[P.P.4

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

Tabled in the House of Assembly and ordered to be published, 30 September 2010

First Session, Fifty-Second Parliament

Part B: Agency Audit Reports

Volume 4

By Authority: B. Morris, Government Printer, South Australia

2010

Report of the Auditor-General
Annual Report for the year ended 30 June 2010

TABLE OF CONTENTS TO VOLUMES 1 TO 5

Page

VOLUME 1

VOLUME 2

VOLUME 3

Report of the Auditor-General
Annual Report for the year ended 30 June 2010

TABLE OF CONTENTS TO VOLUMES 1 TO 5

Page

VOLUME 3

VOLUME 4

VOLUME 5

Appendix

VOLUMES 1 TO 5

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.

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000*. The Corporation is responsible to the Minister for Forests.

Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State. For more information about the Corporation's functions refer to note 1 of the financial statements.

The *South Australian Forestry Corporation Act 2000* specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

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

Audit Committee

The Corporation has an Audit Committee comprising two members of the Board and one external member and is attended by internal and external auditors as observers. The Audit Committee reports to the Board.

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

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

As required by subsection 36(1)(a)(iii) of the PFAA, the audit of the Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether 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.

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

- forest logging system revenue and expenditure
- contract management
- expenditure, including purchase cards
- payroll
- bank reconciliations
- financial accounting
- information technology
- valuations for standing timber and land

In addition, specific audit review work and testing was undertaken on the Corporation's systems and processes that underpin the valuation estimate of standing timber disclosed in the financial statements of the Corporation.

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 the South Australian Forestry 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 South Australian Forestry Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Corporation have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Chief Executive of the Corporation and a satisfactory response was received. The principal matters raised included the need to ensure that the assurance reviews conducted over the IT control environment are undertaken as required and to consider strengthening the control over electronic funds transfer.

Implementation of TIs 2 and 28

The Corporation has documented the majority of its policies and procedures. Audit noted instances where some procedures could either be developed or enhanced.

In relation to compliance with TI 28, the Corporation has developed a financial management compliance program which has been undertaken for 2009-10. Audit has identified some areas where the compliance program could be improved to ensure that all aspects of financial management are covered.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

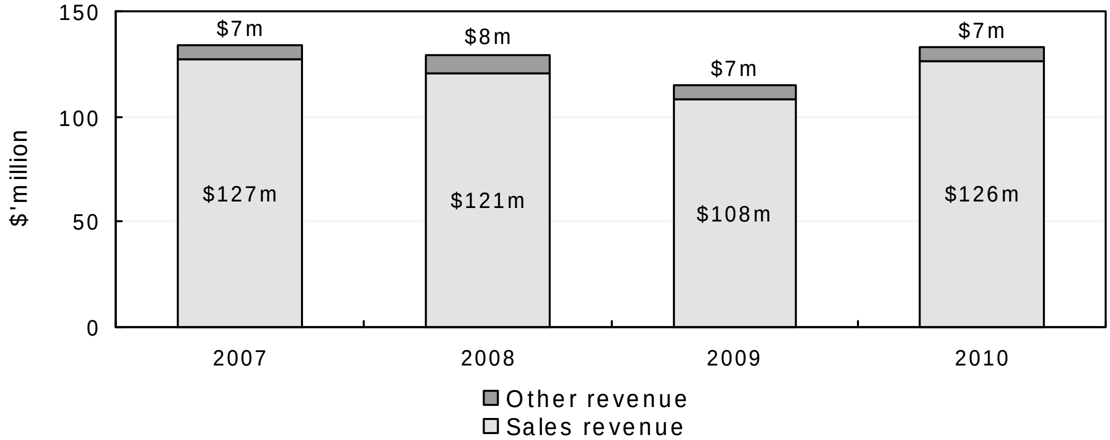
	2010 $'million	2009 $'million
INCOME		
Sales - timber products	**126**	108
Revenues from SA Government	**3**	3
Other revenue	**4**	4
Total income	**133**	115
EXPENSES		
Employee benefits	**16**	16
Contractors and wood purchases	**48**	46
Other expenses	**23**	23
Total expenses	**87**	85
Trading profit before revaluation of standing timber	**46**	30
Net profit (after revaluation and income tax equivalent expense)	**113**	93
Total comprehensive income	**152**	112
NET CASH FLOWS FROM OPERATING ACTIVITIES	**34**	26

	2010 $'million	2009 $'million
ASSETS		
Current assets	**147**	129
Non-current assets	**1 228**	1 127
Total assets	**1 375**	1 256
LIABILITIES		
Current liabilities	**17**	16
Non-current liabilities	**34**	37
Total liabilities	**51**	53
TOTAL EQUITY	**1 324**	1 203

Statement of Comprehensive Income

Income

The following chart analyses the main sources of income for the Corporation for the four years to 2010.



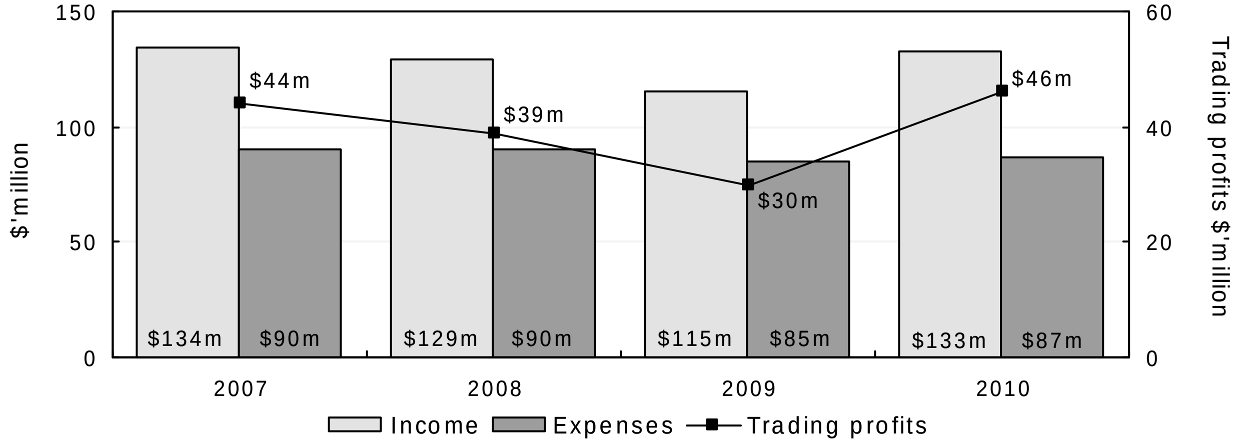
Sales revenue increased in 2010 by $18 million to $126 million and reflects an improvement in economic conditions and the development of new contracts by the Corporation.

Expenses

Expenditure on contractors of $43 million represents 50 percent of the Corporation's total expenditure and of this amount $37 million ($36 million) relates to harvesting and transport costs.

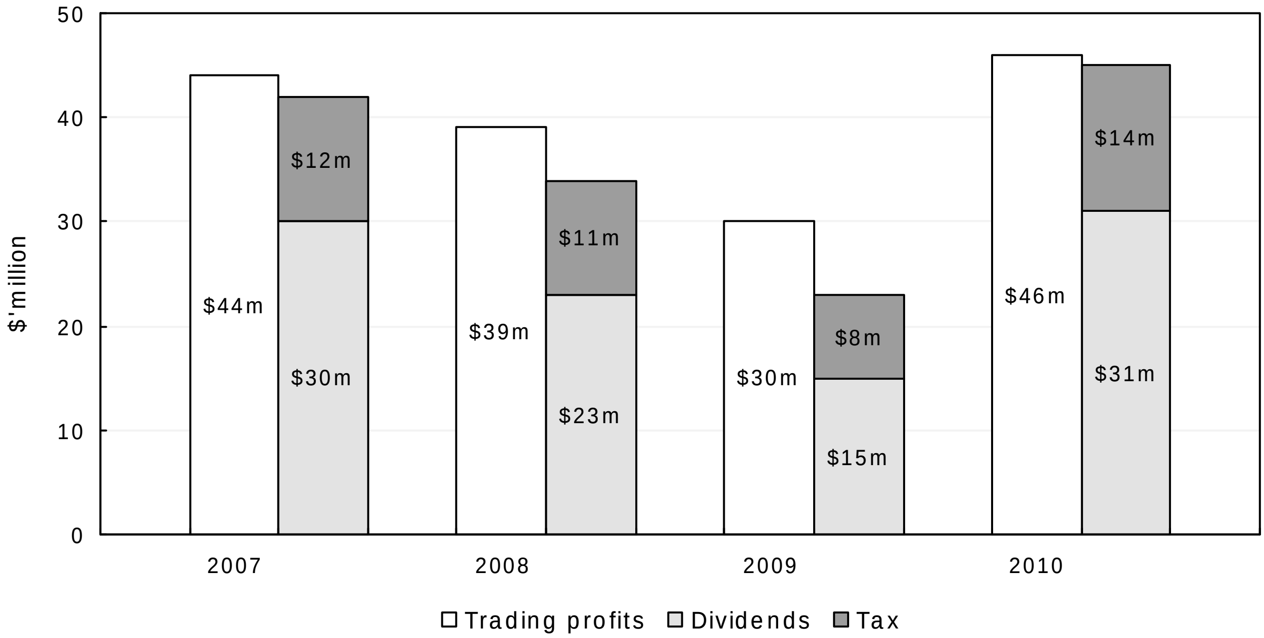
Trading results

In 2010, the Corporation achieved a trading profit of $46 million compared to a trading profit of $30 million in 2009. The increased profit is mainly the result of an increase in sales of $18 million.



Distributions to government

For the four years to 2010 an analysis of the Corporation's trading profits before revaluation of standing timber compared to returns to government is shown in the following chart.



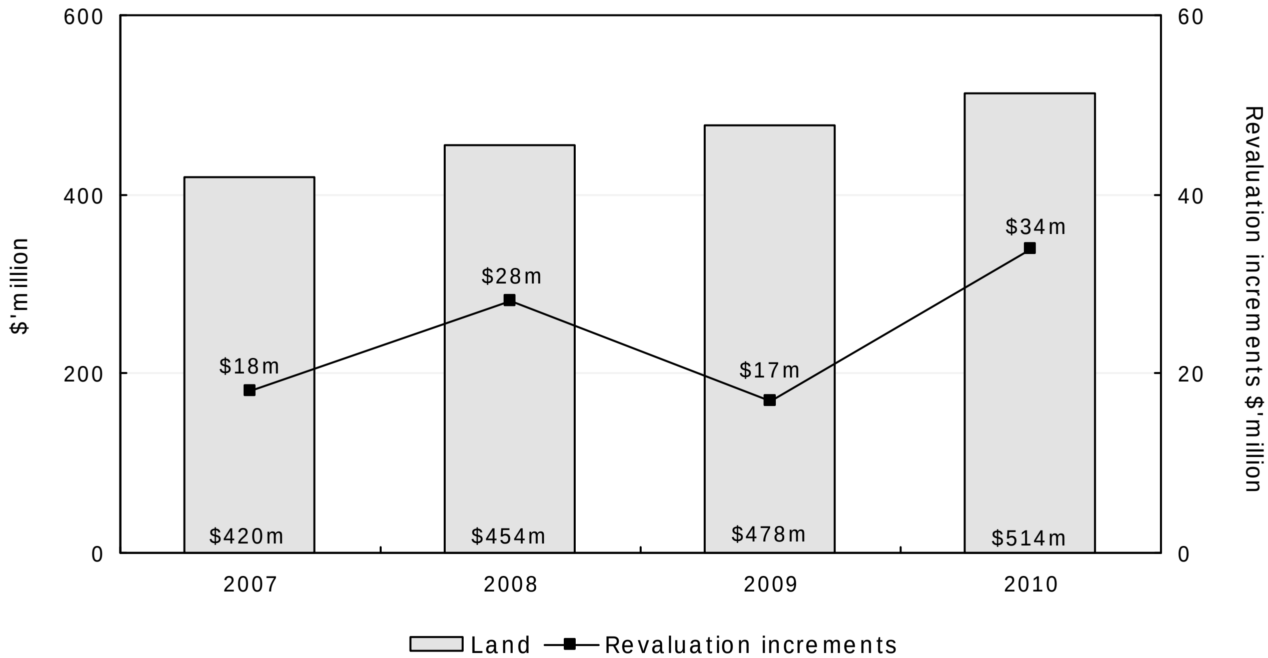
Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to government.

Statement of Financial Position

Standing timber and land are significant assets and represent 93 percent of the total assets of the Corporation. Further comment and analysis follows below.

Land

An analysis of land balances for the four years to 2010 is presented in the following chart.



The valuation of land is undertaken each year by the Valuer-General in South Australia and local Shires in Victoria at the current market value of unimproved land. The value of land has risen significantly over the past four years due mainly to a strong real estate market. The main reasons for the significant increases from 2007 to 2010 were adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the south east region of South Australia.

Standing timber

Note 2(n) to the financial statements explains the basis and main features of the Corporation's valuation methodology for standing timber.

The following table summarises valuations of standing timber for the past four years by region and revaluation increments.

	2010	2009	2008	2007
	$'million	$'million	$'million	$'million
Region				
South East region:				
Young plantations	**42**	41	39	39
Mature plantations	**650**	576	510	495
Central and Northern regions:				
Young plantations	**6**	6	6	5
Mature plantations	**70**	63	60	74
	768	686	615	613
Revaluation increments	**81**	70	1	23

The net change in the valuation of standing timber is a combination of the change in the volume of standing timber and the change in price. For further information refer note 14.

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	**34**	26	34	37
Investing	**(33)**	(11)	(8)	(19)
Financing	**(34)**	(10)	(20)	(17)
Change in cash	**(33)**	5	6	1
Cash at 30 June	**13**	46	41	35

The Corporation's surplus cash that is generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid.

The large movement in 2010 in investing cash flows is mainly the transfer of funds from a cash management fund at call to term deposits. The higher financing cash flows reflect an increase in dividend paid to government and no borrowings in 2010 ($7 million).

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
INCOME:			
Sales - timber products		**125 746**	107 769
Revenues from SA Government	5(i)	**3 258**	3 170
Interest	5(i)	**2 152**	2 292
Other	5(i)	**1 671**	1 754
Net gain from the disposal of non-current assets	5(ii)	**111**	-
Total income		**132 938**	114 985
EXPENSES:			
Employee benefits	7	**(16 027)**	(15 953)
Contractors		**(43 310)**	(42 193)
Wood purchases		**(4 179)**	(3 965)
Depreciation and amortisation	5(iii),15,16	**(2 465)**	(2 332)
Council rates		**(1 344)**	(1 257)
Finance costs	5(iii)	**(2 494)**	(2 474)
Materials		**(4 545)**	(5 457)
Equipment and vehicle costs		**(3 066)**	(3 239)
Other		**(5 109)**	(5 265)
Net loss from the disposal of non-current assets	5(ii)	**-**	(168)
Revaluation decrement on non-current assets		**(4 157)**	(2 480)
Total expenses		**(86 696)**	(84 783)
Trading profit before revaluation of standing timber		**46 242**	30 202
Net change in value of standing timber	14	**80 581**	70 484
Profit before income tax equivalent		**126 823**	100 686
Income tax equivalent expense	2(g),6	**(13 737)**	(7 931)
NET PROFIT AFTER INCOME TAX EQUIVALENT	9(ii)	**113 086**	92 755
OTHER COMPREHENSIVE INCOME:			
Land revaluation recorded in asset revaluation surplus		**38 658**	19 397
TOTAL COMPREHENSIVE INCOME		**151 744**	112 152

Net profit after income tax equivalent and total comprehensive income 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	9	**12 941**	45 830
Other financial assets	10	**27 836**	-
Receivables	11	**20 266**	15 360
Inventories	12	**445**	264
Standing timber	14	**85 181**	67 848
Assets classified as held for sale	13	**243**	340
Total current assets		**146 912**	129 642
NON-CURRENT ASSETS:			
Standing timber	14	**682 588**	618 138
Property, plant and equipment	15	**544 847**	508 307
Intangible assets	16	**749**	405
Total non-current assets		**1 228 184**	1 126 850
Total assets		**1 375 096**	1 256 492
CURRENT LIABILITIES:			
Payables	17	**7 898**	8 395
Employee benefits	18	**1 961**	1 550
Interest bearing loans	19	**2 926**	2 781
Tax liabilities	6	**2 858**	2 086
Deferred income	20	**1 028**	1 269
Other provisions	21	**111**	95
Total current liabilities		**16 782**	16 176
NON-CURRENT LIABILITIES:			
Payables	17	**477**	444
Employee benefits	18	**2 520**	2 395
Interest bearing loans	19	**30 626**	33 539
Deferred income	20	**316**	330
Other provisions	21	**358**	268
Total non-current liabilities		**34 297**	36 976
Total liabilities		**51 079**	53 152
NET ASSETS		**1 324 017**	1 203 340
EQUITY:			
Contributed capital		**4 984**	4 984
Reserves		**1 231 440**	1 111 676
Retained earnings		**87 593**	86 680
TOTAL EQUITY		**1 324 017**	1 203 340

Total equity is attributable to the SA Government as owner

Commitments and contingencies 23

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

	Contributed capital $'000	Asset revaluation surplus $'000	Standing timber reserve $'000	Fire Insurance Fund reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008	4 984	421 943	582 539	12 775	84 179	1 106 420
Gain on revaluation of property, plant and equipment	-	19 397	-	-	-	19 397
Net income/expense recognised directly in equity	-	19 397	-	-	-	19 397
Net profit for the period	-	-	-	-	92 755	92 755
Total comprehensive income for 2008-09	-	19 397	-	-	92 755	112 152
Dividend	-	-	-	-	(15 232)	(15 232)
Transfers to (from) equity	-	(11)	70 443	4 590	(75 022)	-
Total change for the period	-	19 386	70 443	4 590	2 501	96 920
Balance at 30 June 2009	4 984	441 329	652 982	17 365	86 680	1 203 340
Gain on revaluation of property, plant and equipment	-	38 658	-	-	-	38 658
Net income/expense recognised directly in equity	-	38 658	-	-	-	38 658
Net profit for the period	-	-	-	-	113 086	113 086
Total comprehensive income for 2009-10	-	38 658	-	-	113 086	151 744
Dividend	-	-	-	-	(31 067)	(31 067)
Transfers to (from) equity	-	27	80 581	498	(81 106)	-
Total change for the period	-	38 685	80 581	498	913	120 677
Balance at 30 June 2010	**4 984**	**480 014**	**733 563**	**17 863**	**87 593**	**1 324 017**

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
Receipts from customers		**123 706**	106 401
Payments to suppliers and employees		**(78 119)**	(75 442)
Finance costs		**(2 495)**	(2 474)
Interest received		**2 187**	2 439
Receipts from SA Government		**2 081**	3 150
GST receipts on sales		**13 022**	11 393
GST payments on purchases		**(6 132)**	(6 210)
GST remitted to ATO		**(6 867)**	(5 190)
Income tax equivalent paid	6	**(12 965)**	(7 955)
Net cash flows from operating activities	9(ii)	**34 418**	26 112
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in other financial assets		**(27 836)**	-
Purchase of property, plant and equipment, including land and timber		**(6 227)**	(10 979)
Purchase of intangible assets		**(334)**	(345)
Proceeds from sale of property, plant and equipment		**926**	451
Net cash flows from investing activities		**(33 471)**	(10 873)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**-**	7 023
Repayment of borrowings		**(2 769)**	(2 520)
Dividend paid		**(31 067)**	(15 232)
Net cash flows from financing activities		**(33 836)**	(10 729)
NET (DECREASE) INCREASE IN CASH HELD		**(32 889)**	4 510
CASH AND CASH EQUIVALENTS AT 1 JULY		**45 830**	41 320
CASH AND CASH EQUIVALENTS AT 30 JUNE	9(i)	**12 941**	45 830

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Corporate information

Role and function of the South Australian Forestry Corporation

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

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

Role and function of the South Australian Forestry Corporation (continued)

In addition to its business operations, SAFC receives funding from the SA Government for the provision of certain community service obligations. These are:

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

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for AASB 2009-12, which SAFC has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFC for the reporting period ending 30 June 2010. These are outlined in note 2(e).

(b) Basis of preparation

SAFC'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 preparation of the financial statements requires the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SAFC's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

The preparation of the financial statements requires compliance with APS 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:

(i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

(ii) expenses incurred as a result of engaging consultants

(iii) employee TVSP information

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

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

(c) Comparative information

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

(d) Rounding

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

(e) New and revised accounting standards

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

(f) Foreign currency transactions and balances

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. All exchange differences are reflected in the Statement of Comprehensive Income.

(g) Taxes

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

Income tax equivalent
SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the SA Government Consolidated Account. The tax calculation method is prescribed by TI 22 and the tax equivalent payment is calculated on the Accounting Profits Model. DTF provided SAFC with a ruling that excludes unrealised gains and losses relating to growing timber revaluations from the accounting profit used to calculate the income tax equivalent payment.

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

GST
Income, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

The net GST receivable/payable to the ATO has been recognised as a receivable/payable 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.

(h) Income and expenses

Income and expenses are recognised in SAFC's Statement of Comprehensive Income when and only when the flow or consumption or loss of economic benefit(s) has occurred and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific AAS.

Revenue from sales - timber products is derived from the provision of goods and services to customers.

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

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III, APS 3.9.

Finance costs are recognised as an expense on an accrual basis.

(i) Current and non-current classification

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

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value (refer note 9).

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and deposits at call that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(k) Other financial assets

Other financial assets comprise deposits with an original maturity greater than three months and are measured at nominal value.

(l) Receivables

Receivables include trade receivables, prepayments and other revenue accruals. Receivables are recorded at amounts due to SAFC less a provision for doubtful debts.

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

(l) Receivables (continued)

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

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected.

(m) Inventories

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

(n) Forestry accounting

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

Standing timber below a marketable size (classified as young forest in note 14) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applies to trees up to nine years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. The reduction in the value of standing timber attributable to fire during the period is reported under other expenses. All forest expenditure is recognised as an expense in the year the expenditure takes place.

The net change in the value of standing timber is accounted for in the movement in the standing timber reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forests, the master database was last updated as at June 2009, affecting the standing timber valuation as at 30 June 2010. For the Mount Lofty Ranges forests the master database was last updated in 2008, affecting the standing timber valuation as at 30 June 2008, while for the Mid North forest the master database was last updated in 2006, affecting the standing timber valuation as at 30 June 2006.

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

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation of profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

(o) Property, plant and equipment

(i) Recognition and Measurement

Assets are initially recorded at cost plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Statement of Financial Position.

SAFC individually capitalises all non-current physical assets with a value of $1000 or greater, and a low value pool is created for assets between $300 and $1000. Componentisation of complex assets is performed when the complex asset’s fair value at the time of acquisition is greater than $1 million. This benchmark is within the limits prescribed in APF III.

Plant and equipment and roads and land improvements are stated at cost less accumulated depreciation and impairment losses.

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

(ii) *Impairment*

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

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

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

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

(iii) *Non-current assets held for sale*

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

(iv) *Revaluation*

Land has been revalued as at 30 June 2010, whilst buildings and structures were revalued as at 30 June 2006, in accordance with APF III. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land is the current site value of the unimproved land. In accordance with this policy, land was revalued in 2009 and 2010 using valuations provided by the Valuer-General and/or local Shires. SAFC undertakes an annual revaluation of land to fair value at the end of June. In accordance with APF III, APS 3.8, SAFC has elected to take revaluation adjustments to the asset revaluation surplus on a individual asset basis.

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

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

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

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

(v) *Depreciation and amortisation of non-current assets*

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

The useful lives of all major assets held by SAFC are reassessed on an annual basis.

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

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

Land and assets held for sale are not depreciated.

(v) *Depreciation and amortisation of non-current assets (continued)*

The depreciation and amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and structures	Straight-line	25-57
Leasehold improvements	Straight-line	Life of lease
Roads and land improvements	Straight-line	20-25
Plant and equipment	Straight-line	3-25

(vi) *Crown land*

The value of Crown land amounts to $479 million ($438 million). SAFC is entitled to the value of the Crown land and has the use of the Crown land for forestry purposes. Generally, the issue of title over Crown land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown land, as per DPC Circular 114 'Government Real Property Management'.

(p) Intangible assets

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

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

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

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

(q) Trade and other payables

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

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

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

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

(r) Employee benefits

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

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

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2010 and is measured at the undiscounted amount expected to be paid.

In accordance with APF IV, APS 5.10, SAFC applies 5.5 years of service (6.5 years) by an employee as the benchmark at which a liability for long service leave is recognised.

(s) Interest bearing loans

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

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

(t) Leases

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

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

(u) Insurance

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

SAFC is self-insured for major fire losses of the forest (refer note 2(x)). In addition, SAFC is self-insured for workers compensation.

(v) Provisions

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Relations Division of DPC of the estimated unsettled workers compensation claims.

(w) Contributed equity

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

(x) Fire Insurance Fund and reserve

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

(y) Unrecognised contractual commitments and contingent liabilities

Commitments include operating and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value.

Contingent assets and 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.

3. Financial risk management

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 86 percent of transactions for the financial year (79 percent) were transactions with the six largest of SAFC's customers.

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

4. Segment information

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

5. Revenue, other income and expenses

Profit from ordinary activities before income tax has been determined after:	Note	2010 $'000	2009 $'000
(i) Crediting as revenue			
Community service obligation funding[(1)]	1	2 852	2 799
Government Radio Network funding		385	350
Deferred revenues from SA Government		21	21
Revenues from SA Government		3 258	3 170

(1) Community service obligation funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.

		Note	2010	2009
(i)	***Crediting as revenue (continued)***			
	Interest received or receivable:		$'000	$'000
	Interest received or receivable related to cash balances[1]		2 073	2 226
	Interest received or receivable related to trade receivables		79	66
	Interest revenue		2 152	2 292
	Other operating revenue:			
	Other revenue from non-SA Government entities		1 671	1 754
	Other revenue		1 671	1 754
(ii)	***Net gain (loss) from disposal of assets***			
	Land and buildings:			
	Net proceeds from disposal		444	(7)
	Net book value of assets disposed	15	(289)	(11)
	Net gain (loss) from disposal of land and buildings		155	(18)
	Plant and equipment:			
	Net proceeds from disposal		179	458
	Net book value of assets disposed	15	(186)	(608)
	Net loss from disposal of plant and equipment		(7)	(150)
	Assets classified as held for sale:			
	Net proceeds from disposal		303	-
	Net book value of assets disposed		(340)	-
	Net loss from disposal of assets held for sale		(37)	-
	Total assets:			
	Net proceeds from disposal		926	451
	Net book value of assets disposed		(815)	(619)
	Net gain (loss) from disposal of total assets		111	(168)
(iii)	***Charging as expenses***			
	Harvesting and transport costs		37 366	36 073
	Interest and guarantee fee paid or payable[1]	19	2 494	2 474
	Depreciation of non-current assets	15	2 311	2 259
	Amortisation	16	154	73
	Rental expense on property operating leases		104	110
	Consultants[2]		5	28
	Total other expenses related to SA Government entities		3 361	2 815

(1) To or from SA Government entities.
(2) Includes payments to one (two) consultant.

6. Income tax equivalent

SAFC uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with TI 22. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net result from operations determined in accordance with AASB 101.

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

Income tax equivalent

Accounting for income tax for the 2010 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the state tax equivalent regime and the applicable accounting standards (refer note 2, not including AASB 112).

	2010	2009
	$'000	$'000
Prima facie tax equivalent at 30 percent of trading profit before revaluation of standing timber[1] less Fire Insurance Fund contributions[2]	13 737	7 931
Income tax expense	13 737	7 931

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

(2) The contributions to the Fire Insurance Fund, which equate to $451 000 ($3.8 million) are treated as expenses for tax equivalent purposes.

		2010	2009
(ii)	The income tax equivalent expense comprises amounts set aside as:	$'000	$'000
	Income tax equivalent expense	13 737	7 931
	Paid during financial year related to financial year	(10 879)	(5 845)
	Income tax equivalent payable as at 30 June	2 858	2 086

7. Employee benefits

	2010 $'000	2009 $'000
Salaries and wages	11 755	12 221
Long service leave	535	507
Annual Leave	971	1 019
Employment on-costs - superannuation	1 750	1 532
Employment on-costs - other	1 016	674
	16 027	15 953

TVSPs

Amount paid to these employees, included in the above amounts:		
TVSP	195	-
Annual leave and long service leave balance paid	33	-
	228	-

The number of employees who were paid TVSPs during the reporting period was 2 (0).

8. Auditor's remuneration

Amount received, or due and receivable, by the auditors for auditing the accounts	106	107

9. Cash and cash equivalents

Cash	1	1
Deposit account - SAFC	12 940	28 509
Fire Insurance Fund	-	17 320
	12 941	45 830

During the reporting year the Fire Insurance Fund's assets were transferred from a cash management fund, available at call, to a 12 month term deposit (refer note 10).

Cash flows

(i) *Reconciliation of cash and cash equivalents at the end of the reporting period*

Cash and cash equivalents as per Statement of Financial Position	12 941	45 830
Cash and cash equivalents as per Statement of Cash Flows	12 941	45 830

(ii) *Reconciliation of net profit after income tax equivalent payments to net cash flows from operating activities*

Net profit after income tax equivalent	113 086	92 755
Other reconciling movements:		
Net change in value of standing timber - attributable to fire	-	41
Net change in value of standing timber - other	(80 581)	(70 484)
Loss on revaluation of land	4 157	2 480
Depreciation and amortisation	2 464	2 332
Other asset transactions	(265)	-
(Gain) Loss on sale of assets	(111)	168
	(74 336)	(65 463)
Changes in operating assets and liabilities:		
Increase in debtors	(4 812)	(3 142)
Increase in GST receivable	(4)	(84)
Decrease in interest receivable	34	146
Increase in other debtors and prepayments	(128)	(47)
(Increase) Decrease in inventories	(180)	343
(Decrease) Increase in trade creditors	(512)	1 453
Increase in GST payable	28	78
Increase in employee provisions	728	206
Increase (Decrease) in income tax equivalent payable	772	(24)
Decrease in other creditors	(258)	(109)
Net cash flows from changes in operating balances	(4 332)	(1 180)
Net cash flows from operating activities	34 418	26 112

10. Other financial assets

General account term deposit	10 000	-
Fire Insurance Fund term deposit	17 836	-
	27 836	-

The other financial assets comprise of term deposits with SAFA with a maturity of more than three months and less than or equal to a 12 months.

11. Receivables

	2010	2009
Current:	$'000	$'000
Trade receivables	19 172	15 163
Doubtful debts	-	(20)
Other receivables	789	-
Accrued revenue	166	130
Prepayments	139	87
	20 266	15 360

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 until after 30 days. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. For details of credit and interest rate risks refer note 26.

As at 30 June 2010 SAFC had $5.4 million outstanding greater than 30 days ($1.8 million). These amounts have subsequently been received.

	2010	2009
SA Government receivables:	$'000	$'000
Trade debtors	25	-
Other than trade receivables	946	120
	971	120
Non-SA Government receivables:		
Trade debtors	19 147	15 143
Other than trade receivables	148	97
	19 295	15 240

12. Inventories

Current:		
Roading rubble	91	-
Materials and stores	354	264
	445	264

13. Assets classified as held for sale

Non-current assets classified as held for sale:		
Land and buildings	243	150
Plant and equipment	-	190
	243	340

14. Standing timber

Opening balance	685 986	614 811
New plantings	5 432	3 115
Harvesting	(77 961)	(64 655)
Inventory update increase	10 172	-
Physical changes (ie growth)	72 488	61 791
Price changes	70 450	70 233
Net change recorded in Statement of Comprehensive Income	80 581	70 484
New standing timber acquisitions	1 202	732
Loss due to fire	-	(41)
Closing balance	767 769	685 986

The standing timber comprises the following:		
Fair value:		
Mature forest	719 545	639 136
Young forest	48 224	46 850
Total fair value	767 769	685 986

	2010	2009
Volume:	'000 m^3	'000 m^3
Mature forest	19 021	18 532
Young forest	984	934
Total volume	20 005	19 466

	2010	2009
Area:	ha	ha
Mature forest	61 674	61 097
Young forest	26 014	24 962
Total area	87 688	86 059

	2010	2009
Current asset:	$'000	$'000
Current portion of standing timber valuation	85 181	67 848
Non-current asset:		
Non-current portion of standing timber valuation	682 588	618 138

15. Property, plant and equipment

2010	Land $'000	Bldgs and structures $'000	Roads and land improvmts $'000	Plant and equipmnt $'000	Total $'000
As at 1 July 2009, net of accumulated depreciation and impairment	477 734	10 119	4 489	15 965	508 307
Additions	1 935	89	660	2 164	4 848
Disposals	(266)	(23)	(3)	(183)	(475)
Assets reclassified to assets held for sale	(23)	-	-	-	(23)
Revaluation increments	44 535	-	-	-	44 535
Revaluation decrements	(10 034)	-	-	-	(10 034)
Depreciation charge for the year	-	(376)	(318)	(1 617)	(2 311)
Net of accumulated depreciation and impairment	513 881	9 809	4 828	16 329	544 847
At 1 July:					
Cost or fair value	477 734	11 149	7 660	26 411	522 954
Accumulated depreciation and impairment	-	(1 030)	(3 171)	(10 446)	(14 647)
Net carrying amount	477 734	10 119	4 489	15 965	508 307
At 30 June:					
Cost or fair value	513 881	11 089	8 314	27 192	560 476
Accumulated depreciation and impairment	-	(1 280)	(3 486)	(10 863)	(15 629)
Net carrying amount	513 881	9 809	4 828	16 329	544 847
2009					
As at 1 July 2008, net of accumulated depreciation and impairment	453 718	10 194	4 216	15 835	483 963
Additions	7 100	289	581	2 526	10 496
Disposals	-	(11)	-	(608)	(619)
Assets reclassified to assets held for sale	-	-	-	(190)	(190)
Revaluation increments	19 481	-	-	-	19 481
Revaluation decrements	(2 565)	-	-	-	(2 565)
Depreciation charge for the year	-	(353)	(308)	(1 598)	(2 259)
Net of accumulated depreciation and impairment	477 734	10 119	4 489	15 965	508 307
At 1 July					
Cost or fair value	453 718	10 873	7 078	26 577	498 246
Accumulated depreciation and impairment	-	(679)	(2 862)	(10 742)	(14 283)
Net carrying amount	453 718	10 194	4 216	15 835	483 963
At 30 June:					
Cost or fair value	477 734	11 149	7 660	26 411	522 954
Accumulated depreciation and impairment	-	(1 030)	(3 171)	(10 446)	(14 647)
Net carrying amount	477 734	10 119	4 489	15 965	508 307

Revaluation of land and buildings and structures

SAFC uses the services of the Valuer-General in SA and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2010 (30 June 2009).

In 2006 SAFC engaged Maloney Field Services, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluations is 30 June 2006.

Fair value of roads and land improvements and plant and equipment

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

If land and buildings and structures were measured using the cost model the carrying amounts would be as follows:

	2010 Cost $'000	2010 Accumulated depreciation & impairment $'000	2010 Net carrying amount $'000	2009 Cost $'000	2009 Accumulated depreciation & impairment $'000	2009 Net carrying amount $'000
Land	46 221	-	46 221	44 576	-	44 576
Buildings and structures	8 323	(3 975)	4 348	8 390	(3 733)	4 657
Roads and land improvements	8 314	(3 486)	4 828	7 660	(3 171)	4 489
Plant and equipment	27 192	(10 863)	16 329	26 411	(10 446)	15 965
Total	90 050	(18 324)	71 726	87 037	(17 350)	69 687

Fair value of roads and land improvements and plant and equipment (continued)
The carrying value of plant and equipment held under finance leases at 30 June 2010 is $nil ($nil). Leasehold improvements are included in plant and equipment.

Included in the roads and land improvements and plant and equipment at 30 June 2010 and 30 June 2009 are some plant and improvements in the course of construction.

Impairment
There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2010.

16. Intangible assets

The intangible assets consist of software for operational systems and water licences. SAFC has no contractual commitments for the acquisition of intangible assets.

	2010	2009
Computer software:	$'000	$'000
As at 1 July, net of accumulated amortisation and impairment	405	402
Additions	285	76
Amortisation charge for the year	(154)	(73)
Total computer software, net of accumulated amortisation and impairment	536	405
As at 30 June:		
Cost or fair value	1 681	1 395
Accumulated amortisation and impairment	(1 145)	(990)
Net carrying amount	536	405
Water licences:		
As at 1 July, net of accumulated amortisation and impairment	-	-
Additions	213	-
Amortisation charge for the year	-	-
Total water licences, net of accumulated amortisation and impairment	213	-
As at 30 June:		
Cost or fair value	213	-
Accumulated amortisation and impairment	-	-
Net carrying amount	213	-

17. Payables

Current:		
Trade payables	6 656	7 251
Accrued expenses	917	841
Employee benefit on-costs	325	303
	7 898	8 395
Non-current:		
Employee benefit on-costs	477	444
	477	444
SA Government payables:		
Trade payables	270	413
Accrued expenses	193	107
	463	520

18. Employee benefits

Current:		
Accrued salaries and wages	763	311
Long service leave	431	422
Annual leave	767	761
Other payables - superannuation	-	56
	1 961	1 550
Non-current:		
Long service leave	2 520	2 395
	2 520	2 395

The total current and non-current employee benefits and employee benefit on-costs for 2010 is $5.3 million ($4.7 million). Employee benefit related on-costs are disclosed as payables.

19. Interest bearing loans

Current:		
Unsecured (1)	2 926	2 781
Non-current:		
Unsecured (1)	30 626	33 539

(1) SAFC's loans are provided by SAFA and are unsecured.

19. Interest bearing loans (continued)

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 26.

Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (18 March 2019).

20. Deferred income

	2010 $'000	2009 $'000
Current:		
Deferred income	1 028	1 269
	1 028	1 269
Non-current:		
Deferred income	316	330
	316	330
SA Government deferred income:		
Deferred income	235	256
	235	256

21. Other provisions

Current:		
Workers compensation	111	95
Opening balance	95	124
Payments	(82)	(87)
Increments in provision	98	58
Closing balance	111	95
Non-current:		
Workers compensation	358	268
Opening balance	268	314
Increments (Decrements) in provision	90	(46)
Closing balance	358	268

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

22. Equity

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

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for standing timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. SAFC declared dividends of $31.1 million ($15.2 million). This included an adjustment for prior year underpaid dividends of $155 000 (prior year overpayment of $1.3 million). Based on the above agreement SAFC will include an adjustment reducing the 2010-11 interim dividend by $2.1 million. In accordance with AASB 110 this amount has not been recognised in the 2009-10 financial statements.

23. Commitments and contingencies

(a) Commitments

(i) Operating lease commitments

	2010 $'000	2009 $'000
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	623	912
Due later than one year but not later than five years	307	880
Total operating lease commitments	930	1 792

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

(ii) Remuneration commitments

	2010 $'000	2009 $'000
Due not later than one year	3 147	3 409
Due later than one year but not later than five years	1 983	3 329
Total remuneration commitments	5 130	6 738

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

(iii) Other commitments

	2010 $'000	2009 $'000
Due not later than one year	27 463	21 826
Due later than one year but not later than five years	35 919	47 661
Total other commitments	63 382	69 487

(iii) Other commitments (continued)

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

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

(b) Contingent liabilities

Defined benefit plans - South Australian Superannuation Board payments

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

SAFC was notified by the South Australian Superannuation Board in 2009 of a $5.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2009, requiring additional contributions over 15 years. The previous 2006 actuarial assessment indicated a deficit of $2.5 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed $478 000 ($224 000) being the amount payable during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

(c) Contingent assets

Various banks have issued bank guarantees for SAFC customers to SAFC, which form a security in case of default on payment.

24. Executive disclosures

(a) Details of key management personnel

Executive

B Farmer	Chief Executive
P Fuss	Executive General Manager - Human Resources
W Materne	Chief Financial Officer
J O'Hehir	Executive General Manager - Planning and Development
I Robertson	Executive General Manager - Operations

(b) Compensation of key management personnel

	2010	2009
	$'000	$'000
Short-term employee benefits paid or due and payable to or on behalf of key management personnel	842	831
Superannuation benefits paid or due and payable to or on behalf of key management personnel	88	75
Total	930	906

(c) Compensation of employees whose income was over $100 000

The number of employees whose income was within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	2	2
$110 000 - $119 999	1	1
$120 000 - $129 999	2	4
$130 000 - $139 999	3	-
$140 000 - $149 999	1	1
$180 000 - $189 999	1	1
$200 000 - $209 999	1	1
$240 000 - $249 999	1	-
$250 000 - $259 999	-	1

Employee remuneration	2010	2009
	$'000	$'000
Income paid or due and payable to or on behalf of employees whose income was $100 000 or more	1 768	1 604

25. Directors and related party disclosures

The following persons held the position of Director of the Corporation during the financial year:

K Adams (appointed 1 January 2010)
S Duncan
G Foreman
D Lloyd (to 31 December 2009)
J Meeking Obst
J Ross - Chairman

Transactions between SAFC and its directors are made at arm's length. There have been no such transactions in the financial year (nil).

