cash flows.

- Cash held by departments is subject to DTF's cash alignment policy.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	5	**436 466**	415 323
Supplies and services	6	**196 749**	188 503
Depreciation and amortisation expense	7	**4 369**	3 835
Grants, subsidies and client payments	8	**1 139 012**	684 909
Net loss from disposal of non-current assets	13	**224**	-
Other expenses	9	**1 146**	8 993
Total expenses		**1 777 966**	1 301 563
INCOME:			
Revenue from rent, fees and charges	10	**118 384**	110 279
Commonwealth revenues	11	**542 271**	242 593
Interest revenues	12	**41**	52
Net gain from disposal of non-current assets	13	**-**	232
Other revenues	14	**10 339**	5 441
Total income		**671 035**	358 597
NET COST OF PROVIDING SERVICES		**(1 106 931)**	(942 966)
REVENUES FROM SA GOVERNMENT:			
SA Government appropriation	15.1	**1 067 759**	877 679
Grants from SA Government agencies	15.2	**17 770**	18 532
Total revenues from SA Government		**1 085 529**	896 211
NET RESULT		**(21 402)**	(46 755)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		**14 016**	53 164
Total other comprehensive income		**14 016**	53 164
TOTAL COMPREHENSIVE RESULT		**(7 386)**	6 409

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	2010 $'000	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**41 514**	40 393
Receivables	18	**25 152**	24 082
Inventories	19	**319**	370
Total current assets		**66 985**	64 845
NON-CURRENT ASSETS:			
Receivables	18	**17 313**	13 787
Property, plant and equipment	20	**274 803**	253 224
Capital works in progress	21	**6 618**	8 888
Intangible assets	22	**6 369**	304
Total non-current assets		**305 103**	276 203
Total assets		**372 088**	341 048
CURRENT LIABILITIES:			
Payables	23	**60 512**	33 503
Employee benefits	24	**57 966**	53 211
Provisions	26	**8 304**	9 057
Other current liabilities	27	**114**	218
Total current liabilities		**126 896**	95 989
NON-CURRENT LIABILITIES:			
Payables	23	**5 351**	4 827
Employee benefits	24	**53 374**	47 690
Borrowings	25	**285**	285
Provisions	26	**25 603**	26 203
Total non-current liabilities		**84 613**	79 005
Total liabilities		**211 509**	174 994
NET ASSETS		**160 579**	166 054
EQUITY:			
Contributed capital	28	**43 799**	41 888
Retained earnings	28	**1 231**	22 248
Asset revaluation surplus	28	**115 549**	101 918
TOTAL EQUITY		**160 579**	166 054

Total equity is attributable to the SA Government as owner

	Note
Unexpended funding commitments	16
Unrecognised contractual commitments	30
Contingent assets and liabilities	32

Statement of Changes in Equity
for the year ended 30 June 2010

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008		26 991	49 452	68 275	144 718
Restated balance at 30 June 2008		26 991	49 452	68 275	144 718
Net result for 2008-09		-	-	(49 380)	(49 380)
Gains on revaluation of property, plant and equipment during 2008-09		-	53 164	-	53 164
Transfer to retained earnings of increment realised on sale of land and buildings		-	(698)	698	-
Total comprehensive result for 2008-09		-	52 466	(48 682)	3 784
Transactions with SA Government as owner					
Equity contribution received		14 897	-	-	14 897
Net assets transferred as a result of an administrative restructure	31.2	-	-	30	30
Balance at 30 June 2009	28	41 888	101 918	19 623	163 429
Error correction	3	-	-	2 625	2 625
Restated balance at 30 June 2009		41 888	101 918	22 248	166 054
Net result for 2009-10		-	-	(21 402)	(21 402)
Gains on revaluation of property, plant and equipment during 2009-10		-	14 016	-	14 016
Transfer to retained earnings of increment realised on sale of land and buildings		-	(385)	385	-
Total comprehensive result for 2009-10		-	13 631	(21 017)	(7 386)
Transactions with SA Government as owner					
Equity contribution received		1 911	-	-	1 911
Balance at 30 June 2010	28	**43 799**	**115 549**	**1 231**	**160 579**

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

Statement of Cash Flows
for the year ended 30 June 2010

	Note	**2010 Inflows (Outflows) $'000**	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(424 206)**	(395 577)
Payments for supplies and services		**(186 273)**	(186 586)
Payments for grants and subsidies		**(1 124 239)**	(685 152)
GST payments on purchases		**(54 340)**	(42 431)
GST paid to the ATO		**(2 838)**	(1 599)
Cash used in operations		**(1 791 896)**	(1 311 345)
CASH INFLOWS:			
Fees and charges		**114 113**	107 807
Receipts from Commonwealth		**542 271**	242 593
Interest received		**41**	52
GST receipts on receivables		**2 882**	1 512
GST recovered from the ATO		**53 941**	43 313
Other receipts		**5 497**	5 471
Cash generated from operations		**718 745**	400 748
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**1 067 759**	877 679
Grants from SA Government agencies		**17 770**	18 532
Cash generated from SA Government		**1 085 529**	896 211
Net cash provided by (used in) operating activities	33	**12 378**	(14 386)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment (including WIP)		**(6 601)**	(7 517)
Purchase of intangibles		**(6 747)**	-
Cash used in investing activities		**(13 348)**	(7 517)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**180**	4 017
Cash generated from investing activities		**180**	4 017
Net cash used in investing activities		**(13 168)**	(3 500)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Cash transferred as a result of restructuring activities		**-**	(1 547)
Cash used in financing activities		**-**	(1 547)
CASH INFLOWS:			
Capital contributions from government		**1 911**	14 897
Cash generated from financing activities		**1 911**	14 897
Net cash provided by financing activities		**1 911**	13 350
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1 121**	(4 536)
CASH AND CASH EQUIVALENTS AT 1 JULY		**40 393**	44 929
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**41 514**	40 393

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Programs - refer note 4)	1	2	3	4
	2010	2010	2010	2010
EXPENSES:	$'000	$'000	$'000	$'000
Employee benefit expenses	71 836	128 088	131 152	42 457
Supplies and services	-	27 615	92 586	30 372
Depreciation and amortisation expense	-	1 056	374	1 280
Grants, subsidies and client payments	762 289	104 318	133 341	118 315
Net loss from disposal of non-current assets	-	-	45	77
Other expenses	-	2	1 071	17
Total expenses	834 125	261 079	358 569	192 518
INCOME:				
Revenues from rent, fees and charges	72 424	3 578	11 557	4 053
Commonwealth revenues	428 817	1 457	3 053	108 201
Interest revenues	-	-	6	33
Other revenues	-	424	48	3 379
Total income	501 241	5 459	14 664	115 666
NET COST OF PROVIDING SERVICES	(332 884)	(255 620)	(343 905)	(76 852)
REVENUES FROM SA GOVERNMENT:				
SA Government appropriation	-	-	-	-
Grants from SA Government agencies	-	1 871	7 608	1 900
NET RESULT	(332 884)	(253 749)	(336 297)	(74 952)

(Programs - refer note 4)	5	6	General/ Not attributable	Total
	2010	2010	2010	2010
EXPENSES:	$'000	$'000	$'000	$'000
Employee benefit expenses	9 304	53 629	-	436 466
Supplies and services	4 060	42 116	-	196 749
Depreciation and amortisation expense	47	1 612	-	4 369
Grants, subsidies and client payments	17 430	3 319	-	1 139 012
Net loss from disposal of non-current assets	-	102	-	224
Other expenses	-	56	-	1 146
Total expenses	30 841	100 834	-	1 777 966
INCOME:				
Revenues from rent, fees and charges	1 045	25 727	-	118 384
Commonwealth revenues	706	37	-	542 271
Interest revenues	-	2	-	41
Other revenues	51	6 437	-	10 339
Total income	1 802	32 203	-	671 035
NET COST OF PROVIDING SERVICES	(29 039)	(68 631)	-	(1 106 931)
REVENUES FROM SA GOVERNMENT:				
SA Government appropriation	-	-	1 067 759	1 067 759
Grants from SA Government agencies	2 991	3 400	-	17 770
NET RESULT	(26 048)	(65 231)	1 067 759	(21 402)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009

(Programs - refer note 4)	A	B	C	D
	2009	2009	2009	2009
EXPENSES:	$'000	$'000	$'000	$'000
Employee benefit expenses	26 340	39 510	172 292	119 532
Supplies and services	-	-	115 048	30 741
Depreciation and amortisation expense	-	-	1 659	1 241
Grants, subsidies and client payments	111 372	229 537	252 405	91 595
Other expenses	-	-	37	-
Total expenses	137 712	269 047	541 441	243 109
INCOME:				
Revenues from rent, fees and charges	26 244	39 366	16 714	2 019
Commonwealth revenues	27 181	64 992	149 395	1 016
Interest revenues	-	-	(5)	-
Net gain from disposal of non-current assets	-	-	(39)	(8)
Other revenues	-	-	5 022	273
Total income	53 425	104 358	171 087	3 300
NET COST OF PROVIDING SERVICES	(84 287)	(164 689)	(370 354)	(239 809)
REVENUES FROM SA GOVERNMENT:				
SA Government appropriation	-	-	-	-
Grants from SA Government agencies	396	2 889	11 071	3 496
NET RESULT	(83 891)	(161 800)	(359 283)	(236 313)

(Programs - refer note 4)	E	General/ Not attributable	Total
	2009	2009	2009
EXPENSES:	$'000	$'000	$'000
Employee benefit expenses	53 540	4 109	415 323
Supplies and services	42 714	-	188 503
Depreciation and amortisation expense	935	-	3 835
Grants, subsidies and client payments	-	-	684 909
Other expenses	8 956	-	8 993
Total expenses	106 145	4 109	1 301 563
INCOME:			
Revenues from rent, fees and charges	25 936	-	110 279
Commonwealth revenues	9	-	242 593
Interest revenues	57	-	52
Net gain from disposal of non-current assets	279	-	232
Other revenues	146	-	5 441
Total income	26 427	-	358 597
NET COST OF PROVIDING SERVICES	(79 718)	(4 109)	(942 966)
REVENUES FROM SA GOVERNMENT:			
SA Government appropriation	-	877 679	877 679
Grants from SA Government agencies	680	-	18 532
NET RESULT	(79 038)	873 570	(46 755)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

(Programs - refer note 4)	1	2	3	4
	2010	2010	2010	2010
ASSETS:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	-	-
Receivables*	-	-	-	-
Inventories	-	98	221	-
Property, plant and equipment	-	115 624	100 675	20 209
Capital works in progress	-	6 120	197	301
Intangible assets	-	6 263	50	56
Total assets	-	128 105	101 143	20 566
LIABILITIES:				
Payables*	-	-	-	-
Employee benefits*	-	-	-	-
Borrowings	-	285	-	-
Provisions*	-	-	-	-
Other liabilities*	-	-	-	-
Total liabilities	-	285	-	-

(Programs - refer note 4)	5	6	General/ Not attributable	Total
	2010	2010	2010	2010
ASSETS:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	41 514	41 514
Receivables*	-	-	42 465	42 465
Inventories	-	-	-	319
Property, plant and equipment	851	37 444	-	274 803
Capital works in progress	-	-	-	6 618
Intangible assets	-	-	-	6 369
Total assets	851	37 444	83 979	372 088
LIABILITIES:				
Payables*	-	3	65 860	65 863
Employee benefits*	-	-	111 340	111 340
Borrowings	-	-	-	285
Provisions*	-	-	33 907	33 907
Other liabilities*	-	-	114	114
Total liabilities	-	3	211 221	211 509

* The Department considers that the significant expenditure associated with accounting system modifications and other associated expenditure required to reliably capture these disaggregated asset and disaggregated liability information is not justifiable. The Department has therefore chosen not to disclose these assets and liabilities by disaggregated activities.

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

(Programs - refer note 4)	A	B	C	D
	2009	2009	2009	2009
ASSETS:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	-	-
Receivables*	-	-	-	-
Inventories	-	-	286	84
Property, plant and equipment	-	-	107 591	107 262
Capital works in progress	-	-	613	7 886
Intangible assets	-	-	187	117
Total assets	-	-	108 677	115 349
LIABILITIES:				
Payables*	-	-	-	-
Employee benefits*	-	-	-	-
Borrowings	-	-	-	285
Provisions*	-	-	-	-
Other liabilities*	-	-	-	-
Total liabilities	-	-	-	285

(Programs - refer note 4)	E	General/ Not attributable	Total
	2009	2009	2009
ASSETS:	$'000	$'000	$'000
Cash and cash equivalents*	-	40 393	40 393
Receivables*	-	37 869	37 869
Inventories	-	-	370
Property, plant and equipment	38 371	-	253 224
Capital works in progress	389	-	8 888
Intangible assets	-	-	304
Total assets	38 760	78 262	341 048
LIABILITIES:			
Payables*	-	38 330	38 330
Employee benefits*	-	100 901	100 901
Borrowings	-	-	285
Provisions*	-	35 260	35 260
Other liabilities*	-	218	218
Total liabilities	-	174 709	174 994

* The Department considers that the significant expenditure associated with accounting system modifications and other associated expenditure required to reliably capture these disaggregated asset and disaggregated liability information is not justifiable. The Department has therefore chosen not to disclose these assets and liabilities by disaggregated activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and functions of the Department

The Department for Families and Communities (the Department) was established on 5 March 2004 and commenced operating on 1 July 2004, to provide a clear focus for the SA Government's goals for the protection of our children and young people and to help build the resilience and wellbeing of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in South Australia. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right
- everybody shares the responsibility for building and supporting stronger families and communities
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT). The financial affairs of the SAHT does not form part of the Department's financial report.

1.1 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as significant and disclosed in a separate set of financial statements.

1.2 Administrative restructures

2009-10

There were no functions transferred in the 2009-10 financial year.

2008-09

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings that can be redirected to community facing services. SA Government agencies' business services are transferring to Shared Services SA (SSSA) in a series of transition programs known as tranches. During the 2008-09 financial year the following services were transitioned from the Department to DTF for SSSA:

- Tranche 1 Group 1 — accounts payable, accounts receivable and systems administration - proclaimed 24 July 2008, transfer effective 28 July 2008.
- Tranche 1 Group 2 — payroll services - proclaimed 16 October 2008, transfer effective 20 October 2008.
- Tranche 2 Group 1 — financial accounting, taxation services and Masterpiece technical support - proclaimed 4 June 2009, transfer effective 9 June 2009.

The service level agreement for the provision of a shared financial service between the Department and the Department of Health (DH), which was hosted by the Department, ceased on Friday 5 June 2009. The financial accounting function and staff members performing the function returned to DH effective from 8 June 2009. The other financial services covered by the service level agreement were transitioned to SSSA over the course of the financial year.

1.3 Funding for the Department

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rents, fees, and charges.

2. Summary of significant accounting policies

2.1 Basis of accounting

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

Statement of compliance

The preparation of the financial statements requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

Statement of compliance (continued)
The preparation of the financial statements also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:

- revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
- expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
- employee TVSP information
- employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees
- board/committee member and remuneration information, where a board or committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

Early adoption of accounting standards
Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010. These are outlined in note 3. The Department has assessed the impact of new and amended standards and interpretations and considers that there will be no impact on the accounting policies or financial statements of the Department.

2.2 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. The administered financial statements include assets, liabilities, income and expenses which the Department administers on behalf of the SA Government, but does not control. A separate set of financial statements is produced as these administered items are regarded as significant in respect to the Department's operations.

2.3 Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

2.4 Rounding

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

2.5 Taxation

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

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

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the ATO, GST is recognised as part of the cost of acquisition of an asset or is part of an item of expenses
- where appropriate, receivables and payables are stated with the amount of GST included.

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

2.5 *Taxation (continued)*

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

2.6 *Income*

Income is recognised in the Department's Statement of Comprehensive Income when and only when the flow of economic benefits has occurred and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

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

The following are specific recognition criteria:

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

Grant contributions received
Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or the Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The contribution is recognised as an asset and income when the Department obtains control of the contributions or the right to receive the contribution.

Revenues from SA Government
Appropriations are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

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

2.7 *Expenses*

Expenses are recognised in the Department's Statement of Comprehensive Income when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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

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

The following are specific recognition criteria:

Employee benefit expenses
Employee benefit expenses includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

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

The useful lives, residual values and depreciation/amortisation method of all major assets held by the Department are reassessed on an annual basis.

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

Land and non-current assets held for sale are not depreciated.

Depreciation and amortisation of non-current assets (continued)
Depreciation/amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line	5-50
Leasehold improvements	Straight-line	Life of lease
Computing equipment	Straight-line	3
Motor vehicles	Straight-line	4-10
Other plant and equipment	Straight-line	2-20
Intangible assets - computer software	Straight-line	3-10

Grants paid
Grants that are paid to other entities by the Department for general assistance or a particular purpose, may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations (NGOs) or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Resources provided free of charge
Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value and in the expense line items to which they relate.

2.8 Current and non-current classification

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

2.9 Assets

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

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents as reported in the Statement of Financial Position includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Statement of Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

In October 2003 the SA Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the 2009-10 and 2008-09 financial years the Department was not required to transfer any of its cash balance to the Consolidated Account.

Receivables
Receivables include amounts receivable from goods and services, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other agencies and to the public. Receivables are due within 30 days after the issue of an invoice or otherwise in accordance with relevant contractual arrangements.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debts. Debts that are known to be uncollectible, after all reasonable attempts have been made to collect the debt, are written off when identified.

Inventories
Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in, first-out method.

Non-current asset acquisition and recognition
Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Non-current asset acquisition and recognition (continued)
The Department capitalises all non-current physical assets with a value of $10 000 or greater.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

Works in progress are projects physically incomplete as at reporting date.

Revaluation of non-current assets
In accordance with APF III, all non-current physical assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or groups of assets is performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is equal to or greater than three years.

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

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

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

The Department's land and buildings were revalued as at 30 June 2009. During the 2009-10 financial year, management considered that prices had materially appreciated and a desktop valuation was carried out on land and buildings by a professional valuer. The fair value valuation methodology was used by the valuer in conducting the desktop valuation. As a result of the desktop valuation, asset values were adjusted to be in accordance with the fair value as determined by the valuer. The professional valuer engaged to perform the independent desktop valuation as at 30 June 2010 was Martin Burns, MBA, BAppSc, PRM, AAPI, CPV, Liquid Pacific Limited.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2009, based on an independent valuation performed by Martin Burns, MBA, BAppSc, PRM, AAPI, CPV, Liquid Pacific Limited.

Assets deemed to be at fair value
For those classes of non-current assets where an independent revaluation has not been undertaken, the criteria which require revaluation within APF III have not been met. For these classes of non-current assets, written down cost is deemed to be at fair value as determined by APF III.

Asset classes where written down cost is deemed to be fair value include:

- leasehold improvements
- buildings and improvements in progress (WIP)
- computing equipment
- motor vehicles
- other plant and equipment.

Impairment
All non-current assets are tested for an indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation surplus for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation surplus for that class of asset.

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

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

Intangibles (continued)
The acquisition of or internal development of software is capitalised when the expenditure meets the asset definition criteria (identifiability, control, and the existence of future economic benefits) and the asset recognition criteria (probability of future economic benefit and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $10 000.

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

Investment property
Investment property is held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Department.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of other income, on a straight-line basis over the lease term.

At 30 June 2010 there were only investment properties reported in the administered financial statements.

2.10 Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

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

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

In previous years, the Department applied a materiality threshold of $5000 when determining which expenses to accrue. From the 2009-10 financial year, the Department has adopted a policy of accruing expenses of any value, for expenses incurred but not paid, as at reporting date. This change in accounting policy resulted in an increase in payables of $3.47 million (refer note 23) in the current financial year. It is not practical to determine what impact this change in policy would have had in the previous year.

All payables are measured at their nominal amount and are unsecured. Invoices are normally settled promptly in accordance with TI 11 after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the SA Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as DTF centrally recognises the superannuation liability in the whole-of-government financial statements. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

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

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

- *Annual leave*
  The liability for annual leave is measured as the amount unpaid at the reporting date at remuneration rates expected to be paid at reporting date. The annual leave liability is expected to be paid within 12 months and is measured at the undiscounted nominal amount.

- *Long service leave*
  The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

  - salary increases of 2.5 percent (2.5 percent) per annum based on the current enterprise bargaining agreement and short-term forecasts

  - discounting of 5.1 percent (5.5 percent) per annum based on the gross 10 year Commonwealth Government bonds rate at 30 June 2010.

- *Accrued salaries and wages*
  The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Borrowings
The Department measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value expected repayments).

Provisions
- *Insurance*
  The Department is a participant in the State Government's insurance program. The Department pays a premium to SAFA, SAICORP Division (SAICORP) for professional indemnity insurance and general public liability insurance 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.

  The provision for public liability and professional indemnity insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reserve (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

  In respect of IBNR and IBNER claims, an amount of $50 000 has been set aside for both the public liability claims and professional indemnity claims. These amounts are based upon historical claims activity, with allowance for prudential margins and are reviewed annually. Public liability and professional indemnity claims relating to periods prior to the restructuring of the former Department of Human Services, effective 1 July 2004, are the responsibility of DH.

  The provision for property claims represents outstanding payments for incurred damage to property. An allowance is also included for IBNER claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

- *Workers compensation*
  The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department is 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 30 April 2010 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2010. For the 2009-10 financial year the Department has reflected a workers compensation provision of $33.58 million ($33.01 million), (refer note 26.2).

  The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Leases
The Department has not entered into any finance leases. The Department has entered into some operating leases.

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

2.11 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the ATO. If GST is not recoverable from or payable to the ATO, the commitments or contingencies are disclosed on a gross basis.

3. New and revised accounting standards and policies

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

In previous years, the Department applied a materiality threshold of $5000 when determining which expenses to accrue. From the 2009-10 financial year, the Department has adopted a policy of accruing expenses of any value, for expenses incurred but not paid, as at reporting date (refer notes 2.10 and 23).

Error correction

In 2008-09 there was a clerical error in the recognition of the workers compensation liability for Housing SA employees. The liability was included in two separate calculations for workers compensation. A correction has been processed and the procedure updated to reflect the correct process.

4. Programs of the Department

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

2009-10

Program 1: Housing

Develop and implement better high need housing and service responses for people at risk or in high need, and to work with others to expand and improve affordable housing choices across the State.

This program encompasses the management of grants for housing services to low income households, people in high need and supported accommodation assistance for people in crisis. This includes grants for the provision of private rental services, public, Aboriginal and community managed housing, and regulation of community housing.

Program 2: Families

Provision of services to strengthen and support families to keep children and young people safe, nurtured and able to realise their potential. Provision of services to Aboriginal children, young people, families and communities to strengthen capacity and reduce over representation of Aboriginal children and young people in care and protection and youth justice activities. Working in partnership with Aboriginal communities to address family violence.

Program 3: Disability

To promote and develop opportunities for people with a disability to actively engage in the community. To ensure delivery, both directly and through partnership with non-government organisations, of services to support people with a disability and to enhance their options and choices.

Program 4: Ageing

To work with partners and directly in the community, to ensure opportunities, services and support are available for older South Australians and to recognise and promote the important contribution older South Australians make in the community.

Program 5: Communities and Partners

To build and maintain solid relationships with the non-government community services sector and other key partners of the portfolio to help develop and support strong South Australian families and communities.

Program 6: Organisational Capability

To establish and maintain business practices that support delivery of South Australia's Strategic Plan as it affects the portfolio, including ensuring timely decision making, improving administrative efficiency, increasing customer satisfaction and promoting sustainability.

To continue to build a capable, creative workforce that engages with our customers and partners to ensure effective service provision. Social innovation and continuous improvement will be fostered and our infrastructure will support connected services.

2008-09

Program A: Affordable Housing Choices and Communities that Prosper

To work with others to expand and improve affordable housing choices across the State and help build communities that prosper.

This program encompasses the management of grants for housing services to low income households. This includes grants for the provision of private rental services, public, Aboriginal and community managed housing, the funding and regulation of community housing.

Program B: High Need Housing

To develop and implement better high need housing and service responses for people at risk or in high need.

This program encompasses the management of grants for housing services for people in high need and supported accommodation assistance for people in crisis as well as providing other services and programs related to high need housing.

Program C: Independence and Community Connection

To enable people to take charge of their lives and ensure community connection opportunities are available to all.

This program encompasses the provision of services related to supporting people with disabilities to live in the community, managing grants and providing advice to the Minister for the promotion of health, social well-being and quality of life of the community, implementing strategies and programs to promote the participation and support of older people in the community.

Program D: Keeping Them Safe

Providing services that ensure children, young people and families are safe, supported and able to participate in opportunities coming from the State's growing prosperity. This encompasses family support and child safety, alternative care for those children and young people not able to be cared for by their own families, case management and support for young people under the guardianship of the Minister, adoption and post-adoption services, youth justice services as directed by the Youth Court (eg remand, bail orders, community service orders, supervision and home detention), provision of secure care facilities for young people who are detained, emergency financial assistance, domestic violence assistance, anti-poverty preventative programs and recovery services for victims of disasters. Provision of services to Aboriginal children, young people, families and communities to strengthen capacity. Working in partnership with Aboriginal communities to address family violence. Provision of services to Aboriginal children, young people and families to reduce the over-representation of Aboriginal children and young people in care and protection and youth justice activities.

Program E: Effective Business Practices

To establish and maintain business practices that support delivery of South Australia's Strategic Plan as it affects the portfolio, including ensuring timely decision making, improving administrative efficiency, increasing customer satisfaction and promoting sustainability.

To continue to build a capable, creative workforce that engages with our customers and partners to ensure effective service provision. Innovation and continuous improvement will be fostered and our infrastructure will support connected services.

5. Employee benefit expenses

	2010	2009
	$'000	$'000
Salaries and wages	314 159	298 104
TVSPs	6 962	-
Long service leave	15 658	12 668
Annual leave	31 204	30 118
Superannuation	35 061	34 848
Workers compensation	11 709	17 943
Payroll tax	19 192	18 987
Other employee related expenses	2 521	2 655
Total employee benefit expenses	436 466	415 323

TVSPs

	2010	2009
Amount paid to these employees:		
TVSPs	6 962	-
Annual leave and long service leave paid during the reporting period	2 085	-
Recovery from the DTF	(6 810)	-
Net cost to the Department	2 237	-

The number of employees that were paid TVSPs during the reporting period was 69 (0).

Remuneration of employees	2010	2009
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$100 000 - \$109 999	110	89
\$110 000 - \$119 999	49	35
\$120 000 - \$129 999	20	9
\$130 000 - \$139 999	12	16
\$140 000 - \$149 999	13	12
\$150 000 - \$159 999	7	4
\$160 000 - \$169 999	4	6
\$170 000 - \$179 999	5	4
\$180 000 - \$189 999	6	6
\$190 000 - \$199 999	4	3
\$200 000 - \$209 999	2	1
\$210 000 - \$219 999	-	2
\$220 000 - \$229 999	3	-
\$230 000 - \$239 999	1	2
\$240 000 - \$249 999	2	-
\$250 000 - \$259 999	-	1
\$260 000 - \$269 999	1	-
\$280 000 - \$289 999	3	-
\$310 000 - \$319 999	1	-
\$320 000 - \$329 999	1	-
\$330 000 - \$339 999	1	-
Total	245	190

The table includes all employees who received remuneration of \$100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$31.5 million (\$23.6 million).

6. Supplies and services

	2010	2009
	\$'000	\$'000
Accommodation and property related	30 490	28 380
Advertising and promotions	637	582
Brokerage care services	69 268	56 787
Business services	4 675	3 569
Client related expenses	6 424	5 578
Communication and computing	17 028	21 386
Contractors and agency staff	20 868	20 445
Consultants	668	551
Drugs and medical supplies	4 039	4 324
Insurance	(468)	2 477
Interpreter and translator fees	91	66
Managed payments	3 461	3 250
Minor equipment	8 046	8 927
Motor vehicles	12 431	12 225
Printing, stationery, postage and periodicals	3 917	3 634
Seminars, courses and training	1 454	1 929
Travel and accommodation	2 343	2 599
Other administration	11 081	11 492
Total supplies and services (excluding audit fees)	196 453	188 201
Audit fees paid/payable to the Auditor-General's Department*	296	302
Total audit fees	296	302
Total supplies and services (including audit fees)	196 749	188 503
Supplies and services provided by entities within SA Government:		
Accommodation and property related	21 886	19 467
Advertising and promotions	31	16
Brokerage care services	474	316
Business services	4 672	3 566
Client related expenses	342	256
Communication and computing	4 896	5 635
Contractors and agency staff	3 545	1 991
Drugs and medical supplies	8	35
Insurance	1 426	1 169
Interpreter and translator fees	58	44
Managed payments	3 088	2 872
Minor equipment	437	138
Motor vehicles	11 940	11 607
Printing, stationery, postage and periodicals	48	64
Seminars, courses and training	120	127
Travel and accommodation	-	12
Other administration	1 281	1 348
Total supplies and services - SA Government (excluding audit fees)	54 252	48 663
Audit fees paid/payable to the Auditor-General's Department*	296	302
Total audit fees - SA Government	296	302
Total supplies and services - SA Government (including audit fees)	54 548	48 965

* Other services: There were no other services provided by the Auditor-General's Department.

6. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	4	33	2	11
Between $10 000 - $50 000	9	218	9	238
Above $50 000	4	417	3	302
Total paid/payable to the consultants engaged	17	668	14	551

7. Depreciation and amortisation

	2010 $'000	2009 $'000
Depreciation:		
Buildings and improvements	1 433	2 193
Computing equipment	139	174
Motor vehicles	30	30
ILEP equipment	878	721
Other plant and equipment	274	243
Total depreciation	2 754	3 361
Amortisation:		
Leasehold improvements	933	419
Computer software	682	55
Total amortisation	1 615	474
Total depreciation and amortisation	4 369	3 835

8. Grants, subsidies and client payments by program

Aboriginal Community Benefit grants	1 345	1 125
Disability grants	122 392	34 192
Commonwealth State Territory Disability Agreement grants	-	81 632
Community Connect grants	786	273
Supported Accommodation	2 733	2 705
Commonwealth State Housing Agreement	-	49 914
National Affordable Housing Agreement	138 586	65 272
National Partnership Agreement on Social Housing	14 990	14 954
National Partnership Agreement on Remote Indigenous Housing	97 910	9 245
National Partnership Agreement on the Nation Building and Jobs Plan	299 192	19 487
Supported Residential Facility	8 445	7 109
Common Ground SAHT	-	5 500
Tax equivalents regime	188 335	155 750
Supported Accommodation Assistance Program	-	15 685
Social Inclusion funding	373	3 664
National Partnership Agreement on Homelessness	13 775	1 817
Home and Community Care	114 655	106 415
Alternative Care Support payments	57 651	51 598
Family and Community Development	8 717	8 686
Stronger Families Safer Children - Early Intervention	5 342	2 466
Alternative Care grants	44 126	35 422
Emergency Financial Assistance	1 999	1 901
Concessions - SA Spectacle Scheme	801	776
Aged Care grants (formerly Funds for Seniors)	3 661	3 885
Parks Community Centre (Local Government grant)	1 719	2 019
Strathmont Centre Devolution grant	1 250	2 805
Housing Affordability Fund	9 500	-
Other	729	612
Total grants, subsidies and client payments	1 139 012	684 909

Housing related grant expenditure may not be directly comparable due to changes in arrangements from the Commonwealth State Housing Agreement to the National Affordable Housing Agreement and new national partnership agreements.

Grants, subsidies and client payments by program paid/payable within SA Government:		
Aboriginal Community Benefit grants	27	18
Disability grants	2 130	1 240
Commonwealth State Territory Disability Agreement grants	-	658
Community Connect grants	686	-
Commonwealth State Housing Agreement	-	49 914
National Affordable Housing Agreement	138 586	65 272
National Partnership Agreement on Social Housing	14 990	14 954
National Partnership Agreement on Remote Indigenous Housing	97 910	9 245
National Partnership Agreement on the Nation Building and Jobs Plan	299 192	19 487
Supported Residential Facility	844	433
Common Ground SAHT	-	5 500
Tax equivalents regime	188 335	155 750
Supported Accommodation Assistance Program	-	15 685

8. Grants, subsidies and client payments by program (continued)

	Note	2010 $'000	2009 $'000
Social Inclusion funding		-	3 285
National Partnership Agreement on Homelessness		13 775	1 817
Home and Community Care		29 839	30 133
Alternative Care Support payments		692	770
Alternative Care grants		51	-
Emergency Financial Assistance		946	925
Aged Care grants (formerly Funds for Seniors)		2 422	834
Strathmont Centre Devolution grant		1 250	2 763
Housing Affordability Fund		9 500	-
Other		76	263
Total grants, subsidies and client payments - SA Government		801 251	378 946

	Note	2010 $'000	2009 $'000
Grants, subsidies and client payments by recipient type:			
SAHT		763 540	343 809
SA Government entities - other		3 270	1 364
SA Health units		32 804	32 079
NGOs	8.1	257 976	233 916
Local government		19 309	18 207
Universities		577	583
Grant - Commonwealth and other State/Territory governments		1 086	676
Concessions - SA Spectacle Scheme		801	776
Children's payments and emergency financial assistance* - government		1 637	1 694
Children's payments and emergency financial assistance* - non-government		58 012	51 805
Total grants, subsidies and client payments		1 139 012	684 909

* Small payments are made to numerous providers in accordance with the departmental client payment policies.

8.1 Funding to non-government organisations

	2010	2009
Minda Inc	33 916	32 762
Royal District Nursing	17 810	17 073
Anglicare SA	15 233	12 610
Community Accommodation Respite Agency	12 335	11 946
Novita Children's Services Inc	10 863	9 962
Life Without Barriers	10 153	7 742
Aboriginal Family Support	6 603	5 292
Aged Care and Housing Group Inc	6 465	6 437
Leveda Inc	5 899	5 826
Centacare Catholic Family	5 813	4 605
Spastic Centres of SA Inc	5 538	5 629
Baptist Community Services	5 168	5 401
Anglican Community Care Inc	4 542	4 040
Resthaven Inc	4 137	3 692
Southern Junction Community	3 918	3 990
Uniting Care Wesley Port Adelaide Inc	3 796	3 507
Uniting Care Wesley Adelaide Inc	3 775	3 520
Life's for Living	3 748	3 642
Uniting Care Wesley Port Pirie Inc	2 858	1 514
Barkuma Inc	2 797	1 638
Community Lifestyles Inc	2 782	1 786
Helping Hand Aged Care	2 608	2 195
Royal Society for the Blind	2 405	2 312
Catholic Diocese of Port Pirie	2 330	1 349
Orana	2 292	2 214
Meals on Wheels Inc	2 284	2 011
Community Living Options	2 077	2 001
Autism Association of SA Inc	1 954	1 888
Guide Dogs Association	1 866	1 809
Country Home Advocacy	1 798	1 762
Community Living Project Inc	1 602	1 152
Bedford Industries	1 567	1 576
Community Living and Support Services Inc	1 560	1 369
The Salvation Army (SA)	1 499	1 282
Masonic Homes Inc	1 453	1 445
Individual Supported Accommodation Services	1 442	1 321
Paraquad SA (formerly The Paraplegic and Quadriplegic Association of SA Inc)	1 416	1 359
Aboriginal Prisoners and Offenders Support Services Inc	1 393	1 356

8.1 Funding to non-government organisations (continued)	2010	2009
	$'000	$'000
Community Living for Disabled	1 365	1 405
Hills Community Options	1 358	1 311
Aboriginal Elders and Community Care Services Inc	1 308	1 236
Northern Carer's Network Inc	1 248	1 204
Carers Association of SA Inc	1 231	1 202
Carer Support & Respite Centre	1 229	1 135
Italian Benevolent Foundation	1 179	1 037
Comrec Australia Pty Ltd	1 153	966
Alzheimer's Association (SA)	1 134	1 139
Lifestyle Assistance and Accommodation Service Inc	1 097	1 103
Alabricare (SA)	1 089	1 069
Elizabeth Bowey Lodge Inc	1 045	994
Australian Red Cross	1 032	690
Other	42 813	38 410
Total funding to NGOs	257 976	233 916

Payments to non-SA Government organisations, where total payments to an organisation are greater than $1 million are individually disclosed above.

Payments less than $1 million are in 'Other'. This excludes payments for children's payments and emergency financial assistance.

9. Other expenses	2010	2009
	$'000	$'000
Bad and doubtful debts	96	(80)
Transferred assets	-	14
Donated assets	1 050	-
Loss on revaluation of non-current assets	-	9 059
Total other expenses	1 146	8 993
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	23	(55)
Transferred assets	-	14
Total other expenses - SA Government	23	(41)

10. Revenue from rent, fees and charges		
Employee services*	72 424	65 610
Insurance recoveries	1 216	1 005
Recoveries	18 089	17 094
Business services	15 117	15 402
Fees, fines and penalties	526	484
Rent	777	743
Patient and client fees	10 235	9 941
Total rent, fees and charges	118 384	110 279
Rent, fees and charges received/receivable from entities within SA Government:		
Employee services*	72 424	65 610
Insurance recoveries	233	234
Recoveries	12 122	14 169
Business services	15 117	15 400
Fees, fines and penalties	152	174
Rent	648	658
Total rent, fees and charges - SA Government	100 696	96 245

* Represents the recovery of costs for the provision of employee related services to Housing SA.

11. Commonwealth revenues		
National partnership payments:		
Home and Community Care	99 965	39 116
HACC Services for Veterans	1 428	352
Social Housing	14 990	14 954
Remote Indigenous Housing	97 910	9 245
National Buildings and Jobs	299 192	19 487
Aged Care Assessment	6 808	2 757
Homelessness	7 225	1 817
Housing assistance	9 500	37 243
Home and Community Care	-	53 160
Commonwealth State Disability Agreement	-	45 707
Supported Accommodation Assistance Program	-	8 820
Aged Care Assessment Program	-	3 882
Other	5 253	6 053
Total Commonwealth revenues	542 271	242 593

11. Commonwealth revenues (continued)

Midway through 2009, a change occurred in the management of funding received from the Commonwealth Government. Commonwealth revenues include both funds received directly from the Commonwealth and funds received via by DTF's administered accounts. Commonwealth funds received via appropriation from Treasury's Consolidated Account have been recognised as general appropriation (refer note 15).

12. Interest revenues

	2010 $'000	2009 $'000
Interest on funds held	41	52
Total interest revenues	41	52

13. Net (loss) gain from disposal of non-current and other assets

	2010 $'000	2009 $'000
Land and buildings:		
Proceeds from disposal	180	4 001
Net book value of assets disposed	(273)	(3 735)
Net (loss) gain from disposal of land and buildings	(93)	266
Plant and equipment:		
Proceeds from disposal	-	16
Net book value of assets disposed	(131)	(50)
Net loss from disposal of plant and equipment	(131)	(34)
Total assets:		
Total proceeds from disposal	180	4 017
Total value of assets disposed	(404)	(3 785)
Total net (loss) gain from disposal of assets	(224)	232

14. Other revenues

	2010 $'000	2009 $'000
Gain on revaluation of non-current assets	4 811	-
Other	5 528	5 441
Total other revenues	10 339	5 441
Other revenues received/receivable from entities within SA Government:		
Other	790	702
Total other revenues - SA Government	790	702

15. Revenues from SA Government

15.1 SA Government appropriation

	2010 $'000	2009 $'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*:		
General appropriation	872 790	719 573
DTF - contingency funds	23 785	6 668
Tax equivalent regime reimbursement - HomeStart Finance	1 500	1 500
Tax equivalent regime reimbursement - Housing SA	169 684	149 938
Total SA Government appropriation	1 067 759	877 679

15.2 Grants from SA Government agencies

	2010 $'000	2009 $'000
State capital grants	3 086	-
Community Development Fund	3 400	3 400
Social inclusion	-	4 829
Other	11 284	10 303
Total grants from SA Government agencies	17 770	18 532
Total revenues from SA Government	1 085 529	896 211

Midway through 2009, a change occurred in the management of funding received from the Commonwealth Government. General appropriation includes Commonwealth funds for disability and housing which are received by DTF, into its Consolidated Account and subsequently appropriated to the Department. Other Commonwealth funds received via Treasury's administered account are recognised by the Department as Commonwealth revenue (refer note 11).

16. 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 2010, the Department had outstanding funding commitments to the following programs:

16. Unexpended funding commitments (continued)

	2010 $'000	2009 $'000
Home and Community Care program	2 719	3 448
Homelessness Response Team	204	-
Spectacle concessions	-	195
Aged Care Assessment program	-	185
Department for Health & Ageing - CDEP	-	82
Ceduna Family Homes Program	-	75
Community Care Innovation Fund	-	49
Gambler's Rehabilitation Fund - Anti Poverty program	-	37
Tier 3 Invest Project - social inclusion funding	-	20
Post Care Services (AFIS)	-	17
Total operating funding commitments	2 923	4 108
Tregenza Avenue - office redevelopment	209	42
Case Management system	41	228
Strathmont Centre	33	669
Families SA - residential care units	-	2 252
DFC accommodation	-	703
Connected Service Centre - Mount Gambier	-	697
ICT desktop replacement	-	200
Youth Training Centre sustainment	-	200
Barkuma	-	110
Total capital funding commitments	283	5 101
Total unexpended funding commitments	3 206	9 209

17. Cash and cash equivalents

Special deposit account with the Treasurer	39 785	39 417
Advance account	339	341
Other deposits	1 390	635
Total cash and cash equivalents	41 514	40 393

Cash deposits are recognised at their nominal amounts.

Other deposits include $485 000 ($402 000) held by the Commissioner for Charitable Funds.

Deposits with the Treasurer

Includes funds of $3.382 million ($4.915 million) held in the Accrual Appropriation Excess Fund Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Non-cash financing and investing activities

Restructuring of administered arrangements

2009

The service level agreement for the provision of a shared financial service between the Department and the DH, which was hosted by the Department, ceased and the financial accounting function and staff members performing the function returned to the DH.

The restructure resulted in net assets of ($30 000) being transferred to the DH. Details with respect to the restructuring of the administrative arrangement are set out in note 31. This restructure is not reflected in the Statement of Cash Flows.

18. Receivables

	2010 $'000	2009 $'000
Current:		
Debtors	10 533	9 401
Allowance for doubtful debts	(195)	(139)
Employee related services recoverable	11 091	11 669
Overpaid salaries	243	171
Sundry	217	166
Prepayments	223	129
GST receivable	3 040	2 685
Total current receivables	25 152	24 082
Non-current:		
Sundry	435	462
Employee related services recoverable	16 878	13 325
Total non-current receivables	17 313	13 787
Total receivables	42 465	37 869
Receivables from SA Government entities:		
Debtors	7 309	5 257
Allowance for doubtful debts	(32)	(8)
Employee related services recoverable	27 969	24 994
Sundry	69	-
Total receivables - SA Government	35 315	30 243

Movement in allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other Expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	2010 $'000	2009 $'000
Carrying amount at 1 July	139	282
Increase (Decrease) in the allowance	96	(80)
Amounts written off	(40)	(63)
Carrying amount at 30 June	195	139

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of $96 000 (-$80 000) in the Statement of Comprehensive Income.

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity and analysis of receivables - refer note 29.

Categorisation of financial instruments and risk exposure information - refer note 29.

19. Inventories

	2010	2009
Current - held for distribution at no or nominal amount:	$'000	$'000
Inventories held for distribution at cost:		
Stores	307	325
Drug supplies	12	45
Total current inventories held for distribution at no or nominal amount	319	370
Total inventories	319	370

20. Property, plant and equipment

	2010	2009
Land and buildings:		
Vacant land at valuation (fair value)	7 010	6 570
Site land at valuation (fair value)	212 940	200 476
Buildings and improvements at valuation (fair value)	52 641	49 376
Buildings at cost (deemed fair value)	2 846	-
Accumulated depreciation - buildings and improvements	(11 025)	(11 040)
Total land and buildings	264 412	245 382
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	13 911	10 929
Accumulated amortisation - leasehold improvements	(7 881)	(7 076)
Total leasehold improvements	6 030	3 853
Plant and equipment:		
Computing equipment at cost (deemed fair value)	763	656
Accumulated depreciation - computing equipment at cost	(611)	(472)
Motor vehicles at cost (deemed fair value)	300	300
Accumulated depreciation - motor vehicles at cost	(220)	(190)
ILEP equipment at cost (deemed fair value)	5 483	4 810
Accumulated depreciation - ILEP equipment at cost	(3 046)	(2 639)
Other plant and equipment at cost (deemed fair value)	3 798	3 476
Accumulated depreciation - other plant and equipment at cost	(2 106)	(1 952)
Total plant and equipment	4 361	3 989
Total property, plant and equipment at valuation (fair value)	272 591	256 422
Total property, plant and equipment at cost (deemed fair value)	27 101	20 171
Total accumulated amortisation	(7 881)	(7 076)
Total accumulated depreciation	(17 008)	(16 293)
Total property, plant and equipment	274 803	253 224

Valuation of land and buildings

Refer note 2.9.

Impairment
There were no indications of impairment of property, plant and equipment and infrastructure at 30 June 2010.

20.1 Reconciliation of land, buildings and leasehold improvements
The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2009-10.

2010	Vacant land $'000	Site land $'000	Bldgs & improve-ments $'000	Leasehold improve-ments $'000	Total Land, bldgs & leasehold improve-ments $'000
Carrying amount at 1 July	6 570	200 476	38 336	3 853	249 235
Purchases	-	2	15	181	198
Disposals	-	(67)	(113)	(93)	(273)
Donated assets	-	(1 050)	-	-	(1 050)
Revaluation increment	440	13 576	4 811	-	18 827
Depreciation and amortisation for the year	-	-	(1 433)	(933)	(2 366)
Transfers from works in progress	-	3	2 846	3 022	5 871
Carrying amount at 30 June	7 010	212 940	44 462	6 030	270 442

20.2 Reconciliation of plant and equipment
The following table shows the movement of plant and equipment during 2009-10.

2010	Computing equipment $'000	Motor vehicles $'000	ILEP equipment $'000	Other plant & equipment $'000	Total plant & equipment $'000
Carrying amount at 1 July	184	110	2 171	1 524	3 989
Purchases	25	-	1 221	342	1 588
Disposals	-	-	(77)	(54)	(131)
Depreciation and amortisation for the year	(139)	(30)	(878)	(274)	(1 321)
Transfers from works in progress	82	-	-	154	236
Carrying amount at 30 June	152	80	2 437	1 692	4 361

21. Capital works in progress

	2010 $'000	2009 $'000
Property, plant and equipment in progress at cost (deemed fair value)	6 100	2 638
Intangibles in progress at cost (deemed fair value)	518	6 250
Total capital works in progress	6 618	8 888

Reconciliation of capital works in progress
The following table shows the movement of capital works in progress during 2009-10:

	Total capital works in progress $'000
Carrying amount at 1 July	8 888
Purchases	11 562
Transfers to completed works	(12 854)
WIP adjustments	(978)
Carrying amount at 30 June	6 618

22. Intangible assets

	2010 $'000	2009 $'000
Computer software at cost (deemed fair value)	7 106	359
Accumulated amortisation - computer software	(737)	(55)
Total intangible assets	6 369	304

The Department has no contractual commitments for the acquisition of intangible assets.

Reconciliation of intangible assets
The following table shows the movement of intangible assets during 2009-10:

	Total intangibles assets $'000
Carrying amount at 1 July	304
Transfers from works in progress	6 747
Amortisation for the year	(682)
Carrying amount at 30 June	6 369

Impairment
There were no indications of impairment on intangible assets at 30 June 2010.

23. Payables

	2010	2009
Current:	$'000	$'000
Creditors	28 093	14 940
Grants to SAHT - tax equivalent regime	21 417	5 286
Other accrued expenses	1 351	4 320
Employee benefit on-costs	9 519	8 891
Other	132	66
Total current payables	60 512	33 503
Non-current:		
Grants to NGOs	-	32
Employee benefit on-costs	5 351	4 795
Total non-current payables	5 351	4 827
Total payables	65 863	38 330
Payables to SA Government entities:		
Creditors	10 411	4 984
Grants to SAHT - tax equivalent regime	21 417	5 286
Other accrued expenses	40	43
Employee benefit on-costs	13 810	13 626
Total payables - SA Government entities	45 678	23 939

In previous years, the Department applied a materiality threshold of $5000 when determining which expenses to accrue. From the 2009-10 financial year, the Department has adopted a policy of accruing expenses of any value, for expenses incurred but not paid, as at reporting date. This change in accounting policy resulted in an increase in payables of $3.47 million in the current financial year. It is not practical to determine what impact this change in policy would have had in the previous year.

Interest rate and credit risk

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

Maturity and analysis of payables - refer note 29.

Categorisation of financial instruments and risk exposure information - refer note 29.

24. Employee benefits

	2010	2009
Current:	$'000	$'000
Annual leave	32 994	30 831
Long service leave	13 792	13 056
Accrued salaries and wages	11 180	9 324
Total current employee benefits	57 966	53 211
Non-current:		
Long service leave	53 374	47 690
Total non-current employee benefits	53 374	47 690
Total employee benefits	111 340	100 901

The total current and non-current employee liabilities (ie aggregate employee benefit plus related on costs) for 2010 is $67.485 million ($62.102 million) and $58.725 million ($52.485 million) respectively.

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd. A salary inflation rate of 2.5 percent (2.5 percent) per annum was used and a discount rate of 5.1 percent (5.5 percent) per annum, based on the gross 10 year Commonwealth Government bonds rate at 30 June 2010. The proportion of leave taken in service for 2010 was assumed to be 45 percent in accordance with the factor set out in APS 5.24, which was also the factor prescribed in 2009. The net financial effect of the changes in assumptions in the current financial year is an increase of $4.114 million.

25. Borrowings

	Note	2010	2009
Non-current		$'000	$'000
Advance - Treasury Imprest Account		285	285
Total non-current borrowings - SA Government		285	285
Total borrowings		285	285

26. Provisions

	Note	2010	2009
Current:			
Insurance	26.1	136	672
Workers compensation	26.2	8 168	8 385
Total current provisions		8 304	9 057
Non-current:			
Insurance	26.1	187	1 577
Workers compensation	26.2	25 416	24 626
Total non-current provisions		25 603	26 203
Total provisions		33 907	35 260

26. Provisions (continued)

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Division of DPC.

26.1 Reconciliation of insurance

The following table shows the movement of insurance.

	Public liability $'000	Property $'000	2010 Total $'000	Public liability $'000	Property $'000	2009 Total $'000
Carrying amount as at 1 July	2 196	53	2 249	933	52	985
Increase to provision due to new claims	697	37	734	5 705	11	5 716
Reduction due to payments	(102)	(14)	(116)	(55)	5	(50)
Net revision of estimates	(2 524)	(20)	(2 544)	(4 387)	(15)	(4 402)
Carrying amount at 30 June	267	56	323	2 196	53	2 249

26.2 Reconciliation of workers compensation

	2010	2009
The following table shows the movement of workers compensation:	$'000	$'000
Carrying amount at 1 July	33 011	25 489
Increase to provision due to revision of estimates	12 340	18 951
Reduction due to payments	(11 767)	(11 429)
Carrying amount at 30 June	33 584	33 011

27. Other liabilities

	2010	2009
Current:	$'000	$'000
Unclaimed monies	114	145
Unearned revenue	-	73
Total current other liabilities	114	218
Total other liabilities	114	218
Other liabilities with SA Government entities:		
Unearned revenue	-	73
Total other liabilities - SA Government	-	73

28. Equity

	2010	2009
Contributed capital	43 799	41 888
Retained earnings	1 231	22 248
Asset revaluation surplus	115 549	101 918
Total equity	160 579	166 054

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

29. Financial instruments/Financial risk management

29.1 Categorisation of financial instruments

		2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	17,33	41 514	41 514	40 393	40 393
Receivables	18	39 425	39 425	35 184	35 184
Total financial assets		80 939	80 939	75 577	75 577
Financial liabilities					
Payables	23	65 863	65 863	38 330	38 330
Borrowings	25	285	285	285	285
Total financial liabilities		66 148	66 148	38 615	38 615

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.2 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

29.3 *Ageing analysis of financial assets*

The following table discloses the ageing of financial assets, past due including impaired assets past due:

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2010	$'000	$'000	$'000	$'000
Not Impaired:				
Receivables	837	420	1 599	2 856
Impaired:				
Receivables	-	-	(195)	(195)
	837	420	1 404	2 661
2009				
Not Impaired:				
Receivables	393	457	196	1 046
Impaired:				
Receivables	(2)	(2)	(133)	(137)
	391	455	63	909

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.4 *Maturity analysis of financial assets and liabilities*

		Contractual maturity		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	41 514	41 514	-	-
Receivables	39 425	22 112	8 030	9 283
Total financial assets	80 939	63 626	8 030	9 283
Financial liabilities:				
Payables	65 863	60 512	5 351	-
Borrowings	285	-	-	285
Total financial liabilities	66 148	60 512	5 351	285
2009				
Financial assets:				
Cash and cash equivalents	40 393	40 393	-	-
Receivables	35 184	21 397	6 458	7 329
Total financial assets	75 577	61 790	6 458	7 329
Financial liabilities:				
Payables	38 330	33 503	4 827	-
Borrowings	285	-	-	285
Total financial liabilities	38 615	33 503	4 827	285

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

29.5 *Liquidity risk*

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The Department is funded principally from appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the SA Government budgetary process to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities shown at note 29.1 represent the Department's maximum exposure to financial liabilities.

29.6 *Market risk*

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. Any exposure to foreign currency risks is managed by SAFA.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

30. Unrecognised contractual commitments

30.1 Capital commitments

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

	2010	2009
	$'000	$'000
Within one year	3 795	5 781
Later than one year and not later than five years	-	-
Later than five years	-	-
Total capital commitments	3 795	5 781

Included in capital expenditure commitments above is $345 000 ($526 000) which is the GST component of the capital expenditure commitments.

30.2 Operating lease commitments

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

	2010	2009
	$'000	$'000
Within one year	17 655	16 290
Later than one year and not later than five years	53 526	37 329
Later than five years	39 351	61 906
Total operating lease commitments (including GST)	110 532	115 525

Included in the operating lease commitments above is $10.05 million ($10.21 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominantly paid in advance. Some lease agreements have renewal options for a determined period, exercisable by both the lessor and lessee.

30.3 Other expenditure commitments

	2010	2009
Other expenditure contracted at the reporting date, but not recognised as liabilities in the financial report, are as follows:	$'000	$'000
Within one year	-	1 050
Later than one year and not later than five years	-	-
Later than five years	-	-
Total other expenditure commitments	-	1 050

2009: Other expenditure commitments reflect a transfer of property to Barkuma Incorporated.

31. Transferred functions

31.1 Transferred functions for 2009-10

There were no functions transferred in the 2009-10 financial year.

31.2 Transferred functions for 2008-09

Transfers out of the Department

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings that can be redirected to community facing services. SA Government agencies business services were transferred to SSSA in a series of transition programs known as Tranches. During the 2008-09 financial year the following services were transitioned from the Department to DTF for SSSA:

- Tranche 1 Group 1 — accounts payable, accounts receivable and systems administration - proclaimed 24 July 2008, transfer effective 28 July 2008
- Tranche 1 Group 2 — payroll services - proclaimed 16 October 2008, transfer effective 20 October 2008
- Tranche 2 Group 1 — financial accounting, taxation services and Masterpiece technical support - proclaimed 4 June 2009, transfer effective 9 June 2009.

The service level agreement for the provision of a shared financial service between the Department and DH, which was hosted by the Department, ceased on Friday 5 June 2009. The financial accounting function and staff members performing the function returned to DH effective from 8 June 2009. The other financial services covered by the service level agreement were transitioned to SSSA over the course of the financial year.

Transfers out of the Department (continued)

2008-09	Tranche 1 Group 1 SSSA $'000	Tranche 1 Group 2 SSSA $'000	Tranche 2 Group 1 SSSA $'000	DH $'000	Total $'000
Current assets:					
Cash	804	453	290	-	1 547
Total current assets	804	453	290	-	1 547
Current liabilities:					
Payables	31	23	14	2	70
Employee benefits	228	168	98	15	509
Total current liabilities	259	191	112	17	579
Non-current liabilities:					
Payables	45	22	15	1	83
Employee benefits	500	240	163	12	915
Total non-current liabilities	545	262	178	13	998
Total liabilities	804	453	290	30	1 577
Total net assets transferred	-	-	-	(30)	(30)

32. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities.

33. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Cash Flows	41 514	40 393
Statement of Financial Position	41 514	40 393
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	12 378	(14 386)
SA Government appropriation	(1 067 759)	(877 679)
Grants from SA Government agencies	(17 770)	(18 544)
	(1 073 151)	(910 609)
Non-cash items:		
Depreciation	(2 754)	(3 361)
Amortisation	(1 615)	(474)
Assets transferred	(1 050)	(14)
Gain (Loss) from disposal of non-current assets	(224)	232
Revaluation increments (decrements)	4 811	(9 059)
Bad and doubtful debts	(96)	80
WIP Adjustment	(978)	(801)
Changes in assets and liabilities:		
Increase in receivables	4 692	1 758
(Decrease) Increase in inventories	(51)	23
Increase in payables and provisions	(26 180)	(10 491)
Increase in employee benefits	(10 439)	(10 145)
Decrease (Increase) in other liabilities	104	(105)
Net cost of providing services	(1 106 931)	(942 966)

34. Remuneration of board and committee members

There are various committees, forums, groups, panels and councils that have been created to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by DTF.

All members of the board/committees, including those who may have resigned or their term had expired during the financial year, are listed below:

Charitable and Social Welfare Board (Community Benefit SA)

Declan Andrews (Member)
Letitia Ashworth (Member)
Christina Birch (Member)
Mark Henley (Chair)
Michelle Jones (Member)

Child Death and Serious Injury Review Committee

William Butler (Member)
Roger Byard (Member)
Daniel Cox (Member)
Angela Davis (Member)
Linda Dore (Member)
Dymphna Eszenyi (Chair)
Dianne Gursansky (Member)
Diana Hetzel (Member)
Samantha Laubsch (Member)
Christopher Shakes (Member)
Dana Shen (Member)
Nigel Stewart (Member)
John Venditto (Member)
Fiona Ward (Member)
Helen Wighton (Member)

Council for the Care of Children Committee

Fiona Arney (Member)
Barbara (Jane) Chapman (Member)
Kaye Colmer (Member)
Diana Hetzel (Chair)
Mellita Kimber (Member)
Jayne Lehmann (Member)
Joslene Mazel (Member)
Daryle Rigney (Member)
Christopher Robinson (Member)
Emily Rozee (Member)
Simon Schrapel (Member)
Anthony Sherbon (Member)
Nerida Saunders (Member)

Ministerial Advisory Board on Ageing

William Butler (Member)
David Caudrey (Ex Officio)
Kenneth Coventry (Member)
Rosemary Crowley (Chair)
Patricia Greethead (Member)
Graeme Hugo (Member)
Gerard McEwen (Member)
Patricia Mickan (Member)
Janice Rigney (Member)
Graham Strathearn (Member)
Dana Vukovich (Member)

Minister's Disability Advisory Council

Katharine Annear (Member)
Jacqueline Beard (Member)
Suzanne Carman (Ex Officio)
Mikaila Crotty (Member)
Silvana Gant (Member)
Michelle Hagarty (Member)
Lorna Hallahan (Chair)
Evdokia Kalaitzidi (Member)
Neil Lillecrapp (Deputy Chair)
Gaelle Mellis (Member)
Sandra Miller (Member)
Michael Taggart (Member)

Risk Management and Audit Committee

Peter Agars (Member)
Peter Bull (Member)
Michael Evans (Member)
Mark Harris (Member)
Geoff Lamshed (Member)
Mary Patetsos (Chair)

State Emergency Relief Fund

Suzanne Carman (Member)
Angela Chooi (Member)
Veronica Faggotter (Member)
Sherree Goldsworthy (Member)
Barry Grear (Chair)
Helen Lamont (Member)
Raina Nechvoglod (Member)
Joseph Ullianich (Member)

Supported Residential Facilities Advisory Committee

Monica Baker (Deputy)
Phillip Beddall (Member)
Barbara (Jane) Chapman (Chair)
Kevin Duke (Member)
Shaunee Fox (Member)
Peter Heysen (Member)
Ann Irving (Deputy)
Michael Livori (Deputy)
Anne Megaw (Deputy)
Natasha Miliotis (Deputy)
Kirin Moat (Deputy)
Paul Nikolettos (Member)
Debra Petrys (Member)
Penelope Richardson (Member)
Angela Wang (Member)
Susan Whitington (Member)
Susan Wilkes (Member)
Helen Wright (Deputy)
Joyce Yeomans (Deputy)

Deputies listed may or may not have attended a committee meeting during the financial year.

Total income received, or due to be receivable by members was $110 000 ($98 000).

The number of members whose income from the entity falls within the following bands is:	2010 Number	2009 Number
$0	38	41
$1 - $9 999	46	59
$10 000 - $19 999	1	2
Total	85	102

In accordance with DPC Circular 16, government employees did not receive any remuneration for board, committee or forum duties during the financial year.

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were $10 000 ($6000).

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

35. Events after balance date

There are no known events after balance date that affect this general purpose financial report in a material manner.

36. Administered items

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

37. Residential aged care sector reporting

The former Julia Farr Services (JFS) was an approved provider of residential aged care (RAC) with 62 places licensed by the Commonwealth Department of Health and Ageing. Effective 1 July 2007, the Governor proclaimed the dissolution of JFS and all assets and liabilities vested in or held by JFS were transferred or assigned to or vested in, the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust and the Minister for Disability has been appointed as trustee. The trust assets are administered but not controlled by the Department, hence they are not included in the accounts of the Department.

The former Intellectual Disability Services Council (IDSC) was also an approved provider of residential aged care with 32 places licensed by the Commonwealth Department of Health and Ageing. On 29 June 2006 the Governor proclaimed to dissolve IDSC in association with reforms to the governance arrangements within SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Board of IDSC dissolved and the assets and liabilities of IDSC were transferred, assigned or were vested in the Minister for Disability.

Statement of Comprehensive Income for the year ended 30 June 2010

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID*	1021	3051		2010
	RACS ID**	6402	6203	Non-RAC	Total
Expenses:		$'000	$'000	$'000	$'000
Employee benefit expenses		3 728	3 144	429 594	436 466
Supplies and services		2 860	892	192 997	196 749
Depreciation and amortisation		1	131	4 237	4 369
Grants, subsidies and client payments		-	-	1 139 012	1 139 012
Net loss from disposal of non-current assets		-	-	224	224
Other expenses		6	-	1 140	1 146
Total expenses		6 595	4 167	1 767 204	1 777 966
Income:					
Rent, fees and charges		1 212	647	116 525	118 384
Commonwealth revenues		1 432	1 621	539 218	542 271
Interest revenues		-	-	41	41
Other revenues		-	-	10 339	10 339
Total income		2 644	2 268	666 123	671 035
Net cost of providing services		(3 951)	(1 899)	(1 101 081)	(1 106 931)
Revenues from SA Government:					
SA Government appropriation		-	-	1 067 759	1 067 759
Grants from SA Government agencies		-	-	17 770	17 770
Total revenues from SA Government		-	-	1 085 529	1 085 529
Net result		(3 951)	(1 899)	(15 552)	(21 402)

* National Approved Provider System (NAPS)
** Residential Aged Care Service (RACS)

Statement of Financial Position as at 30 June 2010

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2010
	RACS ID	6402	6203	Non-RAC	Total
Current assets:		$'000	$'000	$'000	$'000
Cash and cash equivalents*		-	-	41 514	41 514
Receivables		25	16	25 111	25 152
Inventories		-	-	319	319
Total current assets		25	16	66 944	66 985
Non-current assets:					
Receivables		6	5	17 302	17 313
Property, plant and equipment		-	10 244	264 559	274 803
Capital works in progress		-	-	6 618	6 618
Intangible assets		-	-	6 369	6 369
Total non-current assets		6	10 249	294 848	305 103
Total assets		31	10 265	361 792	372 088

Statement of Financial Position as at 30 June 2010 (continued)

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2010
	RACS ID	6402	6203	Non-RAC	Total
Current liabilities:		$'000	$'000	$'000	$'000
Payables		134	116	60 262	60 512
Employee benefits		495	396	57 075	57 966
Provisions		107	87	8 110	8 304
Other liabilities		-	-	114	114
Total current liabilities		736	599	125 561	126 896
Non-current liabilities:					
Payables		39	41	5 271	5 351
Employee benefits		434	456	52 484	53 374
Borrowings		-	-	285	285
Provisions		333	272	24 998	25 603
Total non-current liabilities		806	769	83 038	84 613
Total liabilities		1 542	1 368	208 599	211 509
Net assets		(1 511)	8 897	153 193	160 579

* Cash deficits in residential aged care are funded by contributions from SA Government.

Statement of Comprehensive Income for the year ended 30 June 2009

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2009
	RACS ID	6402	6203	Non-RAC	Total
Expenses:		$'000	$'000	$'000	$'000
Employee benefit expenses		3 777	3 264	408 282	415 323
Supplies and services		2 632	710	185 161	188 503
Depreciation and amortisation		1	135	3 699	3 835
Grants, subsidies and client payments		-	-	684 909	684 909
Other expenses		-	-	8 993	8 993
Total expenses		6 410	4 109	1 291 044	1 301 563
Income:					
Rent, fees and charges		1 090	623	108 566	110 279
Commonwealth revenues		1 423	1 597	239 573	242 593
Interest revenues		-	-	52	52
Net gain from disposal of non-current assets		-	-	232	232
Other revenues		-	-	5 441	5 441
Total income		2 513	2 220	353 864	358 597
Net cost of providing services		(3 897)	(1 889)	(937 180)	(942 966)
Revenues from SA Government:					
SA Government appropriation		-	-	877 679	877 679
Grants from SA Government agencies		-	-	18 532	18 532
Total revenues from SA Government		-	-	896 211	896 211
Net result		(3 897)	(1 889)	(40 969)	(46 755)

Statement of Financial Position as at 30 June 2009

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2009
	RACS ID	6402	6203	Non-RAC	Total
Current assets:		$'000	$'000	$'000	$'000
Cash and cash equivalents*		-	-	40 393	40 393
Receivables		19	12	24 051	24 082
Inventories		-	-	370	370
Total current assets		19	12	64 814	64 845
Non-current assets:					
Receivables		5	6	13 776	13 787
Property, plant and equipment		-	9 602	243 622	253 224
Capital works in progress		-	-	8 888	8 888
Intangible assets		-	-	304	304
Total non-current assets		5	9 608	266 590	276 203
Total assets		24	9 620	331 404	341 048

Statement of Financial Position as at 30 June 2009 (continued)

		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2010
	RACS ID	6402	6203	Non-RAC	Total
Current liabilities:		$'000	$'000	$'000	$'000
Payables		130	108	33 265	33 503
Employee benefits		417	383	52 411	53 211
Provisions		88	96	8 873	9 057
Other liabilities		-	-	218	218
Total current liabilities		635	587	94 767	95 989
Non-current liabilities:					
Payables		40	39	4 748	4 827
Employee benefits		443	432	46 815	47 690
Borrowings		-	-	285	285
Provisions		255	279	25 669	26 203
Total non-current liabilities		738	750	77 517	79 005
Total liabilities		1 373	1 337	172 284	174 994
Net assets		(1 349)	8 283	159 120	166 054

* Cash deficits in residential aged care are funded by contributions from SA Government.

Statement of Administered Comprehensive Income for the year ended 30 June 2010

	2010	2009
	$'000	$'000
EXPENSES:		
Employee benefit expenses	270	254
Supplies and services	1 057	1 137
Depreciation and amortisation expense	659	645
Grants, subsidies and client payments	143 702	139 707
Client trust fund payments	12 052	11 082
Total expenses	157 740	152 825
INCOME:		
Grants and contributions	11 145	11 444
Revenue from rent, fees and charges	5 306	1 081
Interest revenues	680	935
Revaluation of investment properties	270	1 185
Client trust fund receipts	12 371	12 028
Other income	112	113
Total income	29 884	26 786
Net cost of providing services	(127 856)	(126 039)
REVENUES FROM SA GOVERNMENT:		
SA Government appropriation	141 106	136 881
Total revenues from SA Government	141 106	136 881
Net result	13 250	10 842
OTHER COMPREHENSIVE INCOME:		
Changes in property, plant and equipment asset revaluation surplus	4 494	6 324
Total other comprehensive income	4 494	6 324
TOTAL COMPREHENSIVE RESULT	17 744	17 166

Statement of Administered Financial Position as at 30 June 2010

	Note	2010 $'000	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents		**51 174**	35 274
Receivables		**1 086**	1 300
Total current assets		**52 260**	36 574
NON-CURRENT ASSETS:			
Property, plant and equipment	A6.1	**36 866**	33 031
Investment property	A6.2	**2 594**	2 324
Total non-current assets		**39 460**	35 355
Total assets		**91 720**	71 929
CURRENT LIABILITIES:			
Payables		**5 709**	3 686
Overdraft		**21**	-
Employee benefits		**17**	14
Provisions		**2**	2
Total current liabilities		**5 749**	3 702
Total liabilities		**5 749**	3 702
NET ASSETS		**85 971**	68 227
EQUITY:			
Retained earnings		**55 769**	42 519
Asset revaluation surplus		**30 202**	25 708
TOTAL EQUITY		**85 971**	68 227

Statement of Administered Changes in Equity for the year ended 30 June 2010

	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008	-	19 384	31 677	51 061
Restated balance at 30 June 2008	-	19 384	31 677	51 061
Net result for 2008-09	-	-	10 842	10 842
Gain on revaluation of property, plant and equipment during 2008-09	-	6 324	-	6 324
Total comprehensive result for 2008-09	-	6 324	10 842	17 166
Balance at 30 June 2009	-	25 708	42 519	68 227
Restated balance at 30 June 2009	-	25 708	42 519	68 227
Net result for 2009-10	-	-	13 250	13 250
Gain on revaluation of property, plant and equipment during 2009-10	-	4 494	-	4 494
Total comprehensive result for 2009-10	-	4 494	13 250	17 744
Balance at 30 June 2010	**-**	**30 202**	**55 769**	**85 971**

Statement of Administered Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(268)**	(252)
Concessions		**(115 809)**	(113 656)
Payments of grants, subsidies and client payments		**(25 978)**	(24 776)
Payments for supplies and services		**(948)**	(1 149)
Client trust fund payments		**(12 052)**	(11 082)
Cash used in operations		**(155 055)**	(150 915)
CASH INFLOWS:			
Receipts from SA Government		**141 106**	136 881
Rent, fees and charges		**4 944**	950
Grants and contributions		**11 628**	12 216
Interest received		**615**	935
Client trust fund receipts		**12 371**	12 028
Other receipts		**270**	91
Cash generated from operations		**170 934**	163 101
Net cash provided by operating activities	A7	**15 879**	12 186
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**-**	(285)
Cash used in investing activities		**-**	(285)
Net cash used in investing activities		**-**	(285)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Cash overdraft		**21**	(20)
Cash used in (provided by) financing activities		**21**	(20)
Net cash provided by (used in) financing activities		**21**	(20)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15 900**	11 881
CASH AND CASH EQUIVALENTS AT 1 JULY		**35 274**	23 393
CASH AND CASH EQUIVALENTS AT 30 JUNE		**51 174**	35 274

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2010

(Activities - refer note A3)	1		2		3	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**16**	10	**6**	1
Supplies and services	**841**	927	**190**	182	**23**	22
Depreciation and amortisation expense	**-**	-	**-**	-	**659**	645
Grants, subsidies and client payments	**5 565**	5 331	**3 903**	3 760	**390**	378
Client trust fund payments	**-**	-	**-**	-	**-**	-
Total expenses	**6 406**	6 258	**4 109**	3 952	**1 078**	1 046
INCOME:						
Grants and contributions	**5 845**	5 845	**4 000**	4 000	**-**	-
Revenue from rent, fees and charges	**271**	90	**93**	42	**327**	325
Interest revenues	**37**	78	**-**	-	**285**	388
Revaluation of investment properties	**-**	-	**-**	-	**270**	1 185
Client trust fund receipts	**-**	-	**-**	-	**-**	-
Other income	**110**	111	**-**	-	**-**	-
Total income	**6 263**	6 124	**4 093**	4 042	**882**	1 898
NET COST OF PROVIDING SERVICES	**(143)**	(134)	**(16)**	90	**(196)**	852
REVENUES FROM SA GOVERNMENT:						
SA Government appropriation	**-**	-	**-**	-	**-**	-
Total revenues from SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**(143)**	(134)	**(16)**	90	**(196)**	852

(Activities - refer note A3)	4		5		6	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**-**	-	**248**	243
Supplies and services	**-**	-	**-**	-	**-**	-
Depreciation and amortisation expense	**-**	-	**-**	-	**-**	-
Grants, subsidies and client payments	**-**	-	**-**	-	**-**	-
Client trust fund payments	**-**	-	**12 052**	11 082	**-**	-
Total expenses	**-**	-	**12 052**	11 082	**248**	243
INCOME:						
Grants and contributions	**-**	-	**-**	-	**246**	241
Revenue from rent, fees and charges	**-**	-	**-**	-	**-**	-
Interest revenues	**1**	1	**355**	465	**-**	-
Revaluation of investment properties	**-**	-	**-**	-	**-**	-
Client trust fund receipts	**-**	-	**12 371**	12 028	**-**	-
Other income	**2**	2	**-**	-	**-**	-
Total income	**3**	3	**12 726**	12 493	**246**	241
NET COST OF PROVIDING SERVICES	**3**	3	**674**	1 411	**(2)**	(2)
REVENUES FROM SA GOVERNMENT:						
SA Government appropriation	**-**	-	**-**	-	**-**	-
Total revenues from SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**3**	3	**674**	1 411	**(2)**	(2)

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2010 (continued)

(Activities - refer note A3)	7		8	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**-**	-
Supplies and services	**3**	6	**-**	-
Depreciation and amortisation expense	**-**	-	**-**	-
Grants, subsidies and client payments	**117 724**	114 931	**16 120**	15 307
Client trust fund payments	**-**	-	**-**	-
Total expenses	**117 727**	114 937	**16 120**	15 307
INCOME:				
Grants and contributions	**1 054**	1 358	**-**	-
Revenue from rent, fees and charges	**4 615**	624	**-**	-
Interest revenues	**-**	-	**-**	-
Revaluation of investment properties	**-**	-	**-**	-
Client trust fund receipts	**-**	-	**-**	-
Other income	**-**	-	**-**	-
Total income	**5 669**	1 982	**-**	-
NET COST OF PROVIDING SERVICES	**(112 058)**	(112 955)	**(16 120)**	(15 307)
REVENUES FROM SA GOVERNMENT:				
SA Government appropriation	**124 890**	121 156	**16 216**	15 725
Total revenues from SA Government	**124 890**	121 156	**16 216**	15 725
NET RESULT	**12 832**	8 201	**96**	418

(Activities - refer note A3)	9		Total	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**270**	254
Supplies and services	**-**	-	**1 057**	1 137
Depreciation and amortisation expense	**-**	-	**659**	645
Grants, subsidies and client payments	**-**	-	**143 702**	139 707
Client trust fund payments	**-**	-	**12 052**	11 082
Total expenses	**-**	-	**157 740**	152 825
INCOME:				
Grants and contributions	**-**	-	**11 145**	11 444
Revenue from rent, fees and charges	**-**	-	**5 306**	1 081
Interest revenues	**2**	3	**680**	935
Revaluation of investment properties	**-**	-	**270**	1 185
Client trust fund receipts	**-**	-	**12 371**	12 028
Other income	**-**	-	**112**	113
Total income	**2**	3	**29 884**	26 786
NET COST OF PROVIDING SERVICES	**2**	3	**(127 856)**	(126 039)
REVENUES FROM SA GOVERNMENT:				
SA Government appropriation	**-**	-	**141 106**	136 881
Total revenues from SA Government	**-**	-	**141 106**	136 881
NET RESULT	**2**	3	**13 250**	10 842

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Background

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department for Families and Communities (the Department) have not been included in the financial statements of the Department. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

A2. Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in note 2.