Director's remuneration	2010	2009
Income paid or due and payable to or on behalf of Directors,	$'000	$'000
excluding superannuation benefits	198	203
Superannuation benefits paid or due and payable to or on behalf of Directors	18	19
Total	216	222

The number of directors whose income was within the following bands:	2010 Number	2009 Number
$10 000 - $19 999	2	-
$30 000 - $39 999	1	1
$40 000 - $49 999	2	3
$50 000 - $59 999	1	1

D Lloyd had a declared conflict of interest relating to an associate's involvement in business with Gunns Limited.

26. Financial instruments

(i) Credit risk exposures

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 86 percent of transactions for the financial year were transactions with the six largest of SAFC's customers (79 percent).

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

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts
- a risk assessment process is used for customers with balances over $10 000
- bank guarantees are obtained for specific customers (refer note 23)
- interest is charged on overdue balances.

(ii) Foreign currency risk exposures

As at 30 June 2010 SAFC has no direct exposure to foreign currencies.

(iii) Interest rate risk exposures

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

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 0.75 percent (0.64 percent) on the daily balance of the outstanding loan amounts. The guarantee fee from 1 July 2010 is 1.50 percent.

			Fixed interest maturing				
	Floating rate	Non-interest bearing	1 year or less	1 to 5 years	Over 5 years	2010 Total	2009 Total
Financial assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	12 941	-	-	-	-	12 941	45 830
Other financial assets	-	-	27 836	-	-	27 836	-
Receivables[(1)]	5 337	14 790	-	-	-	20 127	15 273
	18 278	14 790	27 836	-	-	60 904	61 103
Weighted average interest rate (percent)	7.03		4.46	-	-		
Financial liabilities:							
Interest bearing loans[(2)]	3 398	-	4 821	21 480	13 279	42 978	47 679
Payables[(3)]	-	7 573	-	-	-	7 573	8 092
	3 398	7 573	4 821	21 480	13 279	50 551	55 771
Weighted average interest rate (percent) including guarantee fee	7.02		7.84	7.87	8.25		
Net financial assets (liabilities)	14 880	7 217	23 015	(21 480)	(13 279)	10 353	5 332

(1) Other than prepayments
(2) Based on contractual undiscounted cash flows
(3) Other than employee on-costs.

(iii) Interest rate risk exposures (continued)

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of SAFC. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

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

	Carrying amount		Net fair value	
	2010	2009	2010	2009
Financial liabilities:	$'000	$'000	$'000	$'000
Interest bearing loans	33 552	36 320	34 975	37 265

(iv) Financial liabilities carried at an amount in excess of net fair value

Interest bearing loans with a carrying value of $33.6 million ($36.3 million) are recorded at the nominal principal amount to be settled. This is below their net fair value of $35 million ($37.3 million).

(v) Net fair value of financial assets and liabilities

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount.

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

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

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

(vi) Hedging instruments

Hedges of specific instruments

SAFC has not entered into any hedging instruments.

(vii) Liquidity risk

Liquidity risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. SAFC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

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

Functions

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

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

SAFA also administers the Government's insurance and risk management arrangements through its insurance division trading as SAICORP.

Effective from 1 July 2009 administrative responsibility for Fleet SA was transferred from DTF to SAFA. Fleet SA is responsible for the management of the SA Government's passenger and light commercial vehicle fleet operations (refer to note 4 to SAFA's financial statements).

For details of SAFA's objectives refer to note 1 of the financial statements.

SAFA Advisory Board

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

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

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

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

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1) of the PFAA and subsection 25(2) of the SAFA Act provide for the Auditor-General to audit the accounts of SAFA for each financial year.

Assessment of controls

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

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

Scope of audit

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

- risk management, monitoring and reporting, including:
  - interest rate risk management
  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management
- treasury operations (including insurance investments), including:
  - transaction initiation
  - confirmation and settlement processes
  - management reporting
- calculation and use of the Common Public Sector Interest Rate (CPSIR)
- financial accounting for finance, insurance and fleet activities
- insurance premium revenue
- insurance claim expenditure
- fleet revenue
- purchase, disposal and management of fleet motor vehicles
- administration of the Industry Financial Assistance account on behalf of the Treasurer.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Audit made use of the work performed by internal audit in the following areas:

- quarterly reporting by SAFA's compliance unit
- internal audit quarterly compliance program assessment of work performed by SAFA's compliance unit
- treasury 'end-to-end' process review
- fleet vehicle residual value estimating and sales price setting
- insurance claims management
- post-implementation review of Quantum upgrade.

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 South Australian Government Financing 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 South Australian Government Financing Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to treasury 'end-to-end' processes as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Government Financing Authority have been conducted properly and in accordance with law.

Communication of audit matters

Treasury 'end-to-end' processes

In July 2010 SAFA's contract internal auditor completed a review of SAFA's treasury operations. This planned review included specific testing for potential fraud risk. The internal audit report included a number of recommendations they considered of high and moderate risk.

Audit requested advice on the progress of SAFA's planned response to those matters. The following summarises the matters and SAFA's responses advised to Audit:

Settlement staff access to online banking

Internal audit noted that settlements staff had access to manually enter bank account details into SAFA's online banking systems. Further, internal audit noted that settlements staff had the ability to bypass manual controls over the authentication and release of payments by changing standard settlement instructions (SSI's). SSI's represent the payment processing and settlement information for SAFA's counterparties, including recipient bank account details.

Internal audit recommended that SAFA:

- restrict staff access to manual and electronic SSI's
- implement information technology (IT) system changes that would ensure that all SSI's are maintained within the Quantum treasury system
- restrict access to update the SSI's within Quantum.

These recommendations are designed to remove the need to manually enter bank account details into the online banking systems.

SAFA took immediate steps to restrict settlements staff access to manual and electronic copies of SSI's.

Initial review by SAFA IT staff indicated that the identified Quantum system changes were complex and would require further investigation. In August 2010 the Audit Committee received a progress report indicating that they had developed a process to load SSI's directly from Quantum. The Audit Committee has requested a regular update on the progress of this planned response.

Other staff access to online banking systems

Internal audit noted staff outside SAFA's finance unit, including three dealing staff, had access to authorise payments in SAFA's online banking systems. While noting existing mitigating controls that require two officers to access these banking systems in order to release payments, internal audit recommended that SAFA review staff access to the banking systems and improve the level of segregation of duties.

In response SAFA has removed dealing staff's access to the online banking systems.

Access to create deals in Quantum

For operational reasons settlements staff have access to the Quantum treasury system to create specific types of deals. Internal audit noted however that Quantum was not configured to restrict settlements staff from entering other types of deals, including the buying and selling of investments.

SAFA settlements staff have a key role in independently confirming the validity and details of transactions initiated by SAFA's dealers.

While SAFA maintains a number of mitigating controls designed to detect unauthorised transactions, segregating the role of dealing and settlement staff provides SAFA with an effective control designed to prevent fraud. Providing settlement staff with system access to create deals reduces the effectiveness of this control.

Internal audit recommended that SAFA either reconfigure Quantum to restrict settlements staff access to create limited approved deal types or remove settlements staff access to create deals in Quantum altogether.

Discussions with the Quantum system manufacturer have concluded that SAFA can restrict user access to create specific deal types. SAFA systems staff are currently developing a plan to implement the necessary system changes.

Fleet SA

Effective from 1 July 2009 administrative responsibility for the management of the SA Government's passenger and light commercial vehicle fleet operations was transferred to SAFA. SAFA's fleet management division is collectively known as Fleet SA.

During 2009-10 SAFA's contract internal auditor performed a risk assessment for Fleet SA operations, compiled a risk register and developed a three year internal audit plan for Fleet SA operations. The internal audit plan was approved by SAFA's Audit Committee in March 2010 and included the development of a Fleet SA compliance audit program and a number of specific audit reviews.

Part one of the Fleet SA compliance audit program was completed in May 2010 and SAFA's compliance unit has initiated regular compliance testing in accordance with this program. Part one of the compliance program focuses on the key risks identified by internal audit as part of its Fleet SA risk assessment. The second and final part of the compliance program is scheduled for development in early 2010-11.

In July 2010 Audit completed a review of the controls established by Fleet SA over key business activities. Key matters raised by Audit included the need to:

- align Fleet SA IT security protocols with SAFA's existing IT policies and procedures
- implement a regular review of user access to the fleet management system (FMS) and document policies and procedures to support this review
- amend existing procedures to include checking the accuracy of quarterly pricing updates in FMS.

The General Manager's response indicated that SAFA is planning appropriate action to address these matters.

Other matters

Other matters raised by Audit mainly related to improving:

- internal management reporting to include monitoring the adequacy of insurance investment funding and liquidity
- existing policy and procedures for insurance activities.

Implementation of TIs 2 and 28

SAFA has a robust governance, risk and control management framework that has been in place for many years. The framework meets the requirements of TIs 2 and 28. Specific elements of TIs 2 and 28 are met as follows:

Risk and fraud management

SAFA's policy manual explains and outlines SAFA's strategies for managing specific risks including interest rate risk, liquidity risk, funding risk, credit risk, currency risk, operational risk, legal risk and insurance risk. SAFA's strategies for managing these risks include documenting approved financial instruments and documenting delegation, market exposure and transaction limits. A summary of SAFA's approach to managing these risks is disclosed in note 26 of SAFA's financial statements.

The policy manual references DTF's fraud policy and summarises SAFA's approach to the reporting of suspected fraud.

SAFA's policy manual, which is readily accessible by all staff, is reviewed annually and subject to the Treasurer's approval.

Policies and procedures

In addition to its policy manual, SAFA maintains a centralised procedures manual. SAFA's procedures manual provides a high level summary of the actions that SAFA expects maintained within the treasury, insurance and operational support units. SAFA's procedures manual is also subject to annual review.

Detailed procedures also exist and are maintained by individual units.

Compliance testing and independent review

SAFA's compliance unit, under the guidance of SAFA's contract internal auditor, performs daily, weekly, monthly and quarterly testing to ensure compliance with SAFA's policy and procedures manual. Particular focus is given to compliance with SAFA's approved risk management strategies including delegations, approved exposure and transaction limits.

All testing performed by the compliance unit is reported to SAFA management and the General Manager. Any breaches to treasury dealing and risk limits are reported daily to the General Manager.

The compliance unit's work is reviewed and tested by SAFA's contract internal auditor, who provides SAFA's Audit Committee with quarterly reports on the outcomes of its review.

In addition to this work, SAFA's contact internal auditor performs regular focused reviews on elements of internal control and other areas of management importance.

Audit Committee

SAFA's responsibilities with respect to risk management and compliance are supported by an Audit Committee comprising three members appointed by the Advisory Board. The Audit Committee's wide ranging responsibilities include:

- oversight of SAFA's risk management framework
- evaluation of the adequacy of SAFA's administrative, operating and accounting controls and management practices
- appraisal of the quality of audits performed by SAFA's internal auditor
- review of results of audits performed by the Auditor-General
- monitoring management's response and actions to correct any identified deficiencies in SAFA's control environment.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
Interest revenue	**910**	843
Interest expense	**(891)**	(816)
Net interest revenue	**19**	27
Net gain (loss) on financial instruments and derivatives	**21**	(54)
Leasing and hire revenue	**78**	-
Insurance premium revenue	**35**	30
Other income	**44**	41
Vehicle operating costs	**(83)**	-
Insurance claim gain (expense)	**12**	(74)
Other expenses	**(22)**	(15)
Profit (Loss) before income tax	**104**	(45)
Income tax equivalent expense	**(29)**	13
Profit (Loss) after income tax and total comprehensive result	**75**	(32)
ASSETS		
Cash, short-term assets and investments	**4 759**	3 572
Loans, advances and receivables	**9 883**	7 500
Derivatives receivable	**1 295**	96
Property, plant and equipment (including held for sale)	**216**	-
Other assets	**43**	92
Total assets	**16 196**	11 260
LIABILITIES		
Deposits and short-term borrowings	**5 985**	5 031
Bonds, notes and debentures	**8 436**	5 650
Outstanding claims	**301**	340
Derivatives payable	**1 198**	26
Other liabilities	**23**	23
Total liabilities	**15 943**	11 070
TOTAL EQUITY	**253**	190

Statement of Comprehensive Income

Net income and expense

Interest income and expense is determined on a market value accounting basis. Interest revenue increased by $67.3 million or eight percent. This was associated with a corresponding increase in interest expenses of $75.6 million or nine percent.

Net gain on financial instruments and derivatives

The net gain on financial instruments and derivatives for 2009-10 comprises realised and unrealised gains from SAFA's insurance activities of $29.5 million offset by realised and unrealised losses of $8.1 million on SAFA's finance activities.

Leasing and hire revenue and recoveries

Effective from 1 July 2009 SAFA became responsible for the activities of Fleet SA. Leasing and hire revenue reflects the fees charged to other government agencies for the use of fleet vehicles whereas recoveries includes the recovery of fuel costs and unscheduled maintenance charges for leased vehicles.

Other revenue

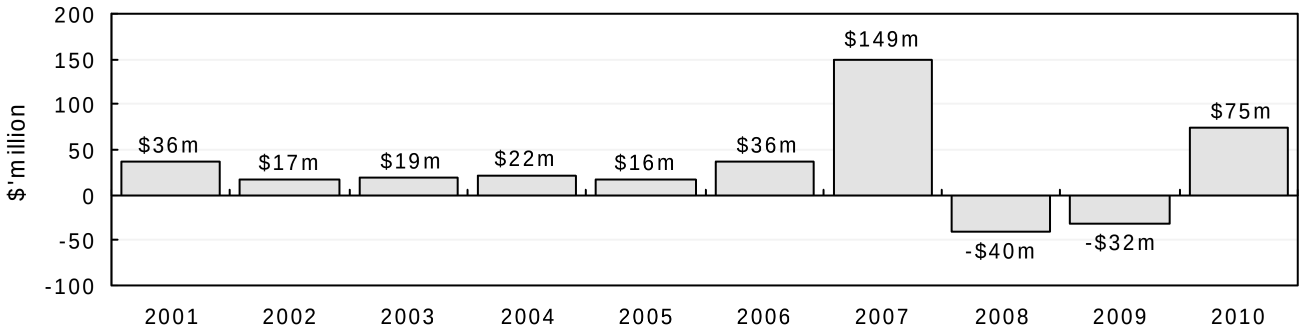
Due to the nature of its activities the Treasurer has quarantined SAFA from any operating profit or loss before tax on the activities of Insurance Fund 2. For 2009-10 Fund 2 reported an operating profit before tax resulting in SAFA recognising a payable to the Treasurer of $5.7 million ($39 million receivable).

This $45 million turnaround in SAFA's receivable/payable to the Treasurer is the principal reason for the $42 million decrease in other revenue.

Profit (Loss)

SAFA's profit before income tax equivalent was $104 million. In accordance with TI 22 SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is calculated by applying the Australian company tax rate of 30 percent to its profit or loss before tax. For 2009-10 the Treasurer exempted SAFA from paying tax on the $6.5 million gain on the transfer of administrative functions (refer to note 4 of SAFA's financial statements).

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



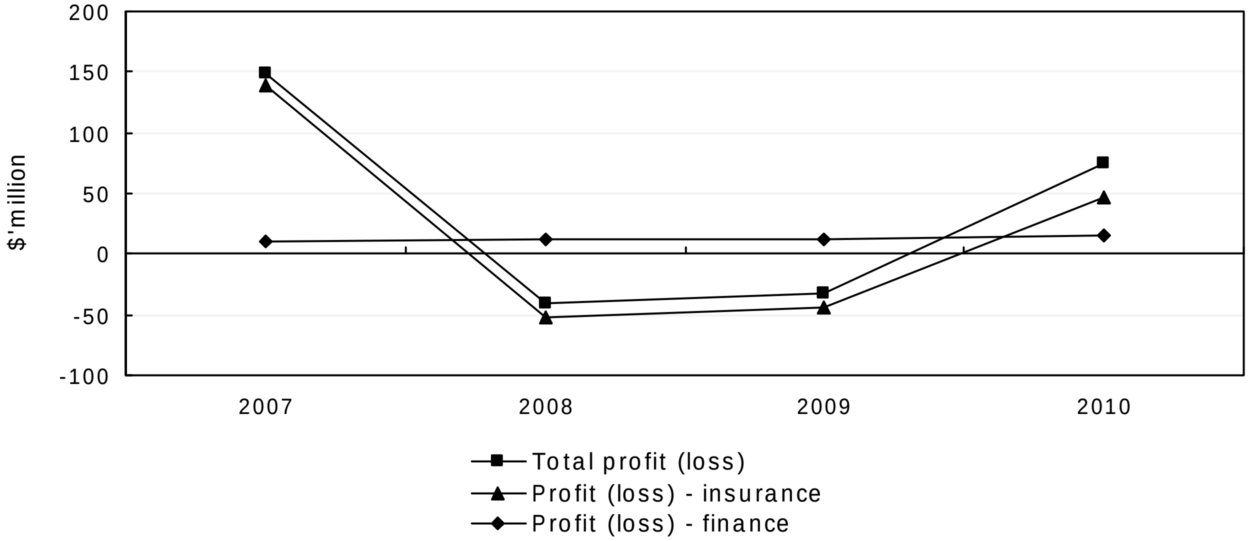
The chart highlights the volatility in SAFA's results since 2007. This volatility is impacted by the financial performance of SAFA's insurance activities, which were transferred to SAFA in July 2006.

The 2007 profit result includes the net gain on the initial transfer of the net assets of the former SAICORP, whereas the 2008 and 2009 losses are attributable to net investment losses on insurance assets and a large increase in claims expense.

The 2010 profit after income tax equivalents of $75 million includes net profit on SAFA's insurance activities of $46 million. This net profit is due mainly to:

- net insurance investment gains of $29 million
- a $39 million decrease in outstanding claims liability. This decrease in outstanding claims is offset by actual claims paid during the year, resulting in SAFA recognising a $12 million gain on insurance claims
- a net result on fleet activities of $14 million.

The volatility of SAFA's insurance activities and their impact on SAFA's profit or loss are highlighted in the following chart:

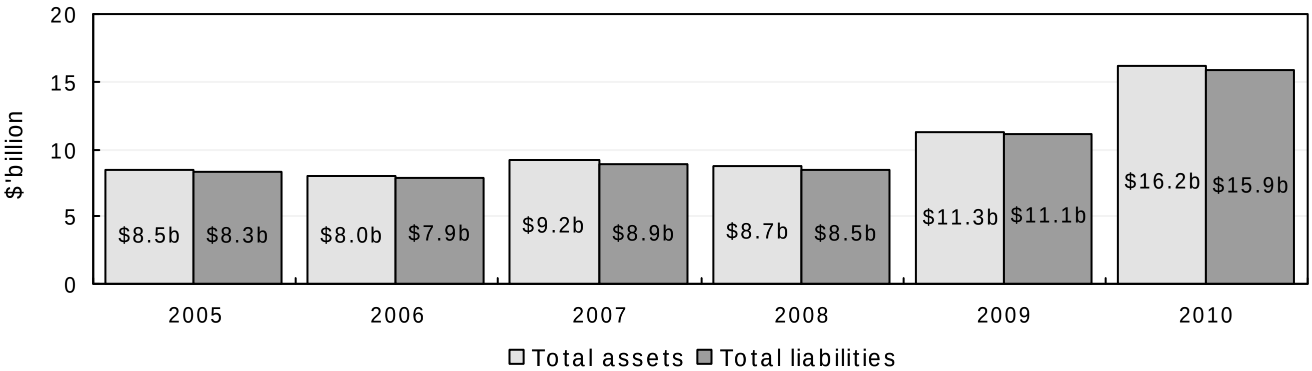


The result after income tax equivalent is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other revenue' SAFA is quarantined from Fund 2 profits or losses. This arrangement reflected the fact that Fund 2 is used to meet claim payments in respect of incidents which occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments which fall outside the insurance cover provided under Fund 1. No premium income is earned for Fund 2. Payments or receivables arising are reflected in the Consolidated Account.

Statement of Financial Position

Assets and liabilities

A structural analysis of assets and liabilities for the six years to 2010 is shown in the following chart.



Assets increased by $4.9 billion in 2010 due mainly to a:

- $1.3 billion increase in loans to the Treasurer, mainly to fund the Consolidated Account deficit for 2009-10 (refer to note 8 and Treasurer's Statement A in the Appendix to Part B of this Report)
- $1.1 billion increase in loans to other SA Government entities (refer note 8)
- $1.2 billion increase in derivatives receivable.

The increase in assets was funded by increases in liabilities. The main liabilities affected were:

- $2.9 billion increase in SAFA select lines (refer note 13)
- $911 million increase in commercial paper (refer note 12)
- $1.2 billion increase in derivatives payable.

The increase in commercial paper included a $1.2 billion increase in European commercial paper. The significant increase in derivatives reflects the use of foreign exchange swaps to manage SAFA's foreign currency exposure associated with these borrowings.

Capital and distributions

At 30 June 2010, SAFA's capital reserves were represented solely by its retained earnings, which stood at $253 million ($190 million). An $11.5 million ($10.7 million) distribution was made to the Treasurer from SAFA this financial year.

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	**129**	44	-	148
Investing	**(3 983)**	(2 356)	583	(1 050)
Financing	**3 775**	2 296	(466)	759
Change in cash	**(79)**	(16)	117	(143)
Cash at 30 June	**82**	161	177	60

The analysis of cash flows shows that SAFA's cash position has fluctuated over the four years in line with the net effects of the various activities. Strong cash balances have been maintained in line with liquidity needs.

FURTHER COMMENTARY ON OPERATIONS

The Common Public Sector Interest Rate

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

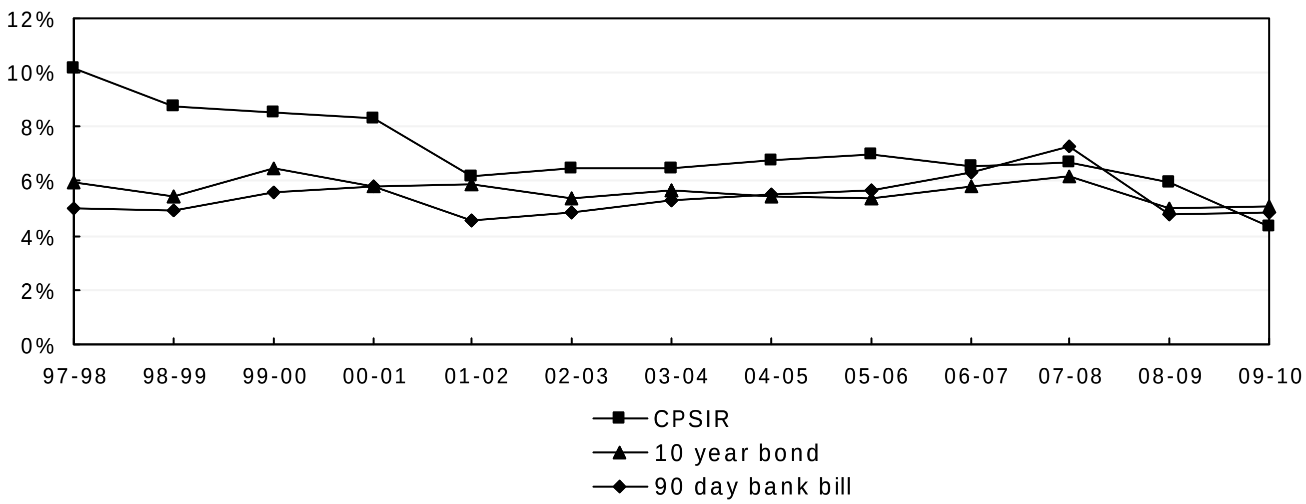
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are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

The average annual CPSIR for 2009-10 was approximately 4.36 percent (5.94 percent).

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

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

Interest rate comparison



Business risk management

Operational risk management

SAFA has a number of mechanisms to manage operational risks, including:

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

Market risk

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

The main task of the managed portfolio, representing $2.1 billion at 30 June 2010, is to minimise interest rate risk within the portfolio with respect to the policy benchmark approved by the Treasurer. The management of this portfolio involves the use of measurements including:

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

The passive portfolio, $788 million, contains transactions such as indexed liabilities and loans and, Commonwealth housing loans. These deals are not included in the managed portfolio due to the nature of the transactions and inability to readily manage these to the Treasurer's benchmarks.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. Realised gains and losses are reflected in movements in the Government's indebtedness to SAFA reported in Statement J in the Treasurer's financial statements. The result of this is that SAFA has no interest rate risk from the Treasurer's portfolios.

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

- domestic
- offshore
- reinvestment
- capital
- foreign exchange hedging service
- cash management fund
- cash enhanced fund.

These portfolios, holding assets of $10.1 billion at 30 June 2010, are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from the other principal portfolios are recorded in SAFA's Statement of Comprehensive Income.

The figures included in commentary under the heading 'Business risk management' were provided by SAFA and are unaudited.

Catastrophe reinsurance program

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

Reinsurance premium expense for 2009-10 was $7 million ($6.6 million).

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

	Industrial special risks	Aviation liability	Public and products liability	Professional indemnity	Directors and Officers liability	Medical malpractice
Catastrophe program cover (Reinsurance)	$600m	$500m	$350m	$300m	$100m	$100m
Aggregate annual retention (SAFA)	$15m		$20m	$20m	$20m	
Each and every event retention (agency and/or SAFA)	$1m	$25 000/ $5000	$1m/$3m	$1m/$3m	$1m/$3m	$15m

Risk management activity across the public sector

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

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

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010**	2009
REVENUE:		**$'million**	$'million
Interest revenue	17	**910.4**	843.1
Interest expense	17	**(891.7)**	(816.1)
Net interest revenue		**18.7**	27.0
Insurance premium revenue	17	**34.9**	30.2
Leasing and hire	17	**77.8**	-
Recoveries	17	**31.2**	(0.2)
Other	17	**(1.6)**	40.5
Total revenue		**161.0**	97.5
Gain on transfer of administrative functions	4	**6.5**	-
OTHER GAINS (LOSSES):			
Net gain (loss) on financial instruments and derivatives	18	**21.4**	(53.9)
Net gain on sale of property, plant and equipment	18	**7.5**	-
Total other gains (losses)		**28.9**	(53.9)
Total income		**196.4**	43.6
EXPENSES:			
Depreciation and impairment	19	**47.6**	0.5
Insurance claim	19	**(11.6)**	73.6
Motor vehicle	19	**34.4**	-
Outward reinsurance	19	**7.0**	6.6
Operating	19	**14.8**	8.2
Total expenses		**92.2**	88.9
PROFIT (LOSS) BEFORE INCOME TAX EQUIVALENTS		**104.2**	(45.3)
Income tax equivalent expense with SA Government		**29.3**	(13.6)
PROFIT (LOSS) AFTER INCOME TAX EQUIVALENTS		**74.9**	(31.7)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE RESULT		**74.9**	(31.7)

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010** **$'million**	2009 $'million
ASSETS:			
Cash and cash equivalents	5	**2 990.5**	2 400.2
Assets held for sale	6	**9.5**	-
Investments	7	**1 768.1**	1 171.9
Loans	8	**9 882.8**	7 499.7
Property, plant and equipment	9	**206.7**	-
Derivatives receivable	10	**1 295.5**	95.9
Other assets	11	**43.5**	92.0
Total assets		**16 196.6**	11 259.7
LIABILITIES:			
Deposits and short-term borrowings	12	**5 984.8**	5 030.7
Bonds, notes and debentures	13	**8 436.6**	5 650.3
Outstanding claims	14	**301.1**	340.3
Derivatives payable	15	**1 197.9**	26.0
Other liabilities	16	**23.0**	22.6
Total liabilities		**15 943.4**	11 069.9
NET ASSETS		**253.2**	189.8
EQUITY:			
Retained earnings		**253.2**	189.8
TOTAL EQUITY		**253.2**	189.8

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities	21
Operating lease commitments receivable	27

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

	Retained earnings $'million
Balance at 30 June 2008	232.2
Loss after income tax for 2008-09	(31.7)
Total comprehensive result for 2008-09	(31.7)
Transactions with SA Government as owner:	
Dividends paid	(10.7)
Balance at 30 June 2009	189.8
Profit after income tax for 2009-10	74.9
Total comprehensive result for 2009-10	74.9
Transactions with SA Government as owner:	
Dividends paid	(11.5)
Balance at 30 June 2010	**253.2**

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) $'million**	2009 Inflows (Outflows) $'million
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from:			
Interest received		**657.3**	585.5
Derivatives net interest received		**23.0**	9.8
Insurance premiums received		**34.9**	30.1
Leasing and hire receipts		**85.7**	-
Recoveries		**32.0**	-
Direct insurance placement		**6.9**	4.8
Stamp duty received from agencies		**4.2**	3.7
Other receipts		**(10.0)**	(3.7)
Commissions		**1.0**	-
GST recovered from the ATO		**12.3**	-
Indemnity from Treasurer		**26.4**	-
Payments for:			
Interest paid		**(632.7)**	(551.8)
Insurance claims paid		**(26.3)**	(10.5)
Motor vehicle costs		**(36.9)**	-
Outwards reinsurance premium paid		**(7.1)**	(6.8)
Direct insurance placement		**(6.7)**	(4.0)
Stamp duty paid to RevenueSA		**(4.2)**	(3.7)
Operating expenses paid		**(15.7)**	(9.5)
GST paid to the ATO		**(15.0)**	(0.1)
Net cash provided by operating activities	22.2	**129.1**	43.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from client loans		**(2 621.0)**	(1 781.9)
Purchase of investments		**(30 208.6)**	(26 967.6)
Proceeds from investments		**28 877.0**	26 392.9
Purchase of property, plant and equipment		**(114.3)**	-
Proceeds from the sale of property, plant and equipment		**58.7**	-
Cash received from transferred functions		**25.5**	-
Net cash used in investing activities		**(3 982.7)**	(2 356.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from borrowings		**3 786.8**	2 307.1
Dividends paid to government		**(11.5)**	(10.7)
Net cash provided by financing activities		**3 775.3**	2 296.4
NET DECREASE IN CASH HELD		**(78.3)**	(16.4)
CASH AT 1 JULY		**160.8**	177.0
Net effect of exchange rate changes		**(0.7)**	0.2
CASH AT 30 JUNE	22.1	**81.8**	160.8

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

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

SAFA's business objectives are to:

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

In accordance with the Administrative Arrangements (Transfer of Assets, Rights and Liabilities to South Australian Government Financing Authority) Proclamation 2009, Fleet SA's assets, rights and liabilities transferred to SAFA on 1 July 2009 (refer note 4).

Under the Deed of Assignment and Assumption between the Minister for Industry and Trade, Treasurer and SAFA the Minister's rights, title, interest and benefit, and the liabilities and obligations with respect to Paragon Private Equity Fund No 1 transferred to SAFA on 21 May 2010 (refer notes 4 and 21).

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements and comply with AASs, as issued by the AASB. The statements also comply with the requirements of the TIs relating to financial statements by statutory authorities that are issued pursuant to the PFAA.

Except for AASB 2009-12 which SAFA has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2010 are detailed in note 2(r).

(b) Basis of preparation

These financial statements have been prepared in accordance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:

(i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, are classified according to their nature. A threshold of $100 000 for separate identification of these items applies

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

The financial statements have been prepared in accordance with the fair value basis of accounting with the exception of property, plant and equipment which is under the historical cost convention.

The financial statements are presented in Australian dollars and all values have been rounded to the nearest $100 000 unless otherwise stated. Zero represents balances less than $50 000.

(c) Significant accounting judgements, estimates and assumptions

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

(i) Outstanding claims

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

(ii) Fair value

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Management uses its judgement to select a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting date (refer note 28 (i)).

(d) Income and expense recognition

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

(i) Interest

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

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

(ii) Insurance premium revenue

Premium revenue includes amounts charged to policy holders but excludes stamp duty and GST. Premium revenue is recognised in the Statement of Comprehensive Income as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten.

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

(iii) Leasing and hire revenue

SAFA leases motor vehicles to government agencies for a standard lease period of 3 years or 60 000 kilometres which ever comes first. By arrangement, some vehicles can be extended to 5 years or 100 000 kilometres, due to the nature of their business requirements. The lease to agencies covers registration, compulsory third party insurance, scheduled servicing, depreciation, interest costs and a management fee. Leasing and hire revenue is recognised on a straight line basis over the term of the lease.

(iv) Revenue recoveries

Vehicle recoveries include fuel and any unscheduled maintenance of the vehicle over the period of the lease. Any excessive wear and tear costs are recovered from agencies at the end of hire. Other vehicle recoveries include parking costs, miscellaneous charges and commission on disposal of vehicles.

(v) Reinsurance recoveries

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

(vi) Other revenue

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

(vii) Insurance claims expense

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

(viii) Motor vehicle expenses

Direct costs associated with the ownership of the motor vehicle fleet including registration, compulsory third party insurance, all maintenance and repair costs, fuel and disposal costs.

(ix) Outwards reinsurance

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

(x) Indemnity from (to) the Treasurer

Insurance activities are segregated into two Funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 (refer note 3). Under this arrangement any profit/loss on Fund 2 is recognised as a payable to/receivable from the Treasurer. Any payable to the Treasurer is carried forward to offset future operating losses.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include short term money market deposits and negotiable discount securities that are held for liquidity and short-term investment purposes (refer note 5).

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, but exclude negotiable discount securities where the securities are for investment purposes and not for the purpose of meeting short-term cash commitments.

(f) Assets held for sale

Assets are classified as held for sale and stated at the lower of their carrying amount and recoverable amount less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within one year from the date of classification (refer note 6).

(g) Financial instruments

Financial assets and liabilities designated at fair value through profit or loss

All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer note 18). Financial assets and liabilities are revalued regularly either at their quoted market price or their cash flows are discounted against the relevant yield curve.

(i) Investments

Investments are assets originating outside the South Australian public sector, which are purchased as part of SAFA's cash management products, for liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the SA Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer note 7).

(ii) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (refer note 8).

(iii) Deposits and short-term borrowings

Deposits and short-term borrowings include at call accounts, cash management fund, cash enhanced fund and term deposits. SAFA raises funds short-term through the issue of commercial paper both on and offshore (refer note 12).

(iv) Repurchase agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in deposits and short-term borrowings (refer note 12).

(v) Bonds, notes and debentures

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

(vi) Derivative instruments

SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate agreements and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer note 10 and 15).

(h) Assets backing general insurance liabilities

Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities and are comprised of operating cash, cash held on deposit and units invested with the Superannuation Funds Management Corporation of South Australia (Funds SA). In accordance with AASB 1023, SAFA's longer term insurance investments with Funds SA are measured at fair value as advised by the fund managers. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income (refer note 5 and 7).

(i) Reinsurance and other recoveries

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

Collectability of recoveries is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss.

(i) Depreciation
Depreciation of property, plant and equipment is calculated on a straight-line basis using rates designated to allocate the cost over the expected useful life of the asset. Motor vehicles are depreciated on a straight-line basis for a period of up to five years and other property, plant and equipment, in general, is depreciated on a straight-line basis for a period of between 5 and ten years.

(ii) Impairment
The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(k) Outstanding claims liability

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

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid
- claims incurred but not reported (IBNR)
- claims incurred but not enough reported (IBNER)

together with anticipated direct and indirect costs of settling those claims is estimated at 4 percent of the outstanding claims liabilities.

Liabilities for outstanding claims for Fund 2 are recognised in respect of incurred incidents including the anticipated costs of settling these claims and a risk margin as for Fund 1. Detail of risk margin rates are disclosed in note 30.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates are disclosed in note 30. The impact of the revision of the inflation and discount assumptions on the outstanding claims liability is reflected in the financial statements and is disclosed in note 14.

(l) Other assets and liabilities

Other assets including debtors and fee accruals, other liabilities including interest paid in advance, creditors, expense accruals and provisions, are all stated at book value, which is the best estimate of fair value as they are settled within a short period.

(m) Foreign currency translation

Foreign currency assets and liabilities are recognised in the financial statements at the exchange rate applying at each reporting date. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial statements. Revaluation of foreign currency assets and liabilities are recognised as unrealised gains or losses and are recognised in the Statement of Comprehensive Income.

(n) Employee benefits

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

(o) Taxation

Accounting profits tax model

In accordance with TI 22 SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is based on the taxation equivalent regime (TER) which applies the accounting profit method. This requires SAFA to apply the Australian company tax rate of 30 percent. The Treasurer has approved the carry forward of past taxable losses as deferred tax assets that SAFA can offset against future taxable profits. The Treasurer approved that the profit on transferred function, $6.5 million, is exempt from SAFA's TER calculation for 2009-10. As at 30 June 2010 the deferred tax asset totalled $1.3 million ($30.7 million).

GST

SAFA is grouped with DTF, for GST purposes. Income, expenses and assets are recognised net of the amount of GST, except:

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

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

Stamp duty
Stamp duty collected as part of insurance and fleet activities are excluded from premiums and vehicle hire revenue and paid monthly to RevenueSA. Amounts collected as part of fleet activities are excluded from revenues and remitted to DTF. Government agencies that are part of the TER pay a stamp duty equivalent on leased motor vehicles.

(p) Business segments
SAFA is an individual reporting entity which operates in business segments including treasury, insurance and fleet management.

(q) Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in the current year.

(r) Disclosure of changes in accounting policy
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. SAFA's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 'Financial Instruments' and AASB 2009-11 'Amendments to AASs arising from AASB 9' (effective from 1 January 2013)
AASB 9 addresses the classification and measurement of financial assets and is likely to affect SAFA's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. SAFA is yet to assess its full impact.

AASB 2009-5 'Further amendments to AASs arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]' (effective from 1 July 2010)
While SAFA is yet to assess its full impact, the standard is not expected to have any material impact on the presentation of the financial statements or on the measurement or recognition of amounts disclosed.

3. Business segments
SAFA operates in the following segments:

- Treasury - provides funds and financial advice to the SA Government, semi-government authorities, South Australian public sector financial institutions and government agencies.
- Insurance - underwriting several types of general insurance for SA Government agencies.
- Fleet - provides comprehensive fleet management services to SA Government agencies for its passenger and light commercial motor vehicle fleet.

The insurance activities are designated into two Funds. Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 includes all the activities previously conducted through section 2 of the SA Government Insurance and Risk Management Fund. This Fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994. All other non-insurance type risk and liabilities previously funded by Fund 2 will be managed by the relevant government department and funded separately from submissions to Cabinet.

2010	Treasury $'million	Insurance $'million	Fleet $'million	Eliminations $'million	Total $'million
Income	27.7	61.9	106.9	(0.1)	196.4
Expenses	7.4	(4.0)	88.9	(0.1)	92.2
Profit (loss) before tax	20.3	65.9	18.0	-	104.2
Income tax expense	5.2	19.8	4.3	-	29.3
Comprehensive result	15.1	46.1	13.7	-	74.9
Segment assets	15 841.6	390.5	234.6	(270.1)	16 196.6
Segment liabilities	(15 690.8)	(301.7)	(221.0)	270.1	(15 943.4)
Net assets	150.8	88.8	13.6	-	253.2

Gains on transfer of administrative functions (refer note 4) are included in income for Treasury ($2.7 million) and Fleet ($3.8 million).

2009	Treasury $'million	Insurance $'million	Fleet $'million	Eliminations $'million	Total $'million
Income	23.4	20.2	-	-	43.6
Expenses	(7.0)	(81.9)	-	-	(88.9)
Profit (loss) before tax	16.4	(61.7)	-	-	(45.3)
Income tax expense	(4.9)	18.5	-	-	13.6
Comprehensive result	11.5	(43.2)	-	-	(31.7)
Segment assets	10 917.9	383.2	-	(41.4)	11 259.7
Segment liabilities	(10 770.8)	(340.5)	-	41.4	(11 069.9)
Net assets	147.1	42.7	-	-	189.8

4. Transfer of administrative function

Fleet SA

Under the Administrative Arrangements (Transfer of Assets, Rights and Liabilities to South Australian Government Financing Authority) Proclamation 2009, promulgated pursuant to the *Administrative Arrangements Act 1994*, from 1 July 2009 Fleet SA was transferred from the Treasurer to SAFA.

Net assets assumed by SAFA as a result of the administrative restructure were transferred at their carrying value immediately prior to transfer. Net assets transferred have been recognised in the Statement of Comprehensive Income.

Paragon Private Equity Fund 1

Under the Deed of Assignment and Assumption between Minister for Industry and Trade, Treasurer and SAFA, the investment in Paragon Private Equity Fund 1 was transferred to SAFA on 21 May 2010.

Net assets assumed by SAFA as a result of the restructure were transferred at their fair value immediately prior to transfer. Net assets transferred have been recognised in the Statement of Comprehensive Income.

SAFA has recognised the following assets and liabilities as a result of these transfers:

	Fleet SA	Paragon	2010
Assets:	$'million	$'million	$'million
Cash and cash equivalents	23.3	2.2	25.5
Investments	-	0.5	0.5
Property, plant and equipment	206.2	-	206.2
Other assets	12.2	-	12.2
	241.7	2.7	244.4
Liabilities:			
Borrowings*	232.0	-	232.0
Other liabilities	5.9	-	5.9
	237.9	-	237.9
Net assets transferred	3.8	2.7	6.5

* Borrowings included loans from SAFA. These loans were extinguished on transfer of Fleet SA operations.

5. Cash and cash equivalents

	2010	2009
	$'million	$'million
Cash at bank	5.1	6.4
Deposits with the Treasurer	76.7	54.4
Short-term money market deposits	0.3	100.5
Negotiable certificates of deposit	2 908.4	2 238.9
Total cash and cash equivalents	2 990.5	2 400.2

6. Assets held for sale

Motor vehicles	9.5	-
Total assets held for sale	9.5	-

7. Investments

Semi-government securities	48.7	191.3
Commonwealth Government securities	71.8	70.9
Local Government securities	16.4	18.1
Bank and corporate securities	1 358.3	651.1
Growth fund (Funds SA)	270.0	240.5
Paragon Capital Equity Fund No 1	2.9	-
Total investments	1 768.1	1 171.9

8. Loans

Loans to the Treasurer at market rates	29.2	35.6
Loans to the Treasurer at Common Public Sector Interest Rate	5 130.8	3 827.5
Loans to the SA Government agencies	0.1	240.2
Loans to public non-financial corporations	3 014.4	2 062.2
Loans to public financial corporations	1 708.3	1 334.2
Total loans	9 882.8	7 499.7

The Common Public Sector Interest Rate (CPSIR) loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's portfolio that fund the CPSIR loan are equally offset by a gain or loss on the CPSIR loan to the Treasurer.

9. Property, plant and equipment

	2010	2009
Plant and equipment:	$'million	$'million
At cost	0.1	-
Accumulated depreciation	-	-
	0.1	-

9. Property, plant and equipment (continued)

	2010	2009
Motor vehicles:	$'million	$'million
At cost	258.6	-
Accumulated depreciation	(48.3)	-
Impairment loss	(3.7)	-
	206.6	-
Total property, plant and equipment	206.7	-

Impairment

The motor vehicle fleet of 8771 has 1813 motor vehicles impaired as at 30 June 2010. The value by which the asset's carrying amount exceeded the recoverable amount has been recorded as an impairment loss in the Statement of Comprehensive Income.

Reconciliation of property, plant and equipment:	2010	2009
Plant and equipment:	$'million	$'million
Carrying amount at 1 July	-	-
Transfer from restructure	0.1	-
Additions	-	-
Depreciation expense	-	-
	0.1	-
Motor vehicles:		
Carrying amount at 1 July	-	-
Transfer from restructure	199.3	-
Additions	104.4	-
Assets classified as held for sale	(2.6)	-
Disposals	(45.9)	-
Impairment loss	(0.3)	-
Depreciation expense	(48.3)	-
	206.6	-

10. Derivatives receivable

FX swaps	1 186.0	-
Interest rate swaps - SA Government*	12.3	21.4
Interest rate swaps	97.2	74.5
Total derivatives receivable	1 295.5	95.9

* Note SA Government includes the Treasurer.

11. Other assets

Receivables - SA Government	13.8	-
Receivables	17.8	18.2
Allowance for impairment loss	(0.4)	(1.3)
Receivable from the Treasurer	6.8	38.9
Prepaid outwards reinsurance	2.4	2.5
Sundry debtors - SA Government	0.3	2.8
Sundry debtors	1.7	0.2
Allowance for impairment loss	(0.2)	-
Prepaid expenses	-	-
Deferred tax asset	1.3	30.7
Total other assets	43.5	92.0

Movement in the allowance for impairment loss

The allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired.

Carrying amount at 1 July	1.3	0.8
(Decrease) Increase in provision	(0.7)	0.5
Carrying amount at 30 June	0.6	1.3

12. Deposits and short-term borrowings

Call deposits	190.7	100.6
Deposits from the Treasurer	2 481.4	2 353.2
Deposits from SA Government agencies	683.1	758.0
Repurchase agreements	84.5	185.0
Commercial paper	2 545.1	1 633.9
Total deposits and short-term borrowings	5 984.8	5 030.7

13. Bonds, notes and debentures

Select lines	7 298.5	4 433.3
Retail stock	90.5	169.0
Zero coupon bonds	261.0	236.7
Inflation linked bonds and securities	213.4	250.2
Obligation to Commonwealth Government	573.2	561.1
Total bonds, notes and debentures	8 436.6	5 650.3

14. Outstanding claims

	2010 $'million	2009 $'million
Outstanding claims	286.3	323.7
Outstanding claims SA Government	14.8	16.6
Total outstanding claims	301.1	340.3

Reconciliation of movements in outstanding claims

	Property $'million	Liability* $'million	Medical malpractice $'million
Fund 1:			
2009 balance	9.6	77.4	171.0
Paid	(3.8)	(8.7)	(0.5)
Reported claims	3.2	4.8	(15.1)
IBNR/IBNER reserve	0.1	0.1	3.8
Risk margin	-	(0.6)	(2.8)
Indirect claims settlement reserve	(0.1)	(0.6)	(1.8)
2010 balance	9.0	72.4	154.6
Fund 2:			
2009 balance	7.0	34.3	40.9
Paid	(1.4)	(2.2)	(12.0)
Reported claims	0.3	2.0	0.6
IBNR/IBNER reserve	-	-	-
Risk margin	(0.1)	-	(3.1)
Indirect claims settlement reserve	(0.1)	(0.3)	(0.8)
2010 balance	5.7	33.8	25.6
Total	14.7	106.2	180.2

* Includes other.

15. Derivatives payable

	Note	2010 $'million	2009 $'million
FX swaps		1 157.8	-
Interest rate swaps - SA Government*		1.7	2.5
Interest rate swaps		38.4	23.5
Total derivatives payable		1 197.9	26.0

* Note SA Government includes the Treasurer.

16. Other liabilities

	2010	2009
Interest received in advance form the Treasurer	15.1	20.5
Sundry creditors - SA Government	-	-
Sundry creditors	4.7	2.1
Accrued operating expenses	3.2	-
Total other liabilities	23.0	22.6

17. Revenue

	Note	2010	2009
Interest revenue:			
External to SA Government:			
Cash and cash equivalents		106.7	101.5
Investments		52.4	57.6
Other assets		321.1	310.7
Internal to SA Government:			
Cash and cash equivalents		1.8	1.9
Loans		393.7	328.5
Other assets		34.7	42.9
		910.4	843.1
Interest expense:			
External to SA Government:			
Deposits and short-term borrowings		79.2	70.3
Bonds, notes and debentures		355.4	308.1
Other liabilities		330.8	302.5
Internal to SA Government:			
Deposits and short-term borrowings		104.6	101.4
Other liabilities		21.7	33.8
		891.7	816.1
Net interest revenue		18.7	27.0
Insurance premium:			
External to SA Government		2.4	1.7
Internal to SA Government		32.5	28.5
	20	34.9	30.2

		Note	2010 $'million	2009 $'million
17.	**Revenue (continued)**			
	Leasing and hire:			
	External to SA Government		-	-
	Internal to SA Government		77.8	-
			77.8	-
	Recoveries:			
	External to SA Government		1.5	(0.2)
	Internal to SA Government		29.7	-
			31.2	(0.2)
	Other revenue:			
	External to SA Government:			
	Other revenue		0.1	-
	Other revenue		0.4	-
	Internal to SA Government:			
	Commissions		0.1	-
	Other revenue		1.8	-
	Management fees		1.7	1.6
	Indemnity (to) from Treasurer		(5.7)	38.9
			(1.6)	40.5
	Total revenue		161.0	97.5
18.	**Other gains (losses)**			
	Net gain (loss) on financial instruments and derivatives:			
	External to SA Government:			
	Realised		(14.3)	-
	Unrealised		(55.2)	(102.1)
	Internal to SA Government:			
	Realised		(8.8)	(10.3)
	Unrealised		99.7	58.5
			21.4	(53.9)
	Net gain (loss) on sale of property, plant and equipment:			
	External to SA Government		7.5	-
			7.5	-
	Total other gain (loss)		28.9	(53.9)
19.	**Expenses**			
	Insurance claim:			
	External to SA Government		(19.7)	67.6
	Internal to SA Government		8.1	6.0
		20	(11.6)	73.6
	Motor vehicle:			
	External to SA Government		27.1	-
	Internal to SA Government		7.3	-
			34.4	-
	Reinsurance external to SA Government		7.0	6.6
		20	7.0	6.6
	Depreciation and impairment:			
	External to SA Government		(1.0)	0.5
	Internal to SA Government		48.6	-
			47.6	0.5
	Operating:			
	External to SA Government:			
	Program and debt management fees		1.0	1.1
	Direct insurance placement costs		0.1	(0.2)
	Bad debts written off		0.2	-
	Other		0.7	-
	Internal to SA Government:			
	SLA		12.8	7.3
			14.8	8.2
	Total expenses		92.2	88.9

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

SLA insurance costs of $1 114 689 ($1 417 953) have been allocated directly to claims expense.

20. Net claims incurred and underwriting result

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

Fund 1:	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	43 078	(73 319)	(30 241)
Other recoveries undiscounted	(8)	2 989	2 981
Net claims incurred - undiscounted	43 070	(70 330)	(27 260)
Discount and discount movement - gross claims incurred	(15 895)	33 459	17 564
Discount and discount movement - other recoveries	1	(619)	(618)
Net discount movement	(15 894)	32 840	16 946
Net claims incurred	27 176	(37 490)	(10 314)

The net claims incurred during 2009-10 in respect of claims incurred prior to 30 June 2009 was a negative $37.5 million due to overall net recovery for the period. This is equivalent to 15.9 percent of the outstanding liability as at 30 June 2010 in respect of claims incurred prior to 30 June 2009. The net claims incurred of $37.5 million is a result of:

	$'million
Interest on the 30 June 2009 provision less payments during 2009-10	12.3
Release of administration allowance and risk margin in respect of payments during 2009-10	(2.2)
Change in actuarial assumptions	0.9
Experience deviation from expected	(48.5)
	37.5

Fund 2:	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	41	(6 728)	(6 687)
Other recoveries undiscounted	-	(2 781)	(2 781)
Net claims incurred - undiscounted	41	(9 509)	(9 468)
Discount and discount movement - gross claims incurred	-	4 960	4 960
Discount and discount movement - other recoveries	-	1 932	1 932
Net discount movement	-	6 892	6 892
Net claims incurred	41	(2 617)	(2 576)

The net claims incurred during 2009-10 in respect of claims incurred prior to 30 June 2009 was $2.6 million. This is equivalent to 4 percent of the outstanding liability as at 30 June 2010 in respect of claims incurred prior to 30 June 2009. The net claims incurred of $2.6 million is a result of:

	$'million
Interest on the 30 June 2009 provision less payments during 2009-10	3.6
Release of administration allowance and risk margin in respect of payments during 2009-10	(4.4)
Change in actuarial assumptions	(0.1)
Experience deviation from expected	(1.7)
	(2.6)

	2010 $'million	2009 $'million
Net earned premium:		
Premium revenue	34.9	30.2
Outwards reinsurance expense	(7.0)	(6.6)
	27.9	23.6
Net claims incurred:		
Claims expense	11.6	(73.6)
Recoveries income	0.4	(0.2)
Impairment expense	1.0	(0.5)
	13.0	(74.3)
Underwriting result income (expense)	40.9	(50.7)

21. Contingent assets and liabilities

Contingent assets

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia. This includes any derivative counterparties default. As at 30 June 2010, derivative credit exposure was $290.1 million.

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA (see below), SAFA is indemnified by Origin Energy Ltd for the performance of two of its subsidiaries and by the Treasurer for the performance of Origin Energy Ltd under this agreement.

Contingent liabilities

General

Indemnities provided by SAFA have been primarily provided to third parties involved in, financing arrangements with SAFA either directly or indirectly, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages.

By its nature insurance underwriting has liabilities contingent upon certain events occurring that give rise to a claim under the policy of insurance. All known and expected claims in respect of events that have occurred up to the end of the reporting period have been accounted for in the preparation of these financial statements plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities different to those recognised in the financial statements.

Guarantees

As at 30 June 2010, SAFA has provided a guarantee to the Land Management Corporation for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two of Origin Energy's subsidiaries. The maximum exposure of the guarantee is estimated at $150 million to $200 million.

Treasurer's indemnity

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 portfolio. Given the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be $nil. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. In 2009-10 this policy resulted in a payable to the Treasurer of $5.7 million (a receivable from the Treasurer of $38.9 million).

Unused loan facilities

As at 30 June 2010, SAFA had extended loan facilities that were unutilised totalling $960.7 million.

Unrecognised investment commitment

The SA Government announced in August 2005 that it would invest an amount not exceeding $10 million in a private capital equity fund (Paragon Private Equity Fund No 1) established in South Australia and managed by Paragon Advisory Pty Ltd.

The Government was committed to invest $1 for every $4 of private sector capital that Paragon Advisory Pty Ltd was able to realise up until the closing date of April 2007. The final capital commitment of the SA Government is $2.9 million.

The Treasurer has indemnified SAFA against any shortfall where the assumption payment SAFA received of $2.2 million is less than the aggregate of all capital contributions to the Fund.

22. Cash flow information

22.1 Reconciliation of cash

	Note	2010 $'million	2009 $'million
Cash and cash equivalents disclosed in the Statement of Financial Position	5	2 990.5	2 400.2
Negotiable certificates of deposit		(2 908.4)	(2 238.9)
Fair value component		(0.3)	(0.5)
Balance per Statement of Cash Flows		81.8	160.8

22.2 Reconciliation of net cash provided by operating activities to comprehensive result

	2010 $'million	2009 $'million
Comprehensive result	74.9	(31.7)
Non-cash items:		
Change in net market value of financial instruments	(15.0)	(5.9)
Amortisation of financial instruments	17.3	24.6
Change in market value of insurance investments	(29.5)	51.1
Depreciation, impairment and bad debts	47.8	-
Gain on sale of property, plant and equipment	(7.5)	-
Gain on transfer of administrative functions	(6.5)	-
Changes in assets and liabilities - net of effects from transferred functions:		
(Increase) Decrease in accrued interest receivable	(14.5)	2.5
(Increase) Decrease in recoveries receivable	(1.1)	0.8
Decrease (Increase) in sundry debtors and other assets	72.7	(42.2)
Increase (Decrease) in accrued interest payable	37.7	(16.9)
(Decrease) Increase in outstanding claims	(39.2)	62.2
Decrease in sundry creditors and other liabilities	(8.5)	(0.7)
Increase in payables	0.5	-
FX movement	-	-
Net cash provided by operating activities	129.1	43.8

22.3 Non-cash financing and investing activities

During 2009-10, $1.5 million was adjusted against the Treasurer's debt for book gains arising from debt management activity.

23. Auditor's remuneration

	2010	2009
	$'000	$'000
Audit fees payable to the Auditor-General's Department	175	132

Audit fees are paid through SAFA's SLA with DTF.

24. Key management personnel

24.1 Board members	2010 Number	2009 Number
Remuneration:		
$nil	3	3
$30 001 - $40 000	4	4
$40 001 - $50 000	1	1
Total	8	8
Total remuneration	$182 248	$179 537

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Amounts paid to a superannuation plan for board/committee members in 2009-10 were $15 068 ($12 254). All amounts paid to members are paid through SAFA's SLA with DTF.

Advisory board and committee members during 2009-10 financial year were:

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

Audit Committee
Mr L Foster
Mr P Mendo*
Ms Y Sneddon

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

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

24.2 Other key management personnel

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

Mr K Cantley	General Manager
Mr T Burfield	Director Insurance
Mr C Fowler (appointed 3 March 2010)	Director Finance
Mr D Posaner	Director Corporate Governance and Planning
Mr J Powell	Director Financial Markets and Client Services
Mr D Price (appointed 1 February 2010)*	Director Fleet
Mr I Welch (resigned 29 January 2010)	Director Finance

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

* D Price was acting Director Fleet from 1 July 2009 prior to his appointment in February.

25. Consultants

	2010 Number	2009 Number
Between $10 001 - $50 000	2	-
Total consultants	2	-
Total consultants expense	$57 447	$nil

In addition to the amounts shown in the table above, $134 000 ($94 000) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's statements.

26. Fiduciary activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities are not recognised on SAFA's Statement of Financial Position, unless the financial transactions has been undertaken with SAFA as the provider. SAFA manages these assets and liabilities within prescribed risk limits as directed or agreed, by the clients. SAFA is responsible for providing regular financial and management information with respect to its management of the clients' assets and liabilities.

	2010 $'million	2009 $'million
Assets under management	-	-
Liabilities under management	2 716.4	1 775.4

SAFA provides a range of pooled investment portfolios to its clients that meet their investment needs. The Cash Management Fund comprises cash and short term money market securities whilst the Cash Enhanced Fund is a market value fund that comprises term investments of high credit quality and marketability. The assets and liabilities of these portfolios are reported within SAFA's Statement of Financial Position.

	2010 $'million	2009 $'million
Total market value of pooled investments	742.9	737.4

27. Operating lease commitments receivable

SAFA as a lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases.

Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases have an average life of between three and five years with no renewal option. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2010	2009
Motor vehicle hire:	$'million	$'million
Not later than one year	69.3	-
Later than one year but not later than five years	54.4	-
Total non-cancellable operating lease receivables	123.7	-

28. Financial risk management

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

The guidelines within which these risks are undertaken and managed are established under policies approved by the Advisory Board, Treasurer and management guidelines. SAFA monitors compliance with these policies and constraints by appropriately segregating the monitoring from the operating business unit. Information is summarised and reported daily to management and reported monthly to the Board.

(a) Capital risk management

SAFA manages its capital to ensure that it will be able to continue as a going concern while exposing its stakeholders to an acceptable level of risk.

(b) Market risk

Interest rate risk

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

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

SAFA hold the following derivative instruments:

	2010 $'million	2009 $'million
Interest rate futures contracts	(2 172.0)	328.0
Interest rate swaps	8 444.2	6 625.2
Forward rate agreements	-	50.0
Total face value	6 272.2	7 003.2

Price risk

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

Price risk (continued)
SAFA calculates VaR using the historical simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95 percent confidence level. VaR for the domestic portfolio is managed daily against an approved working limit of $750 000 for 2009-10 ($500 000).

All risk on the Treasurer's portfolios is borne directly by the Treasurer.

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

	2010	2009
	$	$
Domestic	541 864	355 056
Reinvestment portfolio*	820	-
Cash management fund	35 861	45 067

* No transactions as at 30 June 2009.

Should future rates vary from those used in the historic rate horizon, profit or losses will vary from the expected results calculated under VaR.

The increase in VaR is consistent with the combined increase in financial assets and liabilities and the volatility in market rates over recent years.

The insurance portfolio is exposed to price risk arising from the investment held with Funds SA. There are policies outlining the strategies for investment of funds. These policies are review annually.

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

2010	Investments	Profit (post tax)		Equity	
		-10%	+10%	-10%	+10%
Funds:	$'000	$'000	$'000	$'000	$'000
Fund 1	256 021	(17 921)	17 921	(17 921)	17 921
Fund 2*	13 986	(979)	979	(979)	979
Total	270 007	(18 900)	18 900	(18 900)	18 900

* Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. Therefore any movement in the value of Fund 2's investments with Funds SA would be offset by the Treasurer's indemnity (Refer note 21).

Foreign exchange risk
SAFA has a policy of limiting its foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

SAFA utilises foreign exchange swaps, foreign exchange and forward exchange contracts to manage the Authority's foreign currency exposures associated with foreign currency borrowings.

	2010	2009
	$'million	$'million
Foreign exchange swaps	(1 151.5)	-
Foreign exchange contracts*	30.7	19.8
Total face value	(1 120.8)	19.8

* SAFA has entered into forward foreign exchange contracts to hedge exposures arising from the foreign exchange hedging service provided to public sector clients. These transactions have a nil exposure.

Currency exposures
The following table summarises SAFA's exposure to exchange risk. The value to be received under the currency contracts is designed to hedge the exposure to the net foreign currency liabilities.

	USD	EUR	GBP
Less than one year:	A$'000	A$'000	A$000
Net foreign currency assets	45.1	-	936.8
Net derivatives	-	-	-
Net	45.1	-	936.8
Greater than one year:			
Net foreign currency assets	-	-	(728.9)
Net Derivatives	-	-	-
Net	-	-	(728.9)
Total exposure	45.1	-	207.9

(c) Credit risk

Credit risk is the risk of financial loss and associated costs resulting from the failure of a counterparty to meet its financial obligations as and when they fall due.

SAFA incurs credit risk through undertaking its core functions of fundraising, debt management, liquidity management and the Government's reinsurance program.

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

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

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

SAFA measures credit risk for physical securities at face value and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements.

The majority of SAFA's lending is to agencies and corporations of the SA Government. Consequently, SAFA's profit does not reflect any component that relates to credit movement for this part of its business. The profit or loss resulting from credit movements for the remainder have been examined and are considered to be immaterial.

Concentration of credit risk by credit rating:

2010					Rating			
	AAA	AA+	AA	AA-	A+	A	NR*	Total
Asset class	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/investments	830.6	27.0	2620.4	50.0	950.0	207.6	9 972.7	14 658.3
Interest rate swaps	-	-	115.8	47.3	88.2	3.5	18.9	273.7
Currency swaps	-	-	-	7.6	29.8	-	-	37.4
FX contracts	-	-	(1.9)	-	-	-	3.8	1.9
Total	830.6	27.0	2 734.3	104.9	1 068.0	211.1	9 995.4	14 971.3

					2009			
2009					Rating			
	AAA	AA+	AA	AA-	A+	A	NR*	Total
Asset class	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/investments	667.0	115.0	1 949.1	194.0	349.3	97.0	7 654.5	11 025.9
Interest rate swaps	-	-	101.2	13.6	58.7	9.7	31.5	214.7
Currency swaps	-	-	-	-	-	-	-	-
FX contracts	-	-	-	0.1	-	-	0.4	0.5
Total	667.0	115.0	2 050.3	207.7	408.0	106.7	7 686.4	11 241.1

* NR - not classified under particular ratings. Includes loans to SA Government of $9785.2 million ($7397.3 million).

SAFA has a 92 percent (95 percent) concentration of credit risk in Australia.

By counterparty the main concentration is 67 percent (68 percent) to SA Government and 31 percent (28 percent) to banks.

(d) Liquidity risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising of highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth bonds, floating rate notes and negotiable discount securities. The level of financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of $250 million or the sum of debt maturities over the next 60 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk.

These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

The maturity analysis has been presented on a contractual basis representing the repayment of the principal (face value) and interest for financial assets and liabilities and the estimated settlement amount for outstanding claims.

(d) Liquidity risk (continued)

2010	< 0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Cash and cash equivalents	2 805.3	165.0	-	-	-	-	-	2 970.3
Investments	651.1	483.3	80.2	110.4	81.3	411.0	115.9	1 933.2
Loans	731.5	1 287.4	660.2	1 463.2	553.7	1 419.5	5 811.5	11 927.0
Other assets	14.5	0.3	-	-	-	-	-	14.8
Total	4 202.4	1 936.0	740.4	1 573.6	635.0	1 830.5	5 927.4	16 845.3
Liabilities:								
Deposits and short-term borrowings	5 637.8	324.3	-	-	-	-	-	5 962.1
Bonds, notes and debentures	982.6	2 513.5	296.3	2 291.0	255.1	1 561.6	2 151.7	10 051.8
Outstanding claims	18.7	56.1	30.5	26.3	21.1	21.3	127.1	301.1
Total	6 639.1	2 893.9	326.8	2 317.3	276.2	1 582.9	2 278.8	16 315.0
Net	(2 436.7)	(957.9)	413.6	(743.7)	358.8	247.6	3 648.6	530.3
Derivatives	1.8	50.1	26.8	29.6	7.5	11.2	11.6	138.6

2009	< 0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Cash and cash equivalents	2 243.0	160.0	-	-	-	-	-	2 403.0
Investments	314.3	344.1	192.1	46.3	62.0	94.1	219.5	1 272.4
Loans	981.8	505.3	1 422.4	542.4	744.4	338.2	4 169.3	8 703.8
Total	3 539.1	1 009.4	1 614.5	588.7	806.4	432.3	4 388.8	12 379.2
Liabilities:								
Deposits and short-term borrowings	4 560.2	437.9	-	-	-	-	-	4 998.1
Bonds, notes and debentures	1 090.7	333.0	2 262.8	126.9	1 435.1	129.3	1 379.0	6 756.8
Outstanding claims	19.9	59.9	32.6	28.0	25.7	22.9	151.3	340.3
Total	5 670.8	830.8	2 295.4	154.9	1 460.8	152.2	1 530.3	12 095.2
Net	(2 131.7)	178.6	(680.9)	433.8	(654.4)	280.1	2 858.5	284.0
Derivatives	15.3	37.0	33.3	11.5	15.5	(6.0)	(5.5)	101.1

(e) Insurance risk

SAFA uses a variety of policies and processes to manage the risks associated with its insurance activities. The most relevant methods include:

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

(f) Claims development table

The following tables show the development of incurred cost on net undiscounted outstanding claims (medical malpractice, liability and property) relative to the ultimate expected estimate over the nine most recent financial years. Figures provided are net of reinsurance and relate to Fund 1. This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

Medical malpractice

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2002	2003	2004	2005	2006	2007	2008	2009	2010	Paid to date	Undiscounted liability June 2010	Discount to present value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	85 790	61 258	51 934	54 551	73 263	67 720	141 761	76 540	71 914	17 677	54 237	40 918
2001	11 274	8 879	7 140	7 060	10 273	9 967	9 925	9 979	5 937	31	5 906	4 322
2002	16 522	15 038	13 328	7 581	10 253	9 625	12 742	11 766	11 863	71	11 792	8 404
2003		11 619	21 220	17 077	14 533	13 159	13 789	14 108	13 277	(631)	13 908	9 804
2004			14 397	12 260	9 012	3 355	11 643	7 043	4 336	39	4 297	2 839
2005				18 826	16 683	12 519	7 752	4 200	3 114	132	2 982	1 802
2006					21 363	17 896	25 892	16 422	7 694	62	7 632	4 836
2007						21 513	22 589	13 748	7 366	50	7 316	4 371
2008							22 947	20 345	13 923	100	13 823	7 885
2009								49 922	36 167	168	35 999	20 479
2010									24 134	42	24 092	13 337
						Totals			199 725	17 741	181 984	118 997

Liability

Loss year ending 30 June	2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	Paid to date $'000	Undiscounted liability June 2010 $'000	Discount to present value $'000
	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											
Prior	17 832	17 966	24 609	23 209	26 102	19 707	22 694	36 310	38 597	22 376	16 221	15 739
2001	2 045	2 606	4 214	4 931	7 892	4 784	4 729	4 635	4 460	4 015	445	414
2002	4 226	2 383	2 046	3 402	3 684	3 753	5 543	5 843	5 634	5 105	529	484
2003		4 670	2 792	2 593	2 280	2 237	2 099	2 102	2 239	1 450	789	721
2004			5 078	2 686	3 093	2 733	2 813	2 816	3 814	2 102	1 712	1 548
2005				6 283	5 187	4 407	23 291	24 446	24 943	3 631	21 312	19 185
2006					7 922	3 488	2 295	1 961	1 848	505	1 343	1 133
2007						7 366	3 564	2 106	2 182	438	1 744	1 446
2008							6 359	3 610	2 137	168	1 969	1 609
2009								5 784	2 766	127	2 639	2 109
2010									6 705	46	6 659	5 304
						Totals			95 325	39 963	55 362	49 692

Property

Loss year ending 30 June	2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	Paid to date $'000	Undiscounted liability June 2010 $'000	Discount to present value $'000
	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											
Prior	12 291	6 529	6 522	5 997	6 020	5 765	7 405	7 700	7 699	7 737	(38)	(37)
2001	808	1 256	1 146	1 418	1 386	1 190	1 180	1 180	1 180	1 180	-	-
2002	1 372	4 041	3 802	3 817	1 737	3 872	1 529	1 588	1 900	357	1 543	1 508
2003		1 162	853	586	426	668	447	447	447	447	-	-
2004			2 764	2 920	2 444	4 430	4 111	3 975	4 634	2 637	1 997	1 953
2005				12 812	4 035	4 027	2 849	2 700	2 718	2 647	71	69
2006					1 667	2 461	1 927	1 604	1 731	1 048	683	653
2007						3 269	2 907	2 666	2 256	2 093	163	152
2008							2 347	2 265	2 390	1 861	529	485
2009								2 777	2 116	1 589	527	474
2010									3 255	462	2 793	2 495
						Totals			30 326	22 058	8 268	7 752

(g) Concentration risk

The portfolio contains some diversity, but by its nature it is geographically concentrated in Adelaide and as such is exposed to the potentially material property catastrophes of the State, being earthquake, bushfires, storms and floods. The reinsurance program is purchased to provide protection in excess of the retention level, which is $15 million for property and $20 million for liability classes. The Board annually reviews the appropriateness of the retention level.

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

(h) Sensitivity analysis

SAFA has tested the sensitivity of the results to a change in the key assumptions used in the valuation of outstanding claims liabilities. For this purpose SAFA has considered case estimates, IBNR percentages, the discount rate and inflation rate. SAFA has not examined the effect of varying the assumed payment pattern as the results are quite insensitive to this assumption. A large variation in the implied average terms to payment would be required to have any significant effect.

The following table sets out the tests carried out and the results:

	2010			
Insurance fund:	Preset value of outstanding		Percentage change from central estimate	
	Fund 1 $'000	Fund 2 $'000	Fund 1 Percent	Fund 2 Percent
1. Case estimates:				
10 percent increase	189 338	55 884	7.3	10.0
10 percent decrease	163 543	45 724	(7.3)	(10.0)
2. IBNR/IBNER:				
10 percent increase	181 187	n/a	2.7	n/a
10 percent decrease	171 694	n/a	(2.7)	n/a
3. Discount rate:				
Decrease by 1 percent	186 907	52 198	5.9	2.7
4. Inflation rate:				
Decrease by 0.5 percent to 3.0 percent	171 832	50 150	(2.6)	(1.3)

(i) Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

(i) Fair value hierarchy (continued)

- 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).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

		2010		
		Valuation technique		
	Quoted market price (level 1)	market observable inputs (level 2)	non-market observable inputs (level 3)	Total
Financial assets:	$'million	$'million	$'million	$'million
Cash and cash equivalents	82.1	2 908.4	-	2 990.5
Investments[(a)]	33.8	1 458.4	275.9	1 768.1
Loans[(b)]	-	4 752.0	5 130.8	9 882.8
Derivatives receivable	-	1 295.5	-	1 295.5
Total	115.9	10 414.3	5 406.7	15 936.9
Financial liabilities:				
Deposits and short-term borrowings[(c)]	823.6	5 056.4	104.8	5 984.8
Bonds, notes and debentures[(d)]	7 237.1	290.8	908.7	8 436.6
Derivatives payable	-	1 197.9	-	1 197.9
Total	8 060.7	6 545.1	1 013.5	15 619.3

Methods used for valuations in level 3:

Measurement of fair value

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. SAFA use a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The method and valuation techniques used for the purpose of measuring fair value for floating rate notes issued by the Commonwealth Bank of Australia (CBA FRNs) have changed compared to the previous reporting period. CBA FRNs were previously valued using Swap plus basis point (bp) margin to SAFA and are now valued using Swap plus 15bp.

All other valuations remain unchanged compared to the previous reporting period.

(a) *Investments* - The methodology for calculating the fair value of SAFA's investment in level 3 is based on a valuation against Swap plus a margin. This includes the above mentioned CBA FRNs.

(b) *Loans and receivables* - The amount in level 3 represents the CPSIR loan to the Treasurer, which is a loan represented by a pooled number of smaller borrowings and investments, that individually are classified as level 1 or level 2 in the fair value hierarchy, but the loan itself is considered inactive in the market.

(c) *Deposits and short-term borrowings* - There are two groups of deposits that represent the amount in level 3. These consist of the CPSIR deposit from the Treasurer and Cash Enhanced Fund. Both these deposits are a valuation of a number of smaller investments that have been classified as level 1 or level 2 in the fair value hierarchy. The deposits do not have a quoted price in the market.

(d) *Bonds, notes and debentures* - The borrowings in level 3 are considered to be classed as inactive in market therefore there are no quoted or recent historical market transactions.

Reconciliation of movement in level 3	2010
	$'million
Opening balance	3 056.2
Total gains and losses	154.4
Purchases	1 259.6
Sales/Withdrawals	(77.0)
Net transfers in (out)	-
Closing balance	4 393.2
Total gains or for the period included in the liabilities Statement of Comprehensive Income for assets and held at the end of the reporting period	155.9

(j) Ageing analysis of financial assets

As at 30 June 2010 the amount of financial assets including impaired assets that are past due was $1 945 635 ($nil).

(j) Ageing analysis of financial assets (continued)

2010	Past due by Less than 31 days $million	31-60 days $million	61-90 days $million	More than 90 days $million	Total $million
Not impaired:					
Receivables	0.2	0.6	0.4	0.6	1.7
Impaired:					
Receivables	-	-	-	0.2	0.2
	0.2	0.6	0.4	0.8	1.9

29. Average statement of financial position and margin analysis

The average balances represent the average month end balances and reflect the face value of SAFA's assets and liabilities. The average rate is calculated as interest divided by the average balance of interest bearing assets and liabilities.

	2010 Average balance $'million	2010 Interest $'million	2010 Average rate Percent	2009 Average balance $'million	2009 Interest $'million	2009 Average rate Percent
Assets:						
Interest earning assets:						
Cash and cash equivalents	2 720.8	108.5	3.99	2 145.8	103.4	4.82
Investments	1 014.5	52.4	5.17	965.0	57.6	5.97
Loans	8 591.6	393.7	4.58	5 914.5	328.5	5.55
Other assets	-	355.8	-	-	353.6	-
Total assets	12 326.9	910.4	4.50	9 025.3	843.1	5.42
Liabilities:						
Interest bearing liabilities:						
Deposits and short-term borrowings	5 750.4	183.8	3.20	3 788.6	171.7	4.53
Bonds, notes and debentures	6 626.5	355.4	5.36	5 166.6	308.1	5.96
Other liabilities	-	352.5	-	-	336.3	-
Total liabilities	12 376.9	891.7	4.36	8 955.2	816.1	5.36

30 Actuarial assumptions and methods

SAFA writes four broad classes of general insurance: Property, liability, other liability and medical malpractice. Products included in those broad classes are detailed below:

Property (Short tail)	*Liability (Long tail)*	*Medical Malpractice*	*Other liability (Long tail)*
Aviation property	Aviation liability	Medical malpractice	Volunteers
Buildings and contents	General liability		
Consequential loss	Marine liability		
Fidelity guarantee	Professional indemnity		
General property	Personal accident		
Machinery breakdown			
Marine property			
Motor vehicle			

Percentage risk margin adopted for Fund 1 and Fund 2

The percentage risk margin adopted to reflect the inherent uncertainty of the central estimate was applied at the following rates by broad class:

	2010 Percent	2009 Percent
Medical malpractice	25	25
Liability	20	20
Property	10	10
Other	20	20

The overall risk margin is determined to allow for diversification between different portfolios and the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty is analysed for each class of insurance taking into account potential uncertainties which include:

- random variation in the claim process
- case estimates subject to movement up or down
- uncertainty regarding economic and other assumptions used for the central estimate
- impact of adverse changes in future rates of inflation and interest
- court precedents for liability claims
- social attitudes.

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of the Australian Prudential Regulation Authority guidelines for private sector insurers that a minimum of 75 percent probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75 percent probability that the provision for outstanding claims will be sufficient.

Discount / Inflation rates

SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims:

	2010 Percent	2009 Percent
For the succeeding year:		
Inflation rate (which includes superimposed inflation)	6.5	7.5
Discount rate - Medical malpractice	5.2	5.5
Discount rate - Short tail classes	4.6	4.0
Discount rate - Long tail classes	4.8	4.5
For subsequent years:		
Inflation rate (which includes superimposed inflation)	6.5	7.5
Discount rate - Medical malpractice	5.2	5.5
Discount rate - Short tail classes	4.6	4.0
Discount rate - Long tail classes	4.8	4.5

Weighted average expected term to settlement of outstanding claims from the end of the reporting period	2010 Fund 1 Years	2010 Fund 2 Years	2009 Fund 1 Years	2009 Fund 2 Years
Medical malpractice	9.0	6.6	9.2	6.6
Liability	2.5	1.0	2.4	0.5
Property	1.5	0.5	1.5	1.0

Total outstanding claims

Fund 1	Central estimate $'million	Risk margin $'million	Indirect claim settlements margin $'million	2010 $'million
Expected future claims payments (inflated/undiscounted)	263.2	53.4	9.8	326.4
Discount to present value	(71.2)	(16.5)	(2.7)	(90.4)
Total outstanding claims	192.0	36.9	7.1	236.0

The impact of the revision of the inflation and discount assumptions is detailed below:

	Balance under 2009 assumptions[(1)] $'million	Balance under 2010 assumptions $'million	Change due to revision of assumptions $'million
Medical malpractice	171	154.6	(16.4)
Liability	77.3	72.3	(5.0)
Property	9.6	9.0	(0.6)
Other	0.1	0.1	0.0
Total outstanding claims	258.0	236.0	(22.0)

(1) The outstanding claims positions as at 30 June 2010 and the economic assumptions as at 30 June 2009 have been used to identify the impact due to revision of those assumptions.

Fund 2	Central estimate $'million	Risk margin $'million	Indirect claim settlements margin $'million	2010 $'million
Expected future claims payments (inflated/undiscounted)	61.2	12.7	2.4	76.3
Discount to present value	(8.9)	(2.0)	(0.3)	(11.2)
Total outstanding claims	52.3	10.7	2.1	65.1

The impact of the revision of the inflation and discount assumptions is detailed below:

	Balance under 2009 assumptions[(1)] $'million	Balance under 2010 assumptions $'million	Change due to revision of assumptions $'million
Medical malpractice	40.9	25.6	(15.3)
Liability	34.3	33.8	(0.5)
Property	7.0	5.7	(1.3)
Total outstanding claims	82.2	65.1	(17.1)

(1) The outstanding claims positions as at 30 June 2010 and the economic assumptions as at 30 June 2009 have been used to identify the impact due to revision of those assumptions.

31. Controlled entities

As at 30 June 2010, SAFA did not control any entities either through ownership or management control.

32. Events after the end of the reporting period

No event has arisen since 30 June 2010 that would be likely to materially affect the operations or the state of affairs of SAFA.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Housing Trust (the Trust) was established by the *South Australian Housing Trust Act 1995*. The Trust also administers the *Housing Improvement Act 1940*.

Functions

The functions of the Trust include the following:

- the ownership of houses and units for tenant occupation
- the construction and purchase of houses and other properties
- the management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants
- the management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust manages a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of grant programs managed is detailed in note 11 to the Trust's financial statements.

The Trust has a performance agreement with the Department for Families and Communities (DFC), Housing SA, to provide housing services on its behalf. Under the agreement, the Executive Director, Housing SA manages these services on behalf of the Trust.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 31 of the PFAA and subsection 27(4) of the *South Australian Housing Trust Act 1995* require the Auditor-General to audit the accounts of the Trust each financial year.

Assessment of controls

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

This assessment also considers whether 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:

- revenue, including rent raising and recovery
- accounts payable
- staffing costs
- maintenance expenditure

- council and water rates
- borrowings
- fixed assets, including rental properties
- inventory
- fixed asset and inventory work in progress
- Commonwealth funding received under the Nation Building and Jobs Plan National Partnership Agreement
- community housing operations, including regulatory function and revenue collection.

In addition, some services including payroll and accounts payable processing were undertaken by Shared Services SA (SSSA) and these were reviewed as part of the audit.

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 South Australian Housing Trust 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 South Australian Housing Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to rent, fixed assets, community housing operations, grants, Nation Building and Jobs Plan arrangements, water and council rates and accounts payable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Housing Trust have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Executive Director, Housing SA. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Trust and the related responses are detailed below.