A3. Activities of administered items

1. Gamblers Rehabilitation
2. Community Benefit SA Program
3. Home for Incurables Trust**
4. Supported Residential Facilities Indemnity Fund
5. Client Trust Accounts
6. Minister's Salary
7. Concessions
8. Community Service Obligations
9. State Emergency Relief Fund

** Effective 1 July 2007, the Minister for Disability became the trustee of the Home for Incurables Trust by virtue of the vesting of assets and liabilities of the former Julia Farr Services (JFS). Separate financial information pertaining to the Home for Incurables Trust is in note A10.

Client trust accounts

The Department acts as trustee of client trust accounts, relating to clients of the former Intellectual Disability Services Council Incorporated and the former JFS. The balance of the client trust accounts at 30 June 2010 was $10.33 million ($9.66 million). These amounts cannot be used by the Department to achieve its own objectives, and accordingly are not included in the controlled financial statements.

	2010 $'000	2009 $'000
Opening balance 1 July	9 659	8 248
Receipts	12 726	12 493
Expenses	(12 052)	(11 082)
Closing balance 30 June	10 333	9 659

A4. 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 2010, the Department had outstanding funding commitments to the following program:

	2010 $'000	2009 $'000
Gambler's Rehabilitation Fund - Anti Poverty program	1 369	590
Total operating funding commitments	1 369	590
Total unexpended funding commitments	1 369	590

A5. Consultancies

	2010		2009	
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	-	-	-	-
Between $10 000 and $50 000	-	-	-	-
Above $50 000	1	59	1	150
Total paid/payable to the consultants engaged	1	59	1	150

A6. Property, plant and equipment

(1) Property, plant and equipment	2010 $'000	2009 $'000
Land and buildings:		
Site land (fair value)	14 621	13 100
Buildings and improvements (fair value)	22 245	19 931
Total land and buildings	36 866	33 031

Reconciliation of land and buildings

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2009-10:

	Site land $'000	Bldgs and improve-ments $'000	Total land and buildings $'000
Carrying amount at 1 July	13 100	19 931	33 031
Revaluation increment	1 521	2 973	4 494
Depreciation and amortisation for the year	-	(659)	(659)
Carrying amount at 30 June	14 621	22 245	36 866

(2) Investment property	2010	2009
	$'000	$'000
Investment building	829	560
Revaluation increment	96	269
Fair value at 30 June	925	829
Investment land	1 495	579
Revaluation increment	174	916
Fair value at 30 June	1 669	1 495
Total investment property at 30 June	2 594	2 324

A7. Cash flow reconciliations

Reconciliation of cash and cash equivalents at 30 June as per:		
Statement of Administered Cash Flows	51 174	35 274
Statement of Administered Financial Position	51 174	35 274

Reconciliation of net cash provided by operating activities to net result

Net cash provided by operating activities	15 879	12 186
Non-cash items:		
Depreciation and amortisation	(659)	(645)
Revaluation of investment property	270	1 185
Changes in assets and liabilities:		
Decrease in receivables	(214)	(621)
Increase in payables	(2 023)	(1 261)
Increase in employee benefits	(3)	(2)
Net result	13 250	10 842

A8. Administered contingent assets and liabilities

The Department has no administered contingent assets and liabilities.

A9. Supported Residential Facilities Indemnity Fund

	2010	2009
	$'000	$'000
Opening balance 1 July	27	24
Receipts:		
Fees - Councils [(1)]	2	2
Interest	1	1
Expenses:		
Expenses or claims	-	-
Closing balance 30 June	30	27

This note has been prepared to meet the requirements of section 56 (11) of the *Supported Residential Facilities Act 1992* (the Act) in reporting upon the operations of the Supported Residential Facilities Indemnity Fund. The note meets the specific requirements of the Act.

(1) Under the *Supported Residential Facilities Act 1992*, certain premises which provide residential accommodation are required to be licensed. That licence fee is payable to the local councils who monitor the residential accommodation. The Act requires the councils to remit 10 percent of fees collected for deposit in the Fund within 28 days after the end of the financial year in which the fees are received.

A10. Home for Incurables Trust

As part of wide ranging reforms relating to the delivery of disability services by the Department, effective 1 July 2007, JFS was dissolved and all assets and liabilities vested in or held by JFS were transferred or assigned or vested with the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust. The original Trust was established in June 1879 and was varied by the Supreme Court on 7 November 1997.

The former Board of JFS was trustee of the Home for Incurables Trust and on dissolution, the Board of JFS resolved to resign as trustee of the Home for Incurables Trust. The Minister for Disability is the trustee for the Home for Incurables Trust.

The role of the Trust is:

...to apply property vested in it for the purpose of providing for persons whose ability to live independently is temporarily or permanently impaired or in jeopardy as a consequence of an acquired brain injury or degenerative neurological condition or a physical condition resulting in disability including but not limiting the foregoing in any way whatsoever, the following services and facilities;

(a) by providing for them, in a variety of residential, centre and community based settings
- *(i) accommodation*
- *(ii) nursing, medical, allied health and attendant care service*
- *(iii) personal and community support services*
- *(iv) technical and personal support aids*
- *(v) rehabilitation, respite and recreational services*
- *(vi) out patient and day care services*
- *(vii) measures and services to enhance their quality of life;*

A10. Home for Incurables Trust (continued)

(b) *by providing facilities for education research with respect to such persons; and*

(c) *by providing any services and facilities ancillary or in relation to the foregoing or by providing additional services and facilities that may be appropriate from time to time.*

The following income, expenditures, assets and liabilities of the Home for Incurables Trust have been included in the administered items financial statements, but are separately disclosed in the following schedules in accordance with the governance requirements of the Trust.

Schedule of Income and Expenses - Home for Incurables Trust for the year ended 30 June 2010

	2010 $'000	2009 $'000
Expenses:		
Employee benefit costs	**5**	-
Supplies and services	**23**	23
Grants, subsidies and client payments	**390**	378
Depreciation and amortisation	**659**	645
Total expenses	**1 077**	1 046
Income:		
Rental income	**327**	325
Interest	**285**	388
Revaluation of investment property	**270**	1 185
Total income	**882**	1 898
Net result	**(195)**	852
Other comprehensive income:		
Changes in property, plant and equipment asset revaluation surplus	**4 494**	6 324
Total comprehensive income	**4 494**	6 324
Total comprehensive result	**4 299**	7 176

Schedule of Assets and Liabilities - Home for Incurables Trust as at 30 June 2010

	2010 $'000	2009 $'000
Current assets:		
Cash and cash equivalents:		
Deposits with the Treasurer	**36**	118
Deposits with SAFA	**7 267**	7 001
Total cash and cash equivalents	**7 303**	7 119
SAFA interest receivable	**28**	18
Total current assets	**7 331**	7 137
Non-current assets:		
Property, plant and equipment	**36 866**	33 031
Investment properties	**2 594**	2 324
Total non-current assets	**39 460**	35 355
Total assets	**46 791**	42 492
Net assets	**46 791**	42 492

Schedule of Changes in Equity - Home for Incurables Trust for the year ended 30 June 2010

	Asset revaluation surplus $'000	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2008	**19 384**	**15 932**	**35 316**
Net result for 2008-09	**-**	**852**	**852**
Gains on revaluation of property, plant and equipment during 2008-09	**6 324**	**-**	**6 324**
Total comprehensive result for 2008-09	**6 324**	**852**	**7 176**
Balance at 30 June 2009	**25 708**	**16 784**	**42 492**
Net result for 2009-10	**-**	**(195)**	**(195)**
Gains on revaluation of property, plant and equipment during 2009-10	**4 494**	**-**	**4 494**
Total comprehensive result for 2009-10	**4 494**	**(195)**	**4 299**
Balance at 30 June 2010	**30 202**	**16 589**	**46 791**

Schedule of Administered Cash Flows - Home for Incurables Trust for the year ended 30 June 2010

	2010	2009
Cash flows from operating activities:	**$'000**	$'000
Cash inflows:		
Interest revenue	**275**	370
Rental revenue	**327**	325
Total cash inflows	**602**	695
Cash outflows:		
Supplies and services	**(28)**	(23)
Grants, subsidies and client payments	**(390)**	(378)
Total cash outflows	**(418)**	(401)
Net cash inflows from operating activities	**184**	294
Cash flows from investing activities:		
Cash outflows:		
Purchase of property, plant and equipment	**-**	(285)
Total cash outflows	**-**	(285)
Net cash outflows from investing activities	**-**	(285)
Net increase in cash	**184**	9
Cash and cash equivalents at 1 July	**7 119**	7 110
Cash and cash equivalents at 30 June	**7 303**	7 119

Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in note 2 for the Department.

Cash and cash equivalents

Cash and cash equivalents as reported in the Schedule of Assets and Liabilities - Home for Incurables Trust includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Schedule of Administered Cash Flows - Home for Incurables Trust comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

Reconciliation of property, plant and equipment - Home for Incurables Trust	2010	2009
Property, plant and equipment:	$'000	$'000
Land and buildings:		
Site land (fair value)	14 621	13 100
Buildings and improvements (fair value)	22 245	19 931
Total land and buildings	36 866	33 031

Reconciliation of land and buildings - Home for Incurables Trust

The following table shows the movement of land, buildings and improvements, and leasehold improvements for the Home for Incurables Trust during 2009-10:

	Site land	Buildings and improvements	Total land and buildings
	$'000	$'000	$'000
Carrying amount at 1 July	13 100	19 931	33 031
Revaluation increment	1 521	2 973	4 494
Depreciation and amortisation for the year	-	(659)	(659)
Carrying amount at 30 June 2010	14 621	22 245	36 866

Investment property - Home for Incurables Trust	2010	2009
	$'000	$'000
Investment building	829	560
Revaluation increment	96	269
Fair value at 30 June 2010	925	829
Investment land	1 495	579
Revaluation increment	174	916
Fair value at 30 June 2010	1 669	1 495
Total investment property at 30 June 2010	2 594	2 324

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966.*

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.

The University has a financial interest in a number of entities as detailed in notes 1, 35 and 36 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of controls

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

Scope of audit

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

For the year ended 31 December 2009, specific areas of audit attention included:

- expenditure
- payroll
- student revenue
- research grant revenue
- fixed assets
- financial accounting
- cash and investments
- University governance and risk management
- ICT and control.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Flinders University of South Australia and the Consolidated Entity as at 31 December 2009, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

Assessment of controls

In my opinion, 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 raised under 'Breaches of control environment' and in relation to expenditure, payroll, grant revenue, student revenue, financial accounting and cash as outlined under 'Communication of audit matters', are 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.

Breaches of control environment – misappropriation of funds

In January 2010 the University detected that its internal control environment had been compromised, mainly in relation to aspects of control over the transfer and disbursement of funds. The University identified unauthorised financial transactions of a fraudulent nature that resulted in the misappropriation of University funds.

The misappropriation of funds commenced prior to the start of the financial year ending 31 December 2009, continued throughout the year and into January 2010 when it was detected. The financial statements of the University for the year ended 31 December 2009 bring to account an amount of $8.7 million as the estimated loss from the misappropriation of funds to 31 December 2009. The University has made certain recoveries of the misappropriated funds in 2010 and this matter is the subject of court action at the time of preparation of this Report. Refer notes 14, 38 and 43 to the financial statements of the University.

Some financial accounting and control processes that were breached and which resulted in the misappropriation of funds involved:

- unauthorised use of electronic funds transfer facilities
- processing of journals which were not subject to independent review
- lack of independent review of bank reconciliations
- inadequate monitoring and review of system access privileges.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the officers responsible for the governance of the Flinders University of South Australia. The main matters raised with the University are detailed below. Certain of these matters are similar to issues reported to the University in previous years, in particular matters of a financial and delegations authority and reconciliation nature. Response to the management letter was generally considered to be satisfactory.

Expenditure

In October 2008 the University implemented Basware, an electronic workflow system to manage the authorisation and payment of invoices. Users are established with approval limits in Basware to ensure that they can only authorise expenditure consistent with financial authorisations approved by the Executive Dean or the Executive Director of Administration. Audit review revealed that during the 2009 year one reconciliation had been performed between the Basware approval limits provided to users and the approved financial authorisations. This reconciliation was performed by the Business Analyst, who also has access to change approval limits in Basware. In addition, it was noted that there was no policy or procedure in place to perform regular checks or reviews on user approval limits granted in Basware.

The University has also established a preferred vendor for transacting travel arrangements for University staff. Invoices from the preferred supplier are not input into Basware and are therefore not subject to the same approval process as other invoices received by the University. Audit found that accounts payable officers who input the transactions into the Tech1 finance system do not check to ensure that the travel expenditure has been approved by a staff member with appropriate financial authorisation or delegated responsibility to do so.

In response to these matters the University advised that a weekly check has been implemented of all changes to Basware authorisations. This check is performed by a person independent of the system administrator. In addition, the University will undertake checks to ensure that all travel confirmation forms have been signed by an appropriate financial delegate.

Payroll

Staff timesheets are required to be reviewed and approved by a supervisor to provide assurance that the timesheet properly reflects actual hours worked. From a sample of timesheets reviewed by Audit, one third of the timesheets either could not be provided to Audit or did not contain any evidence of review or approval from a supervisor.

In response to this issue, the University advised that for non-casual staff, hours recorded on timesheets are kept as local records and are not processed into the payroll system in terms of remuneration. For all casual payments an electronic timesheet system is used and payment can only occur after the supervisor has approved the timesheet on-line.

Grant revenue

A policy on delegation of authority to enter into contracts was approved by the University Council in 2008. Audit found that some grant agreements were signed by officers who did not have the appropriate level of delegated authority to enter into such contracts on behalf of the University.

Grant revenue is receipted through the Student 2 revenue system and information is updated to the general ledger daily. While a number of account categories within Student 2 are being reconciled to the general ledger, Audit noted that grant revenue accounts are not reconciled.

The University responded that the policy on delegation of authority to enter into contracts will be reviewed in light of recent changes in the senior executive structure. The wording in relation to delegation limits will be considered during this review and improved if necessary. The University also advised that they will ensure that staff are made aware of the provisions of this policy.

With regard to the lack of reconciliation of grant revenue accounts, the University responded that they have analysed the risks involved and do not believe it is necessary to undertake a reconciliation of each natural account for grant revenue. The University will strengthen the conduct of a daily reconciliation performed between Student 2 and the general ledger by having it independently reviewed on a monthly basis.

Student revenue

Expenditure authority is provided to specific staff in the Student Services Division to enable them to process refunds. Audit found that these delegations are also being utilised to approve the remissions of student debt, even though this has not been expressly stated in the delegation document. The delegation document was last updated and approved in 2008 and although a number of changes to delegated officers have been documented and approved by the area supervisor, there has been no amendment to the delegation document approved by the Division Head and the Executive Director of Administration.

The University responded that delegations will be adjusted to allow for refunds and remissions rather than just refunds. An annual review of sub-authorisations in the Division will be conducted to ensure that accurate authorisations are maintained and supported.

Financial accounting

Processing of manual journals to the general ledger is the subject of a University policy and procedure. Audit found that under procedures approved in November 2009, Financial Services Division staff were exempt from having independent approval of journals raised by them. In addition, testing revealed that some journals were not compliant with policies and procedures in that they were not adequately supported by appropriate source documentation. This issue was also reported to the University in the prior year.

The University responded that they are in the process of implementing a risk based journal approval system, where journals over set thresholds will require approval by an independent person. This will also provide opportunity to ensure that adequate narration or supporting documentation is included with journals.

Cash

The University holds a number of different bank accounts. The performance of reconciliations between the bank account balance and general ledger is a key control in ensuring the completeness of transactions recorded in the ledger. Bank accounts are generally reconciled to the general ledger on a monthly basis, however Audit found the following:

- For a number of bank accounts, there was no evidence that the monthly bank reconciliations had been independently reviewed.
- For one bank account there were no documented reconciliations maintained throughout the year.
- Whilst bank reconciliations had been performed monthly on the University's main operating account, adjustments had been posted to the cash balance in the general ledger subsequent to the performance of the reconciliations. The reconciliations had not been re-performed for these months where subsequent journal entries had been posted to the ledger.

The University advised that all bank reconciliations are now completed monthly and are subject to an independent review.

Fixed assets

Reconciliations performed between the fixed asset register and the general ledger did not contain detailed information or relevant supporting documentation on variances identified and were not subject to an independent review.

Budgets are established for all minor works projects undertaken at the University. Costs are separately recorded for each project so that they can be monitored and to establish the total cost to be recorded for the project in the general ledger. Audit found that a transfer between two projects was transacted to an amount exactly equal to the amount required to bring one project within the established budget. The transfer amount could not be agreed to supporting documentation.

The University agreed with the Audit recommendation to strengthen the current controls over fixed asset reconciliations through the introduction of an independent review. The University also advised that it plans to improve its documentation around variances identified through the reconciliation process. With regard to the transfer of costs between minor works projects, the University observed that the particular case cited by Audit included two projects that were in essence part of the same larger project, however the University has introduced specific and detailed scope of works and budget developments for projects. Purchase orders are raised for work packages and variations which should remove the undefined costs and allocate them to a specific and correct project.

Concluding comments

The University have advised that since the misappropriation, they have worked to improve controls, particularly around electronic bank transfers and associated reconciliations. Audit will review the improvements to the control environment as part of the 2010 audit of the University.

ICT review

Last year's Report mentioned that a follow up audit was being undertaken of certain areas of security and control covering the personnel/payroll and finance systems and computing environments.

The follow up audit and the University's response of December 2009 to findings of the audit indicated a number of matters still to be addressed, including aspects of ICT governance and security policy, documentation for infrastructure/systems environments, and systems backup testing. In addition, the University completed in December 2009 a review of the ICT function and services which identified certain priorities for action. Among these were ICT governance, University wide policies and project management. The University has commenced work on the priority areas, including implementing changes to the ICT governance arrangements.

The matters still to be progressed will be subject to a further follow up review as part of the 2010 audit of the University.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements (Consolidated)

	2009	2008
	$'million	$'million
INCOME		
Australian Government grants and FEE-HELP	**171**	172
HECS-HELP (Australian Government and student)	**52**	49
Fees and charges	**47**	43
Other	**61**	60
Total income	**331**	324
EXPENSES		
Employee benefits and on-costs	**189**	180
Other expenses	**112**	106
Total expenses	**301**	286
Operating result	**30**	38

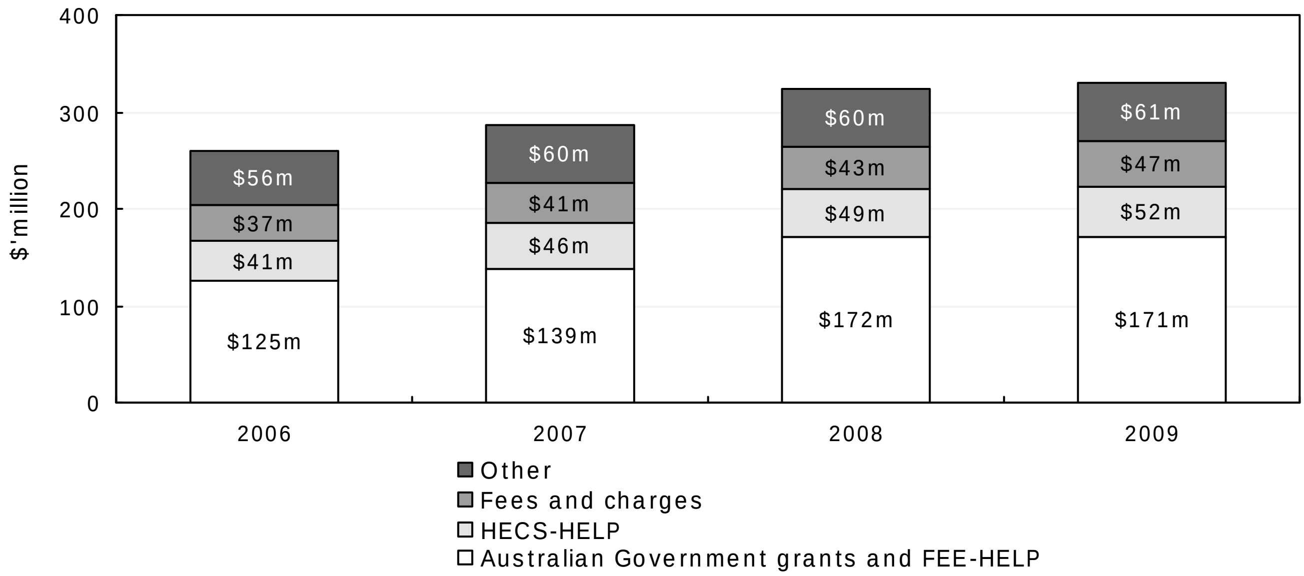
	2009	2008
	$'million	$'million
NET CASH PROVIDED BY OPERATING ACTIVITIES	**45**	55
ASSETS		
Current assets	**145**	128
Non-current assets	**397**	375
Total assets	**542**	503
LIABILITIES		
Current liabilities	**47**	49
Non-current liabilities	**51**	43
Total liabilities	**98**	92
EQUITY	**444**	411

Income Statement

Income

Total income has remained consistent with the prior year, with an increase of only $7 million (2 percent).

A structural analysis of operating income for the University for the four years to 2009 is presented in the following chart.



The preceding chart shows that the University is dependent to a large extent on financial assistance from the Australian Government. The chart also demonstrates that the overall revenues from other sources have remained consistent as a proportion of the total revenue raised by the University.

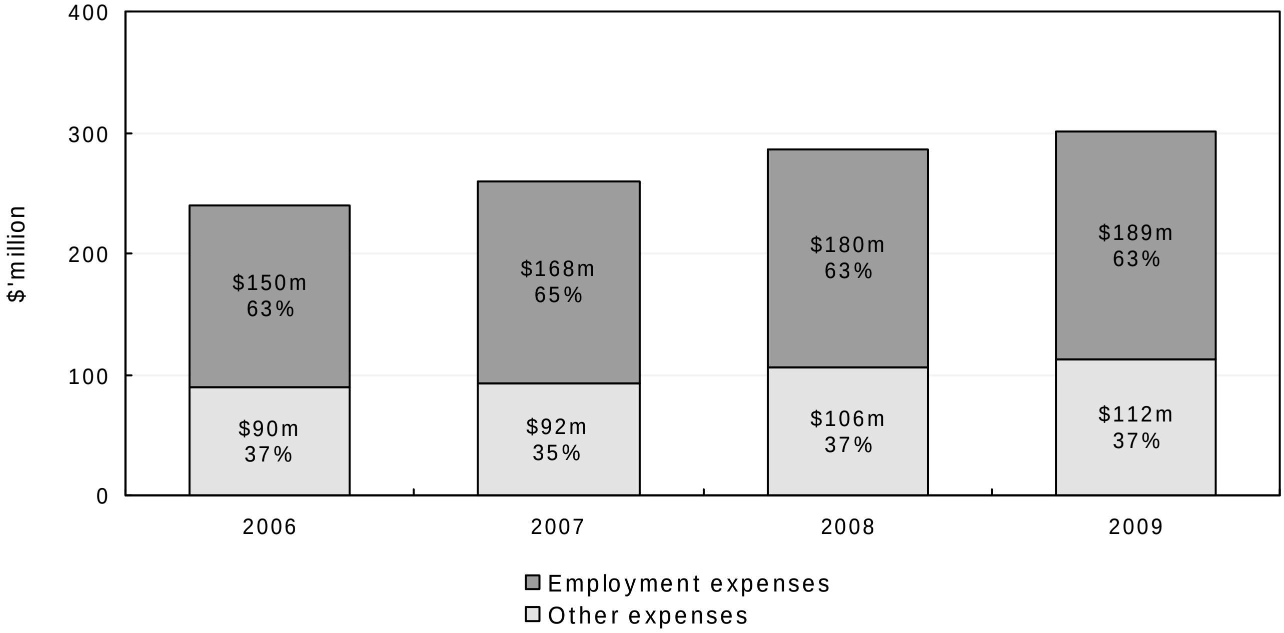
Expenses

Total expenses increased by $15 million (5 percent). One of the main component increases relates to the estimated loss from misappropriation of funds of $8.7 million. Refer to commentary under 'Breaches of control environment – misappropriation of funds'. Refer also to notes 14, 38 and 43 to the financial statements of the University.

The other main increase was in employment benefits of $10 million (5 percent) which is a result of an interim pay rise paid to staff and an increase in staff numbers.

The increases have been off-set by a decrease in investment losses of $7 million (100 percent).

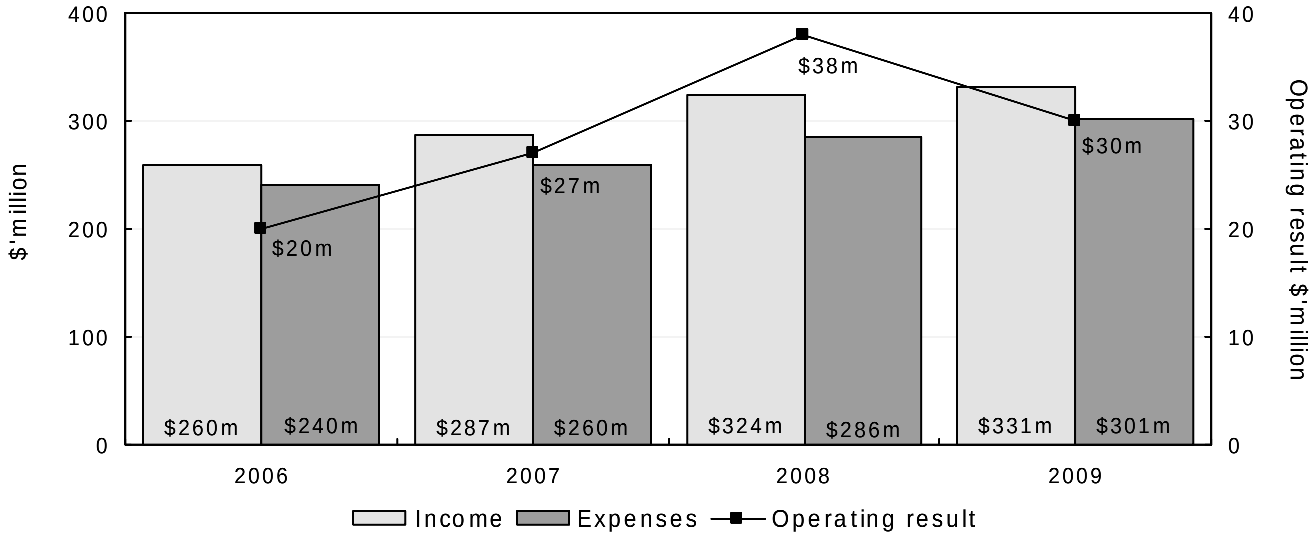
For the four years to 2009, a structural analysis of the main operating expense items for the University is shown in the following chart.



The preceding chart shows that the proportion of employment expenses to total expenditure has remained constant since 2006.

Operating result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2009. The chart shows that the University recorded a series of increasing surpluses between 2006 and 2008, with a decline in the operating result for 2009. The decline in the operating result for 2009 is a result of increased expenses while revenue has remained consistent with the prior year.



Statement of Financial Position

From 2008 to 2009 total assets increased by $39 million (8 percent) and total liabilities increased by $6 million (7 percent).

Current assets increased by $17 million (13 percent) due to the University purchasing held-to-maturity, managed fund and equity investments during the year. Non-current assets increased by $22 million (6 percent) attributable to a $18 million increase in the value of property, plant and equipment predominantly as a result of additions to buildings and infrastructure, equipment and library assets.

The increase in total liabilities was the result of $7 million increase in provisions which has been offset by a $1 million decrease in trade and other payables. The increase in provisions is principally the result of an increase in the non-current defined superannuation benefit obligation. The defined benefit obligation represents the University's obligation to meet the unfunded superannuation liability for the University's beneficiaries of the State Superannuation Scheme. An arrangement exists between the University and the Australian Government to fund this superannuation liability and therefore a corresponding increase is recorded in non-current receivables. The increase consequently does not affect the year end net asset position of the University.

Statement of Cash Flows

The following table summarises the net cash flows for 2009 and 2008.

	2009	2008
	$'million	$'million
Net cash flows		
Operating	**45**	56
Investing	**(62)**	(43)
Change in Cash	**(17)**	13
Cash at 31 December	**75**	92

Net cash inflows from operating activities decreased by $11 million in 2009. This decrease in operating cash flow was principally the result of the misappropriation of funds. Refer to commentary under 'Breaches of control environment – misappropriation of funds'. Refer also to notes 14, 38 and 43 to the financial statements of the University.

Net cash outflow from investing activities mainly reflects the University's significant purchases of property, plant and equipment and payments made for new financial asset investments.

Income Statement
for the year ended 31 December 2009

		Consolidated		University	
REVENUE FROM CONTINUING OPERATIONS:		**2009**	2008	**2009**	2008
Australian Government financial assistance:	Note	**$'000**	$'000	**$'000**	$'000
Australian Government grants	1(o),2	**167 501**	168 798	**167 192**	168 174
HECS-HELP - Australian Government payments	2	**44 617**	42 140	**44 617**	42 140
FEE-HELP	2	**3 145**	3 197	**3 145**	3 197
State and Local Government financial assistance	3	**16 701**	15 273	**16 174**	15 078
HECS-HELP - student payments		**7 316**	6 678	**7 316**	6 678
Fees and charges	1(o),4	**46 590**	43 340	**46 005**	41 345
Investment revenue	1(o),5	**10 183**	9 576	**8 412**	8 131
Royalties, trademarks and licenses	6	**1 220**	1 142	**998**	504
Consultancy and contracts	1(o),7	**9 859**	15 797	**9 015**	8 471
Other revenue and income	8	**21 133**	19 413	**15 904**	13 735
Total revenue from continuing operations		**328 265**	325 354	**318 778**	307 453
Other investment income	1(o),5	**3 394**	-	**3 243**	-
(Losses) Gains on disposal of assets	9	**(398)**	(864)	**121**	(885)
Total income from continuing operations		**2 996**	(864)	**3 364**	(885)
Total revenue and income from continuing operations		**331 261**	324 490	**322 142**	306 568
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits and on-costs	10	**189 391**	179 812	**184 349**	173 370
Depreciation and amortisation	1(c),11	**16 762**	14 542	**16 571**	14 402
Repairs and maintenance	12	**9 685**	9 777	**9 612**	9 751
Impairment of assets	13	**185**	1 331	**147**	(409)
Investment losses	1(o),5	**-**	6 557	**-**	6 041
Other expenses	14	**85 170**	74 435	**81 886**	66 025
Total expenses from continuing operations		**301 193**	286 454	**292 565**	269 180
OPERATING RESULT FOR THE YEAR		**30 068**	38 036	**29 577**	37 388
Operating result attributable to minority interest		**15**	-	**-**	-
OPERATING RESULT ATTRIBUTABLE TO THE UNIVERSITY		**30 053**	38 036	**29 577**	37 388

Statement of Comprehensive Income
for the year ended 31 December 2009

		Consolidated		University	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
OPERATING RESULT FOR THE YEAR		**30 068**	38 036	**29 577**	37 388
Gain on revaluation of land, buildings and artwork	26	**3 454**	807	**3 454**	807
(Loss) Gain on value of available-for-sale financial assets	26	**(1 019)**	1 273	**(1 206)**	1 575
AASB 119 adjustment - Super Scheme No. 1 surplus	26	**-**	(255)	**-**	(255)
Total comprehensive income		**32 503**	39 861	**31 825**	39 515
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MINORITY INTEREST		**15**	-	**-**	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE UNIVERSITY		**32 488**	39 861	**31 825**	39 515

Statement of Financial Position
as at 31 December 2009

		Consolidated		University	
		2009	2008	**2009**	2008
ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:					
Cash and cash equivalents	1(d),15	**74 536**	91 705	**71 888**	88 478
Receivables	1(d),16	**17 415**	20 254	**15 454**	18 515
Inventories	1(l),17	**475**	529	**209**	211
Other financial assets	1(d),18	**46 792**	10 191	**45 361**	9 183
Other non-financial assets	19	**6 136**	5 481	**6 085**	5 461
Total current assets		**145 354**	128 160	**138 997**	121 848
NON-CURRENT ASSETS:					
Receivables	1(d),16	**35 304**	29 159	**35 304**	29 159
Investment property	1(e),20	**11 312**	10 259	**11 312**	10 259
Property, plant and equipment	1(p),21	**341 244**	323 053	**339 861**	322 562
Other financial assets	1(d),18	**5 602**	9 485	**10 413**	14 246
Intangible assets	1(g),22	**3 275**	3 353	**2 792**	3 013
Total non-current assets		**396 737**	375 309	**399 682**	379 239
Total assets		**542 091**	503 469	**538 679**	501 087
LIABILITIES:					
CURRENT LIABILITIES:					
Trade and other payables	1(d),23	**21 344**	22 521	**19 336**	19 559
Provisions	1(h),1(j),24	**18 730**	19 240	**18 514**	18 854
Other liabilities	1(d),25	**6 718**	6 847	**7 909**	9 539
Total current liabilities		**46 792**	48 608	**45 759**	47 952
NON-CURRENT LIABILITIES:					
Trade and other payables	1(d),23	**3 754**	3 415	**3 741**	3 398
Provisions	1(h),1(j),24	**47 848**	40 252	**47 663**	40 046
Total non-current liabilities		**51 602**	43 667	**51 404**	43 444
Total liabilities		**98 394**	92 275	**97 163**	91 396
NET ASSETS		**443 697**	411 194	**441 516**	409 691
EQUITY:					
Parent Entity interest:					
Reserves	26	**175 430**	168 417	**182 658**	175 832
Retained surplus	26	**268 250**	242 775	**258 858**	233 859
Total Parent Entity interest		**443 680**	411 192	**441 516**	409 691
Minority interest		**17**	2	**-**	-
TOTAL EQUITY		**443 697**	411 194	**441 516**	409 691

Statement of Changes in Equity for the year ended 31 December 2009

Consolidated	Reserves	Retained surplus	Minority interest	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2008	162 655	208 676	2	371 333
Total comprehensive income:				
Economic Entity	5 762	34 099	-	39 861
Minority interest	-	-	-	-
Total	5 762	34 099	-	39 861
Balance at 31 December 2008	168 417	242 775	2	411 194
Balance at 1 January 2009	168 417	242 775	2	411 194
Total comprehensive income:				
Economic Entity	7 013	25 475	-	32 488
Minority interest	-	-	15	15
Total	7 013	25 475	15	32 503
Balance at 31 December 2009	**175 430**	**268 250**	**17**	**443 697**
Parent				
Balance at 1 January 2008	169 768	200 408	-	370 176
Total comprehensive income:				
Parent Entity	6 064	33 451	-	39 515
Minority interest	-	-	-	-
Total	6 064	33 451	-	39 515
Balance at 31 December 2008	175 832	233 859	-	409 691
Balance at 1 January 2009	175 832	233 859	-	409 691
Total comprehensive income:				
Parent Entity	6 826	24 999	-	31 825
Minority interest	-	-	-	-
Total	6 826	24 999	-	31 825
Balance at 31 December 2009	**182 658**	**258 858**	**-**	**441 516**

Statement of Cash Flows
for the year ended 31 December 2009

	Note	Consolidated 2009 Inflows (Outflows) $'000	Consolidated 2008 Inflows (Outflows) $'000	University 2009 Inflows (Outflows) $'000	University 2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Australian Government grants received	2(i)	**214 106**	212 768	**213 826**	212 116
OS-HELP (net)	2(i)	**99**	145	**99**	145
Superannuation supplementation	2(i)	**1 425**	1 368	**1 425**	1 368
State Government grants received		**16 605**	15 212	**16 078**	15 017
Local Government grants received		**260**	61	**96**	61
HECS-HELP - student payments		**7 316**	6 678	**7 316**	6 678
Receipts from student fees and other customers		**87 637**	74 121	**81 544**	60 205
Dividends received		**3 149**	1 507	**1 264**	321
Interest received		**6 701**	6 653	**6 648**	6 410
Other investment income		**1 351**	298	**1 407**	282
Payments to suppliers and employees (inclusive of GST)		**(287 346)**	(266 670)	**(278 347)**	(251 674)
GST recovered from the ATO		**2 218**	3 330	**2 208**	3 238
Alleged fraud		**(8 653)**	-	**(8 653)**	-
Net cash provided by operating activities	39	**44 868**	55 471	**44 911**	54 167
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		**1 369**	675	**514**	654
Payments for property, plant and equipment		**(30 392)**	(46 081)	**(29 164)**	(45 870)
Payments for investment property		**(1 247)**	(125)	**(1 247)**	(125)
Proceeds from term deposit		**-**	500	**-**	500
Proceeds from sale of financial assets		**-**	2 586	**-**	2 586
Payments for financial assets		**(31 523)**	(817)	**(30 003)**	(70)
(Decrease) Increase in funds held on behalf of other entities		**(244)**	319	**(1 601)**	(827)
Net cash used in investing activities		**(62 037)**	(42 943)	**(61 501)**	(43 152)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		**-**	-	**-**	-
Net cash provided by financing activities		**-**	-	**-**	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(17 169)**	12 528	**(16 590)**	11 015
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**91 705**	79 177	**88 478**	77 463
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1(d),(i),39	**74 536**	91 705	**71 888**	88 478

Non-cash financing and investing activities 40

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB Interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR)* and other State/Australian Government legislative requirements.

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEEWR guidelines.

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

The consolidated financial statements (the Economic Entity) comprise the accounts of the University (the Parent Entity) and all of its subsidiaries.

Compliance with International Financial Reporting Standards (IFRS)
AASs include AIFRS. The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Historical cost convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AASs requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEEWR financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

* DEEWR requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2009 Reporting Period'.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic Entity) comprise the accounts of the University (the Parent Entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in note 35.

Unrealised gains on transactions between the Economic Entity and its subsidiaries are eliminated to the extent of the Economic Entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Economic Entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Statement of Financial Position respectively.

(ii) Associates

Associates are entities over which the Economic Entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Where material, investments in associates are accounted for in the Parent Entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

(ii) Associates

The Economic Entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Parent Entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Economic Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Economic Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The effects of transactions between the University and its associates have been eliminated on consolidation.

(c) Depreciation and amortisation

The basis for depreciation and the depreciation rates are reviewed annually. 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:

	Percentage
Depreciation:	
Buildings and infrastructure	2.5 - 20.0
Equipment:	
Motor vehicles	20.0
General equipment	10.0 - 33.3
Computer hardware	33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within note 21. Depreciation expense by asset class is shown in note 11.

In 2008, the University re-assessed the useful life of laboratory equipment and increased it from six years to ten years. The net effect of this change on depreciation expense in 2008 was approximately $1 million.

(d) Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits maturing less than 90 days from balance date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in note 15.

For the Statement of Financial Position, cash and cash equivalents exclude bank overdrafts, as they are included within other liabilities.

For the Statement of Cash Flows, cash and cash equivalents are net of bank overdrafts.

(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. Note disclosure is made in note 16.

Details regarding the receivable from the Australian Government relating to the State Super Scheme are disclosed in note 1(h)(v) 'Superannuation'.

(iii) Financial assets (investments)

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements.

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The Consolidated Entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held-to-maturity investments
Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Available-for-sale financial assets
Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for other financial assets (investments) is made in note 18.

(iv) *Payables*
Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in note 23. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) *Interest bearing liabilities*
The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in note 25.

(vi) *Other liabilities: funds held on behalf of external entities*
Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in note 25.

(e) Investment property

Investment properties exclude properties held to meet service delivery objectives of the University. The University holds investment properties which are measured on a fair value basis. Independent valuations are undertaken annually. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The University acquired the Mark Oliphant building in 2000 as an investment property. The intention was, and still is, to make returns from capital appreciation and rentals. The property is off campus and the majority of tenants are external entities. Where subsidiaries or internal units of the University occupy space, rental is charged. This contrasts with space in the University where no charges are applied. There are no restrictions on the realisability of investment property or remittance of income from it.

A portion of the Remote Health Precinct located in Alice Springs is treated as an investment property and as at 31 December is shown at fair value. In 2009 the University finalised the purchase of a residential investment property. Note disclosure is made in note 20.

The investment properties were independently valued at fair value as at 31 December 2009 by Peter Lornie, BComm(VFM), AAPI, CPV of Southwick Goodyear Pty Ltd.

(f) Website costs

Costs in relation to websites are charged as expenses in the period in which they are incurred.

(g) Intangible assets

(i) *Research and development*
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

(i) Research and development (continued)

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined
- for projects expected to be financially viable, to offset future revenue.

Development costs treated as deferred expenditure are included in the Consolidated Statement of Financial Position and are disclosed under note 22 as project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the net operating result.

(ii) Software costs

The University capitalises certain software costs with a purchase price greater than $50 000 and an expected useful life greater than 12 months, together with external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational. Note disclosure is made in note 22.

(h) Employee expenses

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on costs not accruing to employees are classed as payables as required under SA State Government APF IV, APS 5.25. Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

(i) Long service leave

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2009 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.7 percent per annum
- salary inflation rate of 4 percent per annum
- on-costs have been applied at the rate of 27.2 percent
- the proportion of leave taken in service is 75.2 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 23 and 24.

(ii) Annual leave

Up until 2006, the University's liability for unused annual leave applied only to non academic staff. Prior to 21 August 2006, in accordance with conditions of employment, academic staff were generally required to take annual leave each year in the year in which it was earned and no formal records were maintained. Accordingly no annual leave liability was recorded at year end for academic staff.

As a result of Federal Work Choices legislation, the University is required to formally record academic annual leave which it has done with effect from 21 August 2006.

The calculation to measure the value of annual leave has assumed a 4 percent salary inflation factor, as required by the SA State Government APF IV, APS 5.5. The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 23 and 24.

(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) Refreshment leave

Certain academic staff in senior management roles are eligible for refreshment leave upon completion of their contract.

(v) Superannuation

Superannuation schemes

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 Income Statement. Except in the case of multi-employer plans such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Note 33 provides details in respect of the individual schemes.

Superannuation Scheme No. 1
Actuarial gains or losses are recognised in the Statement of Comprehensive Income in the period to which they relate. Since 31 December 2008 the Scheme has no members and is in the process of being wound up.

Unfunded superannuation - State Superannuation Scheme
An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Statement of Financial Position under provisions with a corresponding asset recognised under receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic Entity.

(vi) Invalidity Scheme
The Invalidity Scheme exists to provide benefits to a small number of staff in the event of invalidity. Details are disclosed in note 33.

(vii) Redundancy/severance
Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies before balance date 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. The liability for severance and redundancy payments is disclosed in note 24.

(i) Foreign currency

(i) Functional and presentation currency
The consolidated financial statements are presented in Australian dollars which is the Economic Entity's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Note 27 discloses foreign currency monetary items outstanding at balance date.

(j) Workers compensation

The University is responsible for payments of workers compensation and is registered with WorkCover SA as an exempt employer. Unisure Pty Ltd administered workers compensation arrangements on behalf of the University up until 30 September 2008, after which date Lawsons Risk Management Services Pty Ltd performed this function.

The provision for workers compensation liability is actuarially determined each year. 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 liability for workers compensation is disclosed in note 24.

(k) GST

The University recognises revenues and expenses net of the amount of 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.

Commitments and contingencies are disclosed net of GST recoverable from or payable to the ATO.

(l) Inventories

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in note 17.

(m) Investments in business undertakings

Subsidiaries
Investments in subsidiaries are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared. Note disclosure is made in note 35.

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 Income Statement, where material. Details of joint ventures are included in note 36.

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 except for Unisure Pty Ltd. The University has incorporated its share of the financial transactions of Unisure into the University column of the financial statements. Disclosure is made in note 36.

(n) 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 three investment properties to external entities. Accommodation on campus is leased to students. The University 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.

Note disclosure is made in note 32(b).

(o) Revenue recognition

(i) Australian Government financial assistance
DEEWR provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEEWR. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEEWR is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in note 2.

(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. Note disclosure is made in note 7.

(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. Note disclosure is made in note 8.

(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. Note disclosure is made in note 4.

(v) Investment income
Interest income is recognised as it accrues. For 'held-to-maturity assets', 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 before the 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. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the net operating result. For 'available-for-sale investments' and investments classified as 'other financial assets', realised gains are included in the net operating result while 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. Note disclosure is made in note 5.

(p) Property, plant and equipment

Property, plant and equipment 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 asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in note 21.

(i) Land

Land 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 independently revalued as at 31 December 2009 by Peter Lornie, BComm(VFM), AAPI, CPV of Southwick Goodyear Pty Ltd. Comprehensive independent land valuations are undertaken triennially with an annual update.

(ii) Buildings and infrastructure

Buildings and infrastructure controlled by the University were independently revalued as at 31 December 2009 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The revaluation revealed there was no material change to infrastructure values although building values were updated to reflect the valuation. Comprehensive independent valuations are undertaken triennially with an annual update.

Buildings under construction are measured at cost.

(iii) Library collection

The library collection is revalued at Council's valuation on a triennial basis. As at 31 December 2007 the library collection was revalued to reflect fair value and is reported at Council's valuation. Additions in 2008 and 2009 are recorded at cost. The value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes.

(iv) Equipment

This class of assets includes computer hardware (not 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 Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

(v) Aircraft

Individual items costing $10 000 or more are initially capitalised and recorded in the Statement of Financial Position at cost. Items costing less than $10 000 are recognised as an expense in the Income Statement in the period acquired. The carrying values of aircraft are reviewed annually by University management to ensure that they are carried at fair value.

(vi) Works of art

The works of art collection was revalued as at 31 December 2009 and is reported at Council's valuation based on fair value.

(q) Impairment of assets

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(r) Doubtful debts

The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in note 16.

(s) Income tax status

The activities of the University and its major subsidiaries are exempt from income tax.

The University is subject to FBT, GST and payroll tax.

(t) Borrowing costs

Neither the University nor its controlled entities have borrowings. If borrowings are taken up, borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Current and non-current classification

Assets and liabilities are characterised as either current or non-current. The University and the Economic Entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

(v) Rounding to the nearest $'000

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

(w) *New or revised AASs*

No new accounting standards which have been issued but are not yet effective have been early-adopted in 2009. Additionally, each of these new standards have been assessed and none are deemed to have a material effect on the University.

(x) *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.

(y) *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous year.

2. Australian Government financial assistance including HECS-HELP and other Australian Government Loan Programs	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
(a) *Commonwealth Grants Scheme and other grants*	45.1				
Commonwealth Grants Scheme (CGS) #		81 843	75 246	81 843	75 246
Indigenous Support Program		473	520	473	520
Equity Support Program		231	262	231	262
Disability Support Program		59	65	59	65
Workplace Reform Program		942	932	942	932
Workplace Productivity Program		101	342	101	342
Learning and Teaching Performance Fund		-	500	-	500
Superannuation Program	45.9	1 447	1 922	1 447	1 922
Capital Development Pool		2 246	2 481	2 246	2 481
Diversity and Structural Adjustment Fund##		1 668	1 767	1 668	1 767
Improving the Practical Component of Teacher Education Initiative		244	309	244	309
Transitional Cost Program		296	503	296	503
Total Commonwealth Grants Scheme and other grants		89 550	84 849	89 550	84 849
(b) *Higher Education Loan Programmes*	45.2				
HECS-HELP		44 617	42 140	44 617	42 140
FEE-HELP		3 145	3 197	3 145	3 197
Total Higher Education Loan Programmes		47 762	45 337	47 762	45 337
(c) *Scholarships*	45.3				
Australian Postgraduate Awards		2 041	1 717	2 041	1 717
International Postgraduate Research Scholarship		410	353	410	353
Commonwealth Education Cost Scholarships ###		771	977	771	977
Commonwealth Accommodation Scholarships ###		1 054	1 349	1 054	1 349
Indigenous Access Scholarships		(40)	61	(40)	61
Total scholarships		4 236	4 457	4 236	4 457
(d) *DIISR - research*	45.4				
Institutional Grants Scheme		5 796	5 976	5 796	5 976
Research Training Scheme		10 077	10 389	10 077	10 389
Research Infrastructure Block Grants		3 023	2 944	3 023	2 944
Implementation Assistance Program		112	102	112	102
Australian Scheme for Higher Education Repositories		220	200	220	200
Commercialisation Training Scheme		86	94	86	94
Total DIISR - research grants		19 314	19 705	19 314	19 705
(e) *Voluntary student unionism*	45.5				
VSU Transition Fund		-	1 732	-	1 732
Total voluntary student unionism		-	1 732	-	1 732
(f) *Other capital funding*	45.6				
Better Universities Renewal funding		-	8 931	-	8 931
Teaching and Learning Capital Fund		8 790	-	8 790	-
Total other capital funding		8 790	8 931	8 790	8 931-

Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and Maths and Science Transition loading and Full Fee Places Transition loading.

Includes Collaboration and Structural Adjustment Program.

Includes National Priority and National Accommodation Priority Scholarships respectively.

		Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
(g)	***Australian Research Council***					
(i)	*Discovery*	45.7(a)				
	Project		2 875	3 151	2 875	3 151
	Fellowships		429	167	429	167
	Total discovery		3 304	3 318	3 304	3 318
(ii)	*Linkages*	45.7(b)				
	Special research initiatives		1 186	161	1 186	161
	Infrastructure		1 368	82	1 368	82
	International		182	-	182	-
	Projects		1 462	1 466	1 462	1 466
	Total linkages		4 198	1 709	4 198	1 709
(iii)	*Networks and centres*	45.7(c)				
	Research networks		4	100	4	100
	Research centres		143	157	143	157
	Total networks and centres		147	257	147	257
(h)	***Other Australian Government financial assistance***					
	National Health and Medical Research Council		10 659	9 021	10 659	9 021
	Other research		13 118	12 959	12 809	12 335
	Other non-research		13 637	21 256	13 637	21 256
	Commonwealth scholarships		548	604	548	604
	Total other Australian Government financial assistance		37 962	43 840	37 653	43 216
	Total Australian Government financial assistance		215 263	214 135	214 954	213 511
	Reconciliation					
	Australian Government grants (a+c+d+e+f+g+h)		167 501	168 798	167 192	168 174
	HECS-HELP Australian Government payments		44 617	42 140	44 617	42 140
	Other Australian Government loan programmes (FEE-HELP)		3 145	3 197	3 145	3 197
	Total Australian Government financial assistance		215 263	214 135	214 954	213 511
(i)	***Australian Government grants received - cash basis***					
	CGS and other DEEWR grants	45.1	86 234	81 680	86 234	81 680
	Higher Education Loan programs	45.2	48 086	47 861	48 086	47 861
	Scholarships	45.3	5 117	4 523	5 117	4 523
	DIISR research	45.4	19 314	19 705	19 314	19 705
	Voluntary student unionism	45.5	-	1 732	-	1 732
	Other capital funding	45.6	8 790	8 931	8 790	8 931
	ARC grants - discovery	45.7	3 125	3 014	3 125	3 014
	ARC grants - linkages	45.7	5 478	1 618	5 478	1 618
	ARC grants - networks and centres	45.7	-	-	-	-
	Other Australian Government grants		37 962	43 704	37 682	43 052
	Total Australian Government grants Received - cash basis		214 106	212 768	213 826	212 116
	OS-HELP (net)	45.8	99	145	99	145
	Superannuation supplementation	45.9	1 425	1 368	1 425	1 368
	Total Australian Government funding received - cash basis		215 630	214 281	215 350	213 629

3. State and Local Government financial assistance

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
South Australian State Government financial assistance	12 876	10 799	12 721	10 670
South Australian Local Government financial assistance	96	61	96	61
Other State/Territory Governments financial assistance	3 729	4 413	3 357	4 347
Total State and Local Government financial assistance	16 701	15 273	16 174	15 078

4. Fees and charges

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Course fees and charges:					
Fee-paying overseas students		33 190	28 704	33 179	28 704
Fee-paying domestic postgraduate students		1 503	1 891	1 503	1 891
Fee-paying domestic undergraduate students		1 095	673	1 095	673
Fee-paying domestic non-award students		100	139	100	139
Other domestic course fees and charges		2 172	2 756	2 172	2 756
Total course fees and charges		38 060	34 163	38 049	34 163
Other non-course fees and charges:					
Student accommodation		4 508	4 234	4 508	4 234
Rental charges		865	710	799	643
Other student charges		489	415	489	415
Other hire fees		195	165	195	165
Parking fees		1 412	1 162	1 412	1 162
Other fees and charges		1 061	2 491	553	563
Total other fees and charges		8 530	9 177	7 956	7 182
Total fees and charges		46 590	43 340	46 005	41 345

5. Investment revenue and income

Investment revenue:				
Dividends:				
Wholly-owned subsidiaries	-	-	-	-
Other entities	3 149	1 507	1 375	321
	3 149	1 507	1 375	321
Interest	5 061	6 653	5 008	6 410
Managed funds	622	513	622	425
Investment property rental revenue	1 351	903	1 407	975
Total investment revenue	10 183	9 576	8 412	8 131
Unrealised investment gains (losses):				
Movements in assets at fair value through profit and loss	3 588	(5 557)	3 437	(5 041)
Movements in fair value of investment properties	(194)	(1 000)	(194)	(1 000)
Total unrealised investment movements	3 394	(6 557)	3 243	(6 041)
Total investment revenue and income	13 577	3 019	11 655	2 090

6. Royalties, trademarks and licences

Total royalties, trademarks and licences	1 220	1 142	998	504

7. Consultancy and contracts

Consultancy	3 335	9 323	2 713	2 483
Contract research	6 524	6 474	6 302	5 988
Total consultancy and contracts	9 859	15 797	9 015	8 471

8. Other revenue and income

Donations and bequests	899	1 429	899	1 429
Contribution of assets	1 918	688	1 918	688
Scholarships and prizes	610	608	610	608
Non-government grants	4 464	4 122	4 464	4 122
Reimbursements	4 005	3 961	4 003	3 962
Sales and other charges	7 228	6 236	2 275	1 657
Other revenue	2009	2 369	1 735	1 269
Total other revenue	21 133	19 413	15 904	13 735

9. Gains (Losses) on disposal of assets

	Note				
Net (loss) gain on disposal of assets - refer below		(398)	(864)	121	(885)
Total other income		(398)	(864)	121	(885)
Proceeds from sale of assets:					
Investments		912	2 586	57	2 586
Property, plant and equipment		457	675	457	654
Total proceeds from sale of assets		1 369	3 261	514	3 240
Carrying amount of assets sold:					
Investments		1 374	3 566	-	3 566
Property, plant and equipment	21	393	559	393	559
Total carrying amount of assets sold		1 767	4 125	393	4 125

		Consolidated		University	
9.	**Gains (Losses) on disposal of assets (continued)**	2009	2008	2009	2008
	Net gains on sale of assets:	$'000	$'000	$'000	$'000
	Investments	-	-	57	-
	Property, plant and equipment	64	116	64	95
	Total net gains on sale of assets	64	116	121	95
	Net losses on sale of assets:				
	Investments	462	980	-	980
	Property, plant and equipment	-	-	-	-
	Total net losses on sale of assets	462	980	-	980
	Net (loss) gain on sale of assets	(398)	(864)	121	(885)
10.	**Employee related expenses**				
	Employee benefits and on-costs				
	Academic:				
	Salaries	75 621	71 450	75 295	71 000
	Contributions to superannuation and pension schemes:				
	Emerging cost	1 247	1 355	1 247	1 355
	Funded	11 317	11 225	11 261	11 166
	Payroll tax	4 446	4 212	4 426	4 191
	Workers compensation	310	174	306	169
	Long service leave expense	1 333	1 492	1 325	1 472
	Annual leave	6 393	5 857	6 339	5 834
	Redundancy expenses	18	90	18	90
	Total academic	100 715	95 855	100 217	95 277
	Non-academic:				
	Salaries	67 034	62 996	62 743	57 419
	Contributions to superannuation and pension schemes:				
	Emerging cost	312	355	312	355
	Funded	9 898	9 551	9 760	9 386
	Payroll tax	3 875	3 660	3 859	3 638
	Workers compensation	293	163	289	158
	Long service leave expense	1 152	2 078	1 141	2 069
	Annual leave	5 672	5 093	5 588	5 007
	Redundancy expenses	440	61	440	61
	Total non-academic	88 676	83 957	84 132	78 093
	Total employee benefits and on-costs	189 391	179 812	184 349	173 370
	Deferred government employee benefits for superannuation	-	1 500	-	1 500
	Total employee related expenses including deferred government employee benefits for superannuation	189 391	181 312	184 349	174 870
11.	**Depreciation and amortisation**				
	Depreciation:				
	Buildings and infrastructure	8 091	6 238	8 091	6 238
	Plant and equipment	3 287	2 736	3 096	2 596
	Aircraft	219	219	219	219
	Library collection	4 268	4 585	4 268	4 585
	Total depreciation	15 865	13 778	15 674	13 638
	Amortisation:				
	Software	897	764	897	764
	Total amortisation	897	764	897	764
	Total depreciation and amortisation	16 762	14 542	16 571	14 402
12.	**Repairs and maintenance**				
	Buildings and grounds	5 317	3 897	5 317	3 897
	Minor new works	1 235	2 653	1 235	2 653
	Equipment and artwork	3 133	3 227	3 060	3 201
	Total repairs and maintenance	9 685	9 777	9 612	9 751
13.	**Impairment of assets**				
	Bad and doubtful debts	172	(446)	147	(409)
	Impairment of intangible assets	13	1 777	-	-
	Total impairment of assets	185	1 331	147	(409)

14. Other expenses

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Scholarships, grants and prizes		13 848	11 804	13 844	11 802
Non-capitalised equipment		6 272	5 945	6 241	5 714
Advertising, marketing and promotional expenses		2 473	2 787	2 468	2 663
Fees and charges		9 615	10 016	9 456	9 084
Consultancy fees		2 581	4 913	2 202	2 370
General consumables		7 092	6 779	6 260	5 322
Printing and photocopying		1 331	1 495	1 303	1 480
Operating lease rental expenses		2 508	1 389	2 508	1 332
Telecommunications		2 333	1 897	2 330	1 894
Travel, staff development and entertainment		10 823	10 797	10 746	9 870
Utilities		3 152	2 559	3 142	2 533
Student related expenditure		2 080	1 971	2 067	1 963
Library		2 570	3 238	2 569	3 238
Software		2 385	1 979	2 379	1 875
Postage and freight		805	931	803	930
Insurance		1 130	1 001	1 099	923
Estimated loss from misappropriation of funds	38,43	8 653	-	8 653	-
Other expenses		5 519	4 934	3 816	3 032
Total other expenses		85 170	74 435	81 886	66 025

15. Cash and cash equivalents

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Cash at bank and on hand		11 135	20 847	9 618	19 206
Cash deposits at call within three days		6 221	1 653	5 090	67
Term deposits maturing within 90 days		57 180	69 205	57 180	69 205
Total cash and cash equivalents	39	74 536	91 705	71 888	88 478

16. Receivables

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Current:					
Student fees		451	615	451	615
Provision for impaired receivables		(393)	(480)	(393)	(480)
		58	135	58	135
General debtors		15 234	18 159	13 175	15 976
Provision for impaired receivables		(377)	(140)	(377)	(137)
		14 857	18 019	12 798	15 839
Subsidiary debtors		-	-	119	488
Provision for impaired receivables		-	-	(21)	(47)
		-	-	98	441
Deferred government contribution for superannuation	33	2 500	2 100	2 500	2 100
Total current receivables		17 415	20 254	15 454	18 515
Non-current:					
General debtors		904	1 059	904	1 059
		904	1 059	904	1 059
Deferred government contribution for superannuation	33	34 400	28 100	34 400	28 100
Total non-current receivables		35 304	29 159	35 304	29 159
Total trade and other receivables		52 719	49 413	50 758	47 674

(a) *Impaired receivables*

As at 31 December 2009 current receivables of the group with a nominal value of $841 000 ($701 000) were impaired. The amount of the consolidated provision was $770 000 ($620 000). The provision is based on an aged analysis of the debt types based on collectability. It was assessed that a large portion of the receivables are expected to be recovered. The ageing of these receivables are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Student fees:				
Three to six months	82	82	82	82
Over six months	263	258	263	258
	345	340	345	340
General debtors:				
Three to six months	51	56	51	56
Over six months	146	81	146	81
	197	137	197	137
Subsidiary debtors:				
Three to six months	-	-	-	-
Over six months	-	-	21	416
	-	-	21	416

(a) *Impaired receivables (continued)*

As at 31 December 2009 current receivables of the group with a nominal value of $15.1 million ($18.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Consolidated		University	
	2009	2008	2009	2008
Student fees:	$'000	$'000	$'000	$'000
Less than 3 months	99	86	99	86
Three to six months	37	37	37	37
Over six months	6	12	6	12
	142	135	142	135
General debtors:				
Less than 3 months	15 023	17 883	12 964	15 675
Three to six months	1	118	1	118
Over six months	5	46	5	46
	15 029	18 047	12 970	15 839

Movements in the provision for impaired receivables are as follows:

At 1 January	620	1 154
Provision for impairment recognised (derecognised) during the year	172	(532)
Receivables written off during the year as uncollectable	(22)	(2)
At 31 December	770	620

(b) *Foreign exchange and interest rate risk*

The carrying amounts of current receivables are denominated in the following currencies:

NZ dollars	-	10	-	10
US dollars	91	27	28	4
Euro	2	48	2	48
Singapore dollars	71	-	71	-
	164	85	101	62

The carrying amounts of all non-current receivables are denominated in Australian dollars.

Information regarding the effective interest rate risk of both current and non-current receivables is set out in the financial risk management disclosures at note 27.

(c) *Fair value and credit risk*

The carrying value is assumed to approximate their fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate of 8 percent (8 percent) for general receivables. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item. The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables. The Economic Entity does not hold any collateral as security.

Information regarding the effective credit risk of both current and non-current receivables in set out in the Financial risk management disclosures at note 27.

17. Inventories

	Consolidated		University	
	2009	2008	2009	2008
Current:	$'000	$'000	$'000	$'000
Inventories held for other than distribution	475	529	209	211
Total current inventories	475	529	209	211
Total inventories	475	529	209	211

18. Other financial assets

Current:				
Held-to-maturity assets:				
Term deposits greater than 90 days	17 112	-	17 112	-
Indexed bonds	2 852	-	2 852	-
Total current held-to-maturity assets	19 964	-	19 964	-
Financial assets at fair value through profit or loss:^				
Managed funds:				
Deutsche Bank Private Wealth Management	30	2 581	30	2 581
BlackRock Fixed Interest Investments	8 419	-	8 419	-
Goldman Sachs JBWere	339	271	339	271
	8 788	2 852	8 788	2 852
Property:				
Property trust	10	56	6	51
	10	56	6	51
Equities:				
Australian equities	18 030	7 283	16 603	6 280
Total financial assets at fair value through profit or loss	26 828	10 191	25 397	9 183
Total current other financial assets	46 792	10 191	45 361	9 183

^ Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue and income or investment losses in the Income Statement and disclosed in note 5.

18. Other financial assets (continued)

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Non-current:					
Held-to-maturity assets:					
Indexed bonds		-	2 697	-	2 697
Total non-current held-to-maturity assets		-	2 697	-	2 697
Available-for-sale financial assets:					
Interests in business undertakings:					
Subsidiaries at Council valuation	35	-	-	8 503	8 845
Other entities		1 910	2 704	1 910	2 704
International equities		449	841	-	-
Australian equities		3 243	3 243	-	-
Total available-for-sale financial assets		5 602	6 788	10 413	11 549
Total non-current other financial assets		5 602	9 485	10 413	14 246
Total other financial assets		52 394	19 676	55 774	23 429

Held-to-maturity assets impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

None of the held-to-maturity assets are either past due or impaired.

All held-to-maturity assets are denominated in Australian currency. As a result there is no exposure to foreign currency risk. There is also no exposure to price risk as the assets will be held-to-maturity.

19. Other non-financial assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Current:				
Prepayments	6 136	5 481	6 085	5 461
Total other non-financial assets	6 136	5 481	6 085	5 461

20. Investment property

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Non-current:				
Properties held for investment purposes	11 312	10 259	11 312	10 259
	11 312	10 259	11 312	10 259
Movements for the period:				
Opening balance at 1 January	10 259	11 134	10 259	11 134
Additions for the year	1 247	125	1 247	125
Revaluation for the year	(194)	(1 000)	(194)	(1 000)
Closing balance at 31 December	11 312	10 259	11 312	10 259
Amounts recognised in profit and loss for investment properties:				
Rental income	1 351	903	1 407	975
Direct operating expenses (income generating)	438	211	508	242
Direct operating expenses (non-income generating)	174	125	104	96
Total net amount recognised in profit and loss	739	567	795	637

21. Property, plant and equipment

Land, buildings and infrastructure

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Crown land:				
2009 independent valuation	32 310	-	32 310	-
2008 independent valuation	-	34 070	-	34 070
	32 310	34 070	32 310	34 070
Freehold land:				
2009 independent valuation	2 987	-	2 987	-
2008 independent valuation	-	3 260	-	3 260
	2 987	3 260	2 987	3 260
Total land	35 297	37 330	35 297	37 330
Buildings:				
2009 independent valuation	237 033	-	237 033	-
2007 independent valuation	-	165 211	-	165 211
At cost	-	53 881	-	53 881
Total buildings	237 033	219 092	237 033	219 092
Infrastructure:				
2008 Council valuation	26 974	26 974	26 974	26 974
At cost	3 366	451	3 366	451
Total infrastructure	30 340	27 425	30 340	27 425
	267 373	246 517	267 373	246 517
Accumulated depreciation	(14 330)	(6 238)	(14 330)	(6 238)
Total buildings and infrastructure	253 043	240 279	253 043	240 279
Buildings under construction	10 459	5 248	10 459	5 201
Total land, buildings and infrastructure	298 799	282 857	298 799	282 810

Library collection	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
2007 University valuation	21 130	21 130	21 130	21 130
At cost	6 300	2 501	6 300	2 501
	27 430	23 631	27 430	23 631
Accumulated depreciation	(8 187)	(4 238)	(8 187)	(4 238)
Total library collection	19 243	19 393	19 243	19 393
Equipment				
At fair value	43 849	39 318	40 667	37 124
Accumulated depreciation	(27 512)	(26 243)	(25 713)	(24 493)
Total equipment	16 337	13 075	14 954	12 631
Aircraft				
At University valuation	1 620	1 620	1 620	1 620
At cost	565	570	565	570
Accumulated depreciation	(1 811)	(1 595)	(1 811)	(1 595)
Total aircraft	374	595	374	595
Works of art				
2009 University valuation	6 491	-	6 491	-
2008 University valuation	-	7 133	-	7 133
Total works of art	6 491	7 133	6 491	7 133
Total property, plant and equipment	341 244	323 053	339 861	322 562

Valuations of land and buildings

Land, buildings and infrastructure were revalued as at 31 December 2008 and 31 December 2009 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The basis of the valuation was written down current value (existing use). The basis of valuation of land, buildings and infrastructure is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

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

		Land $'000	Buildings and infra-structure $'000	Constr-uction in progress $'000	Library $'000	Equip-ment $'000	Aircraft $'000	Works of art $'000	2009 Total $'000
(a)	***Consolidated 2009***								
	Balance at 1 January	37 330	240 279	5 248	19 393	13 075	595	7 133	323 053
	Additions	-	3 544	16 330	4 118	6 940	-	63	30 995
	Reclassification	-	11 119	(11 119)	-	-	-	-	-
	Disposals	-	-	-	-	(391)	(2)	-	(393)
	Revaluation increments (decrements)	(2 033)	6 192	-	-	-	-	(705)	3 454
	Depreciation expense	-	(8 091)	-	(4 268)	(3 287)	(219)	-	(15 865)
	Carrying amount at 31 December	35 297	253 043	10 459	19 243	16 337	374	6 491	341 244
(b)	***Parent Entity 2009***								
	Balance at 1 January	37 330	240 279	5 201	19 393	12 631	595	7 133	322 562
	Additions	-	3 544	16 377	4 118	5 810	-	63	29 912
	Reclassification	-	11 119	(11 119)	-	-	-	-	-
	Disposals	-	-	-	-	(391)	(2)	-	(393)
	Revaluation increments (decrements)	(2 033)	6 192	-	-	-	-	(705)	3 454
	Depreciation expense	-	(8 091)	-	(4 268)	(3 096)	(219)	-	(15 674)
	Carrying amount at 31 December	35 297	253 043	10 459	19 243	14 954	374	6 491	339 861
(a)	***Consolidated 2008***								
	Balance at 1 January	35 097	192 826	21 473	21 130	10 872	814	7 816	290 028
	Additions	-	451	37 656	2 848	5 498	-	102	46 555
	Reclassification	-	53 881	(53 881)	-	-	-	-	-
	Disposals	-	-	-	-	(559)	-	-	(559)
	Revaluation increments (decrements)	2 233	(641)	-	-	-	-	(785)	807
	Depreciation expense	-	(6 238)	-	(4 585)	(2 736)	(219)	-	(13 778)
	Carrying amount at 31 December	37 330	240 279	5 248	19 393	13 075	595	7 133	323 053

(b) Parent Entity 2008

	Land	Buildings and infra-structure	Constr-uction in progress	Library	Equip-ment	Aircraft	Works of art	2008 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	35 097	192 826	21 426	21 130	10 270	814	7 816	289 379
Additions	-	451	37 656	2 848	5 516	-	102	46 573
Reclassification	-	53 881	(53 881)	-	-	-	-	-
Disposals	-	-	-	-	(559)	-	-	(559)
Revaluation increments (decrements)	2 233	(641)	-	-	-	-	(785)	807
Depreciation expense	-	(6 238)	-	(4 585)	(2 596)	(219)	-	(13 638)
Carrying amount at 31 December	37 330	240 279	5 201	19 393	12 631	595	7 133	322 562

Note: The University has restrictions imposed on the real property listed in this note under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.

22. Intangible assets

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Non-current:	$'000	$'000	$'000	$'000
Software costs	8 164	7 488	8 164	7 488
Accumulated amortisation and impairment	(5 372)	(4 475)	(5 372)	(4 475)
Book value of software costs	2 792	3 013	2 792	3 013
Project costs carried forward (development costs)	483	340	-	-
Total intangible assets	3 275	3 353	2 792	3 013

	Software Costs	Project Costs	Total
Consolidated:			
At 1 January 2008:	$'000	$'000	$'000
Cost	6 385	1 891	8 276
Accumulated amortisation and impairment	(3 711)	(1 780)	(5 491)
Net book amount	2 674	111	2 785
Year ended 31 December 2008:			
Opening net book amount	2 674	111	2 785
Additions	1 103	2 006	3 109
Disposals	-	-	-
Impairment charge	-	(1 777)	(1 777)
Amortisation charge	(764)	-	(764)
Closing net book amount	3 013	340	3 353
At 1 January 2009:			
Cost	7 488	3 897	11 385
Accumulated amortisation and impairment	(4 475)	(3 557)	(8 032)
Net book amount	3 013	340	3 353
Year ended 31 December 2009:			
Opening book amount	3 013	340	3 353
Additions	676	156	832
Disposals	-	-	-
Impairment charge	-	(13)	(13)
Amortisation charge	(897)	-	(897)
Closing net book amount	2 792	483	3 275
At 31 December 2009:			
Cost	8 164	4 053	12 217
Accumulated amortisation and impairment	(5 372)	(3 570)	(8 942)
Net book amount	2 792	483	3 275

23. Trade and other payables

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Current:	$'000	$'000	$'000	$'000
Creditors	4 110	5 637	3 687	5 598
OS-HELP liability to Australian Government	145	145	145	145
Accrued expenses	12 689	11 932	11 112	9 047
Annual leave on-costs	1 758	1 569	1 754	1 548
Long service leave on-costs	2 642	3 238	2 638	3 221
Total current trade and other payables	21 344	22 521	19 336	19 559
Non-current:				
Creditors	150	-	150	-
Annual leave on-costs	1 108	907	1 104	899
Long service leave on-costs	2 496	2 508	2 487	2 499
Total non-current trade and other payables	3 754	3 415	3 741	3 398
Total trade and other payables	25 098	25 936	23 077	22 957

(a) Foreign currency risk

The carrying amounts of the University and Economic Entity's trade payables are denominated in the following foreign currencies:

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Euro		27	92	27	92
US dollars		302	347	302	347
GBP		12	34	12	34
Other		37	31	37	31
		378	504	378	504

(b) Fair value

The carrying amounts shown above approximate fair value.