Rent

The systems, policies and procedures which support raising and collection of rent from tenants are an important part of the Trust's operations and financial management activities. They support:

- recording tenant details and assessing their entitlement to rent rebates

- periodic review of tenants' continuing entitlement to rent rebates which may change if household composition or income changes

- control over the write-off of tenant debt in accordance with Trust policies.

The following matters were raised with the Trust in 2009-10. A number of these matters were raised in previous audits.

- Rent calculation overrides processed by regional staff and benefit review officers, which enable non-systematic adjustments to tenants' rent, were not always authorised at the time the adjustment was made. A process implemented by the Trust to ensure that all overrides were authorised was not always undertaken on a timely basis due to slow return of information from regions.

- Trust policies require that tenants complete a declaration relating to the occupancy of their property at least every 12 months. This process ensures that the income of tenants no longer residing at the property, or the income of new tenants residing at the property, are taken into account when determining the reduced rent amount payable by the tenant. Audit noted that, at the time of review in May 2010, the process of occupancy confirmation had not been undertaken since August 2008.

- Audit review of the accounting treatment applied in 2009-10 to debt when it is outsourced to a collection agency revealed that the treatment was not correct.

In response the Trust advised that a revised policy would be introduced requiring all rent assessments and overrides to be conducted centrally and that the accounting treatment applied to outsourced debt would be amended. Regarding the occupancy declaration, the process was under review which contributed to the delay that Audit noted, however the existing process has been retained and confirmations were requested from tenants in July 2010.

Accounts payable

The accounts payable system controls processing and reporting of a significant volume and value of expenditure related to administration costs, financing costs, capital work in progress and inventory expenditure. Payments for maintenance activities and for council and water rates are processed through separate specialised systems.

Since 2003-04 Audit has raised issues with the Trust about the limited use of its online purchase order system which provides for a stronger control environment than manual processing of payments and associated checking procedures. The 2009-10 audit again raised the same concerns. In May 2010 the Trust began using the SSSA procurement and payment system BASware. Audit will review the controls and operation of this system as part of the 2010-11 audit.

Other important matters raised with the Trust were:

- the need to ensure that contracts are executed by officers with appropriate delegations of authority and that executed contracts are in place with vendors supplying ongoing services
- that there was no delegated authority for the transfer of money between bank accounts.

In response the Trust advised that staff will be reminded of the need to appropriately execute contracts within delegations and that a delegation of authority would be developed for transferring money.

Fixed assets

The Trust maintains a database of property information known as HOMES. Last year Audit noted that community housing properties are not recorded in HOMES but are recorded in a separate database which is not subject to the same level of access control that is present in the HOMES system. The Trust indicated that the feasibility of including all asset data in HOMES would be investigated.

In 2009-10, Audit noted no apparent progress with this issue and an update on the outcome of the feasibility study was requested. In response the Trust advised that given potential future development of its ICT system no action would be taken at this stage to integrate the community housing properties into HOMES. However, it would further investigate the possibility of strengthening controls in the separate database.

Other issues raised with the Trust included:

- the need to improve access controls for property title information
- reconciliations between the fixed asset system and the general ledger not being reviewed on a timely basis by SSSA
- exception reports generated from the update of Valuer-General information to HOMES not being reviewed as required by procedures.

In response the Trust indicated that controls over access to property titles would be improved and that the fixed asset reconciliations and exception reports would be reviewed.

Council and water rates

Council and water rates expenditure is processed through the council/water rate system and in 2009-10 expenditure was $64 million. For a number of years Audit has raised issues with the Trust about the authorisation of council and water rates prior to payment. This year's audit found that authorisation prior to payment was still not occurring. There would appear to be a lack of coordination between the automated payment process and the generation of approval documentation. Audit also noted issues with the timeliness of reconciliations between the council/water rate system and the general ledger and review of exception reports generated by the council/water rate system. These issues were all raised with the Trust in 2008-09 and were yet to be satisfactorily resolved.

The Trust responded that the timing of payment generation runs did not enable authorisation of council and water rates prior to payment. The Trust is pursuing options to resolve this issue.

In response to the issues regarding system reconciliation and review of exception reports the Trust indicated that action would be taken to improve processes.

Nation Building and Jobs Plan projects

Audit reviewed the management of Nation Building and Jobs Plan (NBJP) arrangements. The scope of the review included:

- governance arrangements
- compliance with commonwealth agreement requirements
- procurement arrangements
- project management including costing and monitoring.

The main findings of the review, together with the Trust's response, were:

Governance

- There were no terms of reference for the Nation Building Committee, a sub-committee of the Housing Leadership Group which was formed to oversee the social housing component of the NBJP and to ensure clear communications across Housing SA.

- There was no clear, consistent process for approval of proposals submitted to the Commonwealth. Audit noted that various submissions were approved in different ways. Audit also noted that the SA Housing Trust Board were not involved in any decision making process.

Trust response

- Although there were no terms of reference for the Nation Building Committee, a governance framework was established to clarify the roles of all the business units within Housing SA.

- All submissions were approved by the Executive Director, Housing SA and the Minister and Cabinet were fully briefed. Given the short timeframes available for submissions, Housing SA considers the process followed was appropriate.

Procurement

- Processes for assessing pre-qualified builders could be improved. In particular, Audit noted no policy or procedure covering the assessment and approval process, an inconsistent approach applied to assessment, documentation and approval of applicants and no formal approval of successful applicants as required by the Trust's delegations of authority.

- There was room for improvement in the processes used to determine the scope of works for maintenance upgrades. The scoping system used to assist in the determination of costs for each piece of work which forms the pre-tender estimate was out of date. Audit also noted that maintenance coordinators were responsible for determining the pre-tender estimate and also selecting the pre-qualified builder to quote on the works package without any independent review.

- Audit noted that a number of maintenance coordinators adjusted pre-tender estimates after tenders were received. There was no independent review or approval of these adjustments to the pre-tender estimate.

- One of the objectives of NBJP was to allow repair and maintenance work to be allocated equally to pre-qualified builders taking into account property selection, geographical location and contractor capacity. Audit found there was no mechanism in place which ensured that work was allocated by maintenance coordinators on an equal apportionment basis.

Trust response

- A policy and procedure would be developed for the assessment of pre-qualified builders.

- The system used to provide pricing for determination of scope of works would be updated. The Trust considered that an independent review of pre-tender estimates was not required as maintenance coordinators have the necessary technical skills and knowledge to determine the scope of works.

- A process to independently review and approve adjustments to pre-tender estimates has been implemented and will be formally reflected in an updated policy and procedure.

- Although an instruction was given to staff to apportion work across a range of contractors, the short timeframes and contractors capacity to perform work meant that it was not always possible to equally apportion work. The DFC procurement section was regularly monitoring and reporting on contract allocation.

Project management

- Audit noted incorrect costing to a project which subsequently resulted in incorrect costs being reported to the Commonwealth. The amount involved was $294 000.

- The methodology used to apportion internal costs to projects was not equitable which resulted in some projects bearing a disproportionately high level of internal costs.

Trust response

- The costing error has been corrected and subsequently reported correctly to the Commonwealth.

- The method used to apportion internal costs is consistent with processes used for other Trust building projects. The abnormally high allocation of costs was due to a one-off event and has been corrected.

Capital works

The Trust implemented a new project budget system (PBS) during the year to assist in the budget monitoring process for capital works. Audit reviewed the operation of the PBS system and found that there were a number of shortcomings with the system. The major areas of concern were as follows:

- There was no policy about the use of the system and the documented procedures were technically rather than operationally oriented

- The system was not used by all areas and there remains a significant reliance by project managers on manually maintained spreadsheets and other records

- The PBS is not interfaced with the Masterpiece job cost system requiring manual input of cost information which is inefficient and time consuming

- There is no suite of reports available from PBS

- Controls surrounding the integrity of information entered into PBS and the monitoring of budget variations could be improved.

At the time of the audit the Trust was aware of a number of the shortcomings of the PBS and was taking action to address the issues.

Audit also raised an issue about compliance with TI 8 regarding the Minister delegating authority to execute contracts when the specific party and amount of the contract are unknown.

The Trust indicated that work is underway on the PBS to address a number of the shortcomings of the system, however it does not provide an ideal mechanism for managing all projects and as such other systems and means are used.

Regarding TI 8, the Trust sought approval from DTF to vary the application of TI 17 which concerns gaining Ministerial approval of projects before tender processes are commenced. Such approval would have allowed the Trust to gain approval from the Minister at the time of awarding the contract which would have satisfied the requirements of TI 8. DTF did not grant approval to vary the application of TI 17 and further work is being done to resolve this issue.

Community housing operations

Under the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act), the Trust is responsible for regulating community housing associations and co-operatives which are collectively know as the community housing organisations (CHOs). As part of this role, the Trust manages funding arrangements with the CHOs which require that the CHOs collect rent from tenants and after retaining an amount for property maintenance and property and administration costs, the balance is submitted to the Trust as a 'capital contribution'. The agreements also require the CHOs to adequately maintain properties, to make them available to tenants who meet certain criteria and to meet certain accountability and governance requirements.

Reliance on community housing organisation auditors

Audit noted that the Trust places significant reliance on the auditors of the CHOs to provide assurance on a range of governance matters which CHOs are required to comply with under the terms of their funding arrangements. These matters include the accuracy of capital contributions made by CHOs, the application of tenant eligibility requirements and the preparation of adequate financial statements.

The results of audit testing, as was the case last year, identified concerns with the quality of assurance provided by the auditors. Audit recommended that a review be undertaken of the reliance placed on the CHOs' auditors and that consideration be given to strengthening the role that the Trust plays in obtaining direct assurance through the implementation of an internal audit visit and checking program.

In response the Trust advised that DFC Risk Management and Internal Audit (RMIA) was requested to include verification of audit sign-offs on a sample of CHOs in the proposed SAHT 2010-11 Internal Audit Plan. The plan will be considered by the SAHT Board Audit Committee at its October meeting. The Trust also advised it would write to all CHOs reminding them of financial statement submission processes including checking processes and the need for full resubmission of all information when required.

Specific community housing organisation matters

In the course of the audit some specific matters concerning a housing association registered under the SACCH Act received focussed attention. The matters included compliance with the SACCH Act and/or the *Associations Incorporations Act 1985*, aspects of governance and accountability and exercising the association's powers. The audit also addressed aspects of the Trust's role as regulator under the SACCH Act.

As a result of the review, Audit recommended that there were some matters that the Trust should consider and further pursue, including taking legal counsel or independent advice as needed.

The Trust responded that based on the number of matters raised, an independent investigator had been appointed to report under Schedule 1, clause 10(3) of the SACCH Act. The Trust had referred a matter to the Crown Solicitor for advice. The Trust also advised that it would work with DFC RMIA and DFC Corporate Services to develop a whistleblower policy in the community housing sector by April 2011.

Other matters

Audit also raised concerns in relation to the checking of the accuracy of capital contributions received from CHOs, the provision of information related to vacant properties and compliance and reporting matters under funding agreements.

The Trust responded that consideration would be given to using DFC RMIA to undertake a program of independent visits to review the operation of CHOs. It also advised that revised procedures would be implemented to strengthen the checking of capital contributions received, a review of requirements in relation to vacant property reporting would be undertaken and that follow up of outstanding reports required under funding agreements had been undertaken.

The Trust also advised that it would review its procedures to improve the regulation of CHOs. Further, in the context of the significant planned growth in the not for profit housing sector and a move towards national harmonisation of its regulation, Housing SA will be reviewing the regulation of community housing providers in the next 12 months. This will be included in the DFC business plan for 2010-11.

Management of grant payments

A review of grant management processes for grants provided to non-government organisations (NGOs) identified that:

- information held on the Fund and Grant Management System was not always complete and maintained in an up to date manner

- improvements in the processes employed for grant assessment could be made
- monitoring of the performance of NGOs receiving grants could be improved.

These findings are consistent with those included in the DFC Risk Management and Internal Audit report entitled 'Grants management review' which was completed in August 2009.

In response the Trust indicated that a new contract management framework is being developed which will address the issues raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

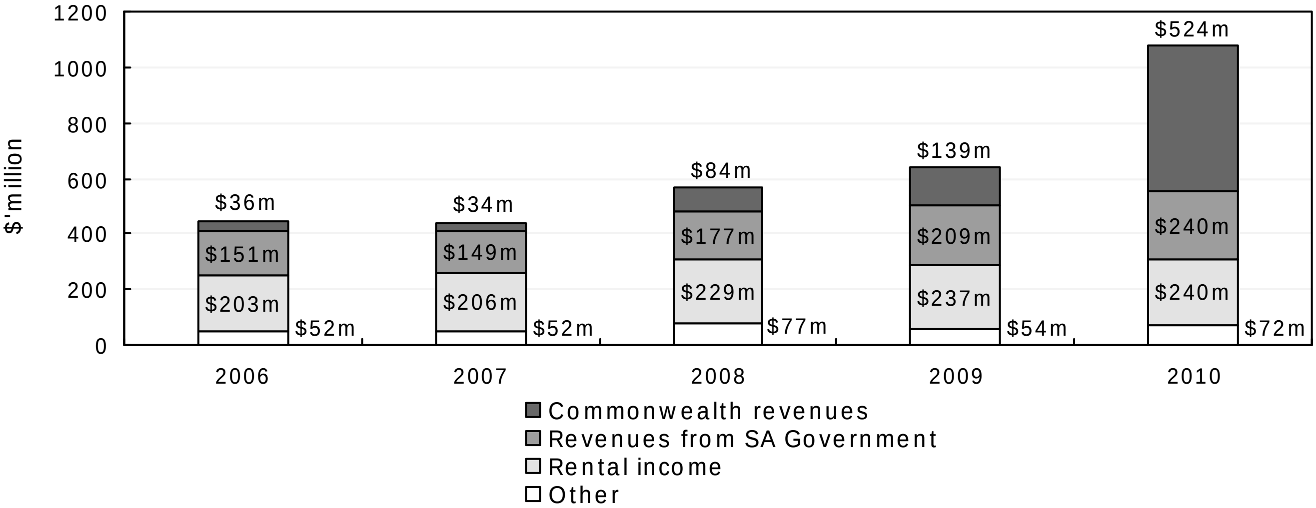
Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Staffing costs	**65**	63
Finance costs	**38**	39
Maintenance	**103**	93
Council rates and water charges	**64**	60
Land tax equivalent	**164**	149
Depreciation and amortisation	**85**	81
Grants and subsidies	**90**	68
Other expenses	**75**	65
Total expenses	**684**	618
INCOME		
Rental income	**240**	237
Commonwealth revenues	**524**	139
Other	**72**	54
Total income	**836**	430
Net cost of providing services	**(152)**	188
Revenues from SA Government	**240**	209
Net result before income tax equivalent	**392**	21
Income tax equivalent	**21**	5
Net result after income tax equivalent	**371**	16
OTHER COMPREHENSIVE INCOME	**552**	1 171
Total comprehensive result	**923**	1 187
NET CASH PROVIDED BY OPERATING ACTIVITIES	**309**	51
ASSETS		
Current assets	**528**	309
Non-current assets	**9 231**	8 601
Total assets	**9 759**	8 910
LIABILITIES		
Current liabilities	**104**	75
Non-current liabilities	**627**	730
Total liabilities	**731**	805
TOTAL EQUITY	**9 028**	8 105

Statement of Comprehensive Income

Income

For the five years to 2010 a structural analysis of income for the Trust is presented in the following chart.



Total income was $1.1 billion, an increase of $437 million over the previous year. The main increases related to:

- revenues from SA Government increasing by $31 million primarily as a result of:
  - tax equivalent reimbursement, up $33 million. Under the Commonwealth funding arrangement funds received from the Commonwealth are not permitted to be used to fund tax equivalent payments. As a consequence the State provides reimbursement for any tax equivalent amounts paid by the Trust which results in tax equivalent transactions having no impact on the Trust's net result. This year land tax equivalent reimbursements were impacted by increasing property values and totalled $167 million ($151 million). An income tax equivalent reimbursement of $21 million ($5 million) was received due to the Trust recording a surplus in 2010
  - Commonwealth State Housing Agreement (CSHA) matching funding, down $13 million. The CSHA finished on 31 December 2008 and as a result the requirement for matching funding ceased
  - general purpose grant, up $22 million
  - funding for various programs ceased resulting in a decrease in funding of $10 million
- Commonwealth revenues increasing by $385 million primarily as a result of:
  - recurrent funding - up $71 million mainly due to:
    - National Affordable Housing base funding, up $50 million. This arrangement replaced the CSHA which ceased on 31 December 2008
    - CSHA funding decreased by $27 million as a result of the cessation of the agreement
    - funding under the National Partnership Agreements – Remote Indigenous Housing, up $56 million and homelessness, up $5 million
  - capital funding - up $314 million mainly due to:
    - National Partnership Agreement: Nation Building - Economic Stimulus Plan, up $280 million
    - National Partnership Agreement: Remote Indigenous Housing, up $33 million
    - new funding of $10 million for National Housing Affordability Fund.

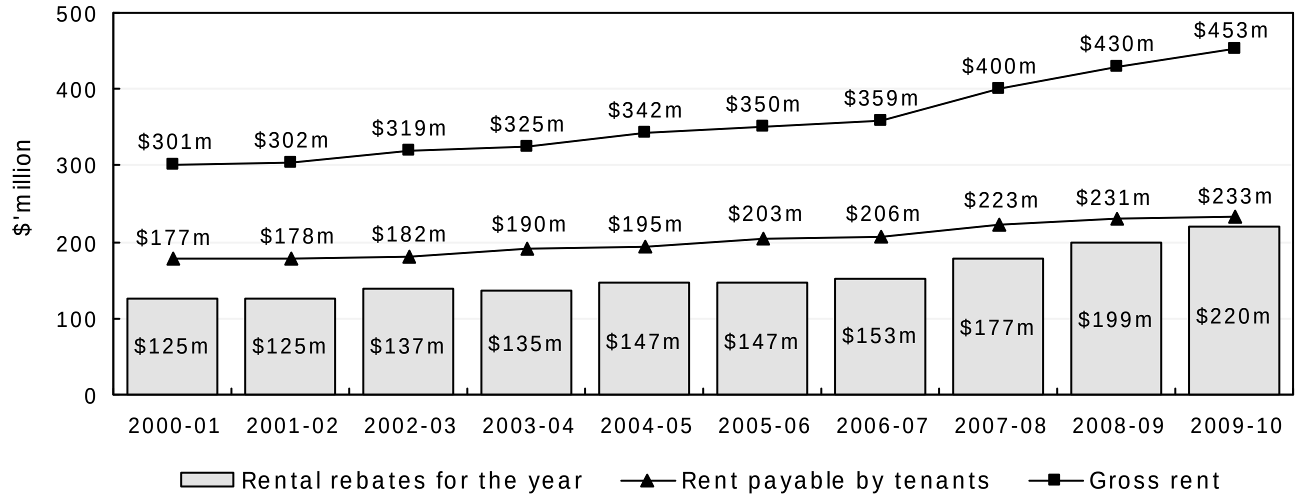
  Note 36 of the financial statements and later commentary under the heading 'Commonwealth funding arrangements' explains current grant funding arrangements.
- rental income (net of rental rebates) increasing by $3 million mainly as a result of increased market rent.

Rental operations

As at 30 June 2010 the level of housing stock, excluding unlettable properties, was 44 706 (45 103) of which 98 percent (98 percent) was tenanted.

88 percent (86 percent) of tenants pay reduced (rebated) rent due to low income.

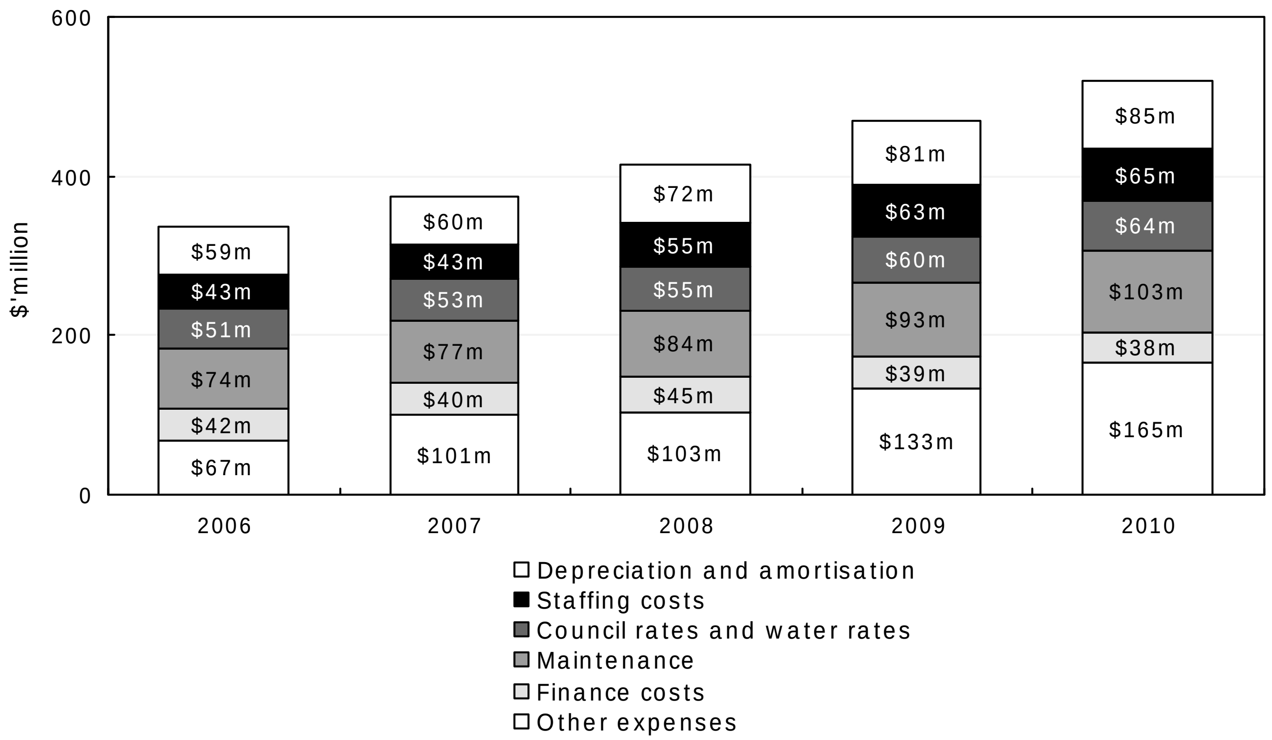
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2001-02 due to increases in market rents and 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2010 gross rent increased 5 percent ($23 million), rent revenue increased 1 percent ($2 million) and rent rebates increased 11 percent ($21 million). Since 2006-07 rental rebates have increased by 44 percent while rent payable after rebates has grown only by 13 percent. The amount of rent rebates is dependent on each tenant's circumstances with rent payable being capped at 25 percent of household income or market rent, whichever is the lower.

Expenses

For the five years to 2010, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the last four years. For 2007 other expenses increased primarily as a result of increased grants and subsidies and impairment expenses. In 2008 and 2009 depreciation and amortisation expenses, maintenance costs and staffing costs have increased. In 2009 other expenses also rose as a result of increased grants and subsidies. In 2010 maintenance costs and grants and subsidies (included in other expenses) increased.

In 2010 total expenses (excluding tax equivalent expenses) increased by $51 million (11 percent). This increase was due mainly to increases in:

- depreciation and amortisation ($4 million) as a result of higher property values
- maintenance ($10 million) due to additional maintenance being funded through Commonwealth funding
- grants and subsidies (included in other expenses) ($22 million). See below for further discussion.

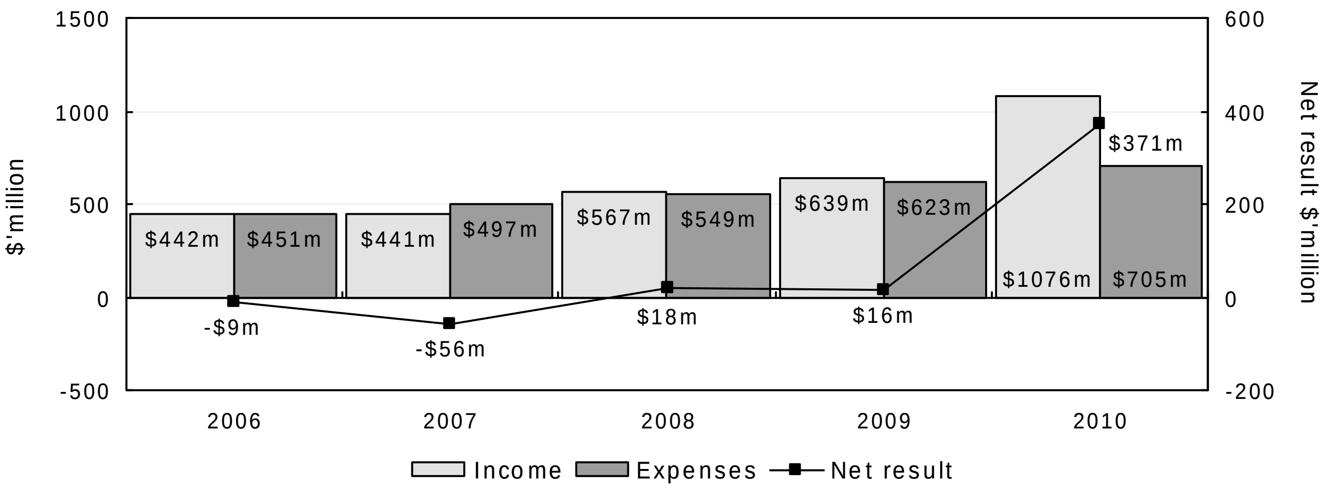
Grant funded programs

The Trust's recurrent direct expenditure with respect to grant funded programs was $90 million ($68 million). This increase of $22 million was mainly as a result of:

- affordable housing grants increasing by $9 million
- new grants made under the National Partnership Agreements for social housing ($7 million) and remote indigenous housing ($3 million). Grants made under the National Partnership Agreements for homelessness increased by $3 million. These programs are funded by the Commonwealth.

Net result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2010.



The chart demonstrates that the net result has fluctuated over the period under review.

The net result for 2010 is dominated by the increased income from grants from the Commonwealth, as discussed previously under the heading 'Income'. In particular, the net result of $371 million is due mainly to the large increase in grants received for capital purposes (up $314 million) where the resultant expenditure is brought to account through the Statement of Financial Position and not the Statement of Comprehensive Income.

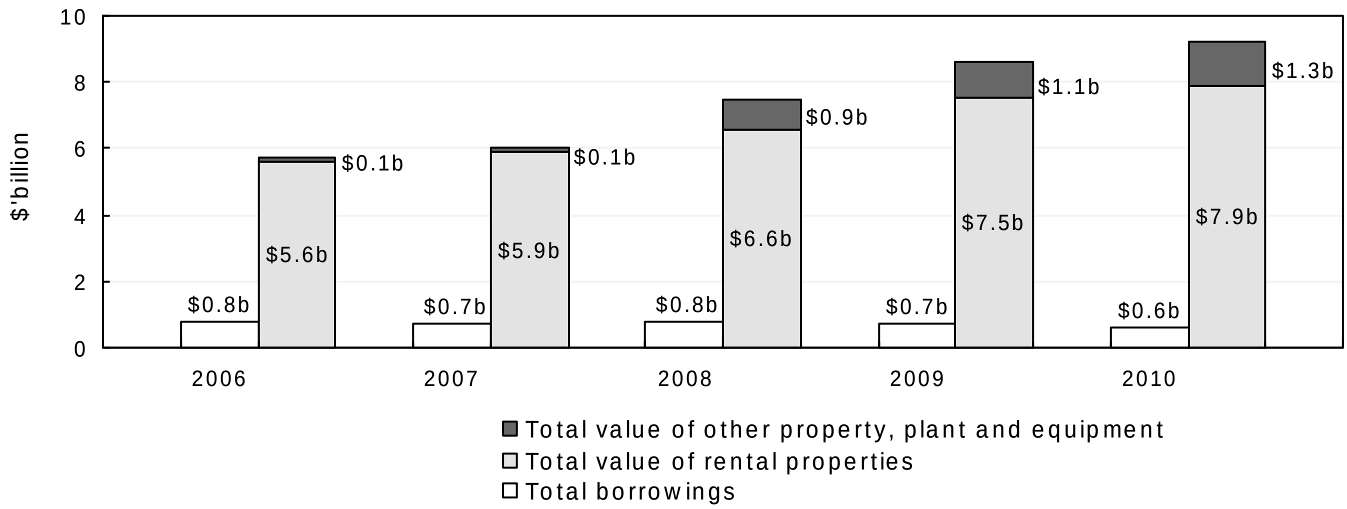
State and Commonwealth Government funds have been received for a number of projects which are yet to be expended. Note 36 to the financial statements details that $274 million of grant funds received during 2009 10, $4 million of grant funds received in 2008-09 and $12 million received in earlier financial years were unspent as at 30 June 2010.

Unspent grants and also grants received for capital purposes can impact on the net result achieved for the year.

Statement of Financial Position

The Trust's financial position is dominated by non-current property, plant and equipment assets and non-current interest bearing liabilities. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2010 current liabilities amounted to $104 million ($75 million), while current assets were $528 million ($309 million). The significant increase in current assets is primarily as a result of cash and cash equivalents as at 30 June 2010 of $340 million, compared to $143 million the previous year. The increase of $197 million relates mainly to unspent Commonwealth grants as detailed in Note 36 to the financial statements.

The following chart demonstrates the Trust's indebtedness over the past five years in comparison to the value of the Trust's assets.



In 2010 the value of rental properties increased by $387 million (5 percent) to $7.9 billion. Of this increase asset additions accounted for $149 million and revaluation of assets for $517 million, offset by disposal of assets of $207 million and depreciation of $73 million.

The chart shows the steady increase in value in 2006 and 2007 with significant increases in value in 2008 and 2009. The 2010 increase in value was not as great as the two previous years. The 2008 increase was the result of additional assets acquired in the restructure of housing activities along with asset revaluation. The 2009 and 2010 increases were primarily a result of asset revaluation. Other property, plant and equipment includes assets under arrangement of $958 million.

It is important to note that the Trust revalues all land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the Trust's financial reporting obligations, reported values lag current market values. As reported in note 2.13(ii) values for 2009-10 were issued by the Valuer-General as at 1 July 2009. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock.

During the period under review total borrowings steadily decreased except for 2008 when they increased by $17 million as a result of borrowings of $102 million being assumed as part of the restructure and new borrowings of $19 million offset by repayments of $104 million.

Total borrowings of $625 million are subject to concessional interest rates which are fixed and range from four percent to five percent. These rates compare to the common public sector interest rate which averaged 4.35 percent for 2009-10. The fair value of borrowings at 30 June 2010 was $552 million ($615 million).

Statement of Cash Flows

	2010	2009	2008	2007	2006
	$'million	$'million	$'million	$'million	million
Net cash flows					
Operating	**309**	51	44	(9)	26
Investing	**(3)**	(5)	41	28	(3)
Financing	**(109)**	(24)	(61)	(20)	(19)
Change in cash	**197**	22	24	(1)	4
Cash at 30 June	**340**	143	121	97	98

In 2010 the Trust recorded an increase in cash of $197 million ($22 million).

Cash flows from operating activities were impacted by a change to AASB 107 which requires cash flows associated with sales and purchases of properties held for rental purposes to be classified as operating activities rather than investing activities. The figures disclosed in the above table for 2009 also reflect this change in disclosure.

Cash inflows from operating activities increased by $441 million largely because of an increase in cash received from the Commonwealth Government of $385 million. Grants received during 2010 which were unspent at 30 June 2010 totalled $274 million and a further $16 million from grants received in previous years remains unspent at 30 June 2010. Refer to note 36 to the financial statements. Proceeds from the sale of rental property also increased by $65 million.

Cash outflows from operating activities also increased by $197 million, primarily as a result of increased purchase of rental properties, up $163 million, grants and subsidies, up $22 million, land tax equivalent payments, up $15 million and rental property expenses, up $15 million offset by a decrease in payments for supplies and services, down $17 million.

Cash outflows from financing activities saw repayment of borrowings of $108 million compared to $24 million the previous year.

FURTHER COMMENTARY ON OPERATIONS

Commonwealth funding arrangements

The National Affordable Housing Agreement (NAHA) signed between the Commonwealth and the States, under the provisions of the Intergovernmental Agreement on Federal Financial Relations, is a specific purpose payment. It is a Commonwealth financial contribution to support state delivery of services in the affordable housing sector. The NAHA does not have a state matching requirement. Funding is paid from the Commonwealth to DTF, from there to DFC and from DFC to the Trust in the form of a grant.

The State is required to spend these funds in the affordable housing sector. The State, however, has full budget flexibility to allocate funds within that sector as they see fit to achieve mutually agreed objectives for that sector. No restrictions/conditions are attached to the specific purpose payment on how States allocate their own funding across or within sectors.

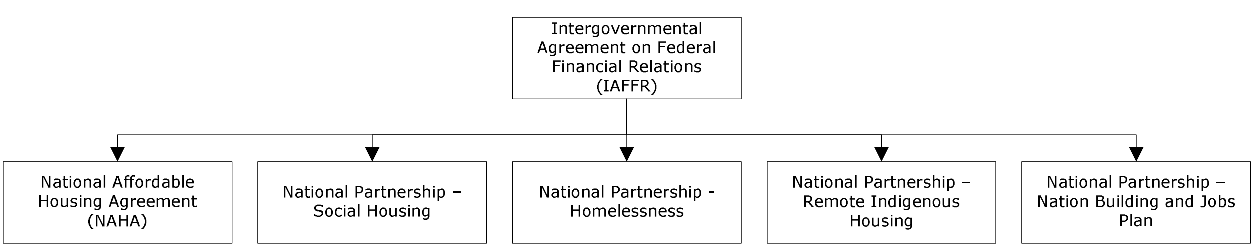
The State has an obligation to report compliance with the above requirement within six months of the end of every financial year to the Ministerial Council.

Base funding is provided on an ongoing basis and is indexed on 1 July 2010 and each year thereafter. The amount of base funding for affordable housing across all States in 2009-10 is $1.2 billion. Each State's share of funding in a financial year is its population share. The South Australian population share for 2009-10 is 7.8889 percent resulting in total funding for 2009-10 of $94.9 million. The amount of funding estimated to be available for 2010-11 is $95.6 million.

The NAHA is supported by National Partnership Agreements on:

- Social Housing
- Remote Indigenous Housing
- Homelessness
- Nation Building and Jobs Plan.

The arrangements effective from 1 January 2009 can be shown as follows:



National Partnership Agreement: Social Housing
The agreement facilitates the establishment of a Social Housing Growth Fund to increase the supply of social housing. The fund provides capital funding to support a range of projects to increase the supply of social housing through new construction. The agreement commenced on 1 January 2009 and expires on 30 June 2010. The Commonwealth approved $14.99 million in funding in May 2009 for the 2008-09 financial year and $14.99 million in funding in June 2009 for the 2009-10 financial year.

National Partnership Agreement: Homelessness
The agreement facilitates reforms to reduce homelessness. The agreement expires on 30 June 2013. Funding is allocated between the states in proportion with their share of the homeless population. The State is required to match the Commonwealth's total contribution towards the agreement. State matching is to directly address the outputs of the agreement.

National Partnership Agreement: Remote Indigenous Housing
The agreement facilitates reform in the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortage in remote Indigenous communities. The agreement expires on 30 June 2018.

National Partnership Agreement: Nation Building and Jobs Plan
The agreement facilitates the coordination, monitoring and delivery of economic stimulus through building prosperity for the future and supporting jobs now. The agreement involves facilitation payments by the Commonwealth for social housing. The agreement expires on 31 December 2012. Schedule C to the agreement outlines the Social Housing initiative, which is a commitment by the Commonwealth to increase the supply of social housing throughout Australia.

Implementation plans
Each of the NPAs has an implementation plan which outlines arrangements for delivering the various outcomes required by the agreements. The implementation plans are agreed between the Commonwealth and the State and schedules to the plans provide details of approved funding.

The following funding has been approved to date:

	2008-09 $'million	2009-10 $'million	2010-11 $'million	2011-12 $'million	2012-13 $'million	**Total $'million**
National Partnership Agreements:						
Social Housing	14.990	14.990	n/a	n/a	n/a	**29.980**
Nation Building and Jobs Plan - repairs and maintenance	14.990	14.990	n/a	n/a	n/a	**29.980**
Nation Building and Jobs Plan - Construction Stage 1	4.497	47.369	n/a	n/a	n/a	**51.866**
Nation Building and Jobs Plan - Construction Stage 2	n/a	236.833	100.855	14.709	n/a	**352.397**
Remote Indigenous Housing*	54.459	52.696	20.282	23.257	27.858	**178.552**
Homelessness	1.817	7.227	9.617	9.987	11.972	**40.620**
Total	90.753	374.105	130.754	47.953	39.830	**683.395**

* Payments of the funding amounts are made on the achievement of agreed key milestones.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Staffing costs	6	**64 619**	62 968
Supplies and services	7	**29 064**	26 254
Business service fees	8	**21 661**	18 738
Rental property expenses	9	**335 310**	305 521
Depreciation and amortisation	10	**84 941**	81 226
Grants and subsidies	11	**90 193**	68 172
Finance costs	12	**37 589**	39 117
Impairment expenses	13	**20 464**	16 235
Total expenses		**683 841**	618 231
INCOME:			
Rental income	14	**239 579**	236 751
Interest revenue	15	**9 181**	8 027
Net gain from disposal of assets	16	**38 121**	29 206
Recoveries	17	**17 500**	12 858
Recurrent Commonwealth revenues	18	**164 117**	92 646
Capital Commonwealth revenues	19	**360 164**	46 450
Other revenue	20	**7 316**	4 731
Total income		**835 978**	430 669
NET COST OF PROVIDING SERVICES		**(152 137)**	187 562
REVENUES FROM SA GOVERNMENT:			
Recurrent revenues from SA Government	21	**238 600**	206 084
Capital revenues from SA Government	22	**1 250**	2 812
Total revenues from SA Government		**239 850**	208 896
Net result before income tax equivalent		**391 987**	21 334
Income tax equivalent		**21 414**	4 923
NET RESULT AFTER INCOME TAX EQUIVALENT		**370 573**	16 411
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		**552 280**	1 171 253
TOTAL COMPREHENSIVE RESULT		**922 853**	1 187 664

Net result after income tax equivalent 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	23	**340 367**	143 050
Receivables	24	**39 141**	21 234
Inventories	25	**116 587**	131 363
Non-current assets classified as held for sale	26	**32 264**	13 039
Total current assets		**528 359**	308 686
NON-CURRENT ASSETS:			
Inventories	25	**3 344**	4 579
Property, plant and equipment	27	**9 221 733**	8 590 914
Intangible assets	28	**6 019**	5 439
Receivables	24	**-**	19
Total non-current assets		**9 231 096**	8 600 951
Total assets		**9 759 455**	8 909 637
CURRENT LIABILITIES:			
Payables	29	**66 774**	32 848
Staff entitlements	30	**8 714**	7 903
Interest bearing liabilities	31	**16 497**	21 682
Provisions	32	**2 309**	2 193
Other liabilities	33	**9 595**	10 196
Total current liabilities		**103 889**	74 822
NON-CURRENT LIABILITIES:			
Interest bearing liabilities	31	**608 021**	711 545
Staff entitlements	30	**13 619**	12 595
Provisions	32	**2 581**	2 068
Payables	29	**1 350**	1 277
Other liabilities	33	**2 113**	2 301
Total non-current liabilities		**627 684**	729 786
Total liabilities		**731 573**	804 608
NET ASSETS		**9 027 882**	8 105 029
EQUITY:			
Retained earnings		**2 700 924**	2 248 233
Asset revaluation surplus		**6 326 958**	5 856 796
TOTAL EQUITY		**9 027 882**	8 105 029

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	34
Contingent assets and liabilities	35

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	4 746 948	2 170 417	6 917 365
Net result after income tax equivalent for 2008-09	-	16 411	16 411
Revaluation of property during 2008-09:			
Decrement in rental houses due to revaluation:			
Transferred to capital works	(46 345)	-	(46 345)
Subject to sales contracts	(551)	-	(551)
Increment in freehold land and buildings due to revaluation	1 218 149	-	1 218 149
Total comprehensive result for 2008-09	1 171 253	16 411	1 187 664
Transfer to retained earnings of increment realised on sale of freehold land and buildings	(61 405)	-	(61 405)
Realisation of asset revaluation surplus on sale of freehold land and buildings	-	61 405	61 405
Total transfer between equity components 2008-09	(61 405)	61 405	-
Balance at 30 June 2009	5 856 796	2 248 233	8 105 029
Net result after income tax equivalent for 2009-10	-	370 573	370 573
Revaluation of property during 2009-10:			
Decrement in rental houses due to revaluation:			
Transferred to capital works	(17 966)	-	(17 966)
Subject to sales contracts	(1 019)	-	(1 019)
Increment in freehold land and buildings due to revaluation	571 265	-	571 265
Total comprehensive result for 2009-10	552 280	370 573	922 853
Transfer to retained earnings of increment realised on sale of freehold land and buildings	(82 118)	-	(82 118)
Realisation of asset revaluation surplus on sale of freehold land and buildings	-	82 118	82 118
Total transfer between equity components 2009-10	(82 118)	82 118	-
Balance at 30 June 2010	**6 326 958**	**2 700 924**	**9 027 882**

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:			
Staffing costs		**(61 986)**	(59 081)
Supplies and services		**(10 518)**	(27 135)
Business service fees		**(21 661)**	(18 738)
Rental property expenses		**(170 299)**	(155 377)
Grants and subsidies		**(90 193)**	(68 172)
Interest paid		**(32 257)**	(34 321)
Other finance costs		**(5 575)**	(5 012)
Land tax equivalents paid		**(163 878)**	(149 162)
Income tax equivalent paid		**(4 923)**	(5 496)
GST payments on purchases		**(15 871)**	(14 333)
GST paid to DFC		**(10 210)**	(16 812)
Purchase of rental property		**(317 036)**	(154 031)
Other payments		**(5 212)**	(5 237)
Cash used in operations		**(909 619)**	(712 907)
CASH INFLOWS:			
Rent received		**233 270**	242 810
Recoveries received		**17 500**	12 858
Other receipts		**6 856**	4 731
Receipts from Commonwealth		**524 281**	139 096
Interest received		**8 349**	8 999
Proceeds from sale of rental property		**179 389**	114 262
GST receipts on receivables		**9 082**	14 454
GST receipts from DFC		**16 743**	17 413
Cash generated from operations		**995 470**	554 623
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**223 334**	209 201
Cash generated from SA Government		**223 334**	209 201
Net cash provided by operating activities	37	**309 185**	50 917
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(1 397)**	(2 461)
Purchase of intangibles		**(2 039)**	(2 760)
Cash used in investing activities		**(3 436)**	(5 221)
CASH INFLOWS:			
Proceeds from interest bearing receivables		**34**	10
Cash generated from investing activities		**34**	10
Net cash used in investing activities		**(3 402)**	(5 211)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(108 466)**	(24 274)
Cash used in financing activities		**(108 466)**	(24 274)
Net cash used in financing activities		**(108 466)**	(24 274)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**197 317**	21 432
CASH AND CASH EQUIVALENTS AT 1 JULY		**143 050**	121 618
CASH AND CASH EQUIVALENTS AT 30 JUNE	23	**340 367**	143 050

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

(Activities - refer note 5)	1		2		3	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Staffing costs	**49 669**	49 887	**7 299**	6 836	**1 737**	911
Supplies and services	**21 453**	20 300	**4 095**	3 402	**1 611**	877
Business service fees	**16 861**	14 827	**2 552**	2 092	**556**	275
Rental property expenses	**323 184**	294 583	**11 642**	10 343	**466**	576
Depreciation and amortisation	**71 691**	68 790	**3 925**	3 676	**9 325**	8 760
Grants and subsidies	**37 452**	18 980	**11 310**	11 516	**258**	284
Finance costs	**36 261**	36 603	**-**	-	**1 328**	2 514
Impairment expenses	**17 368**	13 599	**1 045**	772	**30**	30
Total expenses	**573 939**	517 569	**41 868**	38 637	**15 311**	14 227
INCOME:						
Rental income	**222 405**	220 011	**11 135**	10 912	**6 039**	5 828
Interest revenue	**9 181**	8 027	**-**	-	**-**	-
Net gain (loss) from disposal of assets	**38 144**	30 143	**230**	(58)	**(253)**	(879)
Recoveries	**11 944**	8 184	**1 828**	1 166	**48**	58
Recurrent Commonwealth revenues	**100 537**	35 679	**63 470**	22 380	**-**	15 877
Capital Commonwealth revenues	**325 599**	37 861	**34 565**	5 999	**-**	2 590
Other revenue	**5 513**	4 305	**664**	218	**329**	-
Total income	**713 323**	344 210	**111 892**	40 617	**6 163**	23 474
NET COST OF PROVIDING SERVICES	**139 384**	(173 359)	**70 024**	1 980	**(9 148)**	9 247
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	**182 579**	174 460	**-**	4 532	**9 148**	11 372
NET RESULT BEFORE INCOME TAX EQUIVALENT	**321 963**	1 101	**70 024**	6 512	**-**	20 619
Income tax equivalent	**17 589**	-	**3 825**	859	**-**	3 868
NET RESULT AFTER INCOME TAX EQUIVALENT	**304 374**	1 101	**66 199**	5 653	**-**	16 751

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

(Activities - refer note 5)	4		5		Total	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Staffing costs	**4 296**	4 744	**1 618**	590	**64 619**	62 968
Supplies and services	**1 408**	1 306	**497**	369	**29 064**	26 254
Business service fees	**1 399**	1 332	**293**	212	**21 661**	18 738
Rental property expenses	**17**	18	**1**	1	**335 310**	305 521
Depreciation and amortisation	**-**	-	**-**	-	**84 941**	81 226
Grants and subsidies	**9 108**	6 993	**32 065**	30 399	**90 193**	68 172
Finance costs	**-**	-	**-**	-	**37 589**	39 117
Impairment expenses	**2 021**	1 834	**-**	-	**20 464**	16 235
Total expenses	**18 249**	16 227	**34 474**	31 571	**683 841**	618 231
INCOME:						
Rental income	**-**	-	**-**	-	**239 579**	236 751
Interest revenue	**-**	-	**-**	-	**9 181**	8 027
Net gain (loss) from disposal of assets	**-**	-	**-**	-	**38 121**	29 206
Recoveries	**3 322**	3 277	**358**	173	**17 500**	12 858
Recurrent Commonwealth revenues	**-**	-	**110**	18 710	**164 117**	92 646
Capital Commonwealth revenues	**-**	-	**-**	-	**360 164**	46 450
Other revenue	**776**	208	**34**	-	**7 316**	4 731
Total income	**4 098**	3 485	**502**	18 883	**835 978**	430 669
NET COST OF PROVIDING SERVICES	**(14 151)**	(12 742)	**(33 972)**	(12 688)	**152 137**	(187 562)
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	**14 151**	4 315	**33 972**	14 217	**239 850**	208 896
NET RESULT BEFORE INCOME TAX EQUIVALENT	**-**	(8 427)	**-**	1 529	**391 987**	21 334
Income tax equivalent	**-**	-	**-**	196	**21 414**	4 923
NET RESULT AFTER INCOME TAX EQUIVALENT	**-**	(8 427)	**-**	1 333	**370 573**	16 411

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

(Activities - refer note 5)	1		2		3	
	2010	2009	**2010**	2009	**2010**	2009
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**340 364**	143 047	**3**	3	**-**	-
Receivables	**36 901**	20 087	**1 465**	1 094	**775**	72
Inventories	**87 614**	125 156	**23 679**	5 406	**8 638**	5 380
Non-current assets classified as held for sale	**32 264**	13 039	**-**	-	**-**	-
Property, plant and equipment	**7 822 730**	7 274 562	**426 807**	399 759	**972 196**	916 593
Intangible assets	**6 019**	5 439	**-**	-	**-**	-
Total assets	**8 325 892**	7 581 330	**451 954**	406 262	**981 609**	922 045
LIABILITIES:						
Payables	**64 663**	28 025	**1 866**	1 997	**1 595**	4 103
Staff entitlements	**22 333**	20 498	**-**	-	**-**	-
Provisions	**4 690**	4 111	**34**	34	**166**	116
Interest bearing liabilities	**624 518**	699 552	**-**	-	**-**	33 675
Other liabilities	**11 708**	12 497	**-**	-	**-**	-
Total liabilities	**727 912**	764 683	**1 900**	2 031	**1 761**	37 894

(Activities - refer note 5)	4		5		Total	
	2010	2009	**2010**	2009	**2010**	2009
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**340 367**	143 050
Receivables	**-**	-	**-**	-	**39 141**	21 253
Inventories	**-**	-	**-**	-	**119 931**	135 942
Non-current assets classified as held for sale	**-**	-	**-**	-	**32 264**	13 039
Property, plant and equipment	**-**	-	**-**	-	**9 221 733**	8 590 914
Intangible assets	**-**	-	**-**	-	**6 019**	5 439
Total assets	**-**	-	**-**	-	**9 759 455**	8 909 637
LIABILITIES:						
Payables	**-**	-	**-**	-	**68 124**	34 125
Staff entitlements	**-**	-	**-**	-	**22 333**	20 498
Provisions	**-**	-	**-**	-	**4 890**	4 261
Interest bearing liabilities	**-**	-	**-**	-	**624 518**	733 227
Other liabilities	**-**	-	**-**	-	**11 708**	12 497
Total liabilities	**-**	-	**-**	-	**731 573**	804 608

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Housing Trust

1.1 Objectives

The South Australian Housing Trust (the Trust) is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act) and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility may be formalised in a Ministerial Performance Agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

The primary objective of the Trust is to focus on the provision of affordable housing to households and families in greatest need. These include those who have complex needs and those on low income who need affordable rental or aspire to affordable home ownership. The Board is responsible to the Minister for overseeing the operations of the Trust with the goal of:

1.1 Objectives (continued)

- ensuring the sound administration of the Act and the implementation of the Minister's housing policies and plans
- achieving continuing improvements in the provision of secure and affordable public housing (subsection 16(1)(a))
- providing transparency and value in managing the resources available to the Trust and meeting Government and community expectations as to probity and accountability (subsection 16(1)(b))
- achieving appropriate social justice objectives and the fulfilment of the Trust's community service obligations (subsection 16(1)(c))
- management of the performance agreement with Housing SA of the Department for Families and Communities (DFC) (subsection 16(2)(b)).

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:

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

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 Trust'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 APSs require the following note disclosures, which 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) 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.

The Trust'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 for certain assets that have been revalued.

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 Reporting entity

The South Australian Housing Trust's financial statements include only Trust activities and do not incorporate any administered items. The Trust's financial statements include assets, income, expenses and liabilities, controlled or incurred by the Trust in its own right.

2.4 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of specific revised APSs or AASs.

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.

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

2.5 *Rounding*

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

2.6 *Income and expenses*

Income and expenses are recognised in the Trust'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 another accounting standard.

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

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

Expenses

Staffing costs

Staffing costs includes all costs 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 Trust to the superannuation plan in respect of current services of current Trust staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Finance costs

All finance costs, including borrowing costs, are recognised as expenses.

Grants and subsidy expenses

Expenses are generally recognised when paid, which occurs in accordance with relevant funding agreements.

Income

Rent receivable

Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no tenant will be required to pay more than 25 percent of their household income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Revenues from SA Government

Revenues received from SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

Grants received

Grants received for any purpose have been included as revenue upon receipt.

Disposal of non-current assets

Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer. Refer note 16 for further details.

When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Recoveries

Recoveries for costs on-charged to tenants by the Trust are included as income.

2.7 *Taxation*

In accordance with section 25 of the Act, the Trust may be required to pay to the State Government tax equivalents. Tax equivalent payments are required in respect of income tax, land tax, other state taxes and Local Government rates.

The income tax liability is based on applying the Treasurer's accounting profit method which requires that the corporate income tax rate be applied to the net operating profit of the Trust. Land tax is calculated in the same manner as if it were payable under the *Land Tax Act 1936* which uses a site valuation of multiple holdings.

2.7 Taxation (continued)

Under the Commonwealth State Housing Agreement (CSHA), up until 31 December 2008, the use of funds provided under the agreement or revenues derived from CSHA-funded assets, cannot be used to meet the cost of tax equivalent payments levied by the State. Consequently, Treasury reimburses the cost of tax equivalent payments to the Trust resulting in a nil effect on the net result.

The Trust is liable for the cost of payroll tax, FBT and GST.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is DFC, which is responsible for paying GST and is entitled to claim input tax credits. Administrative arrangements between DFC and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Statement of Financial Position.

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

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

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.

2.8 Current and non-current items

Assets and liabilities are characterised as either current or non-current in nature. The Trust has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank, cash on hand, including petty cash, cash management funds and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from debtors, GST input tax credits recoverable, prepayments and other accruals.

The majority of receivables relate to rent in respect of rental properties. Rents are recognised as revenue and charged to tenants weekly, in advance.

Trade receivables that arise in the normal course of selling goods and services to other agencies and to the public are normally settled within 30 days.

Other debtors that arise outside the normal course of selling goods and services to other agencies and to the public are subject to 30 days settlement terms.

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2009. The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 6.5 percent per annum, based on the risk free rate as at 30 June 2010, an estimated future debt write-off of 6.5 percent per annum and an assumption that 90 percent of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered. The next actuarial review will be undertaken in 2012.

2.11 Inventories

Inventories include capital work in progress, developed land and vacant land that are expected to be sold in the ordinary course of business.

(i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion and is carried at cost. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

(ii) Developed land relates to land that has been developed and may be sold in its current condition or transferred to capital work in progress as part of a development project. It is carried at cost.

(iii) Vacant land consists of land that is expected to be sold and is valued using the Valuer-General's values for rating purposes as at 1 July 2009.

2.12 Non-current assets held for sale

Non-current assets classified as held for sale relate to rental properties and administrative properties that are no longer required for public rental or occupation and are expected to be sold within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

2.13 Property, plant and equipment

(i) Acquisition and recognition

Assets acquired at no value, or minimal value, are recorded at their fair value in the Statement of Financial Position unless they are acquired as part of a restructuring of administrative arrangement, in which case they are recorded at the value recorded by the transferor prior to transfer.

All other assets are initially brought to account as follows:

Rental properties, administrative properties, vacant land and plant and equipment

These assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition and are depreciated as outlined below. The Trust capitalises assets with a value of $5000 or greater.

Subsequent costs are included in the asset's carrying amount, as appropriate, including capitalised maintenance costs on rental properties.

Assets under arrangement

Assets under arrangement are tenantable properties which have had their legal title transferred to a community housing organisation (CHO) in return for which the CHO has issued a debenture at fair value. Recognition is based on the Trust's ability to control the future service potential of the asset and that these are probable and can be reliably measured. Control of a debentured property resides with the Trust through the SACCH Act and funding agreements which prescribe how the community houses are to be used and managed on behalf of government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHO.

The SACCH Act provides for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property.

Assets under arrangement are initially recognised at market value.

Capital work in progress

Capital work in progress reflects assets under construction that will either be sold or utilised in the Trust's operations.

The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility or pre-construction costs.

(ii) Valuation

Rental properties, administrative properties, vacant land and assets under arrangement

In compliance with AASB 116, all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2009 reflecting 'the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale' in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Revaluation occurred at 31 October 2009, using the 1 July 2009 values, for all land and buildings.

Capital work in progress

The carrying value of a constructed asset is compared to its market value upon capitalisation and an adjustment is effected to ensure that the carrying amount does not exceed fair value.

Plant and equipment

Plant and equipment is brought to account at historical cost.

(iii) Depreciation

Property, plant and equipment assets have a limited useful life and are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential ranging from three to 50 years. The useful lives of all major assets held by the Trust are reassessed on an annual basis.

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

(iii) *Depreciation (continued)*

Land, vacant land improvements and capital work in progress are not depreciated.

Depreciation of property, plant and equipment is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Rental properties (dwellings)*	Straight-line	50
Administrative properties	Straight-line	10-30
Plant and equipment	Straight-line	3-10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State housing entities and promotes consistency and comparability between these entities.

2.14 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 and when the amount of expenditure is greater than or equal to $5000. Amortisation is calculated on a straight-line basis over three years from the date that the asset is ready for use.

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

2.15 Impairment

Receivables were tested for indications of impairment by way of an actuarial review at 30 June as detailed in note 2.10. The impairment loss has been offset against receivables and has been recognised in the Statement of Comprehensive Income under impairment expenses.

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

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

2.16 Payables

Payables include creditors, accrued expenses and staff entitlement 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 Trust.

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

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

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

2.17 Staff entitlements

Under section 17 of the Act, the Trust utilises staff of DFC for the provision of services. The delivery of housing services is undertaken by Housing SA, DFC under a service level agreement whereby the Trust delivers its services through DFC.

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 staff benefits are measured at nominal amounts.

Wages, salaries, annual leave and sick leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave
The liability for long service leave is recognised after a staff member has completed 5.5 (6.5) 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 Trust's experience of staff retention and leave taken.

Staff entitlement on-costs
Staff entitlement on-costs of payroll tax and superannuation are recognised separately under payables.

2.18 Provisions
Insurance
The Trust has arranged, through SAFA, SAICORP Division (SAICORP), to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

The provision for public risk and professional indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

Workers compensation
DFC is an exempt employer under the WRCA.

The workers compensation liability recognised for the staff who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2010 data.

2.19 Borrowings
Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowings using the effective interest rate method.

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

As at 30 June 2010 the Trust has no finance leases.

2.21 Unearned revenue
Unearned revenue includes lump sums received for leases assigned on Trust properties which are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

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, DFC. If GST is not payable to, or recoverable from, DFC, the commitments and contingencies are disclosed on a gross basis.

3. Financial risk management
The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt. Note 31 details the interest rates applicable to interest bearing liabilities and note 23 details the interest rates applicable to the cash held in the bank accounts.

While the Trust has significant non-interest bearing and interest bearing assets and liabilities, such as cash on hand and on call, receivables and payables and borrowings from the SA Government it's exposure to market risk and cash flow interest risk is minimal.

3. Financial risk management (continued)

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a credit policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

The entity has calculated net fair value for concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

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

4. Changes in accounting policies

The Trust has reassessed the classification of cash inflows and outflows associated with the disposal of rental properties as operating cash flows rather than investing cash flows. This is in line with AASB 107 which requires that cash flows from the sale of assets previously held for rental to others be classified as operating cash flows.

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

5. Activities of the Trust

In achieving its objectives, the Trust has organised its operations into the following business activities:

Activity 1: Public Housing

Management of public housing tenancies and assets, and promotion of the development of the social housing sector. Managing tenancies includes assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies. Managing assets includes maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs. Promoting development of the social housing sector includes furthering the Government's strategies to address the key issues of affordable housing and homelessness, as well as promoting innovation and partnering with private sector organisations.

Activity 2: Indigenous Housing

Management of tenancies and housing assets specifically for indigenous customers (who may also choose to access assistance via general public housing), and management of the Commonwealth Government's National Partnership Agreement for Remote Indigenous Housing. This agreement provides funding for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring ongoing maintenance and management of rental houses in remote indigenous communities.

Activity 3: Community Housing

Development, support and promotion of the community housing sector, including administering the SACCH Act, and assisting in the establishment, regulation and administration of Housing Co-operatives and Housing Associations in South Australia.

Activity 4: Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Activity 5: Supported Accommodation Assistance Program

Provision and management of grant funding to non-government organisations for the delivery of supported accommodation and support services to assist people who are homeless or at imminent risk of homelessness.

6. Staffing costs

	2010 $'000	2009 $'000
Salaries and wages	50 706	44 885
Superannuation	6 405	6 154
Annual leave	5 164	5 106
Payroll tax	3 365	3 059
Other staff expenses	2 374	2 539
Long service leave	2 635	3 117
Workers compensation	2 435	2 196
Board fees	338	226
Charged to capital program	(8 803)	(4 314)
Total staffing costs	64 619	62 968

Remuneration of staff	Executive		Staff	
The number of staff whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number	2010 Number	2009 Number
$100 000 - $109 999	-	-	24	16
$110 000 - $119 999	-	1	9	4
$120 000 - $129 999	-	-	3	1
$130 000 - $139 999	1	1	-	2
$140 000 - $149 999	3	3	1	-
$150 000 - $159 999	1	1	1	-
$160 000 - $169 999	1	-	-	-
$170 000 - $179 999	2	2	-	-
$180 000 - $189 999	1	2	-	-
$190 000 - $199 999	1	1	-	-
$210 000 - $219 999	-	1	-	-
$220 000 - $229 999	1	-	-	-
$240 000 - $249 999	1	-	-	-
Total	12	12	38	23

The table includes DFC executives and staff paid by the Trust under the service level agreement with DFC 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 staff for the year was $6.306 million ($4.457 million).

Remuneration of board and committee members
Membership for various boards and committees during 2009-10 were:

SAHT Governing Board (appointed by the Governor)

M Marsland (Chair)
M Patetsos
E Byrt
G Crafter
C Davidson
K Liddle

South Australian Affordable Housing Trust Board (appointed by the Board)

M Marsland (Chair)
M Patetsos
G Crafter
E Byrt
T Maras
W Gibbings(1)
G Storkey(1)
K Liddle

Audit Committee (appointed by the Board)

M Patetsos (Chair)
E Byrt
C Davidson
P Agars
K Liddle

Finance Committee (appointed by the Board)

M Patetsos (Chair)
E Byrt
C Davidson
P Agars

The following additional Committees have been disclosed in accordance with APF II, APS 4.12:

Public Appeal Panel (appointed by the Minister)

K McEvoy
M Castles
U Dahl
C Finn
G Cotton Kenny
G Hone (term expired 19 October 2009)
N Ferencz (term expired 19 October 2009)
K Warren (term expired 19 October 2009)
K Dahl (appointed 20 October 2009)
A Faulkner (appointed 20 October 2009)
A King (appointed 20 October 2009)
A McLean (appointed 20 October 2009)
J Moularadellis (appointed 20 October 2009)
K O'Keefe (appointed 20 October 2009)

Homes for 100 Project Committee

W Cossey (Chair)
J Birkill
M Dyason
E Clare
M Curran(1)
C Bruno(1)
S Carman(1)

Westwood Urban Renewal Project Committee (appointed under the terms of the Westwood Agreement)

R Payze
K Gligic(1)
M Curran(1) (resigned 21 June 2010)
M Devine
C Menz
S Russell
D O'Loughlin(1) (appointed 21 June 2010)

Remuneration of board and committee members (continued)

Minister's Strategic Housing Advisory Committee (appointed by the Minister)

A Beer	G Ross
H Connolly	B Seeger
L Garrett	R Snell
C Halsey	M Woodward
S Langton	N Zivkovic
W Malycha	P Beddall
A Matheson	

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

The fees paid to board members in their capacity as board members are set by Executive Council.

The number of board and committee members whose remuneration from the Trust falls within the following bands:	2010 Number	2009 Number
$0 - $9 999	42	44
$10 000 - $19 999	1	-
$20 000 - $29 999	1	2
$30 000 - $39 999	1	3
$40 000 - $49 999	4	1
$60 000 - $69 999	1	-
	50	50

	2010 $'000	2009 $'000
Total remuneration received, or due and received by board and committee members	368	246
Amounts paid to a superannuation plan for board and committee members	30	20

Transactions with members were on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

7. Supplies and services

	2010 $'000	2009 $'000
Supplies and services provided by entities within the SA Government:		
Insurance	2 106	1 985
Contractors	61	142
Travel and accommodation	-	232
Debt management	438	403
Operating lease	5 420	4 043
Accommodation expenses	1 483	1 070
Early repayment of loan	725	126
Computer expenses	-	226
Audit fees - Auditor-General's Department(1)	382	327
Total supplies and services - SA Government entities	10 615	8 554
Supplies and services provided by entities external to the SA Government:		
Operating lease	922	1 324
Accommodation expenses	3 213	2 192
Insurance	3 563	3 057
Contractors	5 316	6 352
Administration expenses	1 653	1 766
Printing, stationery and postage	1 603	1 353
Travel and accommodation	954	937
Agent fees	611	607
Communications	703	789
Other customer related expenses	594	527
Computer expenses	1 751	1 550
Tenant relocation	588	367
Consultants	220	203
Staff development	330	414
Debt management	202	239
Brokerage	54	52
Charged to capital program	(3 828)	(4 029)
Total supplies and services - non-SA Government entities	18 449	17 700
Total supplies and services	29 064	26 254

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

7. Supplies and services (continued)

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

	2010		2009	
	Number	$'000	Number	$'000
Below $10 000	7	16	10	38
Between $10 000 and $50 000	7	101	7	165
Above $50 000	1	103	-	-
Total paid/payable to the consultants engaged	15	220	17	203

8. Business service fees

	2010	2009
	$'000	$'000
Computing services and processing charges	7 680	6 667
Motor vehicles hire charges	3 506	2 753
Legal and financial services	299	500
GST expense	1 116	1 523
Staff development	1 095	1 054
Human resources services	1 258	1 048
Records management and mail services	672	649
Administration premises management	1 039	648
Procurement services	727	710
Geographical information services	769	694
Payroll services	517	504
Internal audit	500	479
Business planning, strategy and quality assurance	236	259
Masterpiece support	-	251
Insurance	205	229
Media and communications services	219	203
SA Government shared services	1 525	424
Telecommunications management and charges	298	143
Total business service fees	21 661	18 738

9. Rental property expenses

	2010	2009
Rental property expenses provided by entities within the SA Government:		
Land tax equivalent	163 878	149 162
Water rates	26 970	24 411
Stamp duty and search fees	3 129	1 702
Valuations	281	-
Emergency Services levy	169	143
Total rental property expenses - SA Government entities	194 427	175 418
Rental property expenses provided by entities external to the SA Government:		
Maintenance	102 539	93 397
Council rates	37 138	35 417
Construction variances	1 133	1 124
Property expenses	73	165
Total rental property expenses - non-SA Government entities	140 883	130 103
Total rental property expenses	335 310	305 521

10. Depreciation and amortisation

	2010	2009
Depreciation:		
Rental properties	73 011	69 843
Assets under arrangement	9 184	8 648
Plant and equipment	323	323
Administrative properties	165	183
Total depreciation	82 683	78 997
Amortisation:		
Intangible assets	1 459	1 729
Leasehold improvements	799	500
Total amortisation	2 258	2 229
Total depreciation and amortisation	84 941	81 226

11. Grants and subsidies

	2010	2009
Grants and subsidies paid/payable to entities within the SA Government:		
Affordable housing grants	2 163	3 183
Private rental assistance	3 198	3 424
National Affordable Housing Agreement:		
Specialist Homelessness Services	2 272	1 718
Subsidies to other housing providers	138	127
National Partnership Agreement: Homelessness	1 163	-
Nunga loan subsidy	150	-
Other recurrent grants	74	-
Total grants and subsidies - SA Government entities	9 158	8 452

11. Grants and subsidies (continued)

Grants and subsidies paid/payable to entities external to the SA Government:	2010 $'000	2009 $'000
Indigenous Community Housing program	7 954	9 912
Affordable housing grants	20 207	10 218
Private rental assistance	5 909	3 569
Crisis accommodation	441	417
Subsidies to community housing organisations	258	279
Fixing Houses for Better Health program	-	1 029
APY Septic Intervention program	376	575
Infrastructure contribution to City of Playford	-	660
National Affordable Housing Agreement:		
Specialist Homelessness Services	30 148	28 883
National Partnership Agreement: Homelessness	3 929	2 298
Subsidies to other housing providers	2 267	1 880
National Partnership Agreement: Social Housing	6 527	-
National Partnership Agreement: Remote Indigenous Housing	3 019	-
Total grants and subsidies - non-SA Government entities	81 035	59 720
Total grants and subsidies	90 193	68 172

12. Finance costs

Interest on borrowings	32 257	34 321
Treasurer's guarantee fee	5 332	4 796
Total finance costs - SA Government entities	37 589	39 117

13. Impairment expenses

Impairment expenses paid/payable to entities external to the SA Government:		
Asset write-offs[(1)]	11 228	10 284
Bad debts expense	5 212	5 237
Doubtful debts expense	4 024	714
Total impairment expenses - non-SA Government entities	20 464	16 235

(1) Expensing of book value of assets demolished.

14. Rental income

Rent received/receivable from entities external to the SA Government:		
Market rent income	453 079	430 033
Rental rebates	(220 122)	(199 499)
Other rent	6 622	6 217
Total rental income - non-SA Government entities	239 579	236 751

15. Interest revenue

Interest from entities within the SA Government	9 099	7 908
Interest from entities external to the SA Government	82	119
Total interest revenue	9 181	8 027

16. Net gain from disposal of assets

Rental properties:		
Proceeds from disposal	83 792	56 309
Net book value of assets disposed[(1)]	78 099	50 296
Net gain from disposal of rental properties	5 693	6 013
Administration properties:		
Proceeds from disposal	424	-
Net book value of assets disposed[(1)]	84	-
Net gain from disposal of administration properties	340	-
Inventory - capital work in progress:		
Proceeds from disposal	87 477	56 741
Net book value of assets disposed[(1)]	57 577	33 787
Net gain from disposal of completed assets	29 900	22 954
Inventory - vacant land:		
Proceeds from disposal	7 725	986
Net book value of assets disposed[(1)]	5 537	747
Net gain from disposal of vacant land	2 188	239
Total assets:		
Total proceeds from disposal	179 418	114 036
Total net book value of assets disposed[(1)]	141 297	84 830
Net gain from disposal of assets	38 121	29 206

16. Net gain from disposal of assets (continued)

(1) The cost of sales comprise the carrying amount of the properties at the depreciated Valuer-General's property valuations, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

17. Recoveries

	2010 $'000	2009 $'000
Recoveries received/receivable from entities within the SA Government:		
Administrative services to other agencies	560	767
Housing Improvement Act recoveries	-	377
Other	133	-
Total recoveries - SA Government entities	693	1 144
Recoveries received/receivable from entities external to the SA Government:		
Maintenance	4 807	4 197
Private Rental Assistance program	3 269	2 806
Water charges	7 810	3 561
Housing Improvement Act recoveries	33	79
General service recoveries	465	535
Grant recoveries	363	352
Insurance	34	117
Other	26	67
Total recoveries - non-SA Government entities	16 807	11 714
Total recoveries	17 500	12 858

18. Recurrent Commonwealth revenues

	2010 $'000	2009 $'000
National Affordable Housing Agreement base funding	94 871	44 550
National Partnership Agreement: Homelessness	5 408	-
National Partnership Agreement: Remote Indigenous Housing	63 345	7 715
Sturt Street Accommodation program	258	433
Fixing Houses for Better Health program	75	1 254
Homelessness Regional Alliance	110	-
Umeewarra Mission	50	-
CSHA - base funding	-	27 407
Supported Accommodation Assistance program	-	9 002
Community Housing and Infrastructure program	-	1 736
Family Violence Partnership program	-	256
Healthy Indigenous Housing initiative	-	293
Total recurrent Commonwealth revenues	164 117	92 646

19. Capital Commonwealth revenues

	2010 $'000	2009 $'000
National Partnership Agreements:		
Nation Building - Economic Stimulus Plan	299 192	19 487
Remote Indigenous Housing	34 565	1 530
Social Housing	14 990	14 954
Homelessness	1 817	1 817
National Housing Affordability Fund	9 600	-
CSHA:		
Community housing	-	2 373
Aboriginal Rental Housing program	-	4 685
Crisis Accommodation program	-	1 604
Total capital Commonwealth revenues	360 164	46 450

20. Other revenue

	2010 $'000	2009 $'000
Other revenue received/receivable from entities within the SA Government:		
Interest discount due to early repayment of loans	1 425	-
Total other revenue - SA Government entities	1 425	-
Other revenue received/receivable from entities external to the SA Government:		
Bad debts recovered	3 854	2 860
Assets received free of charge	460	-
Sundry revenue	1 577	1 871
Total other revenue - non-SA Government entities	5 891	4 731
Total other revenue	7 316	4 731

21. Recurrent revenues from SA Government

	2010 $'000	2009 $'000
Tax equivalent reimbursement	188 335	155 750
CSHA matching	-	13 311
General purpose grant	43 715	21 405
Social inclusion initiatives	-	3 285
Supported Accommodation Assistance program	-	6 833
National Partnership Agreement: Homelessness	6 550	5 500
Total recurrent revenues from SA Government	238 600	206 084

22. Capital revenues from SA Government

	2010 $'000	2009 $'000
Strathmont Centre Redevelopment	1 250	2 812
Total capital revenues from SA Government	1 250	2 812

23. Cash and cash equivalents

	2010 $'000	2009 $'000
Cash held in SAFA cash management fund	206 539	81 912
Deposits with the Treasurer	132 314	59 719
Cash - development projects	1 478	1 383
Cash on hand	36	36
Total cash and cash equivalents	340 367	143 050

Deposits with the Treasurer
Relates to working cash held in the Westpac Working account through DTF.

Cash - development projects
Relates to ANZ accounts held for the Playford and Westwood development projects.

Interest rates applicable at 30 June 2010
Deposits with the Treasurer: 2.85 percent - 4.07 percent (2.99 percent - 7.10 percent)
Cash - development projects: 0.77 percent - 4.55 percent (0.19 percent - 3.06 percent)
Cash held at SAFA Cash Management Fund: 3.16 percent - 4.67 percent (3.11 percent - 7.72 percent)

The cash balance includes funds relating to the Affordable Housing initiative, the movements in the funds cash balance are as follows:

	2010 $'000	2009 $'000
Affordable Housing Initiative Fund balance at 1 July	44 830	53 378
Interest revenue	3 108	5 315
Equity Start sales revenue	-	5 431
Affordable Housing Initiative Fund land sales revenue	690	880
Funds withheld for debt retirement	-	(1 729)
Approved payments from fund	(24 404)	(18 445)
Affordable Housing Initiative Fund balance at 30 June	24 224	44 830

24. Receivables

	2010 $'000	2009 $'000
Current:		
Receivables	31 837	26 386
Allowance for doubtful debts	(16 700)	(12 676)
Income tax equivalent	21 414	4 923
Accrued revenues	2 247	1 292
GST receivable	228	1 100
Prepayments	115	194
Interest bearing receivables	-	15
Total current receivables	39 141	21 234
Non-current:		
Interest bearing receivables	-	19
Total non-current receivables	-	19
Total receivables	39 141	21 253

Government/Non-Government receivables

	2010 $'000	2009 $'000
Receivables from SA Government entities:		
Receivables	4 870	1 847
Accrued revenues	1 652	732
Income tax equivalent	21 414	4 923
GST receivable from DFC	228	1 100
Total receivables - SA Government entities	28 164	8 602
Receivables from non-SA Government entities		
Receivables	10 267	11 863
Accrued revenues	595	560
Prepayments	115	194
Interest bearing receivables	-	34
Total receivables - non-SA Government entities	10 977	12 651
Total receivables	39 141	21 253

Interest rate and credit risk
Receivables are raised for all goods and services provided for which payment has not been received. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days.

Other than what is 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 received on demand. The credit risk is concentrated in the rental area due to the nature of the business of the Trust.

Interest rate and credit risk (continued)

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

The Trust has some minor interest bearing receivables relating to shared home ownership mortgages.

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 has been recognised in impairment 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	2009
	$'000	$'000
Carrying amount at 1 July	12 676	11 962
Increase in the provision	9 236	5 951
Amounts written off	(5 212)	(5 237)
Carrying amount at 30 June	16 700	12 676

Bad and doubtful debts

The Trust has recognised a bad and doubtful debts expense of $9.236 million ($5.951 million) in the Statement of Comprehensive Income.

Maturity analysis of receivables – refer note 38.

Categorisation of financial instruments and risk exposure information – refer note 38.

25. Inventories

	2010	2009
Current:	$'000	$'000
Capital work in progress	102 785	105 506
Developed land	12 919	25 607
Vacant land	883	250
Total current inventories	116 587	131 363
Non-current:		
Capital work in progress	3 344	4 579
Total non-current inventories	3 344	4 579
Total inventories	119 931	135 942

26. Non-current assets classified as held for sale

Land	17 435	6 400
Buildings	14 829	6 639
Total non-current assets classified as held for sale	32 264	13 039

27. Property, plant and equipment

Rental properties:		
Land:		
Land at fair value	4 292 693	3 948 132
Buildings:		
Buildings at fair value	3 669 943	3 627 515
Accumulated depreciation	(48 790)	(48 664)
Total buildings	3 621 153	3 578 851
Total rental properties	7 913 846	7 526 983
Administrative properties:		
Land:		
Freehold land	1 912	1 877
Buildings:		
Buildings	2 850	3 561
Accumulated depreciation	(103)	(135)
Total buildings	2 747	3 426
Leasehold improvements:		
Leasehold improvements	7 341	7 006
Accumulated depreciation	(4 080)	(3 450)
Total leasehold improvements	3 261	3 556
Total administrative properties	7 920	8 859

27. Property, plant and equipment (continued)

	2010	2009
Assets under arrangement:	$'000	$'000
Land:		
Assets under arrangement	492 925	447 093
Buildings:		
Assets under arrangement	470 707	455 452
Accumulated depreciation	(6 082)	(6 007)
Total assets under arrangement - buildings	464 625	449 445
Total assets under arrangement	957 550	896 538
Vacant land:		
Freehold land	62 167	69 921
Total vacant land	62 167	69 921
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 721	2 468
Accumulated depreciation	(1 489)	(1 298)
Total plant and equipment	1 232	1 170
Capital works in progress:		
Buildings	279 018	87 443
Total capital works in progress	279 018	87 443
Total property, plant and equipment	9 221 733	8 590 914
Total property, plant and equipment at fair value	9 000 538	8 560 557
Total property, plant and equipment at cost	281 739	89 911
Total accumulated depreciation	(60 544)	(59 554)
Total property, plant and equipment	9 221 733	8 590 914

Refer note 39 for reconciliation of property, plant and equipment.

28. Intangible assets

	2010	2009
Computer software:		
Internally generated computer software	13 955	10 436
Accumulated amortisation	(9 514)	(8 055)
Total computer software	4 441	2 381
Work in progress computer system development	1 578	3 058
Total work in progress computer system development	1 578	3 058
Total intangible assets	6 019	5 439

	Internally generated software		Work in progress computer system development		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	2 381	3 391	3 058	1 018	5 439	4 409
Additions	3 519	720	2 039	2 780	5 558	3 500
Project expenses	-	-	-	(21)	-	(21)
Transfers	-	-	(3 519)	(719)	(3 519)	(719)
Amortisation	(1 459)	(1 730)	-	-	(1 459)	(1 730)
Balance at 30 June	4 441	2 381	1 578	3 058	6 019	5 439

29. Payables

	2010	2009
Current:	$'000	$'000
Creditors	35 555	21 137
Income tax equivalent	21 414	4 923
Accrued expenses	8 501	5 579
Staff on-costs	1 304	1 209
Total current payables	66 774	32 848
Non-current:		
Staff on-costs	1 350	1 277
Total non-current payables	1 350	1 277
Total payables	68 124	34 125
Payables to SA Government entities:		
Creditors	6 342	2 880
Accrued expenses	3 135	4 553
Income tax equivalent	21 414	4 923
Staff on-costs	2 654	2 486
Total payables - SA Government entities	33 545	14 842

29. Payables

	2010	2009
Payables to non-SA Government entities:	$'000	$'000
Creditors	29 213	18 257
Accrued expenses	5 366	1 026
Total payables - non-SA Government entities	34 579	19 283
Total payables	68 124	34 125

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. 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 38.

Categorisation of financial instruments and risk exposure information - refer note 38.

30. Staff entitlements

	2010	2009
Current:	$'000	$'000
Annual leave	5 334	5 027
Long service leave	1 513	1 399
Accrued salaries and wages	1 867	1 477
Total current staff entitlements	8 714	7 903
Non-current:		
Long service leave	13 619	12 595
Total non-current staff entitlements	13 619	12 595
Total staff entitlements	22 333	20 498

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. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $251 000 and staff on-costs of $25 000. The impact on future periods cannot be estimated reliably.

31. Interest bearing liabilities

	2010	2009
Current:	$'000	$'000
Borrowings - DTF	16 254	21 439
Managed Houses Scheme	243	243
Total current interest bearing liabilities	16 497	21 682
Non-current:		
Borrowings - DTF	605 289	674 895
Borrowings - SAFA	-	33 675
Managed Houses Scheme	2 732	2 975
Total non-current interest bearing liabilities	608 021	711 545
Total interest bearing liabilities - SA Government entities	624 518	733 227

DTF loans consist of concessional interest rate borrowing (originally under the CSHA), of $621.5 million ($696.3 million) which are repayable over a period of 32 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 4 percent to 5 percent (4 percent to 5.73 percent). The weighted average interest rate is 4.4 percent (4.6 percent).

The fair value of DTF loans is $548.683 million ($581.222 million).