24. Provisions

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Current provisions expected to be settled within 12 months:					
Employee benefits:					
Annual leave		5 844	5 363	5 664	5 160
Long service leave		9 734	10 944	9 698	10 761
Defined benefit obligation	33	2 500	2 100	2 500	2 100
Severance (contract employees) and redundancies		255	266	255	266
Other employee entitlements		-	166	-	166
Total employee benefits		18 333	18 839	18 117	18 453
Workers compensation		397	401	397	401
Total current provisions		18 730	19 240	18 514	18 854
Non-current:					
Employee benefits:					
Annual leave		3 579	3 023	3 567	2 999
Long service leave		9 315	8 532	9 142	8 350
Defined benefit obligation	33	34 400	28 100	34 400	28 100
Severance		115	58	115	58
Total employee benefits		47 409	39 713	47 224	39 507
Workers compensation		439	539	439	539
Total non-current provisions		47 848	40 252	47 663	40 046
Total provisions		66 578	59 492	66 177	58 900
Reconciliation of employee benefits:					
Current employee benefits		18 333	18 839	18 117	18 453
Non-current employee benefits		47 409	39 713	47 224	39 507
Leave on-costs (included in note 23)		8 004	8 222	7 983	8 167
Aggregate employee benefits		73 746	66 774	73 324	66 127
Reconciliation of leave provisions:					
Annual leave		9 423	8 386	9 231	8 159
Annual leave on-costs		2 866	2 476	2 858	2 447
Total annual leave provision		12 289	10 862	12 089	10 606
Long service leave		19 049	19 476	18 840	19 111
Long service leave on-costs		5 138	5 746	5 125	5 720
Total long service leave provision		24 187	25 222	23 965	24 831
Total leave provisions		36 476	36 084	36 054	35 437

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2009	Workers compen-sation $'000
Current:	
Carrying amount at 1 January	401
Additional provisions recognised	-
Unused amounts reversed	(4)
Carrying amount at 31 December	397
Non-Current:	
Carrying amount at 1 January	539
Additional provisions recognised	-
Unused amounts reversed	(100)
Carrying amount at 31 December	439

25. Other Liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Current:				
Income in advance:				
Fees and charges	4 287	4 534	4 243	4 409
Other	476	114	476	338
	4 763	4 648	4 719	4 747
Funds held on behalf of external entities	64	466	48	466
Total current other liabilities	4 827	5 114	4 767	5 213
Interest-bearing funds held on behalf of external entities:				
Student entities	-	-	999	2 065
Other entities	1 891	1 733	1 891	1 733
Deposits from subsidiaries	-	-	252	528
Total current unsecured interest bearing liabilities	1 891	1 733	3 142	4 326

Interest bearing liabilities consist of funds held at the request of related entities. These are not borrowings. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Total other liabilities		6 718	6 847	7 909	9 539

26. Reserves and retained surpluses

(a) Reserves

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Asset revaluation reserve:					
Property, plant and equipment revaluation reserve		127 657	124 203	127 479	124 025
Available-for-sale investments revaluation reserve		1 274	2 293	8 680	9 886
Total asset revaluation reserve		128 931	126 496	136 159	133 911
Capital reserve		8 582	8 582	8 582	8 582
Endowment reserve		9 771	11 737	9 771	11 737
Grant reserve		27 604	21 074	27 604	21 074
Student loan reserve		542	528	542	528
Total reserves		175 430	168 417	182 658	175 832
Movements in revaluation reserves:					
Property, plant and equipment revaluation reserve:					
Balance 1 January		124 203	123 396	124 025	123 218
Increment (Decrement) on revaluation of:					
Land	21	(2 033)	2 233	(2 033)	2 233
Buildings and infrastructure	21	6 192	(641)	6 192	(641)
Artwork	21	(705)	(785)	(705)	(785)
Balance 31 December		127 657	124 203	127 479	124 025
Available-for-sale investments revaluation reserve:					
Balance 1 January		2 293	1 020	9 886	8 311
Increment (Decrement) on revaluation		(1 019)	1 273	(1 206)	1 575
Balance 31 December		1 274	2 293	8 680	9 886
Endowment reserve:					
Balance 1 January		11 737	14 037	11 737	14 037
Current year usage of funds		(1 966)	(2 300)	(1 966)	(2 300)
Balance 31 December		9 771	11 737	9 771	11 737
Grant reserve:*					
Balance 1 January		21 074	15 085	21 074	15 085
Allocation from current year operating surplus		6 530	5 989	6 530	5 989
Current year usage of funds		-	-	-	-
Balance 31 December		27 604	21 074	27 604	21 074
Student loan reserve:					
Balance 1 January		528	535	528	535
Allocation from current year operating surplus		14	-	14	-
Current year usage of funds		-	(7)	-	(7)
Balance 31 December		542	528	542	528

* From 2009 the grant reserve contains only unspent grant funds, previously it also contained some capital items.

(b) Retained surplus

	Consolidated		University	
	2009	2008	2009	2008
Movements in retained surplus were as follows:	$'000	$'000	$'000	$'000
Retained surplus at 1 January	242 775	208 676	233 859	200 408
Operating result for the period	30 053	38 036	29 577	37 388
Movements in Super Scheme No. 1 surplus	-	(255)	-	(255)
Transfers (to) from reserves	(4 578)	(3 682)	(4 578)	(3 682)
Retained surplus at 31 December	268 250	242 775	258 858	233 859

(c) Nature and purpose of reserves

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The capital reserve is used to record funds dedicated to capital projects.

The endowment reserve is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant reserve is used to record the accumulated balance of funds restricted to grant research.

The student loan reserve is funds reserved for the purpose of providing loans to students.

27. Financial risk management

The Economic Entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The University has a comprehensive suite of policies that deal with risk management including financial instrument risk.

The nature of the University's activities are generally lower risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. The University's investment policy requires investments to have a minimum credit rating of A. Derivative instruments are not used. The University holds funds on behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns.

The following is the Economic Entity'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(d),15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term deposits	15	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government securities (excluding indexed bonds)	18	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Indexed bonds	18	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Equities	18	Recognised at market value.	Carrying amount of investments adjusted to market value monthly.
Managed funds	18	Recognised at market value.	Accrued distributions credited to revenue monthly. Capital increments/decrements also recognised monthly.
Interest in business undertakings	18	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (Provision for doubtful debts).	Credit is allowed for a 30 day term.
(ii) Financial Liabilities			
Trade creditors and accruals	23	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic Entity.	Trade liabilities are normally settled within 30 days of statement.
Interest bearing liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.

Net fair value

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

The Economic Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

Interest rate risk exposure

2009 Financial assets: Current assets:	Floating interest rate $'000	1 year or Less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Cash and cash equivalents	17 356	57 180	-	-	-	-	-	-	74 536
Receivables	-	-	-	-	-	-	-	17 415	17 415
Other financial assets	-	19 964	-	-	-	-	-	26 828	46 792
Total current assets	17 356	77 144	-	-	-	-	-	44 243	138 743
Non-current assets:									
Receivables	-	-	-	-	-	-	-	35 304	35 304
Other financial assets	-	-	-	-	-	-	-	5 602	5 602
Total non-current assets	-	-	-	-	-	-	-	40 906	40 906
Total financial assets	17 356	77 144	-	-	-	-	-	85 149	179 649
Weighted average interest rate - percent	2.98	5.05							
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	21 344	21 344
Other liabilities	1 891	-	-	-	-	-	-	4 827	6 718
Total current liabilities	1 891	-	-	-	-	-	-	26 171	28 062
Non-current liabilities:									
Payables	-	-	-	-	-	-	-	3 754	3 754
Total non-current liabilities	-	-	-	-	-	-	-	3 754	3 754
Total financial liabilities	1 891	-	-	-	-	-	-	29 925	31 816
Weighted average interest rate - percent	4.07								
Net financial assets (liabilities)	15 465	77 144	-	-	-	-	-	55 224	147 833
2008									
Financial assets:									
Current assets:									
Cash and cash equivalents	22 500	69 205	-	-	-	-	-	-	91 705
Receivables	-	-	-	-	-	-	-	20 254	20 254
Other financial assets	-	-	-	-	-	-	-	10 191	10 191
Total current assets	22 500	69 205	-	-	-	-	-	30 445	122 150
Non-current assets:									
Receivables	-	-	-	-	-	-	-	29 159	29 159
Other financial assets	-	-	2 697	-	-	-	-	6 788	9 485
Total non-current assets	-	-	2 697	-	-	-	-	35 947	38 644
Total financial assets	22 500	69 205	2 697	-	-	-	-	66 392	160 794
Weighted average interest rate - percent	3.75	6.06	4.00	-	-	-	-		
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	22 521	22 521
Other liabilities	1 733	-	-	-	-	-	-	5 114	6 847
Total current liabilities	1 733	-	-	-	-	-	-	27 635	29 368
Non-current liabilities:									
Payables	-	-	-	-	-	-	-	3 415	3 415
Total non-current liabilities	-	-	-	-	-	-	-	3 415	3 415
Total financial liabilities	1 733	-	-	-	-	-	-	31 050	32 783
Weighted average interest rate - percent	6.02								
Net financial assets (liabilities)	20 767	69 205	2 697	-	-	-	-	35 342	128 011

The Economic Entity does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The main risks the Economic Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Economic Entity has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2009 the Economic Entity held $74.3 million ($70.8 million) in term deposits and short-term deposits earning interest at market rates. Refer note 15. The Economic Entity also held $8.4 million (nil) in fixed interest managed funds. Refer note 18.

Interest rate risk exposure (continued)
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic Entity's exposure to foreign exchange risk is limited to its investments in international equities of $449 000 ($841 000). In 2009 there is also the equivalent of $215 000 ($nil) of foreign currency held in a bank account and as indicated in note 16 there is $164 000 ($85 000) denoted in foreign currency receivables. There are $378 000 ($504 000) of trade and other payables denoted in foreign currency as per note 23.

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. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. Except for the following concentration of credit risk, the Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity:

- Superannuation receivable from DEEWR of $36.9 million ($30.2 million).

Liquidity risk is the risk that financial obligations will not be able to be met when they fall due. The University manages liquidity risk by monitoring forecast cash flows and maintains sufficient cash to maintain short-term flexibility and enable the University to meet financial commitments in a timely manner.

Sensitivity analysis
The following table summarises the sensitivity of the Economic Entity's financial assets and financial liabilities to interest rate risk and price risk

		Interest rate risk				Price risk			
2009	Carrying	-1%		+1%		-1%		+1%	
	amount	Result	Equity	Result	Equity	Result	Equity	Result	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	74 536	(745)	(745)	745	745	-	-	-	-
Receivables	52 719	-	-	-	-	-	-	-	-
Other financial assets	52 394	(259)	(259)	259	259	209	209	(209)	(209)
Financial liabilities:									
Payables	25 098	-	-	-	-	-	-	-	-
Other financial liabilities	6 718	19	19	(19)	(19)	-	-	-	-
Total increase (decrease)	147 833	(985)	(985)	985	985	209	209	(209)	(209)

The interest rate risk on other financial liabilities not included above is nil as these funds are invested on behalf of related entities and they bear the interest rate risk. No sensitivity analysis has been prepared for foreign exchange risk as the risks are immaterial.

The above sensitivity analysis has been prepared on the assumption that all other variables remain constant.

Fair value measurements
Fair value measurements recognised in the economic entity balance sheet are categorised into the following levels:

Financial assets:	31.12.09	Level 1	Level 2	Level 3
Other financial assets:	$'000	$'000	$'000	$'000
Managed funds:				
Deutsche Bank Private Wealth Management	30	-	30	-
BlackRock Fixed Interest Investments	8 419	-	8 419	-
Goldman Sachs JBWere	339	-	339	-
Property:				
Property trust	10	-	10	-
Equities:				
Australian equities	21 273	-	18 030	3 243
International equities	449	-	-	449
Interests in business undertakings:				
Other entities	1 910	-	-	1 910
Total	32 430	-	26 828	5 602

Reconciliation of financial assets categorised as level 3:	Other financial
Level 3 financial assets 2009	assets
	$'000
Opening balance 1 January	6 788
Total gains or losses:	
In profit or loss	-
In other comprehensive income	(19)
Purchases	70
Settlements	(1 237)
Closing balance 31 December	5 602

28. Disaggregated information

The University operates in the field of higher education in Australia and provides teaching and research services. It has no material offshore operations.

29. Key management personnel disclosures

29.1 Responsible persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex officio members or elected staff 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.

(a) Names of responsible persons

Council members in 2009

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

Members ex officio

Chancellor
Sir Eric Neal, AC, CVO

Vice-Chancellor
Professor Michael N Barber*

Presiding member of the Academic Senate
Professor Marika Tiggermann*

Members appointed by the Council
Mr Nicholas Begakis, AM
Ms Leonie Clyne
Dr Bronwyn Halliday (from 13 August 2009)
Mr John Hood
The Hon Dr Diana Laidlaw, AM
Ms Peggy Lau Flux
Ms Mary Mitchell (to 24 April 2009)
Mr Thomas Phillips, AM
Mr Michael Shanahan, AM
Mr Austin Taylor
Mr Ian Yates, AM

Member co-opted and appointed by the Council
Mr Richard Ryan, AO (from 13 August 2009)

Members elected by the academic staff
Professor Gary Davis (to 10 February 2009)*
Dr Kathryn Schuller (from 20 April 2009)*
Associate Professor Heather Smigiel*

Members elected by the general staff
Dr Leonie H Hardcastle*
Mr Ben Jacobs (from 4 August 2009)*
Ms Anthea Williams (to 19 June 2009)*

Student members elected by the students
Ms C Amanda Muller (to 17 November 2009)
Mr Samuel D Taylor
Ms Emily Crawford

Directors of University subsidiaries in 2009

Persons listed were directors for the full year unless otherwise indicated.

Flinders Bioremediation Pty Ltd
Professor Andrew Ball (Director/Chair)
Ms Rhonda Domin

Flinders Campus Community Services
Mr Peter Hogan (Chair/Director) (to July 2009/from October 2009)
Ms Leonie Clyne (Chair) (from September 2009)
Ms Lucy Richards
Mr Andrew McHugh
Mr Andrew Nairn
Mr Mark King (to August 2009)
Mr Kim Roberts (to April 2009)
Mr Simon Macdonald (from April 2009)
Ms Michelle Tatyzo
Mr Heath McCallum

Flinders Campus Community Services (continued)
Mr Evan Wastell (to September 2009)
Mr Matthew Kilgariff (to October 2009)
Mr Chris Wong (to October 2009)
Mr Michael Gunn (from November 2009)
Mr Harred Sferruzzi (from November 2009)
Mr Christopher Hansford (from November 2009)

Lung Health Diagnostics Pty Ltd
Professor Christopher Marlin (Chair) (to 29 April 2009)
Ms Barbara Fergusson (Chair) (from 28 April 2009)

Flinders Consulting Pty Ltd
Ms Leonie Clyne (Chair)
Ms Elaine Melhuish (to 26 August 2009)

Flinders Reproductive Medicine Pty Ltd [1] (to 30 April 2009)
Dr Enzo Lombardi (to 29 April 2009)
Ms Barbara Fergusson (to 8 May 2009)
Ms Margaret Smith
Emeritus Professor Colin Matthews
Ms Donna Howlett

Flinders Partners Pty Ltd
Mr John Branson (Chair)
Mr Anthony Francis (Managing Director)
Ms Leonie Clyne (to 1 October 2009)
Mrs Janet Grieve (to 26 May 2009)
Mr Geoffrey Pitt
Professor Christopher Marlin (to 9 April 2009)
Professor David Day (from 15 December 2009)
Ms Elaine Melhuish (to 26 May 2009)
Mr Daniel Flaherty (from 26 May 2009)
Mr Thomas Phillips, AM (from 7 October 2009)

Flinders MediTech Pty Ltd [2]
Mr John Branson (Chair)
Mr Anthony Francis
Mrs Janet Grieve (to 26 May 2009)
Professor Christopher Marlin (to 9 April 2009)
Mr Geoffrey Pitt
Mr Daniel Flaherty (from 26 May 2009)

MediMolecular Pty Ltd [3]
Mr John Branson (Chair) (to 29 July 2009)

Pancadia Pty Ltd [2]
Mr John Branson (Chair)
Mr Anthony Francis

Re-Time Pty Ltd [2]
Mr John Branson (Chair)
Mrs Janet Grieve (to 26 May 2009)
Professor Christopher Marlin (to 9 April 2009)
Mr Geoffrey Pitt
Mr Daniel Flaherty (from 26 May to 24 August 2009)

National Institute of Labour Studies Inc
Mr Mike Terlet, AO (Chair)
Ms Jan Andrews
Professor John Browett
Mr John Lesses, AM
Professor Bill Martin (to 3 April 2009)
Professor Sue Richardson (from 6 April to 18 August 2009)
Professor Kostas Mavromaras (from 17 August 2009)

National Institute of Labour Studies Foundation Inc [4]
Mr Bruce Sheldrick (Chair)
Mr Hedley Bachmann
Professor John Browett
Mr Peter Dewhurst (to 1 March 2009)
Professor Jonathon Pincus

1 100 percent owned by Flinders Consulting Pty Ltd until 30 April 2009 when ownership interest reduced to 50 percent.
2 100 percent owned by Flinders Partners Pty Ltd.
3 75 percent owned by Flinders Partners Pty Ltd until 23 July 2009 when ownership interest reduced to nil.
4 National Institute of Labour Studies Inc Subsidiary.

Remuneration of board members

The table comprises total remuneration that falls within the prescribed bandwidths for board members. Remuneration for executive officers who are also directors is shown as zero in this table, with their total remuneration shown under remuneration of executive officers. Individuals who serve as directors on more than one board are counted multiple times in the figures disclosed below.

	Consolidated		University	
	2009	2008	2009	2008
	Number	Number	Number	Number
$nil	71	75	24	23
$1 - $9 999	7	1	-	-
$10 000 - $19 999	1	-	-	-
$20 000 - $29 999	1	5	-	-
$30 000 - $39 999	1	1	-	-
$80 000 - $89 999	1	-	-	-
$90 000 - $99 999	1	-	-	-
	83	82	24	23

	Consolidated		University	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Aggregate remuneration of board members	291	148	-	-

29.2 Key management personnel

Remuneration of key management personnel

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

	Consolidated		University	
	2009	2008	2009	2008
	Number	Number	Number	Number
$100 000 - $109 999	1	-	1	-
$110 000 - $119 999	-	1	-	-
$120 000 - $129 999	-	1	-	-
$140 000 - $149 999	-	-	-	-
$150 000 - $159 999	2	2	1	1
$190 000 - $199 999	-	1	-	1
$200 000 - $209 999	1	1	1	-
$210 000 - $219 999	1	1	1	1
$220 000 - $229 999	-	2	-	2
$230 000 - $239 999	3	-	2	-
$240 000 - $249 999	-	-	-	-
$250 000 - $259 999	1	-	1	-
$260 000 - $269 999	-	3	-	3
$270 000 - $279 999	2	1	2	1
$430 000 - $439 999	-	1	-	1
$470 000 - $479 999	1	-	1	-
	12	14	10	10

	Consolidated		University	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Aggregate remuneration of executives	2 825	3 119	2 439	2 529

The DEEWR Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity'.[1]

29.3 Related party transactions

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated FBT. No loans have been provided to key management personnel and any other transaction between personnel and the University has been undertaken on a normal commercial basis. The University leases residential accommodation to the Vice-Chancellor on normal commercial terms and conditions.

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

1 Financial Statement Guidelines for Australian Higher Education Providers for the 2009 Reporting Period.

30. Remuneration of auditors

	Consolidated		University	
	2009	2008	2009	2008
Auditing the financial report:	$'000	$'000	$'000	$'000
South Australian Auditor-General	230	234	230	234
Other auditors	31	44	2	2
Total remuneration for auditing the financial report	261	278	232	236
Other auditing services:				
South Australian Auditor-General	4	4	4	4
Total remuneration for other audit services	4	4	4	4
Total remuneration for audit services	265	282	236	240

No other services were provided by the auditors who audited the financial reports.

31. Contingencies

Contingent liabilities

The University is an exempt employer for WorkCover SA purposes. The University is required by WorkCover SA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2009 the University had a bank guarantee facility of $1.8 million in place (total facility limit of $3 million).

Contingent assets

There are no material contingent assets.

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2009	2008	2009	2008
Buildings works:	$'000	$'000	$'000	$'000
Within one year	6 037	6 342	5 907	6 342
Later than one year but not later than five years	94	-	44	-
Later than five years	-	-	-	-
	6 131	6 342	5 951	6 342
Plant and equipment:				
Within one year	485	727	408	334
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	485	727	408	334
Intangible assets:				
Within one year	23	-	23	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	23	-	23	-
Joint ventures:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-
Total capital commitments	6 639	7 069	6 382	6 676

(b) Lease commitments

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

University as lessee	Consolidated		University	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Total lease payments recognised as an expense during the reporting period	2 508	1 389	2 508	1 332
Commitments				
Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities, payable:				
Within one year	1 126	1 085	1 126	1 085
Later than one year but not later than five years	2 507	1 676	2 507	1 676
Later than five years	2 496	390	2 496	390
Total lease commitments as lessee	6 129	3 151	6 129	3 151

	Consolidated		University	
	2009	2008	2009	2008
University as lessor	$'000	$'000	$'000	$'000
Lease receivables contracted but not included in the financial statements and receivable as follows:				
Within one year	843	726	886	763
Later than one year but not later than five years	460	595	460	710
Later than five years	55	126	55	126
Total lease commitments as lessor	1 358	1 447	1 401	1 599

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2009 69 percent (61 percent) of the building is leased or available for lease to entities outside the Economic Entity. A further 8 percent (10 percent) is leased to entities outside the University but within the Economic Entity.

A portion of the Remote Health Precinct property is treated as an investment property and as at 31 December 2009 81 percent (81 percent) of this investment property is leased or available for lease to entities outside the Economic Entity. In 2009 the University completed the acquisition of a residential investment property. This is leased out on a commercial basis.

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

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

(c) Other expenditure commitments

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Within one year	2 230	2 206	2 230	2 206
Later than one year but not later than five years	313	227	313	227
Later than five years	57	50	57	50
Total other expenditure commitments	2 600	2 483	2 600	2 483

33. Superannuation commitments

The University contributes to the following employee superannuation funds:

(i) UniSuper

(a) UniSuper Defined Benefit Plan or Investment Choice Plan

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. 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. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

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

As at 30 June 2009 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Whilst still technically a defined benefit plan, in 2006 the UniSuper Trust Deed was amended so that in the event that UniSuper assets are insufficient to provide benefits payable the Trustee must reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. The change in the UniSuper Trust Deed effectively alters the nature of the fund to a defined contribution fund.

(b) UniSuper Award Plus Plan

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 benefits arising under the Superannuation Guarantee Legislation.

(ii) *South Australian Superannuation Scheme*

The University has 81 (82) 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 which is responsible for administering the schemes. Under current arrangements, the South Australian Superannuation 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 2009 by the Director Superannuation, South Australian Department of Treasury and Finance, at $36.9 million ($30.2 million). 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 16). Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that while there is no specific 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 CPI — 3.0 percent per annum
- Rate of salary increases — 4.5 percent per annum
- Investment earnings — 8.0 percent per annum

These assumptions remain the same as for the previous year.

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	
	2009	2008
	$'000	$'000
University's gross liability	39 200	32 100
Funded component	(2 300)	(1 900)
Unfunded liability	36 900	30 200
Total obligation	36 900	30 200
Reimbursement rights (receivable from DEEWR)	36 900	30 200
Net liability	-	-
Income received from DEEWR	1 447	1 922
Emerging cost payments to Super SA	1 559	1 710

(iii) *Superannuation Scheme No. 1*

Superannuation Scheme

Prior to the inception of UniSuper, the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. Since 31 December 2008 there have been no members remaining in the Scheme and the Scheme is in the process of being wound up.

Invalidity Scheme

Certain staff are members of the Invalidity Scheme. Total membership is 8 (9). 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 UniSuper defined benefit fund.

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. In late 2008 all of the staff covered by the Scheme moved to UniSuper and, apart from a three year exclusion for existing medical conditions, and one staff member who was refused invalidity cover by UniSuper, the staff are now covered by UniSuper benefits. In light of this change the University reassessed the liability and reduced it to zero for the Scheme. For 2009 no change to the liability has occurred.

34. Related parties

Responsible persons and specified executives

Disclosures relating to Council members, directors of subsidiaries and specified executives are set out in note 29.

Wholly-owned economic entity

Ownership interests in subsidiaries are set out in note 35.

35. Subsidiaries

Flinders University is the Parent Entity or ultimate Parent Entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

		Ownership interest	
		2009	2008
Name of entity	***Principal activity***	Percent	Percent
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 Campus Community Services Pty Ltd	Provides on-campus services and support for students.	100	100
Flinders Consulting Pty Ltd	Conducts commercial consultancies. From 1 January 2008 Flinders Consulting merged its operations with Flinders Partners Pty Ltd.	100	100
Flinders Reproductive Medicine Pty Ltd (ceased to be a subsidiary of Flinders Consulting Pty Ltd from 1 May 2009 following a restructure)	Provides a high quality comprehensive infertility investigatory and treatment service.	50	100
Flinders Partners Pty Ltd	Commercialisation of University sourced intellectual property and conduct of commercial consultancies.	100	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Medical device company.	100	100
MediMolecular Pty Ltd (subsidiary of Flinders Partners Pty Ltd) until 23 July 2009	Biotech company.	-	75
Pancadia Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Biotech company.	100	100
Re-time Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Specialist eye-wear company.	100	100
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60
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 percent owned by NILS Inc)	Supports the activities of NILS Inc.	100	100

36. Jointly controlled operations and assets

(a) Joint venture operations and assets

		Output interest	
		2009	2008
Name of entity	Principal activity	Percent	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, in the Greater Green Triangle region.	50	50

The assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective categories:

Centre for Remote Health	Consolidated		University	
	2009	2008	2009	2008
Current assets:	$'000	$'000	$'000	$'000
Cash at bank	683	725	683	725
Receivables	8	164	8	164
Total current assets	691	889	691	889
Non-current assets:				
Property, plant and equipment	2 881	2 445	2 881	2 445
Total assets	3 572	3 334	3 572	3 334

Centre for Remote Health (continued)	Consolidated		University	
	2009	2008	2009	2008
Current liabilities:	$'000	$'000	$'000	$'000
Payables	-	11	-	11
Annual leave	46	29	46	29
Long service leave	30	20	30	20
Total current liabilities	76	60	76	60
Non-current liabilities:				
Annual leave	32	22	32	22
Long service leave	44	43	44	43
Total non-current liabilities	76	65	76	65
Total liabilities	152	125	152	125
Share of assets employed in joint venture	3 420	3 209	3 420	3 209
Greater Green Triangle				
Current assets:				
Cash at bank	954	967	954	967
Receivables	-	-	-	-
Total current assets	954	967	954	967
Non-current assets:				
Property, plant and equipment	114	103	114	103
Total assets	1 068	1 070	1 068	1 070
Current liabilities:				
Annual leave	34	36	34	36
Long service leave	2	-	2	-
Total current liabilities	36	36	36	36
Non-current liabilities:				
Annual leave	21	19	21	19
Long service leave	54	57	54	57
Total non-current liabilities	75	76	75	76
Total liabilities	111	112	111	112
Share of assets employed in joint venture	957	958	957	958

Joint venture operations and assets
The University's joint venture operations and assets have no contingent liabilities as at 31 December 2009 ($nil).

Other
The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

(b) Joint venture entities
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 AASB 131.

Relevant disclosures are as follows:

Name of entity		Reporting date	Principal activity	Ownership interest 2009 Percent	Ownership interest 2008 Percent
Cooperative Research Centres (CRC)					
Cooperative Research Centre for Aboriginal Health (CRCAH)	(U)	30 June	Provides a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	15	15
Other joint venture entities					
Australian Housing and Urban Research Institute (AHURI) – Southern Research Centre	(U)	30 June	A cooperative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	9	9
Centre for Groundwater Studies (CGS) #	(U)	31 December	A cooperative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	-	13

Name of entity		Reporting date	Principal activity	Ownership interest 2009 Percent	2008 Percent
Other joint venture entities (continued)					
eResearch SA +	(U)	31 December	Supports and promotes the use of advanced and high-performance computing and communications.	25	33
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	-*	-*
SABRENet Ltd	(I)	30 June	Delivers high capacity broadband network services to the education and research sector.	20	20
South Australian Centre for Economic Studies (SACES)	(U)	31 December	Conducts research on economic issues for government and private sector bodies.	50	50
South Australian Consortium of Information Technology and Telecommunications Inc (SACITT)	(I)	31 December	Explores collaborative IT&T research and development issues.	33	33
South Australian Health and Medical Research Institute (SAHMRI)	(I)	30 June	Ensures South Australia's strong position in health and medical research into the future.	17*	-
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
The Centre for Innovation Inc (TCII)	(I)	30 June	To promote, encourage and facilitate continuing economic development.	33	33
The Ethics Centre of South Australia (ECSA)	(U)	31 December	Facilitates ethics research and teaching in South Australia.	33	33
Unisure Pty Ltd ^	(I)	31 December	Provision of workers compensation services and investment of funds set aside for workers compensation.	33.3	33.3

(I) *Incorporated*
(U) *Unincorporated*

* *Partner but no right to residual assets*

Centre for Groundwater Studies transferred into the University during 2009

\+ *Formerly the South Australian Partnership for Advanced Computing (SAPAC)*

^ *Application to voluntarily wind up Unisure Pty Ltd was made on 24 December 2009. Refer note 1(j) for further detail.*

(c) 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.

37. Discontinuing operations

Neither the University nor the Economic Entity had discontinuing operations.

38. Events occurring after the Balance Sheet date

There was misappropriation of funds affecting the financial operations for the year ended 31 December 2009 and which continued into January 2010. In relation to the misappropriation of funds disclosed in note 43 recoveries have been made in 2010. It is anticipated that further recoveries will be made, but the amount is unable to be reliably estimated.

There were no other events that took place after reporting date that have a material impact on the financial statements of the University or the Economic Entity.

39. Reconciliation of operating result to net cash flows from operating activities

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Operating result for the period	30 068	38 036	29 577	37 388
Non-cash items:				
Depreciation and amortisation	16 762	14 542	16 571	14 402
Asset impairment	150	1 777	126	-
Net loss (gain) on sale of assets	398	864	(121)	885
Net contribution of assets	(1 422)	(688)	(1 422)	(688)
Unrealised investment (gains) losses	(3 394)	6 557	(3 243)	6 041
Dividend reinvestment	-	(321)	-	(321)
Total of non-cash items	12 494	22 731	11 911	20 319
Change in assets and liabilities:				
Decrease (Increase) in receivables	3 244	(3 007)	3 376	(2 741)
Decrease (Increase) in inventories	54	(42)	2	(2)
(Increase) Decrease in other assets	(655)	(2 406)	(624)	(2 383)
(Decrease) Increase in payables	(838)	2 963	120	1 744
Increase in provisions	386	3 075	577	2 980
Increase (Decrease) in other liabilities	115	(5 879)	(28)	(3 138)
Net cash provided by operating activities	44 868	55 471	44 911	54 167

The cash and cash equivalents figures in note 15 are reconciled to cash and cash equivalents at the end of the year in the Statement of Cash Flows as follows:

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Cash at bank and on hand	11 135	20 847	9 618	19 206
Cash deposits at call within three days	6 221	1 653	5 090	67
Term deposits maturing within 90 days	57 180	69 205	57 180	69 205
Cash and cash equivalents balance per Statement of Financial Position	74 536	91 705	71 888	88 478
Bank overdraft	-	-	-	-
Balance per Statement of Cash Flows	74 536	91 705	71 888	88 478

Financing facilities

Flinders University has the following arrangements with the NAB Bank:

	Consolidated 2009	Consolidated 2008	University 2009	University 2008
Overdraft facility(1)	500	500	500	500
Amount used	-	-	-	-
Unused overdraft facility	500	500	500	500
Visa credit cards facility(1)	4 070	4 070	4 000	4 000
Amount used	(422)	(404)	(408)	(391)
Unused credit cards facility	3 648	3 666	3 592	3 609

(1) These facilities are unsecured.

Cash balances not available for use

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

Tax status

The activities of the University are exempt from income tax as are all but two of its controlled entities. Flinders Reproductive Medicine Pty Ltd, a subsidiary until 30 April 2009, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

40. 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 $1.4 million ($688 000) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

41. Assets and liabilities of trusts for which the University is trustee

The University is the trustee of the following trusts:

Trust name	*Purpose*
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

ADS students trust assets and liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	University 2009 $'000	University 2008 $'000
Current assets:				
Cash at bank	61	6	61	6
Receivables	-	76	-	76
Total current assets	61	82	61	82
Non-current assets:				
Total non-current assets	-	-	-	-
Total assets	61	82	61	82

ADS students trust assets and liabilities (continued)	Consolidated		University	
	2009	2008	2009	2008
Current liabilities:	$'000	$'000	$'000	$'000
Trade and other payables	-	-	-	-
Total current liabilities	-	-	-	-
Non-current liabilities:				
Total non-current liabilities	-	-	-	-
Total liabilities	-	-	-	-
Net assets	61	82	61	82

The funds held in trust for AUSAid are not included in the University's Income Statement and Statement of Financial Position.

Sir Ewen Waterman Trust
The amount held in the Sir Ewen Waterman Trust is immaterial.

Flinders Charitable Trust
Flinders Reproductive Medicine Pty Ltd (a subsidiary of the University until 30 April 2009) is the trustee of the Flinders Charitable Trust. The assets and liabilities of the trust are brought to account in the Economic Entity's Income Statement and Statement of Financial Position.

42. 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.

43. Misappropriation of funds

The 2009 financial statements include an amount of $8.7 million, being the estimated loss to 31 December 2009 from misappropriation of funds. Refer also to note 38.

The University has made certain recoveries in respect of the misappropriation of funds in 2010.

44. Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
DEEWR	Department of Education, Employment and Workplace Relations
DIISR	Department of Innovation, Industry, Science and Research
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Programme
HEFA	Higher Education Funding Agreement
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Programme
VSU	Voluntary student unionism

45. Acquittal of Australian Government financial assistance

45.1 DEEWR - CGS and other DEEWR grants

		University only			
		Commonwealth Grants Scheme[1]		Indigenous Support Program	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	$'000 79 796	$'000 74 067	$'000 473	$'000 520
Net accrual adjustments		2 047	1 179	-	-
Revenue for the period	2(a)	81 843	75 246	473	520
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		81 843	75 246	473	520
Expenses including accrued expenses		(81 843)	(75 246)	(473)	(520)
Surplus (Deficit) for reporting period		-	-	-	-

		University only			
		Equity Support Program		Disability Support Program	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 231	$'000 262	$'000 59	$'000 65
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	231	262	59	65
Surplus (Deficit) from the previous year		-	26	-	-
Total revenue including accrued revenue		231	288	59	65
Expenses including accrued expenses		(231)	(288)	(59)	(65)
Surplus (Deficit) for reporting period		-	-	-	-

1 Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading Maths and Science Transition loading and Full Fee Places Transition loading.

45.1 DEEWR - CGS and other DEEWR grants (continued)

		University only			
		Workplace Reform Program		Workplace Productivity Program	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	$'000	$'000	$'000	$'000
		942	932	221	222
Net accrual adjustments		-	-	(120)	120
Revenue for the period	2(a)	942	932	101	342
Surplus (Deficit) from the previous year		-	21	11	7
Total revenue including accrued revenue		942	953	112	349
Expenses including accrued expenses		(942)	(953)	(57)	(338)
Surplus (Deficit) for reporting period		-	-	55	11

		University only			
		Learning and Teaching Performance Fund		Capital Development Pool	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000	$'000	$'000	$'000
		-	500	2 246	2 481
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	-	500	2 246	2 481
Surplus (Deficit) from the previous year		332	895	3 602	2 969
Total revenue including accrued revenue		332	1 395	5 848	5 450
Expenses including accrued expenses		(86)	(1 063)	(5 848)	(1 848)
Surplus (Deficit) for reporting period		246	332	-	3 602

		University only			
		Diversity and Structural Adjustment Fund[2]		Improving Prac Comp of Teach Ed	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000	$'000	$'000	$'000
		1 668	1 767	244	309
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	1 668	1 767	244	309
Surplus (Deficit) from the previous year		1 008	99	-	-
Total revenue including accrued revenue		2 676	1 866	244	309
Expenses including accrued expenses		(663)	(858)	(244)	(309)
Surplus (Deficit) for reporting period		2 013	1 008	-	-

		University only			
		Transitional Cost Program		Total	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000	$'000	$'000	$'000
		354	555	86 234	81 680
Net accrual adjustments		(58)	(52)	1 869	1 247
Revenue for the period	2(a)	296	503	88 103	82 927
Surplus (Deficit) from the previous year		-	-	4 953	4 017
Total revenue including accrued revenue		296	503	93 056	86 944
Expenses including accrued expenses		(296)	(503)	(90 742)	(81 991)
Surplus (Deficit) for reporting period		-	-	2 314	4 953

45.2 Higher Education Loan Programmes

		University only			
		HECS-HELP (Australian Government) payments only)		FEE-HELP	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000	$'000	$'000	$'000
		44 156	44 272	3 930	3 589
Net accrual adjustments		461	(2 132)	(785)	(392)
Revenue for the period	2(b)	44 617	42 140	3 145	3 197
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		44 617	42 140	3 145	3 197
Expenses including accrued expenses		(44 617)	(42 140)	(3 145)	(3 197)
Surplus (Deficit) for reporting period		-	-	-	-

2 Includes Collaboration and Structural Adjustment Programme.

45.2 Higher Education Loan Programmes (continued)

	Note	University only Total 2009 $'000	2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		48 086	47 861
Net accrual adjustments		(324)	(2 524)
Revenue for the period	2(b)	47 762	45 337
Surplus (Deficit) from the previous year		-	-
Total revenue including accrued revenue		47 762	45 337
Expenses including accrued expenses		(47 762)	(45 337)
Surplus (Deficit) for reporting period		-	-

45.3 Learning scholarships

		University only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2 041	1 717	313	419
Net accrual adjustments		-	-	97	(66)
Revenue for the period	2(c)	2 041	1 717	410	353
Surplus (Deficit) from the previous year		(114)	(105)	-	(128)
Total revenue including accrued revenue		1 927	1 612	410	225
Expenses including accrued expenses		(1 814)	(1 726)	(410)	(225)
Surplus (Deficit) for reporting period		113	(114)	-	-

		University only			
		Commonwealth Education Cost Scholarships[3]		Commonwealth Accommodation Scholarships[3]	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		1 128	977	1 593	1 349
Net accrual adjustments		(357)	-	(539)	-
Revenue for the period	2(c)	771	977	1 054	1 349
Surplus (Deficit) from the previous year		390	255	529	463
Total revenue including accrued revenue		1 161	1 232	1 583	1 812
Expenses including accrued expenses		(1 161)	(842)	(1 583)	(1 283)
Surplus (Deficit) for reporting period		-	390	-	529

		University only			
		Indigenous Access Scholarships		Total	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		42	61	5 117	4 523
Net accrual adjustments		(82)	-	(881)	(66)
Revenue for the period	2(c)	(40)	61	4 236	4 457
Surplus (Deficit) from the previous year		59	-	864	485
Total revenue including accrued revenue		19	61	5 100	4 942
Expenses including accrued expenses		(19)	(2)	(4 987)	(4 078)
Surplus (Deficit) for reporting period		-	59	113	864

45.4 DISSR Research

		University only			
		Institutional Grants Scheme		Research Training Scheme	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		5 796	5 976	10 077	10 389
Net accrual adjustments		-	-	-	-
Revenue for the period	2(d)	5 796	5 976	10 077	10 389
Surplus (Deficit) from the previous year		1 923	1 001	-	204
Total revenue including accrued revenue		7 719	6 977	10 077	10 593
Expenses including accrued expenses		(5 391)	(5 054)	(10 077)	(10 593)
Surplus (Deficit) for reporting period		2 328	1 923	-	-

3 Includes National Priority and National Accommodation Priority Scholarships respectively.

45.4 DISSR Research (continued)

	Note	University only			
		Commercialisation Training Scheme		Research Infrastructure Block Grants	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 86	$'000 94	$'000 3 023	$'000 2 944
Net accrual adjustments		-	-	-	-
Revenue for the period	2(d)	86	94	3 023	2 944
Surplus (Deficit) from the previous year		179	93	344	680
Total revenue including accrued revenue		265	187	3 367	3 624
Expenses including accrued expenses		(36)	(8)	(2 572)	(3 280)
Surplus (Deficit) for reporting period		229	179	795	344

	Note	University only			
		Implementation Assistance Programme		Australian Scheme for Higher Education Repositories	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 112	$'000 102	$'000 220	$'000 200
Net accrual adjustments		-	-	-	-
Revenue for the period	2(d)	112	102	220	200
Surplus (Deficit) from the previous year		-	-	273	95
Total revenue including accrued revenue		112	102	493	295
Expenses including accrued expenses		(112)	(102)	(232)	(22)
Surplus (Deficit) for reporting period		-	-	261	273

	Note	University only	
		Total	
		2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 19 314	$'000 19 705
Net accrual adjustments		-	-
Revenue for the period	2(d)	19 314	19 705
Surplus (Deficit) from the previous year		2 719	2 073
Total revenue including accrued revenue		22 033	21 778
Expenses including accrued expenses		(18 420)	(19 059)
Surplus (Deficit) for reporting period		3 613	2 719

45.5 Voluntary student unionism

	Note	University only			
		VSU Transition Fund		Total	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 -	$'000 1 732	$'000 -	$'000 1 732
Net accrual adjustments		-	-	-	-
Revenue for the period	2(e)	-	1 732	-	1 732
Surplus (Deficit) from the previous year		-	897	-	897
Total revenue including accrued revenue		-	2 629	-	2 629
Expenses including accrued expenses		-	(2 629)	-	(2 629)
Surplus (deficit) for reporting period		-	-	-	-

45.6 Other capital funding

	Note	University only			
		Better Universities Renewal Fund		Teaching and Learning Capital Fund	
		2009	2008	2009	2008
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		$'000 -	$'000 8 931	$'000 8 790	$'000 -
Net accrual adjustments		-	-	-	-
Revenue for the period	2(f)	-	8 931	8 790	-
Surplus (Deficit) from the previous year		8 901	-	-	-
Total revenue including accrued revenue		8 901	8 931	8 790	-
Expenses including accrued expenses		(3 341)	(30)	-	-
Surplus (Deficit) for reporting period		5 560	8 901	8 790	-

45.6 Other capital funding (continued)

		University only			
		Education Investment Fund		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
		-	-	8 790	8 931
Net accrual adjustments		-	-	-	-
Revenue for the period	2(f)	-	-	8 790	8 931
Surplus (Deficit) from the previous year		-	-	8 901	-
Total revenue including accrued revenue		-	-	17 691	8 931
Expenses including accrued expenses		-	-	(3 341)	(30)
Surplus (Deficit) for reporting period		-	-	14 350	8 901

45.7 Australian Research Council grants

(a) Discovery

		University only			
		Projects		Fellowships	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2009 $'000	2008 $'000	2009 $'000	2008 $'000
		2 696	2 847	429	167
Net accrual adjustments		179	304	-	-
Revenue for the period	2(g)(i)	2 875	3 151	429	167
Surplus (Deficit) from the previous year		1 523	1 363	167	-
Total revenue including accrued revenue		4 398	4 514	596	167
Expenses including accrued expenses		(2 525)	(2 991)	(279)	-
Surplus (Deficit) for reporting period		1 873	1 523	317	167

		University Only			
		Indigenous Researchers Development		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2009 $'000	2008 $'000	2009 $'000	2008 $'000
		-	-	3 125	3 014
Net accrual adjustments		-	-	179	304
Revenue for the period	2(g)(i)	-	-	3 304	3 318
Surplus (Deficit) from the previous year		-	-	1 690	1 363
Total revenue including accrued revenue		-	-	4 994	4 681
Expenses including accrued expenses		-	-	(2 804)	(2 991)
Surplus (Deficit) for reporting period		-	-	2 190	1 690

(b) Linkages

		University only			
		Special Research Initiatives		Infrastructure	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2009 $'000	2008 $'000	2009 $'000	2008 $'000
		2 987	161	1 087	120
Net accrual adjustments		(1 801)	-	281	(38)
Revenue for the period	2(g)(ii)	1 186	161	1 368	82
Surplus (Deficit) from the previous year		192	154	-	216
Total revenue including accrued revenue		1 378	315	1 368	298
Expenses including accrued expenses		(125)	(123)	(1 192)	(298)
Surplus (Deficit) for reporting period		1 253	192	176	-

		University only			
		International		Projects	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2009 $'000	2008 $'000	2009 $'000	2008 $'000
		182	-	1 222	1 337
Net accrual adjustments		-	-	240	129
Revenue for the period	2(g)(ii)	182	-	1 462	1 466
Surplus (Deficit) from the previous year		4	4	869	750
Total revenue including accrued revenue		186	4	2 331	2 216
Expenses including accrued expenses		(3)	-	(1 368)	(1 347)
Surplus (Deficit) for reporting period		183	4	963	869

(b) Linkages (continued)

	Note	University only Total 2009 $'000	University only Total 2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		5 478	1 618
Net accrual adjustments		(1 280)	91
Revenue for the period	2(g)(ii)	4 198	1 709
Surplus (Deficit) from the previous year		1 065	1 124
Total revenue including accrued revenue		5 263	2 833
Expenses including accrued expenses		(2 688)	(1 768)
Surplus (Deficit) for reporting period		2 575	1 065

(c) Networks and centres

		University only			
		Research Networks		Research Centres	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		-	-	-	-
Net accrual adjustments		4	100	143	157
Revenue for the period	2(g)(iii)	4	100	143	157
Surplus (Deficit) from the previous year		111	49	(7)	4
Total revenue including accrued revenue		115	149	136	161
Expenses including accrued expenses		(82)	(38)	(104)	(168)
Surplus (Deficit) for reporting period		33	111	32	(7)

		University only Total 2009 $'000	University only Total 2008 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		-	-
Net accrual adjustments		147	257
Revenue for the period	2(g)(iii)	147	257
Surplus (Deficit) from the previous year		104	53
Total revenue including accrued revenue		251	310
Expenses including accrued expenses		(186)	(206)
Surplus (Deficit) for reporting period		65	104

45.8 OS-HELP

		University only Total ^ 2009 $'000	University only Total ^ 2008 $'000
Cash received during the reporting period		99	209
Cash spent during the reporting period		99	141
Net cash received	2(i)	-	68
Cash surplus (deficit) from previous period		145	77
Cash surplus (deficit) for reporting period		145	145

^ OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

45.9 Superannuation Supplementation

		University only Total 2009 $'000	University only Total 2008 $'000
Cash received during the reporting period		1 425	1 368
University contribution in respect of current employees		281	287
Cash available		1 706	1 081
Cash surplus (deficit) from the previous period		56	686
Cash available for current period		1 762	1 767
Contributions to specified defined benefit funds		(1 839)	(1 711)
Cash surplus (deficit) this period	2(i)	(77)	56

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Further Education, Employment, Science and Technology (DFEEST) is established as an administrative unit pursuant to the PSA. DFEEST's Chief Executive is responsible to the Minister for Employment, Training and Further Education and the Minister for Science and Information Economy.

Functions

The DFEEST's main function is to provide vocational education and training through Training and Further Education (TAFE) institutes and other providers. For details of DFEEST's functions refer to note 1 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- expenditure, including grants and accounts payable
- employee benefits
- revenue, including student fees and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger
- the procurement and implementation of the new Student Information System.

The work of internal audit was considered in planning and conducting the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, 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 raised in relation to payroll and human resources, expenditure, student revenue and the Student Information System as outlined under 'Communication of audit matters' are 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.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the audit matters were generally considered to be satisfactory. The main matters raised with DFEEST and the related responses are considered herein.

Payroll and human resources

The audit of payroll and human resources revealed the following matters:

Bona fide certificates

Consistent with previous years' audit findings managers were not always reviewing and returning bona fide certificates on a timely basis.

DFEEST responded that an email system of distribution and return of bona fide certificates was implemented in late January 2010 which has improved compliance with returning certificates.

Hourly paid instructors

Hourly paid instructors record time worked on timesheets. An administration officer inputs hours worked into a spreadsheet and emails it to Shared Services SA for processing. Audit found no evidence that independent officers check data entered for hourly paid instructors.

DFEEST responded that an independent check will be implemented in September 2010.

Human resource delegations

DFEEST staff are not always complying with human resource's delegations as some forms that are used to process changes to employee master files were not appropriately authorised.

DFEEST responded that processes to ensure that all forms are appropriately authorised have been established and documented.

Expenditure

The audit of expenditure revealed control deficiencies including:

Masterpiece users' access

A number of DFEEST employees have Masterpiece access to process payments despite this being Shared Services SA's responsibility.

Purchase order delegations

Masterpiece delegations are based on line amounts rather than purchase order totals. This is not in accordance with DFEEST's expenditure delegations.

Scanning Workforce Accounts Payable delegations

The Scanning Workforce Accounts Payable system does not ensure authorisation in line with the delegations of authority.

Segregation of duties

A lack of segregation of responsibilities exists as the same officer can purchase, receipt and approve payment of goods.

DFEEST responded that the above control deficiencies have been addressed with the implementation of the new eProcurement system.

Grants expenditure control inconsistencies

In 2008-09, Audit raised inconsistencies in control activities for grant expenditure across DFEEST. DFEEST responded it was developing a grant management framework with a target date of completion for December 2009. As at March 2010 DFEEST had reviewed control activities but were yet to make recommendations.

DFEEST responded that the DFEEST grants management administration processes and procedures review was completed in April 2010 from which a policy and minimum control framework applying to all grants was developed.

Student revenue

Audit review focussed on TAFE SA Regional – Mount Gambier campus. However, findings may apply to all institutes where similar controls exist. Control issues identified included:

Fees by instalment

Unauthorised staff approve fees by instalment. In addition, a fees by instalment supplementary bulletin, which outlines authorised delegates lists outdated positions of delegates and is inconsistent with revenue delegations.

DFEEST responded that the TAFE SA Policy Committee and the Legislation and Delegations Unit are liaising to review delegations and develop a new policy.

Enrolment forms

The following control weaknesses existed over processing of enrolment forms and refunds:

- Client Services staff can charge a different fee to that stipulated on the enrolment form as subject fees recorded in the Student Management System are not automatically uploaded into the Accounts Receivable Point of Sale (ARPOS) system.
- Reports are not generated daily from the ARPOS system detailing student enrolments processed or refunds that have been issued for completeness of data recorded.
- Client Services staff do not check that enrolment forms are appropriately authorised before processing.
- DFEEST is producing reports reconciling fees recorded in the Student Management System to those receipted in ARPOS. However, these reports are not being produced in a timely manner as they are prepared on a quarterly basis.

DFEEST responded that revised procedures implemented in March 2010 along with an ad hoc audit of enrolment processes will address the control weaknesses.

Student Information System

In June 2009, DFEEST entered into a contract for $20.4 million to implement a new Student Information System (SIS). The new web based system will manage student academic and financial records from initial enquiries, admission, enrolment, payment of fees, allocation of classes, recording of results, progression to completion and graduation. It is expected that the system will be fully operational in 2012.

As at 30 June 2010 work in progress expenditure for the project was $8.2 million.

Audit undertook a review of the processes leading up to the start of the implementation of the new SIS, mainly focussing on system acquisition and project management. The main findings from the review were:

State Procurement Board policies

DFEEST did not fully comply with State Procurement Board (SPB) policies as it approached the market with an expression of interest prior to gaining approval from the SPB.

DFEEST responded that at the time the expression of interest was released in November 2006 it considered that there was limited SPB guidance on the use of expressions of interest. While Audit acknowledges that the SPB policy and guidance framework has been enhanced since 2006, the SPB acquisition/approval policy and guidance at that time indicated that the nature of this acquisition required SPB approval.

TI 17

DFEEST did not document, as required by TI 17:

- the reason for deviating from TI 17 for the discount rate and number of years used to evaluate the SIS project
- discussions with DTF to agree on the evaluation methodology as part of Phase 1 of the Project Evaluation Process. This phase involves the identification and definition of the service needs eg is SIS required.

DFEEST responded that the discount rate used was discussed and agreed to by DTF although such agreement has not been documented.

Further, DFEEST is revisiting the requirements of TI 17 and relevant policies are in the process of being updated.

Key performance indicators

DFEEST and the supplier had discussed key performance indicators but these had not been formalised at the time of the audit.

DFEEST responded a contract management plan provides for the identification of key performance indicators (KPIs) in the planning for Stage 3 (implementation stage) with monitoring to occur thereafter. The contract management plan is then updated to:

- identify KPIs
- identify benchmarks
- outline method and frequency of KPI reporting
- identify action to be taken if KPIs are not met.

The current status of this process is as follows:

- KPIs have been agreed with the supplier and are being used to manage the contract at senior management level on a quarterly basis and minutes of quarterly meetings are kept.
- The contract is also managed on a monthly basis with the suppliers' project manager and minutes of monthly meetings are kept.
- the contract management plan will be updated to reflect these operational realities by September 2010.

Implementation of TIs 2 and 28

In 2008-09 I reported that DFEEST had undertaken significant work to comply with TIs 2 and 28. This included:

- allocating responsibility for the implementation of the financial management compliance program to relevant officers
- implementing the program
- reviewing findings from the program and preparing an action plan to cover risks identified.

In 2009-10 DFEEST made additional enhancements to the program including:

- streamlining the program to make it more concise and more easily understood by users
- implementing improved changes in the approach to the completion and assessment of compliance questionnaires, involving the lead users and the Manager, Internal Audit and Risk Management Review.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
INCOME		
Commonwealth Government grants	**66**	116
Student and other fees and charges	**100**	91
Other income	**14**	20
Total income	**180**	227
EXPENSES		
Employee benefits	**291**	270
Supplies and services	**156**	150
Grants and subsidies	**72**	72
Other expenses	**19**	21
Total expenses	**538**	513
Net cost of providing services	**358**	286
NET REVENUES FROM SA GOVERNMENT	**399**	277
Net result	**41**	(9)
OTHER COMPREHENSIVE INCOME		
Changes in property, plant and equipment asset revaluation surplus	**-**	150
Total comprehensive result	**41**	141
NET CASH PROVIDED BY OPERATING ACTIVITIES	**50**	12
ASSETS		
Current assets	**105**	100
Non-current assets	**663**	630
Total assets	**768**	730
LIABILITIES		
Current liabilities	**73**	77
Non-current liabilities	**57**	56
Total liabilities	**130**	133
TOTAL EQUITY	**638**	597

Statement of Comprehensive Income

Expenses

Expenses increased by $25 million, totalling $538 million.

This is due mainly to an increase in employee benefits expense of $21 million. Included in this amount were TVSP payments of $18 million. The remainder of the increase is mainly due to increases arising from the enterprise bargaining agreement and an increase in workers compensation liability.

In addition, the costs of supplies and services increased by $6 million. This is mainly due to an increase in payments to non-TAFE providers of $12 million reflecting payments under the Productivity Places program. This cost increase was offset by decreases in printing and consumables of $3 million, minor works, maintenance and equipment of $2 million and information technology infrastructure and communications of $2 million.

The main expense of DFEEST is employee benefits. Employee benefits of $291 million constituted 54 percent of total expenses. Other major expenses were $156 million for supplies and services and $72 million in grants and subsidies.

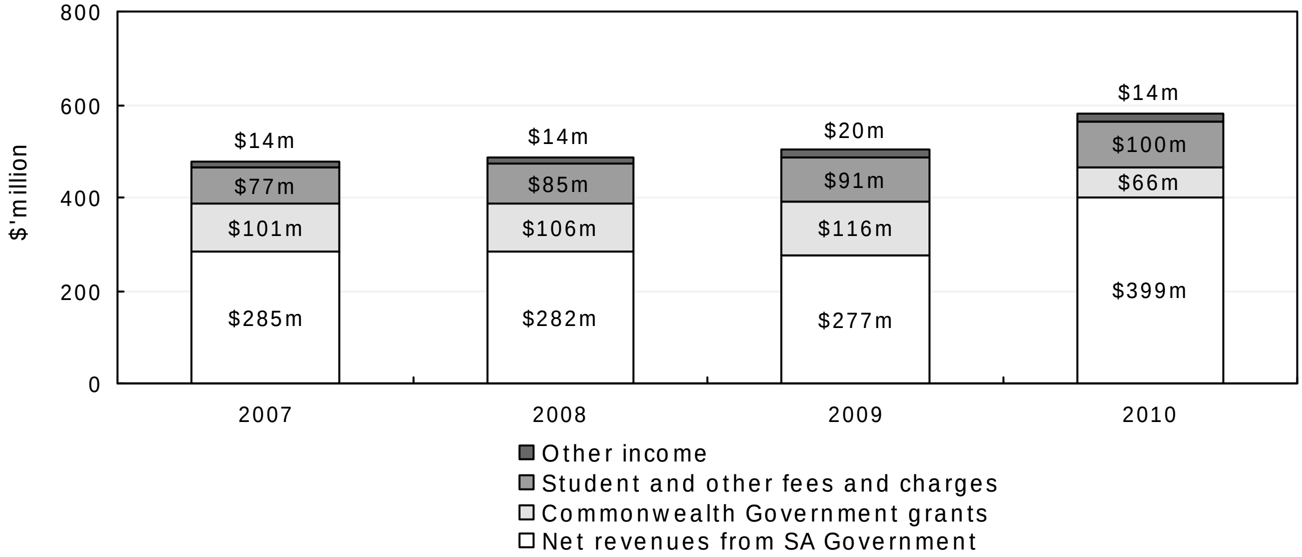
Income

Income decreased by $47 million, totalling $180 million.

This is mainly due to a decrease in Commonwealth grants of $50 million which reflects a change in management and financial reporting of funding received from the Commonwealth Government. These funds are now recognised as revenues from SA Government.

In addition, student and other fees and charges increased by $9 million mainly due to a $7 million increase in fee for service income. This was offset by a decrease in other grants and contributions of $4 million.

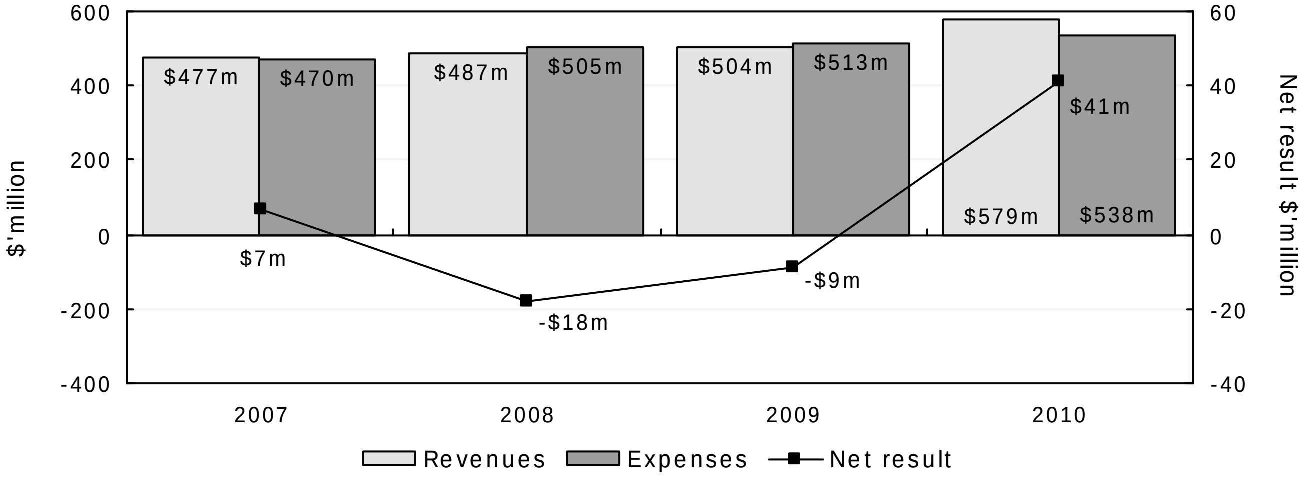
A structural analysis of DFEEST's income, including net revenues from the SA Government, for the four years to 2010 is presented in the following chart.



The chart shows the principal source of funding for DFEEST is the net revenues from the SA Government which totalled $399 million in 2010. Further, student and other fees and charges are increasing. This increase is due mainly to increases in fee for service revenue, overseas student enrolments and indexation of student fees.

Net result

The following chart shows the movement in income, expenses and the net result for the four years to 2010.



The net result for the 2009-10 year was a surplus of $41 million ($9 million deficit). This can be attributable mainly to:

- increase in net revenues from the SA Government of $122 million
- increase in student and other fees and charges income of $9 million

- decrease in Commonwealth Government grants of $50 million
- increase in employee benefits expense of $21 million
- decrease in other income of $6 million
- increase in supplies and services of $6 million.

Statement of Financial Position

The Statement of Financial Position shows that the material items controlled by DFEEST are:

	2010 $'million	2009 $'million
Assets:		
Cash and cash equivalents	**86**	78
Property, plant and equipment	**660**	626
Liabilities:		
Employee benefits	**72**	72

Property, plant and equipment is the most dominant item in the Statement of Financial Position, representing 86 percent of total assets. This item has increased by $34 million due mainly to additions of $52 million offset by annual depreciation of $18 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Net cash flows				
Operating	**49.8**	11.8	24.1	28.3
Investing	**(41.1)**	(7.1)	(9.5)	(16.6)
Financing	**(0.5)**	(0.5)	-	-
Change in cash	**8.2**	4.2	14.6	11.7
Cash at 30 June	**86**	77.8	73.6	59.0

Cash as at 30 June 2010 is $86 million. Of this amount, $51.7 million is held in an Accrual Appropriation Excess Funds Account which can only be used with the Treasurer or Under Treasurer's approval. DFEEST has current liabilities of $47.7 million (excluding provisions and employee entitlements).

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010** **$'000**	2009 $'000
EXPENSES:			
Employee benefits	5	**290 632**	270 505
Supplies and services	6	**156 180**	150 005
Grants and subsidies	7	**72 305**	71 642
Depreciation	8	**17 818**	19 772
Net loss from the disposal of non-current assets	15	**131**	957
Other expenses	9	**687**	520
Total expenses		**537 753**	513 401
INCOME:			
Commonwealth grants	11	**65 792**	115 774
Student and other fees and charges	12	**99 456**	91 483
Other grants and contributions	13	**9 889**	14 061
Interest	14	**11**	24
Other income	16	**4 370**	5 797
Total income		**179 518**	227 139
NET COST OF PROVIDING SERVICES		**358 235**	286 262
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	17	**408 633**	290 246
Payments to SA Government	17	**9 923**	13 250
Total revenues from SA Government		**398 710**	276 996
NET RESULT		**40 475**	(9 266)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		**-**	150 577
Change in financial assets available-for-sale revaluation surplus		**685**	602
TOTAL COMPREHENSIVE RESULT		**41 160**	141 913

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
		$'000	$'000
CURRENT ASSETS:			
Cash and cash equivalents	18	**85 981**	77 788
Receivables	19	**17 898**	20 780
Inventories	22	**972**	935
Non-current assets classified as held for sale	20	**-**	419
Total current assets		**104 851**	99 922
NON-CURRENT ASSETS:			
Receivables	19	**248**	266
Investments	28	**3 891**	3 206
Property, plant and equipment	21	**659 593**	626 170
Total non-current assets		**663 732**	629 642
Total assets		**768 583**	729 564
CURRENT LIABILITIES:			
Payables	23	**39 407**	32 577
Employee benefits	24	**23 898**	23 730
Provisions	25	**1 934**	1 896
Unearned revenue	26	**7 211**	11 539
Other current liabilities	27	**1 135**	6 761
Total current liabilities		**73 585**	76 503
NON-CURRENT LIABILITIES:			
Payables	23	**2 023**	2 025
Employee benefits	24	**48 379**	48 329
Provisions	25	**6 306**	5 717
Total non-current liabilities		**56 708**	56 071
Total liabilities		**130 293**	132 574
NET ASSETS		**638 290**	596 990
EQUITY:			
Retained earnings	30	**411 508**	370 893
Financial assets available-for-sale revaluation surplus	30	**1 287**	602
Asset revaluation surplus	30	**225 495**	225 495
TOTAL EQUITY		**638 290**	596 990

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	31
Contingent assets and liabilities	32

Statement of Changes in Equity
for the year ended 30 June 2010

	Asset revaluation surplus $'000	Financial assets available-for-sale revaluation surplus $'000	Retained earnings $'000	Total $'000
Net result for 2007-08	-	-	(18 494)	(18 494)
Investments adjustment	-	-	30	30
Gain on buildings during 2007-08	520	-	-	520
Loss on revaluation of library during 2007-08	(2 015)	-	-	(2 015)
Error correction	-	-	1 820	1 820
Total comprehensive result 2007-08	(1 495)	-	(16 644)	(18 139)
Restated balance at 30 June 2008	74 918	-	380 159	455 077
Net result for 2008-09	-	-	(8 066)	(8 066)
Gain on buildings during 2008-09	54 681	-	-	54 681
Gain on land during 2008-09	95 896	-	-	95 896
Error correction	-	602	(1 200)	(598)
Total comprehensive result 2008-09	150 577	602	(9 266)	141 913
Restated balance at 30 June 2009	225 495	602	370 893	596 990
Net result for 2009-10	-	-	40 475	40 475
Change in financial assets available-for-sale revaluation surplus	-	685	-	685
Total comprehensive result for 2009-10	-	685	40 475	41 160
Net assets transferred as a result of an administrative restructure	-	-	140	140
Balance at 30 June 2010	**225 495**	**1 287**	**411 508**	**638 290**

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

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefits		**(291 016)**	(266 338)
Supplies and services		**(177 081)**	(172 209)
Grants and subsidies		**(72 305)**	(71 642)
GST paid to the ATO		**(4 126)**	(4 199)
Other		**(835)**	(884)
Cash used in operating activities		**(545 363)**	(515 272)
CASH INFLOWS:			
Commonwealth grants		**65 792**	115 774
Student and other fees and charges		**93 753**	99 476
Other grants and contributions		**9 831**	12 250
Interest received		**11**	24
GST recovered from the ATO		**18 566**	17 697
Other		**8 578**	4 791
Cash generated from operating activities		**196 531**	250 012
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**408 633**	290 246
Payments to SA Government		**(9 923)**	(13 250)
Cash generated from SA Government		**398 710**	276 996
Net cash provided by operating activities	36	**49 878**	11 736
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(34 418)**	(7 264)
Purchase of intangibles		**(7 338)**	(445)
CASH INFLOWS:			
Proceeds from property, plant and equipment		**613**	643
Net cash used in investing activities		**(41 143)**	(7 066)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Cash transferred as a result of restructuring activities		**(542)**	(462)
Net cash used in financing activities		**(542)**	(462)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**8 193**	4 208
CASH AND CASH EQUIVALENTS AT 1 JULY		**77 788**	73 580
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	**85 981**	77 788

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 4)	Employment and Skills Formation							
	VET		Learning Workforce Development and Employment		Regulatory Services		International and Higher Education	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**270 987**	251 161	**11 326**	9 473	**4 067**	3 578	**872**	666
Supplies and services	**148 811**	140 615	**4 856**	5 488	**1 279**	1 122	**222**	412
Grants and subsidies	**29 453**	27 878	**15 471**	15 429	**360**	324	**1 617**	1 457
Depreciation	**17 818**	19 772	**-**	-	**-**	-	**-**	-
Net loss on disposal of assets	**122**	849	**5**	57	**2**	17	**-**	4
Other expenses	**651**	470	**18**	34	**13**	5	**1**	1
Total expenses	**467 842**	440 745	**31 676**	30 481	**5 721**	5 046	**2 712**	2 540
INCOME:								
Commonwealth grants	**65 068**	113 643	**573**	1 903	**4**	-	**1**	-
Student and other fees and charges	**99 447**	91 483	**5**	-	**2**	-	**-**	-
Other grants and contributions	**8 619**	12 140	**1 266**	921	**1**	774	**2**	150
Interest income	**11**	24	**-**	-	**-**	-	**-**	-
Other income	**3 466**	4 493	**68**	-	**694**	388	**18**	599
Total income	**176 611**	221 783	**1 912**	2 824	**701**	1 162	**21**	749
NET COST OF PROVIDING SERVICES	**291 231**	218 962	**29 764**	27 657	**5 020**	3 884	**2 691**	1 791
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**339 750**	222 724	**29 845**	23 588	**5 870**	5 830	**4 281**	2 168
Payments to SA Government	**(9 923)**	(13 250)	**-**	-	**-**	-	**-**	-
NET RESULT	**38 596**	(9 488)	**81**	(4 069)	**850**	1 946	**1 590**	377

(Activities - refer note 4)	Science, Technology and Innovation							
	Science and Innovation		Information Economy		Bioscience Industry Development		Technology Investment	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**1 483**	1 615	**1 897**	1 698	**-**	-	**-**	-
Supplies and services	**528**	806	**485**	681	**-**	-	**-**	-
Grants and subsidies	**13 362**	15 124	**2 898**	280	**7 556**	8 017	**1 587**	1 545
Depreciation	**-**	-	**-**	-	**-**	-	**-**	-
Net loss on disposal of assets	**1**	9	**1**	9	**-**	-	**-**	-
Other expenses	**2**	3	**2**	3	**-**	-	**-**	-
Total expenses	**15 376**	17 557	**5 283**	2 671	**7 556**	8 017	**1 587**	1 545
INCOME:								
Commonwealth grants	**44**	-	**102**	105	**-**	-	**-**	-
Student and other fees and charges	**1**	-	**1**	-	**-**	-	**-**	-
Other grants and contributions	**-**	66	**1**	-	**-**	-	**-**	-
Interest income	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**90**	126	**34**	-	**-**	-	**-**	-
Total income	**135**	192	**138**	105	**-**	-	**-**	-
NET COST OF PROVIDING SERVICES	**15 241**	17 365	**5 145**	2 566	**7 556**	8 017	**1 587**	1 545
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**15 062**	19 006	**4 682**	2 732	**7 556**	8 017	**1 587**	1 545
Payments to SA Government	**-**	-	**-**	-	**-**	-	**-**	-
NET RESULT	**(179)**	1 641	**(463)**	166	**-**	-	**-**	-

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

(Activities - refer note 4)	Office for Youth		Total	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefits	**-**	2 314	**290 632**	270 505
Supplies and services	**-**	881	**156 181**	150 005
Grants and subsidies	**-**	1 588	**72 304**	71 642
Depreciation	**-**	-	**17 818**	19 772
Net loss on disposal of assets	**-**	12	**131**	957
Other expenses	**-**	4	**687**	520
Total expenses	**-**	4 799	**537 753**	513 401
INCOME:				
Commonwealth grants	**-**	123	**65 792**	115 774
Student and other fees and	**-**			
charges	**-**	-	**99 456**	91 483
Other grants and contributions	**-**	10	**9 889**	14 061
Interest income	**-**	-	**11**	24
Other income	**-**	191	**4 370**	5 797
Total income	**-**	324	**179 518**	227 139
NET COST OF PROVIDING SERVICES	**-**	4 475	**358 235**	286 262
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	**-**	4 636	**408 633**	290 246
Payments to SA Government	**-**	-	**(9 923)**	(13 250)
NET RESULT	**-**	161	**40 475**	(9 266)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

(Activities - refer note 4)	Employment and Skills Formation							
	VET		Learning Workforce Development and Employment		Regulatory Services		International and Higher Education	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-		-	**-**	-	**-**	-
Receivables	**12 232**	15 732	**-**	295	**637**	1 277	**4**	-
Inventories	**972**	935	**-**	-	**-**	-	**-**	-
Non-current assets held for sale	**-**	419	**-**	-	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-	**3 891**	3 206
Property, plant and equipment	**659 399**	625 641	**115**	265	**39**	88	**6**	19
Total assets	**672 603**	642 727	**115**	560	**676**	1 365	**3 901**	3 225
LIABILITIES:								
Payables	**26 443**	26 269	**1 947**	787	**55**	195	**109**	42
Employee benefits	**66 939**	66 869	**2 942**	2 421	**1 306**	1 166	**178**	247
Provisions	**-**	-	**-**	-	**-**	-	**-**	-
Unearned revenue	**7 211**	11 199	**-**	155	**-**	-	**-**	-
Other liabilities	**1 031**	6 761	**5**	-	**1**	-	**-**	-
Total liabilities	**101 624**	111 098	**4 894**	3 363	**1 362**	1 361	**287**	289
NET ASSETS	**570 979**	531 629	**(4 779)**	(2 803)	**(686)**	4	**3 614**	2 936

(Activities - refer note 4)	Science, Technology and Innovation							
	Science and Innovation		Information Economy		Bioscience Industry Development		Technology Investment	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**-**	-	**-**	-
Receivables	**2**	9	**22**	-	**-**	-	**-**	-
Inventories	**-**	-	**-**	-	**-**	-	**-**	-
Non-current assets held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-	**-**	-
Property, plant and equipment	**15**	45	**19**	48	**-**	-	**-**	-
Total Assets	**17**	54	**41**	48	**-**	-	**-**	-
LIABILITIES:								
Payables	**15**	1 795	**142**	75	**-**	-	**-**	-
Employee benefits	**407**	425	**505**	467	**-**	-	**-**	-
Provisions	**-**	-	**-**	-	**-**	-	**-**	-
Unearned revenue	**-**	-	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Total liabilities	**422**	2 220	**647**	542	**-**	-	**-**	-
NET ASSETS	**(405)**	(2 166)	**(606)**	(494)	**-**	-	**-**	-

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010 (continued)

	Office for Youth		General/ Not Attributable		Total	
	2010	2009	**2010**	2009	**2010**	2009
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**85 981**	77 788	**85 981**	77 788
Receivables	**-**	77	**5 249**	3 656	**18 146**	21 046
Inventories	**-**	-	**-**	-	**972**	935
Non-current assets held for sale	**-**	-	**-**	-	**-**	419
Investments	**-**	-	**-**	-	**3 891**	3 206
Property, plant and equipment	**-**	64	**-**	-	**659 593**	626 170
Total assets	**-**	141	**91 230**	81 444	**768 583**	729 564
LIABILITIES:						
Payables	**-**	222	**12 719**	5 217	**41 430**	34 602
Employee benefits	**-**	464	**-**	-	**72 277**	72 059
Provisions	**-**	-	**8 240**	7 613	**8 240**	7 613
Unearned revenue	**-**	-	**-**	185	**7 211**	11 539
Other liabilities	**-**	-	**98**	-	**1 135**	6 761
Total liabilities	**-**	686	**21 057**	13 015	**130 293**	132 574
NET ASSETS	**-**	(545)	**70 173**	68 429	**638 290**	596 990

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Agency objectives and funding

(a) *Objective*

To develop the skills and capability of the State's workforce and to maximise the opportunities for all South Australians to engage in work.

The portfolio plays a central role in achieving 14 of South Australia's Strategic Plan targets in the areas of employment, education and training, science, technology and innovation.

The Department of Further Education, Employment, Science and Technology (the Department) undertakes a range of functions in order to meet its objectives and contribute to the achievement of South Australia's Strategic Plan objectives and targets. This includes:

- in conjunction with the Training and Skills Commission, the provision of strategic policy advice for developing the State's workforce
- ensuring high quality vocational education and training (VET) delivered by Training and Further Education (TAFE) institutes, private registered training organisations and adult community education providers
- regulation of VET organisations, university and non-university higher education providers, and providers of English language intensive courses for overseas students
- regulation, administration and funding of apprenticeships and traineeships
- managing State funded employment and community development programs
- supporting the Government's strategic direction in the higher education sector
- raising the profile of South Australia in the international education market place
- developing policies and strategies, and delivery of programs, that create opportunities for Aboriginal people, young people, people with a disability and older workers
- provision of strategic advice and delivery of programs in the areas of science, technology, information economy and innovation policy.

(b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and a 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 DTF pursuant to section eight of the PFAA. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Principles of consolidation

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights.

The Minister for Employment, Training and Further Education has a 100 percent interest in Austraining International Pty Ltd. Although the Minister has control over Austraining it is not considered part of the Department's operations. The Department cannot influence the decisions of Austraining, nor can the Department dominate the financial and operational policies of Austraining. Consequently, Austraining has not been consolidated in the accounts. The value of Austraining is shown in the Statement of Financial Position under Investments.

Details of the investment in Austraining International Pty Ltd are set out in Note 28.

The Minister for Employment, Training and Further Education has a 25 percent interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian universities and the SA Government. The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, his interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the Minister receives no return for his interest in SABRENet. SABRENet is not accounted for using the equity method as the Minister does not have access to the residual assets of the entity.

Institute councils are established under section 28 of the *Technical and Further Education (TAFE) Act.* The council works with the directors of the TAFE institutes in the development of the business plans and monitors the performance of the institutes. At 30 June 2010 the three institute councils held an aggregate balance of $600 000. This balance is held in an interest-bearing section 21 deposit account with DTF.

Joint venture entities

The Department has a 25 percent interest in the South Australian Tertiary Admissions Centre (SATAC). The interests in this joint venture are not considered to be material to the Department's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

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 TAFE SA, Charles Darwin University and the three universities in South Australia.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

(b) Basis of preparation (continued)

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at 30 June 2010, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

  (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

  (e) employee TVSP information.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that have been valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed in summary in note 38.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared that the taxation and financial services from the Shared Business Services Division transitioned to Shared Services SA from October 2009. This transition was approved by Cabinet on 15 October 2007 (refer note 33).

On 1 July 2009, the Office for Youth was transferred from the Department to the Attorney-General's Department (refer note 33).

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change. Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(f) Income and expenses

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

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

Income

The following are specific recognition criteria:

- income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised
- income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount
- income from grants is recognised upon receipt of funding
- contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met
- appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3. Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

The following are specific recognition criteria:

Employee benefits expense

Employee benefits expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

In regards to superannuation expenses, the amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Grant expenses

Grants are amounts provided by the Department to entities for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The grants are paid when the conditions set out in the contract or correspondence are met.

(g) Current and non-current classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(h) Events after the end of the reporting period

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 34).

(i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and other deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(j) Receivables

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

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

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

(k) Inventory

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

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

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

(l) Non-current assets held for sale

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

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

(m) Property, plant and equipment

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets (excluding land) are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $1 million.

Revaluation of non-current assets

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

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

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

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

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

Land

Land is recorded on the basis of existing use market value. The most recent valuations for land were conducted as at 30 June 2009 by Liquid Pacific and Valcorp Aust Pty Ltd, independent valuers, on the basis of existing use market value.

Buildings and improvements

Buildings and improvements are valued at written down current cost. The building data provided in the statements relates specifically to buildings, paved areas, utility reticulation, fencing, sheds and other site infrastructure assets. The most recent valuations for building and infrastructure assets were conducted as at 30 June 2009 by Liquid Pacific and Valcorp Aust Pty Ltd, independent valuers, on the basis of written down current cost.

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

Library collection
The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2008 by Rushton Valuers Pty Ltd, an independent valuer, on the basis of replacement value.

Plant and equipment
Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of $10 000 or greater are capitalised.

Items under $10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

(n) Impairment

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

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

(o) Depreciation of non-current assets

Non-current assets 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. All assets are depreciated from the first day of the acquisition month. The Department reviews useful lives of assets annually.

Land and non-current assets held for sale are not depreciated.

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

	Useful life (years)
Buildings	15-60
Improvements	5-25
Paved areas	40-50
Computing and communication equipment	1-20
Other plant and equipment	1-47
Library collection	12-15

(p) Payables

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

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

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

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

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

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 benefits liabilities is also shown as a payable 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 Comprehensive Income. The payroll tax liability is only payable when employee benefits are paid.

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

(q) Employee benefits and employment related liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1975* but are non-cumulative.

(q) Employee benefits and employment related liabilities (continued)

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under 'Payables' as on-costs on employee benefits (refer note 23).

Salaries, wages, annual leave and non-attendance days

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

Long service leave

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

Sick leave

Sick leave is not provided for in the financial report, as it is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(r) Financial assets (investment)

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation surplus, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation surplus is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in any of the categories contained in AASB 139. Consequently it should not be assumed that the Department has plans to dispose of these assets.

(s) Provisions

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

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

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(t) 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 risks and benefits incidental to ownership of the items held under the operating leases.

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

Details of commitments of current non-cancellable operating leases are disclosed at note 31.

(u) Accounting for taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

(u) Accounting for taxation (continued)

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

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

(v) Financial guarantees

At the time a financial guarantee contract is issued, it is recognised as a liability initially measured at fair value. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to the following factors:

- the overall capital management/prudential supervision framework in operation
- the protection provided by the State Government by way of funding should the probability of default increase
- the probability of default by the guaranteed party
- the likely loss to the Department in the event of default.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2010 (there was no material liability recognised for financial guarantee contracts in 2009).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 32, contingent assets and liabilities.

(w) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(x) Rounding

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

3. Changes in accounting policies

The Department did not voluntarily change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities and subactivities

Activity: Employment and Skills Formation

Description/Objective: To strengthen the economic prosperity and social well-being of South Australians through strategic employment, skills formation and further education activities.

Sub-activity: *Vocational Education and Training*

Provision of post-secondary vocational education and training (VET) by TAFE SA and other registered training organisations including:

- resource allocation of contestable and non-contestable funds
- funding of apprenticeships and traineeships
- support for post secondary training and education
- providing state and national policy advice.

Sub-activity: *Learning, Workforce Development and Employment*

Addressing the State's economic development and social inclusion objectives by:

- providing opportunities for people to participate in employment, training, skills development, and adult community education
- meeting the current and future labour and skill needs of industry
- providing state and national policy advice.

Sub-activity: *Regulatory Services*

Administering the State's further education and training system through:

- provision of registration, accreditation and approval services for registered training organisations
- quality oversight of the State vocational education system, through the Training and Skills Commission
- administration of apprenticeships and traineeships
- providing state and national policy advice.

Sub-activity: *International and Higher Education*

Supporting the development of Adelaide as a centre for education, international education and South Australian education exports including the provision of marketing services, analysis and student and community support.

Provision of high-level strategic policy advice to the Minister on higher education policy and planning.

Activity: ***Science, Technology and Innovation***

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

Sub-activity: *Science and Innovation*

Provision of high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific research and innovation by:

- identifying strategic priorities for State Government investment
- raising awareness and understanding of the benefits of science and innovation amongst government, business and the community
- facilitating coordinated and strategic bids for Commonwealth grants
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits for South Australia.

Sub-activity: *Information Economy*

Provision of high level strategic policy advice to the Minister and government on the information economy and the ICT sector that:

- raises awareness and greater understanding of the information economy among government, business, industry and education providers
- develops strategy and facilities programs and projects relevant to promoting the information economy
- facilitate bids for significant Commonwealth grants.

Sub-activity: *Bioscience Industry Development*

Development of the bioscience industry through providing assistance in business development, finance, infrastructure and marketing.

Sub-activity: *Technology Investment*

Provision of seed capital and business guidance to innovate companies, commercialising research and development.

5. Employee benefits

	2010 $'000	2009 $'000
Salaries and wages (including annual leave)	222 387	220 758
Superannuation	23 543	24 137
Payroll tax	12 942	12 508
Long service leave	8 876	9 670
Workers compensation	3 827	1 699
TVSPs	18 006	-
Other employee related costs	1 051	1 733
Total employee benefits	290 632	270 505

TVSPs

	2010 $'000	2009 $'000
Amount paid to these employees:		
TVSPs	18 006	-
Annual leave and long service leave accrued paid during the period	5 233	-
	23 239	-
Funding from DTF (note 17)	9 152	-
Net amount paid to employees	14 087	-

The number of employees who were paid TVSPs during the reporting period were 161 (0).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2010 Number (including TVSPs)	2010 Number (excluding TVSPs)	2009 Number
$100 000 - $109 999	130	130	107
$110 000 - $119 999	54	54	32
$120 000 - $129 999	25	25	20
$130 000 - $139 999	10	10	5
$140 000 - $149 999	2	2	2
$150 000 - $159 999	6	6	6
$160 000 - $169 999	3	3	4
$170 000 - $179 999	3	3	3
$180 000 - $189 999	3	3	5
$190 000 - $199 999	2	2	-
$200 000 - $209 999	2	2	3
$210 000 - $219 999	4	4	1
$220 000 - $229 999	1	1	-
$230 000 - $239 999	2	2	3
$240 000 - $249 999	1	1	-
$260 000 - $269 999	1	1	-
$270 000 - $279 999	2	-	2
$280 000 - $289 999	2	2	1
$290 000 - $299 999	2	-	-
$300 000 - $309 999	2	-	-
$320 000 - $329 999	3	1	-
$330 000 - $339 999	1	-	-
$340 000 - $349 999	1	-	-
$350 000 - $359 999	2	-	-
$380 000 - $389 999	1	-	-
Total	265	252	194

The table includes all employees who received remuneration of $100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, separation packages, FBT and any other salary sacrifice benefits.

The total remuneration received by these employees for the year was $35 million ($23.7 million).

For 2009-10, the above figures include 13 employees who took a TVSP during the year.

The total remuneration received by these employees for the year was $4.2 million.

6. Supplies and services

	2010 $'000	2009 $'000
Funding to non-TAFE providers for VET	41 731	30 013
Printing and consumables	11 737	15 040
Minor works, maintenance and equipment	19 076	21 051
Information technology infrastructure and communications	17 730	19 609
Fees - contracted services (including consultants)	18 642	18 139
Trainee and apprenticeship reimbursements	996	717
Utilities	7 601	6 674
Cleaning	9 699	8 866
Vehicle and travelling expenses	6 717	7 067
Rentals and leases	6 193	6 167
Other	16 058	16 662
Total supplies and services	156 180	150 005

6. Supplies and services (continued)

	2010	2009
Supplies and services provided by entities within the SA Government:	$'000	$'000
Funding for non-TAFE providers for VET	712	221
Minor works, maintenance and equipment	13 986	14 670
Information technology infrastructure and communication	3 142	4 393
Fees - contracted services (including consultants)	8 476	5 585
Utilities	1 335	1 096
Cleaning	8 404	7 494
Vehicle and travelling expenses	3 005	3 245
Rentals and leases	4 252	4 414
Other	562	499
Total supplies and services - SA Government entities	43 874	41 617

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

Consultancies

	2010		2009	
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	Number	$'000	Number	$'000
$0 - $10 000	5	21	2	13
$10 000 - $50 000	4	129	6	163
Above $50 000	1	57	2	177
Total paid/payable to the consultants engaged (GST exclusive)		207		353

7. Grants and subsidies

	2010	2009
	$'000	$'000
Employment programs	22 116	22 183
Vocational education and training programs	8 223	10 602
Science and information economy programs	25 250	24 950
Tertiary student transport concessions	10 965	9 541
National training infrastructure program	4 526	1 715
Other specific grants	1 225	2 651
Total grants and subsidies	72 305	71 642

Grants and subsidies paid/payable to entities within the SA Government:		
Employment programs	4 022	3 311
Vocational education and training programs	1 919	2 358
Science and information economy programs	12 048	11 283
Tertiary student transport concessions	10 965	9 541
National training infrastructure program	107	939
Other specific grants	312	713
Total grants and subsidies - SA Government entities	29 373	28 145

8. Depreciation

Buildings and improvements	13 283	15 468
Plant and equipment	2 300	2 122
Library	2 235	2 182
Total depreciation	17 818	19 772

9. Other expenses

Audit fees (refer note 10)	283	322
Asset revaluation surplus adjustments	-	(209)
Allowance for doubtful debts and debt write-offs	394	(118)
Other	10	525
Total other expenses	687	520

10. Auditors' remuneration

Audit fees paid/payable to the Auditor-General's Department	247	240
Other audit fees	36	82
Total auditors' remuneration paid/payable	283	322

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

11. Commonwealth grants

	2010	2009
	$'000	$'000
Commonwealth contributions under the *Skilling Australia's Workforce Act*	-	96 634
Productivity places program - existing workers pilot	-	2 587
National Training Infrastructure program	1 228	8 660
Group Training Scheme	1 311	1 148
Targeting skills needs in regions	170	578
National VET Data Strategy Action Group	500	-
Skills sub group	895	-
Training infrastructure investment for tomorrow	17 765	-
Clever networks (investing)	-	209
Productivity Places program	26 907	1 844
Better TAFE facilities	13 903	-
TAFE fee waivers for childcare qualifications	640	294
Remote indigenous public internet access	42	-
Other specific Commonwealth revenue	2 430	3 820
Total Commonwealth grants	65 792	115 774

2009-10 commitments

The National Training Infrastructure program received $1.2 million of Commonwealth contributions in 2009-10 of which a commitment exists to spend $1.2 million in the 2010-11 financial year. The committed funds are for the provision and development of skills centres and capital equipment.

The Department has received $1.3 million of Commonwealth revenue for the Group Training Scheme in the financial year, $200 000 of which will be incurred in the 2010-11 financial year.

The National VET Data Strategy Action Group received a $500 000 one-off grant, of which a commitment exists to utilise $300 000 for the agreed projects of the Action Group during the 2010-11 financial year. The committed funds are for the purpose of progressing work on the National VET Data Strategy.

The Skills sub group received a $900 000 one-off grant, of which a commitment exists to spend $800 000 for projects which align to national priorities.

The Productivity Places program received $26.9 million of Commonwealth revenue in 2009-10, of which a commitment exists to spend $19.6 million in the 2010-11 financial year.

The Department has received $42 000 of Commonwealth revenue for remote indigenous public internet access in the financial year, $17 000 of which will be incurred in the 2010-11 financial year.

2008-09 commitments

The National Training Infrastructure Program received $8.6 million of Commonwealth contributions in 2008-09 of which $4.9 million was used to fund expenditure on capital infrastructure in 2009-10, and a commitment exists to spend $3.7 million in the 2010-11 year.

The Department has received $1.2 million of Commonwealth revenue for the Group Training Scheme in the financial year, $27 000 of which will be incurred in the 2009-10 financial year.

The Aboriginal Employment program received $400 000 of Commonwealth funding in 2008-09 that was used to fund expenditure in 2009-10.

12. Student and other fees and charges

	2010	2009
	$'000	$'000
Sales/fee-for-service revenue	63 370	56 299
Student enrolment fees and charges	33 696	32 742
Other user fees and charges	2 390	2 442
Total fees and charges	99 456	91 483
Fees and charges received/receivable from entities within the SA Government:		
Sales/fee-for-service revenue	1 345	938
Student enrolment fees and charges	931	636
Other user fees and charges	189	36
Total fees and charges - SA Government entities	2 465	1 610

13. Other grants and contributions

	2010	2009
Grants and subsidies revenue	4 458	6 025
Miscellaneous contributions	854	434
Donations	59	93
Grants from entities within the SA Government	4 518	7 509
Total other grants and contributions	9 889	14 061

14. Interest

	2010	2009
Interest from entities external to the SA Government	11	24
Total interest	11	24

15. Net gain (loss) on disposal of non-current assets

	2010	2009
	$'000	$'000
Assets held for sale:		
Proceeds from disposals	-	616
Net book value of assets disposed	-	(790)
Net loss on disposals	-	(174)
Land and buildings:		
Proceeds from disposals	560	-
Net book value of assets disposed	(419)	(280)
Net gain (loss) on disposals	141	(280)
Plant and equipment:		
Proceeds from disposals	53	27
Net book value of assets disposed	(325)	(530)
Net loss on disposals	(272)	(503)
Total assets:		
Proceeds from disposals	613	643
Net book value of assets disposed	(744)	(1 600)
Total net loss on disposals	(131)	(957)

16. Other income

Recoup of salaries	859	830
Application/assessment fees/registration fees	710	677
Rental and lease charges	441	428
Sundry income	2 360	3 862
Total other income	4 370	5 797

17. Revenues from (payments to) SA Government

Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	372 944	273 849
Accrual appropriation	11 563	8 564
Appropriation transfers from contingency (1)	24 126	7 833
Total revenues from SA Government	408 633	290 246
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	(9 923)	(13 250)
Total revenues from SA Government	398 710	276 996

(1) Includes an amount of $9.2 million for funding of TVSP payments (refer note 5).

18. Cash and cash equivalents

Deposits with the Treasurer	51 707	45 378
Special Deposit Account with DTF	34 209	32 351
Imprest account/cash-on-hand	65	59
Total cash and cash equivalents	85 981	77 788

Deposits with the Treasurer

Comprises funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use (ie funds can only be used in accordance with The Treasurer's/Under Treasurer's approval).

Interest rate risk

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

19. Receivables

	2010	2009
	$'000	$'000
Current:		
Fees and charges receivable	13 111	17 705
Allowance for doubtful debts	(2 471)	(2 204)
Prepayments	1 602	1 188
GST recoverable from the ATO	5 523	3 971
Other receivables	133	120
Total current receivables	17 898	20 780
Non-current:		
Workers compensation receivable	248	266
Total non-current receivables	248	266
Total receivables	18 146	21 046
Receivables from SA Government entities:		
Receivables	1 492	1 861
Workers compensation receivable	248	266
Prepayments	-	5
Total receivables from SA Government entities	1 740	2 132

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the allowance for doubtful debts	2010 $'000	2009 $'000
Carrying amount at 1 July	2 204	2 264
Increase in the allowance	421	207
Amounts written off	(153)	(267)
Carrying amount at 30 June	2 471	2 204

Interest rate risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 37.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 37.

20. Non-current assets held for sale	2010 $'000	2009 $'000
Land at fair value	-	419
Balance at 30 June	-	419

21. Property, plant and equipment

	2010	2009
Land and buildings:		
Land at fair value	155 790	154 715
Buildings and improvements at fair value/cost	924 378	895 892
Accumulated depreciation	(468 325)	(455 041)
Construction work in progress	13 259	2 171
	625 102	597 737
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	32 498	31 707
Accumulated depreciation	(17 149)	(16 302)
Intangible work in progress	8 205	445
	23 554	15 850
Libraries:		
Libraries at valuation	29 877	29 288
Accumulated depreciation	(18 940)	(16 705)
	10 937	12 583
Total property, plant and equipment at fair value	1 164 007	1 114 218
Total accumulated depreciation at 30 June	(504 414)	(488 048)
Total property, plant and equipment	659 593	626 170

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2010.

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

	Land at fair value	Buildings and imprvmnts	Plant and equipment	Intangible work in progress	Construction work in progress	Libraries at valuation	Total
2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount 1 July	154 715	440 851	15 405	445	2 171	12 583	626 170
Additions	1 075	-	2 569	7 760	39 573	589	51 566
Disposals	-	-	(325)	-	-	-	(325)
Net revaluation increment	-	-	-	-	-	-	-
Other movements	-	28 485	-	-	(28 485)	-	-
Depreciation	-	(13 283)	(2 300)	-	-	(2 235)	(17 818)
Carrying amount 30 June	155 790	456 053	15 349	8 205	13 259	10 937	659 593
2009							
Carrying amount 1 July	58 738	397 642	15 234	-	2 485	14 080	488 179
Additions	-	-	2 045	445	4 679	685	7 854
Disposals	-	(280)	(530)	-	-	-	(810)
Net revaluation increment	95 896	54 681	-	-	-	-	150 577
Other movements	81	4 276	778	-	(4 993)	-	142
Depreciation	-	(15 468)	(2 122)	-	-	(2 182)	(19 772)
Carrying amount 30 June	154 715	440 851	15 405	445	2 171	12 583	626 170

22. Inventories

	2010 $'000	2009 $'000
Inventories held for sale	513	540
Inventories held-for-distribution	459	395
Total inventories	972	935

23. Payables

	2010 $'000	2009 $'000
Current:		
Creditors	23 294	18 486
Accrued expenses	11 729	7 783
Employment on-costs	4 276	6 210
Other	108	98
Total current payables	39 407	32 577
Non-current:		
Employment on-costs	2 023	2 025
Total non-current payables	2 023	2 025
Total payables	41 430	34 602
Payables to SA Government entities:		
Creditors	12 925	2 691
Accrued expenses	8 406	4 641
Employment on-costs	6 299	8 321
Total payables to SA Government entities	27 630	15 653

As a result of an actuarial assessment by DTF, the average factor for the calculation of an employer superannuation cost on-cost has changed from the 2009 rate of 10.8 percent to 10.5 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables - refer note 37.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 37.

24. Employee benefits

	2010 $'000	2009 $'000
Current:		
Annual leave	9 559	9 802
Long service leave	4 848	5 780
Accrued salaries and wages	4 451	3 281
Non-attendance days	5 040	4 867
Total current employee benefits	23 898	23 730
Non-current:		
Long service leave	48 379	48 329
Total non-current employee benefits	48 379	48 329
Total employee benefits	72 277	72 059

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2010 is $28.2 million and $50.4 million respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2009 benchmark 6.5 years to seven years. The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of $1.3 million and employee benefits expense of $1.3 million.

The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

25. Provisions

	2010 $'000	2009 $'000
Current:		
Workers compensation	1 934	1 896
Total current provisions	1 934	1 896
Non-current:		
Workers compensation	6 306	5 717
Total non-current provisions	6 306	5 717
Total provisions	8 240	7 613

25. Provisions (continued)

	2010 $'000	2009 $'000
Carrying amount at 1 July	7 613	9 259
Reductions arising from payments/other sacrifice of future economic benefits	-	(1 646)
Additional provision recognised	627	-
Carrying amount at 30 June	8 240	7 613

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. These claims are expected to be settled within the next financial year.

26. Unearned revenue

	2010 $'000	2009 $'000
Unearned revenue to SA Government entities	278	472
Unearned revenue to non-SA Government entities	6 933	11 067
Total unearned revenue	7 211	11 539

27. Other liabilities

Current:		
Deposits	1 037	6 663
Other liabilities	98	98
Total current other liabilities	1 135	6 761

28. Investments

	Austraining International Pty Ltd	
	2010 $'000	2009 $'000
Contributed capital in subsidiary company (Austraining)	400	400
Share of retained profit (percentage)	100	100
	2010	2009
Retained profits attributable to subsidiary company:	$'000	$'000
Balance at 1 July	3 206	2 604
Share of operating profit after income tax	685	602
Total investments as at 30 June	3 891	3 206

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 2010.

29. Adjustments to equity

2010	Asset revaluation surplus $'000	Financial asset available-for-sale revaluation surplus	Retained earnings $'000	Total $'000
Balance at 1 July	225 495	-	370 267	595 762
Prior period adjustments	-	602	626	1 228
Total equity as at 30 June	225 495	602	370 893	596 990

Prior period adjustments

This reflects an adjustment for transactions not recognised correctly as at 30 June 2009.

30. Equity

	2010 $'000	2009 $'000
Retained earnings	411 508	370 893
Asset revaluation surplus	225 495	225 495
Financial asset available-for-sale revaluation surplus	1 287	602
Total equity	638 290	596 990

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and libraries to the extent that they offset one another.

31. Unrecognised contractual commitments

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	10 693	9 248
Payable later than one year and not later than five years	10 677	12 485
Total remuneration commitments	21 370	21 733

Amounts disclosed include commitments arising from executive contracts and hourly paid instructors. The Department does not offer remuneration contracts greater than five years.

Capital commitments	2010	2009
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:	$'000	$'000
Within one year	7 406	14 084
Later than one year and not later than five years	-	6 339
Total capital commitments	7 406	20 423

The Department's capital commitments relate to construction works at Victor Harbor campus and the acquisition and implementation of the student information system.

Other commitments		
These amounts are due for payment:		
Within one year	30 173	28 812
Later than one year and not later than five years	57 342	53 641
Later than five years	-	17 420
Total other commitments	87 515	99 873

The Department's other commitments relate to agreements for Productivity Places program contracts, cleaning contracts and other procurement commitments.

Operating leases commitments		
Commitments in relation to operating leases contracted for at the reporting date	2010	2009
but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	5 925	4 910
Payable later than one year and not later than five years	24 761	23 923
Payable later than five years	9 089	15 577
Total operating lease commitments	39 755	44 410

The Department's operating leases are for office accommodation and equipment. Office accommodation is leased from Department for Transport, Energy and Infrastructure. The leases are non-cancellable with some leases having the right of renewal.

Rent is payable in arrears.

32. Contingent assets and liabilities

The Department is not aware of any items which meet the definition of contingent assets. There are, however, a number of outstanding personal injury and common law claims not settled as at 30 June 2010 with an estimated settlement value of $54 350.

The Minister for Employment, Training and Further Education has provided a $3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2010.

The Minister for Employment, Training and Further Education has entered into an agreement to provide Le Cordon Bleu with a 10 year interest free loan of $7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

33. Transferred functions

Transferred out

1. In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

   The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 2 (group 2) services on 15 October 2009, which comprised certain financial and taxation services.

   As part of this reform:

   - From 15 October 2009, certain financial accounting and taxation services from the Shared Business Services Division transitioned to Shared Services SA. The effective date of the transfer is 19 October 2009.

   14 full time equivalent employees of the Shared Business Services Division, budget funding of $797 000 and the following assets and liabilities were transferred to Shared Services SA.

2. On 1 July 2009, the Office for Youth and Duke of Edinburgh's Award were transferred to the Attorney-General's Department. 23.3 full time equivalent employees, budget funding of $4.8 million and the following assets and liabilities were transferred.

Transferred out (continued)

	1	2
	Tranche 2 Oct 2009 $'000	Office for Youth July 2009 $'000
Cash	332	210
Total assets	332	210
Payables	33	27
Employee benefits liability	299	323
Total liabilities	332	350
Total net assets transferred	-	(140)

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

34. After balance day events

Effective 1 July 2010 the Bragg Initiative and the Royal Institution of Australia were transferred to the Department from DPC.

35. Remuneration of board and committee members

Members that were entitled to receive remuneration during the 2009-10 financial year were:

Training and Skills Commission

Prof D Bradley AC (Chair)
I Chapman (Deputy to P Vaughan)
I Curry (Deputy to J Giles)
P Dowd
J Giles
Prof R Green
Prof R Harris
Dr M Keating AC
A Smith
P Vaughan
P Wright

Training Regulation Reference Group (previously Quality Reference Group)

I Curry
D Frith
G Peak
A Smith (Chair)
K Thiele

Adult Community Education Reference Group

K Daniel
P Ronan
S Schrapel
M Smith
P Wright (Chair)

Information Economy Advisory Board (inactive since September 2009)*

A Cannon
M Duhne
Prof C Marlin (Chair)
A Noble
Prof S Richardson
P Ruwoldt
T Whiting

* It is expected that the Information Economy Advisory Board will resume its work in late 2010 with a new area of focus and revised membership.

Premier's Science Research Council

Prof B Brook
Dr I Chessell (co-chair)
Dr I Gould
Dr W Harch
Prof J Hopwood (resigned September 2009)
Prof R Lewis
Dr A Koltunow
R McLeod
Prof C Marlin (resigned September 2009)
Prof T Monro
Mr D Mutton
Prof R Norman (appointed January 2010)
Dr T Rainsford (resigned December 2009)
Dr L Read
Dr A Rumbold (appointed January 2010)

Audit Risk Management Committee

I McLachlan

Higher Education Council

Prof M Barber
Prof P Høj
C Locher
Prof J McWha
Dr D Rathjen
E Raupach OAM
T Zak

Arts Advisory Board

R Archer AO (Chair)
S Bowers
G Cobham
R Clemente
J Covernton
A Ford
K Gould
S Grieve
J Macdonnell

35. Remuneration of board and committee members (continued)

The number of members whose income from the entity falls within the following band is:	2010 Number	2009 Number
$1 - $9 999	13	38
$10 000 - $19 999	-	1
$20 000 - $29 999	-	2
$30 000 - $39 999	6	6
$40 000 - $49 999	1	1
$50 000 - $59 999	1	-
Total	21	48

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $300 000 ($300 000).

Amounts paid to a superannuation plan for board/committee members was $18 689.

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

36. Reconciliation of cash and cash equivalents

	2010 $'000	2009 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	85 981	77 788
Balance as per the Statement of Cash Flows	85 981	77 788

Reconciliation of net cash provided by operating activities to net cost of providing services

	2010	2009
Net cash provided by operating activities	49 878	11 736
Depreciation	(17 818)	(19 772)
Loss on sale of assets	(131)	(957)
Prior period adjustments	467	40
Asset revaluation decrement	-	209
Restructure	140	-
Increase in employee benefits	(218)	(5 751)
(Decrease) Increase in receivables	(2 900)	3 734
Increase in inventories	37	12
Decrease in payables	1 693	4 980
Decrease (Increase) in unearned revenue	4 328	(3 419)
Decrease (Increase) in other liabilities	5 626	(1 724)
(Increase) Decrease in provisions	(627)	1 646
Revenues from Government	(408 633)	(290 246)
Payments to Government	9 923	13 250
Net cost of providing services	(358 235)	(286 262)

37. Financial instruments

37.1 Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2010 Carrying amount $'000	2009 Carrying amount $'000
Financial assets			
Cash and cash equivalents	18	85 981	77 788
Receivables	19	18 146	21 046
Investments:			
Held-to-maturity investments	28	3 891	3 206
Financial liabilities			
Payables	23	41 430	34 602
Other liabilities	26,27	8 346	18 300
Total net financial assets at cost		58 242	49 138

All amounts recorded are carried at cost (not materially different from amortised cost) except for employee oncost which are determined via reference to the employee benefits liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

37.2 Ageing analysis of financial assets

	Past due by			
2010	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	14 681	452	3 013	18 146
2009				
Not impaired:				
Receivables	16 967	680	3 565	21 212

The following table discloses the maturity analysis of financial assets and financial liabilities.

37.3 Maturity analysis of financial assets and liabilities

		Contractual maturity		
2010	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalent	85 981	85 981	-	-
Receivables	18 146	17 898	248	-
Other financial assets	3 891	-	-	3 891
Total financial assets	108 018	103 879	248	3 891
Financial liabilities:				
Payables	41 430	39 407	2 023	-
Other financial liabilities	8 346	8 346	-	-
Total financial liabilities	49 776	47 753	2 023	-
2009				
Financial assets:				
Cash and cash equivalent	77 788	77 788	-	-
Receivables	21 046	20 780	266	-
Other financial assets	3 206	-	-	3 206
Total financial assets	102 040	98 568	266	3 206
Financial liabilities:				
Payables	34 602	32 577	2 025	-
Other financial liabilities	18 300	18 300	-	-
Total financial liabilities	52 902	50 877	2 025	-

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations from the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 37.1 above represents the Department's maximum exposure to financial liabilities.

38. Administered items

	Ministers salary and allowances		NCVER funding	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Administered expenses:				
Employee benefits	266	300	-	-
Grants and subsidies	-	-	-	2 036
Total administered expenses	266	300	-	2 036
Administered income:				
Commonwealth grants	-	-	-	2 036
Revenues from SA Government	266	300	-	-
Total administered income	266	300	-	2 036
Net result	-	-	-	-
Current assets:				
Cash		-		-
Receivables		-		-
Total current assets		-		-
Current liabilities:				
Unearned revenue		-		-
Other liabilities		-		-
Total current liabilities		-		-
Total Assets		-		-
Equity:				
Retained earnings		-		-
Total Equity		-		-

Minister's salary and allowances

Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

NCVER funding

NCVER funding represents the receipt and disbursement of Commonwealth funding to the National Centre for Vocational Education Research Ltd. From 2009-10, NCVER funding is no longer sent to the State Department, but is instead sent directly to NCVER by the Commonwealth.

Australian Quality Framework Council

A review of the accounting treatment of the Australian Quality Framework Council during 2009-10 has resulted in the Australian Quality Framework Council no longer being reported in the financial statements of the Department.

DEPARTMENT OF HEALTH

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Health (the Department) is an administrative unit established pursuant to the PSA.

The Department is responsible to the Minister for Health and the Minister for Mental Health and Substance Abuse.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. Note 1 to the financial statements provides details regarding the Department's objectives.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

A discussion of the arrangements for the preparation and audit of financial statements for incorporated Health 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 PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- insurance services
- payroll
- accounts payable
- accounts receivable
- funding to Health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth
- grants to non-government organisations (NGOs)
- specific ICT functions
- financial management and compliance
- overseas travel
- health unit non-operating funds.

Audit Committee and internal audit

The Department's Audit Committee has continued in operation throughout the 2009-10 financial year. From 2009-10 the Department has established its own internal audit function. Prior to 2009-10 internal audit services were provided by the Department for Families and Communities (DFC) under a shared service agreement.

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

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Health as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Health in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to funding to non-government organisations, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Health have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer of the Department. Responses to the management letters were generally considered to be satisfactory. The following is a summary of headings in this section that contain audit commentary relating to the operations of the Department and Health services:

- risk management
- implementation of TIs 2 and 28
- recurrent funding to Health services
- capital funding to Health services
- funding to NGOs
- Commonwealth Government grants
- specific ICT functions
- payroll
- accounts payable
- accounts receivable
- overseas travel
- health unit non-operating funds.

Risk management

Risk Management and Audit Committee

An important element of the Department's risk management policy and framework is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this, a web-based application to record risks, ratings, controls and treatments has been implemented.

The Department's Risk Management and Audit Committee (the Committee) reviews quarterly strategic risk reports which cover all material risks and controls (including financial, operational and compliance controls).

In response to the findings of a risk management review undertaken by risk management consultants during 2008-09 the Department developed a revised risk management framework and policies.

The framework aims to ensure effective decision-making processes are established within a culture of risk awareness rather than risk avoidance.

As part of this process the Regions are also reporting to the Committee on a quarterly basis their strategic risks.

Implementation of TIs 2 and 28

The Department advised Audit of certain developments that have taken place during the year in progressing the principal elements of TIs 2 and 28. These have included the review of all policies and procedures and the expansion of the corporate governance questionnaire that provides key information on financial management and compliance and reinforces this area of overall governance at control.

In addition, internal audit has continued to review compliance with TIs as part of their program of internal audits across the Health portfolio.

Recurrent funding to Health services

The Department has a key responsibility in managing and monitoring funding provided to Health services within the State as the funder provider of health sector funds. In 2009-10 $3.2 billion of recurrent funding was provided to Health services, representing a significant proportion of departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of departmental objectives and the Government's strategic plan objectives. The framework centres around the execution and performance obligations of Health Service Agreements.

The 2009-10 audit was consistent in coverage to that undertaken last year. It included the following matters:

- performance agreements with Health Services are appropriately executed on a timely basis
- processes are in place to monitor compliance requirements of the performance agreements
- cash call payments are appropriately approved and are accurately processed into accounts payable
- budget variations are appropriately approved and supported
- key reconciliations of funding are regularly performed and independently reviewed
- progress status of the performance of Casemix audits.

This year's audit identified some opportunities for improvement in controls in the area of reconciliations of recurrent funding to Health services and the update of relevant polices and procedures. These were communicated to the Department and a positive response was received.

Capital funding to Health services

In 2009-10 $192 million of capital funding was provided to Health services.

Costs associated with major projects undertaken across the Health portfolio are funded and paid by the Department . The Department then advises the relevant health unit monthly of all costs incurred. Each health unit recognises costs incurred on its behalf as capital funding (revenue) received from the Department, and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger.

The scope of the audit included an assessment of controls covering the following:

- *purchasing/initiating projects* – all projects have the appropriate approval
- *project management* – all projects are monitored on an ongoing basis
- *update to general ledger* – job cost system is reconciled to the general ledger.

The audit identified some opportunities for improvement in processes and controls in the area of authorisation of journals and the coding of project activities in the general ledger. These were communicated to the Department and a positive response was received.

Funding to non-government organisations

This significant area of funding has been subject to review by Audit and internal audit over recent years. The reviews have identified a number of control deficiencies.

Some of these include:

- funding agreements were not appropriately executed

- the lack of a central contracts register

- lack of documentation to support performance monitoring

- lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs

- lack of documented policies and procedures for a number of key areas of operation.

Funding and planning framework

The Department's Portfolio Executive approved the implementation of the Funding and Planning Framework for Non-Government Services in late 2007. This framework sets out the model proposed for adoption by the Department in the planning of funding for NGOs.

The 2007-08 Report indicated that this framework would be rolled out in 2008-09 and training would be provided to the appropriate staff.

The framework was not implemented in 2008-09. Audit was advised that a working group had been established to review the framework to make it easier to implement in day-to-day operations.

As emphasised in last year's Report, the delay in the implementation of the framework is considered inconsistent with its intended objective of achieving improvements in the funding and accountability arrangements for NGOs.

This year the Department advised that as a result of a recent restructure and the implementation of the procurement and contract management system (PCMS) the plan to implement the framework is currently being revised.

Audit will monitor developments during 2010-11.

Procurement and contract management system

The Department implemented the procurement and contract management system (PCMS) in January 2010. Payments have been processed through PCMS since April 2010. As many of the processes have only been recently implemented and relevant policies and procedures are in the process of being updated, the controls associated with PCMS will be the subject of audit review in 2010-11.

Authorisation of payments

NGO payments are made pursuant to agreements that have been entered into between the Department and the NGO. For most NGO payments the Department used for most of 2009-10 the Department for Families and Communities funding and grants management system to generate the payment according to the payment schedule embodied in the respective agreements.

In accordance with TI 8, a payment or disbursement can only be made if it is approved by an employee with the appropriate expenditure delegation. Audit review of a sample of transactions identified that a number of transactions were not appropriately approved.

Accordingly, the Department's controls opinion for 2009-10 has been qualified in relation to grant funding to NGOs.

These matters were communicated to the Department and a positive response was received.

Commonwealth Government grants

As a result of reforms agreed to by the Council of Australian Governments the nature of the funding agreements between the State and the Commonwealth have changed significantly from 2009-10. For example, funds are no longer received direct from the Commonwealth rather they are received through DTF. The key agreement is the Intergovernmental Agreement on Federal Financial Relations (signed by the Commonwealth and all States and Territories). The National Healthcare Agreement has replaced the Australian Healthcare Agreement which expired on 30 June 2009. In addition, these new arrangements include a number of National Partnership Agreements covering areas such as highly specialised drugs.

The 2009-10 audit focussed on gaining an understanding of these new agreements and arrangements with the Commonwealth and included an assessment of controls covering the following:

- *execution of funding agreements* – agreements are appropriately established and approved between the Commonwealth and the State Government prior to the State utilising funds received

- *monitoring of revenue received* – monitoring controls exist to ensure funding receipted is in accordance with amounts due as per funding agreements
- *management over the use of grant funding* – measures are put in place to effectively manage, monitor and account for specific purpose received funding
- *performance reporting* – grant agreements are appropriately managed ensuring all reporting requirements are adhered to.

The results of the audit were generally satisfactory.

Specific ICT functions

In December 2007, the Portfolio Executive approved the centralisation of all ICT functions (except SA Pathology) across the Health portfolio under the control of the Department's Chief Information Officer. The centralisation was effective from July 2008. During 2009-10, Audit undertook a review of some aspects of ICT functions, notably:

- the processes and controls in place relating to the approval, processing and monitoring of ICT projects and contracts
- the PC rental arrangements in place between the Department and the health units and the review of the processes and controls for the processing, monitoring and invoicing of these items
- the processes and controls in place relating to the processing, monitoring and invoicing of computer server charges between the Department and the health units.

The audit identified some opportunities for improvement in processes and controls in the areas of:

- development of policies and procedures for various ICT functions
- independent review of reconciliations between the job cost ledger and the general ledger
- assessing the nature of the different financial transactions to ensure that they are appropriately classified for financial reporting purposes, that is treated as an expense or capitalised as an asset.

These were communicated to the Department and a positive response was received.

Payroll

Salaries and wages expenditure processed through the payroll system represents a significant expenditure item for the Department.

Payroll processing for the Department is undertaken by Shared Services SA.

This year's audit revealed improvements in the control environment particularly in the area of the bona fide certification process.

While overall improvement has been noted the following weaknesses were identified:

- absence of return of all bona fide certificates from departmental managers in the timeframe prescribed by the Department's policy
- the need to update policies and procedures.

These matters were raised with the Department and a positive response advising remedial action was received.

Accounts payable

Accounts payable services are provided to the Department by Shared Services SA.

The scope of the 2009-10 audit included consideration of the control arrangements relating to the Masterpiece online purchasing, Basware and the accounts payable systems.

The audit identified some areas of control weakness and opportunities for improvement in processes and controls in the area of:

- authorisation of invoices for payment
- the update of relevant polices and procedures
- instances of credit cards on issue to persons without the appropriate delegated authority.

As a result the Department's controls opinion in relation to accounts payable for 2009-10 has been qualified. These matters were communicated to the Department and a positive response was received.

Accounts receivable

The results of the audit revealed a number of control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the Department included:

- a number of policies and procedures require update to reflect current practice
- absence of revenue delegations
- lack of appropriate authorisation of invoice forms by appropriate managers.

As a consequence, the controls opinion in relation to the accounts receivable control environment has been qualified for 2009-10.

The Department responded positively to the audit findings advising actions to address the weaknesses.

Overseas travel

Audit assessed processes in operation to ensure that overseas travel accorded with certain requirements of the Commissioner for Public Employment's standards for such travel. In particular the requirements relating to:

- maintenance of a register of overseas travel
- approval for business class travel
- preparation of a report on the overseas travel visitation.

The review noted the following matters which were raised with the Department in June 2010:

- The Department maintains two registers, one to meet FBT compliance obligations and the other to facilitate travel report obligations. There was a difference between the registers in the numbers of officers that were recorded as having travelled overseas.

- Documented approvals for two officers who travelled business class could not be provided at the time of audit.

- There were two instances where overseas travel reports were not completed.

The Department advised it had reviewed its overseas travel policy and procedures and reissued it in August 2010.

Further audit commentary

Health unit non-operating funds

Health Regions and health units administer significant monies in non-operating funds (NOFs). These funds include private practice funds, specific research grants, and funds received through fund raising activities undertaken by hospitals or voluntary organisations closely affiliated with the hospitals.

These funds need to be subject to good administration and accountability practices.

Requirement for improved accountability

As part of the audit process of the Central Northern Adelaide Health Service (CNAHS), in December 2007 and June 2008, a number of matters regarding the need for improved accountability for NOFs were raised with the Chief Executive Officer of CNAHS.

The Chief Executive Officer's detailed response of June 2008 advised that the need for a comprehensive review of these funds has been recognised, including management procedures, processes and internal controls. The response indicated that a review had commenced at the Royal Adelaide Hospital and that a key outcome of the review will be the development of consistent CNAHS wide policies and procedures.

In June 2008, Audit wrote to the Department suggesting that given the nature and materiality of NOFs across the Health portfolio it may be appropriate to review accountability arrangements of NOFs across the Health portfolio.

In response the Chief Executive of the Department advised that the Department would monitor the outcome of the review being undertaken at CNAHS and continue to monitor health unit NOFs.

During 2008-09 CNAHS engaged an external consultant to undertake a review of the processes and internal controls associated with NOFs. That review highlighted an absence of regional policies and procedures relating to NOFs and inadequate controls for a number of processes.

In May 2009, Audit was advised by CNAHS that work had commenced on implementing the recommendations of the consultant.

2009-10 audit review

During 2009-10 Audit undertook a review of NOFs at certain CNAHS sites, now Adelaide Health Service (AHS) – namely Royal Adelaide Hospital, Lyell McEwin Hospital (LMH) and Queen Elizabeth Hospital. The purpose of the review was to assess the control environment including compliance with regional policies and procedures.

The audit found that the Region had developed, approved and promulgated a comprehensive policy and procedure for the administration and management of NOFs.

Notwithstanding the development and issue of the regional policy and procedure, Audit found instances of non-compliance with approved policy of a concerning nature at two sites within CNAHS, namely LMH and Queen Elizabeth Hospital. The instances of non-compliance included:

- *The temporary use of NOFs for operating purposes*

On 2 March 2010, LMH transferred $200 000 from the Private Practice Account within the NOFs to the LMH general operating account. The funds were returned to the Private Practice Account on 3 March 2010. On 31 May 2010, LMH transferred $600 000 from trust accounts within the NOFs to the LMH general operating account. The funds were returned to the trust accounts on 3 June 2010.

- *Overdrawn NOF accounts*

As at March 2010, the Queen Elizabeth Hospital had 16 NOFs which were overdrawn by a total of $245 000. It was also noted that seven of those funds had been overdrawn since June 2009.

- *Inadequate cash management practices*

On 18 May 2010, LMH transferred $4 million from the LMH SAFA cash management account to Statewide Services within the South Australian Dental Service. Following the transfer, the balance of the LMH SAFA cash management account was $1.9 million. On 19 May 2010 an additional $3 million was paid from this account. This resulted in a $1.1 million cash deficit for LMH operating funds in the SAFA cash management account. The cash deficit was funded in effect by private practice funds and NOFs. The $4 million transfer was reimbursed on 20 May 2010.

- *Inadequate authorisation of expenditure from NOFs.*

Audit noted a number of instances where NOF expenditure had not been approved by officers authorised to operate the relevant funds.

These matters were communicated to the Chief Executive Officer, Adelaide Health Service and the Chief Executive Officer of the Department.

In response the Acting Chief Executive Officer, Adelaide Health Service advised that:

- the two instances where cash management occurred between the private practice bank accounts and the operating bank accounts was done to manage the issue of timing in regards to cash flow funding from the Department. No funds were inappropriately used

- a significant body of work was undertaken in 2009-10 involving increasing the awareness of NOF overdraws and obtaining a commitment from cost centre managers in terms of agreeing a recovery plan

- while management agrees with Audit comments, it is necessary to note that there are times, especially when managing periodic liquidity challenges that the total cash of the Region needs to be considered

- with the introduction of the revised CNAHS financial authorisation framework, considerable work was undertaken in educating officers on the importance of approving expenditure in accordance with delegations. This work is continuing and has been specifically identified as a priority project within Stage 2 of the Oracle Corporate systems implementation.

Audit acknowledges that it is sound cash management practice to maximise interest and avoid penalties where possible. However, as NOFs have been established for specific purposes, NOFs should not be used for operating purposes. In addition specific NOFs should not be used to supplement other NOFs even on a temporary basis. The practices noted by Audit do not meet the principles and responsibilities expected of public sector agencies in relation to financial administration and accountability practice.

Implementation of the revised TIs 2 and 28 across the Health Regions

During the year, Audit requested advice from the Regions on their progress of implementing the new TIs.

In response the Regions indicated that progress has been made in the implementation of the financial management compliance program that is a specific requirement of TI 28 and that deficiencies that have been identified will be addressed during 2010-11.

Audit will undertake a specific review of progress made by the Regions during 2010-11.

Ernst & Young efficiency review

This review was originally established in April 2009 to look at all divisions of the Department to improve the efficiency and effectiveness of the business and to identify areas of duplication.

The review focussed on the finance and workforce/human resources functions in both the Department and the Regions. Ernst & Young reported on their findings in August 2009. The major finding of the review was that the current service split between the Department and the Regions could be significantly improved. The recommendations made by Ernst & Young included the development of a new finance and workforce/human services model across SA Health and the implementation of specific performance improvement projects within these areas with a focus on making processes consistent.

During 2009-10 the Department made progress toward the development of a portfolio structure for finance and human resources. It is expected that the restructure will be completed during 2010-11. Audit will monitor developments during 2010-11.

Whole-of-health finance, supply and asset management system

During 2009-10 the Department in conjunction with IBM developed the design and the technical build of the Oracle Corporate system (the whole-of-health finance, supply and asset management system).

The implementation of the system is occurring in two phases. The general ledger, accounts receivable, fixed assets and projects sub systems went live in July 2010. The second phase to commence from October 2010 is a staged roll out across the Regions of the accounts payable, procurement and inventory management sub systems. It is anticipated that the fully integrated system will be completed by December 2010. Once implemented the Department and the Health services will operate on a single integrated financial management system.

A major focus of Audit's attention in 2010-11 will involve the review and evaluation of the implementation and operation of the integrated financial management system.

Public Private Partnership – the new Royal Adelaide Hospital project

In December 2007, Cabinet approved that the construction of a new hospital which would be delivered under a public private partnership procurement arrangement.

The Project involves the construction of a new, state of the art, purpose built hospital on the existing rail yards next to the Adelaide Railway Station.

Cabinet, in November 2009 approved a revised indicative capital cost of the new Royal Adelaide Hospital project of $1.8 billion (nominal value).

Final bids to a request for proposal, issued in November 2009 were received in May 2010. It is anticipated that the preferred bidder will be selected later this year with construction beginning soon after. The new hospital is expected to be opened in 2016.

Project expenditure incurred by the Department during 2009-10 totalled $16.2 million. Expenditure on this project to 30 June 2010 amounts to $32.4 million.

South Australian Health and Medical Research Institute

The South Australian Health and Medical Research Institute, has been established in Adelaide to ensure South Australia's strong position in health and medical research into the future.

The Department is currently leading the development and construction of the South Australian Health and Medical Research Institute facility, which will house the headquarters of the Institute next to the new Royal Adelaide Hospital site.

Project expenditure incurred by the Department during 2009-10 totalled $9.3 million. Expenditure on this project to 30 June 2010 amounts to $9.3 million.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefit expenses	**119**	80
Supplies, services and other expenses	**242**	230
Grants, subsidies and client payments	**3 491**	3 145
Total expenses	**3 852**	3 455
INCOME		
Rent, fees and charges	**135**	119
SA Government appropriations	**3 223**	2 010
Grants from SA Government agencies	**156**	171
Commonwealth Government grants	**146**	1 042
Other	**19**	11
Total income	**3 679**	3 353
Net result	**(173)**	(102)
OTHER COMPREHENSIVE INCOME		
Property, plant and equipment revaluation	**-**	13
Total comprehensive result	**(173)**	(89)
NET CASH USED IN OPERATING ACTIVITIES	**(128)**	(111)
ASSETS		
Current assets	**144**	118
Non-current assets	**141**	109
Total assets	**285**	227
LIABILITIES		
Current liabilities	**172**	83
Non-current liabilities	**125**	124
Total liabilities	**297**	207
TOTAL EQUITY	**(12)**	20

Statement of Comprehensive Income

Income for 2009-10 amounted to $3.7 billion ($3.4 billion), and principally comprised SA Government appropriations of $3.2 billion ($2 billion) and Commonwealth Government grants of $146 million ($1 billion).

Expenses were $3.9 billion ($3.5 billion), principally comprising grants, subsidies and client payments of $3.5 billion ($3.1 billion). Grants, subsidies and client payments includes funding to incorporated Health services of $3.4 billion ($3 billion) and funding to NGOs of $72.5 million ($63.9 million). The increase in the funding provided to the incorporated Health services results from increased activity in the public health system.

Statement of Financial Position

As at 30 June 2010, the Department has a net assets deficiency of $12 million compared to a net assets position in 2008-09 of $20 million. While the Department recorded a deficit (net result) for the year ending 30 June 2010 of $173 million, this was offset by an equity contribution by the SA Government of $149 million.

Current assets

A significant proportion of the Department's current assets comprises receivables that increased by $37 million to $95 million as at 30 June 2010. The increase is principally due to an increase in interstate patient transfers and an increase in grants receivable relating to grant funds owing by the Commonwealth.

Statement of Cash Flows

In 2009-10 the Department recorded a net cash outflow of $11 million compared with a net cash inflow of $18 million during 2008-09.

The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(128)**	(111)	(41)	(67)
Investing	**(30)**	(26)	(4)	(1)
Financing	**147**	155	66	25
Change in cash	**(11)**	18	21	(43)
Cash at 30 June	**41**	52	34	13

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
EXPENSES:			
Employee benefit expenses	6	**118 967**	80 042
Supplies and services	7	**231 610**	223 442
Depreciation and amortisation	8	**8 028**	2 014
Grants, subsidies and client payments	9	**3 490 989**	3 145 331
Borrowing costs	10	**2 276**	2 536
Net loss from the disposal of non-current assets	15	**20**	20
Other expenses	11	**(17)**	1 321
Total expenses		**3 851 873**	3 454 706
INCOME:			
Revenues from rent, fees and charges	12	**134 778**	119 441
Commonwealth Government grants	13	**146 458**	1 042 078
Interest revenue	14	**2 596**	3 015
Other income	16	**15 805**	7 870
Total income		**299 637**	1 172 404
NET COST OF PROVIDING SERVICES		**(3 552 236)**	(2 282 302)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	17.1	**3 222 623**	2 009 505
Grants from SA Government agencies	17.2	**156 410**	170 768
Total revenues from SA Government		**3 379 033**	2 180 273
NET RESULT		**(173 203)**	(102 029)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		**(260)**	13 328
TOTAL COMPREHENSIVE RESULT		**(173 463)**	(88 701)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	2010 $'000	2009 $'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	19	**41 211**	51 974
Receivables	20	**94 822**	57 572
Inventories	21	**8 001**	8 730
Total current assets		**144 034**	118 276
NON-CURRENT ASSETS:			
Receivables	20	**28 697**	30 255
Property, plant and equipment	22	**61 661**	62 811
Capital works in progress	22.1	**23 269**	11 637
Intangible assets	23	**27 716**	4 115
Total non-current assets		**141 343**	108 818
Total assets		**285 377**	227 094
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	24	**131 018**	49 612
Employee benefits	25	**21 376**	11 823
Borrowings	26	**936**	2 219
Provisions	27	**12 328**	14 529
Other current liabilities	28	**6 827**	5 329
Total current liabilities		**172 485**	83 512
NON-CURRENT LIABILITIES:			
Payables	24	**15 819**	13 608
Employee benefits	25	**15 888**	10 634
Borrowings	26	**22 297**	23 233
Provisions	27	**70 486**	75 943
Other non-current liabilities	28	**108**	118
Total non-current liabilities		**124 598**	123 536
Total liabilities		**297 083**	207 048
NET ASSETS		**(11 706)**	20 046
EQUITY:			
Contributed capital	29	**578 813**	429 398
Asset revaluation surplus	29	**31 699**	31 959
Retained earnings	29	**(622 218)**	(441 311)
TOTAL EQUITY		**(11 706)**	20 046

Total equity is attributable to the SA Government as owner

Unexpended funding commitments	18
Unrecognised contractual commitments	31
Contingent assets and liabilities	34

Statement of Changes in Equity
for the year ended 30 June 2010

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008		272 873	18 789	(337 872)	(46 210)
Net result for 2008-09		-	-	(102 029)	(102 029)
Gain on revaluation of property during 2008-09		-	14 026	-	14 026
Loss on revaluation of property during 2008-09		-	(608)	-	(608)
Derecognition of assets during 2008-09		-	(90)	90	-
Total comprehensive result 2008-09		272 873	32 117	(439 811)	(134 821)
Transactions with SA Government as owner:					
Equity contribution from DTF		156 525	-	-	156 525
Net assets received from an administrative restructure	32	-	-	84	84
Net income recognised directly in equity for 2008-09		156 525	-	84	156 609
Balance at 30 June 2009	29	429 398	32 117	(439 727)	21 788
Error correction		-	(158)	(1584)	(1 742)
Restated balance at 30 June 2009	29	429 398	31 959	(441 311)	20 046
Net result for 2009-10		-	-	(173 203)	(173 203)
Derecognition of assets during 2009-10		-	(260)	260	-
Total comprehensive result 2009-10		429 398	31 699	(614 254)	(153 157)
Transactions with SA Government as owner:					
Equity contribution from DTF	29	149 415	-	-	149 415
Net assets received from an administrative restructure	32	-	-	(7 964)	(7 964)
Net income recognised directly in equity for 2009-10		149 415	-	(7 964)	141 451
Balance at 30 June 2010	29	**578 813**	**31 699**	**(622 218)**	**(11 706)**

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

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Employee benefit payments		**(110 632)**	(75 690)
Supplies and services		**(204 253)**	(262 789)
Grants, subsidies and client payments		**(3 486 293)**	(3 159 345)
Interest paid		**(2 276)**	(2 601)
Cash used in operations		**(3 803 454)**	(3 500 425)
CASH INFLOWS:			
Fees and charges		**120 738**	128 375
Receipts from Commonwealth		**129 649**	1 042 078
Interest received		**2 675**	2 561
GST refund from the ATO		**29 441**	27 913
Other receipts		**14 170**	8 113
Cash generated from operations		**296 673**	1 209 040
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**3 222 623**	2 009 505
Receipts from SA Government agencies		**156 410**	170 768
Cash generated from SA Government		**3 379 033**	2 180 273
Net cash used in operating activities	35	**(127 748)**	(111 112)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(33 201)**	(28 335)
Cash used in investing activities		**(33 201)**	(28 335)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**302**	-
Repayment of loans		**2 688**	2 499
Cash generated from investing activities		**2 990**	2 499
Net cash used in investing activities		**(30 211)**	(25 836)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(2 219)**	(1 696)
Cash transferred as a result of restructuring activities		**-**	(60)
Cash used in financing activities		**(2 219)**	(1 756)
CASH INFLOWS:			
Capital contributions from government (not operations)		**149 415**	156 525
Cash generated from financing activities		**149 415**	156 525
Net cash provided by financing activities		**147 196**	154 769
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(10 763)**	17 821
CASH AND CASH EQUIVALENTS AT 1 JULY		**51 974**	34 153
CASH AND CASH EQUIVALENTS AT 30 JUNE	19,35	**41 211**	51 974

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 5)	S1		S2	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**100 182**	62 262	**12 112**	11 233
Supplies and services	**172 692**	153 253	**29 159**	31 922
Depreciation and amortisation	**7 947**	1 921	**74**	85
Grants, subsidies and client payments	**213 569**	177 585	**6 573**	6 276
Borrowing costs	**2 276**	2 536	**-**	-
Net loss from disposal of assets	**(7)**	14	**27**	-
Other expenses	**(19)**	1 321	**2**	-
Total expenses	**496 640**	398 892	**47 947**	49 516
INCOME:				
Revenue from rent, fees and charges	**84 353**	72 945	**1 599**	1 437
Commonwealth Government grants	**19 545**	19 755	**(6)**	40 007
Interest revenue	**2 596**	3 015	**-**	-
Other income	**12 610**	7 255	**1 403**	399
Total income	**119 104**	102 970	**2 996**	41 843
NET COST OF PROVIDING SERVICES	**(377 536)**	(295 922)	**(44 951)**	(7 673)
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	**3 222 623**	2 009 505	**-**	-
Grants from SA Government agencies	**148 170**	161 420	**-**	-
Total revenues from SA Government	**3 370 793**	2 170 925	**-**	-
NET RESULT	**2 993 257**	1 875 003	**(44 951)**	(7 673)

(Activities - refer note 5)	S3		Total	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**6 673**	6 547	**118 967**	80 042
Supplies and services	**29 759**	38 267	**231 610**	223 442
Depreciation and amortisation	**7**	8	**8 028**	2 014
Grants, subsidies and client payments	**3 270 847**	2 961 470	**3 490 989**	3 145 331
Borrowing costs	**-**	-	**2 276**	2 536
Net loss from disposal of assets	**-**	6	**20**	20
Other expenses	**-**	-	**(17)**	1 321
Total expenses	**3 307 286**	3 006 298	**3 851 873**	3 454 706
INCOME:				
Revenue from rent, fees and charges	**48 826**	45 059	**134 778**	119 441
Commonwealth government grants	**126 919**	982 316	**146 458**	1 042 078
Interest revenue	**-**	-	**2 596**	3 015
Other income	**1 792**	216	**15 805**	7 870
Total income	**177 537**	1 027 591	**299 637**	1 172 404
NET COST OF PROVIDING SERVICES	**(3 129 749)**	(1 978 707)	**(3 552 236)**	(2 282 302)
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	**-**	-	**3 222 623**	2 009 505
Grants from SA Government agencies	**8 240**	9 348	**156 410**	170 768
Total revenues from SA Government	**8 240**	9 348	**3 379 033**	2 180 273
NET RESULT	**(3 121 509)**	(1 969 359)	**(173 203)**	(102 029)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

(Activities - refer note 5)	S1		S2	
	2010	2009	**2010**	2009
CURRENT ASSETS:	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**41 208**	51 974	**3**	-
Receivables	**94 822**	57 572	**-**	-
Inventories	**8 001**	8 730	**-**	-
NON-CURRENT ASSETS:				
Non-current assets receivables	**28 697**	30 255	**-**	-
Property, plant and equipment	**112 401**	78 276	**212**	247
Total assets	**285 129**	226 807	**215**	247
CURRENT LIABILITIES:				
Payables	**131 018**	49 612	**-**	-
Employee benefits	**21 376**	11 823	**-**	-
Borrowings	**936**	2 219	**-**	-
Provisions	**12 328**	14 529	**-**	-
Other current liabilities	**6 827**	5 329	**-**	-
NON-CURRENT LIABILITIES:				
Payables	**15 819**	13 608	**-**	-
Employee benefits	**15 888**	10 634	**-**	-
Borrowings	**22 297**	23 233	**-**	-
Provisions	**70 486**	75 943	**-**	-
Other non-current liabilities	**108**	118	**-**	-
Total liabilities	**297 083**	207 048	**-**	-
NET ASSETS	**(11 954)**	19 759	**215**	247

(Activities - refer note 5)	S3		Total	
	2010	2009	**2010**	2009
CURRENT ASSETS:	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**41 211**	51 974
Receivables	**-**	-	**94 822**	57 572
Inventories	**-**	-	**8 001**	8 730
NON-CURRENT ASSETS:				
Non-current assets receivables	**-**	-	**28 697**	30 255
Property, plant and equipment	**33**	40	**112 646**	78 563
Total assets	**33**	40	**285 377**	227 094
CURRENT LIABILITIES:				
Payables	**-**	-	**131 018**	49 612
Employee benefits	**-**	-	**21 376**	11 823
Borrowings	**-**	-	**936**	2 219
Provisions	**-**	-	**12 328**	14 529
Other current liabilities	**-**	-	**6 827**	5 329
NON-CURRENT LIABILITIES:				
Payables	**-**	-	**15 819**	13 608
Employee benefits	**-**	-	**15 888**	10 634
Borrowings	**-**	-	**22 297**	23 233
Provisions	**-**	-	**70 486**	75 943
Other non-current liabilities	**-**	-	**108**	118
Total liabilities	**-**	-	**297 083**	207 048
NET ASSETS	**33**	40	**(11 706)**	20 046

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Health

The Department of Health (the Department) is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The vision of the Department is the best health for South Australians.

To achieve this vision the Department is:

- strengthening primary health care
- enhancing hospital care
- reforming mental health care
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has 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 *Health Care Act 2008* (the Act), and other legislation as delegated by the Minister for Health and the Minister for Mental Health and Substance Abuse to the Chief Executive of the Department.

1.1 Departmental functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between Health Regions and Health services incorporated under the Act.

The financial affairs of incorporated Health services do not form part of the Department's financial statements. Under the Act these bodies 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.

1.2 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in note 37.

1.3 Administrative restructures

2009-10

- On 6 December 2007, the SA Health Executive approved the centralisation of all ICT functions (excluding pathology) across the Health portfolio (under the control of the Chief Information Officer) to commence from 1 July 2008. Nothing progressed on this restructure however until 1 July 2009. The transfers included staff and their associated employee entitlements. This transition was noted by Cabinet on 15 May 2010 (refer note 32).

- SA Health Executive approved, on 2 October 2008, the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2009, staff, their associated employee entitlements and any related fixed assets were transferred from the Health services to the SA Distribution Centre division of the Department. This transfer was noted by Cabinet on 15 May 2010 (refer note 32).

  Inventory will be purchased by the Department from the Health services warehouses and the site imprest stock in July 2010; once the service line agreements have been finalised (refer note 32)

- On 12 October 2009, a new Pharmaceutical Services and Strategy unit was established within the Department. Staff and their employee entitlements were transferred from the Therapeutic Goods Section of Drug and Alcohol Services South Australia, situated within the Southern Adelaide Health Service, to the Department (refer note 32).

- Towards the end of 2008-09 Ernst & Young performed an efficiency review of the Finance and Workforce divisions. The findings of the review were announced on 4 August 2009, and Portfolio Executive accepted the Ernst & Young review recommendations and approved the development of a project implementation plan. A portfolio wide Finance and Workforce Integration project commenced with an effective date of October 2009. The first change made effective 15 October 2009 was the introduction of the new governance arrangements for Finance and Workforce Development with staff transfers commencing post reporting date.

  All employee benefit expenses for the effected staff (to date one Executive Director) are reflected in the Department's financial statements from the effective date of October 2009.

  It is expected that all other Finance and Workforce staff identified as in-scope for the project will be dealt with through the established human resource principles during the first half of 2010-11.

2008-09

- Effective 1 July 2008, assets and liabilities of the former DTF (Supply SA) Distribution Centre were transferred to the Department (refer note 32).
- Effective 5 June 2009, the service level agreement between the Department and the Department for Families and Communities (DFC), hosted by DFC, ceased to exist with respect to financial accounting functions. The financial accounting functions returned to the Department and the Department recognised the associated employee liabilities transferred (refer note 32).
- The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared that the payroll services from the Workforce Development division were to transition to Shared Services SA from October 2008. This transition was approved by Cabinet on 15 October 2007 (refer note 32).
- In December 2006, the Department approved the establishment of a statewide retrieval service under a single governance structure. This was to be achieved through a staged implementation plan. In order to facilitate this transition, the Statewide Retrieval Service was transferred from the Department to the Central Northern Adelaide Health Service in January 2009.

1.4 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 and recoveries from portfolio agencies for business service 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with:

- AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

The Department has early-adopted the amendments to AASs as reflected in AASB 2009-12. These are further outlined in note 4.

The preparation of the financial statements requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

The preparation of the financial statements also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

- revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
- expenses incurred as a result of engaging consultants
- employees whose normal remuneration is greater than $100 000 or more (within $10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees
- board/committee member and remuneration information, where a Board/Committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

The accounting policies set out below have been applied in preparing the financial statements for the year ending 30 June 2010 and the comparative information presented.

2.2 *Reporting entity*

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

2.3 *Comparative figures*

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

2.4 *Rounding*

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

2.5 *Taxation*

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and emergency services levy. Income, 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 ATO is recognised as part of the cost of acquisition of an asset or is part of an item of expenses
- where appropriate, receivables and payables are stated with the amount of GST included.

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

2.6 *Income and expenses*

Income and expenses are recognised in the Department's Statement of Comprehensive Income when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of services to other SA Government agencies and to the public.

Revenue from disposal of non-current assets is recognised when control has passed to the buyer.

Resources received/provided free of charge are recorded as income/expenditure in the Statement of Comprehensive Income at their fair value. Goods and Services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.7 *Revenues from SA Government*

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

2.7 Revenues from SA Government (continued)

Where money has been appropriated in the form of a loan, the Department has recorded a loan payable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

2.8 Dividends

The Department did not receive any dividends.

2.9 Current and non-current items

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

2.10 Cash and cash equivalents

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

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During 2009-10 and 2008-09 the Department did not transfer any of its cash balance to the Consolidated Account.

2.11 Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Health service receivables

Health Service deficits are recognised in the Department's financial statements as a receivable from Health services. At each balance date the likelihood that the Health services may not be able to repay the amounts is assessed by the Department.

Doubtful debts

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. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

2.12 Inventories

The Department predominantly holds inventory for distribution (although some items are held for use) and is measured at the lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

2.13 Non-current asset acquisition and recognition

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

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

The Department capitalises all non-current physical assets with a value of $10 000 or greater in accordance with APF III.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

2.14 Revaluation of non-current assets

In accordance with APF III:

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

2.14 Revaluation of non-current assets (continued)

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

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- vacant buildings
- building and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2009, based on independent valuations performed by Andrew Lucas, MBA, BAppSc (Val), DipAcc, AAPI, CPV, Valcorp Aust Pty Ltd.

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 APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by DTF.

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
- computing equipment
- other plant and equipment
- plant and equipment in progress.

2.15 Depreciation and amortisation of non-current assets

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

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

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

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

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line	25-60
Leasehold improvements	Straight-line	Life of lease
Computer equipment/systems development	Straight-line	3-5
Other plant and equipment	Straight-line	3-15

2.16 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to $10 000, in accordance with departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of five years.

2.17 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days.

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

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 the South Australian Superannuation Board has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the pertinent super schemes.

2.18 Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

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

Annual leave
The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2010 and is measured at the nominal amount.

Long service leave
The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the Actuary when performing the assessment:

- salary increases of 2.5 percent per annum for the first year and 4 percent thereafter based on the current enterprise bargaining agreement and short-term forecasts
- discounting of 5.1 percent per annum based on the gross 10 year Commonwealth bond rate prevailing at 30 June 2010.

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

2.19 Provisions

Insurance
The Department is a participant in the State Government's insurance program. The Department pays a premium to SAFA, SAICORP Division, for professional indemnity insurance and general public liability insurance, 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 million. For claims incurred prior to these dates the deductable per claim is $50 000.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 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 current claim values.

The provision for claims for general public liability insurance and property is a management assessment.

Workers compensation
The Department is a self-insured employer within the WRCA, and has delegated powers pursuant to section 63 of the Act. As a consequence, the Department is responsible for the management of and all costs of workers compensation claims.

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 2009-10 financial year the Department has reflected a workers compensation provision of $1.4 million ($1.4 million) (refer note 27).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137, and the WorkCoverSA 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.

The Department is directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

From 1 July 2010, the Department has devolved annual funding to all remaining safety net funded hospitals and health centres for workers compensation expenditure, excluding lump sum payments. The Department now only specifically funds workers compensation lump sum 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 liability to Health services as at 30 June 2010 is $18.8 million ($17.6 million) (refer note 24).

2.20 Leases

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

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

2.21 *Unrecognised contractual commitments and contingent assets and liabilities*
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the ATO. If GST is not recoverable from or payable to the ATO, the commitments or contingencies are disclosed on a gross basis.

2.22 SA Government/Non-SA Government disclosures
The Department has adopted the requirements of APF II where the Department must disclose by way of a note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

2.23 Continuity of operations
As at 30 June 2010, the Department had a net assets deficiency of $11.7 million (net assets of $20 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Financial risk management
The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held-to-maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Change in accounting policy
4.1 Early adoption of accounting standards
Except for AASB 2009-12 which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4.2 Fixed asset revaluation
AASB 116 allows two options for dealing with accumulated depreciation on revaluation, the gross method and the net method. In 2008-09 the Department revalued its land and buildings and used the net method for recognition of the revaluations. The Department voluntarily changed its accounting policy for revaluations to the gross basis during 2009-10; ie when the item of property, plant and equipment was revalued, accumulated depreciation at the date of revaluation was restated proportionately to the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equalled its revalued amount.

In accordance with AASB 108, as a result of the above change in accounting policy there is an increase in the value of the fixed assets and the asset revaluation surplus in the current and prior year to reflect the full effect of the policy change. Opening equity has also been adjusted to reflect the impact of the correction on earlier years.

5. Activities of the Department
In achieving its objective the Department provides a range of services classified into the following activities:

Activity S1: Policy, Clinical Services and Administration
Central Office is responsible for health policy, clinical services and administration associated with the provision of Health services across country and metropolitan South Australia.

Activity S2: Public Health
Public Health is responsible for the development and delivery of policy and programs in relation to health protection and promotion and illness prevention, as well as the provision of high level clinical advice to enhance departmental decision making.

Activity S3: ***Health Services***

Health Services is responsible for hospital based tertiary care and other acute services as well as rehabilitation, mental health and other community Health services within the metropolitan and country areas, the provision of grants to non-government organisations for the provision of Health services, and Aboriginal controlled primary Health services provided to Aboriginal communities in Ceduna and Port Augusta and surrounding areas.

6. Employee benefit expenses

	Note	2010 $'000	2009 $'000
Salaries and wages		83 881	59 435
TVSP	6.1	3 939	-
Long service leave		5 506	2 741
Annual leave		6 373	5 182
Employment on-costs (superannuation)		9 744	7 783
Workers compensation		5 599	81
Other		3 925	4 820
Total employee benefit expenses		118 967	80 042

6.1 TVSPs

	2010 $'000	2009 $'000
Amount paid to these employees:		
TVSPs	3 939	-
Annual leave and long service leave accrued over the period	1 100	-
Recovery from DTF	(4 994)	-
Net cost to agency	45	-

The number of employees that were paid TVSPs during the reporting period were 34 (0).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	Executive Number	Admin Number	Other medical/ professional Number	2010 Total Number	2009 Total Number
$100 000 - $109 999	3	51	4	58	42
$110 000 - $119 999*	2	19	17	38	28
$120 000 - $129 999*	2	10	1	13	4
$130 000 - $139 999	2	3	-	5	4
$140 000 - $149 999*	4	-	-	4	2
$150 000 - $159 999	1	-	1	2	8
$160 000 - $169 999	3	1	-	4	7
$170 000 - $179 999	9	-	-	9	4
$180 000 - $189 999*	1	-	1	2	2
$190 000 - $199 999	3	-	1	4	1
$200 000 - $209 999	1	-	-	1	3
$210 000 - $219 999	5	-	-	5	2
$220 000 - $229 999	3	-	-	3	2
$230 000 - $239 999	1	-	1	2	1
$240 000 - $249 999	2	-	-	2	1
$250 000 - $259 999	1	-	-	1	-
$260 000 - $269 999	1	-	-	1	-
$270 000 - $279 999	1	-	1	2	1
$280 000 - $289 999*	1	-	-	1	2
$290 000 - $299 999	1	-	-	1	2
$300 000 - $309 999*	1	-	-	1	2
$310 000 - $319 999*	2	-	2	4	2
$320 000 - $329 999	1	-	1	2	-
$330 000 - $339 999	-	-	-	-	1
$340 000 - $349 999	-	-	1	1	-
$350 000 - $359 999	-	-	-	-	1
$380 000 - $389 999	-	-	-	-	2
$390 000 - $399 999	3	-	-	3	1
$420 000 - 429 999*	-	-	1	1	-
Total	54	84	32	170	125

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

* Where employees have left the Department, the remuneration reflects lump sum long service, annual leave and termination benefits.

The total remuneration received by these employees for the year was $25.7 million ($19 million).