32. Provisions

	2010	2009
Current:	$'000	$'000
Public risk	1 272	1 296
Workers compensation	790	674
Professional indemnity	196	176
General insurance	51	47
Total current provisions - SA Government entities	2 309	2 193
Non-current:		
Workers compensation	2 466	1 952
General insurance	115	116
Total non-current provisions - SA Government entities	2 581	2 068
Total provisions	4 890	4 261

	Public risk $'000	Workers compensation $'000	Professional indemnity $'000	General insurance $'000	Total $'000
Carrying amount at 1 July	1 296	2 626	176	163	4 261
Additional provisions recognised	1 026	2 434	140	22	3 622
Reduction in provisions	(800)	-	(95)	-	(895)
Payments made	(250)	(1 804)	(25)	(19)	(2 098)
Carrying amount at 30 June	1 272	3 256	196	166	4 890

33. Other liabilities

	2010	2009
Current:	$'000	$'000
Rent received in advance	6 719	7 331
Deposits held:		
Tenant deposits held	2 260	2 220
Sale deposits held	417	446
Unearned revenue	199	199
Total current other liabilities	9 595	10 196
Non-current:		
Unearned revenue	2 113	2 301
Total non-current other liabilities	2 113	2 301
Total other liabilities	11 708	12 497
Other liabilities - SA Government entities:		
Unearned revenue	1 542	1 668
Total other liabilities - SA Government entities	1 542	1 668
Other liabilities - non-SA Government entities:		
Rent received in advance	6 719	7 331
Unearned revenue	770	832
Deposits held:		
Tenant deposits held	2 260	2 220
Sale deposits held	417	446
Total other liabilities - non-SA Government entities	10 166	10 829
Total other liabilities	11 708	12 497

34. Unrecognised contractual commitments

Remuneration commitments

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

	2010	2009
	$'000	$'000
Not later than one year	6 847	5 012
Later than one year but not later than five years	5 143	5 982
Later than five years	-	-
Total remuneration commitments	11 990	10 994

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

Capital commitments

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

	2010	2009
	$'000	$'000
Not later than one year	164 795	48 399
Later than one year but not later than five years	13	35
Later than five years	-	-
Total capital commitments	164 808	48 434

Recurrent commitments

The Trust's recurrent commitments are for agreements for expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable, are as follows:

Not later than one year	3 877	7 272
Later than one year but not later than five years	-	-
Later than five years	-	-
Total recurrent commitments	3 877	7 272

Management agreement commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with Funds SA and Colonial First State (formerly the Motor Accident Commission) which are contracted but not provided for are payable as follows:

	2010	2009
	$'000	$'000
Not later than one year	291	287
Later than one year but not later than five years	4 960	4 880
Later than five years	11 516	12 914
Total management agreement commitments	16 767	18 081

Operating lease commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

Operating lease commitments (continued)

Commitments under non-cancellable operating leases at the reporting date that are not recognised as liabilities in the financial statements, are payable as follows:

	2010	2009
	$'000	$'000
Not later than one year	8 103	6 205
Later than one year but not later than five years	22 182	19 164
Later than five years	15 807	21 972
Total operating lease commitments	46 092	47 341

35. Contingent assets and liabilities

Contingent assets

The Trust does not have any contingent assets as at 30 June 2010.

Contingent liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 36 (41) of the properties included in the scheme are subject to mortgages with a collective loan balance of $959 000 ($1.109 million). The Tenants share of the value of the properties subject to mortgage is estimated to be $4.722 million ($4.817 million), based on the Valuer-General's overall capital value.

Rental purchase and sale under agreement house purchase schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are 10 (12) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $2.01 million ($2.34 million). These properties together with the Trust's rental properties are subject to an agency agreement with SAICORP and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to $1 million.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2010 is $20.612 million ($16.06 million). The value of claims made this financial year is $3.071 million ($2.654 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Equity shares

The SACCH Act provides for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative or Association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant Co-operatives or Associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2010 is $9.423 million ($9.511 million).

36. Unexpended funding commitments

Unspent grant commitments

The following table shows grant revenue received during the financial year, but which remained unspent at year-end.

	2010	2009
Unspent SA Government revenues:	$'000	$'000
National Partnership Agreement:		
Homelessness	6 550	5 500
Total unspent SA Government commitments	6 550	5 500
Unspent Commonwealth revenues:		
National Partnership Agreements:		
Nation Building - Economic Stimulus Plan	159 740	11 366
Remote Indigenous Housing	82 985	9 084
Social Housing	11 734	14 954
Homelessness	2 826	-
National Housing Affordability Fund	9 600	-
Sturt Street Supported Tenancy Accommodation	181	363
Homelessness Regional Alliance	110	-
Fixing Houses for Better Health	21	-
Umeewarra Mission	50	-
Family Violence Partnership program	-	256
Community Housing program	-	78
Crisis Accommodation program	-	1 604
Total unspent Commonwealth grant commitments	267 247	37 705
Total unspent grants	273 797	43 205

Unspent grant commitments (continued)

All grants are subject to written agreements outlining the conditions of the funding, including the objectives, outcomes, performance criteria and reporting obligations. Non-compliance with these conditions may result in the Commonwealth or State recovering parts of the funding in accordance with the implementation plans (where applicable) for each agreement. The conditions attached to these grants can be summarised as:

National Partnership Agreement: Homelessness

A matching contribution by the State Government to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons.

National Partnership Agreement: Nation Building - Economic Stimulus Plan

Funding is contingent on the State agreeing to implement a number of reforms in the social housing sector and making detailed periodic progress reports to the Council of Australian Governments (COAG). The reforms include increasing the supply of social housing dwellings through construction of environmentally sustainable dwellings or major upgrade of existing uninhabitable dwellings, integration of public and community housing waiting lists, implementation of support programs for social housing tenants to transition to affordable private rental or home ownership, facilitating the transition from homelessness to secure accommodation and locating social housing closer to transport, facilities and employment opportunities.

National Partnership Agreement: Social Housing

Grants under this program are made on the basis that the funds will be used to construct new social housing dwellings within 2 years of the funding being allocated and need to address current social housing issues (eg decrease homelessness, improve housing opportunities for Indigenous Australians, support growth of not-for-profit sector).

National Partnership Agreement: Remote Indigenous Housing

Funding is granted for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring on going maintenance and management of rental houses in remote indigenous communities.

National Partnership Agreement: Homelessness

The Commonwealth Government provides grants to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons. This is supported by the state matching component.

Sturt Street Supported Tenancy Accommodation

Funding has been granted for the purpose of providing intensive support for six Indigenous women/family groups at any one time for 3-6 months in purpose-built transitional accommodation in Sturt Street, Adelaide and other support services. The project will also provide post-transition support to the groups for up to 6-12 months after they exit the accommodation.

Family Violence Partnership program

Funds are to be used to provide accommodation and support services in the Ceduna and Unicorp West Coast Local Council areas for women and children (with a focus on indigenous clients) escaping domestic violence situations.

National Housing Affordability Fund

Funds are to be used to subsidise the development of infrastructure in the Woodville West Urban Renewal project area, and thereby contribute to the delivery of affordable housing.

Community Housing program

These funds are to be used to develop and maintain a strong, self-managing and governing Indigenous Community Housing Organisation (ICHO) sector. Specific programs to be undertaken include:

- implementation of Housing Industry Standards in ICHOs
- development and implementation of Skills Recognition and Learning packages to ICHOs
- development and implementation of Strategic Partnerships Agreements – Safe Tracks
- development and implementation of placed based Indigenous Community Housing Models
- development and implementation of Indigenous Housing Strategy for South Australia

Crisis Accommodation Program

Funds to be used to construct, renovate or purchase housing dedicated for those at risk of homelessness. Annual reporting on agreed performance measures is required.

Homelessness Regional Alliance

Funding is provided to enable implementation of Regional Alliance planning across mainstream and specialist homelessness services, with the objective of detailing strategies on how to reduce substance abuse and homelessness across regions in South Australia.

Umeewarra Mission

Funding is provided as a contribution towards the demolition of several buildings at Umeewarra Mission, which are in a poor state of repair and are considered beyond salvage or restoration.

Fixing Houses For Better Health

Funds are to be used to employ a project officer to assist with the integration of the Commonwealth Government's Fixing Houses for Better Health principles into wider indigenous housing programs.

Fixing Houses For Better Health (continued)
Of the revenue reported as unspent at 30 June 2009 $3.976 million remains unspent at 30 June 2010. This total comprises the following: $2.372 million for the National Partnership Agreement - Homelessness (State matching funds) and $1.604 million for the Crisis Accommodation program. These amounts have been incorporated into approved budgets for future expenditure.

Of the revenue reported as unspent in previous years $12.028 million remains unspent at 30 June 2010. This total comprises the following: $2.8 million for the Common Ground Port Augusta project, $7.697 million for Disability Supported Accommodation, $1.51 million for the Crisis Accommodation program and $21 000 for the APY Safe House (Coober Pedy) project. These amounts have been incorporated into approved budgets for future expenditure.

37. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents - Cash and cash equivalents at 30 June:	$'000	$'000
Statement of Cash Flows	340 367	143 050
Statement of Financial Position	340 367	143 050
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	309 185	50 917
Revenues from SA Government	(223 334)	(209 201)
	85 851	(158 284)
Non-cash items:		
Depreciation and amortisation	(84 941)	(81 226)
Loan amortisation	243	243
Assets received free of charge	1 210	-
Allowance for doubtful debts	(4 024)	(714)
Provision adjustment	(2 708)	(2 335)
Construction variance, surplus on property	(1 133)	(1 124)
Buildings written off	(11 228)	(10 284)
	(102 581)	(95 440)
Changes in assets/liabilities:		
Increase (Decrease) in receivables	5 430	(6 762)
Increase in property, plant and equipment	174 989	69 202
(Increase) Decrease in payables	(12 585)	5 610
Increase in staffing entitlements	(1 835)	(2 475)
Decrease in provisions	2 079	1 467
Decrease (Increase) in other liabilities	789	(880)
	168 867	66 162
Net cost of providing services	152 137	(187 562)

38. 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:					
Cash and cash equivalents	23	340 367	340 367	143 050	143 050
Loans and receivables:					
Receivables (at cost)	24	16 996	16 996	14 654	14 654
Financial liabilities					
Payables:					
Payables (at cost)	29	42 345	42 345	25 119	25 119
Borrowings:					
Interest bearing liabilities (at cost)	31	624 518	551 658	733 227	615 232

Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

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

Provisions for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Trust does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

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

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	13 117	-	-	13 117
Impaired:				
Receivables	5 672	248	14 659	20 579*
2009				
Not impaired:				
Receivables	11 784	-	-	11 784
Impaired:				
Receivables	2 477	1 377	11 711	15 565*

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

* Gross amount before application of allowance for doubtful debts.

Maturity analysis of financial assets and liabilities

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

2010	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalents	340 367	340 367	-	-
Receivables	16 996	4 139	12 713	144
Total financial assets	357 363	344 506	12 713	144
Financial liabilities:				
Payables	42 345	42 345	-	-
Interest bearing liabilities	624 518	16 497	70 159	537 862
Total financial liabilities	666 863	58 842	70 159	537 862
2009				
Financial assets:				
Cash and cash equivalents	143 050	143 050	-	-
Receivables	14 654	8 347	4 558	1 749
Total financial assets	157 704	151 397	4 558	1 749
Financial liabilities:				
Payables	25 119	25 119	-	-
Interest bearing liabilities	733 227	21 682	52 565	658 980
Total financial liabilities	758 346	46 801	52 565	658 980

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

39. Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2009-10.

	Rental properties land		Rental properties buildings		Admin properties land	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Carrying amount at 1 July	3 948 132	3 430 900	3 578 851	3 151 019	1 877	1 343
Additions	215	-	195	552	-	-
Transfer in from other asset category	48 442	30 370	69 393	56 899	54	61
Maintenance upgrades	-	-	31 100	21 533	-	-
Assets classified as held for sale	(10 825)	775	(7 198)	389	(210)	-
Disposals	(36 224)	(25 821)	(30 797)	(19 134)	(81)	-
Transfer out to other asset category	(87 729)	(79 149)	(34 492)	(35 282)	-	-
Revaluation increment	430 682	591 057	86 491	472 158	272	473
Depreciation and amortisation expenses	-	-	(73 011)	(69 843)	-	-
Depreciation and amortisation on disposals	-	-	621	560	-	-
Carrying amount at 30 June	4 292 693	3 948 132	3 621 153	3 578 851	1 912	1 877

39. Reconciliation of property, plant and equipment (continued)

	Admin properties buildings		Admin properties leasehold improvements		Assets under arrangement land	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	3 426	3 279	3 556	2 685	447 093	388 492
Additions	-	-	3 197	1 246	-	36
Transfer in from other asset category	85	90	-	615	12 739	7 549
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	(992)	-	-	-	-	-
Disposals	(3)	-	-	-	(1 788)	(578)
Transfer out to other asset category	-	-	(2 861)	(490)	(10 218)	(7 428)
Revaluation increment	396	240	-	-	45 099	59 022
Depreciation and amortisation expenses	(165)	(183)	(800)	(500)	-	-
Depreciation and amortisation on disposals	-	-	169	-	-	-
Carrying Amount at 30 June	2 747	3 426	3 261	3 556	492 925	447 093

	Assets under arrangement buildings		Vacant land		Plant and equipment	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	449 445	382 320	69 921	31 921	1 170	1 267
Additions	-	-	3 534	2 396	187	278
Transfer in from other asset category	25 469	19 020	55 581	30 958	215	-
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	(1 657)	(520)	(4 737)	(860)	-	-
Transfer out to other asset category	(5 751)	(5 217)	(64 233)	(15 134)	(149)	(168)
Revaluation increment	6 224	62 436	2 101	20 640	-	-
Depreciation and amortisation expenses	(9 184)	(8 648)	-	-	(323)	(323)
Depreciation and amortisation on disposals	79	54	-	-	132	116
Carrying amount at 30 June	464 625	449 445	62 167	69 921	1 232	1 170

	Capital work in progress		Total property, plant and equipment	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	87 443	77 479	8 590 914	7 470 705
Additions	255 631	45 998	262 959	50 506
Transfer in from other asset category	205 284	142 700	417 262	288 262
Maintenance upgrades	-	-	31 100	21 533
Assets classified as held for sale	-	-	(19 225)	1 164
Disposals	(57 577)	(33 787)	(132 864)	(80 700)
Transfer out to other asset category	(211 763)	(144 947)	(417 196)	(287 815)
Revaluation increment	-	-	571 265	1 206 026
Depreciation and amortisation expenses	-	-	(83 483)	(79 497)
Depreciation and amortisation on disposals	-	-	1 001	730
Carrying amount at 30 June	279 018	87 443	9 221 733	8 590 914

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The Fire and Emergency Services Act 2005 (FES Act) provides for the South Australian Metropolitan Fire Service (SAMFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). SAMFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the emergency services sector as consisting of the:

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

On 1 November 2009 amendments to the FES Act came into effect which included the functions and powers of SAFECOM.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

The SAMFS is the primary provider of structural fire fighting services to the State of South Australia.

SAFECOM provides various services in support of SAMFS primary functions, including financial management and accounting services. Also the operations of the SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about SAMFS's objectives refer to note 1 to the financial statements.

Transferred functions

As part of the Government's shared services initiative, the financial services function, including the preparation of agency financial statements was transferred from SAFECOM to Shared Services SA during the year. Accounts payable, accounts receivable and payroll services transitioned from SAFECOM to Shared Service SA during 2008-09.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 52(2) of the FES Act provide for the Auditor-General to audit the accounts of the SAMFS for each financial year.

Assessment of controls

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

This assessment also considers whether 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.

The audit included access to systems and information maintained by the SAMFS and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

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

- cash and receivables
- non-current assets, including revaluations
- payroll and employee entitlements
- expenditure, including purchase cards
- revenue, including Commonwealth grants
- financial accounting
- risk management
- financial management compliance programs
- follow-up of 2008-09 findings.

The audit also covered the operations of the Fund.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Audit made use of the work performed by internal audit, including:

- an assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of the SAMFS and SAFECOM.

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 South Australian Metropolitan Fire Service 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 South Australian Metropolitan Fire Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to cash at bank, payment authorisations, corporate governance, Shared Services and implementation of the revised TIs 2 and 28 as outlined under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire Service have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SAMFS who are responsible for the governance of the SAMFS. Responses to the management letters were generally considered to be satisfactory.

Major matters raised with SAFECOM and the SAMFS and the related responses are detailed under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefits expense	**91**	82
Supplies and services	**12**	12
Other expenses	**9**	8
Total expenses	**112**	102
INCOME		
Total income	**6**	7
Net cost of providing services	**106**	95

	2010 $'million	2009 $'million
REVENUES FROM SA GOVERNMENT	**98**	100
Net result	**(8)**	5
OTHER COMPREHENSIVE INCOME	**8**	4
Total comprehensive result	**(2)**	9
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4**	15
ASSETS		
Current assets	**31**	38
Non-current assets	**146**	136
Total assets	**177**	174
LIABILITIES		
Current liabilities	**16**	14
Non-current liabilities	**23**	20
Total liabilities	**39**	34
TOTAL EQUITY	**138**	140

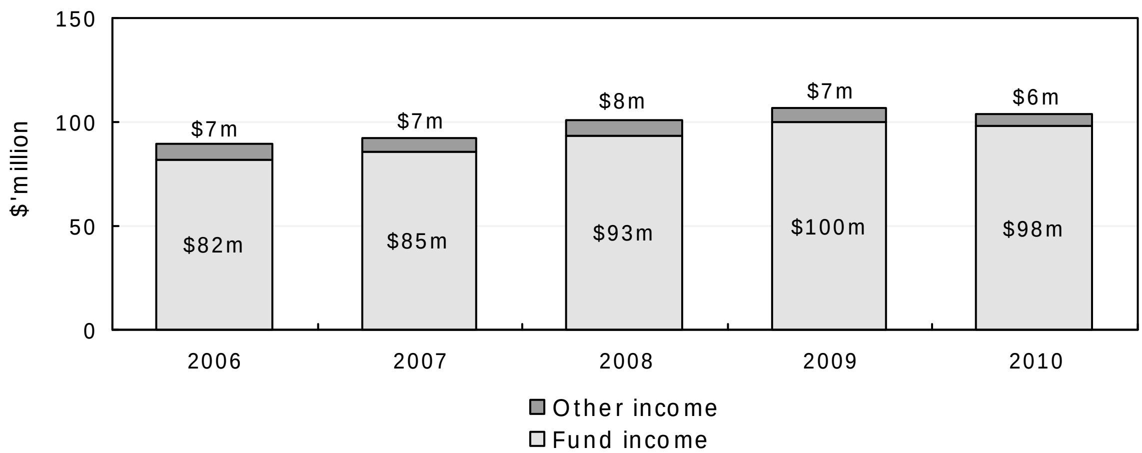
Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for the SAMFS is the contributions from the Fund which account for 94 percent of revenues. Refer note 14 of the financial statements.

The contributions from the Fund to the SAMFS decreased by 2 percent to $98 million during 2009-10 primarily due to the re-profiling of Fund income during the year for the construction of the Port Lincoln fire station.

A structural analysis of income for the SAMFS for the five years to 2010 is presented in the following chart.



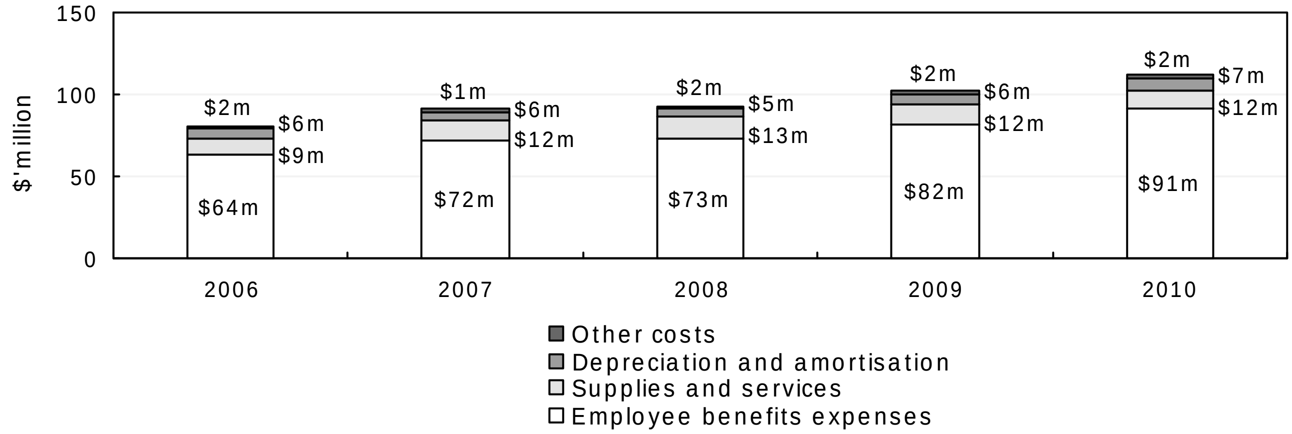
The chart highlights that the contributions from the Fund have increased over recent years until 2010, for the reason explained above.

Expenses

Total expenses increased by $10 million (10 percent) to $112 million. Employee benefits costs account for 81 percent of the total expenses of the SAMFS. Employee benefits expenses increased by $9 million (11 percent) to $91 million mainly due to enterprise bargaining agreement increases and increased costs for workers compensation mainly as a result of an actuarial assessment.

The number of employees receiving remuneration in excess of $100 000 increased by 90 employees to 232 from 142 in 2008-09. In 2007-08, 73 employees received remuneration in excess of $100 000. The increase reflects additional staff previously earning slightly less than $100 000 earning in excess of $100 000 during 2009-10. In addition, increases in overtime, allowances and salaries under the enterprise bargaining agreement for some staff contributed to higher salaries. Refer to note 5 of the financial statements.

For the five years to 2010, an analysis of the main operating expense items (excluding payments to SA Government) for the SAMFS is shown in the following chart.



Over the five years, expenses have increased by $31 million or 38 percent.

Net result

The increased expenditure and reduced funding resulted in a net deficit for the year of $8 million compared to a surplus of $5 million in 2008-09. SAMFS cash and cash equivalents also reduced by $8 million to fund this approved budgeted outcome.

Statement of Financial Position

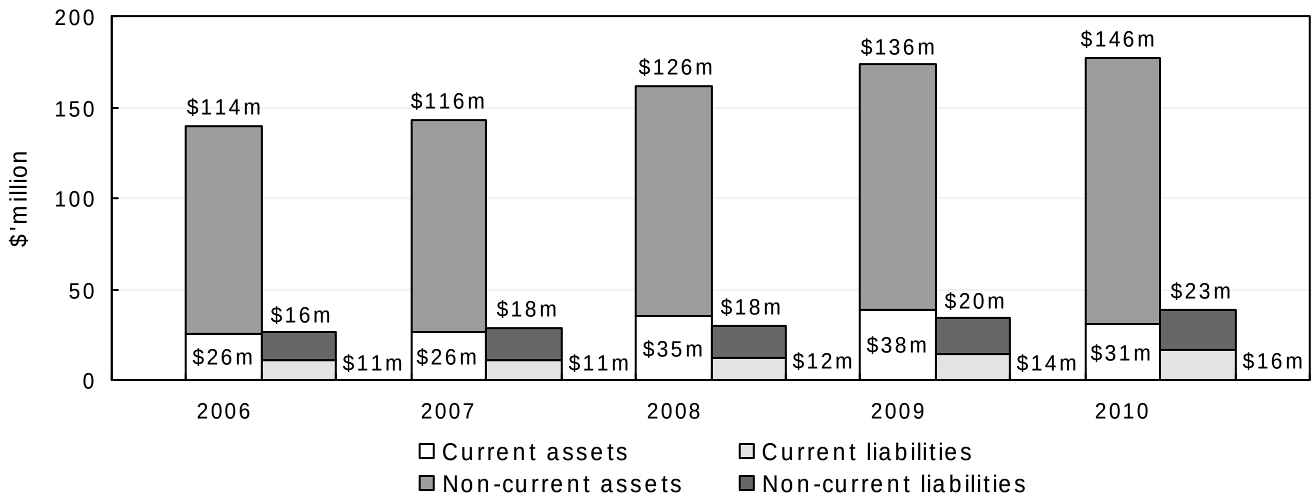
The Statement of Financial Position is dominated by the non-current asset 'Property, plant and equipment' which accounts for 83 percent of total assets. Property, plant and equipment increased by $10 million during the year to $146 million due mainly to:

- additional work in progress of $12 million, including for the Port Lincoln and Seaford fire stations
- the revaluation upwards of land totalling $6 million.

This was offset by depreciation expense for the year of $7 million and reclassification of an asset.

Current assets decreased by $7 million to $31 million during the year mainly due to a reduction in cash and cash equivalents of $8 million to fund the increased net cost of services. Refer to note 15 of the financial statements for cash and cash equivalents.

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



Property, plant and equipment has grown by 28 percent over the five year period to $146 million, primarily as a result of asset purchases and revaluations of assets.

The fair value of the main asset classes held by the SAMFS were land and buildings ($111 million) and vehicles ($27 million). Refer to note 18 to the financial statements for more information.

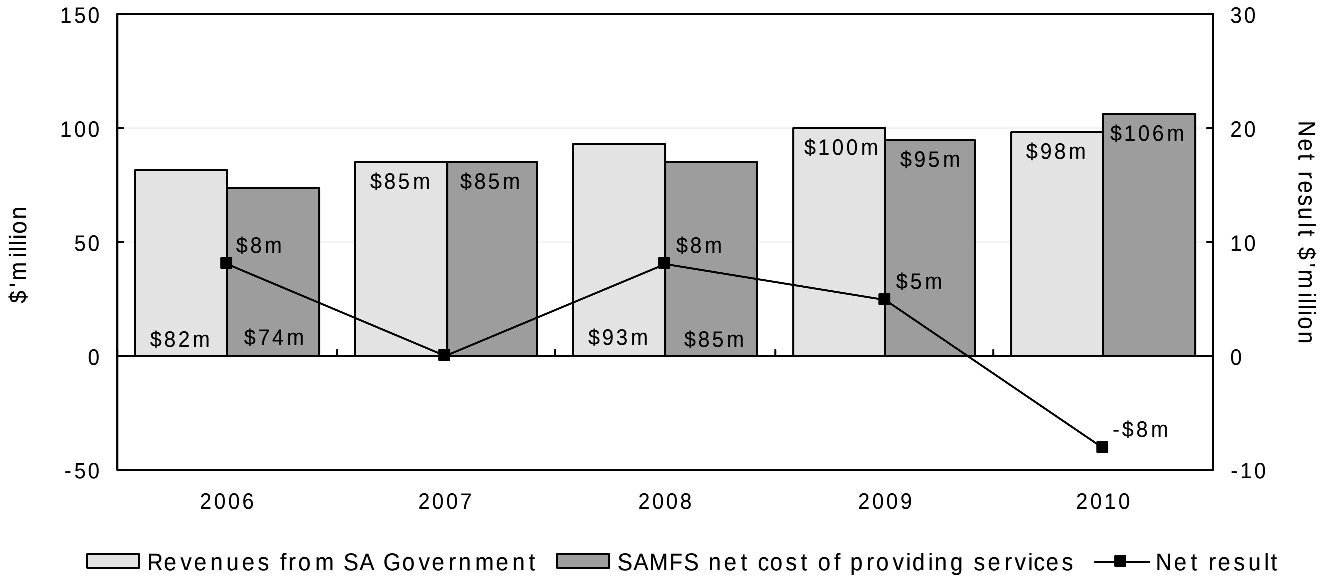
Statement of Cash Flows

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

	2010 $'million	2009 $'million	2008 $'million	2007 $'million	2006 $'million
Net cash flows					
Operating	**4**	15	15	8	10
Investing	**(12)**	(13)	(7)	(7)	(10)
Financing	**-**	-	-	-	(5)
Change in cash	**(8)**	2	8	1	5
Cash at 30 June	**28**	36	34	26	25

FURTHER COMMENTARY ON OPERATIONS

The following chart shows the funding received by the SAMFS from the Fund and the net cost of services for the past five years:



Statement of Comprehensive Income for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
EXPENSES:			
Employee benefits expense	5	**90 996**	82 385
Supplies and services	6	**12 257**	11 554
Government Radio Network expense	7	**1 828**	1 442
Depreciation and amortisation expense	8	**6 877**	6 296
Total expenses		**111 958**	101 677
INCOME:			
Net gain from disposal of non-current assets	9	**15**	9
Fees and charges	10	**3 372**	3 376
Commonwealth revenue	11	**1 063**	1 030
Interest revenues	12	**1 159**	1 882
Other income	13	**425**	525
Total income		**6 034**	6 822
NET COST OF PROVIDING SERVICES		**105 924**	94 855
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	14	**97 722**	99 910
Total revenue from SA Government		**97 722**	99 910
NET RESULT		**(8 202)**	5 055
OTHER COMPREHENSIVE INCOME:			
Gain on revaluation of land reclassified for sale		**470**	-
Gain on revaluation of property, plant and equipment		**6 162**	3 831
Total other comprehensive income		**6 632**	3 831
TOTAL COMPREHENSIVE RESULT		**(1 570)**	8 886

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	15	**28 414**	36 381
Receivables	16	**1 002**	1 360
Property held for sale	17	**1 150**	-
Total current assets		**30 566**	37 741
NON-CURRENT ASSETS:			
Property, plant and equipment	18	**146 080**	135 750
Intangible assets	19	**68**	133
Total non-current assets		**146 148**	135 883
Total assets		**176 714**	173 624
CURRENT LIABILITIES:			
Payables	20	**3 866**	3 098
Employee benefits	21	**9 915**	9 437
Provisions	22	**1 596**	1 552
Total current liabilities		**15 377**	14 087
NON-CURRENT LIABILITIES:			
Payables	20	**1 479**	1 427
Employee benefits	21	**14 414**	13 462
Provisions	22	**7 254**	4 888
Total non-current liabilities		**23 147**	19 777
Total liabilities		**38 524**	33 864
NET ASSETS		**138 190**	139 760
EQUITY:			
Retained earnings	23	**37 297**	45 499
Asset revaluation surplus	23	**100 893**	94 261
TOTAL EQUITY		**138 190**	139 760

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	25
Contingent assets and liabilities	26

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	23	90 430	40 444	130 874
Net result for 2008-09	23	-	5 052	5 052
Correction to 2008-09 net result	23	-	3	3
Adjusted net result for 2008-09	23	-	5 055	5 055
Gain on revaluation of property, plant and equipment	23	3 831	-	3 831
Total comprehensive result for 2008-09		3 831	5 055	8 886
Balance at 30 June 2009	23	94 261	45 499	139 760
Net result for 2009-10	23	-	(8 202)	(8 202)
Gain on revaluation of land reclassified for sale		470	-	470
Gain on revaluation of property, plant and equipment	23	6 162	-	6 162
Total comprehensive result for 2009-10		6 632	(8 202)	(1 570)
Balance at 30 June 2010	23	**100 893**	**37 297**	**138 190**

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		**(86 704)**	(77 914)
Supplies and services payments		**(14 612)**	(14 086)
Government Radio Network payments		**(1 591)**	(1 437)
Cash used in operations		**(102 907)**	(93 437)
CASH INFLOWS:			
Fees and charges		**3 642**	3 281
Receipts from Commonwealth		**1 303**	854
Interest received		**1 163**	1 977
GST recovered from the ATO		**2 330**	1 627
Other receipts		**425**	525
Cash generated from operations		**8 863**	8 264
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from Community Emergency Services Fund		**97 722**	99 910
Cash generated from SA Government		**97 722**	99 910
Net cash provided by operating activities	24	**3 678**	14 737
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(11 660)**	(12 587)
Cash used in investing activities		**(11 660)**	(12 587)
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		**15**	9
Cash generated from investing activities		**15**	9
Net cash used in investing activities		**(11 645)**	(12 578)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(7 967)**	2 159
CASH AND CASH EQUIVALENTS AT 1 JULY		**36 381**	34 222
CASH AND CASH EQUIVALENTS AT 30 JUNE	15	**28 414**	36 381

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

Objectives

The South Australian Metropolitan Fire Service (the MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- To provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district.
- To provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue.
- To protect life, property and environmental assets from fire and other emergencies occurring in any fire district.
- To develop and maintain plans to cope with the effects of fires or emergencies in any fire district.
- To provide services or support to assist with recovery in the event of a fire or other emergency in a fire district.
- To perform any other function assigned to the MFS by or under this or any other Act.

Funding arrangements
Funding of the MFS is primarily derived from the Community Emergency Services Fund, established by the *Emergency Services Funding Act 1998.*

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 MFS has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the MFS 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 judgment in the process of applying the MFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- 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, that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. The MFS 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, as reported in the Statement of Comprehensive Income.
  - (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 MFS'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 for the year ended 30 June 2009.

(c) Reporting entity

The MFS is established under the Act. Under the Act, the MFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the MFS.

(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 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.

(e) Rounding

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

(f) Taxation

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

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

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

(g) Events after the end of the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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 MFS 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.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Community Emergency Services Fund are recognised as income when the MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues

Commonwealth revenues are recognised as income when the MFS obtains control of revenues or the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the MFS 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 MFS have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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.

Net gain 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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the MFS 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.

The following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses include all costs related to employment including wages, non-monetary benefits 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 MFS to the superannuation plan in respect of current services of current MFS staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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.

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

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

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

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:

Asset class	*Useful lives (years)*
Communications equipment	5-10
Vehicles	5-20
Plant and equipment	5-10
Computer equipment	5-10
Buildings	40-50
Intangibles	5

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The MFS has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

(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 amounts expected to be settled within 12 months and more than 12 months, MFS has separately disclosed the amounts expected to be recovered after more than 12 months.

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.

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

Receivables
Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments 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 or the goods/services have been provided under a contractual arrangement.

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

Other financial assets
The MFS measures other financial assets at cost. All assets in this category are either short or medium term cash deposits.

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.

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.

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

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

Revaluations are made in accordance with related policies whereby independent valuations are obtained and carrying amounts are adjusted accordingly. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation 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.

Revaluation of non-current assets (continued)
Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

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

For revalued assets an impairment loss is offset against the asset's revaluation 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 MFS only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and 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.

(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 amounts expected to be settled within 12 months and more than 12 months, the MFS 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.

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

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

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

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

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

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

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

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

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

Wages, salaries, annual leave and sick leave (continued)
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 8 (8.5) 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 MFS's experience of employee retention and leave taken. The unconditional portion of the long service leave provision is classified as current as the MFS does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The unconditional portion of long service leave relates to an unconditional entitlement to payment arising after 10 years of service.

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

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

Operating leases
In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the 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) 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 and policies
The MFS did not voluntarily change any of its accounting policies during 2009-10. Except for AASB 2009-12, which the MFS has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the MFS for the period ending 30 June 2010. The MFS has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the MFS.

4. Activities of the South Australian Metropolitan Fire Service
In achieving its objectives, the MFS provides services within four general areas: prevention, preparedness, response and recovery. These services are classified under one activity of the MFS.

5. Employee benefits expense

	2010	2009
	$'000	$'000
Salaries and wages	62 813	57 846
Annual leave	8 349	7 435
Long service leave	3 192	3 519
Employment on-costs:		
Superannuation	7 930	7 385
Other	4 049	2 101
Workers compensation costs	4 366	3 776
Other employee related expenses	297	323
Total employee benefits expenses	90 996	82 385

Remuneration of employees
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 $25.972 million ($16.112 million).

The number of employees who received remuneration of $100 000 or more during the year, falls within the following bands:

Remuneration of employees (continued)

	2010 Number	2009 Number
$100 000 - $109 999	163	88
$110 000 - $119 999	32	19
$120 000 - $129 999	16	24
$130 000 - $139 999	12	4
$140 000 - $149 999	5	3
$160 000 - $169 999	1	1
$180 000 - $189 999	-	1
$200 000 - $209 999	1	1
$270 000 - $279 999	-	1
$280 000 - $289 999	1	-
$330 000 - $339 999	1	-
Total	232	142

6. Supplies and services

	2010 $'000	2009 $'000
Accommodation	167	148
Communications	775	611
Computing costs	727	872
Consultancy, contractor and legal fees	958	1 034
Consumables	1 087	1 038
Energy	509	524
External auditor's remuneration	21	20
Minor plant and equipment	1 081	970
Operational costs	65	120
Operating lease costs	761	738
Repairs and maintenance	2 316	1 973
Travel and training	828	918
Uniforms and protective clothing	1 499	1 348
Transfers of capital funding - IMS projects	350	-
Other expenses	1 113	1 240
Total supplies and services	12 257	11 554

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Supplies and services provided by entities within the SA Government:

	2010 $'000	2009 $'000
Accommodation	160	130
Communications	-	21
Computing costs	174	113
Consultancy, contractor and legal fees	109	-
External auditor's remuneration	21	20
Operating lease costs	693	690
Repairs and maintenance	303	294
Travel and training	173	284
Uniforms and protective clothing	2	134
Transfers of capital funding - IMS projects	350	-
Other expenses	570	305
Total supplies and services - SA Government entities	2 555	1 991

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the MFS not holding a valid tax invoice or payment relating to third party arrangements.

Consultants

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

	2010 Number	2009 Number
Less than $10 000	3	3
$10 000 - $50 000	1	-
Total number of consultants	4	3

	2010 $'000	2009 $'000
Less than $10 000	8	6
$10 000 - $50 000	26	-
Total amount paid/payable to consultants engaged	34	6

Remuneration of auditors

The amount due and payable for audit services provided by the Auditor-General's Department:

	2010	2009
Audit fees paid/payable to the Auditor-General's Department	21	20
Total auditor's remuneration	21	20

The auditors provided no other services.

7. Government Radio Network (GRN) expenses

	2010	2009
	$'000	$'000
Contribution towards GRN - voice	1 744	983
Contribution towards GRN - paging	84	459
Total GRN expenses	1 828	1 442

Costs associated with the provision of emergency communication services through the GRN, including voice and paging transmission was formerly charged by the Department for Transport, Energy and Infrastructure, ICT Branch. During 2009-10 Attorney-General's Department took over the management of this function and all charges are now paid to this Department.

8. Depreciation and amortisation expenses

	2010	2009
Depreciation:	$'000	$'000
Buildings	2 505	2 831
Vehicles	3 179	2 253
Computers	41	74
Plant	400	408
Communications	687	674
Total depreciation	6 812	6 240
Amortisation:		
Software	65	56
Total amortisation	65	56
Total depreciation and amortisation	6 877	6 296

Changes in useful lives of assets

The South Australian Fire and Emergency Services Commission (SAFECOM) conducted an assessment of remaining useful lives of property, plant and equipment assets during the year. In accordance with AASB 108 resulting adjustments, if any, are applied prospectively in the current year. SAFECOM found no evidence of any requirement to change the remaining useful life of any asset.

Changes in depreciation due to revaluation

SAFECOM revalued selected items of property, plant and equipment at 30 June 2010. As a result of the revaluation being undertaken at the end of the reporting period, all depreciation amounts shown above are based upon pre-valuation values. Therefore there has been no impact on depreciation expense during the current reporting period.

9. Net gain from disposal of non-current assets

	2010	2009
Vehicles:	$'000	$'000
Proceeds from disposal	15	9
Total net gain from disposal of non-current assets	15	9
Total assets:		
Proceeds from disposal	15	9
Total net gain from disposal of non-current assets	15	9

10. Fees and charges

	2010	2009
Fire alarm attendance fees	1 500	1 409
Fire safety fees	270	318
Fire alarm monitoring fees	1 583	1 472
Incident cost recoveries	-	54
Training and other recoveries	-	2
Salary recoveries	19	121
Total fees and charges	3 372	3 376

The following fees and charges (included in the revenues from fees and charges shown above) were received/receivable from entities within the SA Government:

	2010	2009
Fees and charges received/receivable from entities within the SA Government:		
Fire alarm attendance fees	296	276
Fire safety fees	22	22
Fire alarm monitoring fees	145	139
Other recoveries	-	2
Total fees and charges - SA Government entities	463	439

11. Commonwealth revenues

	2010	2009
Commonwealth Government	1 063	1 030
Total Commonwealth revenues	1 063	1 030

Commonwealth revenues include contributions towards the cost of providing fire and emergency services to Commonwealth property. There are no conditions attached to these contributions.

12. Interest revenue

	2010	2009
Interest on deposit accounts from entities within the SA Government	1 159	1 882
Total interest revenue	1 159	1 882

13. Other income

	2010	2009
	$'000	$'000
Rent received	162	116
Other	263	409
Total other income	425	525

The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:

Other income received/receivable from entities within the SA Government:		
Rent received	79	36
Other	29	175
Total other income - SA Government entities	108	211

14. Revenues from SA Government

Contributions from Community Emergency Services Fund	97 722	99 910
Total revenues from SA Government	97 722	99 910

Total revenues from government consists of $92.086 million ($88.145 million) for operational funding and $5.636 million ($11.765 million) for capital projects. The original amount provided to the MFS via the Community Emergency Services Fund was supplemented by an additional amount of $nil ($367 000).