For the purpose of this note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

7. Supplies and services

	2010	2009
Total supplies and services provided:	$'000	$'000
Accommodation and property related	14 207	9 469
Advertising and promotions	2 560	2 213
Communication and computing	63 332	56 209
Contractors and agency staff	40 042	36 842
Corporate services	938	1 511
Consultants	1 115	1 571
Drug supplies	30 627	35 579
Cost of sales medical supplies	14 530	2 677
Health surveys	1 307	1 362
Internal Audit	-	540
Insurance	21 504	34 135
Interstate patient transfers	25 795	27 126
Minor equipment	620	878
Motor vehicles	1 001	925
Printing, stationery, postage and periodicals	2 709	2 149
Seminars, courses and training	2 846	2 242
Travel and accommodation	2 165	1 900
Other administration	6 042	5 820
Supplies and services	231 340	223 148
Audit fees paid/payable to the Auditor-General's Department	270	294
Total audit fees	270	294
Total supplies and services	231 610	223 442

Other services

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

	2010	2009
Supplies and services provided by entities within the SA Government:		
Accommodation and property related	10 488	8 210
Advertising and promotions	77	25
Communication and computing	7 256	4 981
Contractors and agency staff	5 248	9 538
Corporate services	938	1 511
Drugs and medical supplies	55	134
Cost of sales medical supplies	-	11
Internal Audit	-	540
Insurance	21 240	19 120
Minor equipment	76	17
Motor vehicles	943	812
Printing, stationery, postage and periodicals	64	1
Seminars, courses and training	410	693
Travel and accommodation	87	25
Other administration	2 955	3 030
Supplies and services - SA Government entities	49 837	48 648
Audit fees paid/payable to the Auditor-General's Department	270	294
Audit fees - SA Government entities	270	294
Total supplies and services provided by entities within the SA Government	50 107	48 942

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:

	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	4	17	9	48
Between $10 000 and $50 000	8	202	20	472
Above $50 000	7	896	8	1 051
Total paid/payable to the consultants engaged	19	1 115	37	1 571

8. Depreciation and amortisation

	2010	2009
Depreciation:	$'000	$'000
Buildings and improvements	166	99
Medical, surgical, dental and biomedical equipment	6	6
Other plant and equipment	112	66
Computing equipment	5 355	1 457
Total depreciation	5 639	1 628
Amortisation:		
Intangible assets - computer systems development	2 070	-
Leasehold improvements	319	386
Total amortisation	2 389	386
Total depreciation and amortisation	8 028	2 014

9. Grants, subsidies and client payments

	Note	2010 $'000	2009 $'000
Recurrent funding to incorporated Health services	9.1	3 176 266	2 895 943
Capital funding to incorporated Health services	9.2	191 669	147 174
Funding to non-government organisations	9.3	72 503	63 854
National Blood Authority		25 745	24 173
Other		24 806	14 187
Total grant, subsidies and client payments		3 490 989	3 145 331
Grants, subsidies and client payments to entities within the SA Government:			
Recurrent funding to incorporated Health services	9.1	3 176 266	2 895 943
Capital funding to incorporated Health services	9.2	191 669	147 174
Other		15 207	7 529
Total grant, subsidies and client payments to entities within the SA Government		3 383 142	3 050 646

9.1 Recurrent funding to incorporated Health services

	2010 $'000	2009 $'000
Central Northern Adelaide Health Service	1 548 170	1 419 024
Southern Adelaide Health Service	715 267	639 557
Children's, Youth and Women's Health Service	310 692	288 620
Country Health South Australia	514 075	456 553
South Australian Ambulance Service	88 062	92 189
Total recurrent funding to incorporated Health services	3 176 266	2 895 943

9.2 Capital funding to incorporated Health services

	2010 $'000	2009 $'000
Central Northern Adelaide Health Service	83 807	57 660
Southern Adelaide Health Service	64 543	55 943
Children's, Youth and Women's Health Service	6 813	3 422
Country Health South Australia	27 478	18 863
South Australian Ambulance Service	8 998	11 286
Other	30	-
Total capital funding to incorporated Health services	191 669	147 174

9.3 Funding to non-government organisations

	2010 $'000	2009 $'000
Royal District Nursing Service of SA Inc	11 015	10 855
SHINE - Sexual Health Information Network & Education SA Inc	4 699	4 388
Neami Limited	4 450	3 307
Life without Barriers	3 906	2 991
Unity Housing Company Ltd	3 800	-
Uniting Care Wesley	3 594	3 552
Mind Australia	3 514	9
General Practice SA	3 099	3 477
Flinders Medical Centre Foundation	2 500	-
Southern Junction Community	2 365	-
Aboriginal Health Council	2 222	1 949
The Flinders University of South Australia	2 182	2 663
Australian Red Cross Society	2 036	1 585
National Health Call Centre Network Ltd	1 798	2 586
Relationships Australia (SA) Inc	1 765	1 360
The Aids Council of SA	1 341	1 282
University of South Australia	1 334	879
Anglicare SA	1 103	1 273
University of Adelaide	1 088	1 161
Centacare Catholic Family Services	1 073	1 061
Mental Illness Fellowship of SA Inc	1 022	1 068
Hepatitis-C Council	777	630
The Salvation Army	766	776
Helping Hand Aged Care Inc	537	457
Adelaide Research & Innovation Pty Ltd	535	571
Diabetes Australia - SA	525	495
Life Education SA Inc	461	448
Grow SA	450	444
Mental Health Coalition of SA Inc	450	418
Mission SA	439	439
People living with HIV/AIDS (SA) Inc	430	464
ACHPER - (Australian Council for Health Physical Education & Recreation SA Branch Inc)	354	154
Health Consumers Alliance of SA Inc	343	329
The Cancer Council South Australia	338	15
Adelaide Central and East Division of General Practice	334	53
Survivors of Torture	325	304

	2010	2009
9.3 Funding to non-government organisations (continued)	$'000	$'000
Australian Drug Treatment & Rehabilitation Program Inc	324	314
Eating Disorders Association of SA Inc	320	134
South Australian Council of Churches	282	273
Beyond Blue Ltd	278	278
National Heart Foundation of Australia	244	75
Clubhouse SA Inc	212	214
South East Drug and Alcohol Council Services Inc	210	203
Community & Neighbourhood Houses & Centres Association Inc	208	123
Baptist Community Services	185	556
Aboriginal Sobriety Group Inc	100	554
Adelaide Diocesan AIDS Council	-	610
Anangu Pitjantjatjara Yankunytjatjara Lands	-	242
Southern Cross Care (SA) Inc	-	1 264
The Richmond Fellowship of Victoria	-	2 777
Kalparrin Community Inc	-	311
Other non-government organisations	3 170	4 483
Total funding to non-government organisations	72 503	63 854

10. Borrowing costs

Borrowing costs paid/payable to entities within the SA Government:		
Interest on borrowings	2 225	2 482
Other	51	54
Total borrowing costs - SA Government entities	2 276	2 536
Total borrowing costs	2 276	2 536

11. Other expenses

Other expenses paid/payable:		
Bad and doubtful debts	(31)	(619)
Assets donated free of charge	10	1 940
Fines and penalties	4	-
Total other expenses	(17)	1 321
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	(54)	(619)
Assets donated free of charge	10	1 940
Total other expenses - SA Government entities	(44)	1 321

12. Revenue from rent, fees and charges

Rent, fees and charges received/receivable:		
Interstate patient transfers	47 268	43 667
Insurance recoveries from Health services	29 090	28 423
Recoveries	38 992	41 156
Business services	1 219	1 176
Sale of goods - medical supplies	15 770	3 260
Fees, fines and penalties	2 429	1 749
Rent	10	10
Total rent, fees and charges	134 778	119 441
Rent, fees and charges received/receivable from entities within SA Government:		
Insurance recoveries from Health services	29 090	27 757
Recoveries	32 936	38 653
Business services	543	779
Sale of goods - medical supplies	15 736	3 234
Fees, fines and penalties	1 291	614
Total rent, fees and charges - SA Government	79 596	71 037

13. Commonwealth Government grants

Australian Health Care Agreement - Base funding arrangement	-	842 807
COAG Patient Initiative		4 490
Elective surgery		8 200
Department of Veteran's Affairs	67 497	72 357
Highly specialised drugs	47 737	45 603
Public Health Outcome Funding Agreement	-	13 021
Essential vaccines	-	35 149
Police drug diversion	-	3 506
Woomera Hospital	1 242	1 216
GP super clinics	10 600	-
Early intervention pilot program	2 001	-
Red Cross	-	505
Transition Care program	10 413	7 732
Other	6 968	7 492
Total Commonwealth Government grants	146 458	1 042 078

13. Commonwealth Government grants (continued)

On 1 January 2009 the Intergovernmental Agreement on Federal Financial Relations was established which changed the flow of funding to the Department from direct receipt from the Commonwealth to the form of appropriation and other transfers from DTF.

14. Interest revenue

	Note	2010 $'000	2009 $'000
Interest from entities within SA Government:			
Interest on funds held		2	6
Interest on loans		2 594	3 009
Total interest revenue		2 596	3 015

15. Net loss from the disposal of non-current assets and other assets

Land and buildings:			
Proceeds from disposal		295	-
Net book value of assets disposed		(285)	-
Net gain from disposal of land and buildings		10	-
General plant and equipment:			
Proceeds from disposal		7	-
Net book value of assets disposed		(35)	(20)
Other costs of disposal		(2)	-
Net loss from disposal of general plant and equipment		(30)	(20)
Total assets:			
Total proceeds from disposal		302	-
Total value of assets disposed		(320)	(20)
Less total other costs of disposal		(2)	-
Total net loss from the disposal of non-current assets		(20)	(20)

16. Other income

Capital contributions		5 929	363
Assets received for nil consideration	16.1	1 635	13
SA Health and Medical Research Fund		5 989	5 103
Private sector grants		442	188
Other		1 810	2 203
Total other income		15 805	7 870
Other income from entities within SA Government			
Capital contributions		5 929	363
Assets received for nil consideration	16.1	-	13
SA Health and Medical Research Fund		5 723	5 081
Other		524	1 712
Total other income from entities within SA Government		12 176	7 169

16.1 Assets received for nil consideration

During the reporting period the Department received the following assets free of charge or for nominal consideration:		
Office equipment	-	13
Inventory	1 635	-
Total assets received for nil consideration	1 635	13

17. Revenues from SA Government

17.1 Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	3 147 301	2 005 034
Commonwealth grants received via Treasury	75 322	4 471
Total SA Government Appropriations	3 222 623	2 009 505

On 1 January 2009 the Intergovernmental Agreement on Federal Financial Relations was established which changed the flow of funding to the Department from direct receipt from the Commonwealth in the form of appropriations and other transfers from DTF.

17.2 Grants from SA Government agencies

	2010 $'000	2009 $'000
Community Development Fund	6 600	6 600
DTF - contingency funds	141 373	161 246
TVSP recoveries	4 994	-
Other	3 443	2 922
Total grants from SA Government agencies	156 410	170 768
Total revenue from SA Government	3 379 033	2 180 273

18. 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. The Department had outstanding funding commitments to the following programs:

	2010 $'000	2009 $'000
Australian Immunisation Agreement	7 978	7 527
Public Health Outcome Funding Agreement	-	567
Police Illicit Drug Diversion	-	150
HealthConnect project	-	89
Australian Better Health Initiative	-	1 135
CanNet program	-	236
Safety and Quality (inc Hand Hygiene, Safe TECH)	-	124
Health and Medical Research Fund	-	306
Expanded Specialist Training program	50	1 835
Clinical Management and Nursing Administration system	100	1 896
COAG - National eHealth Transition Authority	-	481
National Bowel Cancer Screening program	240	290
Immunisation Incentive Fund	670	271
Gynaecological Cancers Workforce project	105	200
Transitional Care program	567	-
Hospital and Health Workforce Reform - Activity Based Funding	768	-
Hospital and Health Workforce Reform - Emergency Department	8 231	-
Hospital and Health Workforce Reform - Sub Acute Care	1 006	-
Closing the Gap in Indigenous Health Outcomes	1 372	-
H1N1 Vaccine in South Australia	1 536	-
Housing Accommodation Support program	7 627	-
Other	1 085	1 039
Total unexpended funding commitments	31 335	16 146

19. Cash and cash equivalents

Special Deposit Account with the Treasurer and cash at bank	*41 130	*51 894
Advance account	81	80
Total cash and cash equivalents	41 211	51 974

* Included in the Special Deposit Account with the Treasurer is $11.1 million ($6.7 million) relating to the Health and Medical Research Fund which was established to support health and medical research activities in South Australia.

20. Receivables

	Note	2010 $'000	2009 $'000
Current:			
Debtors		25 122	17 396
Provision for doubtful debts		(7)	(105)
Health service budget over-runs		-	462
Grants		18 132	1 323
Interstate patient transfers		33 271	24 215
Loans	20.1	1 330	2 464
Prepayments		4 460	3 139
Interest		-	79
Overpaid salaries		22	20
Sundry receivables and accrued revenue		9 003	4 776
GST receivable		3 489	3 803
Total current receivables		94 822	57 572
Non-current:			
Loans	20.1	28 684	30 238
Sundry receivables and accrued revenue		13	17
Total non-current receivables		28 697	30 255
Total receivables		123 519	87 827
Current and non-current receivables from entities with SA Government entities:			
Debtors		19 181	13 365
Allowance for doubtful debts		-	(95)
Health service budget over-runs		-	462
Grants		855	-
Loans		30 014	32 702
Interest		-	79
Sundry receivables		10 158	1 551
Total receivable from entities within SA Government		60 208	48 064

Movement in the allowance for doubtful debts
The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Bad and doubtful debts
The Department has recognised a bad and doubtful debt expense of $31 000 ($619 000) in the Statement of Comprehensive Income.

Movements in the allowance for doubtful debts (impairment loss)	2010	2009
	$'000	$'000
Carrying amount at the beginning of the period	(105)	(728)
Decrease in the allowance	24	619
Amounts written off	67	3
Amounts recovered during the year	38	620
Decrease in allowance recognised in profit or loss	(31)	(619)
Carrying amount at the end of the period	(7)	(105)

Interest rate and credit risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity and analysis of receivables - refer note 30.

Categorisation of financial instruments and risk exposure information - refer note 30.

20.1 Reconciliation of inter-health loans	2010	2009
As at 30 June 2010 the balance of loans to Health services and related movements is as follows:	$'000	$'000
Balance at 1 July	32 702	34 682
Capitalised interest charges	366	519
Total repayable	33 068	35 201
Principal repayments received	(3 054)	(2 499)
Balance at 30 June	30 014	32 702

The Department to 30 June 2010 has financed the Health services with loans amounting to $6.8 million ($7.3 million) from departmental funds and $23.2 million ($25.5 million) from back-to-back loan arrangements with DTF.

The movements and status of the back-to-back loan arrangements are as follows:

	2010	2009
	$'000	$'000
Balance at 1 July	25 452	27 148
Principal repayments	(2 219)	(1 696)
Balance at 30 June	23 233	25 452

21. Inventories

Drug supplies	4 379	7 424
Other	3 622	1 306
Total inventories	8 001	8 730

22. Property, plant and equipment

Land and buildings:		
Vacant land at fair value	32 431	32 701
Site land at fair value	6 249	6 249
Vacant buildings at fair value	398	398
Buildings and improvements at fair value	8 767	8 767
Accumulated depreciation - buildings and improvements at fair value	(4 827)	(4 662)
Total land and buildings	43 018	43 453
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	3 291	3 369
Accumulated amortisation	(1 526)	(1 309)
Total leasehold improvements	1 765	2 060

22. Property, plant and equipment (continued)

	2010	2009
Plant and equipment:	$'000	$'000
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	28
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(17)	(11)
Computing equipment at cost (deemed fair value)	27 210	22 710
Accumulated depreciation - computing equipment at cost	(11 134)	(5 917)
Other plant and equipment at cost (deemed fair value)	1 294	703
Accumulated depreciation - other plant and equipment	(503)	(215)
Total plant and equipment	16 878	17 298
Total property, plant and equipment at fair value	79 668	74 925
Total accumulated depreciation	(16 481)	(10 805)
Total amortisation	(1 526)	(1 309)
Total property, plant and equipment	61 661	62 811

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2010.

22.1 Capital works in progress

	2010	2009
Computer systems development in progress at cost (deemed fair value)	23 269	11 637
Total capital works in progress	23 269	11 637

Correction of errors

During 2009-10 an extensive review was undertaken of the Department's holdings of property, plant and equipment. As a result, some errors were discovered which have been corrected in the prior year via an equity adjustment and restatement of opening balances.

Reconciliation of property and leasehold improvements

The following table shows the movement of land, buildings and improvements during 2009-10.

2010	Vacant land	Site land	Vacant buildings	Buildings and imprvmnts	Leasehold imprvmnts	Total property & leasehold imprvmnts
	$'000	$'000	$'000	$'000	$'000	$'000
Cost carrying amount at 1 July	32 701	6 249	398	8 767	3 369	51 484
Additions	-	-	-	-	39	39
Disposals	(270)	-	-	-	(117)	(387)
Acquisition through administrative restructure	-	-	-	-	-	-
Transfers from works in progress	-	-	-	-	-	-
Transfer out to SA Pathology	-	-	-	-	-	-
Transfer out to Medstar	-	-	-	-	-	-
Transfer out to DFC	-	-	-	-	-	-
Assets reclassified to assets held for sale	-	-	-	-	-	-
Carrying amount at 30 June	32 431	6 249	398	8 767	3 291	51 136
Accumulated depreciation/amortisation carrying amount at 1 July	-	-	230	4 432	1 309	5 971
Depreciation and amortisation	-	-	6	159	319	484
Disposals	-	-	-	-	(102)	(102)
Acquisition through administrative restructure	-	-	-	-	-	-
Transfer out to SA Pathology	-	-	-	-	-	-
Transfer out to Medstar	-	-	-	-	-	-
Transfer out to DFC	-	-	-	-	-	-
Carrying amount at 30 June	-	-	236	4 591	1 526	6 353

Reconciliation of plant and equipment

The following table shows the movement of plant equipment and intangibles during 2009-10.

2010	Medical, surgical, biomedical equipmnt	Computing equipmnt	Intangibles	Other	Works in progress	Total plant equipmnt and intangibles
	$'000	$'000	$'000	$'000	$'000	$'000
Cost carrying amount at 1 July	28	22 710	4 526	703	11 637	39 604
Additions	-	113	1 753	294	40 053	42 213
Disposals	-	(432)	-	(82)	-	(514)
Acquisitions through administrative restructure	-	367	748	395	-	1 510
Transfers from works in progress	-	4 503	23 918	-	(28 421)	-
Transfer out to SA Pathology	-	(25)	-	-	-	(25)
Transfer out to Medstar	-	-	-	(16)	-	(16)
Transfer out to DFC	-	(26)	-	-	-	(26)
Assets reclassified to assets held for sale	-	-	-	-	-	-
Carrying amount at 30 June	28	27 210	30 945	1 294	23 269	82 746

Reconciliation of plant and equipment (continued)

2010	Medical, surgical, biomedical equipmnt $'000	Computing equipmnt $'000	Intangibles $'000	Other $'000	Works in progress $'000	Total plant equipmnt and intangibles $'000
Accumulated depreciation/amortisation carrying amount at 1 July	11	5 917	411	215	-	6 554
Depreciation and amortisation	6	5 355	2 070	112	-	7 543
Disposals	-	(432)	-	(47)	-	(479)
Acquisition through administrative restructure	-	344	748	230	-	1 322
Transfer out to SA Pathology	-	(25)	-	-	-	(25)
Transfer out to Medstar	-	-	-	(7)	-	(7)
Transfer out to DFC	-	(26)	-	-	-	(26)
Carrying amount at 30 June	17	11 133	3 229	503	-	14 882

Valuation of land and buildings

The valuation of land and buildings was performed by Andrew Lucas, an independent valuer from Valcorp Australian Pty Ltd as at 30 June 2009. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2010

Carrying amount of plant and equipment

Plant and equipment includes $3.2 million of fully depreciated property still in use.

23. Intangible assets

	2010 $'000	2009 $'000
Computer software:		
Other computer software	30 945	4 526
Accumulated amortisation	(3 229)	(411)
Total computer software	27 716	4 115
Total intangible assets	27 716	4 115

24. Payables

Current:		
Creditors	97 813	23 521
Interstate patient transfers	20 437	17 366
Health service workers compensation	4 833	5 216
Health service budget under-runs	-	298
Grants	5 644	1 428
Interest	-	79
Employee benefit on-costs	2 291	1 704
Total current payables	131 018	49 612
Non-current:		
Health service workers compensation	14 012	12 344
Grants	192	174
Employee benefit on-costs	1 615	1 090
Total non-current payables	15 819	13 608
Total payables	146 837	63 220
Payables to entities within SA Government:		
Creditors	82 802	10 454
Health service workers compensation	18 845	17 560
Health service budget under-runs	-	298
Grants	141	-
Interest	-	79
Employee benefit on-costs	3 906	2 795
Total payables to entities within SA Government	105 694	31 186

Interest rate and credit risk

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

Maturity analysis of payables - refer note 30.

Categorisation of financial instruments and risk exposure information - refer note 30.

25. Employee benefits

	2010	2009
Current:	$'000	$'000
Annual leave	9 020	6 756
Long service leave	5 158	3 187
Accrued salaries and wages	4 068	1 939
FBT	3 113	(59)
Other	17	-
Total current employee benefits	21 376	11 823
Non-current:		
Long service leave	15 872	10 634
Other	16	-
Total non-current employee benefits	15 888	10 634
Total employee benefits	37 264	22 457

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) is $23.7 million ($13.5 million) and $17.5 million ($11.7 million) respectively.

As a result of an actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd this year, a benchmark for the measurement of long service leave liability was not used. The impact on the financial year and future periods is impracticable to estimate as the liability is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd also revised the salary inflation rate from the 2009 flat 2.5 percent to 2.5 percent for the current year and 4 percent thereafter.

26. Borrowings

	Note	2010	2009
Current:		$'000	$'000
DTF - loans		936	2 219
Total current borrowings		936	2 219
Non-current:			
DTF - loans		22 297	23 233
Total non-current borrowings		22 297	23 233
Total borrowings		23 233	25 452
Repayable:			
Not later than one year		936	2 219
Later than one year but not later than five years		6 855	6 071
Later than five years		15 442	17 162
		23 233	25 452

27. Provisions

	Note	2010	2009
Current:			
Insurance	27.1	11 601	13 863
Workers compensation	27.2	457	411
Other		270	255
Total current provisions		12 328	14 529
Non-current:			
Insurance	27.1	69 586	74 989
Workers compensation	27.2	900	954
Total non-current provisions		70 486	75 943
Total provisions		82 814	90 472

27.1 Reconciliation of insurance

The following table shows the movement of insurance during:

2010	Medical malpractice $'000	Public liability $'000	Property $'000	Total $'000
Carrying amount at 1 July	85 725	1 865	1 262	88 852
Increase to provision due to new claims	3 270	402	958	4 630
Reduction due to payments	(7 141)	(598)	(866)	(8 605)
Net revision of estimates	(3 275)	(523)	108	(3 690)
Carrying amount at 30 June	78 579	1 146	1 462	81 187
2009				
Carrying amount at 1 July	76 379	2 137	812	79 328
Increase to provision due to new claims	5 686	185	1 704	7 575
Reduction due to payments	(7 459)	(657)	(1 166)	(9 282)
Net revision of estimates	11 119	200	(88)	11 231
Carrying amount at 30 June	85 725	1 865	1 262	88 852

27.2 Reconciliation of workers compensation

The following table shows the movement of workers compensation during 2009-10:

	2010	2009
	$'000	$'000
Carrying amount at 1 July	1 365	1 438
Increase to provision due to revision of estimates	5 657	81
Reduction due to payments	(5 665)	(154)
Carrying amount at 30 June	1 357	1 365

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries. Those claims that are expected to be settled within the next financial year have been reflected as the current portion of the provision.

28. Other liabilities

	2010	2009
Current:	$'000	$'000
Unclaimed monies	1 001	947
Unearned revenue	5 826	4 290
Other	-	92
Total current other liabilities	6 827	5 329
Non-current:		
Unearned revenue	108	118
Total non-current other liabilities	108	118
Total other liabilities	6 935	5 447
Other liabilities within SA Government:		
Current:		
Unclaimed monies	62	180
Unearned revenue	10	570
Total current other liabilities within SA Government	72	750
Non-current:		
Unearned revenue	108	118
Total non-current other liabilities within SA Government	108	118

29. Equity

Contributed capital	578 813	429 398
Retained earnings	(622 218)	(441 311)
Asset revaluation surplus	31 699	31 959
Total equity	(11 706)	20 046

29.1 Contributed capital

Balance as at 1 July	429 398	272 873
Receipt of equity contribution from DTF	149 415	156 525
Balance at 30 June	578 813	429 398
Retained earnings:		
Balance at 1 July	(441 311)	(337 872)
Net result after restructuring	(173 203)	(102 029)
Prior period adjustments	-	(1 838)
Administrative restructure contribution	(7 964)	84
Transfers from asset revaluation surplus	260	344
Balance at 30 June	(622 218)	(441 311)
Asset revaluation surplus:		
Balance as at 1 July	31 959	18 789
Increment in vacant land due to revaluation	-	11 789
Decrement in vacant land due to revaluation	-	(10)
Decrement in vacant buildings due to revaluation	-	(68)
Increment in site land due to revaluation	-	623
Decrement in site land due to revaluation	-	(530)
Increment in buildings due to revaluation	-	1 710
Transfers from asset revaluation surplus	(260)	(344)
Balance at 30 June	31 699	31 959

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

30. Financial instruments

30.1 Categorisation of financial instruments

	Note	2010 Carrying amount $'000	2010 Fair value $'000	2009 Carrying amount $'000	2009 Fair value $'000
Financial assets:					
Cash and cash equivalents	19	41 211	41 211	51 974	51 974
Loans and receivables	20	120 030	120 030	84 024	84 024
Financial liabilities:					
Payables	24	146 837	146 837	63 220	63 220
Interest bearing liabilities	26	23 233	23 233	25 452	25 452

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

30.2 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

In accordance with TI 23 the Department entered into six forward exchange contracts through SAFA, to cover the acquisition of hospital equipment. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign exchange.

30.3 Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due including impaired assets past due.

	Past due by: Overdue for less than 30 days $'000	Past due by: Overdue for 30-60 days $'000	Past due by: Overdue for more than 60 days $'000	Total $'000
2010				
Not impaired:				
Receivables	3 902	924	1 202	6 028
Impaired:				
Receivables	-	-	(7)	(7)
	3 902	924	1 195	6 021
2009				
Not impaired:				
Receivables	4 799	3 586	412	8 797
Impaired:				
Receivables	-	-	(105)	(105)
	4 799	3 586	307	8 692

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

30.4 Maturity analysis of financial assets and liabilities

2010	Carrying amount $'000	Contractual maturity: Less than 1 year $'000	Contractual maturity: 1-5 years $'000
Financial assets:			
Cash and cash equivalent	41 211	41 211	-
Receivables	120 030	91 333	28 697
Total financial assets	161 241	132 544	28 697
Financial liabilities:			
Payables	146 837	131 018	15 819
Borrowings	23 233	936	22 297
Total financial liabilities	170 070	131 954	38 116

30.4 Maturity analysis of financial assets and liabilities (continued)

2009	Carrying amount $'000	Contractual maturity: Less than 1 year $'000	Contractual maturity: 1-5 years $'000
Financial assets:			
Cash and cash equivalent	51 974	51 974	-
Receivables	84 024	53 769	30 255
Total financial assets	135 998	105 743	30 255
Financial liabilities:			
Payables	63 220	49 612	13 608
Borrowings	25 452	2 219	23 233
Total financial liabilities	88 672	51 831	36 841

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

30.5 Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and programs delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

31. Unrecognised contractual commitments

31.1 Capital commitments

Capital expenditure contracted by the Department at the reporting date, but not recognised as liabilities in the financial statements, are payable as follows:

	2010 $'000	2009 $'000
Not later than one year	49 686	26 413
Later than one year but not later than five years	5 878	2 200
Total capital commitments (including GST)	55 564	28 613

Included in capital expenditure commitments above is $5 million ($2.6 million) which is the GST component of the capital expenditure commitments.

31.2 Other commitments

Capital expenditure contracted by the Department of behalf of health units

Capital expenditure contracted by the Department on behalf of health units, at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

	2010 $'000	2009 $'000
Not later than one year	27 057	31 376
Later than one year but not later than five years	23 972	46 079
Total other commitments (including GST)	51 029	77 455

Included in the other expenditure commitments above is $4.6 million ($13.9 million) which is the GST component of the other expenditure commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2010 has not been quantified.

31.3 Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2010 $'000	2009 $'000
Not later than one year	9 125	7 679
Later than one year but not later than five years	3 628	11 770
Later than five years	1 069	-
Total operating lease commitments (including GST)	13 822	19 449

Included in the operating lease commitments above is $1.3 million ($1.8 million) which is the GST component of the operating lease payments.

The Department has a number of 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 rate.

31.4 Operating lease revenue commitments

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

	2010 $'000	2009 $'000
Not later than one year	13 786	12 875
Later than one year but not later than five years	29 140	26 921
Total operating lease revenue commitments (including GST)	42 926	39 796

31.4 Operating lease revenue commitments (continued)

Included in the operating lease revenue commitments above is $3.9 million ($3.6 million) of GST. The operating lease relates to desktop PCs owned by the Department and leased to hospitals, Health services and allied agencies. The lease is non-cancellable with a replacement of desktop PCs in a four year cycle.

32. Transferred functions

Transferred in

- On 6 December 2007, the Health Portfolio Executive approved the centralisation of all ICT functions (excluding pathology) across the Health portfolio under the control of the Chief Information Officer to commence from 1 July 2008. However nothing progressed on this restructure until 1 July 2009. The transfers included staff and their associated employee entitlements. This transition was noted by Cabinet on 15 May 2010.

- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting, and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2009, staff, their associated employee entitlements, and any associated fixed assets were transferred from the Health Regions to the SA Distribution Centre division of the Department. This transfer was noted by Cabinet on 15 May 2010.

  Inventory will be purchased by the Department from the Health Region warehouses and the site imprest stock in July 2010; once the service line agreements have been finalised.

- On 12 October 2009, a new Pharmaceutical Services and Strategy Unit will be established within the Department. Staff and their employee entitlements were transferred from the Therapeutic Goods section of Drug and Alcohol Services South Australia, situated within the Southern Adelaide Health Services region, to the Department.

  Total income and expenses attributable to the Pharmaceutical Services and Strategy Unit that transferred effective 1 October 2009 were:

	Pharmaceutical Services and Strategy Unit $'000	Total $'000
Revenue from services	1	1
Total income	1	1
Employee benefits expenses	79	79
Supplies and services	54	54
Total expenses	133	133
Net result	(132)	(132)

The Department recognises the assets and liabilities reflected below.

	ICT	Procurement and Supply chain	Pharmaceutical Services and Strategy Unit	2010 Total
Current assets:	$'000	$'000	$'000	$'000
Receivables	27	10	-	37
Non-current assets:				
Property, plant and equipment	43	145	-	188
Total assets	70	155	-	225
Current liabilities:				
Employee benefits	1 576	1 048	26	2 650
Payables	208	104	3	315
Provisions	5	4	-	9
Non-current liabilities:				
Employee benefits	2 171	2 756	15	4 942
Payables	127	145	1	273
Total liabilities	4 087	4 057	45	8 189
Net assets transferred	(4 017)	(3 902)	(45)	(7 964)

Net assets assumed by the Department as a result of the administrative restructure were at the carrying amount.

Transfers during 2008-09

Transferred in

Effective 1 July 2008, assets and liabilities of the former DTF (Supply SA) Distribution Centre were transferred to the Department. The Department purchased the inventory on hand in the warehouse at 30 June 2008 from DTF.

Effective 5 June 2009, the service level agreement for a shared financial service between the Department and DFC hosted by DFC ceased to exist with respect to financial accounting functions. The financial accounting functions returned to the Department and the Department recognised the liabilities reflected below:

Transferred in (continued)

Non-current assets:	DTF Distribution Centre $'000	DFC $'000	2009 Total $'000
Property, plant and equipment	385	-	385
Total assets	385	-	385
Current liabilities:			
Payables	19	2	21
Employee benefits	114	15	129
Non-current liabilities:			
Payables	10	1	11
Employee benefits	115	12	127
Total liabilities	258	30	288
Net assets transferred in	127	(30)	97

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount.

Transferred out

- *Transfer to Shared Services SA*

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the DTF.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as tranches. In most cases these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

Two employees of the Workforce Development division and the assets and liabilities reflected below were transferred to Shared Services SA.

- *Transfer of SA Retrieval Services to Central Northern Adelaide Health Service*

In December 2006 the Department approved the establishment of a statewide retrieval service under a single governance structure. This was to be achieved through a staged implementation plan. In order to facilitate this transition, the Statewide Retrieval Service was transferred from the Department to the Central Northern Adelaide Health Service in January 2009.

The effective date was 1 January 2009.

Current assets:	SA Retrieval Service $'000	Shared Services SA $'000	2009 Total $'000
Cash	-	60	60
Total assets	-	60	60
Current liabilities:			
Payables	-	1	1
Employee benefits	17	14	31
Non-current liabilities:			
Payables	-	1	1
Employee benefits	-	14	14
Total liabilities	17	30	47
Net assets transferred out	(17)	30	13

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount.

33. Remuneration of board and committee members

There are various committees, forums, groups, panels and councils that have been formed to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by DTF.

Members of boards/committees that served for all or part of the financial year were:

DH Risk Management and Audit Committee

Allan Bolafi	Ross Haslam	Robyn Pak-Poy
Dr Stephen Christley	John O'Connor	Dr Tony Sherbon
David Johnston	Kym Piper	David Swan

33. Remuneration of board and committee members (continued)

Health Performance Council

Prof Frances Baum
Dr Michael Beckoff
Prof Justin Beilby
Rachel Bishop
James Dellit
Anne Dunn
Geoffrey Harris
Barbara Hartwig
Prof Michael Kidd
John Lewis
Prof Robyn McDermott
Christopher Alan Overland
Hon Carolyn Pickles
Dr Michael Rice
Dr Melissa Sandercock
John Singer
Thomas Paul Steeples
Dr Tom Stubbs
Dr Diane Wickett
Ian Yates
Dr Tahereh Ziaian

Public and Environmental Health Council

Kaye Arnold
Kevin Buckett
John Coombe
Prof Nancy Cromar
Dr John Cugley
Fiona Harvey
Ian Hawkins
Deborah Hemmes
Dr Christopher Lease
Felicity-Ann Lewis
Stephen Saffin
Helen Wright

Reproductive Technology Eligibility Review Panel

Annie Braendler-Phillips
Dr Donna Chung
Assoc Prof Sheryl de Lacey
Diana Dibden
Karen Fitzgerald
Alan Jenkins
Karla McCulloch
Dr Robert Pollnitz
Bernadette Richards
Patricia Ryan

SA Council on Reproductive Technology

Lisa Bedson
John Chandler
Assoc Prof Sheryl de Lacey
Dr Terence Donald
Carlo D'Ortenzio
Martyn Evans
Lorna Hallahan
Geraldine Hannon
Catherine Jeffries
Marc Keirse
Christine Kirby
Dr Enzo Lombardi
Ngaire Naffine
Robert Norman
Oswald Petrucco
Dr Robert Pollnitz
Bernadette Richards
Margaret Ripper
Steven Scroggs
Dr Jodie Semmler
Jacqueline Street
Dr Peter Woolcock

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Trevor Bower
Yvonne Buza
Carolyn Donaghey
Juli Ferguson
Carolyn Gray
Philip Jackson
Ashleigh Moore
Jeanette Mossop
Stephanie Newell
Debra Petrys
Ron Tan
Jill Wishart

South Australian Council for Safety and Quality in Health Care

Dr David Ben-Tovim
Dr Ken Fielke
Prof Villis Marshall
Kathy Nagle
Stephanie Newell
Hans Ohff
Vanessa Owen
Dr Rod Padbury
Debra Petrys
Philip Robinson
Dr David Rosenthal
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Barbara Wieland

SA Safety and Quality Clinical Governance Committee

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Peter Chapman
Chris Farmer
Jackie Howard
Anne Hill
Damien Lloyd
Michele McKinnon
Alan McLean
Christy Pirone
Prof Richard Reed
Philip Robinson
Dianne Rogowski
Katherine Trowbridge

South Australian Medicines Advisory Committee

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Terry Crackett
Eliana Della Flora
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Vaughn Eaton
Dr Stephen Hedger
Dr Margaret Honeyman
Helen Mikolaj
Steven Morris
Kathy Nagle
Sinead O'Brien
Prof Paddy Phillips
Dr David Rosenthal
Prof Lloyd Sanson
Prof Nigel Stocks
Sean Turner

Clinical Senate

Dr Peter Anastassiadis
Elaine Ashworth
Prof Phil Aylward
Assoc Prof Peter Bardy
Heather Baron
Prof Justin Beilby
Dr Taryn Bessen
Elizabeth Birchmore
Dr John Bonifant
Dr Phil Brock
Dr Chris Cain
Prof Karen Grimmer-Somers
Christine Holliday
Dr Matt Hooper
Assoc Prof Geoff Hughes
Jim Jannes
Dr Sue Johanson
Prof Dorothy Keefe
Dr Sharon Liberali
Assoc Prof Leslye Long
Prof Guy Ludbrook
Prof Guy Maddern
Prof Paddy Phillips
Dr John Pierides
Dr Michael Rice
Prof Jeffrey Robinson
Dianne Rogowski
Prof Graeme Russ
Dr Cathy Sanders
Dinesh Shelva
Judy Smith
Dr Michael Taylor
Dr Jo Thomas

Clinical Senate (continued)

Assoc Prof Simon Carney
Peter Chapman
Cate Curry
Assoc Prof Chris Doecke
Dr Ken Fielke
Dr Janice Fletcher
Michele McKinnon
David Morris
David Nielsen
Dianne Norris
Dr Rob Padbury
Karen Parish
Deborah Walker
Dr Lucia Walters
Dr David Watson
Assoc Prof Craig Whitehead
John Yamba

Clinical Networks - Cancer

Assoc Prof Peter Bardy
Dr Peter Chapman
Dr Greg Crawford
Tracey Doherty
Juli Ferguson
Meryl Horsell
Ngara Keeler
Prof Dorothy Keefe
Assoc Prof Bogda Koczwara
Jude Lees
Kristin Linke
Julie Marker
Ashleigh Moore
Dr James Moxham
Dr Michael Penniment
Assoc Prof Tom Revesz
Prof David Roder
Megan Satanek
Prof Tracey Wade
Prof David Watson
Prof Graeme Young

Clinical Networks - Renal

Assoc Prof Kym Bannister
Assoc Prof Jeff Barbara
Assoc Prof Chris Doecke
Fiona Donnelly
Shelley Horne
Dr Paul Henning
Dr Stephen McDonald
Gay Martin
Anthony Meade
Dr Caroline Milton
Betty Nobes
Prof Graeme Russ
Mary Sladek
Peter Uppington
Andrew Zoerner

Clinical Networks - Cardiology

Dr Margaret Arstall
Prof Phil Aylward
Rachel Bishop
Alwin Chong
Prof John Horowitz
Dr Peter Joyner
Dr Leo Mahar
Colin Purvis
Deborah Rowett

Clinical Networks - Maternal and Neonatal

Dr Chad Andersen
Cheryl Boles
Judy Coffey
Carolyn Donaghey-Harris
Meredith Hobbs
Noeline Hudson
Richard MacKinnon
Julie Pratt
Dr Peter Rischbieth
Helen Hriskin
Prof Jeffery Robinson
Dr Steven Scroggs
Janet Vermeeren
Dr Colin Weatherill

Clinical Networks - Child Health

Dr Peter Baghurst
Dr Phil Brock
Alex Centofanti
Glenise Coulthard
Dr David Everett
Kirsty Gilmour
Dr Di Hetzel
Dr Deepa Jeyaseelan
Dr Michael Rice
Dr Cathy Sanders
Dr Nigel Stewart
Trish Strachan
Dr Michael Taylor
Dr Gavin Wheaton

Clinical Networks - Mental Health

Mike Beckoff
Mary Buckskin
Dan Donaghey
Ken Fielke
Karl Hass
Maureen Healey
Dr Prue McEvoy
Heather Nowak
Wayne Oldfield
Clive Skene

Clinical Networks - Orthopaedic

Mathew Beard
Chris Butcher
Chris Cain
Mellick Chehade
Nancy Cullen
Peter Cundy
Karen Dixon
Pat Graske
Tony Hewitt
Cheryl Kimber
Joe Levy
Dr Graham Mercer
George Potter
Trevor Pozza
Simon Spedding
Mary Sutherland
Peter Viiret

Clinical Networks - Rehabilitation

Sharyn Broer
Alwin Chong
Carolyn Coombs
Amanda Crockett-Naini
Graham Fleming
Wendy Forster
Yvonne Hyndman
Carlie Hopkins
Miranda Jelbart
Meredith Jolly
Marcy Loprior
Charitha Perera
Nigel Quadros
James Rice
Judy Smith
Sally Sobels
Victoria Shtangey

Clinical Network - Older People

Loueen Bainger
Dale Cleaver
Jeff Faunt
Amy Foote
Alan Graham
Dianne Halliday
Sue Jarrad
Karen Parish
Bob Penhall
Justin Prendergast
Lee Sando
John Sniatynskj
Stephan Van Eeden
Renuka Visvanathan
Craig Whitehead

Clinical Network - Palliative Care

Meg Brassil	Bill Lees	Adrienne Stoddart
Peter Chapman	Alison McLeod	Kate Swetenham
Gregory Crawford	Di Moncrieff	Helen Walker
Julie Duffield	Lawrie Palmer	Tracey Waters
Karen Glaetzer	Bruce Rounsefell	Francis Watkins
Roger Hunt		

Clinical Network Stroke

Peter Anastassiadis	Susan Hillier	Simon Koblar
Chris Bollen	Dirk Hoffman	Simon Lane
Maria Crotty	Peter Joyner	Andrew Lee
Lizzie Dodd	Tom Kimber	Julie Luker
Hugh Grantham	Di King	Annette Mcgrath

Total income received, or due and receivable, by board members was $609 000 ($596 000).

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$0	256	212
$1 - $9 999	72	42
$10 000 - $19 999	10	13
$20 000 - $29 999	4	9
$30 000 - $39 999	2	-
$40 000 - $49 999	-	1
$80 000 - $89 999	1	-
Total	345	277

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

34. Contingent assets and liabilities

During June 2010 the Minister entered into a contract to sell part of the Glenside Campus to the Chapley Retail Group. A bank guarantee in lieu of a deposit has been provided. In accordance with the terms of the contract for sale, if the purchaser defaults prior to or at settlement the deposit is forfeited to the Department.

35. Cash flow reconciliations

Reconciliation of cash and cash equivalents as at 30 June:	2010 $'000	2009 $'000
Statement of Cash Flows	41 211	51 974
Cash and cash equivalents disclosed in the Statement of Financial Position	41 211	51 974

Reconciliation of net cash used in operating activities to net cost of providing services

	2010 $'000	2009 $'000
Net cash used in operating activities	(127 748)	(111 112)
SA Government appropriations	(3 222 623)	(2 009 505)
Grants from SA Government agencies	(156 410)	(170 768)
	(3 506 781)	(2 291 385)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(8 028)	(2 014)
Loss on sale or disposal of non-current assets	(20)	(20)
Net revenue from administrative restructure	-	(17)
Assets received for nil consideration	1 635	13
Capitalised interest on loans	-	519
Assets donated free of charge	(10)	(1 940)
Changes in assets and liabilities:		
Increase in receivables	38 343	1 128
(Decrease) Increase in inventories	(2 364)	5 903
(Increase) Decrease in payables	(73 975)	22 411
Increase in employee benefits	(7 215)	(3 830)
Decrease (Increase) in provisions	7 667	(9 466)
Increase in other liabilities	(1 488)	(3 604)
Net cost of providing services	(3 552 236)	(2 282 302)

36. Events after balance date

Portfolio wide Finance and Workforce Integration project

A portfolio wide Finance and Workforce Integration project commenced with an effective date of October 2009. This restructure essentially involved the transfer of employees and their associated employee benefits from the Health services to the Department. All employee benefit expenses for the effected staff, (to date one executive director) are reflected in the Department's financial statements from the effective date of October 2009.

It is expected that all other finance and workforce staff identified as in-scope for the project will be dealt with through the established human resource principles during the first half of 2010-11.

Procurement and supply chain centralisation
In May 2009, the Health Portfolio Executive approved the move to a single management model for all in-scope procurement and supply chain staff from 1 July 2009 with all budget management and human resources/payroll management consolidated within the Department. Effective 1 July 2009, all budgets, assets and liabilities associated with in-scope procurement and supply chain functions were transferred from Health services to the Department except for inventory held in warehouses and imprest accounts at Health services. These balances will transfer to the Department once the service line assessments have been finalised.

Whole-of-health finance, supply and asset management system
During 2009-10, the Department has been in the process, with the assistance of IBM, of designing and performing the technical build of the implementation of Oracle Corporate systems; a whole-of-health finance, supply chain and asset management system.

The systems implementation will occur in two major phases with the general ledger, accounts receivable, fixed assets and project sub-systems going live on 1 July 2010. The second phase will be the implementation commencing 1 October 2010 in a staged rolled out across sites of the accounts payable and procurement and inventory management sub-systems. It is estimated that the fully integrated system will be completed by December 2010. Once implemented the Department and the Health services will operate on a single integrated financial management system.

37. Schedules of administered funds

The following income, expenses, assets and liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with DTF Model Financial Statements, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

Schedule of Administered Expenses and Income
for the year ended 30 June 2010

	Medical Board SA		HACDSMC	
	2010	2009	**2010**	2009
Expenses:	**$'000**	$'000	**$'000**	$'000
Employee benefits	**-**	-	**476**	422
Supplies and services	**-**	-	**387**	397
Grants, subsidies and client payments	**-**	-	**31 385**	15 097
Depreciation and amortisation	**-**	-	**1**	3
Total administered expenses	**-**	-	**32 249**	15 919
Income:				
Revenues from SA Government	**-**	-	**4 791**	1 464
Grants and contributions	**-**	-	**6 185**	9 142
User charges and fees	**-**	-	**12 347**	10 298
Interest	**-**	-	**1 097**	1 539
Other revenue	**1 500**	-	**-**	-
Total administered income	**1 500**	-	**24 420**	22 443
Administered income less expenses	**1 500**	-	**(7 829)**	6 524

	Minister's salary		Total	
	2010	2009	**2010**	2009
Expenses:	**$'000**	$'000	**$'000**	$'000
Employee benefits	**232**	243	**708**	665
Supplies and services	**-**	-	**387**	397
Grants, subsidies and client payments	**-**	-	**31 385**	15 097
Depreciation and amortisation	**-**	-	**1**	3
Total administered expenses	**232**	243	**32 481**	16 162
Income:				
Revenues from SA Government	**246**	241	**5 037**	1 705
Grants and contributions	**-**	-	**6 185**	9 142
User charges and fees	**-**	-	**12 347**	10 298
Interest	**-**	-	**1 097**	1 539
Other revenue	**-**	-	**1 500**	-
Total administered income	**246**	241	**26 166**	22 684
Administered income less expenses	**14**	(2)	**(6 315)**	6 522

Schedule of Administered Assets and Liabilities
as at 30 June 2010

	Medical Board SA		HACDSMC	
	2010	2009	**2010**	2009
Current assets:	**$'000**	$'000	**$'000**	$'000
Cash	**1 500**	-	**20 237**	29 172
Receivables	**-**	-	**3 259**	-
Total administered current assets	**1 500**	-	**23 496**	29 172
Non-current assets:				
Plant and equipment	**-**	-	**6**	7
Total administered non-current assets	**-**	-	**6**	7
Total administered assets	**1 500**	-	**23 502**	29 179
Current liabilities:				
Payables	**-**	-	**3 700**	1 569
Employee benefits	**-**	-	**78**	58
Other current provisions	**-**	-	**15**	-
Total administered current liabilities	**-**	-	**3 793**	1 627
Non-current liabilities:				
Payables	**-**	-	**-**	14
Borrowings	**-**	-	**-**	-
Employee benefits	**-**	-	**139**	139
Other non-current liabilities	**-**	-	**-**	-
Total administered non-current liabilities	**-**	-	**139**	153
Total administered liabilities	**-**	-	**3 932**	1 780
Net administered assets	**1 500**	-	**19 570**	27 399

	Minister's salary		Total	
	2010	2009	**2010**	2009
Current assets:	**$'000**	$'000	**$'000**	$'000
Cash	**-**	-	**21 737**	29 172
Receivables	**21**	20	**3 280**	20
Total administered current assets	**21**	20	**25 017**	29 192
Non-current assets:				
Plant and equipment	**-**	-	**6**	7
Total administered non-current assets	**-**	-	**6**	7
Total administered assets	**21**	20	**25 023**	29 199
Current liabilities:				
Payables	**-**	-	**3 700**	1 569
Borrowings	**21**	20	**21**	20
Employee benefits	**-**	14	**78**	72
Other current provisions	**-**	-	**15**	-
Total administered current liabilities	**21**	34	**3 814**	1 661
Non-current liabilities:				
Payables	**-**	-	**-**	14
Borrowings	**-**	-	**-**	-
Employee benefits	**-**	-	**139**	139
Other non-current liabilities	**-**	-	**-**	-
Total administered non-current liabilities	**-**	-	**139**	153
Total administered liabilities	**21**	34	**3 953**	1 814
Net administered assets	**-**	(14)	**21 070**	27 385

Schedule of Administered Changes in Equity
for the year ended 30 June 2010

	Medical Board SA		HACDSMC	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at 1 July	-	-	27 399	20 875
Net income (expense) recognised directly in equity	-	-	27 399	20 875
Net operating result (deficit)	1 500	-	(7 829)	6 524
Total recognised income and expense for the period	1 500	-	(7 829)	6 524
Balance at 30 June	**1 500**	-	**19 570**	27 399

	Minister's salary		Total	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at 1 July	(14)	(12)	27 385	20 863
Net income (expense) recognised directly in equity	(14)	(12)	27 385	20 863
Net operating result (deficit)	14	(2)	(6 315)	6 522
Total recognised income and expense for the period	14	(2)	(6 315)	6 522
Balance at 30 June	**-**	(14)	**21 070**	27 385

Schedule of Administered Cash Flows
for the year ended 30 June 2010

	Medical Board SA		HACDSMC	
	Inflows (Outflows) 2010	Inflows (Outflows) 2009	**Inflows (Outflows) 2010**	Inflows (Outflows) 2009
Cash flows from operating activities:	**$'000**	$'000	**$'000**	$'000
Cash inflows:				
Grants and contributions	**-**	-	**-**	8 831
Receipts from SA Government	**-**	-	**10 976**	1 464
Interest revenue	**-**	-	**1 096**	1 539
Other revenue	**1 500**	-	**9 088**	10 610
Total cash inflows	**1 500**	-	**21 160**	22 444
Cash outflows:				
Employee payments	**-**	-	**(461)**	(396)
Grants and subsidies	**-**	-	**(29 068)**	(14 812)
Goods and services	**-**	-	**(566)**	(395)
Total cash outflows	**-**	-	**(30 095)**	(15 603)
Net cash inflows (outflows) from operating activities	**1 500**	-	**(8 935)**	6 841
Cash flows from financing activities:				
Cash inflows:				
Cash overdraft	**-**	-	**-**	-
Total cash inflows	**-**	-	**-**	-
Cash outflows:				
Cash overdraft	**-**	-	**-**	-
Total cash outflows	**-**	-	**-**	-
Net cash (outflows) inflows from financing activities	**-**	-	**-**	-
Net increase in cash held	**1 500**	-	**(8 935)**	6 841
Cash at 1 July	**-**	-	**29 172**	22 331
Cash at 30 June	**1 500**	-	**20 237**	29 172

Schedule of Administered Cash Flows
for the year ended 30 June 2010 (continued)

	Minister's salary		Total	
	Inflows (Outflows) 2010	Inflows (Outflows) 2009	**Inflows (Outflows) 2010**	Inflows (Outflows) 2009
Cash flows from operating activities:	**$'000**	$'000	**$'000**	$'000
Cash inflows:				
Grants and contributions	**-**	-	**-**	8 831
Receipts from SA Government	**245**	261	**11 221**	1 725
Interest revenue	**-**	-	**1 096**	1 539
Other revenue	**-**	-	**10 588**	10 610
Total cash inflows	**245**	261	**22 905**	22 705
Cash outflows:				
Employee payments	**(245)**	(241)	**(706)**	(637)
Grants and subsidies	**-**	-	**(29 068)**	(14 812)
Goods and services	**-**	-	**(566)**	(395)
Total cash outflows	**(245)**	(241)	**(30 340)**	(15 844)
Net cash inflows (outflows) from operating activities	**-**	20	**(7 435)**	6 861
Cash flows from financing activities:				
Cash inflows:	**-**	-	**-**	-
Cash overdraft	**-**	-	**-**	(20)
Total cash inflows	**-**	-	**-**	-
Cash outflows:				
Cash overdraft	**-**	(20)	**-**	(20)
Total cash outflows	**-**	(20)	**-**	(20)
Net cash (outflows) inflows from financing activities	**-**	(20)	**-**	(20)
Net increase in cash held	**-**	-	**(7 435)**	6 841
Cash at 1 July	**-**	-	**29 172**	22 331
Cash at 30 June	**-**	-	**21 737**	29 172

Administered expenses and administered cash outflows
The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered income and administered cash inflows
The Department collects various revenues and grants on behalf of government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

Administered contingent assets and liabilities
The Department has no administered contingent assets and liabilities.

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health sector staffing statistics

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department and South Australian Ambulance Service, over the past three years. It is important to know that this data is unaudited.

Health sector FTE mix (unaudited)

	2010	2009	2008
Staff categories:	**Number**	Number	Number
Nurses	**11 870**	11 337	10 753
Medical staff	**2 571**	2 528	2 359
Scientific and technical	**1 188**	1 188	1 197
Administrative and clerical	**4 824**	5 078	5 066
Allied health, hotel, and other staff	**6 705**	6 681	6 496
Total staff	**27 158**	26 812	25 871
Increase	**346**	941	771
Percentage increase	**1**	4	3

Department staffing statistics

The following table details the staffing levels, as at 30 June, of the Department over the past three years.

Department of Health FTE (unaudited)

	2010	2009	2008
	Number	Number	Number
Total staff	**1 273**	938	819

South Australian Ambulance Service staffing statistics

The following table details the staffing levels, as at 30 June, of the South Australian Ambulance Service over the past three years.

South Australian Ambulance Service FTE (unaudited)

	2010	2009	2008
	Number	Number	Number
Total staff	**1 167**	1 138	1 065

Hospital activity statistics

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

Inpatient activity (unaudited)

	2010	2009	2008
Metropolitan hospitals:	**Number**	Number	Number
Overnight stay	**157 826**	154 521	151 745
Same day	**134 139**	132 787	129 697
Total	**291 965**	287 308	281 442

Inpatient activity (unaudited) (continued)

	2010	2009	2008
Country hospitals:	**Number**	Number	Number
Overnight stay	**51 749**	51 791	52 768
Same day	**39 064**	34 665	34 118
Total	**90 813**	86 456	86 886

Average length of overnight hospital stay (unaudited)

	2010	2009	2008
	Days	Days	Days
Metropolitan hospitals	**7**	7	7.2
Country hospitals	**6.1**	6.6	6.8

Outpatient activity (unaudited)

	2010	2009	2008
Metropolitan hospitals:	**Number**	Number	Number
Emergency Department attendances	**373 700**	357 418	364 553
Outpatient occasions of service	**1 039 300**	1 053 897	1 026 187
Country hospitals:			
Emergency Department attendances	**181 183**	174 199	181 411
Outpatient occasions of service	**138 790**	135 244	117 136

Audit mandate and coverage - Health services

Sections 36 and 21 of the *Health Care Act 2008* require incorporated hospitals and incorporated health advisory councils 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 metropolitan regions and Country Health SA Hospital Inc are subject to audit by the Auditor-General. The health advisory councils are audited by auditors approved by the Auditor-General. In addition, pursuant to section 55 of the *Health Care Act 2008*, the South Australian Ambulance Service is subject to audit by the Auditor-General.

In general, the audit of Health services would include coverage of the following areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-operating funds
- financial statements

Issues arising from the reviews are referred to health service management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health services, audits are generally in progress, at the time of finalising this Report to Parliament.

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

Establishment

HomeStart Finance (HomeStart) is a statutory corporation established by Regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

HomeStart's functions include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to 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 within South Australia
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- customer loans, including loan approvals, interest revenue, arrears management and allowance for impairment
- investments
- SAFA funding facility, including interest expense and derivative instruments
- payroll and expenditure
- regulatory framework
- general IT controls
- general ledger reconciliations and journals.

The audit included consideration of the work undertaken by HomeStart's internal audit function. Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of HomeStart Finance as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of HomeStart Finance have been conducted properly and in accordance with law.

Communication of audit matters

These were no notable control weaknesses identified in relation to the specific areas that were subject to audit attention. Some matters of a minor nature will be communicated to HomeStart after the completion of the financial statement audit process.

Implementation of TIs 2 and 28

HomeStart has established a financial management compliance program (FMCP) policy. The FMCP policy provides a description of the FMCP and financial management at HomeStart and describes the role of the HomeStart Board of Management, Asset and Liability Committee and Audit Committee in the FMCP.

During the year management reviewed the FMCP and reported the results to the Audit Committee. Management identified certain areas for improvement and have assessed they do not lead to material weaknesses in HomeStart's FMCP.

Merchant facilities – e-Commerce data security compliance

HomeStart uses the whole-of-government contract for merchant facilities for credit card transactions. Under the contract HomeStart must comply with the global payment card industry (PCI) requirements to protect cardholder data.

A high level PCI compliance assessment by Audit noted that HomeStart needed to ensure that any correspondence sent to the banking contractor, such as a PCI self-assessment questionnaire, adequately reflected the role of Bizgate in the processing of HomeStart transactions. Also the agency needed to assess the role and use of one of their active merchant account IDs which had not been used.

The matters were conveyed to HomeStart and the response indicated that both matters were being addressed.

Dividend payment

The *Housing and Urban Development (Administrative Arrangements) Act 1995* imposes the following processes for dividends:

- HomeStart must recommend a dividend as it considers appropriate to the responsible Minister
- the Minister may, in consultation with the Treasurer, approve the HomeStart recommendation, or determine another dividend amount or no dividend be paid.

During the year HomeStart made a recommendation to the Minister on the dividend and in June 2010 made an interim cash dividend payment of $3.6 million. However, as at 30 June 2010, the Minister and the Treasurer had not approved a dividend as required by the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

At the time of preparing this report the Minister and the Treasurer have not yet approved or made any determination on the dividend to be paid.

As at 30 June 2010 this payment has been recorded as a stakeholder advance in other financial assets (refer to notes 20 and 28 to the financial statements).

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
Interest income	**103**	100
Interest expense	**67**	66
Net interest income	**36**	34
Other income	**16**	13
Other expenses	**(35)**	(37)
Profit before income tax equivalents	**17**	10
Income tax equivalents expense	**(5)**	(3)
Profit after income tax equivalents expense	**12**	7
Derivative gain (loss)	**4**	(16)
Total comprehensive result	**16**	(9)
ASSETS		
Loans and advances	**1 650**	1 377
Other assets	**110**	88
Total assets	**1 760**	1 465
LIABILITIES		
Borrowings	**1 585**	1 303
Other liabilities	**20**	23
Total liabilities	**1 605**	1 326
TOTAL EQUITY	**155**	139

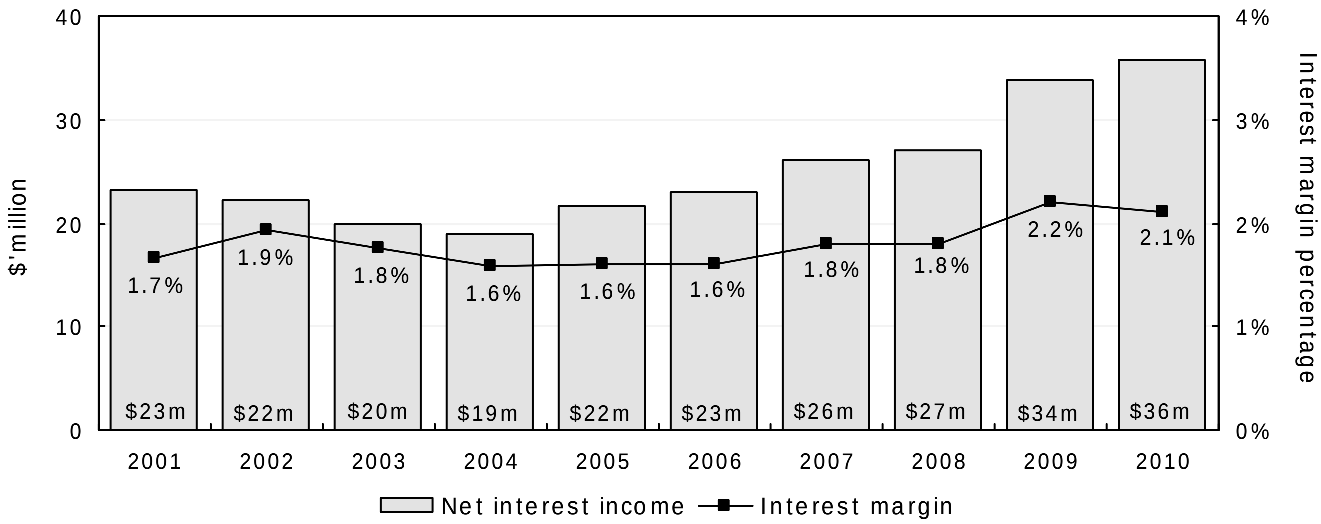
Statement of Comprehensive Income

Profit for the year

Profit after income tax equivalents increased to $11.7 million from $7.1 million. Primary factors contributing to this increase are outlined hereunder.

Net interest income

The following chart compares the net interest income to the interest rate margin between loans and cost of funds.



Net interest income increased by $2 million, or 6 percent, to $35.8 million. The increase was due mainly to a combination of an increase in loans and advances of 20 percent and a decrease in the interest rate margin between loans and cost of funds from 2.2 percent to 2.1 percent. The increase in the loan portfolio is discussed further below.

The chart shows that over the last two years the interest rate margin between loans and cost of funds is higher than the preceding years. This in part reflects the financial risk environment since the global financial crisis.

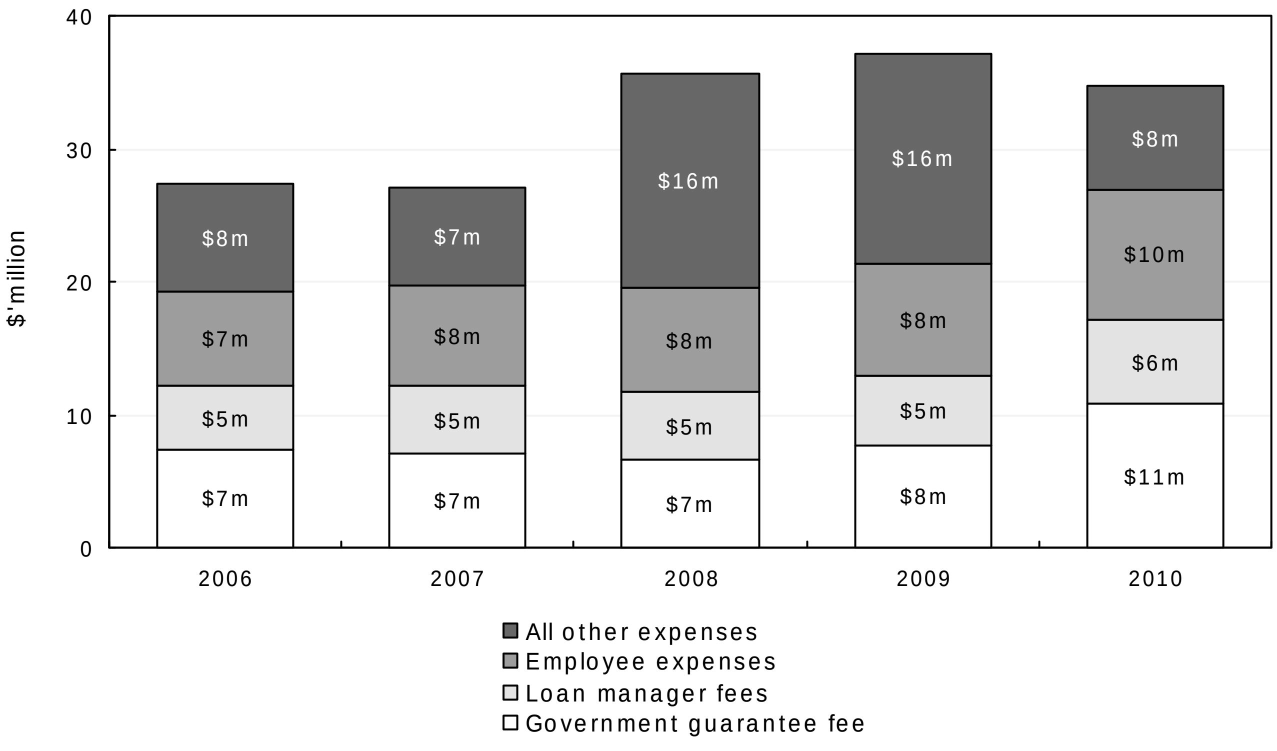
Other income

Other income increased by $2.3 million to $15.7 million. The change resulted mainly from:

- an $883 000 increase in fees and charges
- a $2.3 million increase in the unrealised change in the fair value of the shared appreciation component of the breakthrough loan product
- a $1.1 million decrease from investment income (excluding breakthrough loans).

Expenses other than interest

The movement in expenses other than interest is demonstrated in the following chart.



The chart shows that these expenses in 2008 and 2009 were higher than the other years. The 2008 and 2009 years were impacted by the reduction in market values of investments and were reflective of the general declining trend in the value of equities due to depressed global financial markets. Market value losses were $7 million in 2009 and $8 million in 2008.

In 2010 expenses of this nature amounted to $423 000. HomeStart has changed the mix of investments to reduce the impact of fair value changes to its results. Refer to the commentary on investments below.

Other factors affecting expenses other than interest in 2010 were:

- a $3.2 million increase in government guarantee expense, due to increased borrowings and increased guarantee rate charged on borrowings. Further notes 9 and 36 indicate the government guarantee rate will increase from 0.75 percent to 1.5 percent of outstanding borrowings from 1 July 2010.
- a $1.3 million increase in employee expenses

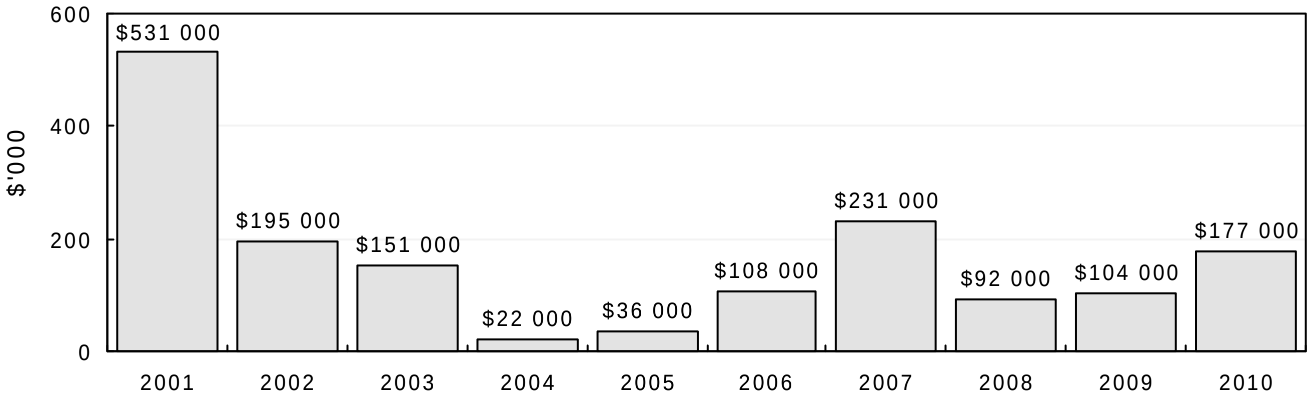
- a $1 million increase in loan manager fees due mainly to the increase in loans and advances
- a $761 000 decrease in bad and impaired loans expense.

Bad and impaired loans expense

The bad and impaired loans expense for the year was $1.6 million ($2.3 million), a $761 000 decrease ($275 000 decrease) over the previous year. The changes reflect mainly the movement in the level of impairment provisions over the year (refer to notes 8 and 19 to the financial statements).

While HomeStart has maintained the level of provisioning, actual debt write-offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market over the majority of this period. The low level of actual debt write-offs can be seen in the following chart. Further comments on the impairment of loans is provided under the Statement of Financial Position below.

The following chart shows the actual debt write-offs for the last 10 years.

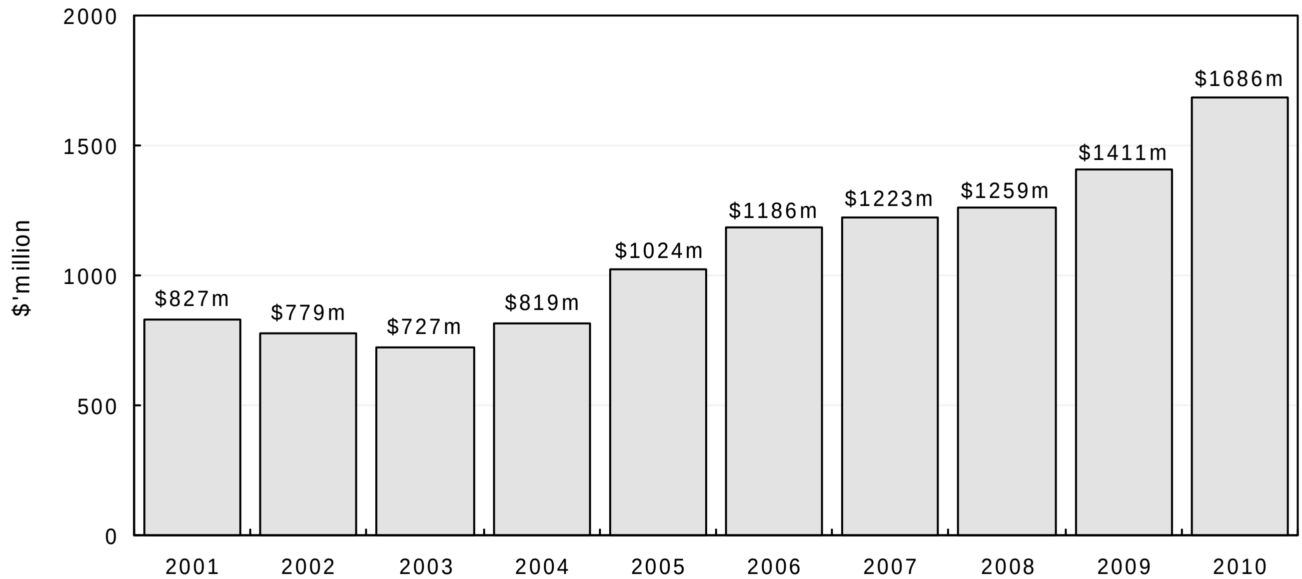


Statement of Financial Position

Loans and advances

Gross loans and advances increased by $276 million to $1.7 billion.

The extent of the increase in lending is demonstrated in the following chart.



The growth in lending over the period since 2003 reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled.

In addition, for 2009 and 2010 HomeStart experienced continued increased demand due to:

- additional first home owner incentive grants from the Commonwealth and State Governments
- a reduction in the number of non-bank lenders in the market
- tighter lending practices by other financial institutions.

Breakthrough loans

In 2006-07 HomeStart introduced the breakthrough loan facility. The facility is different from other products in that it includes two loan components:

- a standard loan component with standard interest rates and repayments. This portion of the loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses

- a shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property. The shared appreciation component is measured on the value of the property pledged as collateral. Gains or losses arising from changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

The value of the shared appreciation component for this product was $58.3 million ($40.3 million) at 30 June 2010. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit and loss account (refer to note 17 to the financial statements). Please refer to 'Investments' hereafter.

In 2010 unrealised gains for this product of $2.7 million ($360 000) were recognised in the Statement of Comprehensive Income.

Financial risks

Note 31 to the financial statements provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some of the elements that create this risk are:

- HomeStart's customers have lower incomes and on average, they borrow a greater percentage of the value of their home

- HomeStart's lending has a significant concentration in regional South Australia

- HomeStart does not require its customers to take out mortgage insurance, as such HomeStart effectively self insures losses incurred.

In recognition of these circumstances, HomeStart:

- makes a provision for impairment where there is doubt about the recoverability of loans
- retains capital in the event of significant losses arising from loan defaults.

Provisions for impairment

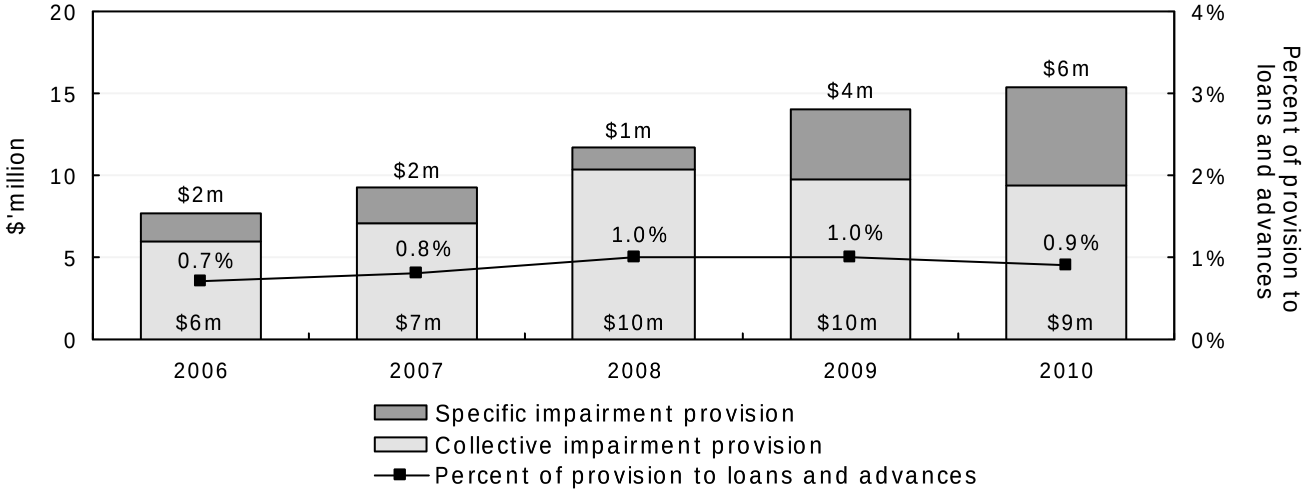
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. Note 2.11 to the financial statements details HomeStart's policies for determining the provision for impairment.

The total provision for impairment has increased by $1.4 million to $15.4 million. The total provision for impairment comprises two components being the specific and collective provisions:

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2010 was $6 million ($4.2 million).

- The collective provision as at 30 June 2010 was $9.4 million ($9.8 million). This provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

The following chart shows the level of the total provisions and their composition over the past five years.



The chart shows that:

- the provisions for impairment have increased in 2010. However, the overall level of provisioning remains at a similar proportional level to the total loans and advances
- the specific impairment provision has increased by $1.8 million while the collective provision has decreased by $400 000. This in part reflects the shift from the collective impairment provision to the specific impairment provision as more individual loans are identified with impairment characteristics.

General reserve for credit losses

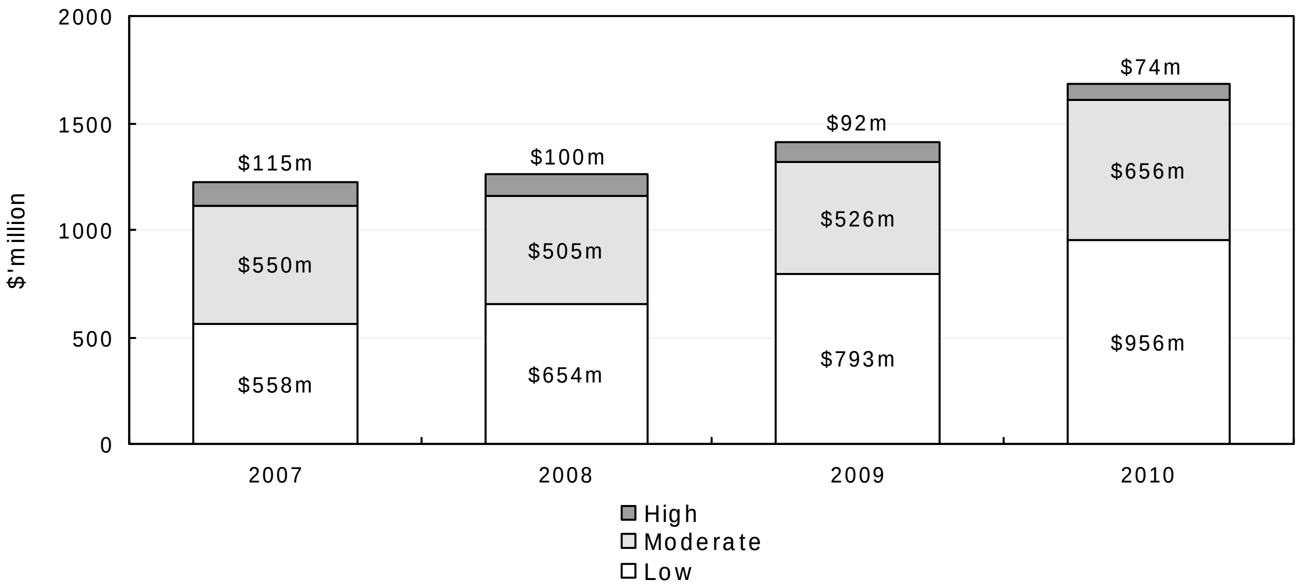
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2010 was $11.1 million ($11.2 million).