15. Cash and cash equivalents

	2010	2009
	$'000	$'000
Deposits with the Treasurer	28 405	36 371
Cash on hand and imprest accounts	9	10
Total cash and cash equivalents	28 414	36 381

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

16. Receivables

	2010	2009
Current:	$'000	$'000
Receivables	366	435
Allowance for doubtful debts	(6)	(4)
	360	431
Accrued revenues	402	353
GST input tax recoverable	240	576
Total current receivables	1 002	1 360

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Receivables from SA Government entities:	2010	2009
	$'000	$'000
Receivables	78	82
Accrued revenues	146	143
Total receivables - SA Government entities	224	225

Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(4)	(3)
Amounts written off	4	4
(Increase) in the allowance	(6)	(5)
Carrying amount at 30 June	(6)	(4)

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the 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. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information - refer note 29.

17. Property held for sale

	2010	2009
	$'000	$'000
Property held for sale	1 150	-
	1 150	-

In April 2009, construction of a new fire station at Paradise was completed to replace the service previously provided by Glynde fire station. As a result of the new facility, the Glynde site is surplus to requirements and, at balance date, is in the process of being sold. Sale proceeds are anticipated to be received in 2010-11.

18. Property, plant and equipment

	2010	2009
	$'000	$'000
Land:		
Fair value	39 710	33 171
At cost (deemed fair value)	-	1 014
Total land	39 710	34 185
Buildings:		
Fair value	63 917	63 302
At cost (deemed fair value)	9 836	615
Accumulated depreciation	(2 505)	-
Total buildings	71 248	63 917
Vehicles:		
Fair value	26 894	26 894
At cost (deemed fair value)	3 019	-
Accumulated depreciation	(3 179)	-
Total vehicles	26 734	26 894
Communication equipment:		
Fair value	2 025	2 025
At cost (deemed fair value)	200	-
Accumulated depreciation	(687)	-
Total communication equipment	1 538	2 025
Computer equipment:		
Fair value	67	67
Accumulated depreciation	(41)	-
Total computer equipment	26	67
Plant and equipment:		
Fair value	1 961	1 961
At cost (deemed fair value)	223	-
Accumulated depreciation	(400)	-
Total plant and equipment	1 784	1 961
Work in progress:		
At cost (deemed fair value)	5 040	6 701
Total work in progress	5 040	6 701
Total property, plant and equipment	146 080	135 750

Valuation of assets

(i) At 30 June 2009, valuations were undertaken by a suitably qualified officer of SAFECOM. At 30 June 2010, management exercised its discretion and revalued land - values used were based upon desktop values obtained from Liquid Pacific Ltd. All assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2010.

Movement and reconciliation of property, plant and equipment

2010	Land	Buildings	Vehicles	Comms equipment	Computer equipment	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	34 185	63 917	26 894	2 025	67	1 961	6 701	135 750
Additions	-	-	-	-	-	-	11 660	11 660
Transferred to (from) WIP	43	9 836	3 019	200	-	223	(13 321)	-
Depreciation expense	-	(2 505)	(3 179)	(687)	(41)	(400)	-	(6 812)
Gain on revaluation of property plant and equipment	6 162	-	-	-	-	-	-	6 162
Gain on revaluation of land reclassified for sale	470	-	-	-	-	-	-	470
Net current asset held for sale	(1 150)	-	-	-	-	-	-	(1 150)
Carrying amount 30 June	39 710	71 248	26 734	1 538	26	1 784	5 040	146 080

2009	Land	Buildings	Vehicles	Comms equipment	Computer equipment	Plant and equipment	Work in progress	Total
	$'000		$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	31 143	62 202	23 557	2 477	55	2 084	4 054	125 572
Additions	-	11	-	-	-	-	12 652	12 663
Transferred to (from) WIP	2 310	4 238	2 834	207	86	254	(10 005)	(76)
Depreciation expense	-	(2 831)	(2 253)	(674)	(74)	(408)	-	(6 240)
Gain on revaluation of property plant and equipment	732	297	2 756	15	-	31	-	3 831
Carrying amount 30 June	34 185	63 917	26 894	2 025	67	1 961	6 701	135 750

19. Intangible assets

	2010	2009
	$'000	$'000
Computer software	324	324
Accumulated amortisation	(256)	(191)
Total intangible assets	68	133

19. Intangible assets (continued)

	2010 $'000	2009 $'000
Carrying amount at 1 July	133	189
Depreciation expense	(65)	(56)
Carrying amount at 30 June	68	133

Asset details and amortisation
Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight line basis with a total useful life of five years.

Impairment
There were no indications of impairment of intangible assets at 30 June.

Prior year classification
In prior years, the category of 'Computer software' was incorporated within the 'Property, plant and equipment' category of the Financial Statements. Computer software has now been separately disclosed in its own category, as shown above. All comparative figures have been restated. The restatement of comparative figures also involved a minor immaterial correction of holding values.

20. Payables

	2010 $'000	2009 $'000
Current payables:		
Accrued expenses	933	366
Creditors	960	1 158
FBT payable	73	74
Employment on-costs	1 900	1 500
Total current payables	3 866	3 098

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Current payables:		
Payables to SA Government entities:		
Accrued expenses	477	337
Creditors	352	794
Employment on-costs	1 900	1 306
Total current payables - SA Government entities	2 729	2 437

Non-current payables:		
Employment on-costs	1 479	1 427
Total non-current payables	1 479	1 427

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Non-current payables:		
Employment on-costs	1 479	1 427
Total non-current payables - SA Government entities	1 479	1 427

Employment on-costs
As a result of an actuarial assessment performed by the DTF the percentage of the proportion of long service leave taken as leave has remained unchanged at 45 percent for 2009-10 and the average factor for the calculation of employer superannuation on-cost has remained unchanged for 2009-10 at 10.5 percent . These rates are used in the employment on-cost calculation. There is therefore no effect on the calculation of employment on-costs.

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.

Maturity analysis of payables and categorisation of financial instruments and risk exposure information - refer note 29.

21. Employee benefits

	2010 $'000	2009 $'000
Current liabilities:		
Annual leave	6 859	6 587
Long service leave	1 637	1 496
Accrued salaries and wages	1 419	1 354
Total current employee benefits	9 915	9 437

All employee benefit amounts, including long service leave, are expected to be paid within 12 months after reporting date.

21. Employee benefits (continued)

	2010	2009
Non-current liabilities:	$'000	$'000
Long service leave	14 414	13 462
Total non-current employee benefits	14 414	13 462
Total employee benefits	24 329	22 899

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has been revised to 8.0 years (8.5 years). The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $252 000 and an increase in employee benefit expense of $252 000.

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. However, the impact on future periods is not expected to be materially different to the effect on the current period as shown above.

In addition, the actuarial assessment performed by DTF also advised a salary inflation rate of 4 percent (4 percent). This rate is used in the calculation of the relevant employee benefits provisions.

22. Provisions

	2010	2009
Current liabilities:	$'000	$'000
Provision for workers compensation	1 596	1 552
Total current provisions	1 596	1 552
Non-current liabilities:		
Provision for workers compensation	7 254	4 888
Total non-current provisions	7 254	4 888
Total provisions	8 850	6 440
Carrying amount at 1 July	6 440	6 081
Additional provisions recognised	4 376	2 077
Reductions arising from payments	(1 966)	(1 718)
Carrying amount at 30 June	8 850	6 440

The MFS has reported a liability 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.

23. Equity

Equity represents the residual interest in the net assets of the MFS. The State Government holds the equity interest in the MFS on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. 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.

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009	94 261	45 499	139 760
Net result for the financial year	-	(8 202)	(8 202)
Gain on revaluation of land reclassified for sale	470	-	470
Gain on revaluation of property, plant and equipment:			
Land	6 162	-	6 162
Net increment related to revaluations	6 632	-	6 632
Balance at 30 June 2010	100 893	37 297	138 190
Balance at 1 July 2008	90 430	40 444	130 874
Net result for the financial year	-	5 055	5 055
Gain on revaluation of property, plant and equipment:			
Land	732	-	732
Buildings	297	-	297
Vehicles	2 756	-	2 756
Communications equipment	15	-	15
Plant and equipment	31	-	31
Net increment related to revaluations	3 831	-	3 831
Balance at 30 June 2009	94 261	45 499	139 760

24. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents	$'000	$'000
Cash and cash equivalents at 30 June as per:		
Statement of Cash Flows	28 414	36 381
Statement of Financial Position	28 414	36 381

24. Cash flow reconciliation (continued)

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

	2010 $'000	2009 $'000
Net cash provided by operating activities	3 678	14 737
Cash flows from government	(97 722)	(99 910)
Non-cash items:		
Depreciation and amortisation	(6 877)	(6 296)
Assets revaluation decrement recognised in Statement of Comprehensive Income	-	(4)
Net gain from disposal of non-current assets	15	9
Changes in assets and liabilities:		
(Decrease) Increase in receivables	(358)	347
Increase in payables	(820)	(1 009)
Increase in provision for employee benefits	(1 430)	(2 370)
Increase in provisions	(2 410)	(359)
Net cost of providing services	(105 924)	(94 855)

25. Unrecognised contractual commitments

Operating lease commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2010	2009
Within one year	519	398
Later than one year but not later than five years	485	330
Total operating lease commitments	1 004	728

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

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

Capital commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2010 $'000	2009 $'000
Within one year	1 072	1 439
Total capital commitments	1 072	1 439

These capital commitments are for property and vehicles.

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
Within one year	523	660
Later than one year but not later than five years	256	875
Total remuneration commitments	779	1 535

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

Other commitments

The total value of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2010 $'000	2009 $'000
Within one year	556	401
Later than one year but not longer than five years	354	100
Total other commitments	910	501

Contractual commitments relate to operational equipment, personal protective clothing and photocopier services.

26. Contingent assets and liabilities

Contingent assets

The MFS is aware of a contingent asset in relation to repair of solar panels for an amount of $15 000.

Contingent liabilities

The MFS is not aware of any contingent liabilities.

27. Remuneration of board and committee members

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

South Australian Metropolitan Fire Service Disciplinary Committee

G Dart
M Vander-Jeugd*
R Thompson*
B West*

* Denotes nil remuneration.

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

	2010 Number	2009 Number
$Nil	3	3
$1 - $9 999	1	1
Total	4	4

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 $5000 ($5000). (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 expenses incurred by relevant members.)

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 and the MFS are on conditions no more favourable than those that it is reasonable to expect the MFS would have adopted if dealing with a related party at arm's length in the same circumstances.

28. Events subsequent to reporting date

There are no known events after balance date that affect these financial statements in a material manner.

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	15	28 414	28 414	36 381	36 381
Receivables(1)	16	1 002	1 002	784	784
Financial liabilities:					
Payables(1)	20	5 345	5 345	3 603	3603

(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 employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

The MFS has minimal concentration of credit risk. The MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The MFS 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 MFS 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 to note 16 for information on the allowance for impairment in relation to receivables.

29.2 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	835	79	24	58	996
Impaired:					
Receivables	-	-	-	6	6
2009					
Not impaired:					
Receivables	572	665	86	33	1 356
Impaired:					
Receivables	-	-	-	4	4

29.3 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	28 414	-	28 414
Receivables	1 002	-	1 002
Total financial assets	29 416	-	29 416
Financial liabilities:			
Payables	3 866	1 479	5 345
Total financial liabilities	3 866	1 479	5 345
2009			
Financial assets:			
Cash and cash equivalents	36 381	-	36 381
Receivables	784	-	784
Total financial assets	37 165	-	37 165
Financial liabilities:			
Payables	3 603	-	3 603
Total financial liabilities	3 603	-	3 603

The financial assets and liabilities of the MFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

Liquidity risk arises where the MFS is unable to meet its financial obligations as they are due to be settled. MFS is funded principally from contributions from the Community Emergency Services Fund. The MFS and SAFECOM work with the fund manager of the Community Emergency Services Fund to determine cash flows associated with its Government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The MFS 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 MFS's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table above 'Categorisation of financial instruments' represent the MFS's maximum exposure to financial liabilities.

Market risk

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The MFS's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

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

SOUTH AUSTRALIAN MOTOR SPORT BOARD

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

Functions

The main functions of the Board are to promote motor sport events within the state including entering into agreements, establishing a temporary motor racing circuit and conducting and managing motor racing events. For details of the Board's functions refer to note 1 of the financial statements.

The Board comprises no more than nine members (nine members as at 30 June 2010) appointed by the Governor and is subject to the general control and direction of the Deputy Premier.

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with the South Australian Tourism Commission, the Board assumed responsibility for the staging of the Global Green Challenge in October 2009 and October 2011.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 18(3) of the SAMS Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

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

This assessment also considers whether 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
- revenue
- procurement
- fixed assets
- general ledger
- cash at bank.

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 the Board's financial statements.

Basis for qualified auditor's opinion

State Government Grant - Capital

As detailed in note 2.8 to the financial statements, the South Australian Motor Sport Board (the Board) have amortised capital grants received since 1999 over a period of five years. The grants have been recognised as a Deferred State Government grant – Capital liability. As a result, of the total $11.1 million received by way of capital grants only $10.4 million has been recognised as revenue. The remaining $738 000 is recognised as a liability as at 30 June 2010.

State Government Grant - Infrastructure

In 2006-07, 2007-08 and 2008-09 the Board received from the State Government a total of $23 million for construction of infrastructure of which $3 million was expensed on the cancelled Victoria Park (Bakkabakkandi) redevelopment. The remaining $20 million ($12.5 million in 2008-09 and $7.5 million in 2007-08) was received for upgrades and additions to the Board's infrastructure assets including a new demountable pit building. Of this amount, $18.7 million was spent on capital costs of assets and $1.3 million was expensed on indirect costs attributable to the infrastructure upgrade. The Board has deferred recognising grant revenue equivalent to the value of capitalised assets of $18.7 million, creating a Deferred State Government grant – Infrastructure liability in the Statement of Financial Position. The Board is amortising this liability to revenue over the estimated useful life of the infrastructure assets. As a result, of the total $20 million received for completed infrastructure upgrades and additions, only $4.5 million has been recognised as revenue. The remaining $15.5 million is recognised as a liability as at 30 June 2010.

Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework APF V 'Income Framework' require that contributions to a not-for-profit entity must be recognised as an asset and income when the Authority obtains control of the contributions and the income recognition criteria are met.

The total financial effect of the Board not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:

2010

Total Income, Operating surplus and Total comprehensive result are overstated in the current year by $1.6 million. Total liabilities are overstated by $16.2 million. Total equity is understated by $16.2 million.

2009

Total Income, Operating surplus and Total comprehensive result are understated by $10 million. Total liabilities are overstated by $17.8 million. Total equity is understated by $17.8 million.

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 South Australian Motor Sport Board 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 South Australian Motor Sport Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to compliance with mandated procurement processes, financial authorisations, engagement of legal practitioners and 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 South Australian Motor Sport Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the Board. Major matters raised with the Board and the related responses are detailed below.

Compliance with mandated procurement processes

Goods and services

Last year a review of the Board's procurement practices revealed they were not consistent with the *State Procurement Act 2004* (SP Act) in the following ways:

- not all aspects of the procurement policy framework was being followed and documentation was not at the required level
- approval was not obtained from the State Procurement Board for procurement processes where the value of the procurement exceeded $1.1 million.

A follow up in 2009-10 revealed that the Board implemented a procurement procedure and checklist to ensure compliance with the SP Act.

In 2009-10 a number of goods and services contracts were awarded by the Board. The audit included a review of a sample of contracts awarded and identified that SP Act requirements were not followed for one contract awarded in February 2010 with a total value of $1.8 million.

In response the board advised that contract management plans have been introduced and all new contract requirements for the next 12 months will be provided to the State Procurement Board in June of each year.

Prescribed construction projects

In September 2009 the Board received advice from the Crown Solicitor's Office that a contract expiring in May 2010 met the definition of a prescribed construction project and consequently the board was required to comply with the requirements of the DPC Circular 28 'Construction Procurement Policy - Project Implementation Process' (PIP). PIP is a generic construction procurement policy. It details the steps required to be followed during concept, design, documentation, tender, construction and review phases of prescribed construction projects. The process steps to be followed under this policy differ in some respects to the process requirements for goods and services acquisitions under the SP Act and the Board's established procurement processes.

Audit noted that in January 2010 the Minister approved a three year contract extension with a total value of $4 million with the existing contractor.

Audit understands that the Board was committed to its procurement process for goods and services at the time the Crown Law advice was received. However, not going to tender was inconsistent with government policy requirements and resulted in the contractor's proposal not being tested against other market competitors.

Financial authorisations

TI 8 states that contracts greater than $1.1 million, including for the purchase of goods and services, can only be executed if approved by the Cabinet, the Minister or an employee nominated by the Minister in writing.

Audit noted the Board executed a contract with a total value of $1.8 million in February 2010 without either obtaining the authority of the Minister or delegated authority to approve the contract.

Audit recommended the Board seek delegation from the Minister for it to execute contracts greater than $1.1 million or obtain Ministerial or Cabinet approval for future contracts.

At the time of preparing this report the Board had not advised its response to this matter.

Engagement of legal practitioners

Audit noted that the Board had engaged a legal practitioner without obtaining advice and certification from the Crown Solicitor's approval, as required by TI 10.

Audit recommended the Board seek the Crown Solicitor's approval to engage legal practitioners.

In response the Board advised approval from the Crown Solicitor has now been received.

Implementation of TIs 2 and 28

Last year Audit identified the need for the Board to formally consider the new TIs and act to ensure compliance.

In response the Board advised it would address any non-compliance with TIs 2 and 28.

Follow up in 2009-10 revealed:

- some existing Board financial management policies and procedures did not appear current and the Board did not have a fraud policy, as required by TI 2
- the Board had not assessed its compliance with TI 28.

Audit recommended that the Board:

- review its policies and procedures against the requirements of TI 2
- develop and document a financial management compliance program which has regard to the Board's operations, organisation structure and financial management arrangements and responsibilities.

In response the Board advised that it will prepare a schedule which lists all policies and dates for their review. They also advised a financial management compliance program is being prepared.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The following analysis has been prepared from the financial statements and should be read in conjunction with the 'Qualified Auditor's Opinion' as provided under the heading 'Auditor's report on the financial statements'. The qualification expresses that the Board has not applied AASs and mandatory APF when reporting grant revenues. Reference should also be made to note 2.8 to the Board's financial statements.

Highlights of the financial statements

	2010	2009
	$'000	$'000
EXPENSES		
Supplies and services	**23.6**	23.4
Depreciation and amortisation	**2.0**	2.0
Employee benefit expenses	**1.4**	1.3
Total expenses	**27.0**	26.7
INCOME		
State Government grants	**3.7**	2.8
User charges	**20.4**	20.0
Amortisation of capital grants	**0.4**	0.5
Amortisation of infrastructure grants	**1.6**	1.6
Other	**0.3**	1.1
Total income	**26.4**	26.0
Operating deficit	**(0.6)**	(0.7)
OTHER COMPREHENSIVE INCOME	**-**	0.6
Total comprehensive result	**(0.6)**	(0.1)
NET CASH USED IN OPERATIONS	**(1.0)**	(0.3)
ASSETS		
Current assets	**5.9**	5.4
Non-current assets	**18.7**	20.3
Total assets	**24.6**	25.7
LIABILITIES		
Current liabilities	**6.0**	5.0
Non-current liabilities	**14.4**	15.9
Total liabilities	**20.4**	20.9
TOTAL EQUITY	**4.2**	4.8

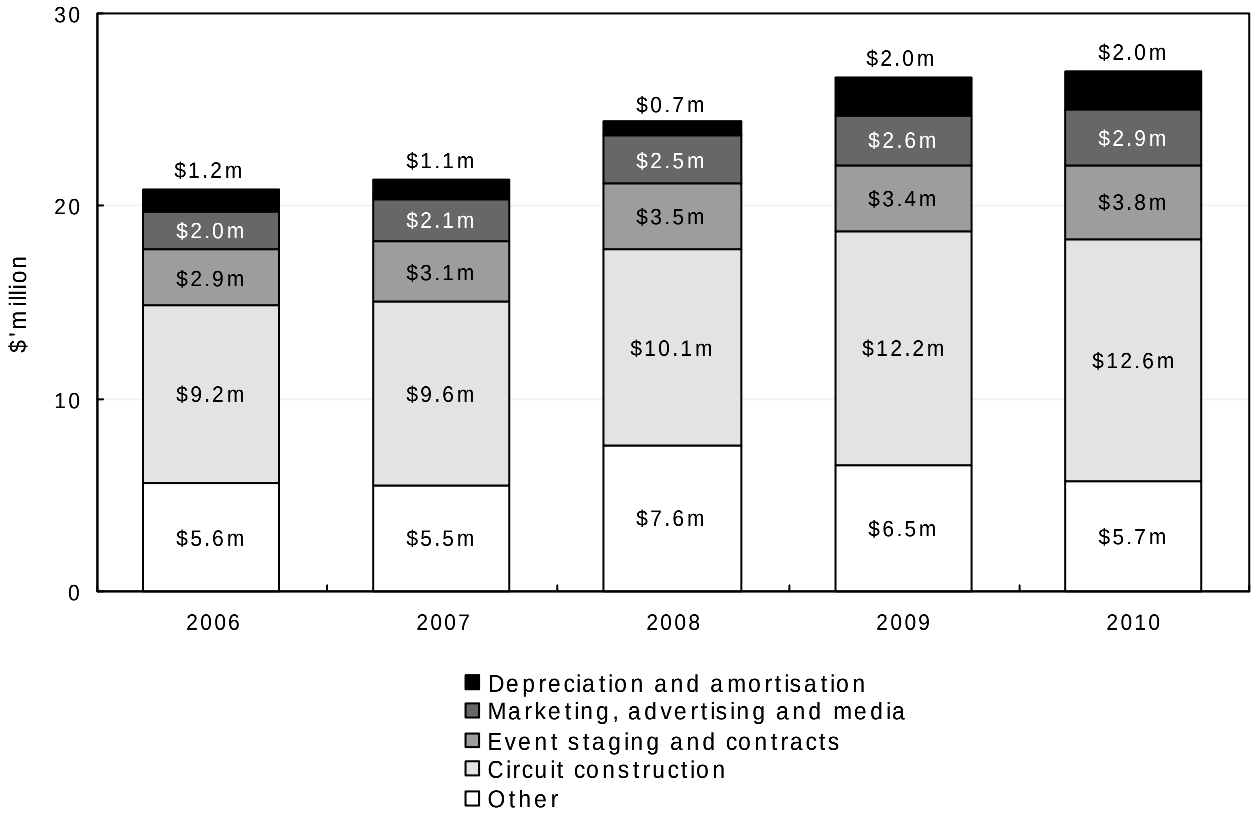
Statement of Comprehensive Income

Expenses

Total expenses increased by $370 000 (1.1 percent) to $27 million.

The Board's activities remain predominately delivered through contracted services and therefore salaries costs are comparatively low.

For the five years to 2010, a structural analysis of the main expense items for the Board is shown in the following chart.



The chart demonstrates steady growth for most expense categories over the past five years.

Other expenditure decreased by $800 000 to $5.7 million. Of note were the following items:

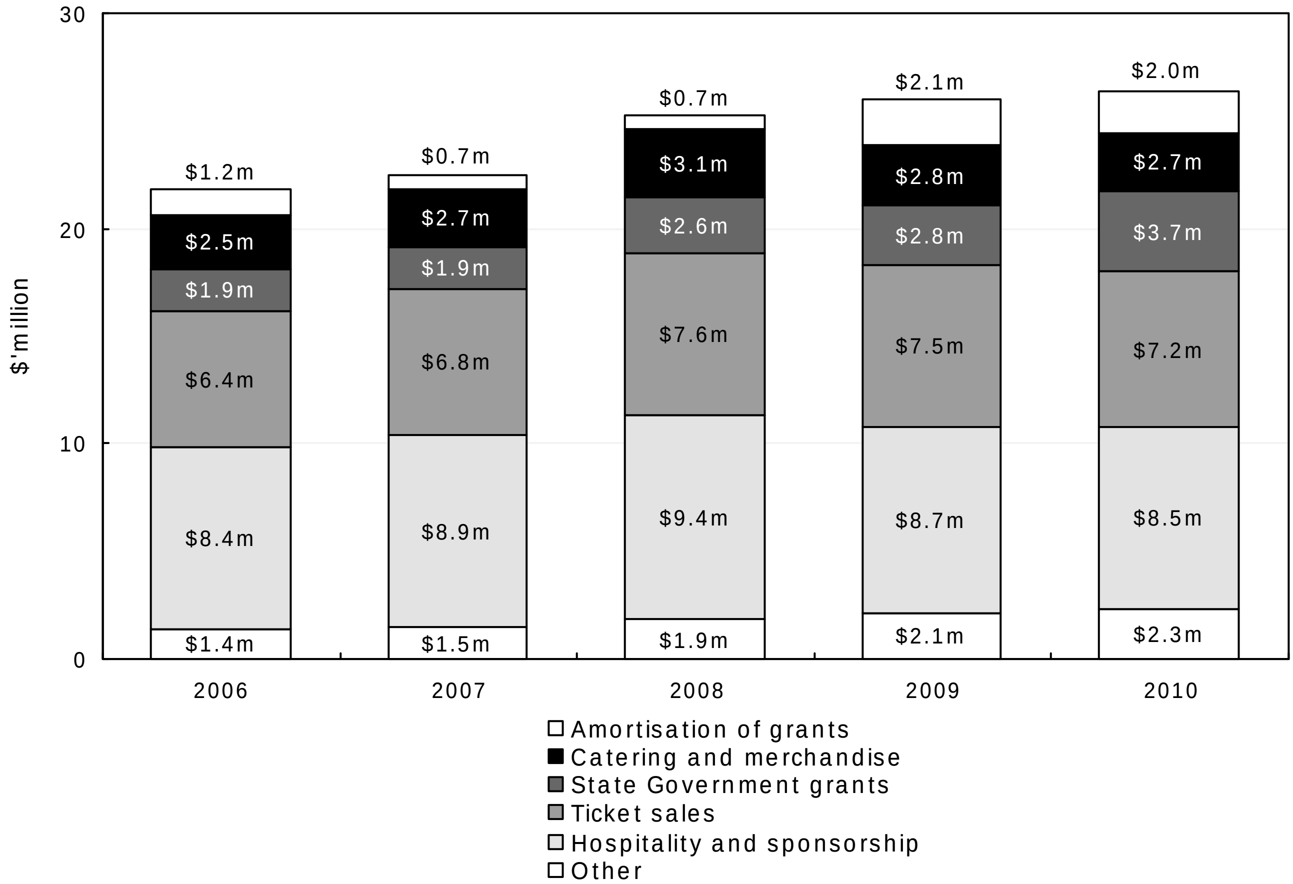
- one-off Victoria Park infrastructure expenditure of $671 000 in 2009
- hospitality, sponsorship and ticketing costs decreased by $123 000 (38 percent) reflecting a decrease in hospitality and sponsorship commission previously externally contracted that is now managed in-house by the Board and reduced fees charged by the new ticketing provider
- employee benefit expenses increased by $168 000 (13 percent). This was due to wage rate increases and the creation of the Business Development Manager position.

Income

The Board has not applied AASs and mandatory APFs when reporting its capital and infrastructure grant revenues. Reference should be made to note 2.8 to the Board's financial statements and to commentary provided above under the heading 'Auditor's report on the financial statements'.

The Board's decision not to apply APF V and AASB 1004 has resulted in an overstatement of income of $1.6 million ($10 million understatement).

A structural analysis of income for the Board for the five years to 2010 is presented in the following chart.

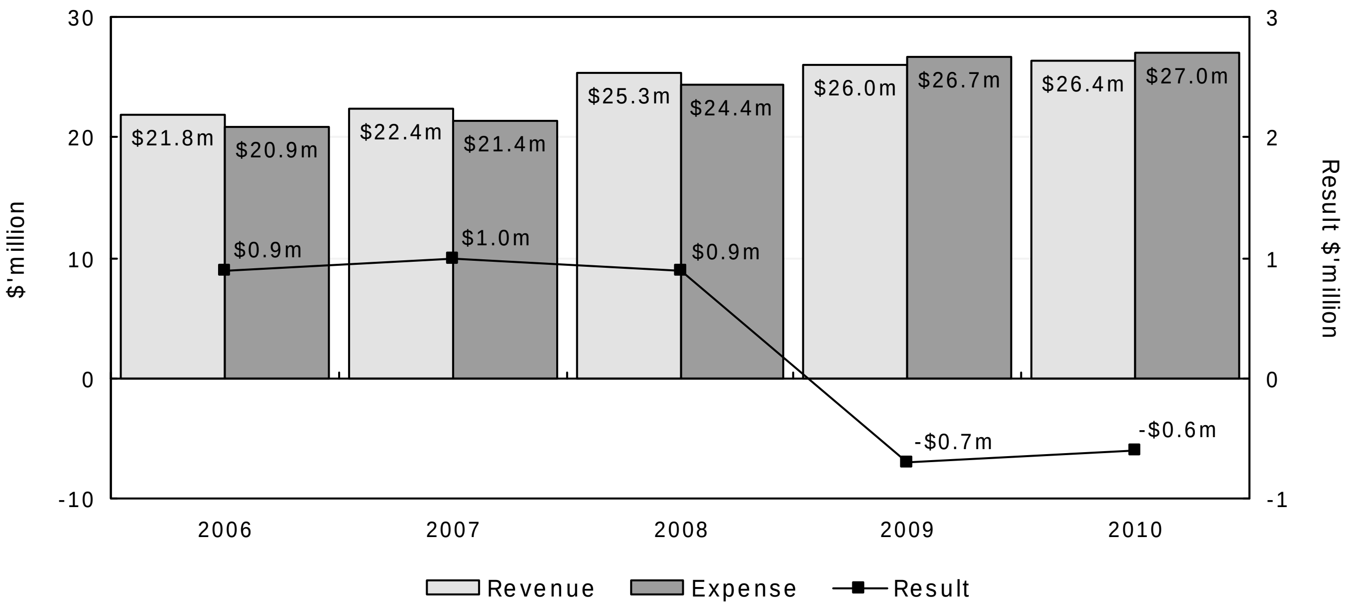


The chart illustrates that overall income has generally increased each year to 2009 and has remained steady in 2010.

However, since 2008 there has been a steady decline in user charges (catering and merchandise, ticket sales and hospitality and sponsorship). The decrease in user charges has been offset by increases in State Government grants and the amortisation of deferred grants.

Net result

The following chart shows the movement in income, expenses and the operating result for the current and preceding four years.



The Board recorded an operating deficit of $646 000 ($690 000). This is the second operating deficit since 2000-01. While the 2010 result is a small improvement compared to 2009, the result would have been a $2.3 million deficit if not for the additional $1.7 million in State Government operating grants.

Statement of Cash Flows

Analysis of cash flows highlights that the operations of the Board generated a negative cash flow for the second time in the past four years and the Board is reliant upon support from the SA Government for its ongoing operations.

	2010	2009	2008	2007
	$'000	$'000	$'000	$'000
Net cash flows				
Operating	**(1.0)**	(0.3)	0.6	1.4
Investing	**-**	(6.2)	7.1	-
Change in cash	**(1.0)**	(6.5)	7.7	1.4
Cash at 30 June	**4.1**	5.1	11.6	3.9

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010 $'000**	2009 $'000
INCOME:			
State Government operating grants	1	**3 745**	2 090
State Government infrastructure grants		**-**	671
Interest	4	**317**	1 126
User charges	5	**20 378**	20 024
Amortisation of capital grants	2.8,13	**379**	491
Amortisation of infrastructure grants	2.8,13	**1 585**	1 585
Net gain from disposal of non-current assets		**-**	1
Total income		**26 404**	25 988
EXPENSES:			
Supplies and services	6	**23 611**	23 438
Depreciation and amortisation	10	**2 025**	1 994
Employee benefit expenses	7	**1 414**	1 246
Total expenses		**27 050**	26 678
OPERATING DEFICIT		**(646)**	(690)
OTHER COMPREHENSIVE INCOME:			
Changes in asset revaluation surplus			
Concrete safety barriers	10	**-**	158
Other racing infrastructure, plant and equipment	10	**-**	445
Total changes in asset revaluation surplus		**-**	603
TOTAL COMPREHENSIVE RESULT		**(646)**	(87)

Operating 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	8	**4 099**	5 136
Receivables	9	**1 729**	289
Total current assets		**5 828**	5 425
NON-CURRENT ASSETS:			
Concrete safety barriers, other racing infrastructure, plant and equipment and leasehold improvements	10	**18 726**	20 341
Total non-current assets		**18 726**	20 341
Total assets		**24 554**	25 766
CURRENT LIABILITIES:			
Payables	11	**3 998**	3 025
Employee benefits	12	**92**	67
Deferred State Government grant - capital	13	**299**	299
Deferred State Government grant - infrastructure	13	**1 585**	1 585
Total current liabilities		**5 974**	4 976
NON-CURRENT LIABILITIES:			
Employee benefits	12	**44**	44
Deferred State Government grant - capital	13	**439**	418
Deferred State Government grant - infrastructure	13	**13 915**	15 500
Total non-current liabilities		**14 398**	15 962
Total liabilities		**20 372**	20 938
NET ASSETS		**4 182**	4 828
EQUITY:			
Reserve for extreme weather	2.12	**1 000**	1 000
Retained earnings		**2 579**	3 225
Asset revaluation surplus		**603**	603
TOTAL EQUITY		**4 182**	4 828

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	14
Contingent assets and liabilities	15

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

	Reserve for extreme weather $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008	1 000	-	3 915	4 915
Operating result for 2008-09	-	-	(690)	(690)
Gain on revaluation of concrete safety barriers, other racing infrastructure, plant and equipment	-	603	-	603
Total comprehensive result for 2008-09	-	603	(690)	(87)
Balance at 30 June 2009	1 000	603	3 225	4 828
Operating result for 2009-10	-	-	(646)	(646)
Total comprehensive result for 2009-10	-	-	(646)	(646)
Balance at 30 June 2010	**1 000**	**603**	**2 579**	**4 182**

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 $'000**	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from customers and sponsors		**23 366**	23 120
Interest received		**317**	1 126
State Government contributions - operating		**2 045**	2 090
GST recovered from the ATO		**1 069**	2 578
Cash generated from operations		**26 797**	28 914
CASH OUTFLOWS:			
Payments for supplies and services		**(25 891)**	(27 295)
Employee benefit payments		**(1 360)**	(1 344)
GST paid to the ATO		**(573)**	(557)
Cash used in operations		**(27 824)**	(29 196)
Net cash used in operating activities	16.2	**(1 027)**	(282)
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH INFLOWS:			
Proceeds from the sales of plant and equipment		**-**	1
State Government contributions - capital		**400**	296
State Government contributions - infrastructure		**-**	12 473
Cash generated from investing activities		**400**	12 770
CASH OUTFLOWS:			
Purchase of racing infrastructure, plant and equipment		**(410)**	(18 955)
Cash used in investing activities		**(410)**	(18 955)
Net cash used in investing activities		**(10)**	(6 185)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1 037)**	(6 467)
CASH AND CASH EQUIVALENTS AT 1 JULY		**5 136**	11 603
CASH AND CASH EQUIVALENTS AT 30 JUNE	16.1	**4 099**	5 136

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational structure, objectives and funding

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State
- undertake on behalf of the State the promotion of motor sport events
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with the South Australian Tourism Commission, the Board has assumed responsibility for the staging of the 'Global Green Challenge' in October 2011 (formerly The World Solar Challenge).

During the year, funding of $3.745 million for operating activities and $400 000 for event staging capital from the State Government accrued to the Board. The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

The ongoing activities of the Board in promoting and staging motor sport events within South Australia are dependent on the ongoing financial support by the SA Government

2. Statement 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, TIs and APSs promulgated under the provision of the PFAA except as described in note 2.8 below in relation to the Board's financial accounting and reporting treatment of the capital and infrastructure grant funds provided by the State Government.

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 accounting

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 judgment 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, 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

  (b) expenses incurred as a result of engaging consultants (refer note 18)

  (c) staff whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Board to those employees (refer note 7)

  (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 (refer note 19.3).

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 valuation policy applicable.

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

2.2 Basis of accounting (continued)

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.

2.3 Reporting entity

The financial statements cover the South Australian Motor Sport Board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the SAMS Act.

2.4 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.

2.5 Rounding

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

2.6 *Taxation*

The Board is exempt from income tax.

The Board is liable for payroll tax, FBT and GST.

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

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

2.7 *Events after the reporting period*

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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.

2.8 Amortisation of State Government grants

The State Government has since 1999 provided a total of $11.134 million for race staging capital. A further $23 million was provided for the infrastructure upgrade of which $4.33 million has been spent on non-capital items. The balance of $18.67 million is held as a non-current liability 'Deferred State Government grant – infrastructure' and is being amortised over the estimated useful life of the assets acquired. In 2009-10 $1.585 million has been amortised leaving a deferred State Government grant – infrastructure liability of $15.5 million.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', capital grants received for event staging capital are being amortised over a period of five years. The grants have been recognised as a deferred State Government grant - capital liability.

AASB 1004 and APF V require that a contribution to a not-for-profit entity must be recognised as an asset and income when the entity obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable). The Board believes that application of this policy would incorrectly report the operating result. If AASB 1004 and APF V had been applied, the result for the reporting period would have been as follows:

2.8 *Amortisation of State Government grants (continued)*

	2010		2009	
	AASB 1004 APF V $'000	Board policy $'000	AASB 1004 APF V $'000	Board policy $'000
Revenue - State Government grant:				
Capital	400	-	296	-
Infrastructure	-	-	12 473	671
Amortisation - State Government grant:				
Capital	-	379	-	491
Infrastructure	-	1 585	-	1 585
Operating (deficit) surplus	(2 210)	(646)	9 332	(690)
Assets	24 554	24 554	25 766	25 766
Liabilities	4 134	20 372	3 136	20 938
Equity	20 420	4 182	22 630	4 828

Therefore the application of AASB 1004 and APF V would result in an operating deficit for the year of $2.21 million. The application of IAS 20 results in an operating deficit of $646 000 which the Board believes to be a true reflection of the result for the year.

2.9 *Income and expenses*

Income, except as described in note 2.8, and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

Income and 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 income and expenses, where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Income

The following are specific recognition criteria:

Revenues from user charges

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenues from sales

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

Interest income

Interest income includes interest received on term deposits and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Net gain from disposal of non-current assets

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

Expenses

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses 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 Board to the superannuation plan in respect of current services of current Board employees.

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.

Depreciation and amortisation (continued)
Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by 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 lease, whichever is shorter.

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)*
Concrete safety barriers	10 - 20
Other racing infrastructure, plant and equipment	2 - 20
Leasehold improvements	Life of lease

Concrete safety barriers' useful life is determined by reference to their likely rate of deterioration, namely from 10 to 20 years. This is supported by independent valuation of concrete barriers and debris fencing obtained by the Board as reported in note 10.

2.10 *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. 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.

2.11 *Assets and liabilities*
Assets and 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.

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

Assets
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.

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 the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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
The Board does not own any land or permanent buildings.

- *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 fair value in the Statement of Financial Position.

- *Revaluation of non-current assets*
  All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or 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 Board revalues its concrete safety barriers, other racing infrastructure and plant and equipment. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

  Any revaluation increment is credited to the asset revaluation 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 asset.

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

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

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

Liabilities
Payables
Payables include creditors, accrued expenses, employment on-costs and funds held in trust.

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 Board.

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 payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

Funds held in trust represent advance ticket sales, exclusive of GST, for the year 2011 event.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Board has entered into 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.

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 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.

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

- *Long service leave*
  The liability for long service leave is recognised after an employee has completed 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 employee retention and leave taken. The Board also accrues additional long service leave based on experience of staffing retention and leave taken.

2.12 Reserve for extreme weather

The Board believes that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board has considered that it is prudent and commercially sound to create a reserve for extreme weather at future events. This reserve ($1 million) has been created by transfers from accumulated surplus and will be utilised at events adversely affected by rain or extreme heat.

2.13 Staffing arrangements

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2007* (PSE Act) came into operation on 1 April 2007.

The PSE Act amended the employment provisions of the SAMS Act to provide that the Chief Executive of DTF is to be the 'employing authority' of all staff of the Board. Prior to the operation of the PSE Act, the Board had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of DTF has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the SAMS Act.

As a consequence of the operation of the PSE Act, the Board is no longer able to be registered as a non-exempt employer with WorkCoverSA under subsection 59(1) of the WRCA. As an exempt (self-insured) employer the Board is required to recognise in the accounts a liability for outstanding workers compensation claims where applicable. An independent actuarial valuation of the agency's liability for workers compensation by Taylor Fry Consulting Actuaries reflects that no such liability exists at the reporting date.