The combined provisions for impairment and general reserve for credit losses take the total amount set aside for potential losses to $26.4 million ($25.2 million).

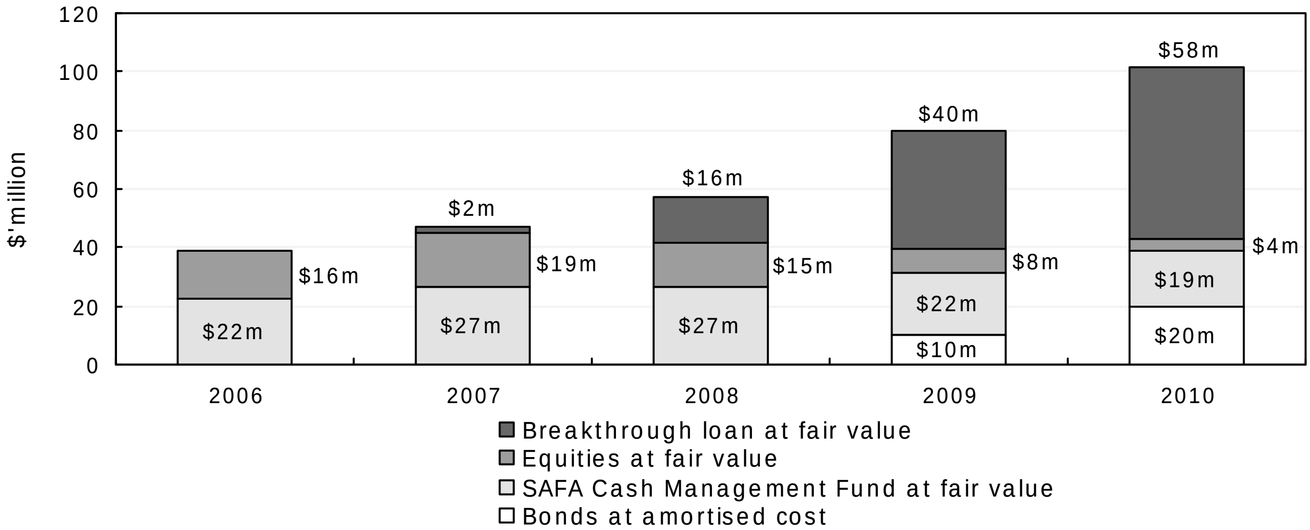
Loan quality

HomeStart has assessed the gross value of loans and advances to customers by credit risk grading. The following chart summarises that assessment and shows that the high risk category has remained similar. For further detail refer to note 31.2.1 to the financial statements.



Investments

During 2010, HomeStart's investments increased by $21.5 million to $101.3 million. The composition of investments is shown in the following table.



The chart shows:

- $58.3 million ($40.3 million) in the shared appreciation component of the breakthrough loan product, a growth of $18 million. This loan product has been classified as an investment and is commented on previously under 'Breakthrough loans'
- that since 2008 the mix of investments has changed from those recorded at fair value to investments recorded at amortised cost. Investments at amortised cost are bonds and bank bills amounting to $20 million ($10.2 million). As at 30 June the cost of these investments approximated their fair value (refer note 32).

HomeStart has no discretion on the realisation of breakthrough loan investments. Consequently, they cannot be liquidated to meet any future potential funding requirements. The value of investments excluding breakthrough loans amounted to $43 million ($39.5 million).

Liabilities

Borrowings at 30 June 2010 were $1.6 billion ($1.3 billion) and represent 99 percent (98 percent) of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. At 30 June 2010, HomeStart was restricted by a current approved borrowing limit of $1.75 billion ($1.35 billion). The Acting Treasurer approved an increase in the borrowing limit to $1.5 billion on 19 August 2009, and the Treasurer approved a further increase to $1.75 billion on 19 February 2010.

Note 31.3 to the financial statements provides information on the HomeStart's exposure to liquidity risk.

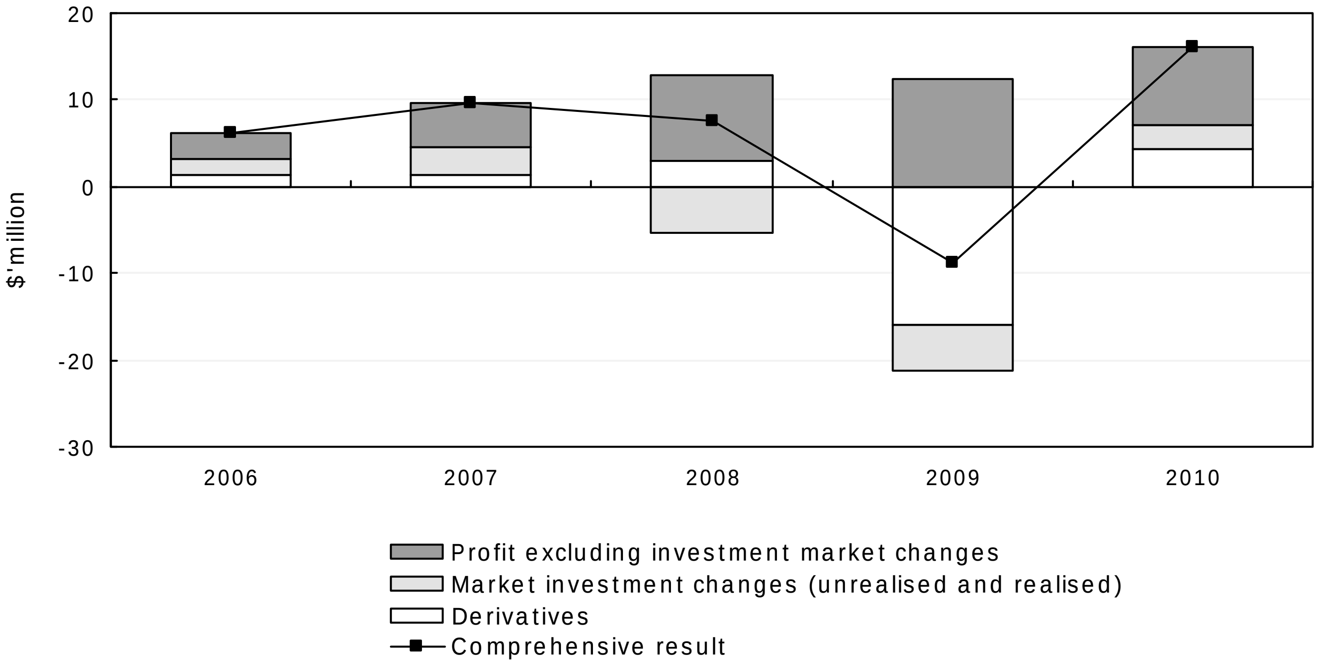
Fair value and comprehensive result

HomeStart recognises derivatives and certain investments at fair value. Investments include the breakthrough loan product discussed earlier. The changes in market value of these items can significantly impact HomeStart's Statement of Financial Position and the Statement of Comprehensive Income.

Derivatives are used to hedge changes in interest rate risks. Whilst these hedges remain effective (as defined by the accounting standards), changes in the fair value hedges do not affect profit as they are recognised in the derivatives revaluation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported on the Statement of Comprehensive Income. HomeStart's comprehensive result improved by $25 million to a surplus of $16.1 million ($8.9 million loss).

The table below shows the impact of the changes in the fair value of derivatives and investments on HomeStart's comprehensive result over the last five years.

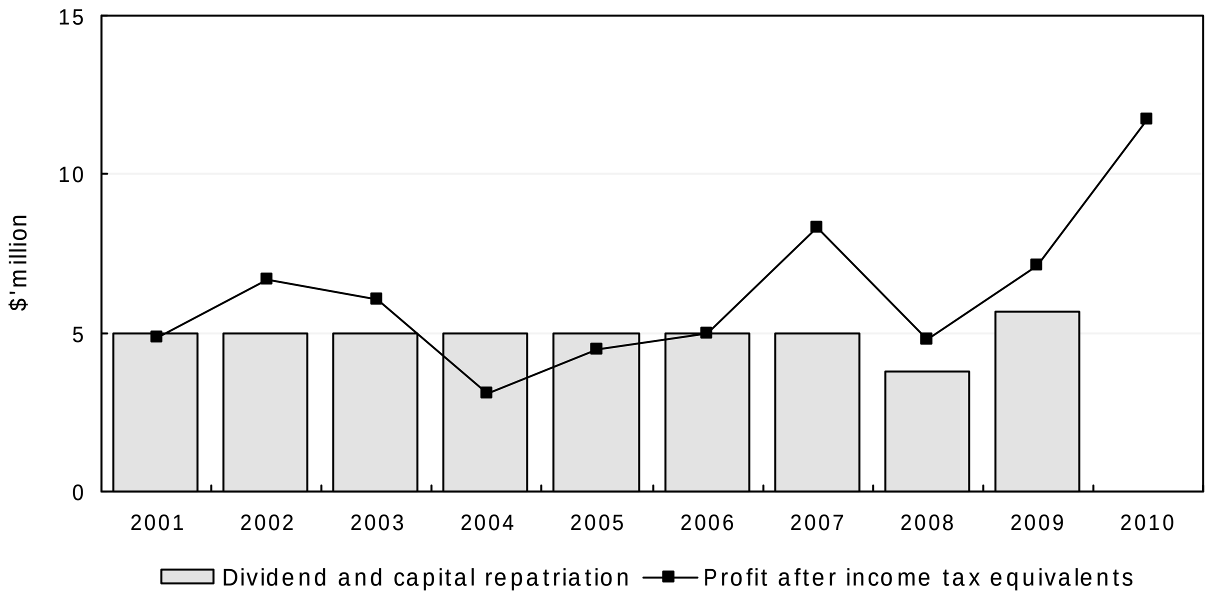


The results for 2008 and 2009 principally reflect the global financial crisis and the resultant downturn in interest rates and equities markets.

It is important to appreciate the financial statements combine the financial assets and financial liabilities measured at either fair value or at cost. Note 32.1 shows the fair value of net financial assets is $255.1 million ($232.1 million), while the carrying value of net financial assets is $157.3 million ($140.8 million).

Distributions to government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.



In 2010 HomeStart's dividend was $nil ($5.7 million). This has been discussed in audit findings and comments above.

In each of the years 2001 to 2007 HomeStart was required to pay $5 million to the Government which comprised dividend and capital repatriation payments. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. HomeStart's retained earnings as at 30 June increased to $150 million ($138.5 million).

HomeStart pays a guarantee fee of 0.75 percent (0.64 percent) to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2009-10 was $10.9 million ($7.7 million).

HomeStart is also subject to an income tax equivalent regime. The income tax equivalents expense in 2009-10 was $5 million ($3.1 million).

Statement of Cash Flows

Net cash flows

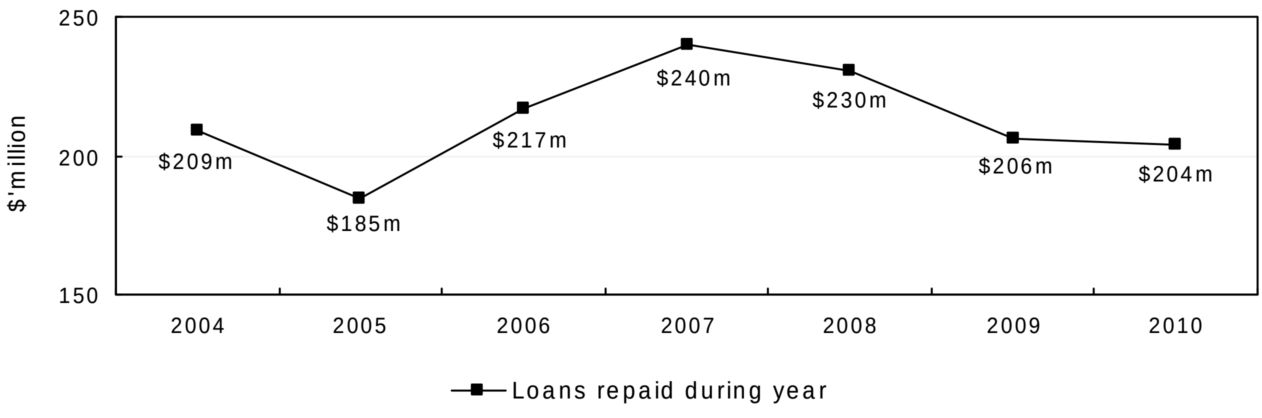
The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**10**	11	11	8
Investing	**(288)**	(175)	(47)	(37)
Financing	**276**	164	37	32
Change in cash	**(2)**	-	1	3
Cash at 30 June	**2**	4	4	3

The table shows that the 2010 net cash used in investing activities increased by $113 million ($128 million). The increase in investing activities was funded mainly from increased financing activities.

Customer loans repaid

The repayment of customer loans is shown in the chart below.



The quantum of customer loan repayments has decreased in 2008 and 2009, and remained relatively constant in 2010, despite the overall increase in the loans and advances balance. The reduction is due to fewer customers discharging their loans and moving to other lenders in the market. This is partly attributable to the changes in the financial sector from a reduction in number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010**	2009
		$'000	$'000
Interest income	5	**102 624**	99 431
Interest expense	5	**(66 779)**	(65 555)
NET INTEREST INCOME	5	**35 845**	33 876
Other income	6	**15 765**	13 456
Net gain (loss) from disposal of assets	7	**-**	(1)
Bad and impaired loans expense	8	**(1 552)**	(2 313)
Loan manager fees		**(6 233)**	(5 236)
Employee expenses	10	**(9 764)**	(8 417)
Depreciation and amortisation expense	14	**(705)**	(576)
Other expenses	15	**(5 632)**	(12 878)
PROFIT BEFORE INCOME TAX EQUIVALENTS AND GUARANTEE FEE EXPENSES		**27 724**	17 911
Government guarantee fee	9	**(10 947)**	(7 745)
PROFIT BEFORE INCOME TAX EQUIVALENTS		**16 777**	10 166
Income tax equivalents expense	2.5	**(5 033)**	(3 050)
PROFIT AFTER INCOME TAX EQUIVALENTS EXPENSE		**11 744**	7 116
Derivative gain (loss) recognised directly in equity		**4 384**	(15 957)
TOTAL COMPREHENSIVE RESULT		**16 128**	(8 841)

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
ASSETS:		**$'000**	$'000
Cash and cash equivalents	35.1	**2 145**	4 120
Financial investments designated at fair value through profit or loss	17	**81 266**	69 589
Financial investments - held-to-maturity	18	**20 011**	10 201
Loans and advances	19	**1 649 910**	1 377 153
Other financial assets	20	**4 502**	1 261
Property, plant and equipment	21	**1 625**	1 987
Intangible assets	22	**481**	248
Other assets	23	**335**	380
Total assets		**1 760 275**	1 464 939
LIABILITIES:			
Payables	24	**6 241**	4 413
Derivative financial instruments	31.2.2	**6 369**	10 776
Short-term borrowings	25	**721 934**	261 004
Long-term borrowings	25	**863 000**	1 042 000
Employee benefits	26	**1 432**	1 130
Income tax payable	27	**3 014**	1 374
Provision for dividend	28	**-**	1 943
Other liabilities	29	**3 234**	3 376
Total liabilities		**1 605 224**	1 326 016
NET ASSETS		**155 051**	138 923
EQUITY:			
Reserves	30	**4 681**	466
Retained earnings	30	**150 370**	138 457
TOTAL EQUITY		**155 051**	138 923

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2010

	Retained earnings $'000	General reserve for credit losses $'000	Derivatives valuation reserve $'000	Total $'000
Balance at 30 June 2008	136 931	11 322	5 204	153 457
Profit after income tax equivalents expense for 2008-09	7 116	-	-	7 116
Derivative loss recognised directly in equity	-	-	(15 957)	(15 957)
Total comprehensive result for 2008-09	7 116	-	(15 957)	(8 841)
Transfer to (from) credit loss reserve	103	(103)	-	-
Transactions with SA Government as owner:				
Dividends paid/payable	(5 693)	-	-	(5 693)
Balance at 30 June 2009	138 457	11 219	(10 753)	138 923
Profit after income tax equivalents expense for 2009-10	11 744	-	-	11 744
Derivative gain recognised directly in equity	-	-	4 384	4 384
Total comprehensive result for 2009-10	11 744	-	4 384	16 128
Transfer to (from) credit loss reserve	169	(169)	-	-
Transactions with SA Government as owner:				
Dividends paid/payable	-	-	-	-
Balance at 30 June 2010	**150 370**	**11 050**	**(6 369)**	**155 051**

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

Statement of Cash Flows
for the year ended 30 June 2010

	Note	2010 Inflows (Outflows) $'000	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received on:			
Cash		**58**	85
Investments		**679**	-
Loans and advances		**100 992**	98 321
Fees and commissions received		**1 280**	1 183
Bad debts recovered		**110**	115
EquityStart Grant received		**2 770**	2 651
Community service obligation subsidy received		**4 191**	4 003
Other		**858**	1 421
Total cash inflows from operating activities		**110 938**	107 779
CASH OUTFLOWS:			
Payments to employees		**(9 252)**	(8 351)
Payments to suppliers		**(5 159)**	(5 297)
Payments to loan managers		**(6 774)**	(5 305)
Borrowing costs paid		**(65 636)**	(66 716)
Government guarantee fee paid		**(10 654)**	(7 627)
Income tax equivalents paid		**(3 393)**	(3 331)
Total cash outflows from operating activities		**(100 868)**	(96 627)
Net cash provided by operating activities	35.2	**10 070**	11 152
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of office and computer equipment	7	**-**	2
Proceeds from sale of investments designated at fair value through profit or loss		**13 706**	49 313
Shared appreciation components of Breakthrough Loan repaid		**2 963**	718
Customer loans repaid		**204 156**	206 335
Total cash inflows from investing activities		**220 825**	256 368
CASH OUTFLOWS:			
Payments for property, plant and equipment		**(136)**	(241)
Payments for software		**(391)**	(41)
Payments for investments - held-to-maturity		**(9 901)**	(10 201)
Payment for investments designated at fair value through profit or loss		**(6 654)**	(17 963)
Shared appreciation components of Breakthrough Loan settled		**(18 272)**	(24 647)
Customer loans settled		**(473 815)**	(377 806)
Total cash outflows from investing activities		**(509 169)**	(430 899)
Net cash used in investing activities		**(288 344)**	(174 531)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**1 488 000**	879 000
Total cash inflows from financing activities		**1 488 000**	879 000
CASH OUTFLOWS:			
Dividends paid		**(1 943)**	(5 311)
Stakeholder advance	20	**(3 686)**	-
Repayment of borrowings		**(1 206 070)**	(710 130)
Total cash outflows from financing activities		**(1 211 699)**	(715 441)
Net cash provided by financing activities		**276 301**	163 559
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1 975)**	180
CASH AND CASH EQUIVALENTS AT 1 JULY		**4 120**	3 940
CASH AND CASH EQUIVALENTS AT 30 JUNE	35.1	**2 145**	4 120

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance

HomeStart was established as a statutory corporation under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007. It reports to the Minister for Housing.

HomeStart's purpose is to make home ownership possible for more South Australians.

HomeStart's vision is to lead the nation in affordable housing finance solutions.

HomeStart Home Loan

HomeStart provides home loans to low to moderate income households and other needs groups with repayments linked to income and the CPI. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2010 was $1601.1 million ($1302.1 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to $29 780 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2010 the interest rate applying to Advantage Loans was 2.99 percent (0 percent). The outstanding value of Advantage Loans at 30 June 2010 was $41.7 million ($39.3 million).

For the year ended 30 June 2010 HomeStart received a community service obligation (CSO) subsidy payment of $2.24 million ($2.12 million) from DTF for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current public housing tenants. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2010 was $40.6 million ($38.7 million).

The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI.

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for subsidies incurred on EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

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 SAFA.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

HomeStart's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial assets at fair value through profit or loss; financial instruments classified as available-for-sale; and subsidised loans and advances.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

2.1.1 Changes in accounting policies

HomeStart did not voluntarily change any of its accounting policies during the period ended 30 June 2010.

Except for AASB 2009-12, which HomeStart has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2010. HomeStart has assessed the impact of the new and amended standards and interpretations and considers there will not be a material impact on the accounting policies or the financial report of HomeStart.

2.1.2 Estimates and assumptions

The preparation of a financial report in conformity with AASs requires HomeStart to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.1.2 Estimates and assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Statement of compliance

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

Except for AASB 2009-12, which HomeStart has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2010.

2.3 Comparative figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or an AAS has required a change. Where permitted by a specific APS or AAS, comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax equivalents liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the ATO
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

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.

2.6 Income

Income is recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

2.6.1 Interest income – non-subsidised loans

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.6.3).

2.6.2 Interest income – subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Statement of Comprehensive Income, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA Bonds.

2.6.3 Interest income – both non-subsidised and subsidised 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 brought to account when realised or when loans are returned to accrual status.

2.6.3 Interest income – both non-subsidised and subsidised non-accrual loans (continued)

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 status 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.

2.6.4 Loan origination fees received or receivable

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 Government grants

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

DTF makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

HomeStart also receives grant funds from the Department for Families and Communities to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

2.6.6 Investment income

For financial investments designated as fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as held-to-maturity, interest income is recognised as it accrues.

2.6.7 Disposal of non-financial assets

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest expense

Interest payable is expensed in accordance with the accounting policy described at note 2.14.

2.7.2 Government guarantee fee

The government guarantee fee is expensed as it becomes due at the rate imposed by DTF.

2.7.3 Bad and impaired loans expense

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.11.

2.7.4 Loan origination fees paid or payable

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee expenses
Employee expenses are recognised in accordance with the accounting policy described at note 2.17.

2.7.6 Depreciation and amortisation expense
Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.15.4.

2.7.7 Operating lease expense
Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

2.7.8 Tax equivalents expense
The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.5.

2.8 Assets and liabilities
Assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

2.10 Financial instruments
During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer note 2.9)
- loans and advances (refer note 2.11)
- investments (unit trusts, SAFA Cash Management Fund, bonds and the shared appreciation component of Breakthrough Loans) (refer note 2.12)
- derivative financial instruments (refer note 2.13)
- financial liabilities (refer note 2.14).

Under AASB 139 financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method
- held-to-maturity financial assets – measured at amortised cost
- financial instruments designated at fair value through profit or loss – measured at fair value
- available-for-sale financial assets – measured at fair value
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

As at 30 June 2010 HomeStart held bank bills as well as investment bonds issued by State Government and non-government institutions.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

Financial assets at fair value through profit or loss (continued)
HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flows.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available-for-sale financial assets.

Financial liabilities
HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and advances

Loans measured at amortised cost
Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment
HomeStart assesses at each financial year end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Provision for impairment (continued)
Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgment to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AIFRS and that determined under the former Australian Generally Accepted Accounting Principles, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts
All bad debts are written off in the period in which they are classified as not recoverable. 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 Comprehensive Income.

2.12 Investments

Held-to-maturity investments
As at 30 June 2010 HomeStart held investment bonds with a face value of $12.1 million issued and/or guaranteed by the Commonwealth and State Governments, as well as bank bills with a face value of $8 million.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held-to-maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired.

Investments at fair value through profit or loss
HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loan
The Breakthrough Loan facility includes two loan components:

- a standard loan component with standard interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses
- a shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

Shared appreciation component of the Breakthrough Loan (continued)
The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

2.13 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 31.2.2. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

2.14 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on the effective interest rate basis.

2.15 Non-financial assets

2.15.1 Property, plant and equipment

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (see note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of $500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to $500.

2.15.2 Intangible assets (continued)

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to website development 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 the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and revaluation

In accordance with APF III:

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

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and amortisation of non-financial assets

All non-financial assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as office and computer equipment.

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

Depreciation and amortisation of non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	10
Other office and computer equipment	Straight-line	2-10
Intangible assets	Straight-line	4

2.16 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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

2.16 Payables (continued)

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received (in accordance with TI 11).

2.17 Employee benefits

2.17.1 Long-term service benefits

Long-term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 5.5 years (6.5 years) of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with HomeStart's experience of employee retention and leave taken.

2.17.2 Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

2.18 Insurance

HomeStart has arranged, through SAFA, SAICORP division, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.19 Accounting judgments, estimates and assumptions

The preparation of the financial report requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined hereafter. References to the relevant notes within the financial statements are also provided.

Area of estimate and judgment	*Note*
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loans)	2.12, 32.2(c), 32.3
Investments - held-to-maturity	2.12
Investments at fair value through profit or loss - shared appreciation component of the Breakthrough Loan	2.12, 32.2(d), 32.3
Fair value of subsidised loans and advances	2.6.2
Deferred loan fee income	2.6.4
Deferred loan fee expense	2.7.4
Provision for impairment of loans and advances	2.11
Unearned income (EquityStart grant)	2.6.5
General reserve for credit losses	2.11, 30
Derivative financial instruments	2.13, 32.2(a)

3. Government/Non-Government disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the State Government in the notes to the accounts.

4. Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net interest income

	2010 $'000	2009 $'000
Interest received/receivable from entities external to the SA Government:		
Loans and advances	99 313	95 242
Subsidised loans effective interest income	3 798	3 649
Subsidised loans fair value expense	(3 299)	(1 844)
Loan origination income amortisation	2 749	2 304
Deposits with banks	63	80
Total interest received/receivable from entities external to the SA Government	102 624	99 431
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	(66 779)	(65 555)
Total interest paid/payable to entities within the SA Government	(66 779)	(65 555)
Net interest income	35 845	33 876

6. Other income

	2010 $'000	2009 $'000
Other income received/receivable from entities external to the SA Government:		
Fees and charges	3 821	2 938
Bad debts recovered	195	152
Unrealised change in fair value of loans	2 670	360
Realised change in fair value of loans	419	22
Managed funds distribution	243	788
Unrealised change in fair value of investments	104	-
Realised change in fair value of investments	20	-
Interest received from held-to-maturity investments	589	-
Other	52	37
Total other income received/receivable from entities external to the SA Government	8 113	4 297
Other income received/receivable from entities within the SA Government:		
Managed funds distribution	834	168
EquityStart grant	2 347	2 526
CSO subsidy	4 191	4 003
Realised change in market value of investments	-	1 912
Other	280	550
Total other income received/receivable from entities within the SA Government	7 652	9 159
Total other income	15 765	13 456

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received $2.77 million ($2.65 million) in grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

7. Net (loss) gain from disposal of assets

	2010 $'000	2009 $'000
Proceeds from disposal of assets	-	2
Net book value of assets disposed	-	(3)
Total net (loss) gain from disposal of assets	-	(1)

8. Bad and impaired loans expense

	2010 $'000	2009 $'000
Bad and impaired loans expensed	40	72
Increase in provision for impairment	1 512	2 241
Total bad and impaired loans expense	1 552	2 313

9. Government guarantee fee

	2010 $'000	2009 $'000
Government guarantee fee paid or payable to entity within the SA Government	10 947	7 745
Total Government guarantee fee paid or payable to entity within the SA Government	10 947	7 745

HomeStart paid a guarantee fee of 0.75 percent of outstanding borrowings to DTF in 2009-10 (0.64 percent).

DTF has advised of an increase to the guarantee fee it charges HomeStart from 0.75 percent to 1.5 percent of outstanding borrowings from 1 July 2010.

10. Employee expenses, remuneration and number of employees

	2010	2009
	$'000	$'000
Salaries and wages	7 860	6 957
Long service leave	238	126
Annual leave	65	47
Employment on-costs - superannuation	729	650
Employment on-costs - other	607	372
Board fees	265	265
Total employee expenses	9 764	8 417

Remuneration of employees

	2010	2009
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$100 000 - $109 999	6	3
$110 000 - $119 999	2	9
$120 000 - $129 999	10	2
$130 000 - $139 999	2	1
$140 000 - $149 999	3	-
$160 000 - $169 999	1	-
$170 000 - $179 999	-	1
$180 000 - $189 999	1	1
$220 000 - $229 999	-	1
$230 000 - $239 999	1	-
$240 000 - $249 999	3	-
$300 000 - $309 999	-	1
Total	29	19

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $4.11 million ($2.98 million).

HomeStart employed 106 people at the end of the reporting period (105).

11. Key management personnel disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- John Comley (General Manager Corporate Services and Chief Finance Officer)
- Ian Wheaton (General Manager Treasury and Risk)
- John Rolfe (General Manager, Retail).

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for part of the financial year:

- Gary Storkey (Chief Executive Officer) from the start of the financial year until the appointment of his successor on 7 December 2009. Mr Storkey retired on 31 December 2009.
- John Oliver (Chief Executive Officer) from the date of his appointment on 7 December 2009 until the end of the financial year.
- Deborah Dickson (General Manager People and Strategy) from the date of her appointment on 6 April 2010 until her commencement of maternity leave on 24 May 2010.
- Andrew Mills (Acting General Manager People and Strategy) from the date of his appointment on 24 May 2010 until the end of the financial year.

Key management personnel compensation

The compensation of the above key management personnel included in 'Employee expenses' (refer note 10) is as follows:

	2010	2009
	$	$
Short-term employee benefits	1 307 273	820 689
Long-term employee benefits (long service leave)	12 856	15 385
Long-term employee benefits (amounts paid to superannuation plans)	113 281	71 082
Termination benefits	50 841	-
Total key management personnel compensation	1 484 251	907 156

12. Related parties

All transactions between HomeStart and related parties are on arms length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report.

- employees who are key management personnel
- board members
- Department for Families and Communities
- DTF
- SAFA.

Board members

The following persons were members of the Board of HomeStart during the whole of the financial year:

Estelle Bowman	David Garrad	Claude Long (Chair)
Paula Capaldo	Jim Kouts (Deputy Chair)	Lindsay Nicholson
Sandra De Poi		

Board members' remuneration

	2010	2009
The remuneration of the Board of HomeStart included in 'Employee expenses' (refer note 10) is as follows:	$	$
Short-term benefits	264 680	264 680
Long-term employee benefits (amounts paid to superannuation plans)	23 821	23 821
Total board members' remuneration	288 501	288 501

	2010 Number	2009 Number
The number of HomeStart board members whose remuneration received or receivable falls within the following bands:		
$30 000 - $39 999	4	4
$40 000 - $49 999	2	2
$50 000 - $59 999	1	1
Total	7	7

Apart from the details disclosed in this note, no board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving board members' interests existing at year end.

13. Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

14. Depreciation and amortisation expense

	2010 $'000	2009 $'000
Depreciation:		
Other office and computer equipment	348	240
Total depreciation	348	240
Amortisation:		
Leasehold improvements	199	230
Intangible assets	158	106
Total amortisation	357	336
Total depreciation and amortisation	705	576

15. Other expenses

	2010	2009
Other expenses arising from transactions with entities within the SA Government:		
External auditor's remuneration	124	166
Insurance	69	59
Total other expenses arising from transactions with entities within the SA Government	193	225
Other expenses arising from transactions with entities external to the SA Government:		
Unrealised change in market value of investments	-	421
Realised change in market value of investments	423	7 069
Office accommodation (minimum lease payments)	769	741
Marketing, product development and advertising	1 108	1 218
Internal audit fees	314	198
Loan administration	150	172
Information technology	399	370
Consultant's fees	102	251
Human resources and staff development	490	482
Other	1 684	1 731
Total other expenses arising from transactions with entities external to the SA Government	5 439	12 653
Total other expenses	5 632	12 878

15. Other expenses (continued)

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	7	35	5	28
Between $10 000 and $50 000	3	67	2	50
Above $50 000	-	-	2	173
Total paid/payable to the consultants engaged	10	102	9	251

16. Auditor's remuneration

	2010 $'000	2009 $'000
Audit fees paid/payable to the Auditor-General's Department	124	166
Total audit fees - SA Government entities	124	166

Other services

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

17. Financial investments designated at fair value through profit and loss

17.1 Financial investments designated at fair value through profit or loss

	2010	2009
Financial investments designated at fair value through profit or loss with an entity within the SA Government:		
SAFA Cash Management Fund	18 774	21 475
Total financial investments designated at fair value through profit or loss with an entity within the SA Government	18 774	21 475
Financial investments at fair value through profit or loss with entities external to the SA Government:		
Unit trusts	4 211	7 811
Breakthrough Loan (shared appreciation component)	58 281	40 303
Total financial investments designated at fair value through profit or loss with entities external to the SA Government	62 492	48 114
Total financial investments designated at fair value through profit or loss	81 266	69 589

17.2 Maturity profile of HomeStart's financial investments designated at a fair value through profit and loss

	2010	2009
At call	22 985	29 286
Not longer than three months	-	-
Longer than three months and not longer than 12 months	-	-
Longer than 12 months and not longer than five years	-	-
Longer than five years	58 281	40 303
Total investments designated at fair value through profit and loss	81 266	69 589

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

18. Financial investments - held-to-maturity

18.1 Financial investments - held-to-maturity

	2010	2009
Financial investments - held-to-maturity with entities external to the SA Government:		
Bank bills	7 956	-
Bonds	12 055	10 201
Total financial investments - held-to-maturity	20 011	10 201

18.2 Maturity profile of HomeStart's financial investments - held-to-maturity

	2010	2009
At call	-	-
Not longer than three months	7 956	-
Longer than three months and not longer than 12 months	4 050	-
Longer than 12 months and not longer than five years	4 965	7 100
Longer than five years	3 040	3 101
Total financial investments - held-to-maturity	20 011	10 201

18.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

19. Loans and advances

19.1 Loans and advances

	2010	2009
Primary loans	1 603 718	1 332 523
Subsidised loans	82 625	78 064
Gross loans and advances	1 686 343	1 410 587
Fair value adjustment	(16 241)	(15 603)
Deferred loan fee income	(5 925)	(4 942)
Deferred loan fee expense	3 091	2 444
Specific provisions for impairment	(6 006)	(4 236)
Unearned income	(2 001)	(1 351)
Collective provision for impairment	(9 351)	(9 746)
Net loans and advances	1 649 910	1 377 153

19.1 Loans and advances

	2010	2009
Specific provision for impaired loans:	$'000	$'000
Opening balance	4 236	1 332
Bad debts written off	(137)	(32)
Impairment expense	1 907	2 936
Closing balance	6 006	4 236
Collective impairment provision:		
Opening balance	9 746	10 440
Impairment expense	(395)	(694)
Closing balance	9 351	9 746
Total provision for impairment	15 357	13 982

19.2 Risk exposures

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 31.2.1.

20. Other financial assets

Other financial assets - entities within the SA Government:		
Stakeholder advance	3 686	-
Accrued financial investment income	69	52
EquityStart grant receivable	157	795
Other	62	21
Total other financial assets - entities within the SA Government	3 974	868
Other financial assets - entities external to the SA Government:		
Deferred financial investment income	129	106
Accrued interest on housing loans and advances	336	228
Accrued interest on cash at bank	7	5
GST recoverable	47	47
Other	9	7
Total other financial assets - entities external to the SA Government	528	393
Total other financial assets	4 502	1 261

21. Property, plant and equipment

Leasehold improvements:		
Leasehold improvements at cost	2 111	2 055
Accumulated amortisation	(987)	(788)
Total leasehold improvements	1 124	1 267
Other office and computer equipment:		
Other office and computer equipment at cost	3 023	2 894
Accumulated depreciation	(2 522)	(2 174)
Total other office and computer equipment	501	720
Total property, plant and equipment	1 625	1 987

	2010 Leasehold imprvmnts $'000	2010 Other office and computer equipmnt $'000	2010 Total $'000	2009 Leasehold imprvmnts $'000	2009 Other office and computer equipmnt $'000	2009 Total $'000
Carrying amount at 1 July	1 267	720	1 987	1 470	759	2 229
Additions	56	129	185	28	205	233
Disposals - at cost	-	-	-	-	(206)	(206)
Disposals - accumulated depreciation	-	-	-	-	202	202
Depreciation and amortisation	(199)	(348)	(547)	(231)	(240)	(471)
Carrying amount at 30 June	1 124	501	1 625	1 267	720	1 987

22. Intangible assets

	2010	2009
	$'000	$'000
Software at cost	1 451	1 061
Accumulated amortisation	(970)	(813)
Total software	481	248
Carrying amount at 1 July	248	313
Additions	391	41
Disposals	-	-
Amortisation	(158)	(106)
Carrying amount at 30 June	481	248

23. Other assets

	2010 $'000	2009 $'000
Other assets - entities within the SA Government:		
Prepayments	8	12
Total other assets - entities within the SA Government	8	12
Other assets - entities external to the SA Government:		
Prepayments	327	368
Total other assets - entities external to the SA Government	327	368
Total other assets	335	380

24. Payables

24.1 Payables

	2010 $'000	2009 $'000
Payables to entities within the SA Government:		
Creditors	6	6
Accrued administration expenses	153	160
Employment on-costs	439	229
Accrued interest payable on borrowings	3 581	1 995
Accrued interest payable on derivatives	195	616
Accrued guarantee fee payable	967	674
Total payables to entities within the SA Government	5 341	3 680
Payables to entities external to the SA Government:		
Creditors	314	256
Creditors - capital acquisition	49	-
Accrued administration expenses	84	130
Accrued loan manager fees	453	347
Total payables to entities external to the SA Government	900	733
Total payables	6 241	4 413

24.2 Settlement profile of HomeStart's payables

All payables will be settled within 12 months of the reporting date.

25. Borrowings

25.1 Interest bearing liabilities

	2010 $'000	2009 $'000
Short-term borrowings payable to entity within the SA Government:		
Short-term borrowings	721 934	261 004
Total short-term borrowings payable to entity within the SA Government	721 934	261 004
Long-term borrowings payable to an entity within the SA Government:		
Long-term borrowings	863 000	1 042 000
Total long-term borrowings payable to an entity within the SA Government	863 000	1 042 000
Total interest bearing liabilities	1 584 934	1 303 004

25.2 Security

All HomeStart borrowings are unsecured.

25.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 31.3 and 31.4 respectively.

26. Employee benefits

26.1 Employee benefits

	2010 $'000	2009 $'000
Accrued salaries	29	30
Annual leave	551	486
Long service leave	852	614
Total employee benefits	1 432	1 130

26.2 Aggregate employee benefits

	2010 $'000	2009 $'000
Accrued salaries:		
On-costs	78	75
Provision for employee benefits	29	30
Total accrued salaries	107	105
Annual leave:		
On-costs	77	68
Provision for employee benefits	551	486
Total annual leave	628	554

26.2 Aggregate employee benefits (continued)

	Note	2010	2009
Long service leave:		$'000	$'000
On-costs		119	86
Provision for employee benefits		852	614
Total long service leave		971	700
Total on-costs	24	439	229
On-costs not related to current employee benefits		(165)	-
Total provision for employee benefits		1 432	1 130
Total employee benefits and related on-costs		1 706	1 359

26.3 Settlement period of long service leave

The liability for long service leave is recognised after an employee has completed 5.5 years (6.5 years) of service in accordance with APF IV.

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart, as part of their termination payment
- take pro-rata long service leave
- 'cash out' a proportion of their long service leave, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the long service leave liability for at least 12 months after the reporting date.

27. Income tax equivalents payable

	2010	2009
	$'000	$'000
Income tax equivalents payable to entity within the SA Government	3 014	1 374
Total tax equivalents liability payable to entity within the SA Government	3 014	1 374

28. Provision for dividend

Dividend payable to entity within the SA Government	-	1 943
Total dividend payable to entity within the SA Government	-	1 943

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Minister may, in consultation with the Treasurer, by notice to HomeStart approve its recommendation or determine that another dividend, or no dividend, should be paid.

For the financial year ended 30 June 2010, the Board of HomeStart recommended the payment of a dividend of 40 percent of after tax profit (80 percent). This amounts to a total dividend of $4.698 million in respect of the year ended 30 June 2010. At the time of signing the financial statements the Minister and Treasurer have yet to approve this recommendation.

In anticipation of approval of its recommendation, HomeStart paid an amount of $3.686 million to DTF prior to the end of the financial year. This amount is disclosed as a stakeholder advance in note 20.

Should HomeStart's recommendation be approved, HomeStart will be required to pay a further dividend amount of $1.012 million in respect of the financial year ended 30 June 2010.

29. Other liabilities

	2010	2009
29.1 Other liabilities:	$'000	$'000
Other liabilities payable to or arising from transactions with entities within the SA Government:		
Aboriginal loan security deposit	169	104
Unearned income (EquityStart grant)	2 438	2 653
Total other liabilities payable to or arising from transactions with entities within the SA Government	2 607	2 757
Other liabilities payable to or arising from transactions with entities external to the SA Government:		
Workers compensation provision	17	-
Wyatt Benevolent Institution	401	393
Make good provision	209	191
Operating lease incentive	-	35
Total other liabilities payable to or arising from transactions with entities external to the SA Government	627	619
Total other liabilities	3 234	3 376
29.2 Make good provision:		
Opening balance	191	177
Unwinding of discount arising from the passage of time	18	14
Closing balance	209	191

30. Equity

General reserve for credit losses

A general reserve for credit losses was created to set aside retained earnings being the equivalent of the loans impairment provision determined under former Australian Generally Accepted Accounting Principles in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective gain or loss on derivatives that are designated hedging instruments.

31. Financial risk management

31.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up to date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's internal treasury and risk department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the Board and its sub-committees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

31.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

31.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board and its Audit and ALCO subcommittees.

The Board and its subcommittees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the Board to executive management.

(a) *Credit risk management (continued)*

The Board and its subcommittees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) *Risk control and mitigation policies*

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgage in possession. Any property thus held does not meet the recognition criteria of AASs and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2010	2009
Past due but not impaired:	$'000	$'000
Gross carrying value	95 758	81 561
Fair value of collateral	163 905	143 477
Impaired:		
Gross carrying value, before specific impairment provisions	29 647	21 338
Specific provision for impairment	(6 006)	(4 236)
Net impaired loans and advances	23 641	17 102
Fair value of collateral	32 161	23 591

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this state.

Approximately 32 percent (33 percent) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter loan to valuation ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 32 percent (32 percent) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR loans

HomeStart has several product categories where the initial LVR is permitted to exceed 95 percent (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan provision charge
HomeStart does not require its customers to pay for lenders mortgage insurance. It does, however, require its customers to pay a loan provision charge at the time of advancing a loan.

(c) *Credit risk measurement*
Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written off.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (note 2.11 and note 19).

Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management, as set out below.

	2010 $'000	2009 $'000
Expected losses used for internal operational management	18 641	16 423
Provision for impairment in the financial statements	(15 357)	(13 982)
Unearned income	(2 001)	(1 351)
Difference	1 283	1 090

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit quality and maximum exposure to credit risk*
HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of $1649.91 million ($1377.15 million).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading (BRG) system adopted by HomeStart.

The BRG system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2010 $'000	2009 $'000
Not impaired:		
Neither renegotiated nor past due:		
Low risk	917 597	763 636
Moderate risk	591 143	473 954
High risk	40 285	58 136
Gross loans and advances neither renegotiated nor past due	1 549 025	1 295 726
Renegotiated:(1)		
Low risk	6 147	5 821
Moderate risk	4 396	4 248
High risk	1 369	1 893
Gross loans and advances renegotiated	11 912	11 962
Past due but not impaired:(2)		
Low risk	28 749	20 160
Moderate risk	46 830	39 409
High risk	20 179	21 992
Gross loans and advances past due but not impaired	95 758	81 561
Total not impaired:		
Low risk	952 493	789 617
Moderate risk	642 369	517 611
High risk	61 833	82 021
Gross loans and advances not impaired	1 656 695	1 389 249

(d) Credit quality and maximum exposure to credit risk (continued)

	2010	2009
Impaired:[3]	$'000	$'000
Low risk	4 086	3 393
Moderate risk	13 483	8 633
High risk	12 078	9 312
Gross impaired loans and advances	29 647	21 338
Specific provision for impairment	(6 006)	(4 236)
Impaired loans and advances after provisions	23 641	17 102
Total:		
Low risk	956 580	793 010
Moderate risk	655 852	526 244
High risk	73 911	91 333
Gross loans and advances	1 686 343	1 410 587
Fair value adjustment	(16 241)	(15 603)
Deferred loan fee income	(5 925)	(4 942)
Deferred loan fee expense	3 091	2 444
Specific provision for impairment	(6 006)	(4 236)
Unearned income	(2 001)	(1 351)
Collective provision for impairment	(9 351)	(9 746)
Net loans and advances	1 649 910	1 377 153

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

Less than 30 days	71 157	58 310
30 to 59 days	16 989	15 626
60 to 89 days	3 921	4 246
90 to 179 days	2 010	2 232
More than 179 days	1 681	1 147
Total	95 758	81 561

(1) Loans and advances renegotiated
HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled $11.9 million as at 30 June 2010 ($12 million).

(2) Past due but not impaired
As per AASB 7, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) Impaired loans
Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

31.2.2 Derivative financial assets/liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) Maximum exposure to credit risk

As at 30 June 2010 and 30 June 2009, HomeStart did not have any exposure to credit risk arising from derivative financial assets.

		2010	2009
	Note	$'000	$'000
Derivative financial instruments		(6 369)	(10 776)
Swap income receivable		532	472
Swap expense payable		(727)	(1 088)
Net payable	24	(195)	(616)
Maximum exposure to credit risk		(6 564)	(11 392)

Further information in relation to derivatives is disclosed in notes 31.3.3 and 31.4.2.

31.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

31.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the Board's ALCO subcommittee.

HomeStart's liquidity management process is carried out and monitored by the treasury and risk management department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole-of-government policy requires that HomeStart hold a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

31.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of $1750 million as at 30 June 2010 ($1350 million).

31.3.3 Exposure to liquidity risk

(a) Non-derivative cash flows

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 50 percent (50 percent) of total debt outstanding.

Percent of debt subject to refinancing in the next 12 month period:	2010 Percent	2009 Percent
At 30 June	45.55	21.81
Average for the period	31.99	29.78
Maximum for the period	45.55	47.02
Minimum for the period	21.66	3.58

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2010	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
Liabilities:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables	5 109	1 132	-	-	-	6 241	6 241
Borrowings	157 344	11 553	623 834	1 005 631	-	1 798 362	1 584 934
Other financial liabilities	-	1 507	1 507	-	-	3 014	3 014
Total liabilities (contractual maturity dates)	162 453	14 192	625 341	1 005 631	-	1 807 617	1 594 189
2009							
Liabilities:							
Payables	3 739	674	-	-	-	4 413	4 413
Borrowings	214 003	56 362	32 151	1 122 148	-	1 424 664	1 303 004
Other financial liabilities	-	2 630	687	-	-	3 317	3 317
Total liabilities (contractual maturity dates)	217 742	59 666	32 838	1 122 148	-	1 432 394	1 310 734

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) Derivative cash flows

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

(b) Derivative cash flows (continued)

	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2010	(361)	(592)	(2 512)	(3 502)	39	(6 928)
2009	(954)	(1 709)	(5 228)	(3 606)	591	(10 906)

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.4.2

(c) Off balance sheet
The periods of payment of unrecognised contractual commitments are disclosed in note 33.

31.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

31.4.1 Market risk management
HomeStart's market risk management processes are overseen by the Board and its ALCO subcommittee.

A comprehensive Treasury master document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance subcommittee at its weekly meetings and by the treasury department on a daily basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

31.4.2 Interest rate risk - derivative financial instruments
(a) Risk control and mitigation policies
HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2010, HomeStart had:

- floating/fixed swaps with a notional value of $294.5 million ($320 million)
- no floating/floating swaps ($30 million)
- no forward rate agreements ($50 million).

Each of the above had fixed rates varying between 3.73 percent and 7.85 percent (2.7 percent and 7.85 percent).

Periods to maturity of the interest rate swap contracts are disclosed at note 31.3.3(b).

(b) Market risk measurement and maximum exposure to interest rate risk
The three major risk measurement processes used by HomeStart to measure and control interest rate risk are the present value per basis point (PVBP), value at risk (VaR) methodology and stress testing. These processes are applied to all of HomeStart's financial asset, liability and derivatives positions, with the exception of investments held through the Risk Transfer Vehicle which are monitored separately (refer note 31.4.3 below).

Present value per basis point
HomeStart measures the PVBP of financial asset, liability and derivative positions. PVBP analysis identifies the extent of interest rate risk within different maturity buckets and for the portfolio overall. Limits for portfolio PVBP are set by ALCO and monitored monthly. The treasury and risk department reviews PVBP statistics daily.

Present value per basis point (continued)
Internally approved limits for the PVBP are set at $10 000 to ($10 000) and these were not exceeded at any time in the years ended 30 June 2010 and 30 June 2009.

	2010	2009
	$'000	$'000
Limit:	+/-10	+/-10
Average for the period	1.4	0.8
Maximum for the period	2.9	4.5
Minimum for the period	(4.9)	(3.6)

Value at Risk (VaR)
HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the value at risk that may be accepted by HomeStart, which are monitored on a daily basis by the treasury and risk department and monthly by the Board and ALCO.

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99 percent confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Although VaR represents a good estimate of potential losses under normal market conditions, the assumptions on which the model is based give rise to some limitations, including the following:

- A 10 day period to unwind open positions assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence interval means there is a 1 percent statistical probability that actual loss could be greater than the VaR estimate. The use of this approach does not prevent losses outside set limits in the event of more significant market movements.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions held during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon HomeStart's position and the volatility of interest rates. The VaR of an unchanged position reduces if interest rate volatility declines and vice versa.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2010 and 30 June 2009:

	2010	2009
	$'000	$'000
Maximum loss limit	1 100	1 100
Average for the period	206	153
Maximum for the period	450	474
Minimum for the period	60	2

Stress testing
The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, HomeStart uses stress tests to provide an indication of the potential size of losses that could arise in extreme conditions.

HomeStart's treasury system undertakes daily worst case interest rate tests on the entire asset and liabilities portfolio (including derivatives). Six different scenarios are used to test the impact of movements in interest rates on the market value of the entire portfolio. The average worst case outcome is reported monthly to the Board and ALCO.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2010 and 30 June 2009.

	2010	2009
	$'000	$'000
Maximum loss limit	2 500	2 500
Average for the period	487	388
Maximum for the period	1 257	1 092
Minimum for the period	209	3

(c) *Hedge accounting*

Fixed interest rate loan assets have been valued at fair value, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2010, a $4.38 million gain ($15.96 million loss) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.3.3.

31.4.3 Investments price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Statement of Financial Position at fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by the treasury department and monthly by the Board and ALCO.

(b) *Maximum exposure to investments price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 17).

(c) *Sensitivity analysis*

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10 percent increase or decrease in market value at year end, with all other variables being held constant.

	Carrying amount	-10%	+10%
2010	$'000	$'000	$'000
Unit trusts	4 211	(421)	421
SAFA Cash Management Fund	18 774	(1 877)	1 877
Total increase (decrease) in profit before tax and equity		(2 298)	2 298
2009			
Unit trusts	7 811	(781)	781
SAFA Cash Management Fund	21 475	(2 147)	2 147
Total increase (decrease) in profit before tax and equity		(2 928)	2 928

31.4.4 Breakthrough Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.12).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 17).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5 percent increase or decrease in property market value at year end, with all other variables being held constant.

(c) Sensitivity analysis (continued)

	2010			2009		
	Carrying amount	-5%	+5%	Carrying amount	-5%	+5%
	$'000	$'000	$'000	$'000	$'000	$'000
Breakthrough Loan	58 281	(3 505)	3 860	40 303	(2 291)	2 635
Total increase (decrease) in profit before tax and equity		(3 505)	3 860		(2 291)	2 635

31.4.5 Currency risk

Changes in foreign exchange rates will not directly cause the fair value of future cash flows of any financial instruments held by HomeStart to fluctuate.

32. Fair value and categorisation of financial instruments

32.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect of each class of financial asset and financial liability are disclosed in note 2.

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets	$'000	$'000	$'000	$'000
Cash and cash equivalents	2 145	2 145	4 120	4 120
Investments:				
Fair value through profit or loss	81 266	81 266	69 589	69 589
Held-to-maturity	20 011	20 011	10 201	10 201
Loans and advances:				
Amortised cost	1 649 910	1 750 023	1 377 153	1 464 349
Other financial assets:				
Financial assets (at cost)	4 502	4 502	1 261	1 261
Total financial assets	1 757 834	1 857 947	1 462 324	1 549 520
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	1 584 934	1 587 250	1 303 004	1 298 931
Derivative financial instruments:				
Hedge accounting (fair value through equity)	6 369	6 369	10 776	10 776
Payables:				
Financial liabilities (at cost)	6 241	6 241	4 413	4 413
Income tax payable:				
Financial liabilities (at cost)	3 014	3 014	1 374	1 374
Provision for dividend:				
Financial liabilities (at cost)	-	-	1 943	1 943
Total financial liabilities	1 600 558	1 602 874	1 321 510	1 317 437
Net financial assets	157 276	255 073	140 814	232 083

32.2 Fair value estimation

(a) Derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart loans) SAFA bonds.

(c) Investments

The fair value of investments in the unit trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) *Shared appreciation component of the Breakthrough Loan*

Note 2.12 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

	2010	2009
	percent	percent
Valuation determined using an automated method (Hometrack Australia)	93.00	90.16
Valuation provided by the Valuer-General	5.54	8.38
Other independent valuation used	1.46	1.46

32.3 *Hierarchical classification of financial assets measured at fair value*

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

2010

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:	$'000	$'000	$'000	$'000
SAFA Cash Management Fund	-	18 774	-	18 774
Unit trusts	-	4 211	-	4 211
Breakthrough Loan	-	-	58 281	58 281
Total financial assets measured at fair value	-	22 985	58 281	81 266
Financial liabilities measured at fair value:				
Derivative financial instruments	-	6 369	-	6 369
Total financial liabilities measured at fair value	-	6 369	-	6 369

2009

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	21 475	-	21 475
Unit trusts	-	7 811	-	7 811
Breakthrough Loan	-	-	40 303	40 303
Total financial assets measured at fair value	-	29 286	40 303	69 589
Financial liabilities measured at fair value:				
Derivative financial instruments	-	10 776	-	10 776
Total financial liabilities measured at fair value	-	10 776	-	10 776

32.4 *Reconciliation of Level 3 fair value measurements*

	Note	2010	2009
		$'000	$'000
Fair value at 1 July		40 303	16 014
Breakthrough Loan settlements		18 271	24 647
Breakthrough Loan discharges		(2 963)	(718)
Unrealised change in fair value of loans	6	2 670	360
Fair value at 30 June		58 281	40 303

Note 31.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

33. Unrecognised contractual arrangements

33.1 Capital commitments

HomeStart has no capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report as at 30 June 2010 ($nil).

33.2 Operating lease commitments

HomeStart as lessee

HomeStart's operating lease commitments are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in note 15.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2010 $'000	2009 $'000
Not later than one year	1 001	974
Later than one year but not later than five years	3 978	592
Total operating lease commitments	4 979	1 566

HomeStart as lessor

HomeStart is the lessor of office accommodation. The lease is non-cancellable with a term up to five years with the right of renewal. Rent is receivable monthly in advance.

The total amount of rental income received in the financial year is disclosed within other income in note 6.

Amounts due to HomeStart under a non-cancellable operating lease at the reporting date not recognised as an asset in the financial report, are receivable as follows:

	2010 $'000	2009 $'000
Not later than one year	182	175
Later than one year but not later than five years	385	567
Total operating lease receivables	567	742

33.3 Remuneration commitments

The majority of HomeStart staff members are employed under fixed term contracts that expire on varying dates within the next five years. Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date are not recognised as liabilities.

Notes 10 and 11 set out remuneration costs for the years ended 30 June 2010 and 30 June 2009. HomeStart estimates that commitments from existing employment positions within one year, and annually for not longer than five years, will be consistent with salaries and wages expenses in note 10.

HomeStart does not offer fixed term remuneration contracts greater than five years.

33.4 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to $44.3 million ($52.8 million). These commitments are expected to be paid in the coming year.

34. Contingent liabilities

As at 30 June 2010 the Minister for Housing and Treasurer had yet to approve HomeStart's recommendation that it pay a dividend of 40 percent of after tax profit. Should HomeStart's recommendation be approved, it will be required to pay a further dividend amount of $1.012 million in respect of the financial year ended 30 June 2010. Further information is provided in note 28.

HomeStart has no other material contingent liabilities as at 30 June 2010 ($nil).

35. Cash flow reconciliation

35.1 Cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

35.2 Reconciliation of profit for the year to net cash provided by operating activities	2010 $'000	2009 $'000
Profit for the year	11 744	7 116
Loss on sale of fixed assets	-	1
Amortisation of discount or premium on purchase of held-to-maturity financial investments	90	-
Ineffective hedge	(23)	-
Depreciation and amortisation expense	705	576
Unrealised change in fair value of loans	(2 670)	(360)
Unrealised change in market value of investments	(104)	421
Realised change in market value of investments	423	7 069
Reinvestment of investment income	(1 077)	(2 816)
Bad debts written off	177	175
Fees applied directly to loan accounts	(6 273)	(4 621)
Changes in assets and liabilities:		
Increase in provision for impairment	1 375	2 210
Increase in deferred loan fee income	983	562
Decrease in deferred loan fee expense	(647)	(109)
Increase in fair value adjustment	638	922
Increase (Decrease) in payables	1 780	(863)
Increase in provision for employee benefits	302	50
(Decrease) Increase in other liabilities	(150)	566
Increase in unearned interest income	650	278
Increase (Decrease) in income tax payable	1 640	(281)
Decrease in financial and other assets	507	256
Net cash provided by operating activities	10 070	11 152

36. Events after balance date

DTF has advised of an increase in the guarantee fee it charges HomeStart from 0.75 percent to 1.5 percent of outstanding borrowings from 1 July 2010.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

JUDGES' PENSIONS SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971*.

Functions

The Treasurer is responsible for administering the Scheme. DTF — State Superannuation Office provides services to administer the Scheme.

For further details of the Scheme's administration and funding arrangements refer note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Judges' Pensions Scheme as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised over the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Judges' Pensions Scheme have been conducted properly and in accordance with law.

Communication of audit matters

The audit did not identify any notable matters relating to the Scheme's operations that warranted formal communication.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the financial report

	2010 $'million	2009 $'million
REVENUE		
Employer contributions	**4.5**	4.0
Investment revenue	**20.3**	(23.5)
Total revenue	**24.8**	(19.5)
EXPENSES		
Benefits and other expenses	**19.5**	17.1
Total expenses	**19.5**	17.1
Transfer (to) from Consolidated Account	**(3.4)**	45.9
Operating result for the period	**1.9**	9.3
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(6.0)**	43.1
ASSETS		
Investments	**170.9**	157.7
Other assets	**0.4**	0.3
Total assets	**171.3**	158.0
LIABILITIES		
Liability for accrued benefits	**171.0**	159.6
Other liabilities	**0.2**	0.2
Total liabilities	**171.2**	159.8
EXCESS (DEFICIT) OF NET ASSETS OVER LIABILITIES	**0.1**	(1.8)

Operating Statement

The operating result for the year was a surplus of $1.9 million ($9.3 million). The year's result took into account:

- returns on investments of $20.3 million (negative returns of $23.5 million). Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report
- a transfer of $3.4 million to the Consolidated Account ($45.9 million transfer from Consolidated Account to the Judges' Pensions Scheme). In 2009 the Treasurer approved the transfer on the expectation of the value of assets being held as at 30 June 2009 being less than the value of the Scheme's accrued liabilities due to the worldwide downturn in investment markets. In 2010 there was a turnaround in investment revenue as a result of the improvement in financial markets. A transfer was made out of the Scheme to the Consolidated Account to maintain a balanced Scheme.
- benefits expenses of $18.6 million ($16.5 million).

Statement of Financial Position

As at 30 June 2010, there was an excess of assets over liabilities of $98 000 (excess of liabilities over assets of $1.8 million). The estimated liability for accrued benefits increased by $11.4 million to $171 million for which assets of $171.3 million were available to pay benefits.

In comparison, vested benefits as at 30 June 2010 were $127 million ($120.6 million). Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits as members are only entitled to a pension if they have attained the age of 60 with more than ten years service or have attained the age of retirement with more than five years of service.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2010	2009	2008	2007
Pensioners	**56**	55	55	58
Pensions paid ($'000)	**7 134**	6 864	6 445	6 643

Contributions by employers

The number of members and contributions received from employers for the past four years were:

	2010	2009	2008	2007
Members	**48**	45	44	45
Contributions received ($'000)	**4 584**	4 131	4 118	3 749

Operating Statement
for the year ended 30 June 2010

	Note	**2010**	2009
REVENUE:		**$'000**	$'000
Investment revenue		**20 264**	(23 503)
Other revenue		**4**	7
Contribution revenue:			
Contributions by employers		**4 584**	4 041
Total contribution revenue		**4 584**	4 041
Total revenue		**24 852**	(19 455)
EXPENSES:			
Direct investment expenses	4	**903**	599
Administration expenses	5	**51**	52
Benefits expenses	7	**18 558**	16 467
Total expenses		**19 512**	17 118
TRANSFER (TO) FROM CONSOLIDATED ACCOUNT	3	**(3 400)**	45 900
OPERATING RESULT FOR THE PERIOD		**1 940**	9 327

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
		$'000	$'000
INVESTMENTS:			
Inflation linked securities		**11 205**	13 278
Internal inflation linked securities		**3 992**	4 352
Property A		**17 382**	11 231
Australian equities A		**49 413**	45 814
International equities A		**42 846**	38 306
Fixed interest		**4 658**	3 816
Diversified strategies growth A		**9 437**	9 494
Diversified strategies income		**23 667**	20 127
Cash		**8 261**	11 272
		170 861	157 690
OTHER ASSETS:			
Cash and cash equivalents	11	**460**	267
Sundry debtors		**2**	2
		462	269
Total assets		**171 323**	157 959
CURRENT LIABILITIES:			
Sundry creditors		**7**	7
Benefits payable		**241**	212
Total liabilities		**248**	219
NET ASSETS AVAILABLE TO PAY BENEFITS	6	**171 075**	157 740
LIABILITY FOR ACCRUED BENEFITS	7	**(170 977)**	(159 582)
EXCESS (DEFICIT) OF NET ASSETS OVER LIABILITIES		**98**	(1 842)

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Contributions by employers		**4 584**	4 131
Bank interest received		**4**	7
Transfer (to) from Consolidated Account		**(3 400)**	45 900
Benefit payments		**(7 134)**	(6 864)
Administration expenses		**(51)**	(52)
Net cash (used in) provided by operating activities	10	**(5 997)**	43 122
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**10 460**	6 940
Payments to Funds SA		**(4 270)**	(49 820)
Net cash provided by (used in) investing activities		**6 190**	(42 880)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**193**	242
CASH AND CASH EQUIVALENTS AT 1 JULY		**267**	25
CASH AND CASH EQUIVALENTS AT 30 JUNE	11	**460**	267

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Judges' Pensions Scheme

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than 10 years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pensions Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA (SA Government entity).

(c) Funding arrangements

Under subsection 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme, with $4.6 million ($4 million) being credited during the year ended 30 June 2010.

2. Summary of significant accounting policies

(a) Basis of accounting

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

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is represented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

(i) Inflation linked securities

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Internal inflation linked securities

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.

(iii) Property A

The property A portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.
- *Unlisted property vehicles*
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iv) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(v) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vi) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vii) Diversified strategies growth A

The diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both domestic and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Diversified strategies income*
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(ix) *Cash*
The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(c) Taxation
The Scheme is constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(e) Revenue
Superannuation contributions are brought to account on an accrual basis where this can be reliably measured.

3. Transfer (to) from Consolidated Account
An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2010 has been undertaken and compared with the estimated employer assets invested as at 30 June 2010. As a result, the Treasurer approved a transfer of $3.4 million to the Consolidated Account in 2010. In the 2009 year a transfer of $45.9 million was made from the Consolidated Account to the Judges' Pensions Scheme.

4. Direct investment expenses
Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investments with the relevant investment managers.

5. Administration expenses

	2010	2009
	$'000	$'000
Consultancy fee	-	1
Administration expenses	44	44
Auditor's remuneration	7	7
	51	52

Administration expenses comprises the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Scheme

Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $7370 ($7150). No other activities were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

	2010	2009
	$'000	$'000
Funds held at 1 July	157 740	138 842
Contributions	4 584	4 041
Investment revenue	20 264	(23 503)
Interest income	4	7
Transfers (to) from Consolidated Account	(3 400)	45 900
	21 452	26 445
Benefits paid	(7 163)	(6 896)
Direct investment expenses	(903)	(599)
Administration expenses	(51)	(52)
	(8 117)	(7 547)
Funds held at 30 June	171 075	157 740

7. Liability for accrued benefits
The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

7. Liability for accrued benefits (continued)

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2007 triennial review of the South Australian Superannuation Scheme. Salary increases of 3.5 percent per annum above the Adelaide CPI have been assumed. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI of 2.5 percent.

The accrued superannuation liability as determined by the State Superannuation Office of DTF, is estimated at $171 million ($159.6 million) as at 30 June 2010.

	2010	2009
	$'000	$'000
Liability for accrued benefits at 1 July	159 582	150 011
Benefits expense(i)	18 558	16 467
Benefits paid/payable	(7 163)	(6 896)
Liabilities for accrued benefits at 30 June	170 977	159 582

(i) This figure represents the change in liability for accrued benefits plus benefits paid/payable for the year.

8. Vested benefits

Vested benefits	127 000	120 600

Vested benefits are benefits, which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The vested superannuation liability as at 30 June 2010 is estimated at $127 million ($120.6 million).

9. Guaranteed benefits

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

10. Reconciliation of operating result to net cash (used in) provided by operating activities	2010	2009
	$'000	$'000
Operating result	1 940	9 327
Benefits expense	18 558	16 467
Benefits paid/payable	(7 163)	(6 896)
Investment revenue	(20 264)	23 503
Direct investment expenses	903	599
Decrease in contributions receivable	-	90
Increase in benefits payable	29	32
Net cash (used in) provided by operating activities	(5 997)	43 122

11. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2010	2009
	$'000	$'000
Cash and deposits at Treasury	460	267

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and submarkets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonably possible change in the value of the investments in each investment option for the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation percent	Changes in investment assets $'000
2010			
Growth	Nominal standard deviation	11.90	20 333
Total			20 333
2009			
Growth	Nominal standard deviation	11.30	17 819
Total			17 819

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

(iv) *Sensitivity analysis*

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2010	$'000	$'000	$'000
Benefits payable	241	241	241
Sundry creditors	7	7	7
Vested benefits(i)	127 000	127 000	127 000
Total	127 248	127 248	127 248
2009			
Benefits payable	212	212	212
Sundry creditors	7	7	7
Vested benefits(i)	120 600	120 600	120 600
Total	120 819	120 819	120 819

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(d) Fair value (continued)

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2010		
Unlisted managed investments schemes:		
Funds SA	170 861	170 861
	170 861	170 861
2009		
Unlisted managed investments schemes:		
Funds SA	157 690	157 690
	157 690	157 690

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a Board whose members are appointed by the Minister.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation is required to ensure the orderly development of land. For more information about the Corporation’s functions, refer to note 1 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and clause 13(3) of the Schedule to the PCA require the Auditor-General to audit the accounts and financial statements of the Corporation.

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- expenditure
- inventory
- payroll
- property income
- land sales
- revenue receipting and banking
- cash
- treasury (Premises SA)
- financial accounting
- the financial management compliance program
- legal compliance.

AUDIT FINDINGS AND COMMENTS

Auditor’s report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Land Management Corporation as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were conveyed in a management letter to the Chief Executive. The response to the management letter was considered to be satisfactory. The main matter raised with the Corporation and the related response is provided below.

Payroll

The 2009-10 audit identified areas where controls over payroll processing can be improved:

- attendance reports were not generated from the Empower payroll system
- there was limited assurance that the bona fide register was reviewed within appropriate timeframes.

In response the Corporation:

- initially advised that it was unable to fully investigate the generation of attendance reports from Empower due to the implementation of e-systems in 2009-10, however it was committed to investigating this further. It has subsequently advised that an attendance report can be generated from the Empower payroll system and will be reviewed by line managers in 2010-11

- conveyed that it was committed to further improving the timeliness of the review of attendance reports.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

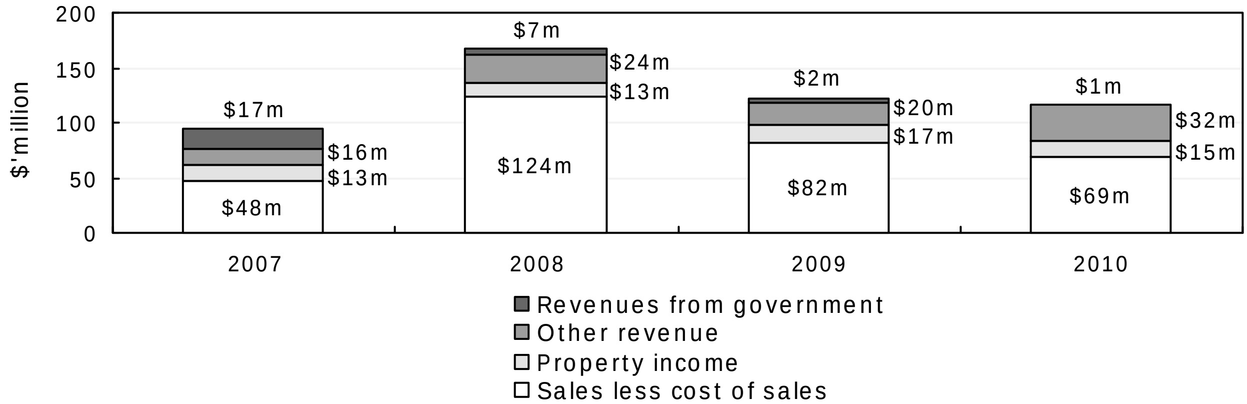
	2010	2009
	$'million	$'million
INCOME		
Sales less cost of sales	**69**	82
Joint venture profit	**11**	8
Revenues from government	**1**	2
Property income	**15**	17
Interest	**5**	7
Other revenue	**16**	5
Total income	**117**	121
EXPENSES		
Employee benefit expense	**10**	10
Borrowing costs	**11**	10
Contractors and consultants	**4**	7
Land tax	**16**	13
Write-down on inventory held for resale	**-**	10
Loss resulting from change in fair value of investment property	**2**	-
Other expenses	**15**	15
Total expenses	**58**	65
Profit before income tax equivalent	**59**	56
Income tax equivalent expense	**18**	17
Total comprehensive result	**41**	39
NET CASH USED IN OPERATING ACTIVITIES	**(23)**	(34)

	2010	2009
	$'million	$'million
ASSETS		
Current assets	**90**	73
Non-current assets	**311**	299
Total assets	**401**	372
LIABILITIES		
Current liabilities	**103**	92
Non-current liabilities	**157**	127
Total liabilities	**260**	219
TOTAL EQUITY	**141**	153

Statement of Comprehensive Income

Income

The following chart shows the changing composition of the Corporation's income over the past four years.



The chart shows that income from sales less cost of sales has decreased by $15 million (34 percent) compared to 2008-09 reflecting an increase in cost of sales in 2009-10 related to land sold to Defence SA at Technology Park. Overall other income has increased by $14 million reflecting the $12 million contribution received from the vendor related to the purchase of the Origin Energy site at Bowden.

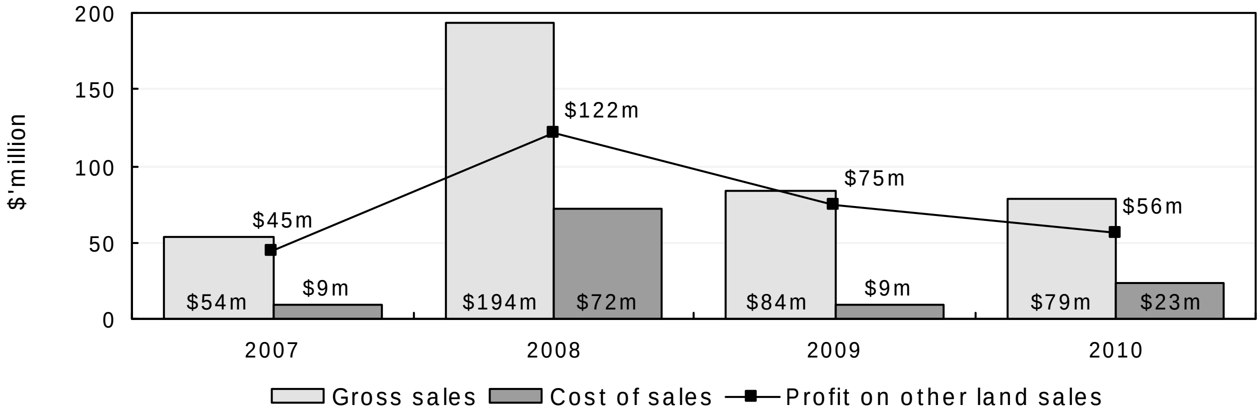
The Corporation's total land sales are analysed below.

Joint venture land sales

Gross sales of land through joint venture entities, to which the Corporation is party, increased by $5 million to $13.5 million in 2009-10. Cost of sales amounted to $597 000 resulting in a gross profit of $12.9 million.

Other land sales

The following chart shows the value of other land sales by the Corporation over the last four years.



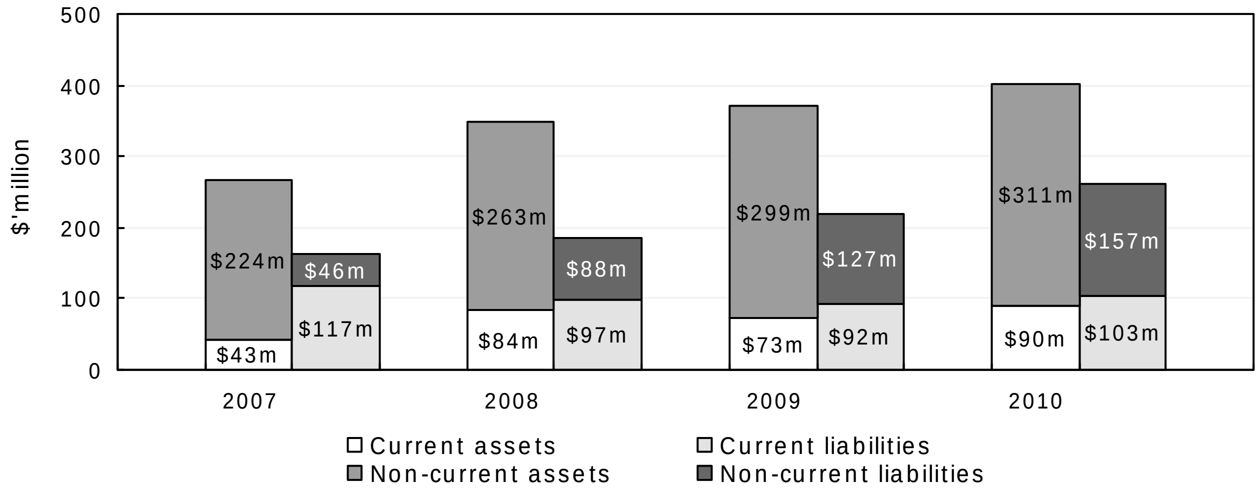
Analysis of the composition of other land sales over the past four years identified that the material land sales:

- for 2009-10 occurred in Mawson Lakes, Munno Para, Golden Grove, Blakeview and Edinburgh Parks and totalled $72 million
- for 2008-09 occurred in Blakeview, Gillman, Seaford Meadows, Northgate and Port Adelaide Waterfront and totalled $76 million
- for 2007-08 occurred in Blakeview, Andrews Farm, Edinburgh Parks, Gillman and Osborne and totalled $165 million
- for 2006-07 occurred in Lefevre, Port Adelaide Waterfront, Edinburgh Parks and Seaford and totalled $47 million.

The land sold by the Corporation in 2009-10 was 28 percent industrial and 72 percent broad hectare land for residential development compared with 29 percent industrial land and 71 percent broad hectare land during 2008-09 and 53 percent industrial land and 47 percent broad hectare land during 2007-08.

Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2010 is shown in the following chart.



The Corporation's net assets decreased in 2009-10 by $12 million to $141 million.

Assets

The Corporation's total assets increased by $29 million to $401 million reflecting:

- an increase in inventories of $73 million relating to the purchase of the former Mitsubishi site at Clovelly Park and development costs capitalised during the year
- a decrease in investment properties of $29 million mainly related to the sale of the Technology Park properties to Defence SA.

Liabilities

The Corporation's total liabilities increased by $41 million to $260 million reflecting:

- an increase in interest bearing liabilities related to new loans for the purchase of land at Woodville and to fund the Corporation's activities
- an increase in unearned revenue related to lease agreements associated with the purchase of the Mitsubishi site at Clovelly Park.

Asset valuations

Land held for resale is recognised in the Statement of Financial Position at the lower of cost or net realisable value in accordance with AASB 102.

In recognition that the market value is materially greater than the recorded book value, the Corporation has disclosed, by note to the financial statements (refer note 2.12), the estimated market value of $1.08 billion with respect to land held for sale, based on the 30 June 2009 valuations.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held for sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or future property market conditions.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(24)**	(34)	59	(27)
Investing	**45**	1	10	4
Financing	**(23)**	3	(33)	23
Change in cash	**(2)**	(30)	36	-
Cash at 30 June	**21**	23	53	17

An analysis of the Corporation's cash flows in 2009-10 is outlined below.

Operations

The Corporation's operating activities contributed to a net cash outflow of $24 million in 2009-10 compared to a net cash outflow of $34 million in 2008-09. The $10 million change in cash flows from operations was mainly attributable to an increase in payments for land purchases, developments costs and land tax partly offset by an increase in rental recoveries income.

Investing

Net cash flows from investing activities in 2009-10 increased due to the $28.9 million proceeds from the sale of investment properties to Defence SA and a reduction in payments related to property, plant and equipment.

Financing

The Corporation's net cash inflows from financing activities were $3 million in 2008-09 compared to a net cash outflow of $23 million in 2009-10. In 2009-10 the Corporation borrowed $66.6 million from SAFA to fund the purchase of land at Woodville and the Corporation's activities. This was offset by a $36.3 million repayment of borrowings and a dividend payment of $53.6 million to the Treasurer.

FURTHER COMMENTARY ON OPERATIONS

Mawson Lakes Government Infrastructure Project

The Corporation's obligations, under the original project commitment deed, amounted to $17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is $1.2 million (in current dollars). It is anticipated the Corporation will have satisfied all its obligations under the commitment deed by the end of March 2011 when the joint venture will be terminated. The infrastructure works to be completed are drainage and landscaping in nature.

To date the Corporation has spent a total of $18.2 million meeting its component of the State Government's obligations on Mawson Lakes infrastructure.

Port Adelaide Waterfront Redevelopment:

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project to redevelop waterfront land at Port Adelaide. This is a staged project to remediate, develop and market developments on a number of sites. In June 2002 the Board endorsed the selection of the Newport Quays Consortium to work with the Corporation on the project. The Corporation and Newport Quays Consortium signed the Development Agreement in October 2004.

In September 2004 the Board endorsed in-principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In July 2005, Cabinet approval was obtained to proceed with the Marina Joint Venture. The Corporation formed an unincorporated joint venture in August 2005 for the development of marina berths to be marketed and leased in conjunction with the Port Adelaide Waterfront Redevelopment residential allotments. A master plan for the development of 552 marina berths was approved by the Development Assessment Commission in February 2007.

The following significant events occurred in 2009-10:

- Following the decision of the Development Assessment Commission subcommittee to refuse development approval of Precinct 2B, the Newport Quays Development Forum was established including chief executive level officers from the Corporation, Newport Quays and Port Adelaide Enfield Council to ensure a high level overview of development. The Forum is currently reviewing a new master plan for Precinct 2B.

- The global financial crisis made development of the apartment based Precinct 2B unviable in the short/medium term. As a result the Corporation granted approval to develop Precinct 5 as a moderately priced town house development. Master planning was completed (through the Newport Quays Development Forum) and a development application submitted to the Development Assessment Commission.

- Cabinet approval was received to amend the Project Development Agreement to accommodate the Precinct 8 commercial principles and a deed of agreement signed to allow market testing for the 10 hectares commercial/industrial precinct.

The Corporation’s obligations under the Development Agreement amount to $44 million (in 2004 dollars) over the life of the Agreement.

Playford North

The Playford North Urban Regeneration Project is an urban renewal project which is planned to be completed over 15-20 years housing approximately 30 000 people through the construction of more than 4500 new houses and renovation of existing dwellings.

The project encompasses an area of approximately 1000 hectares of land in northern Adelaide, including the existing communities of Smithfield Plains and Davoren Park and adjacent vacant land in Munno Para, Munno Para West, Munno Para Downs and Andrews Farm (South).

In February 2006 Cabinet approved the project, which the Corporation is to manage, and includes the physical and community renewal of the existing Northern Adelaide suburbs and be the lead developer of the Greenfield land. The Corporation has undertaken a coordinating role to ensure the delivery of whole-of-government objectives and is working with the City of Playford and the Department for Families and Communities.

During 2009-10 a number of activities relating to the project were undertaken including:

- the Playford Alive Living Showcase Display Village was launched

- approximately 390 allotments were developed in Munno Para West and Smithfield Plains, comprising seven stages of market releases and resulting in 274 sales across the project

- the provision of more than $347 000 to support local sporting, recreational, social and cultural initiatives and programs through the first two rounds of community funding through the Playford Alive Initiatives Fund

- the delivery of 60 affordable housing outcomes through the project area.

Bowden Urban Village

The Bowden Urban Village Project is an urban renewal project which is planned to be completed over 10-15 years. It is anticipated the first sites will be available for development in late 2011. The project is expected to house approximately 3000 people.

The project encompasses an area of approximately 16 hectares of which 10 hectares comprise the former Clipsal site and 6 hectares the former Origin Energy site. In December 2009 Cabinet approved the purchase of the Origin Energy site at a price of $1 with Origin Energy to pay the Government $12 million towards the cost of site remediation. The site will facilitate a transit orientated development on behalf of the Government.

A master plan for the project was completed in early 2010 and a Ministerial Development Plan Amendment Report by the Minister for Urban Development and Planning has been initiated.

Detailed design and construction of the first stage of the public elements of the project is to be undertaken by the Corporation and preparation of land parcels for release to the development industry is expected to occur during 2010 and 2011.

Clovelly Park

In December 2009 Cabinet approved the purchase of the former Mitsubishi Motors Tonsley Park manufacturing site at Clovelly Park. The value of the land recognised by the Department is $44 million reflecting a $32 million cash component and a rent-free period provided to Mitsubishi Motors which was valued by the Corporation at $12 million.

The site will be established as an integrated mixed use employment precinct that will support a shift from manufacturing industry to knowledge-intensive industries and economic growth of southern Adelaide in support of South Australia's Strategic Plan.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
INCOME:			
Sales	3	**93 005**	91 364
Cost of sales	3	**(24 370)**	(9 085)
Gross profit		**68 635**	82 279
Share of net profits of joint venture entities	4.1	**10 559**	8 221
Revenues from government	5	**1 490**	2 010
Interest	6	**4 855**	6 917
Property income	7	**14 995**	17 124
Other revenue	8	**14 934**	2 915
Net gain from the disposal of non-current assets and investments	9	**1 085**	-
Gain resulting from changes in fair value of investment properties	2.13,20	**-**	1 346
Total other income		**47 918**	38 553
Total income		**116 553**	120 812
EXPENSES:			
Land tax		**16 430**	13 443
Property expenditure	10	**8 718**	8 670
Contractors and consultants	11	**3 624**	6 544
Employee benefit expense	35	**10 029**	10 008
Accommodation	12	**717**	796
Borrowing costs	13	**11 075**	9 952
Administration and operating/other expenses	14	**5 317**	4 833
Depreciation	21	**295**	355
Write down of inventory held for resale	19	**-**	10 471
Net loss from the disposal of non-current assets and investments	9	**-**	40
Loss resulting from changes in fair value of investment properties	2.13,20	**1 627**	-
Total expenses		**57 832**	65 112
PROFIT BEFORE INCOME TAX EQUIVALENT		**58 721**	55 700
Income tax equivalent expense	15	**17 617**	16 710
PROFIT AFTER INCOME TAX EQUIVALENT		**41 104**	38 990
TOTAL COMPREHENSIVE RESULT		**41 104**	38 990

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	2010 $'000	2009 $'000
CURRENT ASSETS:			
Cash assets	33	**21 143**	22 804
Financial assets	17	**7 106**	6 627
Receivables	18	**6 136**	6 732
Inventories	19	**55 622**	37 049
Total current assets		**90 007**	73 212
NON-CURRENT ASSETS:			
Financial assets	17	**46 091**	53 195
Inventories	19	**179 141**	124 480
Investment property	20	**76 950**	106 301
Plant and equipment	21	**492**	800
Work in progress	22	**-**	-
Investment in joint ventures	4.1	**8 446**	13 955
Total non-current assets		**311 120**	298 731
Total assets		**401 127**	371 943
CURRENT LIABILITIES:			
Payables	23	**23 051**	23 851
Unearned income	27	**2 504**	996
Tax liabilities	15,25	**8 717**	9 710
Interest bearing liabilities	24	**57 904**	47 405
Provision for development expenditure	28	**10 109**	8 703
Employee benefits	26	**682**	857
Total current liabilities		**102 967**	91 522
NON-CURRENT LIABILITIES:			
Payables	23	**106**	581
Unearned income	27	**13 497**	3 565
Interest bearing liabilities	24	**142 327**	121 916
Employee benefits	26	**1 376**	1 006
Total non-current liabilities		**157 306**	127 068
Total liabilities		**260 273**	218 590
NET ASSETS		**140 854**	153 353
EQUITY:			
Contributed capital		**35 000**	35 000
Retained earnings		**105 854**	118 353
TOTAL EQUITY ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**140 854**	153 353
Unrecognised contractual commitments:			
Operating lease commitments	29		
Capital expenditure commitments	30		
Contingent assets and liabilities	31		

Statement of Changes in Equity
for the year ended 30 June 2010

	Note	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008		35 000	126 773	161 773
Profit after income tax 2008-09		-	38 990	38 990
Total comprehensive result for 2008-09		-	38 990	38 990
Dividend paid or payable to the Treasurer	16	-	(47 410)	(47 410)
Balance at 30 June 2009		35 000	118 353	153 353
Profit after income tax 2009-10		-	41 104	41 104
Total comprehensive result for 2009-10		-	41 104	41 104
Dividend paid or payable to the Treasurer	16	-	(53 603)	(53 603)
Balance at 30 June 2010		**35 000**	**105 854**	**140 854**

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

Statement of Cash Flows
for the year ended 30 June 2010

		2010 Inflows (Outflows)	2009 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH INFLOWS:			
Receipts from sales		**93 005**	91 364
Receipts from SA Government	5	**1 490**	2 010
Interest received		**758**	2 432
Receipts from mortgage debtors (principal and interest)		**10 783**	11 036
Receipts from tenants (rent and recoveries)		**14 166**	16 627
Recoveries and sundry receipts		**37 243**	17 181
GST receipts from taxation authority		**6 071**	691
Cash generated from operations		**163 516**	141 341
CASH OUTFLOWS:			
GST payments to taxation authority		**(9 611)**	(6 521)
Payments for land purchase and development		**(83 154)**	(83 231)
Employee benefit payments		**(9 801)**	(9 838)
Payments to suppliers		**(36 853)**	(31 951)
Land tax paid		**(17 873)**	(9 848)
Interest paid		**(10 919)**	(9 254)
Income tax equivalent paid	15	**(18 610)**	(24 960)
Cash used in operations		**(186 821)**	(175 603)
Net cash used in operating activities	32	**(23 305)**	(34 262)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Capital repayments by joint ventures	4.1	**3 000**	1 287
Distributions of profit by joint ventures	4.1	**13 100**	12 536
Proceeds from disposal of property, plant and equipment		**64**	-
Proceeds from disposal of investment properties		**28 808**	-
Cash generated from investing activities		**44 972**	13 823
CASH OUTFLOWS:			
Capital contributions to joint ventures	4.1	**(32)**	(1 630)
Payments for property, plant and equipment		**(50)**	(10 067)
Payments for work in progress (rental properties)		**(54)**	(1 647)
Cash used in investing activities		**(136)**	(13 344)
Net cash provided by investing activities		**44 836**	479
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**66 750**	66 828
Cash generated from financing activities		**66 750**	66 828
CASH OUTFLOWS:			
Repayment of borrowings		**(36 339)**	(16 309)
Dividends paid	16	**(53 603)**	(47 410)
Cash used in financing activities		**(89 942)**	(63 719)
Net cash (used in) provided by financing activities		**(23 192)**	3 109
NET DECREASE IN CASH HELD		**(1 661)**	(30 674)
CASH AT 1 JULY		**22 804**	53 478
CASH AT 30 JUNE	33	**21 143**	22 804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Infrastructure (the Minister) pursuant to the PCA. The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of eight members appointed by the Minister (refer note 36.1).

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the PCA:

(aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme.

(a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown.

(b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:

- (i) managing the release of large areas of undeveloped (or underdeveloped) land
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes.
- (iii) ensuring the orderly development of areas through the management and release of land, as appropriate.

(c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister.

(d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park.

(e) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown.

(f) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes.

(g) To carry out other functions conferred on the Corporation by the Minister.

The various functions and operations of the Corporation as described above are largely performed within the Adelaide urban growth boundary.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Corporation has early-adopted, AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ended 30 June 2010. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

2.2 Basis of preparation (continued)

(a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature

(b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

(c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees.

The Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

2.3 Comparative information and rounding

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

Where presentation and classification of items in the financial statement have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

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

2.4 Taxation

In accordance with TI 22, the Corporation is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State taxation equivalent regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period (refer note 15).

The Corporation is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

2.5 Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the financial statements are authorised for issue, where those events provided information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 39).

2.6 Income and expenses

Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Corporation will occur and can be reliably measured.

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

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

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

The following are specific recognition criteria:

Revenues from sales

(i) Inventories - land held for resale

Sales revenue in respect of land made available to the Mawson Lakes and Northgate Joint Ventures is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the respective Joint Venture Agreements.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

(ii) Work in progress - construction projects held for resale

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost (refer note 2.12(ii)).

Property income

Property income arising on investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Interest income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Joint venture income

Joint venture income is recognised when the right to receive payment is established.

Revenues from the SA Government

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

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

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

Other income

Other income is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned (refer notes 2.27 and 8).

Other contributions

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

Disposal of non-current assets and investments

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

Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Corporation will occur and can be reliably measured.

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

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

Transactions with SA Government entities have been recorded as government transactions in the relevant notes, classified according to their nature. The following are specific recognition criteria:

Employee benefits

Employee benefit expense includes all cost related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of services provided by staff employed by the Corporation during the reporting period. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Administration and operating/other expenditures

Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred.

Cost of sales

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of inventory sold during the reporting period. The carrying amount of any inventory held for sale is expensed as a cost of sale when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs (refer note 2.27).

Depreciation and amortisation

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

Project expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Borrowing costs

Borrowing costs are expensed in the reporting period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalised as part of the cost of that asset in accordance with AASB 123. Borrowing costs include:

- interest on short-term and long-term borrowings
- guarantee fees
- indemnity margin.

Payments to SA Government

Payments to the SA Government include income tax equivalent and dividend.

2.7 Current and non-current classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.8 Assets

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

Where an asset line item combines amounts expected to be realised within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be recovered after more than 12 months.

2.8 *Assets (continued)*

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

Transactions with SA Government entities have been recorded as government transactions in the relevant notes, classified according to their nature.

2.9 *Cash assets and cash equivalents*

Cash assets in the Statement of Financial Position includes cash at bank, cash on hand, cash held in trust accounts and other short-term highly-liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

2.10 *Receivables*

Receivables include amounts receivable from the sale of goods and services, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

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

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Corporation will not be able to collect the debt. Bad debts are written off when identified.

2.11 *Financial assets*

Financial assets include amounts receivable from deferred purchase arrangements (mortgage debtor receivables), measured at historical cost.

Mortgage debtor receivables arise in the normal course of administering deferred purchase agreements to the public and other government agencies. Mortgage debtor receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of mortgage debtor receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Corporation will not be able to collect the debt. Bad debts are written off when identified.

2.12 *Inventories*

Inventories include land and other property held for sale in the ordinary course of business. It excludes depreciating assets and investment properties.

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

The following are specific recognition criteria:

(i) *Land held for resale*

Land held for resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected net cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes.

For the year ended 30 June 2009 the Corporation obtained an independent valuation of its entire inventory of land (with the exception of land quarantined for the Mawson Lakes and Northfield joint ventures and Port Adelaide Waterfront Redevelopment Precinct 3) which resulted in certain land holdings being written down to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer note 19). The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market. The valuation as at 30 June 2009 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time a land parcel is sold. The valuation was provided by a panel of independent qualified valuers.

(i) Land held for resale (continued)

The Corporation has recognised land inventory within the Statement of Financial Position in accordance with AASB 102, however, the fair value of inventory assessed by suitably qualified valuers as at 30 June 2009 was $1.08 billion.

(ii) Construction projects held for resale

Construction projects held for resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

2.13 Investment property

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Corporation. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the Statement of Comprehensive Income in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis over the lease term.

2.14 Interests in joint venture entities

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as 'Investment in joint ventures entities'. The corporation's share of net profit from joint venture entities is included as revenue in the Statement of Comprehensive Income as 'Share of net profits of joint venture entities'. Details of the Corporation's interests in joint venture entities are shown in note 4.

2.15 Work in progress

(i) Construction projects in progress

Expenditure associated with the construction of projects held for resale is capitalised as work in progress as incurred, in accordance with note 2.6 (refer note 22). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

(ii) Deposits received

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Premises SA Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

2.16 Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. If there is an indication of impairment, the asset's carrying value is compared to its recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Statement of Comprehensive Income. Refer note disclosures on inventories, financial assets and investment properties for further information in relation to these specific assets.

2.17 Acquisition, recognition and depreciation of non-current assets

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of $1000 are capitalised.

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

2.17 *Acquisition, recognition and depreciation of non-current assets (continued)*

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

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

Land and investment properties are not depreciated.

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

Class of asset	*Years*
Plant and equipment	5-10
Furniture and fittings	10
Computer equipment	3

2.18 *Liabilities*

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be settled after more than 12 months.

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

Transactions with SA Government entities have been recorded as government transactions in the relevant notes, classified according to their nature.

2.19 *Payables*

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

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

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

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

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

The Corporation makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to various superannuation schemes.

2.20 *Employee benefits*

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

Wages, salaries, annual leave and sick leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

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

Long service leave
The liability for long service leave is recognised after an employee has completed 5.5 years of service (previously 6.5 years). An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Corporation's experience of employee retention and leave taken.

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

Employee benefit on-costs
Employee benefit on-costs (payroll tax, workers compensation, superannuation) are recognised separately under payables.

2.21 Borrowings/Financial liabilities

The Corporation measures financial liabilities including borrowings/debt at historical cost.

2.22 Guarantees and indemnities

The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Premises SA Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.23 Leases

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

Land Management Corporation as lessor
The Corporation has not entered into any finance leases as lessor.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Land Management Corporation as lessee
The Corporation has not entered into any finance leases as lessee.

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

Where applicable, the aggregate benefit of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term on a straight-line basis.

2.24 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

2.25 Insurance

The Corporation has arranged to insure all major risk of the authority through SAFA, SAICORP Division. The excess payable under this arrangement varies depending on each class of insurance held.

2.26 Financial risk management

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

Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with international Risk Management Standards and internal written policies approved by the Board.

2.26 *Financial risk management*

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at Treasury and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

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

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

In relation to liquidity/funding risk, the continued existence of the Corporation in its present form, and with its present segments/services, is dependent on SA Government policy and on prevailing conditions in the property market, and on continuing appropriations from Parliament to maintain the Corporation's community service obligations.

Refer note 34.

2.27 *Material transactions*

Land purchase - former Origin site at Bowden/Brompton

During 2009-10 the Corporation purchased the 6 hectares former SAGASCO gas works site at Bowden/Brompton for one dollar from Origin Energy Asset Management Limited (Origin), with Origin contributing $12 million to future remediation works. The Government intends to facilitate development of a higher density, mixed use community on the site. Along with the adjoining Clipsal site, the site will be master planned as a significant transit oriented development. Development will occur over a 10 to 15 year time frame. The asset has been classified as non-current inventory in the Corporation's financial statements and is recognised at cost.

Land purchase - former Actil site at Woodville

During 2009-10 the Corporation purchased a 4.7 hectares portion of the former Sheridan/Actil site at Woodville for $17.4 million. The site will be swapped for a 4.7 hectares portion of St. Clair reserve adjacent to Woodville train station. The land swap will enable the Corporation to develop the site for residential use with the aim of revitalising the Woodville Road area. Woodville is one of 14 nominated transit oriented developments in the 30 Year Plan for Greater Adelaide. The asset has been classified as non-current inventory in the Corporation’s financial statements and is recognised at cost.

Land purchase - former Mitsubishi site at Clovelly Park

During 2009-10 the Corporation purchased 61 hectares of the former Mitsubishi Motors Australia Limited site at Clovelly Park for $32.5 million and the granting of a number of lease rights. The site will be master planned to establish a sustainable technologies precinct and an associated advanced-manufacturing and education hub. The asset has been classified as non-current inventory in the Corporation's financial statements and is recognised at cost.

Investment property disposal - sale of Technology Park

During 2009-10 the Corporation sold a significant portion of its investment properties and vacant land at Technology Park to Defence SA. Properties sold included Innovation House, Endeavour House and the homestead, and sales proceeds totalled $44.3 million net of GST. During the same period the Corporation sold its interest in the SPRI building at Technology Park to the University of South Australia for consideration of $3.4 million net of GST.

Land sales - provision for future development obligations

An amount has been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale. Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. During 2007-08 the Corporation sold 52.56 hectares of englobo land north of Petherton Road by way of open tender which set out certain obligations on both the Corporation and the successful tenderer. As a result the Corporation has recognised a provision for development expenditure of $4.993 million ($5.261 million).

The Corporation also recognised a provision for the allotments sold at Lochiel Park and Playford Alive, $2.899 million ($2.449 million) and $2.216 million $993 000 respectively.

3. Revenue

Sales revenue and cost of sales

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes and Northgate.

	2010	2009
Sales revenue for the reporting period is summarised as follows:	$’000	$’000
Land sales to:		
Joint ventures	13 501	8 056
Entities within SA Government	24 554	19 950
Other	54 950	63 358
Total sales revenue	93 005	91 364

Sales revenue (continued)

Cost of sales comprises all direct costs of acquisitions, planning, development and construction in respect to inventory sold during the reporting period.

Cost of sales for the reporting period is summarised as follows:	2010	2009
Cost of sales associated with:	$'000	$'000
Joint ventures	597	280
Entities within SA Government	5 472	2 109
Other	18 301	6 696
Total cost of sales	24 370	9 085

4. Joint venture entities

4.1 Joint venture summary

Income from joint venture entities of $10.559 million for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	2010	2009
	$'000	$'000
Revenues	34 750	39 382
Expenses	(24 191)	(31 161)
Profit from ordinary activities	10 559	8 221

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital contributions and acquisition of additional interest:		
Balance at beginning of period	4 209	3 866
Contributions during the reporting period	32	1 630
Repayments during the reporting period	(3 000)	(1 287)
Balance at 30 June	1 241	4 209
Share of accumulated profits:		
Balance at beginning of period	9 746	14 061
Profit for the reporting period	10 559	8 221
Distribution of profit to the Corporation during the reporting period	(13 100)	(12 536)
Balance at 30 June	7 205	9 746
Total carrying amount of investment in joint venture entities	8 446	13 955

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

Current assets:		
Cash	5 047	3 372
Receivables	1 904	4 590
Inventories	5 481	9 299
Deferred tax asset	83	138
Prepayments	5	438
	12 520	17 837
Non-current assets:		
Inventories	-	574
Property, plant and equipment	221	362
	221	936
Total assets	12 741	18 773
Current liabilities:		
Creditors and other payables	3 734	4 081
Non-interest bearing liabilities	187	401
Interest bearing liabilities	-	12
Tax liabilities	374	324
	4 295	4 818
Total liabilities	4 925	4 818
Net assets	8 446	13 955

4.2 Northgate Stage 3 joint venture

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of Canberra Investment Corporation Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The project is required to achieve a number of Paramount Development Objectives established by the Government, including the provision of a wide diversity of housing allotments and 15 percent of sites for high-needs and affordable housing.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development and receive progressive land payments as development proceeds.

4.2 Northgate Stage 3 joint venture (continued)

In June 2010 Cabinet approved the extension of the joint venture to encompass development of the Corporation's adjoining Precinct 2 land parcel. This area comprises 45 hectares of residential development land and will deliver an additional 900 allotments/1176 dwelling sites. The structure, management and operation of the joint venture will remain unchanged, and the extended joint venture is forecast to run until 2018.

4.3 Mawson Lakes Economic Development Project

On 10 July 1997 documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at The Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the SA Government has obligations for various infrastructure works associated with the project.

4.4 Empak Homes joint venture

At the commencement of the previous reporting period the Corporation had a 50 percent interest in a joint venture with Mount Gambier developer/builder, Empak Homes. This involved the development of land at Bates Lane at Naracoorte and the creation of 31 residential allotments with the aim of providing affordable housing in the area. The land was acquired by the Corporation in June 2005 to be developed in two stages. Stage 1 was completed in July 2006 and Stage 2 was to be released when approximately 75 percent of Stage 1 was sold.

Despite ongoing marketing of Stage 1, sales were slower than expected and there was little prospect for completion of Stage 2 as originally planned due to the prevailing market conditions. In accordance with a resolution of the Joint Venture Committee, the joint venture was wound up during the previous reporting period, with the Corporation retaining ownership of the unsold allotments and Stage 2 land.

4.5 SOHO joint venture

The Corporation has an interest in a joint venture with Holcon Australia Pty Ltd. This involves the environmentally sustainable, mixed use development of a parcel of lakefront land in Technology Park. The project was originally intended to create 13 waterfront SOHO (small office home office) homes and 10 commercial offices over six stages with an anticipated timeframe of approximately three years. Under the terms of the joint venture agreement, the Corporation provides the land for development and receives progressive land payments as development proceeds, together with a 35 percent share of profit or loss.

Stages 1 and 2 have been completed, however market response to this product has been slow and alternatives are now being investigated including termination of the joint venture as one of three considered options.

4.6 PAWR Marina joint venture

The Corporation has a 50 percent interest in a joint venture with Newport Quays Consortium, the developers of the Port Adelaide Waterfront Redevelopment (PAWR). The Newport Quays Consortium comprises developers Urban Construct Pty Ltd and Brookfield Multiplex Developments Australia Pty Ltd. The PAWR Marina joint venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10 to 13 years.

Marina berths are being offered under leasehold arrangements, with the Corporation retaining ownership of the inner harbour (subjacent land). The Corporation will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. The Corporation will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

5. Revenues from government

Government transfers/subsidies received during the reporting period as follows:	2010 $'000	2009 $'000
Recurrent transfer received from DTF, administered items	860	564
Capital transfer received from DTF, administered items	630	615
SA Government subsidies	-	831
Total revenues from government	1 490	2 010

6. Interest income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors and other interest received. Interest revenue for the reporting period is summarised as follows:

	2010 $'000	2009 $'000
Interest received/receivable from entities within the SA Government.	1 104	677
Interest received/receivable from entities external to the SA Government.	3 751	6 240
Total interest income	4 855	6 917

7. Property income

Property income includes rent and recoveries from leased properties. Property income for the reporting period is summarised as follows:

	2010 $'000	2009 $'000
Property income received/receivable from entities within the SA Government	1 349	1 009
Property income received/receivable from entities external to the SA Government	13 646	16 115
Total property income	14 995	17 124

8. Other income

Other income includes recoveries and sundry income. Other income for the reporting period is summarised as follows:

	2010 $'000	2009 $'000
Other income received/receivable from entities within the SA Government	855	915
Other income received/receivable from entities external to the SA Government	2 079	2 000
Origin contribution - Origin site at Bowden	12 000	-
Total other income	14 934	2 915

9. Net gain / loss from the disposal of non-current assets and investments

	2010 $'000	2009 $'000
Plant and equipment:		
Proceeds from disposal	64	-
Net book value of assets disposed	(63)	(40)
Net gain (loss) from disposal of assets	1	(40)
Other investments:		
Proceeds from disposal	28 808	-
Net book value of assets disposed	(27 724)	-
Net gain on sale of other investments	1 084	-
Net gain (loss) on disposal of non-current assets and investments	1 085	(40)

10. Property expenditure

	2010 $'000	2009 $'000
Property services provided by entities external to the SA Government:		
Building and general repairs and maintenance	1 803	1 500
Building services	519	353
Cleaning	97	263
Commissions and agent's fees	492	544
Emergency services levy	57	125
Energy	688	542
Legal fees	278	467
Local government rate equivalent	-	23
Management and administration	403	419
Marketing and signage expenses	195	173
Statutory charges	1 404	863
Survey fees	33	127
Valuation fees	158	258
Other expenditure	1 136	1 524
Total property expenditure - non SA Government entities	7 263	7 181
Property services provided by entities within the SA Government:		
Legal fees	42	41
Local government rate equivalent	744	435
Statutory charges	122	436
Other expenditure	547	577
Total property expenditure - SA Government entities	1 455	1 489
Total property expenditure	8 718	8 670

11. Contractors and consultants expenditure

	2010 $'000	2009 $'000
Services provided by entities external to the SA Government	3 383	6 266
Services provided by entities within the SA Government	241	278
Total contractors and consultants expenditure	3 624	6 544

11.1 External consultants

The number and dollar amount of external consultancies paid/payable included in the Statement of Comprehensive Income that fell within the following bands:

	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	20	99	63	220
Between $10 000 and $50 000	22	668	34	716
Above $50 000	11	1 475	9	581
Total recognised in the Statement of Comprehensive Income	53	2 242	106	1 517

12. Accommodation costs

	2010 $'000	2009 $'000
Services provided by entities external to the SA Government:	148	177
Services provided by entities within the SA Government	569	619
Total accommodation costs	717	796

13. Borrowing Costs

Services provided by entities within the SA Government:		
Borrowing costs	10 323	9 497
Guarantee fees	752	455
Total borrowing costs	11 075	9 952

14. Administration and other operating expenditure

Services provided by entities external to the SA Government:		
Advertising, displays, brochures, promotion and printing	741	863
Audit fees, internal and external	189	212
Computing	294	376
Conferences, seminars and training	161	121
Graphic design	53	83
Insurance	23	22
Legal fees	44	235
Public relations, marketing, events and sponsorship	958	663
Repairs and maintenance	20	82
Temporary staff costs	229	143
Other expenditure	1 401	1 043
Total administration and other operating expenditure - non-SA Government entities	4 113	3 843
Services provided by entities within the SA Government:		
Audit fees, internal and external	111	99
Computing	49	21
Insurance	212	187
Legal fees	509	417
Other expenditure	323	266
Total administration and other operating expenditure - SA Government entities	1 204	990
Total administration and other operating expenditure	5 317	4 833

15. Income tax equivalents

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30 percent) be applied to the profit for the reporting period. The income tax equivalent paid or payable for the reporting period was $17.61 million ($16.71 million).

	2010 $'000	2009 $'000
Income tax equivalent paid in respect of the profit for the reporting period	8 900	7 000
Provision for income tax equivalent in respect of the profit for the reporting period (refer note 25)	8 717	9 710
Total income tax equivalent expense per the Statement of Comprehensive Income	17 617	16 710
The total income tax equivalent paid during the reporting period was as follows:		
Income tax equivalent paid in respect of the profit for the reporting period	8 900	7 000
Balance of income tax equivalent paid in respect of the previous reporting period	9 710	17 960
Total income tax equivalent paid per the Statement of Cash Flows	18 610	24 960

16. Dividends

Pursuant to Regulations under the PCA the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the board, and after consultation with the Minister, the Treasurer determined that total dividends of $53.603 million ($47.41 million) be paid in respect of the reporting period, including an interim dividend of $21.357 million paid from the proceeds of sale of Technology Park assets to Defence SA, and a top-up dividend of $3.414 million for the 2008-09 year in consideration of the final audited profit for that year.

17. Financial assets

	2010 $'000	2009 $'000
Current:		
Mortgage debtor receivables	7 106	6 627
	7 106	6 627
Non-current:		
Mortgage debtor receivables	46 091	53 195
	46 091	53 195
Total financial assets	53 197	59 822

(a) Maturity analysis of financial assets and liabilities - refer note 34.4.
(b) Categorisation of financial instruments and risk exposure information - refer note 34.

18. Receivables

	2010 $'000	2009 $'000
Current:		
Trade and other debtors[(a)]	6 037	6 812
Allowance for doubtful debts	(2)	(96)
Prepayments	101	16
Total current receivables	6 136	6 732

(a) Included in this balance are receivables from SA Government entities totalling $494 000 ($338 000).

Movement in the allowance for doubtful debts

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

Movements in carrying amounts	2010 $'000	2009 $'000
Carrying amount 1 July	96	3
Increase (Decrease) in allowance recognised in profit or loss	(94)	93
Carrying amount at 30 June	2	96

Bad and doubtful debts expense		
Bad debts written off - trade debtors	87	10
Transfer to provision for doubtful debts - trade debtors	(94)	93
Total bad and doubtful debts expense	(7)	103

The bad and doubtful debts expense is recorded in other expenditure - refer note 14.

Interest rate and credit risk

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

Maturity analysis of receivables - refer note 34.

Categorisation of financial instruments and risk exposure information - refer note 34.

19. Inventories

	2010 $'000	2009 $'000
Current:		
Cost of acquisition	34 901	2 290
Development cost capitalised	20 721	34 759
	55 622	37 049
Non-current:		
Cost of acquisition	117 170	86 284
Development cost capitalised	61 971	38 196
	179 141	124 480
Total inventories	234 763	161 529

Movements in carrying amounts		
Carrying amount at 1 July	161 529	107 826
Land purchases	54 218	58 329
Development costs capitalised	43 386	14 930
Costs of sales	(24 370)	(9 085)
Inventory write-downs	-	(10 471)
Carrying amount at 30 June	234 763	161 529

20. Investment property

Investment property at fair value:		
Freehold land at fair value:		
Independent valuation - 2009	-	38 830
Independent valuation - 2010	33 500	-
	33 500	38 830
Buildings at fair value:		
At cost	-	11 361
Independent valuation - 2009	-	56 110
Independent valuation - 2010	43 450	-
	43 450	67 471
Total investment property	76 950	106 301

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arms length transactions, based on current prices in an active market for similar property. The valuations of investment properties have been performed by a panel of independent qualified valuers from Jones Lang LaSalle, Knight Frank, Maloney Field Services and McGees Property.

Movements in carrying amounts	2010	2009
Freehold land at fair value:	$'000	$'000
Carrying amount at 1 July	38 830	27 088
Transfer from inventory	-	9 881
Disposals	(7 663)	-
Gain on fair value adjustment	2 333	1 861
Carrying amount at 30 June	33 500	38 830
Buildings at fair value:		
Carrying amount at the 1 July	67 471	56 625
Transfer from work in progress	-	11 361
Disposals	(20 061)	-
Loss on fair value adjustment	(3 960)	(515)
Carrying amount at 30 June	43 450	67 471
Total carrying amount at 30 June	76 950	106 301
Amounts recognised in profit and loss:		
Rental income	11 284	12 094
Direct operating expenses from property that generated rental income	(5 276)	(5 256)
Direct operating expenses from property that did not generate rental income	(13)	(17)
Total amount recognised in the profit and loss	5 995	6 821

21. Plant and equipment

Plant and equipment:		
At cost	2 765	3 610
Accumulated depreciation	(2 273)	(2 810)
Total plant and equipment	492	800

Carrying amount of plant and equipment

Plant and equipment includes $1.307 million (cost) of fully depreciated property still in use.

Impairment

There was no indications of impairment of plant and equipment at 30 June 2010.

Movements in carrying amounts		
Plant and equipment:		
Carrying amount at 1 July	800	1 009
Additions	50	186
Disposals	(63)	(40)
Depreciation	(295)	(355)
Total carrying amount at 30 June	492	800

22. Work in progress

Movements in carrying amounts		
Carrying amount at 1 July	-	10 129
Additions	-	1 232
Transferred to investment property	-	(11 361)
Carrying amount at 30 June	-	-

23. Payables

Current:		
Trade creditors	4 178	3 270
Sundry creditors and accrued expenses	18 824	20 532
Employment on-costs	49	49
	23 051	23 851
Non-current:		
Non-interest bearing loan - Department of Trade and Economic Development	-	500
Sundry creditors and accrued expenses	4	4
Employment on-costs	102	77
	106	581
Total payables	23 157	24 432

The total includes liabilities payable to SA Government entities, comprising:		
Current:		
Trade creditors	924	181
Sundry creditors and accrued expenses	13 519	15 341
Employment on-costs	26	25
	14 469	15 547

23. Payables (continued)

	2010	2009
Non-current:	$'000	$'000
Non-interest bearing loan - Department of Trade and Economic Development	-	500
Sundry creditors and accrued expenses	14	16
Employment on-costs	55	39
	69	555
Total payables to SA Government entities	14 538	16 102

Based on an actuarial assessment performed by DTF, the proportion of long service leave to be taken as leave has been estimated at 45 percent in 2009 and 2010 and the average factor for the calculation of employer superannuation cost on-cost has been unchanged at 10.5 percent. The rate used in the employment on-cost calculation. The net financial effect in the current financial year is an increase in the employment on-costs liability and employee benefits expenses of $25 000.

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

Maturity analysis of payables - refer note 34.

Categorisation of financial instruments and risk exposure information - refer note 34.

24. Interest-bearing liabilities

	2010	2009
Current:	$'000	$'000
Loans:		
SAFA [(a)]	19 104	18 605
SAFA [(b)]	38 800	28 800
	57 904	47 405
Non-Current:		
Loans:		
SAFA [(a)]	70 577	77 481
SAFA [(b)]	71 750	44 435
	142 327	121 916
Total interest-bearing liabilities	200 231	169 321

(a) Comprises borrowings from SAFA in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Corporation.

Maturity analysis of borrowing - refer note 34.

Categorisation of financial instruments and risk exposure information - refer note 34.

Defaults and breaches
There were no defaults or breaches on any of the above liabilities throughout the year.

25. Tax liabilities

	2010	2009
Current:	$'000	$'000
Income tax equivalent	8 717	9 710
Total tax liabilities	8 717	9 710

26. Employee benefits

Current:		
Accrued wages and salaries	-	206
Annual leave	640	610
Long service leave	42	41
	682	857
Non-current:		
Long service leave	1 376	1 006
	1 376	1 006
Total employee benefits	2 058	1 863

The total current and non-current employee expense (ie aggregate employee benefits and related on-costs) is $2.209 million ($1.989 million). Refer note 23.

Based on an actuarial assessment performed by DTF, the benchmark for the number of years service by an employee at which the Corporation should recognise a liability for long service leave is 5.5 years (6.5 years). The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $232 516 and employee benefits expense of $11 793. The impact on future periods is impractical to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by DTF also determined that a salary inflation rate of 4 percent is to be applied to the salary rates current at reporting date, consistent with the previous reporting period.

27. Unearned income

	2010 $'000	2009 $'000
Current:		
Unearned income	2 504	996
	2 504	996
Non-current:		
Unearned income	13 497	3 565
	13 497	3 565
Total unearned income	16 001	4 561

Movements in carrying amounts

Carrying amount at 1 July	4 561	4 611
Received during the year	12 296	524
Recognised in the Statement of Comprehensive Income	(856)	(574)
Carrying amount at 30 June	16 001	4 561

Consists of rental income received in advance for Marina and other leases at Osborne and Clovelly Park sites (refer note 2.27).

28. Provision for development expenditure

Current:		
Provision for development expenditure	10 109	8 703
Total provision	10 109	8 703

Movements in carrying amounts

Provision for development expenditure:		
Carrying amount at 1 July	8 703	10 196
Additional provisions recognised	2 324	-
Reductions arising from payments	(918)	(1 493)
Total carrying amount at 30 June	10 109	8 703

Provisions have been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale.

29. Unrecognised contractual commitments - operating leases

Operating lease receivables

Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:

	2010 $'000	2009 $'000
Due not later than one year	9 537	12 363
Due later than one year but not later than five years	20 651	27 713
Due later than five years	24 996	26 637
Total operating lease receivables	55 184	66 713

Operating lease payables

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

Payable not later than one year	642	660
Payable later than one year but not later than five years	2 679	2 430
Payable later than five years	4 208	3 788
Total operating lease payables	7 529	6 878

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

30. Unrecognised contractual commitments - capital expenditure

Capital expenditure commitments arising from general operations

At reporting date the Corporation had capital expenditure commitments from general operations as follows:

	2010 $'000	2009 $'000
Payable not later than one year	24 432	15 819
Payable later than one year but not later than five years	1 053	1 309
Payable later than five years	-	79
	25 485	17 207

The increase in capital expenditure commitments over the reporting period resulted from significant infrastructure works relating to the Playford Alive project. As at 30 June 2010 commitments relating to this project were estimated to be $16.067 million.

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital expenditure commitments arising from Edinburgh Parks acquisition
On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase are summarised as follows:

Stage 0 land and buildings
Based on the contractual agreements, an amount may be payable to DTED, representing 25 percent of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be $1.754 million ($1.646 million).

Stages 1 and 3
Assets included in Stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to DTED and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	2010	2009
Stages 1 and 3 land:	$'000	$'000
Payable later than one year but not later than five years	1 838	5 643
Payable later than five years	10 157	4 371
	11 995	10 014

Stage 2 had previously been completed by DTED.

Stages 4 onwards
On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below:

Stage 4 onwards land:	2010	2009
	$'000	$'000
Payable not later than one year	182	-
Payable later than one year but not later than five years	1 666	2 587
Payable later than five years	1 641	1 522
	3 489	4 109

Other expenditure commitments in respect of Edinburgh Parks
Other expenditure commitments at balance date were $289 000 payable within 12 months ($939 000), and $nil payable within 2-5 years ($35 000).

Capital expenditure commitments arising from the Port Adelaide Waterfront Redevelopment Project
Under the Project Development Agreement for the Port Adelaide Waterfront Redevelopment project, the Corporation may be required to pay up to $37.323 million in remediation costs, with each Precinct required to be remediated before its agreed construction commencement date. Remediation for Precincts 1 and 2A had been completed by 30 June 2008. Works for Precincts 2B and 8 were underway at 30 June 2009 but are now on hold with Precinct 5 currently being developed, the value of which is included in the above table of capital expenditure commitments.

Remaining payments under this commitment are anticipated to total $20.289 million payable for the life of the project.

31. Contingent assets and liabilities

Contingent assets
The Corporation has indemnities from DTED relating to various industry assistance packages totalling $2.163 million as at 30 June 2010 ($3.881 million as at 30 June 2009). These indemnities relate to purpose-built facilities constructed under the Premises SA Scheme and are provided as follows:

(i) In respect of properties owned by the Corporation and leased to tenants, the indemnity covers any shortfall between current valuation and historical cost.

(ii) In respect of properties that are subject to a deferred purchase arrangement, the indemnity covers any shortfall between current valuation and loan balance outstanding.

As at 30 June 2010, the Corporation has other contingent assets related to land acquisitions.

Contingent liabilities
Mawson Lakes joint venture (refer note 4.3)
Indemnity for letter of guarantee in favour of local and SA Government authorities. The maximum liability amounts to $413 000 ($578 000).

	2010	2009
	$'000	$'000
The Corporation's contingent liability in respect of this amount is 50 percent	207	289

Port Adelaide Waterfront Redevelopment Project
Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement of October 2004, the Corporation has provided an initial performance bond of $5 million, issued by SAFA in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in $1 million decrements over the development period proportionate to the remaining Precincts to be developed. The guarantee balance remains at $5 million at 30 June 2010.

The performance bond is part of mutual obligations as security for:

(i) the performance by the Corporation and the development consortium of their respective obligations pursuant to the Agreement

(ii) the liability of either party upon termination pursuant to the Agreement.

Other
The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

32. Cash flow reconciliation

	2010 $'000	2009 $'000
Reconciliation of cash and cash equivalents - cash at 30 June:		
Statement of Cash Flows	21 143	22 804
Statement of Financial Position	21 143	22 804
Reconciliation of total comprehensive result to net cash provided by (used in) operating activities		
Total comprehensive result:	41 104	38 990
Non-cash items:		
Share of net profits of joint venture entities	(10 559)	(8 221)
Net (gain) loss on disposal of plant and equipment	(1)	40
Net gain on disposal of investment property	(1 084)	-
Depreciation	295	355
Revaluation increment (decrement)	1 627	(1 346)
Write-down of inventory held for resale	-	10 471
Movements in assets and liabilities:		
Decrease in mortgage receivables	7 154	6 182
Decrease (Increase) in other receivables	152	(548)
(Increase) Decrease in prepayments	(85)	16
Increase in inventories	(61 235)	(64 175)
Decrease in payables	(656)	(6 455)
Decrease in unearned income	(648)	(49)
Decrease in tax liabilities	(993)	(8 250)
Increase (Decrease) in development expenditure	1 405	(1 493)
Increase in employee benefits	219	221
Net cash used in operating activities	(23 305)	(34 262)

33. Cash and cash equivalents

	2010 $'000	2009 $'000
Deposits with the Treasurer	20 702	21 525
Short-term deposits with SAFA	140	621
Cash in trust, at bank and on hand	301	658
Total cash and cash equivalents	21 143	22 804

Deposits with the Treasurer
Includes funds held in the Corporation's operating account.

Short-term deposits
Short-term deposits are made for varying periods of between one day and three months, are lodged with SAFA and earn the respective short-term deposit rates.

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

34. Financial instruments disclosure / financial risk management

34.1 Categorisation of financial instruments

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of receivables and payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

34.1 Categorisation of financial instruments

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2010		2009	
	Carrying amount	Net fair value	Carrying amount	Net fair value
Financial assets	$'000	$'000	$'000	$'000
Cash and cash equivalents	21 143	21 143	22 804	22 804
Receivables	6 138	6 138	6 828	6 828
Mortgage debtors	53 197	44 144	59 822	47 933
Allowance for doubtful debts	(2)	(2)	(96)	(96)
Total financial assets	80 476	71 423	89 358	77 469
Financial liabilities				
Payables	9 946	9 946	8 441	8 441
Interest bearing liabilities	200 231	174 588	169 321	143 084
Total financial liabilities	210 177	184 534	177 762	151 525
Net financial liabilities	(129 701)	(113 111)	(84 404)	(74 056)

34.2 Credit risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their financial obligations resulting in financial loss to the Corporation. The Corporation measures credit risk on a fair value basis and monitors risk on a regular basis.

The Corporation has minimal concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Corporation does not engage in high risk hedging for its financial assets.

34.3 Ageing analysis of financial assets

	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2010	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	285	23	171	479
Impaired:				
Receivables	-	-	2	2
2009				
Not impaired:				
Receivables	799	168	64	1 031
Impaired:				
Receivables	-	-	96	96

34.4 Maturity analysis of financial assets and liabilities

	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	21 143	21 143	-	-
Receivables	6 138	6 138	-	-
Mortgage debtors	53 197	7 106	31 055	15 036
Allowance for doubtful debts	(2)	(2)	-	-
Total financial assets	80 476	34 385	31 055	15 036
Financial liabilities:				
Payables	9 946	9 946	35	-
Interest bearing liabilities	200 231	57 904	120 830	21 497
Total financial liabilities	210 177	67 815	120 865	21 497
Net financial liabilities	(129 701)	(33 430)	(89 810)	(6 461)
2009				
Financial assets:				
Cash and cash equivalents	22 804	22 804	-	-
Receivables	6 828	6 828	-	-
Mortgage debtors	59 822	6 627	31 056	22 139
Allowance for doubtful debts	(96)	(96)	-	-
Total financial assets	89 358	36 163	31 056	22 139
Financial liabilities:				
Payables	8 441	7 700	241	500
Interest bearing liabilities	169 321	47 405	72 842	49 074
Total financial liabilities	177 762	55 105	73 083	49 574
Net financial liabilities	(88 404)	(18 942)	(42 027)	(27 435)

34.5 Liquidity risk

Liquidity risk arises where the Corporation is unable to meet its financial obligations as they fall due. The continued existence of the Corporation is dependent on State Government policy and on continuing appropriations by Parliament for the Corporation's administration and programs. The Corporation settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Corporation's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The largest Corporation risk is loan default by third parties over property assets, thus affecting the Corporation's ability to service loans payable, and is assessed to be low. If default should occur, cash facilities have been secured to manage this risk in the short-term.

The carrying amount of financial liabilities recorded in note 34.1 represents the Corporation's maximum exposure to financial liabilities.

34.6 Market risk

Market risk for the Corporation is primarily through price risk. Prices for industrial and commercial property have been depressed as a consequence of the global financial crisis. The Corporation also has exposure to interest rate risk arising through its interest bearing liabilities, including borrowings. The Corporation's interest bearing liabilities are managed through SAFA and any movements in interest rates are monitored on a daily basis. There is no exposure to foreign currency risks.

34.7 Sensitivity analysis disclosure

A sensitivity analysis has not been undertaken for the interest rate risk of the Corporation as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial. The impact of price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

35. Employees' remuneration

Total employee benefit expense	2010 $'000	2009 $'000
Salaries and wages	7 634	7 882
Long service leave	362	12
Annual leave	19	145
Employment on-costs - superannuation	1 177	1 182
Employment on-costs - other	552	599
Board fees	191	94
Other employee related expenses	94	94
Total employee benefit expense	10 029	10 008

No employees were paid TVSPs during the reporting period.

Remuneration of employees

The number of employees whose remuneration received/receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	3	6
$110 000 - $119 999	7	8
$120 000 - $129 999	7	4
$130 000 - $139 999	2	4
$140 000 - $149 999	7	3
$150 000 - $159 999	1	1
$160 000 - $169 999	1	-
$170 000 - $179 999	1	1
$180 000 - $189 999	1	2
$190 000 - $199 999	1	1
$200 000 - $209 999	-	1
$210 000 - $219 999	1	-
$220 000 - $229 999	-	1
$230 000 - $239 999	1	-
$310 000 - $319 999	-	1
$320 000 - $329 999	1	-
Total	34	33

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment salaries and wagers, superannuation contributions, FBT and any other salary sacrifice benefits. Total income received or due and receivable by the above employees for the period they held office was $4.90 million ($4.65 million).

The number of employees at the reporting date was 94 (92.4).

Remuneration commitments

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

	2010	2009
	$'000	$'000
Within one year	6 942	7 031
Later than one year but not longer than five years	5 988	7 197
	12 930	14 228

36. Key management personnel

36.1 Board members

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

M J Terlet, AO, Chairman	L C Hart*
J M Carr*	R G Hook*
B M Deed	A Maddern
D W Gray	T S Maras

36.2 Other key management personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the current and previous financial years:

W Gibbings	Chief Executive
M J Buchan	Chief Financial Officer and Operating Officer
J S Blaess	General Manager - Projects
A E Rix	General Manager - Projects
W J Stuart	General Manager - Projects

36.3 Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2010 and 2009 is set out below.

The key management personnel are the governing board members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of the Corporation.

	2010	2009
	$'000	$'000
Short-term employee benefits	1 344	1 564
Long-term employee benefits	-	75
	1 344	1 639

36.4 Remuneration of governing board members

The number of governing board members whose remuneration received/ receivable falls within the following bands:	2010 Number	2009 Number
$nil	3	3
$10 000 - $19 999	-	1
$30 000 - $39 999	4	3
$50 000 - $59 999	-	-
$60 000 - $69 999	1	1
Total number of governing board members	8	8

Total income received or due and receivable by all governing board members for the period they held office was $199 098 ($171 944), including fees received by one Director in relation to the appointment to the Mawson Lakes Joint Venture Committee ($7936).

The number of directors who held office at 30 June 2010 was 8 (8).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for governing board duties during the financial year. Refer note 36.1.

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

37. Auditor's remuneration

	2010	2009
	$'000	$'000
Audit fees paid or payable to the Auditor-General's Department	127	126
2008-09 over-accrual	(16)	-
Total auditor's remuneration	111	126

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

38. Related party disclosure

Directors

Details of the Directors of the Corporation appointed in accordance with the Regulations under the PCA are set out in note 36.

During the period of their appointment to the Corporation the Directors disclosed the following:

Mr M J Terlet AO was Chairman of the United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies and the International Centre of Excellence in Water Research Management and Operation Flinders. He was State Chairman of the Australian British Chamber of Commerce. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of E & A Limited. He was a board member of Business SA. He was Co-Chairman of the SA Business and Parliamentary Trust.

Ms J M Carr was Executive Director, Building Management, Department for Transport, Energy and Infrastructure and a board member of the Architects Board of South Australia and the State Procurement Board and Chair of the South Australian Heritage Council.

Ms B M Deed was a board member of the Hutt St Centre.

Mr D W Gray was Director of Platinum Group Pty Ltd, Director David Gray Pty Ltd, Managing Director, GKO Management Pty Ltd. He was a board member of Legacy Club of Adelaide Inc, St Johns Youth Services Inc and Safer Communities Australia Inc.

Ms L Hart was Executive Director, Policy Analysis and Government Enterprises, DTF, a Director of Generation Lessor Corporation, Distribution Lessor Corporation and Transmission Lessor Corporation, Director and Chair of Transmission Leasing Pty Ltd (until 28 October 2009), Director and Chair of RESI Corporation, and Director and Deputy Chairman of the South Australian Asset Management Corporation.

Mr R G Hook was Deputy Chief Executive of the Department for Transport, Energy and Infrastructure, Rail Commissioner, South Australia's Co-ordinator General for the Nation Building Economic Stimulus Plan and Acting General Manager of TransAdelaide.

Ms A Maddern was a full-time employee of BHP Billiton Limited.

Mr T S Maras was owner/Director of the Maras Group and Director of Mancorp Group. He was Chairman and Director of Common Ground, Member of the South Australian Affordable Housing Trust Board, Chairman of the Unley Street Life Trust, Chairman of the University of Adelaide Heritage Foundation Trust, President of the Federation of Greek Orthodox Communities of Australia, member of Ridleyton Greek Home for the Aged, member of the Helpmann Academy, member of the Norwood Economic Development Board and member of the Foundation for Modern Greek.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Corporation had entered into a transaction during the year ended 30 June 2010.

39. Events after balance date

On 6 August 2010 the Corporation and the City of Charles Sturt executed a land swap being 4.717 hectares of developable land at Woodville for the same amount as paid by the Corporation being $15.802 million.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Subsection 6(3) of the LSC Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

Functions

The LSC Act provides for the Commission to undertake a variety of functions concerning legal assistance, including providing or arranging for legal assistance and determining the criteria under which that assistance is granted.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 25 of the LSC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

Specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash at bank
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Legal Services Commission of South Australia as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Legal Services Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters relating to segregation of duties over electronic funds transfer (EFT) payments as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Legal Services Commission of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Commission. The Commission's response indicated that appropriate action would be taken to address the matters raised. Detailed below are the notable matters raised with the Commission.

Segregation of duties over EFT payments

The audit found that EFT payments from the Commission's bank account only required the authorisation of one finance officer before being processed. This did not allow an adequate segregation of duties to ensure the completeness, accuracy or validity of fund transfers being processed. Audit recommended that the Commission ensure EFT payments are authorised by two officers before being processed. The Commission agreed to action the recommendation.

Other matter

On a number of occasions ongoing contract payments, including rent and telecommunications, were not authorised consistent with TI 8 and the Commission's Delegations of Authority. The Commission agreed that invoices under long-term contracts be approved by an officer with delegated authority.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefit expenses	**14.9**	14.4
Legal expenses	**18.0**	16.4
Other expenses	**4.4**	4.4
Total expenses	**37.3**	35.2
INCOME		
Legal Practitioners Act revenue	**2.9**	3.8
Other income	**2.6**	2.8
Total income	**5.5**	6.6
Net cost of providing services	**31.8**	28.6
REVENUES FROM GOVERNMENTS		
Commonwealth Government grants	**14.1**	13.7
State Government grants	**16.8**	14.8
Total revenues from Governments	**30.9**	28.5
Net result and total comprehensive result	**(0.9)**	(0.1)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(2.3)**	0.8
ASSETS		
Current assets	**15.4**	17.3
Non-current assets	**5.7**	5.3
Total assets	**21.1**	22.6

	2010	2009
	$'million	$'million
LIABILITIES		
Current liabilities	**2.6**	3.5
Non-current liabilities	**2.7**	2.5
Total liabilities	**5.3**	6.0
TOTAL EQUITY	**15.8**	16.6

Statement of Comprehensive Income

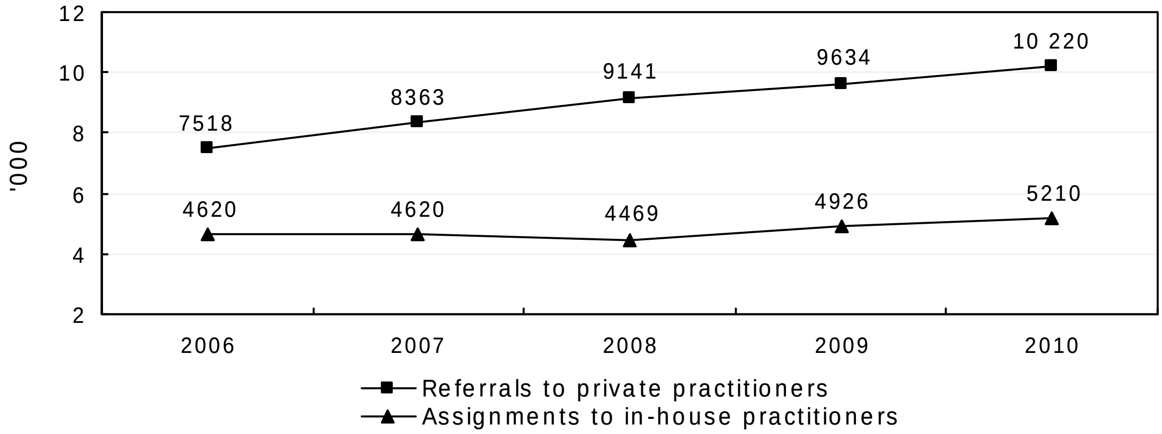
Operating expenses

The main operating expenses are employee benefits and private practitioner services. Employee benefits - salary and wages increased 4 percent due mainly to enterprise bargaining increases.

Referrals to private and in-house practitioners

Legal aid is provided by the Commission's practitioners and by referrals to private practitioners.

The following chart shows the trend in referrals to private practitioners and assignments to in-house practitioners over the past five years.



Applications assigned to in house practitioners totalled 5210 cases (4926) or 34 percent (34 percent) of assigned cases.

Referrals to private practitioners for the year totalled 10 220 cases (9634) representing a 6 percent increase. Referrals to private practitioners are 66 percent (66 percent) of all referral and assigned cases. Fees to private legal practitioners for these cases (legal expenses) amounted to $18 million ($16.4 million) and comprised 48 percent (47 percent) of total expenses.

Income

Commonwealth Government grants

Legal assistance is provided in South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government under an agreement between the Commonwealth and State Governments. Grants received are expended in accordance with the agreement.

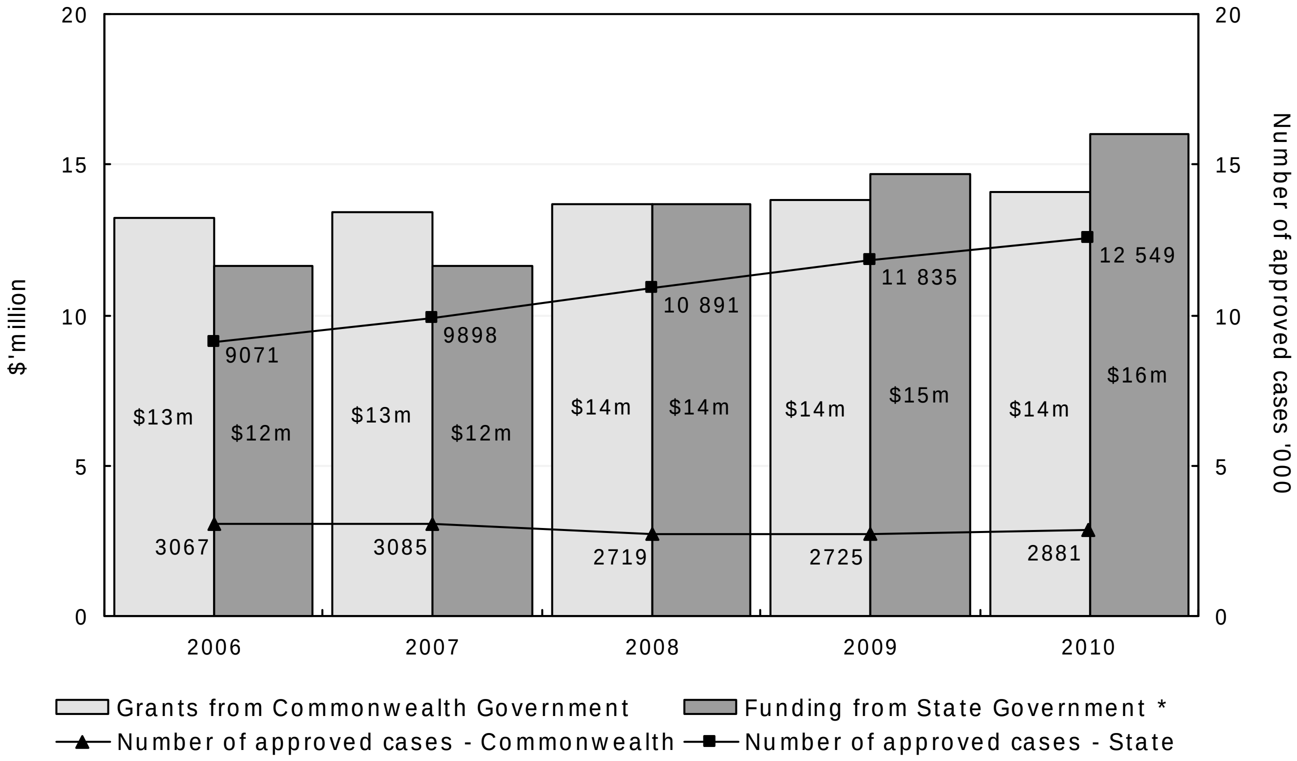
Grants from the Commonwealth Government totalled $14.1 million ($13.7 million) and comprised 39 percent (39 percent) of total revenues of the Commission. As at 30 June 2010, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $7.2 million ($7.5 million). Further information as to the nature of Commonwealth Government grants is disclosed in Note 12 of the Commission's financial statements.

State Government funding

The funding provided by the State is determined through the budgetary process of the SA Government. The State funding received by the Commission is expended on state law matters and these are predominantly criminal cases.

General funding from the State Government totalled $16.4 million and comprised 45 percent (42 percent) of total revenues of the Commission.

Specific State grants for expensive cases totalled $373 000 ($289 000).



*Excluding expensive case grants

The foregoing chart illustrates, for the past five years, the amounts of State and Commonwealth funding (not including expensive case funding) provided to the Commission. It also illustrates the number of approved cases that relate to Commonwealth and State funding. Grants received from the Commonwealth have remained relatively consistent over the last five years. The number of approved Commonwealth cases has also remained relatively consistent over that time. In contrast, since 2006, the number of approved State cases has increased 38 percent.

Legal Practitioners Act revenue

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was $2.9 million ($3.9 million). This revenue varies from year to year as it is dependent on the level of trust monies held by legal practitioners in South Australia and the Law Society of South Australia and interest rates relating to these monies. Of note are the following items:

- Statutory Interest account revenue was $1.2 million in 2009-10, a decrease of $461 000 from the previous year.

- Interest on legal practitioners trust accounts decreased by $265 000 to $1.7 million.

- $209 000 was received from the Legal Practitioners Guarantee Fund during 2008-09. In comparison only $3000 was received in 2009-10. The primary difference is an excess guarantee payment made in 2008-09.

For further information, refer note 9 of the Commission's financial statements.

Net result

The net result was a loss of $895 000 compared with a loss of $65 000 in 2008-09.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(2.3)**	0.8	2.1	1.0
Investing	**(0.2)**	(0.2)	(0.2)	(0.2)
Change in cash	**(2.5)**	0.6	1.9	0.8
Cash at 30 June	**13.5**	16.0	15.4	13.5

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period prior to the current period due primarily to higher levels of demand for legal assistance.

As discussed previously under 'Commonwealth Government grants', revenues received from the Commonwealth Government can only be expended on Commonwealth law matters. As at 30 June 2010, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $7.2 million ($7.5 million). Further, note 22 to the financial statements sets out legal expense commitments at 30 June 2010.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	4	**14 951**	14 410
Private practitioner services	2.16	**18 006**	16 455
Private practitioner services - other expensive State matters	5	**373**	289
Supplies and services	6	**3 706**	3 721
Depreciation and amortisation expense	7	**233**	310
Other expenses	8	**75**	61
Total expenses		**37 344**	35 246
INCOME:			
Legal Practitioners Act revenue	9	**2 919**	3 851
Statutory charges		**967**	934
Interest revenue		**656**	914
Costs recovered and contributions	10	**412**	540
Other income	11	**583**	395
Total income		**5 537**	6 634
NET COST OF PROVIDING SERVICES		**31 807**	28 612
REVENUES FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement	12	**13 270**	12 981
Primary dispute resolution	12	**342**	336
Family duty solicitor services	12	**342**	336
Child support - stage one matters	12	**100**	84
IAAAS income	12	**40**	25
State Government:			
Funding	13	**16 445**	14 496
Expensive cases - other matters	13	**373**	289
Total revenues from Governments		**30 912**	28 547
NET RESULT		**(895)**	(65)
TOTAL COMPREHENSIVE RESULT		**(895)**	(65)

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	21	**13 493**	16 030
Receivables	14	**1 377**	1 117
Other current assets	15	**504**	218
Total current assets		**15 374**	17 365
NON-CURRENT ASSETS:			
Property, plant and equipment	16	**1 111**	1 104
Intangible assets	16.1	**-**	10
Statutory charge debtors	17	**4 618**	4 181
Total non-current assets		**5 729**	5 295
Total assets		**21 103**	22 660
CURRENT LIABILITIES:			
Legal payables		**1 263**	1 685
Payables	18	**309**	391
Employee benefits	19	**1 077**	1 387
Total current liabilities		**2 649**	3 463
NON-CURRENT LIABILITIES:			
Payables	18	**190**	186
Employee benefits	19	**2 510**	2 362
Total non-current liabilities		**2 700**	2 548
Total liabilities		**5 349**	6 011
NET ASSETS		**15 754**	16 649
EQUITY:			
Asset revaluation surplus	2.9	**79**	79
Other reserves	20	**100**	328
Retained earnings		**15 575**	16 242
TOTAL EQUITY		**15 754**	16 649
Commitments	22,23		
Contingent liabilities	25		

Statement of Changes in Equity
for the year ended 30 June 2010

	Asset revaluation surplus	Other reserves	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2008	79	328	16 307	16 714
Net result 2008-09	-	-	(65)	(65)
Balance at 30 June 2009	79	328	16 242	16 649
Net result 2009-10	-	-	(895)	(895)
Transfer to and from reserves	-	(228)	228	-
Balance at 30 June 2010	**79**	**100**	**15 575**	**15 754**

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(15 276)**	(13 984)
Supplies and services		**(4 141)**	(3 873)
Private practitioner services		**(18 318)**	(16 258)
Private practitioner services - other expensive State matters		**(373)**	(289)
GST payments on purchases		**(2 248)**	(2 087)
Cash used in operations		**(40 356)**	(36 491)
CASH INFLOWS:			
Legal Practitioners Act receipts		**2 730**	4 236
Costs recovered and contributions		**362**	478
Statutory charge receipts		**594**	566
Interest received		**644**	968
GST receipts on revenue		**174**	178
GST recovered from the ATO		**2 074**	1 909
Other receipts		**558**	395
Cash generated from operations		**7 136**	8 730
CASH FLOWS FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement		**13 270**	12 981
Primary dispute resolution		**342**	336
Family duty solicitor services		**342**	336
Child support - stage one matters		**100**	84
Other income		**40**	25
State Government:			
Funding		**16 445**	14 496
Expensive cases - other matters		**373**	289
Total cash flows from governments		**30 912**	28 547
Net cash (used in) provided by operating activities	21	**(2 308)**	786
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(229)**	(217)
Cash used in investing activities		**(229)**	(217)
Net cash used in investing activities		**(229)**	(217)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2 537)**	569
CASH AND CASH EQUIVALENTS AT 1 JULY		**16 030**	15 461
CASH AND CASH EQUIVALENTS AT 30 JUNE	21	**13 493**	16 030

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Commission has earlier adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2010.

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for the valuation of the library, which is at an independent valuation.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

2.2 Comparative figures

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

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

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

2.3 Rounding

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

2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the ATO as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for GST.

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

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

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

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

2.5 Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Commission will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

Government funding
The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government funding expensive cases
The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other revenue
Other revenue is recognised as it accrues.

2.6 Current and non-current classification

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

2.7 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

2.8 Property, plant and equipment

In accordance with APF III and the Commission's revaluation policy, property plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than $1 million.

2.9 Asset revaluation surplus

The asset revaluation surplus includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

2.10 Impairment

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

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

2.11 Depreciation and amortisation of non-current assets

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

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

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

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

Class of asset	*Depreciation method*	*Useful life (years)*
Plant and equipment:		
Computers	Straight-line	3-5
Office equipment	Straight-line	5-13
Furniture and fittings	Straight-line	13
Leasehold improvements	Straight-line	10
Intangibles	Straight-line	3-5

2.12 Payables

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

Creditors represent the amounts owing for goods and services received prior to the ending of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Commission.

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with TI 11.

Legal payables represent invoices for work completed prior to 30 June 2010 received by the Commission up to and including 22 July 2010. Amounts billed after this date are reflected in legal expense commitments as disclosed at note 22.

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

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

2.13 Employee benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with APF IV, the employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at note 19.

1. *Annual leave*
Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

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

3. *Long service leave*
The liability for long service leave is recognised after an employee has completed 5.5 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Commission's experience of employee retention and leave taken.

4. *Superannuation*
Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

   (a) The Commission paid an amount to Comsuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to $59 000 ($74 000).

   (b) The Commission paid an amount to the superannuation schemes towards the accruing government liability for superannuation in respect of all employees. Payments amounted to $1.35 million ($1.314 million).

2.14 Workers compensation
The Commission pays a workers compensation levy to WorkCoverSA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCoverSA.

2.15 Financial instruments
The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2010, are as follows:

Financial assets
Cash at bank (note 21) comprises deposits at call with SAFA and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 2.9 percent and 4.67 percent for the year ended 30 June 2010 (2.9 percent and 7.72 percent).

Receivables (note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is recorded at the carrying amount.

Allowance for impairment loss is based on past experiences and expected changes in client credit rating and is reviewed at each reporting date. As at 30 June 2010, there is no evidence to indicate that financial assets are impaired.

Financial liabilities
Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.16 Private practitioner services
Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.17 Trust funds
Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2010, the total funds held were $117 000 ($116 000). These funds are not controlled by the Commission. As such they are not recognised in the financial statements.

3. New and revised accounting standards and policies

Except for AASB 2009-12, which the Commission has earlier adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period 30 June 2010. The Commission has assessed the impact of the new amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Employee benefit expenses

	2010	2009
	$'000	$'000
Salaries and wages	12 730	12 177
Superannuation	1 409	1 390
Long service leave	427	472
Payroll tax	307	297
Workers compensation	78	74
Total employee expenses	14 951	14 410

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2010	2009
	Number	Number
$100 001 - $110 000	6	7
$110 001 - $120 000	10	5
$120 001 - $130 000	2	2
$130 001 - $140 000	1	4
$140 001 - $150 000	4	1
$150 001 - $160 000	-	1
$160 001 - $170 000	1	-
$170 000 - $180 000	1	-
$180 001 - $190 000	-	2
$190 001 - $200 000	2	-
$230 001 - $240 000	1	1
$260 001 - $270 000	1	-
$270 001 - $280 000	-	1
$290 001 - $300 000	-	1
$300 001 - $310 000	1	-
Total	30	25

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflect all costs of employment including salaries and wages, superannuation contributions and related payments.

The total remuneration received or due and receivable by these employees was $4.27 million ($3.553 million).

5. State expensive case matters

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. These matters are separately funded by the State Government (refer note 13).

6. Supplies and services

	2010	2009
Supplies and services provided by entities external to SA Government:	$'000	$'000
Accommodation	1 318	1 228
Computing and communications	807	798
Travel	131	151
Office requisites	257	264
Library	185	184
Consultancy fees	42	45
Other	295	300
Total supplies and services - non-SA Government entities	3 035	2 970
Supplies and services provided by entities within SA Government:		
Accommodation	182	180
Computing and communications	251	241
Travel	57	65
Office requisites	19	13
Consultancy Fees	15	100
Other*	147	152
Total supplies and services - SA Government entities	671	751
Total supplies and services	3 706	3 721

* Includes auditor's remuneration of $58 000 ($56 000) for auditing the accounts. The auditors provided no other services and received no other benefits.

6. Supplies and services (continued)

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

	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	4	6	1	9
Between $10 000 and $50 000	2	51	1	38
Above $50 000	-	-	1	98
Total paid/payable to the consultants engaged	6	57	3	145

7. Depreciation and amortisation expense

	2010	2009
Depreciation:	$'000	$'000
Plant and equipment	136	207
Total depreciation	136	207
Amortisation:		
Leasehold improvements	87	83
Intangible assets	10	20
Total amortisation	97	103
Total depreciation and amortisation expense	233	310

8. Other expenses

Bad debts	75	61

9. *Legal Practitioners Act* revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

Statutory Interest account	1 237	1 698
Interest on Legal Practitioners Trust accounts	1 679	1 944
Legal Practitioners Guarantee Fund	3	209
	2 919	3 851

10. Costs recovered and contributions

Costs recovered	151	145
Contributions*	261	395
	412	540

* In addition, contributions of $752 000 ($541 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income

Other income from entities external to the SA Government	438	286
Other income from entities within the SA Government	145	109
	583	395

12. Commonwealth Government

A Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement was effective from 1 July 2004. Pursuant to that Agreement:

- the Commonwealth contributed $13.27 million ($12.981 million) in service payments in 2009-10. As at 30 June 2010, $7.152 million ($7.549 million) is yet to be expended. $1.355 million ($1.124 million) of this amount is committed to Commonwealth legal cases which is yet to be finalised as at 30 June 2010 as disclosed at note 22
- the Commonwealth also contributed $342 000 ($336 000) for the provision of Primary Dispute Resolution Services, $342 000 ($336 000) for the provision of Family Law Duty Lawyer Services and $100 000 ($84 000) for the provision of legal assistance in Child Support Stage One carer-parent matters. With the exception of Stage One carer-parent matters funding, which is an agreed amount for each year to 2009-10, all other funding will be indexed each year by the factor used in the Australian Government annual budget process
- the Commonwealth allows up to 25 percent of Commonwealth revenue to be held by the Commission as an allowed surplus in a financial year. Reserves exceeding this level may be returned to the Commonwealth Government
- the Commission entered into an agreement with the Commonwealth of Australia to provide services for the Immigration Advice and Application Assistance Scheme (IAAAS).

13. State Government

In 2009-10 the State Government contributed funding of $16.445 million ($14.496 million).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided $373 000 ($289 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables

	2010	2009
	$'000	$'000
Legal Practitioners Act debtors	879	690
GST	284	292
Client debtors and other debtors	214	135
Total current receivables	1 377	1 117

15. Other current assets

Prepayments	391	218
Prepaid salaries and wages	113	-
	504	218

16. Property, plant and equipment

	2010		2009	
	$'000	$'000	$'000	$'000
Leasehold improvements at fair value	861		834	
Accumulated depreciation	(543)		(457)	
		318		377
Plant and equipment at fair value	1 710		1 508	
Accumulated depreciation	(1 208)		(1 072)	
		502		436
Library		291		291
Total property, plant and equipment		1 111		1 104

Valuation of library

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes, etc. The revaluation was undertaken by the Australian Valuation Office, which valued the library at $291 000.

16.1 Intangible assets

	2010	2009
	$'000	$'000
Computer software	83	83
Accumulated amortisation	(83)	(73)
Total intangible assets	-	10

16.2 Reconciliation of non-current assets

2010	Leasehold improve-ments $'000	Plant and equipment $'000	Library $'000	Total property, plant and equipment $'000	Other computer software $'000	Total intangible assets $'000
Balance at 1 July	834	1 508	291	2 633	83	83
Additions	27	202	-	229	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June	861	1 710	291	2 862	83	83
Accumulated depreciation:						
Balance at 1 July	457	1 072	-	1 529	73	73
Disposals	-	-	-	-	-	-
Depreciation expense	86	136	-	222	10	10
Balance at 30 June	543	1 208	-	1 751	83	83
Net book value:						
As at 30 June 2009	377	436	291	1 104	10	10
As at 30 June 2010	318	502	291	1 111	-	-

17. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2010	2009
	$'000	$'000
Statutory charge debtors	4 618	4 181

18. Payables

Current:		
Creditors	126	165
Accrued expenses	47	44
Employment on-costs	136	182
Total current payables	309	391
Non-current:		
Employment on-costs	190	186
Total non-current payables	190	186
Total payables	499	577

19. Employee benefits

	2010	2009
	$'000	$'000
Current:		
Annual leave	886	801
Accrued salaries and wages	-	339
Long service leave	191	247
Total current employee benefits	1 077	1 387
Non-current:		
Long service leave	2 510	2 362
Total non-current employee benefits	2 510	2 362
Total employee benefits	3 587	3 749

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2009-10 is $1.213 million and $2.7 million respectively.

20. Other reserves

Movements during the year were:

Commonwealth expensive case reserve:		
Balance at 1 July	100	100
Transfer to retained earnings	-	-
Balance at 30 June	100	100
State Legal Assistance Scheme reserve:		
Balance at 1 July	228	228
Transfer to retained earnings	228	-
Balance at 30 June	-	228
Total other reserves	100	328

Commonwealth expensive cases

The Commission did not use the Commonwealth expensive case allocation in 2009-10.

State Legal Assistance Scheme

During the 2009-10 financial year, the Commission did not utilise funds in the State Legal Assistance Scheme on State matters pursuant to a policy approved by Commissioners and the Law Society of South Australia, which includes specific conditions. The balance of the reserve of $228 000 is transferred to retained earnings.

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2010	2009
	$'000	$'000
Deposits at call - SAFA	13 500	15 500
Cash	(7)	530
Cash and cash equivalents as recorded in the Statement of Financial Position	13 493	16 030
Cash and cash equivalents as recorded in the Statement of Cash Flows	13 493	16 030

Reconciliation of net cash (used in) provided by operating activities to net cost of providing services

Net cost of providing services	(31 807)	(28 612)
Revenues provided by government	30 912	28 547
Non-cash items:		
Depreciation and amortisation	233	310
Bad debts	75	61
Changes in assets/liabilities:		
Increase in statutory charge debtors	(437)	(497)
(Increase) Decrease in receivables	(260)	423
Increase in prepayments	(286)	(41)
(Decrease) Increase in employee provisions	(162)	364
(Decrease) Increase in payables	(154)	10
(Decrease) Increase in legal payables	(422)	221
Net cash (used in) provided by operating activities	(2 308)	786

22. Legal expense commitments

As at 30 June 2010, the Commission has a future commitment of $4.548 million ($4.533 million) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Legal expense commitments	1 355	1 114	3 193	3 419

22. Legal expense commitments (continued)

In addition the Commission has a future commitment of $405 000 ($120 000) on State expensive cases which will be funded separately.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 24.38 percent Commonwealth and 32.93 percent State (27.12 percent and 29.63 percent) would be recognised on all outstanding amounts raised since January 2009 (ie the previous 18 months). Commitments raised prior to this date have been not been recognised. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

23. Commitments for expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2010	2009
Operating lease commitments:	$'000	$'000
Not later than one year	436	416
Later than one year but not later than five years	544	1 087
Total operating lease commitments	980	1 503
Remuneration commitments:		
Not later than one year	2 946	2 999
Later than one year but not later than five years	2 802	2 461
Total remuneration commitments	5 748	5 460

The amounts disclosed as remuneration commitments includes only those commitments arising from written contracts for executive and other written service contracts.

24. Related party disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman)
Ms Elizabeth Ahern (resigned 9 July 2009)
Mr Michael Burgess (reappointed 20 November 2009)
Mr Michael Dawson
Mr Andrew English (appointed 16 July 2009)
Mr Hugh Gilmore
Mr David Mazzone
Mr David Meyer (reappointed 10 September 2009)
Ms Tracee Micallef
Ms Wendy Purcell
Ms Maurine Pyke, QC

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:	2010 Number	2009 Number
$nil	1	1
$1 - $10 000	2	2
$10 001 - $20 000	7	7
$20 001 - $30 000	1	1
Total	11	11

The total remuneration received or due and receivable by these members was $120 000 ($117 000).

Amounts paid to a superannuation plan for members was $10 000 ($10 000).

25. Contingent liabilities

At balance date and at the date of certification of the financial statements by the Commission there was no known contingent liability. However, legal expense commitments existed as disclosed at note 22.

THE LEGISLATURE

FUNCTIONAL RESPONSIBILITY

Establishment

The Legislature for the purposes of this Report comprises the:

- House of Assembly established under the *Constitution Act 1934*
- Legislative Council established under the *Constitution Act 1934*
- Joint Parliamentary Service established under the *Parliament (Joint Services) Act 1985.*

Functions

The House of Assembly and the Legislative Council constitute the Parliament of South Australia. The main purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

The House of Assembly consists of 47 Members. The Legislative Council consists of 22 Members. The Members are elected by the inhabitants of the State legally qualified to vote.

The Joint Parliamentary Service provides services to Parliament including Hansard reporting, library facilities, catering, financial administration and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- salaries of employees of the Legislature
- Members salaries
- Members' allowances
- accounts payable and procurement.

AUDIT FINDINGS AND COMMENTS

Financial statements

The 2009-10 financial statements for the House of Assembly, Legislative Council and the Joint Parliamentary Service represent the fourth set of general purpose financial statements produced by these bodies.

The general purpose financial statements have been audited and unmodified Independent Auditor's Reports were issued for the House of Assembly and the Legislative Council.

In the case of the Joint Parliamentary Service, a modified Independent Auditor's Report was issued. This modification was also given for the 2008-09, 2007-08 and 2006-07 general purpose financial statements. It results from a limitation of scope of audit (granting of Audit access to Service records, including catering records) and the limitation in the completeness of disclosures in the financial statements relating to the dining and refreshment services of Parliament House.

The inability to perform a complete audit of the functions and financial activity of the Joint Parliamentary Service was again raised with the Joint Parliamentary Service Committee. Audit has been advised that there is no change in the Committee's position of not providing Audit access to the Committee's minutes of meetings and to the records and accounts relating to the catering division trading account activities.

In my opinion, the financial accountability and auditability of the Joint Parliamentary Service falls short of that adopted and applied to the public accounts and the financial operations and accounts of public authorities.

Auditor's report on the financial statements of the Joint Parliamentary Service

The following is an extract from the 2009-10 Independent Auditor's Report, which details the qualification to the Joint Parliamentary Service's financial statements.

> ***Basis for disclaimer of auditor's opinion***
>
> *The Joint Parliamentary Service Committee is responsible for the management of the Joint Parliamentary Service. The Committee has not provided unrestricted access to the minutes of their meetings. As a result, I can not assess whether matters deliberated and decided by the Committee that have financial consequences have been recognised or disclosed in the financial statements.*
>
> *The Joint Parliamentary Service Committee is responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial statements. The Committee has not provided access to this financial information to enable the effect of the omission on the financial statements to be quantified.*
>
> ***Disclaimer of auditor's opinion***
>
> *In my opinion, because of the existence of the limitations on the scope of the audit and the completeness of the financial statements, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitations not existed, I am unable to and do not express an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Joint Parliamentary Service as at 30 June 2010 and 30 June 2009, and its financial performance and its cash flows for the years then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*

Communication of audit matters

The recently completed audit of the financial statements and accounts has identified some improvements that can be made to the internal control processes of the Legislature. These are to be forwarded shortly in audit management letters to the Legislature.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010** **$'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	2	**2 229**	2 179
Supplies and services	3	**2 518**	2 806
Members' salaries and allowances	4	**7 160**	7 236
Loss on disposal of non-current assets	9	**-**	6
Depreciation	5	**55**	53
Contribution of assets to Joint Parliamentary Service	9	**95**	681
Total expenses		**12 057**	12 961
INCOME:			
Other income		**14**	3
Total income		**14**	3
NET COST OF PROVIDING SERVICES		**12 043**	12 958
REVENUES FROM SA GOVERNMENT	6	**13 742**	13 654
NET RESULT		**1 699**	696
TOTAL COMPREHENSIVE RESULT		**1 699**	696

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'000**	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**820**	570
Trade and other receivables	8	**69**	46
Total current assets		**889**	616
NON-CURRENT ASSETS:			
Plant and equipment	9	**5 458**	4 060
Total non-current assets		**5 458**	4 060
Total assets		**6 347**	4 676
CURRENT LIABILITIES:			
Trade and other payables	10	**124**	136
Employee benefits	11	**373**	365
Provisions	12	**5**	4
Total current liabilities		**502**	505
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**58**	60
Employee benefits	11	**659**	685
Provisions	12	**16**	13
Total non-current liabilities		**733**	758
Total liabilities		**1 235**	1 263
NET ASSETS		**5 112**	3 413
EQUITY:			
Retained earnings	13	**5 112**	3 413
TOTAL EQUITY		**5 112**	3 413
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2010

	Retained earnings $'000
Balance at 30 June 2008	2 717
Total comprehensive result for 2008-09	696
Balance at 30 June 2009	3 413
Total comprehensive result for 2009-10	1 699
Balance at 30 June 2010	**5 112**

Statement of Cash Flows
for the year ended 30 June 2010

		2010 Inflows (Outflows)	2009 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(2 243)**	(2 062)
Members' superannuation		**(1 215)**	(1 323)
Supplies and services		**(2 913)**	(3 159)
Cash used in operations		**(6 371)**	(6 544)
CASH INFLOWS:			
GST recovered from ATO		**357**	378
Other income		**15**	5
Cash generated from operations		**372**	383
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from State Government		**7 797**	7 741
Cash generated from SA Government		**7 797**	7 741
Net cash provided by operating activities	15	**1 798**	1 580
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(1 548)**	(1 330)
Net cash used in investing activities		**(1 548)**	(1 330)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**250**	250
CASH AND CASH EQUIVALENTS AT 1 JULY		**570**	320
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**820**	570

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of 47 Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

(a) Statement of compliance

The financial statements of the House of Assembly are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs, including Australian interpretations, other mandatory professional reporting requirements in Australia and TIs and APF promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the House of Assembly has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2010. The House of Assembly has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the House of Assembly.

(b) Basis of preparation

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the House of Assembly.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The House of Assembly's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

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

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

(d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised.
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

Buildings within which the House of Assembly operate are recognised in the financial statements for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

(ii) *Subsequent costs*
The House of Assembly recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the House of Assembly and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) *Depreciation*
Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Works of art
Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets
In accordance with APF III:

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

Every five years, the House of Assembly revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Works of art
An independent valuation of the works of art was conducted by Mr Stephen Sinclair at 30 June 2006, a recognised collection industry expert for paintings. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation at 30 June 1997. The valuation was determined at net market value.

(i) Employee benefits
(i) *Defined contribution plans*
The House of Assembly makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) *Long-term service benefits*
The House of Assembly's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 5.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the House of Assembly's experience of employee retention and leave taken.

The current/non-current classification of the House of Assembly's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) *Wages, salaries, annual leave and sick leave*
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the House of Assembly expects to pay as at reporting date including related on-costs.

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

(iv) *Employee benefit on-costs*
Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Statement of Financial Position when the House of Assembly has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables
Trade and other payables are stated at cost.

(l) Revenue from SA Government
Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation
The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 component 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) Insurance
The House of Assembly has insured for risks through SAFA, SAICORP Division. Under these insurance arrangements the House of Assembly will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

(o) Members' allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 4.

2. Employee benefit expenses

	2010 $'000	2009 $'000
Wages and salaries	1 839	1 802
Employment on-costs - superannuation	228	220
- other	157	159
Workers compensation	5	(2)
Total employee benefit expenses	2 229	2 179

TVSPs
There were no TVSPs paid in 2010 or 2009.

3. Supplies and services

Supplies and services provided by entities within the SA Government:

Printing	554	510
Information technology	352	384
Leases	56	-
Publications	73	98
Security	50	56
Vehicle hire	11	13
Total supplies and services - SA Government entities	1 096	1 061

3. Supplies and services (continued)

	2010	2009
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Members' travel, accommodation, stationery and related expenses	768	954
Travelling expenses	33	101
FBT	193	213
Stationery	26	35
Publications	9	19
Information technology	139	86
Printing	23	68
Staff training and development	18	13
Other	213	256
Total supplies and services - non-SA Government entities	1 422	1 745
Total supplies and services	2 518	2 806

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	1	1	1	1
$10 000 - $50 000	1	17	-	-
Total paid/payable to consultants engaged	2	18	1	1

Not included in the above table are consultancies for $194 000 ($45 000) which were capitalised.

4. Members' salaries and allowances

	2010	2009
	$'000	$'000
Members' salaries and allowances	5 945	5 913
Superannuation	1 215	1 323
Total Members' salaries and allowances	7 160	7 236

Members' salaries, electorate allowances and additional salaries of $5.9 million ($5.9 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $3 million ($3.1 million) and superannuation of $928 000 ($867 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

5. Depreciation

	2010	2009
	$'000	$'000
Equipment, fixtures and fittings	35	36
Computer equipment	20	17
Total depreciation	55	53

6. Revenue from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	7 797	7 741
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	5 945	5 913
Total revenue from SA Government	13 742	13 654

7. Cash and cash equivalents

Cash on hand	-	-
Special Deposit Account	820	570
Total cash and cash equivalents	820	570

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2010	2009
	$'000	$'000
Receivables	22	24
Prepayments	14	13
Other	33	9
Total trade and other receivables	69	46

9. Plant and equipment

	Under construction	Equipment fixtures and fittings	Computer equipment	Artwork	Total
Cost:	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	2 962	499	105	629	4 195
Purchases	1 548	-	-	-	1 548
Disposals	-	(6)	(3)	-	(9)
Transfers (out) in	(1 059)	-	1 059	-	-
Contribution to Joint Parliamentary Service	(95)	-	-	-	(95)
Other	-	(1)	-	-	(1)
Balance at 30 June 2010	3 356	492	1 161	629	5 638

9. Plant and equipment (continued)

	Under construction $'000	Equipment fixtures and fittings $'000	Computer equipment $'000	Artwork $'000	Total $'000
Depreciation:					
Balance at 1 July 2009	-	97	38	-	135
Depreciation charge	-	35	20	-	55
Disposals	-	(6)	(3)	-	(9)
Other	-	(1)	-	-	(1)
Balance at 30 June 2010	-	125	55	-	180
Carrying amount:					
At 1 July 2009	2 962	402	67	629	4 060
At 30 June 2010	3 356	367	1 106	629	5 458

10. Trade and other payables

	2010 $'000	2009 $'000
Current:		
Accrued expense	71	85
Accrued employee on-costs	22	28
Accrued payroll tax	3	2
Accrued superannuation	7	6
Sundry creditors	21	15
	124	136
Non-current:		
Accrued employee on-costs	58	60
	58	60

11. Employee benefits

Current:		
Accrued salaries and wages	53	44
Liability for annual leave	170	171
Liability for long service leave	150	150
	373	365
Non-current:		
Liability for long service leave	659	685
	659	685

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2010 is $405 000 and $717 000 respectively ($401 000 and $745 000 respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability changed from the 2009 benchmark of 6.5 years to 5.5 years. The net effect of the changes in the current financial year is an increase in the long service leave liability of $7000 and the employee benefit expense $1000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions — a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

12. Provisions

	2010 $'000	2009 $'000
Current:		
Provision for workers compensation	5	4
Non-current:		
Provision for workers compensation	16	13
Total provisions for workers compensation	21	17

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

13. Equity

	2010 $'000	2009 $'000
Retained earnings	5 112	3 413
Total equity	5 112	3 413

14. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2010 $'000	2009 $'000
Less than one year	87	-
Between one and five years	350	-
More than five years	87	-
Total operating lease commitments	524	-

15. Reconciliation of cash flows from operating activities to net cost of providing services

	2010	2009
Cash flows from operating activities:		
Net cash provided by operating activities	1 798	1 580
Revenues under *Appropriations Act*	(7 797)	(7 741)
Non-cash items:		
Depreciation	(55)	(53)
Loss on disposal of non-current assets	-	(6)
Contribution of assets to Joint Parliamentary Service for nil consideration	(95)	(681)
Members' salaries and allowances	(5 945)	(5 913)
Adjustments to plant and equipment	-	(1)
Changes in assets/liabilities:		
Increase (Decrease) in trade and other receivables	23	(78)
Decrease in trade and other payables	14	52
Decrease (Increase) in employee benefits	18	(120)
(Increase) Decrease in provisions	(4)	3
Net cost of providing services	(12 043)	(12 958)

16. Key management personnel

The number of staff whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	1	3
$110 000 - $119 999	1	1
$140 000 - $149 999	-	1
$150 000 - $159 999	1	-
$200 000 - $209 999	1	1
$210 000 - $219 999	1	-

The table includes all staff who received remuneration of $100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $791 000 ($772 000).

17. Economic dependency

The House of Assembly is dependent upon funding via the *Appropriation Act*.

18. Subsequent events

There have been no events subsequent to reporting date.

19. Contingent assets and liabilities

The House of Assembly had no contingent assets or liabilities as at reporting date.

20. Auditors' remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instrument

Financial instrument	2010 Carrying amount $'000	2010 Fair value $'000	2009 Carrying amount $'000	2009 Fair value $'000
Financial assets:				
Cash and cash equivalents	820	820	570	570
Receivables	69	69	46	46
	889	889	616	616
Financial liabilities:				
Payables	92	92	100	100
	92	92	100	100

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on financial assets of the House of Assembly which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The House of Assembly does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the House of Assembly is unable to meet its financial obligations as they fall due. The House of Assembly is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the House of Assembly as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) Financial risk management

The House of Assembly has non-interest bearing assets (cash on hand, Special Deposit Account and receivables) and liabilities (payables). The House of Assembly's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	2	**1 772**	1 664
Supplies and services	3	**1 652**	1 707
Members' salaries and allowances	4	**4 135**	3 941
Depreciation	5	**37**	14
Contribution of assets to Joint Parliamentary Service	9	**170**	164
Total expenses		**7 766**	7 490
INCOME:			
Other income		**2**	-
Total income		**2**	-
NET COST OF PROVIDING SERVICES		**7 764**	7 490
REVENUE FROM SA GOVERNMENT	6	**8 512**	7 824
NET RESULT		**748**	334
TOTAL COMPREHENSIVE RESULT		**748**	334

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'000**	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**560**	375
Trade and other receivables	8	**34**	21
Total current assets		**594**	396
NON-CURRENT ASSETS:			
Plant and equipment	9	**3 235**	2 662
Total non-current assets		**3 235**	2 662
Total assets		**3 829**	3 058
CURRENT LIABILITIES:			
Trade and other payables	10	**100**	167
Employee benefits	11	**490**	476
Provisions	12	**6**	6
Total current liabilities		**596**	649
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**60**	54
Employee benefits	11	**684**	618
Provisions	12	**21**	17
Total non-current liabilities		**765**	689
Total liabilities		**1 361**	1 338
NET ASSETS		**2 468**	1 720
EQUITY:			
Retained earnings	13	**2 468**	1 720
TOTAL EQUITY		**2 468**	1 720
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2010

	Retained earnings $'000
Balance at 30 June 2008	1 386
Total comprehensive result for 2008-09	334
Balance at 30 June 2009	1 720
Total comprehensive result for 2009-10	748
Balance at 30 June 2010	**2 468**

Statement of Cash Flows
for the year ended 30 June 2010

	Note	**2010 Inflows (Outflows) $'000**	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(1 687)**	(1 704)
Members' superannuation		**(635)**	(630)
Supplies and services		**(1 945)**	(1 848)
Cash used in operations		**(4 267)**	(4 182)
CASH INFLOWS:			
GST recovered from ATO		**219**	183
Other income		**1**	-
Cash generated from operations		**220**	183
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from State Government		**5 012**	4 513
Cash generated from SA Government		**5 012**	4 513
Net cash provided by operating activities	15	**965**	514
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(780)**	(329)
Net cash used in investing activities		**(780)**	(329)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**185**	185
CASH AND CASH EQUIVALENTS AT 1 JULY		**375**	190
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**560**	375

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of 22 Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

(a) *Statement of compliance*

The financial statements of the Legislative Council are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs, including Australian interpretations, other mandatory professional reporting requirements in Australia and TIs and APF promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Legislative Council has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Legislative Council for the reporting period ending 30 June 2010. The Legislative Council has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Legislative Council.

(b) *Basis of preparation*

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Legislative Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The Legislative Council's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) *Comparative information*

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

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

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

(d) *Plant and equipment*

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised;
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets under construction. Assets under construction contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

(ii) *Subsequent costs*
The Legislative Council recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Legislative Council and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) *Depreciation*
Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Works of art
Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets
In accordance with APF III:

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

Every five years, the Legislative Council revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Works of art
An independent valuation of the works of art was conducted by Mr Stephen Sinclair at 30 June 2006, a recognised collection industry expert for paintings. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation at 30 June 1997. The valuation was determined at net market value.

(i) Employee benefits
(i) *Defined contribution plans*
The Legislative Council makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) *Long-term service benefits*
The Legislative Council's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 5.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Legislative Council's experience of employee retention and leave taken.

The current/non-current classification of the Legislative Council's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) *Wages, salaries, annual leave and sick leave*
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Legislative Council expects to pay as at reporting date including related on-costs.

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

(iv) *Employee benefit on-costs*
Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Statement of Financial Position when the Legislative Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables
Trade and other payables are stated at cost.

(l) Revenues from government
Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation
The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 component 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) Insurance
The Legislative Council has insured for risks through SAFA, SAICORP Division. Under these insurance arrangements the Legislative Council will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

(o) Members' allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 4.

2. Employee benefit expenses

	2010	2009
	$'000	$'000
Wages and salaries	1 359	1 373
Employment on-costs - superannuation	303	206
- other	105	88
Workers compensation	5	(3)
Total employee benefit expenses	1 772	1 664

TVSPs
There were no TVSPs paid in 2010.

3. Supplies and services

Supplies and services provided by entities within the SA Government:

Publications	13	17
Printing	311	277
Information technology	89	147
Lease	26	-
Members' global allowance	62	52
Security	50	56
Vehicle hire	27	22
Total supplies and services - SA Government entities	578	571

3. Supplies and services (continued)

	2010	2009
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Members' travel, accommodation, stationery and related expenses	244	298
Members' global allowance	325	294
Travelling expense	69	49
FBT	115	134
Stationery	38	23
Publications	17	15
Printing	11	55
Telephones	7	4
Consultants fees	67	93
Commonwealth Parliamentary Association	33	36
Other	148	135
Total supplies and services - non-SA Government entities	1 074	1 136
Total supplies and services	1 652	1 707

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	2	10	2	12
Between $10 000 and $50 000	4	57	4	81
Total paid/payable to consultants engaged	6	67	6	93

Not included in the above table are consultancies for $95 000 ($7000), which were capitalised.

4. Members' salaries and allowances

	2010	2009
	$'000	$'000
Members' salaries and allowances	3 500	3 311
Superannuation	635	630
Total Members' salaries and allowances	4 135	3 941

Members' salaries, electorate allowances and additional salaries of $3.5 million ($3.3 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $517 000 ($671 000) and superannuation of $146 000 ($189 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

5. Depreciation

	2010	2009
	$'000	$'000
Equipment, fixtures and fittings	13	12
Computer equipment	24	2
Total depreciation	37	14

6. Revenue from SA Government

	2010	2009
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	5 012	4 513
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	3 500	3 311
Total revenue from SA Government	8 512	7 824

7. Cash and cash equivalents

	2010	2009
Cash on hand	-	-
Special Deposit Account	560	375
Total cash and cash equivalents	560	375

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2010	2009
	$'000	$'000
Receivables	-	-
Prepayments	6	12
Other	28	9
Total trade and other receivables	34	21

9. Plant and equipment

	Under construction	Equipment fixtures and fittings	Computer equipment	Artwork	Total
Cost:	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	1 784	530	5	393	2 712
Purchases	780	-	-	-	780
Disposals	-	-	-	-	-
Transfers (out) in	(581)	-	581	-	-
Contribution to Joint Parliamentary Service	(170)	-	-	-	(170)
Other	-	-	-	-	-
Balance at 30 June 2010	1 813	530	586	393	3 322
Depreciation:					
Balance at 1 July 2009	-	45	5	-	50
Depreciation charge	-	13	24	-	37
Disposals	-	-	-	-	-
Other	-	-	-	-	-
Balance at 30 June 2010	-	58	29	-	87
Carrying amount:					
At 1 July 2009	1 784	485	-	393	2 662
At 30 June 2010	1 813	472	557	393	3 235

10. Trade and other payables

	2010	2009
Current:	$'000	$'000
Trade payables	-	1
Accrued expense	44	106
Accrued employee on-costs	26	39
Accrued payroll tax	2	2
Accrued superannuation	9	8
Sundry creditors	19	11
	100	167
Non-current:		
Accrued employee on-costs	60	54
	60	54

11. Employee benefits

Current:		
Accrued salaries and wages	38	34
Liability for annual leave	352	342
Liability for long service leave	100	100
	490	476
Non-current:		
Liability for long service leave	684	618
	684	618

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2010 is $527 000 and $744 000 respectively ($525 000 and $672 000 respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability changed from the 2009 benchmark of 6.5 years to 5.5 years. The net effect of the changes in the current financial year is $nil. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions — a key assumption is the long-term discount rate. With current conditions, the long term discount rate is experiencing significant movement.

12. Provisions

	2010	2009
Current:	$'000	$'000
Provision for workers compensation	6	6
Non-current:		
Provision for workers compensation	21	17
Total provisions for workers compensation	27	23

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

13. Equity

	2010	2009
	$'000	$'000
Retained earnings	2 468	1 720
Total equity	2 468	1 720

14. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2010 $'000	2009 $'000
Less than one year	39	-
Between one and five years	157	-
More than five years	39	-
Total operating lease commitments	235	-

15. Reconciliation of cash flows from operating activities to net cost of providing services

	2010	2009
Cash flows from operating activities:		
Net cash provided by operating activities	965	514
Revenues under *Appropriation Act*	(5 012)	(4 513)
Non-cash Items:		
Depreciation	(37)	(14)
Contribution of assets to Joint Parliamentary Service for nil consideration	(170)	(164)
Members' salaries and allowances	(3 500)	(3 311)
Changes in assets/liabilities:		
Increase (Decrease) in trade and other receivables	13	(56)
Decrease in trade and other payables	61	15
(Increase) Decrease in employee benefits	(80)	36
(Increase) Decrease in provisions	(4)	3
Net cost of providing services	(7 764)	(7 490)

16. Key management personnel

The number of staff whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	2	1
$140 000 - $149 999	-	1
$150 000 - $159 999	1	-
$190 000 - $199 999	-	2
$200 000 - $209 999	1	-

The table includes all staff who received remuneration of $100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $560 000 ($636 000).

17. Economic dependency

The Legislative Council is dependent upon funding via the *Appropriation Act*.

18. Subsequent events

There have been no events subsequent to reporting date.

19. Contingent assets and liabilities

The Legislative Council had no contingent assets or liabilities as at reporting date.

20. Auditors' remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instrument

Financial instrument	2010 Carrying amount $'000	2010 Fair value $'000	2009 Carrying amount $'000	2009 Fair value $'000
Financial assets:				
Cash and cash equivalents	560	560	375	375
Receivables	34	34	21	21
	594	594	396	396
Financial liabilities:				
Payables	63	63	118	118
	63	63	118	118

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Legislative Council which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The Legislative Council does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the Legislative Council is unable to meet its financial obligations as they fall due. The Legislative Council is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Legislative Council as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) Financial risk management

The Legislative Council has non-interest bearing assets (cash on hand, Special Deposit Account and receivables) and liabilities (payables). The Legislative Council's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010** **$'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	2	**5 293**	5 186
Supplies and services	3	**3 039**	3 194
Depreciation	5	**1 567**	1 580
Loss on disposal of non-current assets	9	**-**	13
Total expenses		**9 899**	9 973
INCOME:			
Contribution of assets from House of Assembly	9	**95**	681
Contribution of assets from Legislative Council	9	**170**	164
Other income		**51**	63
Total income		**316**	908
NET COST OF PROVIDING SERVICES		**9 583**	9 065
REVENUE FROM SA GOVERNMENT	6	**9 454**	9 654
NET RESULT		**(129)**	589
TOTAL COMPREHENSIVE RESULT		**(129)**	589

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'000**	2009 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**3 294**	2 357
Trade and other receivables	8	**195**	221
Total current assets		**3 489**	2 578
NON-CURRENT ASSETS:			
Property, plant and equipment	9	**65 287**	66 024
Total non-current assets		**65 287**	66 024
Total assets		**68 776**	68 602
CURRENT LIABILITIES:			
Trade and other payables	10	**295**	253
Financial liabilities/borrowings	11	**16**	-
Employee benefits	12	**677**	679
Provisions	13	**97**	86
Total current liabilities		**1 085**	1 018
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**109**	95
Financial liabilities/borrowings	11	**8**	-
Employee benefits	12	**1 242**	1 082
Provisions	13	**313**	259
Total non-current liabilities		**1 672**	1 436
Total liabilities		**2 757**	2 454
NET ASSETS		**66 019**	66 148
EQUITY:			
Retained earnings	14	**66 019**	66 148
TOTAL EQUITY		**66 019**	66 148
Commitments	15		
Contingent assets and liabilities	20		

Statement of Changes in Equity
for the year ended 30 June 2010

	Retained earnings $'000
Balance at 30 June 2008	65 559
Total comprehensive result for 2008-09	589
Balance at 30 June 2009	66 148
Total comprehensive result for 2009-10	(129)
Balance at 30 June 2010	**66 019**

Statement of Cash Flows
for the year ended 30 June 2010

	Note	**2010 Inflows (Outflows) $'000**	2009 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(5 069)**	(5 224)
Supplies and services		**(3 266)**	(3 461)
Cash used in operations		**(8 335)**	(8 685)
CASH INFLOWS:			
GST recovered from ATO		**304**	312
Other income		**55**	69
Cash generated from operations		**359**	381
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from State Government		**9 454**	9 654
Cash generated from SA Government		**9 454**	9 654
Net cash provided by operating activities	16	**1 478**	1 350
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(565)**	(306)
Net cash used in investing activities		**(565)**	(306)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**32**	-
Repayment of finance lease		**(8)**	-
Net cash generated from financing activities		**24**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**937**	1 044
CASH AND CASH EQUIVALENTS AT 1 JULY		**2 357**	1 313
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**3 294**	2 357

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including Hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council. The Joint Parliamentary Service also administers the payment of Members salaries. These payments are disclosed as Administered Items in note 22.

(a) *Statement of compliance*

The financial statements of the Joint Parliamentary Service are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs, including Australian interpretations, other mandatory professional reporting requirements in Australia and TIs and APF promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Joint Parliamentary Service has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Joint Parliamentary Service for the reporting period ending 30 June 2010. The Joint Parliamentary Service has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Joint Parliamentary Service.

(b) *Basis of preparation*

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Joint Parliamentary Service.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The Joint Parliamentary Service's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) *Comparative information*

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

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

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

(d) *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

(i) *Owned assets (continued)*
Buildings within which the House of Assembly and Legislative Council operate are recognised in the financial statements of the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets under construction. Assets under construction contributed by the House of Assembly and Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as income in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in these financial statements.

(ii) *Subsequent costs*
The Joint Parliamentary Service recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Joint Parliamentary Service and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) *Depreciation*
Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Buildings	100 years
Plant and equipment	5-10 years
Fixtures and fittings	3-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Joint Parliamentary Service estimate the remaining useful life of Parliament House to be 100 years ending in 2096.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The collection is anticipated to have a very long and indeterminate useful life. The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets
In accordance with APF III:

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

Every five years, the Joint Parliamentary Service revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Land and buildings
An independent valuation of the land and buildings was conducted as at 30 June 2006 by Fred Taormina BAppSc(Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2006 was prepared on a fair value basis. The valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in these financial statements.

Library collection
An independent valuation of the library collection was conducted at 30 June 2006 by Mr Stephen Sinclair, a recognised collection industry expert for library collections. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation determined at 30 June 1997. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

(i) Employee benefits

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

(ii) Long-term service benefits
The Joint Parliamentary Service's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 5.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Joint Parliamentary Service's experience of employee retention and leave taken.

The current/non-current classification of the Joint Parliamentary Service's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) Wages, salaries, annual leave and sick leave
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Joint Parliamentary Service expects to pay as at reporting date including related on-costs.

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

(iv) Employee benefit on-costs
Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions

A provision is recognised in the Statement of Financial Position when the Joint Parliamentary Service has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Financial liabilities/borrowings

The Joint Parliamentary Service measures financial liabilities including borrowings/debt at historical cost.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Joint Parliamentary Service has entered into finance leases and operating leases.

(i) Finance leases
Finance leases, which transfer to the Joint Parliamentary Service substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

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

(m) Revenue from SA Government
Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(n) Taxation
The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Insurance
The Joint Parliamentary Service has insured for risks through SAFA, SAICORP Division. Under these insurance arrangements the Joint Parliamentary Service will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

2. Employee benefit expenses

	2010	2009
	$'000	$'000
Wages and salaries	4 468	4 508
Employment on-costs - superannuation	517	512
- other	238	222
Workers compensation	70	(56)
Total employee benefit expenses	5 293	5 186

TVSPs
There were no TVSPs paid in 2010.

3. Supplies and services

	2010	2009
Supplies and services provided by entities within the SA Government:		
Building maintenance	305	408
Utilities	65	53
Printing and publishing	479	400
Insurance	59	57
Information technology	37	44
Lease	56	61
Audit fees	95	70
Shared services	74	80
Other	44	29
Total supplies and services - SA Government entities	1 214	1 202
Supplies and services provided by entities external to the SA Government:		
Building maintenance	211	278
Utilities	343	331
Cleaning	199	190
Minor works and equipment	82	100
Telephones	242	199
Information technology	254	300
Agency staff hire	101	191
FBT	40	35
Consultant fees	58	77
Other	295	291
Total supplies and services - non-SA Government entities	1 825	1 992
Total supplies and services	3 039	3 194

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	4	9	7	20
Between $10 000 and $50 000	2	49	2	57
Total paid/payable to consultants engaged	6	58	9	77

Not included in the above table are consultancies for $8000 ($nil), which were capitalised.

4. Auditor's remuneration

	2010 $'000	2009 $'000
Audit fees	95	70
Total auditor's remuneration	95	70

Audit fees are paid or payable to the Auditor-General's Department.

5. Depreciation

	2010	2009
Buildings	481	474
Plant and equipment	85	91
Fixtures and fittings	1	24
Computer equipment	1 000	991
Total depreciation	1 567	1 580

6. Revenue from SA Government

	2010	2009
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	9 454	9 654
Total revenue from SA Government	9 454	9 654

7. Cash and cash equivalents

	2010	2009
Cash on hand	-	-
Special Deposit Account	3 303	2 366
Bank overdraft	(9)	(9)
Total cash and cash equivalents	3 294	2 357

The bank overdraft reflects the value of unpresented cheques at 30 June 2010.

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2010 $'000	2009 $'000
Receivables	165	183
Prepayments	23	23
Other	7	15
Total trade and other receivables	195	221

9. Property, plant and equipment

	Under construction $'000	Land $'000	Buildings $'000	Plant & equipment $'000	Fixtures & fittings $'000	Computer equipment $'000	Library $'000	Total $'000
Cost:								
Balance at 1 July 2009	198	12 840	47 610	1 764	810	5 157	1 531	69 910
Purchases	536	-	-	-	-	29	-	565
Disposals	-	-	-	(5)	-	-	-	(5)
Transfers (out) in	(499)	-	499	-	-	-	-	-
Contributed assets	265	-	-	-	-	-	-	265
Other	-	-	-	-	-	-	-	-
Balance at 30 June 2010	500	12 840	48 109	1 759	810	5 186	1 531	70 735
Depreciation:								
Balance at 1 July 2009	-	-	1 859	337	96	1 594	-	3 886
Depreciation charge	-	-	481	85	2	999	-	1 567
Disposals	-	-	-	(5)	-	-	-	(5)
Other	-	-	-	-	(1)	1	-	-
Balance at 30 June 2010	-	-	2 340	417	97	2 594	-	5 448
Carrying amount:								
At 1 July 2009	198	12 840	45 751	1 427	714	3 563	1 531	66 024
At 30 June 2010	500	12 840	45 769	1 342	713	2 592	1 531	65 287

10. Trade and other payables

	2010 $'000	2009 $'000
Current:		
Trade payables	3	3
Accrued expenses	201	152
Accrued employee on-costs	33	49
Accrued payroll tax	7	7
Accrued superannuation	16	14
Sundry creditors	35	28
	295	253
Non-current:		
Accrued employee on-costs	109	95
	109	95

11. Financial liabilities / borrowings

	2010	2009
Current:	$'000	$'000
Obligations under finance leases	16	-
	16	-
Non-current:		
Obligations under finance leases	8	-
	8	-

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amount of non-current assets pledged as security are:

	2010	2009
Leased plant and equipment	27	-
	27	-

12. Employee benefits

	2010	2009
Current:		
Accrued salaries and wages	136	119
Liability for annual leave	391	410
Liability for long service leave	150	150
	677	679
Non-current:		
Liability for long service leave	1 242	1 082
	1 242	1 082

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2010 is $733 000 and $1.4 million respectively ($749 000 and $1.2 million respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability changed from the 2009 benchmark of 6.5 years to 5.5 years. The net effect of the changes in the current financial year is an increase in the long service leave liability of $12 000 and the employee benefit expense $1000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long term discount rate is experiencing significant movement.

13. Provisions

	2010	2009
Current:	$'000	$'000
Provision for workers compensation	97	86
Non-current:		
Provision for workers compensation	313	259
Total provisions for workers compensation	410	345

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

14. Equity

	2010	2009
	$'000	$'000
Retained earnings	66 019	66 148
Total equity	66 019	66 148

15. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The Joint Parliamentary Service leases computer software, office premises and photocopiers under non-cancellable operating leases with periods up to six years. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2010	2009
	$'000	$'000
Less than one year	42	37
Between one and five years	149	4
More than five years	37	-
Total operating lease commitments	228	41

Other commitments

Other commitments contracted but not recognised as liabilities are payable as follows:

	2010	2009
Less than one year	111	350
Between one and five years	68	166
More than five years	-	-
Total other commitments	179	516

Finance lease commitments

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:

	2010		2009	
	Minimum lease payments $'000	Present value of lease payments $'000	Minimum lease payments $'000	Present value of lease payments $'000
Less than one year	16	16	-	-
Between one and five years	8	8	-	-
More than five years	-	-	-	-
	24	24	-	-
Amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	24	24	-	-

	2010 $'000	2009 $'000
Included in the financial statements as:		
Current financial liabilities/borrowings	16	-
Non-current financial liabilities/borrowings	8	-
	24	-

The Joint Parliamentary Service has a finance lease for an item of equipment with a carrying amount of $27 000. This contract will expire within two years. The lease has no terms of renewal. The weighted average interest rate implicit in the leases is zero percent.

16. Reconciliation of cash flows from operating activities to net cost of providing services

	2010 $'000	2009 $'000
Cash flows from operating activities:		
Net cash provided by operating activities	1 478	1 350
Revenues under *Appropriation Act*	(9 454)	(9 654)
Non-cash items:		
Depreciation	(1 567)	(1 580)
Loss on disposal of non-current assets	-	(13)
Contribution of assets from House of Assembly for nil consideration	95	681
Contribution of assets from Legislative Council for nil consideration	170	164
Adjustments to plant and equipment	-	1
Changes in assets/liabilities:		
Decrease in trade and other receivables	(26)	(53)
(Increase) Decrease in trade and other payables	(56)	2
Increase in employee benefits	(158)	(23)
(Increase) Decrease in provisions	(65)	60
Net cost of providing services	(9 583)	(9 065)

17. Key management personnel

The number of staff whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	3	3
$110 000 - $119 999	3	3
$130 000 - $139 999	1	1
$230 000 - $239 999	-	1

The table includes all staff who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $814 000 ($1.024 million).

18. Economic dependency

The Joint Parliamentary Service is dependent upon funding via the *Appropriation Act*.

19. Subsequent events

There have been no events subsequent to reporting date.

20. Contingent assets and liabilities

The Joint Parliamentary Service had no contingent assets or liabilities as at reporting date.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

(ii) *Financial liabilities*
Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Borrowings represent financial lease repayments expected to be paid in the next year.

(b) Categorisation of financial instrument

Financial instrument	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	3 294	3 294	2 357	2 357
Receivables	195	195	221	221
	3 489	3 489	2 578	2 578
Financial liabilities:				
Payables	239	239	183	183
Borrowings	24	24	-	-
	263	263	183	183

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on financial assets of the Joint Parliamentary Service which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The Joint Parliamentary Service does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the Joint Parliamentary Service is unable to meet its financial obligations as they fall due. The Joint Parliamentary Service is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Joint Parliamentary Service as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) Financial risk management

The Joint Parliamentary Service has non-interest bearing assets (cash on hand, Special Deposit Account and receivables) and liabilities (payables). The Joint Parliamentary Service's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

22. Administered items

The Joint Parliamentary Service administers the payment of Members' salaries funded by appropriations under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*.

Schedule of Administered Income and Expenses

	2010	2009
Administered income:	$'000	$'000
Recurrent appropriations	9 445	9 224
Total administered income	9 445	9 224
Administered expenses:		
Members' salaries	9 445	9 224
Total administered expenses	9 445	9 224

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Libraries Board of South Australia (the Board) is established pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and ensuring the provision of a coordinated system of public library services by councils and other bodies. For details of the Board's functions refer to note 1 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

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

During 2009-10, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including cash receipting and banking
- subsidy payments to public libraries
- budgetary control and financial management reporting
- property, plant and equipment.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Libraries Board of South Australia as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll reports and the implementation of TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Director of the State Library and a satisfactory response was received. The principal matter raised was the need to improve the checking process over a number of key payroll reports.

Implementation of TIs 2 and 28

In 2008-09, Audit recommended that the Board consult with DPC, which provides business support, with a view to seeking assistance to ensure compliance with TIs 2 and 28. In 2009-10, Audit sought comment on arrangements and timeframes, if any, that are in place between the Board and DPC with specific reference to TIs 2 and 28. The response stated that there has been consultation with DPC to seek assistance. The matter is still pending and the Board has not received notification of specific timeframes to enable the matter to be progressed.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

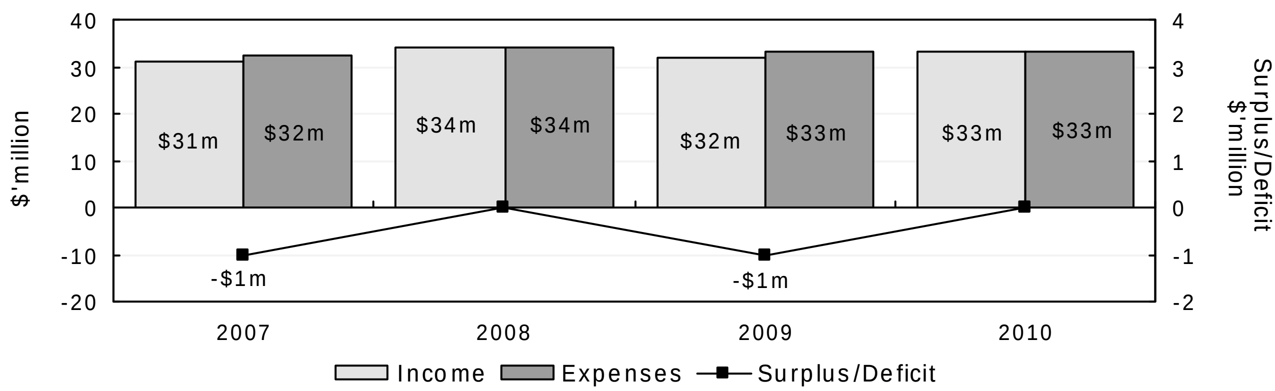
	2010	2009
	$'million	$'million
EXPENSES		
Staff benefits	**11**	11
Subsidies to public libraries	**12**	12
Other expenses	**10**	10
Total expenses	**33**	33
INCOME		
State Government grants	**30**	29
Other income	**3**	3
Total income	**33**	32
Net result and total comprehensive result	**-**	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2**	1
ASSETS		
Current assets	**6**	4
Non-current assets	**106**	108
Total assets	**112**	112
LIABILITIES		
Current liabilities	**2**	2
Non-current liabilities	**2**	2
Total liabilities	**4**	4
TOTAL EQUITY	**108**	108

Statement of Comprehensive Income

The net result for the year was a deficit of $493 000 and this compares to a deficit of $1.5 million in 2008-09. The lower deficit is mainly the result of additional funding of $1.1 million from government.

Net result

The following chart shows income, expenses and surpluses/deficits for the four years to 2010.



Statement of Financial Position

The total assets of the Board at 30 June 2010 are $112.2 million ($112.5 million), of which $54.1 million (48 percent) relates to the Board's property, plant and equipment and $45.9 million (41 percent) relates to the research and heritage collections.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**2**	1	1	2
Investing	**(1)**	(1)	(1)	(1)
Financing	**-**	-	-	-
Change in cash	**1**	-	-	1
Cash at 30 June	**5**	4	4	4

The analysis of cash flows shows that there has been no movement in the cash position until 2010.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Staff benefits	5	**11 253**	10 967
Supplies and services	7	**5 526**	5 522
Accommodation and facilities	8	**2 019**	2 156
Subsidies to public libraries		**12 098**	12 075
Depreciation and amortisation	9	**2 150**	2 247
Net loss from disposal of non-current assets	10	**76**	167
Total expenses		**33 122**	33 134
INCOME:			
Fees and charges	11	**723**	770
Donations		**191**	229
Council contributions		**80**	93
Rent and facilities hire		**341**	271
Resources received free of charge	12	**342**	416
Interest and investment income	13	**609**	581
Other	14	**231**	237
Total income		**2 517**	2 597
NET COST OF PROVIDING SERVICES		**30 605**	30 537
REVENUES FROM SA GOVERNMENT:			
Recurrent operating grant		**29 907**	29 046
Capital grant		**205**	6
Total revenues from SA Government		**30 112**	29 052
NET RESULT		**(493)**	(1 485)
TOTAL COMPREHENSIVE RESULT		**(493)**	(1 485)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'000**	2009 $'000
CURRENT ASSETS:			
Cash	16	**5 345**	4 022
Receivables	17	**463**	321
Total current assets		**5 808**	4 343
NON-CURRENT ASSETS:			
Investments	21	**6 424**	6 492
Property, plant and equipment	18	**54 099**	56 161
Intangible assets	19	**-**	4
Research and heritage collections	20	**45 919**	45 451
Total non-current assets		**106 442**	108 108
Total assets		**112 250**	112 451
CURRENT LIABILITIES:			
Payables	22	**774**	680
Staff benefits	23	**1 234**	1 157
Provisions	24	**64**	62
Other	25	**8**	-
Total current liabilities		**2 080**	1 899
NON-CURRENT LIABILITIES:			
Payables	22	**206**	199
Staff benefits	23	**2 080**	2 003
Provisions	24	**204**	177
Other	25	**10**	10
Total non-current liabilities		**2 500**	2 389
Total liabilities		**4 580**	4 288
NET ASSETS		**107 670**	108 163
EQUITY:			
Retained earnings		**90 425**	90 918
Asset revaluation surplus		**17 245**	17 245
TOTAL EQUITY		**107 670**	108 163

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2010

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008	17 140	93 183	110 323
Error correction	105	(780)	(675)
Revised balance 30 June 2008	17 245	92 403	109 648
Net result for 2008-09	-	(1 485)	(1 485)
Total comprehensive result for 2008-09	-	(1 485)	(1 485)
Balance at 30 June 2009	17 245	90 918	108 163
Net result for 2009-10	-	(493)	(493)
Total comprehensive result for 2009-10	-	(493)	(493)
Balance at 30 June 2010	**17 245**	**90 425**	**107 670**

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

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Staff benefits		**(11 197)**	(11 098)
Supplies and services		**(4 895)**	(5 332)
Accommodation and facilities		**(2 030)**	(2 061)
Subsidies to public libraries		**(12 090)**	(12 187)
Cash used in operations		**(30 212)**	(30 678)
CASH INFLOWS:			
Fees and charges		**810**	717
Donations		**172**	186
Council contributions		**80**	93
Rent and facilities hire		**296**	275
Interest and investment income		**589**	574
Other		**215**	241
Cash generated from operations		**2 162**	2 086
CASH FLOWS FROM SA GOVERNMENT:			
Recurrent operating grant		**29 907**	29 046
Capital grant		**205**	6
Cash generated from SA Government		**30 112**	29 052
Net cash provided by operating activities	28	**2 062**	460
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of investments		**(87)**	(2 977)
Purchase of property, plant and equipment		**(270)**	(200)
Purchase of heritage collections		**(471)**	(509)
Cash used in investing activities		**(828)**	(3 686)
CASH INFLOWS:			
Proceeds from the sale/maturity of investments		**89**	3 546
Cash generated from investing activities		**89**	3 546
Net cash used in investing activities		**(739)**	(140)
NET INCREASE IN CASH		**1 323**	320
CASH AT 1 JULY		**4 022**	3 702
CASH AT 30 JUNE	28	**5 345**	4 022

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

	2010			2009		
(Activities - refer note 4)	**1**	**2**	**Total**	1	2	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
EXPENSES:						
Staff benefits	**9 462**	**1 791**	**11 253**	9 275	1 692	10 967
Supplies and services	**2 661**	**2 865**	**5 526**	2 224	3 298	5 522
Accommodation and facilities	**1 951**	**68**	**2 019**	2 017	139	2 156
Subsidies to public libraries	**-**	**12 098**	**12 098**	-	12 075	12 075
Depreciation and amortisation	**2 117**	**33**	**2 150**	2 217	30	2 247
Net loss from disposal of non-current assets	**76**	**-**	**76**	167	-	167
Total expenses	**16 267**	**16 855**	**33 122**	15 900	17 234	33 134
INCOME:						
Fees and charges	**715**	**8**	**723**	753	17	770
Donations	**191**	**-**	**191**	229	-	229
Council contributions	**-**	**80**	**80**	-	93	93
Rent and facilities hire	**341**	**-**	**341**	271	-	271
Resources received free of charge	**324**	**18**	**342**	383	33	416
Interest and investment income	**508**	**101**	**609**	462	119	581
Other	**145**	**86**	**231**	147	90	237
Total income	**2 224**	**293**	**2 517**	2 245	352	2 597
NET COST OF PROVIDING SERVICES	**14 043**	**16 562**	**30 605**	13 655	16 882	30 537
REVENUES FROM SA GOVERNMENT:						
Recurrent operating grant	**12 800**	**17 107**	**29 907**	12 187	16 859	29 046
Capital grant	**205**	**-**	**205**	6	-	6
Total revenues from SA Government	**13 005**	**17 107**	**30 112**	12 193	16 859	29 052
NET RESULT	**(1 038)**	**545**	**(493)**	(1 462)	(23)	(1 485)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

	2010			2009		
(Activities - refer note 4)	**1**	**2**	**Total**	1	2	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
ASSETS:						
Assets	**107 801**	**4 449**	**112 250**	108 593	3 858	112 451
Total assets	**107 801**	**4 449**	**112 250**	108 593	3 858	112 451
LIABILITIES:						
Liabilities	**3 657**	**923**	**4 580**	3 421	867	4 288
Total liabilities	**3 657**	**923**	**4 580**	3 421	867	4 288

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board

The Libraries Board of South Australia (the Board) is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia and the public library services under the Act.

The functions of the Board as prescribed under the Act are as follows:

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

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Board has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2010. These are outlined in note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures which have been included in the financial statements:

  (a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

  (c) staff TVSP information

  (d) staff whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff

  (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

2.3 Sources of funds

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

2.4 Income and expenses

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

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Government grants and Council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

Subsidies to public libraries

PLS receives contributions from Councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under subsidies to public libraries in the Statement of Comprehensive Income. The total amount received from Councils for the year was $80 000 ($93 000).

Resources received free of charge

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

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 12) and a corresponding amount included as conservation work expenditure in supplies and services (note 7).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 12) and a corresponding amount included as a business services charge in supplies and services (note 7).

2.5 Current and non-current classification

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

2.6 Cash

Cash in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash is defined as above.

Cash is measured at nominal value.

Trust Accounts

PLS hold subsidy payments in trust for the Outback Areas Community Development Trust and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are recorded in the cash balance as at 30 June 2010. The total of these trust accounts is $162 000 ($118 000).

2.7 Receivables

Receivables include amounts receivable from trade and other accruals.

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

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

2.8 Investments

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

2.9 Non-current asset acquisition and recognition

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

All non-current tangible assets with a value of $10 000 or greater are capitalised.

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

2.10 Valuation of non-current assets

Revaluation of non-current assets

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

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

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2008 by the Australian Valuation Office (AVO). The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and equipment

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

Public library service collections

The PLS collections were revalued according to fair value methodology as at 30 June 2006 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2005-06 financial year including the cost of acquisition and then depreciated, based on the age of the item.

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

Research and heritage collections

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

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

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

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

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

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

Research and heritage collections (continued)
Additional external valuations were carried out by the following recognised industry experts:

Rare Books	J Burdon
Framed Works	D Hyles

Research and heritage collections which have been valued are the rare books and some named collections, maps, microfilm serials, monographs, family history collections, periodicals, newspapers purchased and Mortlock use collections.

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

The Mortlock South Australiana collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement. Collections which were not valued were the Mortlock archival collections, Mortlock published collections, Mortlock special collections and some unpublished named and special collections.

2.11 Impairment of assets

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

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

2.12 Depreciation of non-current assets

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

The estimated useful life of the following classes of assets are as follows:

Class of Asset	*Useful Life (years)*
Property, plant and equipment:	
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-20
Computer equipment	3-5
Compactus and lifts	30

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

2.13 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

2.14 Staff benefits

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

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

Salaries, wages and annual leave
Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

Long Service Leave
A liability for long service leave is recognised after a staff member has completed 5.5 years of service. An actuarial assessment of long service leave, undertaken by DTF based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of staff retention and leave taken.

On-costs
Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Superannuation
Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 Workers compensation provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

2.16 Leases

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

2.17 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific AASs and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

2.18 Taxation

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

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

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

2.19 State Government funding

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

2.20 Rounding

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

2.21 Insurance

The Board has arranged, through SAICORP, a division of SAFA, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

3. New and revised accounting standards

Details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2009-10 are detailed below.

Except for AASB 2009-12, which the Board has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2010. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2010 is summarised below (refer to the Disaggregated Disclosures Schedules – Expenses and Income and Assets and Liabilities).

Activity 1: Provision of State Library services
To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of public library services
To provide through PLS and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

5. Staff benefits

	2010	2009
	$'000	$'000
Salaries and wages	8 825	8 956
Superannuation	1 027	1 044
Payroll tax	514	506
Annual leave	13	(19)
Long service leave	415	222
Board fees	111	118
TVSP payments (refer below)	217	-
Other staff related expenses	131	140
Total staff benefits	11 253	10 967

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	3	1
$140 000 - $149 999	1	2
$150 000 - $159 999	1	-
$170 000 - $179 999	-	1
$180 000 - $189 999	1	-
Total	6	4

The table includes all staff who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these staff members for the year was $804 000 ($576 000).

TVSPs

	2010	2009
Amount paid to these staff:	$'000	$'000
TVSPs	217	-
Annual leave and long service leave paid for the period	78	-
	295	-
Recovery from DTF	217	-
Net cost to the Libraries Board	78	-

The number of staff who were paid TVSPs during the reporting period was 2 (nil).

6. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

Libraries Board

Mrs F Adler
Mr G E Coles AO
Ms B S Davidson-Park
Dr P Goldsworthy AM (Chairman)
Mr J McDonnell
Mr P J Myhill (Deputy Chairman)
Ms H Nichols
Mrs J Nitschke (term expired 16 February 2010)
Mrs A Short

The number of board members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$10 000 - $19 999	9	8
$20 000 - $29 999	-	1
Total	9	9

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by these board members for the year was $125 000 ($130 000).

Amounts paid to superannuation plans for board members were $10 000 ($11 000).

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

7. Supplies and services

	2010	2009
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Administration expenses	579	546
Preservation activities	183	116
Conservation work	2	4
Consultants' fees	37	36
Contractors' fees	113	94
Electronic resources	413	383
Entertainment	4	5
Communications	672	1 083
Information technology	669	425
Maintenance	529	518
Marketing and promotion	261	252
Materials	7	37
Minor equipment purchases and leasing	340	167
Operating lease expenditure	-	16
P2 enhancements	25	152
Travel and accommodation	76	86
Projects	4	18
Other	462	390
Total supplies and services - non-SA Government entities	4 376	4 328
Supplies and services provided by entities within the SA Government:		
Administration expenses	51	50
Business services charge	184	212
Artlab conservation	158	204
EDS charges	223	246
Insurance and risk management	174	162
Communications	16	1
Information technology	66	95
Maintenance	163	137
Motor vehicle expenses	26	34
Other	89	53
Total supplies and services - SA Government entities	1 150	1 194
Total supplies and services	5 526	5 522

Payments to consultants

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	2	3	2	8
Between $10 000 - $50 000	2	34	2	28
Total paid/payable to the consultants engaged	4	37	4	36

8. Accommodation and facilities

	2010	2009
Accommodation and facilities provided by entities external to the SA Government:	$'000	$'000
Accommodation	638	693
Facilities	325	261
Security	427	442
Total accommodation and facilities - non-SA Government entities	1 390	1 396
Accommodation and facilities provided by entities within the SA Government:		
Accommodation	190	226
Facilities	439	533
Security	-	1
Total accommodation and facilities - SA Government entities	629	760
Total accommodation and facilities	2 019	2 156

9. Depreciation and amortisation

Buildings and improvements	1 843	1 835
Compactus and lifts	77	77
Plant and equipment	122	151
Computer equipment	104	179
Intangibles	4	5
Total depreciation and amortisation	2 150	2 247

10. Net loss from the disposal of non-current assets

Plant and equipment		
Proceeds from plant and equipment	-	-
Net book value of plant and equipment	(9)	-
Net loss from sale of plant and equipment	(9)	-

10. Net loss from the disposal of non-current assets (continued)

	2010	2009
Investments:	$'000	$'000
Proceeds from the sale of investments	89	3 546
Net book value of investments	(156)	(3 713)
Net loss on sale of investments	(67)	(167)

Total assets:		
Total proceeds from disposal	89	3 546
Total net book value of assets disposed	(165)	(3 713)
Total net loss from disposal of non-current assets	(76)	(167)

11. Fees and charges

Fees and charges received/receivable from entities external to the SA Government:		
Fees for services	39	36
Microfilming services	188	183
Photocopying services	55	63
Other fees and charges	246	216
Total fees and charges - non-SA Government entities	528	498

Fees and charges received/receivable from entities within the SA Government:		
Fees for services	193	268
Other fees and charges	2	4
Total fees and charges - SA Government entities	195	272
Total fees and charges	723	770

12. Resources received free of charge

Resources received free of charge from entities within the SA Government:		
Conservation services	158	203
Business services	184	213
Total resources received free of charge	342	416

13. Interest and investment income

Interest from entities within the SA Government	222	241
Interest and investment income from entities external to the SA Government	387	340
Total interest and investment income	609	581

14. Other income

Other income received/receivable from entities external to the SA Government:		
Salary recoups	-	71
Other receipts	170	135
Total other income - non-SA Government entities	170	206

Other income received/receivable from entities within the SA Government:		
Salary recoups	58	29
Other receipts	3	2
Total other income - SA Government entities	61	31
Total other income	231	237

15. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department:		
State Library of South Australia	28	29
Support of PLS	9	10
Total audit fees - SA Government entities	37	39

Other services

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

16. Cash

Deposits with the Treasurer	5 337	4 014
Cash on hand	8	8
Total cash	5 345	4 022

Deposits with Treasurer

Deposits with the Treasurer are funds held in the 'Libraries Board of South Australia Account', an account held with the Treasurer of South Australia pursuant to section 21 of the PFAA.

Cash on hand

Cash on hand includes petty cash, floats, change machines and an advance account.

Interest rate risk

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a section 21 interest bearing account titled the 'Libraries Board of South Australia Account'. In 2009-10 deposits with the Treasurer were bearing a floating interest rate between 2.85 percent and 4.07 percent (2.99 percent and 7.1 percent).

17. Receivables

	2010	2009
Current:	$'000	$'000
Receivables	322	199
Accrued income	141	122
Total receivables	463	321
Receivables from non-SA Government entities:		
Receivables	153	98
Accrued income	120	110
Total receivables - non-SA Government entities	273	208
Receivables from SA Government entities:		
Receivables	169	102
Accrued income	21	11
Total receivables - SA Government entities	190	113
Total receivables	463	321

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued income are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 29.

(b) Categorisation of financial instruments and risk exposure information - refer note 29.

18. Property, plant and equipment

	2010	2009
Land, buildings and improvements:	$'000	$'000
Land at valuation	7 900	7 900
Buildings and improvements at valuation	67 600	67 418
Accumulated depreciation	(23 775)	(21 932)
Total land, buildings and improvements	51 725	53 386
Work in progress:		
Work in progress at cost	-	112
Total work in progress	-	112
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	2 358	2 322
Accumulated depreciation	(540)	(463)
Total compactus and lifts	1 818	1 859
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	1 695	1 749
Accumulated depreciation	(1 224)	(1 223)
Total plant and equipment	471	526
Computer equipment:		
Computer equipment at cost (deemed fair value)	543	809
Accumulated depreciation	(458)	(531)
Total computer equipment	85	278
Public library collections:		
Public library collections at valuation	898	898
Accumulated depreciation	(898)	(898)
Total public library collections	-	-
Total property, plant and equipment	54 099	56 161

Valuation of non-current assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2008. The valuation of the public library collections was performed by Skilmar Systems Pty Ltd as at 30 June 2006.

Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2010.

Movement reconciliation of property, plant and equipment

2010	Land $'000	Buildings and improvements $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	7 900	45 486	112	1 859	526
Additions	-	-	70	36	192
Disposals	-	-	-	-	(9)
Depreciation and amortisation	-	(1 843)	-	(77)	(122)
Transfer from capital work in progress	-	182	(182)	-	-
Transfers out	-	-	-	-	(116)
Carrying amount at 30 June	7 900	43 825	-	1 818	471

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	278	56 161	4	4
Additions	-	298	-	-
Disposals	-	(9)	-	-
Depreciation and amortisation	(104)	(2 146)	(4)	(4)
Transfer from capital work in progress	-	-	-	-
Transfers out	(89)	(205)	-	-
Carrying amount at 30 June	85	54 099	-	-

2009	Land $'000	Buildings and improvements $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	7 900	47 321	-	1 936	641
Additions	-	-	112	-	36
Disposals	-	-	-	-	-
Depreciation and amortisation	-	(1 835)	-	(77)	(151)
Carrying amount at 30 June	7 900	45 486	112	1 859	526

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	401	58 199	9	9
Additions	56	204	-	-
Disposals	-	-	-	-
Depreciation and amortisation	(179)	(2 242)	(5)	(5)
Carrying amount at 30 June	278	56 161	4	4

19. Intangible assets

	2010 $'000	2009 $'000
Intangibles:		
Computer software	14	14
Accumulated amortisation	(14)	(10)
Total intangibles	-	4

20. Research and heritage collections

	2010 At valuation $'000	2010 At cost $'000	2010 Total $'000	2009 At valuation $'000	2009 At cost $'000	2009 Total $'000
Rare books and named collections	19 173	82	19 255	19 173	73	19 246
Maps	1 197	27	1 224	1 197	22	1 219
Mortlock audio-visual	84	36	120	84	25	109
Microfilm serials	1 519	151	1 670	1 519	111	1 630
Monographs	16 609	729	17 338	16 612	585	17 197
Family history collection	124	12	136	124	10	134
Periodicals	4 125	681	4 806	4 125	540	4 665
Newspapers purchased	781	388	1 169	781	305	1 086
Mortlock use collections	90	60	150	90	52	142
Private archives	-	51	51	-	23	23
Total research and heritage collections	43 702	2 217	45 919	43 705	1 746	45 451

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

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.09 $'000	Additions $'000	Balance 30.06.10 $'000	Balance 01.07.08 $'000	Additions $'000	Balance 30.06.09 $'000
Rare books and named collections	19 246	9	19 255	19 224	22	19 246
Maps	1 219	5	1 224	1 217	2	1 219
Mortlock audio-visual	109	11	120	95	14	109
Microfilm serials	1 630	40	1 670	1 591	39	1 630
Monographs	17 194	144	17 338	17 005	192	17 197
Family history collection	134	2	136	132	2	134
Periodicals	4 665	141	4 806	4 508	157	4 665
Newspapers purchased	1 086	83	1 169	978	108	1 086
Mortlock use collections	142	8	150	118	24	142
Private archives	23	28	51	22	1	23
Total carrying amounts of research and heritage collections	45 448	471	45 919	44 890	561	45 451

21. Investments

	2010 $'000	2009 $'000
Non-current:		
Shares, convertible notes and other direct investments in companies	6 424	6 492
Total non-current investments	6 424	6 492
Total investments	6 424	6 492

The market value of investments as at 30 June 2010 is $6 million ($5.6 million).

22 Payables

	2010	2009
Current:		
Creditors and accruals	600	515
Staff on-costs	174	165
Total current payables	774	680
Non-current:		
Staff on-costs	206	199
Total non-current payables	206	199
Total payables	980	879
Payables to non-SA Government entities:		
Creditors and accruals	521	480
Total payables - non-SA Government entities	521	480
Payables to SA Government entities:		
Creditors and accruals	79	35
Staff on-costs	380	364
Total payables - SA Government entities	459	399
Total payables	980	879

An actuarial assessment performed by DTF determined that the percentage of the proportion of long service leave, taken as leave, remains constant at 45 percent, and the average factor for the calculation of employer superannuation on-cost remains constant at 10.5 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

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

(a) Maturity analysis of payables - refer note 29.

(b) Categorisation of financial instruments and risk exposure information - refer note 29.

23. *Staff benefits*

	2010 $'000	2009 $'000
Current:		
Annual leave	535	528
Long service leave	438	396
Accrued salaries and wages	261	233
Total current staff benefits	1 234	1 157
Non-current:		
Long service leave	2 080	2 003
Total non-current staff benefits	2 080	2 003
Total staff benefits	3 314	3 160

23. *Staff benefits (continued)*

The total current and non-current staff expenses (ie aggregate staff benefits plus related on-costs) for 2009-10 are $1.4 million ($1.3 million) and $2.3 million ($2.2 million) respectively.

As a result of an actuarial assessment undertaken by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2009 benchmark of 6.5 years to 5.5 years.

The salary inflation rate remains constant at 4 percent.

24. Provisions

	2010	2009
	$'000	$'000
Current:		
Provision for workers compensation	64	62
Total current provisions	64	62
Non-current:		
Provision for workers compensation	204	177
Total non-current provisions	204	177
Total provisions	268	239
Carrying amount at 1 July	239	265
Increase (Decrease) in provision recognised	29	(26)
Carrying amount at 30 June	268	239

25. Other liabilities

	2010	2009
Current:		
Deferred asset payments	8	-
Total current other liabilities	8	-
Non-current:		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	18	10

26. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at 30 June not recognised as liabilities in the financial statements, are payable as follows:

	2010	2009
Not later than one year	26	61
Later than one year and not later than five years	-	9
Total operating lease commitments	26	70

The operating lease commitments comprise:

- a non-cancellable property lease with rental payable monthly in advance. A contingent rental provision within the lease agreement requires the minimum lease payment to be increased by the CPI
- non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Public libraries commitments

Committed orders placed by public libraries through PLS for libraries materials at 30 June not recognised as liabilities in the financial statements, are payable as follows:

	2010	2009
	$'000	$'000
Not later than one year	1 587	1 574
Total public libraries commitments	1 587	1 574

Capital commitments

Capital expenditure contracted for at 30 June but not recognised as liabilities in the financial statements, are payable as follows:

	2010	2009
Not later than one year	-	-
Later than one year and not later than five years	79	-
Total capital commitments	79	-

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at 30 June but not recognised as liabilities are payable as follows:

	2010	2009
Not later than one year	493	308
Later than one year and not later than five years	1 514	624
Total remuneration commitments	2 007	932

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

Other commitments

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

	2010	2009
	$'000	$'000
Not later than one year	493	507
Later than one year and not later than five years	121	149
Total other commitments	614	656

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

27. Contingent assets and liabilities

The Board is not aware of any contingent assets and liabilities as at 30 June 2010.

28. Cash flow reconciliation

Reconciliation of cash at 30 June.	2010	2009
	$'000	$'000
Cash as disclosed in the Statement of Financial Position	5 345	4 022
Balance as per the Statement of Cash Flows	5 345	4 022

Reconciliation of net cash provided by operating activities to net cost of providing services

	2010	2009
Net cash provided by operating activities	2 062	460
Revenues from SA Government	(30 112)	(29 052)
Non-cash items:		
Depreciation of property, plant and equipment	(2 146)	(2 242)
Amortisation of intangibles	(4)	(5)
Loss on sale of investments	(67)	(167)
Loss on sale of plant and equipment	(9)	-
Donations of heritage assets	18	43
Transfer of assets	(205)	-
Changes in assets and liabilities:		
Increase in receivables	142	43
(Increase) Decrease in payables	(101)	250
(Increase) Decrease in staff benefits	(154)	107
(Increase) Decrease in provisions	(29)	26
Net cost of providing services	(30 605)	(30 537)

29. Financial instruments/financial risk management

29.1 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

		2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents:					
Cash	16	5 345	5 345	4 022	4 022
Loans and receivables:					
Receivables(1)	17	463	463	321	321
Available for sale financial assets:					
Investments	21	6 424	5 952	6 492	5 633
Financial liabilities					
Financial liabilities at cost:					
Payables(1)	22	600	600	515	515
Other	25	18	18	10	10

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs, which are determined via reference to the staff benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

Credit risk (continued)

The Board has minimal concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Board does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security for any of its financial assets. Other than receivables there is no evidence to indicate that the financial assets are impaired.

The following table discloses the ageing of financial assets and the ageing of impaired assets:

29.2 Ageing analysis of financial assets

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2010	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	421	16	26	463
2009				
Not impaired:				
Receivables	309	1	11	321

The following table discloses the maturity analysis of financial assets and financial liabilities.

29.3 Maturity analysis of financial assets and liabilities

		Contractual maturity		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	$'000	$'000	$'000	$'000
Financial assets:				
Cash	5 345	5 345	-	-
Receivables	463	463	-	-
Investments	6 424	-	-	6 424
Total financial assets	12 232	5 808	-	6 424
Financial liabilities:				
Payables	600	600	-	-
Other	18	18	-	-
Total financial liabilities	618	618	-	-
2009				
Financial assets:				
Cash	4 022	4 022	-	-
Receivables	321	321	-	-
Investments	6 492	-	-	6 492
Total financial assets	10 835	4 343	-	6 492
Financial liabilities:				
Payables	515	515	-	-
Other	10	-	10	-
Total financial liabilities	525	515	10	-

30. Events after balance date

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

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

AUSTRALIAN INTERPRETATIONS

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

AUSTRALIAN ACCOUNTING STANDARDS - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

TREASURER'S INSTRUCTIONS – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

ACCOUNTING POLICY FRAMEWORK - APF

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

LEGISLATION

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards[1]
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
FBT	Fringe Benefits Tax
GST	Goods and Services Tax
ICT	Information and Communications Technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial statements relate.

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