2.14 *Unrecognised contractual commitments and contingent assets and liabilities*

Operating lease and event staging commitments arising from contractual sources 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.

2.15 *Insurance*

The Board has arranged, through SAICORP, a division of SAFA to insure major risk of the Board. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies

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

The Australian Accounting Standards Board has released a new standard on operating segments (AASB 8). This new standard, unlike its predecessor, does not apply to the Board and accordingly the Board has not disclosed any information about segments in these financial statements.

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. Interest

	2010 $'000	2009 $'000
Interest from entities within the SA Government	308	1 097
Interest from entities external to the SA Government	9	29
Total interest	317	1 126

5. User charges

	2010 $'000	2009 $'000
User charges received/receivable from entities within the SA Government:		
Other income	14	36
Sponsorship	590	140
Total user charges - SA Government	604	176

5. User charges (continued)

User charges received/receivable from entities external to the SA Government:	2010 $'000	2009 $'000
Hospitality and sponsorship	8 536	8 658
Ticketing sales	7 157	7 480
Catering and merchandise	2 738	2 782
Entry fees	565	200
Asset hire	2	-
Other income	776	728
Total user charges - non-SA Government	19 774	19 848
Total user charges	20 378	20 024

6. Supplies and services

Supplies and services provided by entities within the SA Government:		
Administration	40	135
Event staging and contracts	90	50
Marketing, advertising and media	108	61
Circuit construction	79	79
Total supplies and services - SA Government entities	317	325
Supplies and services provided by entities external to the SA Government:		
Circuit construction	12 535	12 134
Hospitality, sponsorship and ticketing costs	203	326
Catering and merchandise costs	1 088	1 093
Event staging and contracts	3 761	3 324
Entertainment	1 221	1 316
Security and ground staff	969	948
Administration	767	737
Marketing, advertising and media	2 750	2 564
Victoria Park infrastructural expenditure	-	671
Total supplies and services - non-SA Government entities	23 294	23 113
Total supplies and services	23 611	23 438

7. Employee benefit expenses

Salaries, wages, annual and sick leave	1 234	1 015
Long service leave	7	63
Employment on-cost - superannuation	107	97
Employment on-cost - other	66	71
Total employee benefit expenses	1 414	1 246

Remuneration of employees

The number of employees who received or were due to receive remuneration within the following bands were:	2010 Number	2009 Number
$140 000 - $149 999	1	-
$150 000 - $159 999	1	-
$160 000 - $169 999	-	1
$170 000 - $179 999	-	1
$250 000 - $259 999	1	-
Total	3	2

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 $554 000 ($346 000).

Total number of full-time equivalent staff at reporting date was 11.2 (11.6).

8. Cash and cash equivalents

	2010 $'000	2009 $'000
Short-term deposits with SAFA	3 677	4 603
Cash on hand and at bank	422	533
	4 099	5 136

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. They are lodged with SAFA and earn interest at the respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate, based on daily deposit rates. The average interest rate for the reporting period was 3.3 percent (5.7 percent). The carrying amount of cash and cash equivalents represents fair value.

9. Receivables

	2010 $'000	2009 $'000
Current:		
State Government operating grant	1 700	-
Trade debtors	29	289
	1 729	289
SA Government/non-SA Government receivables:		
Receivables from SA Government entities	1700	-
Receivables from non-SA Government entities	29	289
	1 729	289

Receivables amounting to $639 000 ($1.079 million) and the corresponding liability relating to advanced ticket sales exclusive of GST for Year 2011 event (refer note 11) have not been recognised as they have been treated as agreements equally proportionately unperformed.

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 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.

Refer note 20 for categorisation of financial instruments and risk exposure information.

10. Concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements

	2010 $'000	2009 $'000
Concrete safety barriers:		
Gross carrying amount:		
Balance at 1 July	1 428	1 441
Additions	44	-
Adjustment arising from revaluation of assets	-	158
Elimination of depreciation on revalued assets	-	(171)
Balance at 30 June	1 472	1 428
Accumulated depreciation:		
Balance at 1 July	(723)	(888)
Elimination of depreciation on revalued assets	-	171
Depreciation expense	(59)	(6)
Balance at 30 June	(782)	(723)
Net carrying amount	690	705
Other racing infrastructure, plant and equipment:		
Gross carrying amount:		
Balance at 1 July	29 224	11 706
Additions	366	18 955
Adjustments arising from revaluation of assets	-	445
Elimination of depreciation on revalued assets	-	(999)
Assets written off	(1 665)	-
Disposals	-	(883)
Balance at 30 June	27 925	29 224
Accumulated depreciation:		
Balance at 1 July	(9 701)	(9 628)
Depreciation expense	(1 934)	(1 955)
Elimination of depreciation on revalued assets	-	999
Depreciation on assets written off	1 665	-
Disposals	-	883
Balance at 30 June	(9 970)	(9 701)
Net carrying amount	17 955	19 523
Leasehold improvements:		
Gross carrying amount:		
Balance at 1 July	219	219
Balance at 30 June	219	219
Accumulated amortisation:		
Balance at 1 July	(106)	(73)
Amortisation expense	(32)	(33)
Balance at 30 June	(138)	(106)
Net carrying amount	81	113
Total concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements	18 726	20 341

Valuation of concrete safety barriers, debris fencing and track overpasses
In June 2009 an independent valuation of the concrete safety barriers, debris fencing and track overpasses was undertaken by Valcorp Australia Pty Ltd. Material differences between the valuation and the carrying amount of the assets represented an increment in asset value of $603 000. This has been recognised in the financial statements as an asset revaluation surplus.

Impairment
There were no indications of impairment of concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements at 30 June 2010.

11. Payables

	2010	2009
Current:	$'000	$'000
Payables to SA Governments entities		
Trade creditors	63	-
Payables to non-SA Government entities		
Trade creditors	902	454
Other creditors and accruals	849	1 123
Employment on-cost	14	11
GST payable	132	59
Funds held in trust(i)	2 038	1 378
Total payables to non-SA Government entities	3 935	3 025
	3 998	3 025

(i) Advanced ticket sales exclusive of GST for Year 2011 event.

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

Refer to note 20 for categorisation of financial instruments and risk exposure information.

12. Employee benefits

	2010	2009
Current:	$'000	$'000
Annual leave:	47	34
Long service leave	11	3
Accrued salaries and wages	34	30
Total current employee benefits	92	67
Non-current:		
Long service leave	44	44
Total non-current employee benefits	44	44
Total employee benefits	136	111

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2010 is $106 000 and $44 000 respectively.

13. Deferred State Government grants

Capital:		
Deferred State Government grant - capital	11 134	10 734
Accumulated amortisation	(10 396)	(10 017)
	738	717
Reconciled to:		
Current	299	299
Non-current	439	418
	738	717
Infrastructure grant:		
Deferred State Government grant - infrastructure	19 968	19 968
Transferred to income	(1 298)	(1 298)
Accumulated amortisation	(3 170)	(1 585)
	15 500	17 085
Reconciled to:		
Current	1 585	1 585
Non-current	13 915	15 500
	15 500	17 085

14. Unrecognised contractual commitments

14.1 Operating lease commitments

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

14.1 Operating lease commitments (continued)

	2010 $'000	2009 $'000
Within one year	159	153
Later than one year but not longer than five years	249	408
Total operating lease commitments	408	561

The lease is for office accommodation leased from Sofrina Pty Limited. The lease is non-cancellable with a term of seven years, having the right of renewal and rent is payable monthly in advance.

14.2 Event staging commitments

The Board has commitments for the staging of future events. Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:

	2010 $'000	2009 $'000
Within one year	11 778	10 259
Later than one year but not longer than five years	37 723	33 673
Later than five years	-	8 458
Total event staging commitments	49 501	52 390

15. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities in relation to the Board's activities.

In addition, the Board has made no guarantees.

16. Cash flow reconciliation

16.1 Reconciliation of cash and cash equivalents - cash at 30 June

	2010	2009
Cash and cash equivalents disclosed in the Statement of Financial Position	4 099	5 136
Balance as per the Statement of Cash Flows	4 099	5 136

16.2 Reconciliation of net cash used in operating activities to operating deficit

	2010	2009
Operating deficit	(646)	(690)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	2 025	1 994
Amortisation of State Government grant - capital	(379)	(491)
Profit on sale of fixed assets	-	(1)
Amortisation of State Government grant - infrastructure	(1 585)	(1 585)
Transfer to income of State Government grant - infrastructure	-	(671)
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Receivables	(1 440)	962
Increase (Decrease) in liabilities:		
Employee benefits	25	(127)
Payables	973	327
Net cash used in operating activities	(1 027)	(282)

17. Auditor's remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total $28 000 ($27 000).

18. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $4000 ($9000).

19. Key management personnel

19.1 Board members

The SAMS Act requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of governing board member during the reporting period:

R Cook, AM - Chairman	G Boulton, AM - Deputy Chairman	C Smerdon
B Carter	R Hayward	J Turbill
A Ford	T Schenken	F Wong

19.2 Other key management personnel

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

J Allen	Chief Executive
C Black	Commercial Manager (appointed 14 June 2010)
M Leenders	Head of Marketing
D Raggat	Commercial Manager (resigned 20 April 2010)

19.3. *Remuneration of governing board members*

The number of governing board members who received or were due to receive remuneration within the following bands were:

	2010 Number	2009 Number
$10 000 - $19 999	4	7
$20 000 - $29 999	4	2
$30 000 - $39 999	1	-
Total	9	9

The total remuneration received or receivable by the governing board members was $202 000 ($186 000), which includes superannuation contributions of $17 000 ($14 000).

19.4 *Board member transactions*

Board members and their related parties conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Board member or related party at arms length in similar circumstances.

These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

G Boulton, AM	Complete Fire Services Pty Ltd	$134 504	Supply and installation of pit building fire service
R Cook, AM	Motor Accident Commission	$35 000	Contribution to free transport initiative
R Cook, AM	V8 Supercars Australia Pty Ltd	$711 264	Hospitality, rights income and infrastructure recoveries
R Cook, AM	V8 Supercars Australia Pty Ltd	$1 557 797	Race staging deed and television requirements
T Schenken	CAMS Ltd	$144 686	Licence fees, permit fees and insurance
T Schenken	CAMS Ltd	$4 302	Infrastructure recoveries
C Smerdon	Vectra Corporation Ltd	$6 818	Hospitality
C Smerdon	Travellink Pty Ltd	$28 289	Travel wholesaler commission
J Turbill	Intuito Pty Ltd	$21 268	Event research
R Hayward, F Wong	Adelaide City Council	$95 409	Sponsorship revenue and TV package
R Hayward, F Wong	Adelaide City Council	$97 430	Circuit construction and sponsor costs

All corporate facilities purchased by board members or their related parties are at arm's length rates.

There are no loans to board members.

20. 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	8	4 099	4 099	5 136	5 136
Loans and receivables - at cost:					
Receivables	9	1 729	1 729	289	289
Financial liabilities					
Financial liabilities - at cost:					
Payables	11	3 998	3 998	3 025	3 025

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.

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 to any of its financial assets. There is no evidence to indicate that financial assets are impaired.

Ageing analysis off financial assets

No Board financial assets are past due or impaired.

Maturity analysis of financial assets and financial liabilities
All of the Board's financial assets and financial liabilities are due within the next 12 months.

Liquidity risk
Liquidity risk arises where the Board is unable to meet its financial obligations as they are due to be settled. The continued existence of the Board is dependent on State Government policy and on continuing appropriations by Parliament for the Board's operations. The Board 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 Board's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table above represent the Board's maximum exposure to financial liabilities.

Market risk
Market risk for the Board is primarily through interest rate risk. The Board's only exposure to interest rate risk relates to cash at bank and short-term deposits with SAFA. Movement in SAFA interest rates are monitored on a daily basis.

There is no exposure to foreign currency or other price risks.

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

21. Events after the reporting period
There were no events after the reporting period that have material financial implications on these financial statements.

SOUTH AUSTRALIAN STATE EMERGENCY SERVICE

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

Republished in a Supplementary Report for the year ended 30 June 2010 'Agency Audit Reports: February 2011'

SOUTH AUSTRALIAN SUPERANNUATION BOARD

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by subsection 6(2) of the *Superannuation Act 1988* (the Act). The Board is responsible to the Treasurer.

Functions

The Board is responsible for the administration of the following superannuation schemes:

- South Australian Superannuation Scheme (the Scheme) under the Act comprising:
  - South Australian Superannuation Fund
  - employer contribution accounts.
- Southern State Superannuation Scheme (the Triple S Scheme) under the *Southern State Superannuation Act 2009* comprising:
  - Southern State Superannuation Fund.
- Super SA Retirement Investment Fund under the Southern State Superannuation Regulations 2009 comprising:
  - Income Stream
  - Flexible Rollover Product.
- South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) under Schedule 3 of the Act.

The Board has elected to report the Super SA Retirement Investment Fund in a separate financial report for 2009-10 under the Southern State Superannuation Regulations 2009, which came into operation on 1 August 2009. This fund includes transactions for the Income Stream (formerly Allocated Pension) and the Flexible Rollover Products. These were previously incorporated in the Triple S Scheme financial report.

The Board's administration of these schemes encompasses maintenance of:

- accounts in the name of all members
- employer contribution accounts
- proper accounts for each financial year on receipts of contributions and payments of benefits.

For further details of the Board's functions refer note 1 of the financial statements. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer note 1 of the financial statements of the individual superannuation schemes which directly follow this section of Part B of this Report.

Service provision arrangements

The Board utilises the services of DTF — State Superannuation Office (Super SA) to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

For further information on the investment and management of superannuation monies reference should be made to comments under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

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 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 to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Information on the audit coverage, findings and audit opinion on the financial statements of the individual superannuation schemes is provided under the 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme', 'Southern State Superannuation Scheme' and the 'Super SA Retirement Investment Fund' which directly follows this section of Part B of this Report.

The commentary under the heading 'Communication of audit matters' provides the overall issues that are not covered in the audit commentary on the individual schemes.

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 South Australian Superannuation Board 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 South Australian Superannuation Board 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 compliance with TI 2 and TI 28 and benefit payments as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Superannuation Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Presiding Member of the South Australian Superannuation Board. The response to the management letter was considered to be satisfactory. Major matters raised with the South Australian Superannuation Board and related responses are detailed below.

TI 28

TI 28 requires the Board to establish and maintain a robust and transparent financial management compliance program (FMCP). Although the Board has developed a FMCP, further documentation is required to ensure it is effective and appropriately manages risks. The Board has not clearly documented:

- who has the overall responsibility for the FMCP
- who has the responsibility for maintaining and updating the FMCP

- how applicable legislation, ie superannuation legislation, is being complied with
- how the controls listed in the FMCP are monitored for effectiveness
- the evaluation or review process of the program, for example by self-assessment or by other means.

Further the FMCP has not been designed from a superannuation scheme perspective as it does not include areas such as benefit payments and contributions revenue.

TI 2

TI 2 requires the Board to establish and maintain policies and procedures covering key controls. Audit found that Super SA policies and procedures do not cover all key business controls, including:

- checking reconciliations from general ledger to members' database (Superb)
- data verification for uploading online payment of contributions via BPAY to members' accounts
- annual student pension review
- recovery of pension overpayments and writing off bad debt.

The Board responded that it is committed to establishing an internal audit and compliance capability during 2010-11. A major responsibility will include ensuring compliance with the key requirements of TIs 2 and 28.

Benefit payments

The following matters were raised:

- There was a need to review certain access arrangements for the pension administration system to strengthen controls over data maintenance and payments.
- Follow up of student and non-SA pensioners' eligibility is not always undertaken on a timely basis.
- The recovery of overpayments policy does not cover the controls of monitoring and establishing repayment plans.

The Board responded that it will implement relevant controls in each of these areas. In addition, an internal audit of controls will be undertaken, including a review of controls over benefit payments and contributions by a professional services provider.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The Board's financial statements reflect its administration role in that:

- expenses relate predominantly to fees paid to DTF to administer the Schemes
- revenues are mainly for the reimbursement of DTF fees from the relevant superannuation schemes.

Each superannuation scheme administered by the Board is reported separately in accordance with AAS 25.

Highlights of the financial statements

	2010 $'million	2009 $'million
EXPENSES AND INCOME		
Total expenses	**15.6**	14.5
Total income	**18.3**	15.3
Total comprehensive result	**2.7**	0.8
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3.0**	0.5

	2010 $'million	2009 $'million
ASSETS		
Cash and cash equivalents	**6.8**	3.8
Receivables	**-**	0.3
Total assets	**6.8**	4.1
LIABILITIES	**-**	-
EQUITY	**6.8**	4.1

Statement of Comprehensive Income

The net surplus for the year was $2.7 million. This result reflects:

- revenues from fees and charges of $18.3 million. Of this amount, $16.6 million (91 percent), represents the administration fees charged to the superannuation schemes administered by the Board
- administration expense of $15.6 million. A majority of this amount is payment to DTF for administrative services.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010**	2009
EXPENSES:		**$'000**	$'000
Administration expense	4	**15 598**	14 531
Total expenses		**15 598**	14 531
INCOME:			
Revenue from fees and charges	5	**18 285**	15 300
Total income		**18 285**	15 300
TOTAL COMPREHENSIVE RESULT		**2 687**	769

Comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	6	**6 808**	3 767
Receivables	7	**32**	385
Total assets		**6 840**	4 152
CURRENT LIABILITIES:			
Payables	8	**16**	15
Total liabilities		**16**	15
NET ASSETS		**6 824**	4 137
EQUITY:			
Reserves	9	**6 824**	4 137
TOTAL EQUITY		**6 824**	4 137

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities 10

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

	Retained earnings $'000	Reserves $'000	Total $'000
Balance as at 30 June 2008	-	3 368	3 368
Total comprehensive result for 2008-09	769	-	769
Transferred to reserves	(769)	769	-
Balance as at 30 June 2009	-	4 137	4 137
Total comprehensive result for 2009-10	2 687	-	2 687
Transferred to reserves	(2 687)	2 687	-
Balance as at 30 June 2010	**-**	**6 824**	**6 824**

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:			
Administration expenses		**(15 597)**	(14 732)
Cash used in operations		**(15 597)**	(14 732)
CASH INFLOWS:			
Receipts from fees and charges		**18 638**	15 237
Cash generated from operations		**18 638**	15 237
Net cash provided by operating activities	12	**3 041**	505
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3 041**	505
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 767**	3 262
CASH AND CASH EQUIVALENTS AT 30 JUNE		**6 808**	3 767

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Treasurer for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer has declared that the Board act as the Trustee of the South Australian Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may, with the approval of the Treasurer, make use of the staff or facilities of an administrative unit of the South Australian public sector. The State Superannuation Office, a branch of DTF, provides administrative services to the Board. The State Superannuation Office adopts the 'Super SA' name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the service level agreement to DTF for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the Board's authority.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future administrative costs.

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 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.

(b) Basis of preparation

The preparation of the financial statements requires:

- 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 these financial statements:
  - — 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. All transactions of the Board are with the SA Government, except bank fees.
  - — Board member and committee member and remuneration information, where a board member or 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.

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 comparative information is presented.

(c) Comparative information

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

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.

(d) Rounding

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

(e) Taxation

The Board is not subject to income tax.

The Board is not registered for GST and no GST is recoverable or payable to the ATO.

(f) Events after balance date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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.

(g) Income and expenses

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

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

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

Interest comprises of the interest received on the cash held in the Deposit Account at the applicable SA Government rate and advised quarterly by DTF. Interest is recognised when earned.

Expenses

Administration expenses are the payments of the administration fee to DTF for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in the Deposit account.

For the purpose of the Statement of Cash Flows cash consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

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

Accrued expenses represent 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.

3. New and revised accounting standards and policies

Details of the accounting policies that the Board has changed during 2009-10 are detailed below. In addition, 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 also detailed below.

Issued or amended but not yet effective

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. Administration expenses

	2010	2009
	$'000	$'000
Administration fees	15 444	14 238
Other expenses(1)	154	249
Transfers to other schemes	-	44
Total administration expenses	15 598	14 531

(1) Other expenses include Auditor's Remuneration. Amounts paid or payable to the Auditor-General's Department for the audit of the Board for the reporting period were $15 400 ($14 850). No other services have been provided by the Auditor-General's Department.

5. Fees and charges

	2010	2009
	$'000	$'000
Interest	154	150
Recovery of administration fees	16 631	14 707
Transfers from other schemes	-	443
Other income	1 500	-
Total fees and charges	18 285	15 300

6. Cash and cash equivalents

	2010	2009
Cash at bank	6 808	3 767
Total cash and cash equivalents	6 808	3 767

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposits rates. The carrying amount of cash and cash equivalents represents fair value.

7. Receivables

	2010 $'000	2009 $'000
Sundry debtors	16	63
Audit fee recovery	16	15
Transfers from other schemes	-	307
Total receivables	32	385

8. Payables

	2010 $'000	2009 $'000
Audit fees payable	16	15
Total payables	16	15

9. Equity

	Opening balance $'000	Total comprehensive result $'000	Transfers to reserve $'000	2010 $'000	2009 $'000
Retained earnings	-	2 687	(2 687)	-	-
Total	-	2 687	(2 687)	-	-

Reserves:	Opening balance $'000	Transfers to reserve $'000	Transfers from reserve $'000	2010 $'000	2009 $'000
Board election reserve:(i)					
South Australian Superannuation Scheme	62	19	(11)	70	62
Southern State Superannuation Scheme	94	35	(19)	110	94
Office administration reserve:(ii)					
South Australian Superannuation Scheme	727	210	(43)	894	727
Southern State Superannuation Scheme	639	366	(65)	940	639
Capital and development reserve:(iii)					
South Australian Superannuation Scheme	1 244	322	-	1 566	1 244
Southern State Superannuation Scheme	1 061	344	-	1 405	1 061
Triple S operational risk reserve:(iv)					
Southern State Superannuation Scheme	310	1 529	-	1 839	310
Total reserves	4 137	2 825	(138)	6 824	4 137

The transfers to/from reserves are outlined below:

(i) The board election reserve represents amounts which have been put aside for the three yearly board election costs. These amounts represent investment earnings allocated during the year and expenses incurred in relation to the 2009 board election processes.

(ii) The office administration reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. These amounts represent investment earnings allocated during the year plus the refund of the under spent service level agreement for 2009-10 less the refund of underpaid service level agreement for 2008-09.

(iii) The capital and development reserve represents amounts which have been put aside for future capital replacement costs. The transfer to reserves represents interest allocated and unspent funds are returned to this reserve on a yearly basis. The Southern State Superannuation Scheme also reflects net income received from the Income Stream and Flexible Rollover Product to offset setup costs incurred for the establishment of these new products.

(iv) The Triple S operational risk reserve – The purpose of this reserve and its name was changed from 1 July 2009 to Triple S operational risk reserve. This was as a result of a review of the Board's Risk Management Policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The transfer to reserves represents interest allocated and the transfer of $1.5 million for 2009-10.

The funding of this reserve is from the Triple S insurance reserve. The Board determined that an amount between $1 million and $1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the insurance reserve will be assessed each year and will also take into account the three-yearly actuarial assessment of the insurance pool to ensure sufficient reserves are held in the insurance reserve.

10. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities.

11. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010 financial year were:

South Australian Superannuation Board

Hedley Bachmann	1 July 2009 - 30 June 2010
Kevin Cantley*	1 July 2009 - 30 June 2010
Virginia Deegan (Liz Hipala - Deputy)	1 July 2009 - 30 June 2010
Bill Griggs*	1 October 2009 - 30 June 2010
Jan McMahon (Leah York - Deputy)	1 July 2009 - 30 June 2010
Ros Sumner (Joslene Mazel - Deputy)	1 July 2009 - 30 September 2009
Leah York**	1 July 2009 - 30 June 2010

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$0	2	1
$1 - $9 999	2	1
$20 000 - $29 999	2	2
$30 000 - $39 999	1	1
$40 000 - $49 999	-	1
	7	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The total remuneration of the Board members was $105 000 ($133 000).

Amounts paid to a superannuation plan for board/committee members were $9000 ($11 000).

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

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

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

12. Cash flow reconciliation

	2010 $'000	2009 $'000
Reconciliation of cash and cash equivalents - cash at 30 June as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	6 808	3 767
Balance as per Statement of Cash Flows	6 808	3 767
Reconciliation of net surplus to net cash provided by operating activities		
Net surplus	2 687	769
Movement in assets and liabilities:		
Decrease (Increase) in receivables	353	(63)
Increase (Decrease) in payables	1	(201)
Net cash provided by operating activities	3 041	505

13. Financial instruments

The Board holds all cash in a Deposit Account with DTF which receives interest at the applicable SA Government rate. There is minimal financial risk associated with the Board's financial instruments.

SOUTH AUSTRALIAN AMBULANCE SERVICE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Clause 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial report of the South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) for each financial year.

Scope of audit

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

During 2009-10, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the SA Ambulance Scheme's 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 net assets of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2010, and changes in net assets for the year ended 30 June 2010 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 audit did not identify any notable matters relating to the SA Ambulance Scheme's operations that warranted formal communication to the South Australian Superannuation Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the financial report comprises a Statement of Changes in Net Assets and a Statement of Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial report.

Highlights of the financial report

	2010	2009
	$'million	$'million
REVENUE		
Contribution revenue	**19.1**	21.2
Investment revenue	**14.2**	(16.8)
Total revenue	**33.3**	4.4

	2010 $'million	2009 $'million
EXPENSES		
Benefits expenses	**12.4**	5.9
Other expenses	**0.9**	0.8
Income tax expense	**2.9**	1.2
Total expenses	**16.2**	7.9
Net increase (decrease) in funds	**17.1**	(3.5)
ASSETS		
Investments	**124.0**	102.6
Other assets	**3.3**	8.4
Total assets	**127.3**	111.0
LIABILITIES		
Current liabilities	**1.4**	2.2
Total liabilities	**1.4**	2.2
Net assets available to pay benefits	**125.9**	108.8

Statement of Changes in Net Assets

There was a net increase in funds of $17.1 million for 2009-10, reflecting:

- positive returns on investments of $14.2 million ($16.8 million negative returns) due to the recovery of world wide investment markets in 2009-10. Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report

- contributions revenue of $19.1 million ($21.2 million) consisting predominantly of contributions by employers of $12.9 million ($14.2 million) and contributions from the Department of Health for past service liabilities of $4.6 million ($4.6 million). The decrease in employer contributions was due mainly to the majority of employees receiving pay rises in 2008-09 backdated to 1 January 2007

- benefits expenses of $12.4 million ($5.9 million). Included in benefits expenses is $9.2 million transferred to the Southern State Superannuation (Triple S) Scheme. Refer below for further explanation.

Statement of Net Assets

The main item in the Statement of Net Assets is investments. They increased by $21.4 million to $124 million due mainly to the positive returns on investments.

FURTHER COMMENTARY ON OPERATIONS

Liability for accrued benefits

An actuarial review is undertaken every three years. The most recent review was undertaken as at 30 June 2008. The estimated liability for accrued benefits at 30 June 2008 was $112.2 million as disclosed in note 8 of the financial report.

The vested benefits as at 30 June 2010 were $125.7 million as disclosed in note 9 of the financial report. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the year were:

	2010	2009
Non-contributory members	**32**	47
Contributory members	**884**	1 038
Contributions from members received ($'000)	**1 345**	1 703

The number of contributory members decreased by 154. The main reason for the decrease was a transfer of 137 members to the Southern State Superannuation Scheme during the year. The SA Ambulance Scheme was closed to new members with effect from 1 July 2008. Current members had the option to remain in this scheme or transfer to the Triple S Scheme.

Statement of Changes in Net Assets
for the year ended 30 June 2010

	Note	**2010**	2009
		$'000	$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY		**108 728**	112 230
REVENUE:			
Investment revenue		**14 178**	(16 820)
Other revenue		**30**	34
Contribution revenue:			
Contributions by employers	3	**12 862**	14 253
Contributions for past service liability	1(d)	**4 560**	4 560
Contributions by members		**1 345**	1 703
Rollovers from other schemes		**356**	589
Spouse contributions		**10**	13
Government co-contributions		**40**	67
Total contribution revenue		**19 173**	21 185
Total revenue		**33 381**	4 399
EXPENSES:			
Direct investment expenses	6	**576**	492
Administration expenses	4	**351**	292
Benefits expenses	7	**12 440**	5 919
Total expenses		**13 367**	6 703
INCOME TAX EXPENSE	12(a),(b)	**2 869**	1 198
NET INCREASE (DECREASE) IN FUNDS		**17 145**	(3 502)
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	11	**125 873**	108 728

Statement of Net Assets
as at 30 June 2010

	Note	2010 $'000	2009 $'000
INVESTMENTS:			
Inflation linked securities		**17 627**	15 595
Property B		**9 870**	2 795
Australian equities B		**34 585**	29 798
International equities B		**25 167**	18 277
Fixed interest		**9 932**	6 885
Diversified strategies growth B		**5 055**	5 447
Diversified strategies income		**16 763**	12 033
Cash		**5 058**	11 794
Total investments		**124 057**	102 624
OTHER ASSETS:			
Cash and cash equivalents		**470**	4 871
Deferred tax assets	12(e)	**2 783**	3 458
Other assets		**23**	25
Total other assets		**3 276**	8 354
Total assets		**127 333**	110 978
CURRENT LIABILITIES:			
Benefits payable		**-**	2
Other liabilities	12(c)	**30**	54
Current tax liabilities		**1 429**	2 193
Total current liabilities		**1 459**	2 249
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	12(d)	**1**	1
Total liabilities		**1 460**	2 250
NET ASSETS AVAILABLE TO PAY BENEFITS	11(a),(b)	**125 873**	108 728

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) South Australian Ambulance Service Superannuation Scheme

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (the Scheme) a scheme and fund established pursuant to clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and employer contributions are deposited by the Treasurer into the Fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

(b) South Australian Superannuation Board

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (the Board) the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

(c) Superannuation Funds Management Corporation of South Australia

Pursuant to clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Superannuation Funds Management Corporation of South Australia (Funds SA) from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) Funding arrangements

For the year ended 30 June 2010, contributory members contributed 5 percent of post-tax salary or 5.9 percent of salary from pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 percent of salaries (3.72 percent for elective services employees and emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9 percent of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

As a result of an actuarial review as at 1 July 2008 the Treasurer determined that the Department of Health would be making payments of $4.56 million to the Fund in 2008-09, 2009-10 and 2010-11 in relation to the unfunded liability of the Fund. This amount is reported in the Statement of Changes in Net Assets as contributions for past service liability.

The Treasurer also determined from the actuarial review that the employer contribution for the defined benefit scheme members would be increased from 11.6 percent to 12 percent effective from 1 July 2009. The 12 percent employer contribution comprises: 9.63 percent for the defined benefit employer contribution, 0.6 percent represents administration expenses and 1.77 percent represents insurance premiums. The components, which comprise contributions by employers, are provided in note 3.

From 1 July 2006, the insurance cover for death, total and permanent disablement and income protection was provided as a self-insurance arrangement within the Fund, and funded by 1.77 percent of employer contributions paid by the employer. Of this 1.43 percent represents insurance premiums for death and total and permanent disablement cover and 0.34 percent represents premiums for income protection cover.

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 accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial 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 presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

(i) Inflation linked securities

The inflation linked securities portfolio 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) *Property B*
The property B 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 sub-sector 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 sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian equities B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) *Diversified strategies growth B*
The diversified strategies growth B 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 valuations of private equity investments are 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 funds 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.

(vii) *Diversified strategies income*
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) Income tax
The Scheme is a complying superannuation fund within the provisions of the ITAA and accordingly the concessional tax rate of 15 percent has been applied.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of investment portfolio
Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2010, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options. The South Australian Ambulance Service Superannuation Scheme is totally invested in the balanced option.

(e) Revenue
Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received from external funds on behalf of the SA Ambulance Service members.

(f) Receivables and payables
Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) GST
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 Net Assets are shown inclusive of GST.

(h) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and cash on hand.

		2010	2009
3.	**Contributions by employers**	$'000	$'000
	Employer contributions	11 566	12 136
	Group life premiums	968	1 455
	Administration expenses	328	662
		12 862	14 253
4.	**Administration expenses**		
	Administration fees	323	267
	Other expenses	28	25
		351	292

5. 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 $22 110 ($21 450). No other services were provided by the Auditor-General's Department.

6. Direct investment expenses
Direct Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Benefits expenses

	2010	2009
	$'000	$'000
Retirement	4 083	2 564
Resignation	5 025	1 270
Transfers to other schemes	3 290	1 357
Total and permanent disablement	-	633
Death	12	-
Temporary disablement	30	95
	12 440	5 919

8. Liability for accrued benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2008 and the next review to be undertaken as at 30 June 2011. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2008. The figure reported has been determined by reference to the expected future salary level increases (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2010	2009
	$'000	$'000
Liability for accrued benefits	112 247	78 445

9. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date. The figure reported has been determined by reference to the expected future salary level increases (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2010	2009
	$'000	$'000
Vested benefits	125 749	112 333

10. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

11. Net assets available to pay benefits

(a) Assets available to pay benefits

	2010	2009
Funds held at 1 July	106 899	111 052
Contributions by members	1 345	1 703
Contributions for past service liability	4 560	4 560
Contributions by employers	11 894	13 006
Investment revenue	13 921	(16 593)
Rollovers form other schemes	356	589
Spouse contributions	10	13
Government co-contributions	40	67
Other revenue	30	34
	32 156	3 379
Benefits expenses	(12 410)	(5 550)
Direct investment expenses	(576)	(492)
Administration expenses	(351)	(292)
Income tax expenses	(2 869)	(1 198)
	(16 206)	(7 532)
Assets available to pay benefits	122 849	106 899

(b) Insurance reserve

	2010	2009
Opening balance of reserve	1 829	1 178
Employer fees	968	1 455
Premium deduction	-	(208)
Investment revenue	257	(227)
	1 225	1 020
Benefits payments:		
Total and permanent disablement	-	(274)
Temporary disablement	(30)	(95)
	(30)	(369)
Closing balance of reserve	3 024	1 829
Net assets available to pay benefits	125 873	108 728

12. Taxation

	2010	2009
(a) Major components of tax expense	$'000	$'000
Current income tax:		
Current tax charge	2 770	3 164
Adjustment to current tax for prior periods	(572)	38
Deferred income tax:		
Relating to the originating and reversal of temporary differences	671	(2 004)
Income tax expense	2 869	1 198
(b) Income tax expense		
Changes in net assets before tax	20 014	(2 301)
Tax applicable at the rate of 15 percent	3 002	(345)
Tax effect of income that is not assessable in determining taxable income:		
Investment income	(375)	1 033
Member contributions	(209)	(268)
Transfers in	(39)	(88)
Insurance proceeds	-	(24)
Tax effect of expenses that are not deductible in determining taxable income:		
Benefits expense	1 866	911
Tax effect of other adjustments:		
Imputation and foreign tax credits	(804)	(59)
Over provision prior period	(572)	38
Income tax expense	2 869	1 198
(c) Current tax liabilities		
Balance at 1 July	2 193	2 458
Income tax paid - prior periods	(1 616)	(1 688)
Income tax paid - current period	(1 341)	(971)
Current years income tax provision	2 770	3 164
Over provision - prior period	(577)	(770)
Total current tax liabilities	1 429	2 193
(d) Deferred tax liabilities		
The amount of deferred tax liabilities recognised in the Statement of Net Assets:		
Interest receivable	1	1
Total deferred tax liabilities	1	1
(e) Deferred tax assets		
The amount of deferred tax assets recognised in the Statement of Net Assets:		
Accrued expenses	3	3
Realised capital losses carried forward (discounted)	1 611	1 474
Unrealised capital losses carried forward (discounted)	1 169	1 981
Total deferred tax assets	2 783	3 458

13. Related parties

The Board acts as Trustee for the Scheme. For details of Board membership and remuneration refer to the Super SA Board's financial report.

14. 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.

14. Financial instruments (continued)

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.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(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 Statement of Changes in Net Assets, 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 provide a reasonably possible change in the value of the investments in each investment option in 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.

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation percent	Changes in investment assets $'000
2010			
Balanced	Nominal standard deviation	9.60	11 909
Total			11 909
2009			
Balanced	Nominal standard deviation	9.60	9 852
Total			9 852

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.

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 Net Assets 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 $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
2010			
Other liabilities	30	30	30
Current tax liabilities	1 429	1 429	1 429
Vested benefits(i)	125 749	125 749	125 749
Total	127 208	127 208	127 208
2009			
Benefits payable	2	2	2
Other liabilities	54	54	54
Current tax liabilities	2 193	2 193	2 193
Vested benefits(i)	112 333	112 333	112 333
Total	114 582	114 582	114 582

(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).

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 investment schemes:		
Funds SA	124 057	124 057
	124 057	124 057
2009		
Unlisted managed investment schemes:		
Funds SA	102 624	102 624
	102 624	102 624

(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.

SOUTH AUSTRALIAN SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Subsection 20AB(2) of the *Superannuation Act 1988* (the Act) provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

Scope of audit

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

During 2009-10, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the Scheme's 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 South Australian Superannuation 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.

Communication of audit matters

The audit did not identify any notable matters relating to the Scheme's operations that warranted formal communication to the Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the financial report

	2010	2009
	$'million	$'million
REVENUE		
Investment revenue	**462**	(811)
Contribution revenue	**507**	411
Other revenue	**31**	30
Total revenue	**1 000**	(370)
EXPENSES		
Benefits expense	**824**	671
Direct investment expense	**21**	19
Other expenses	**15**	15
Total expenses	**860**	705
Transfer to Consolidated Account	**-**	92
Operating result for the period	**140**	(1 167)

	2010 $'million	2009 $'million
NET CASH USED IN OPERATING ACTIVITIES	**(136)**	(228)
ASSETS		
Investments	**3 927**	3 596
Other assets	**11**	36
Total assets	**3 938**	3 632
LIABILITIES		
Liability for accrued benefits	**10 143**	9 953
Current liabilities	**-**	25
Total liabilities	**10 143**	9 978
EXCESS OF LIABILITIES OVER NET ASSETS	**(6 205)**	(6 346)

Operating Statement

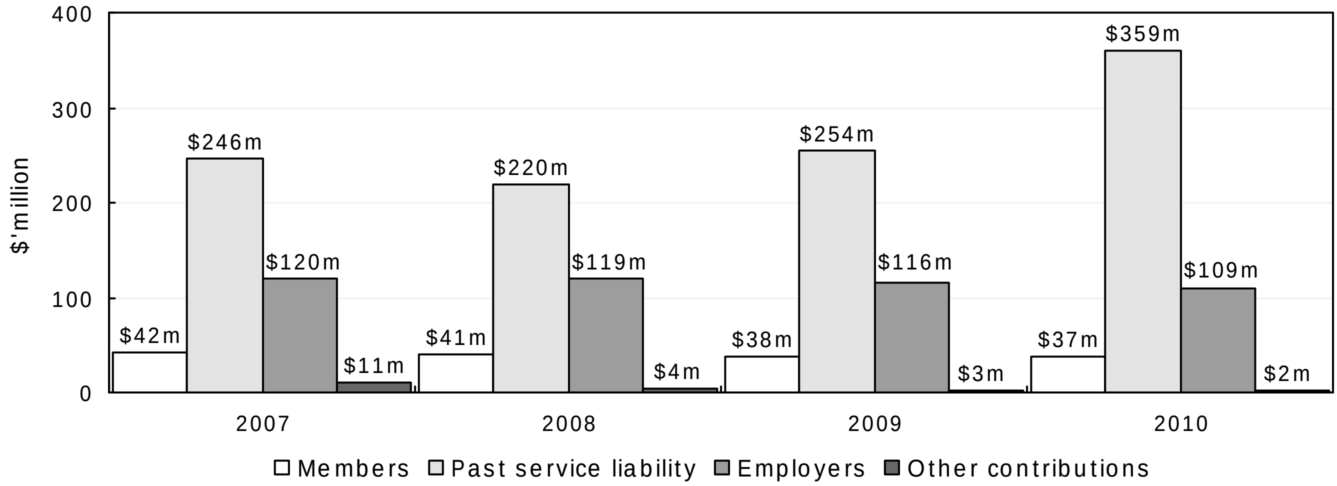
Revenues

Investment activity for the year resulted in a positive return of $462 million ($811 million negative return). The negative return in 2008-09 was a direct result of the world-wide depressed investment markets. Investment returns are discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

Contribution revenue increased by $96 million to $507 million, due mainly to an increase of $105 million in contributions for past service liability offset by decreases in employer and member contributions of $8 million.

During the year the Government transferred $359 million ($254 million) into the South Australian Superannuation Scheme Contribution Account (the employer account) for past service liability funding.

A structural analysis of contribution revenues of the Scheme for the four years to 2010 is presented in the following chart.



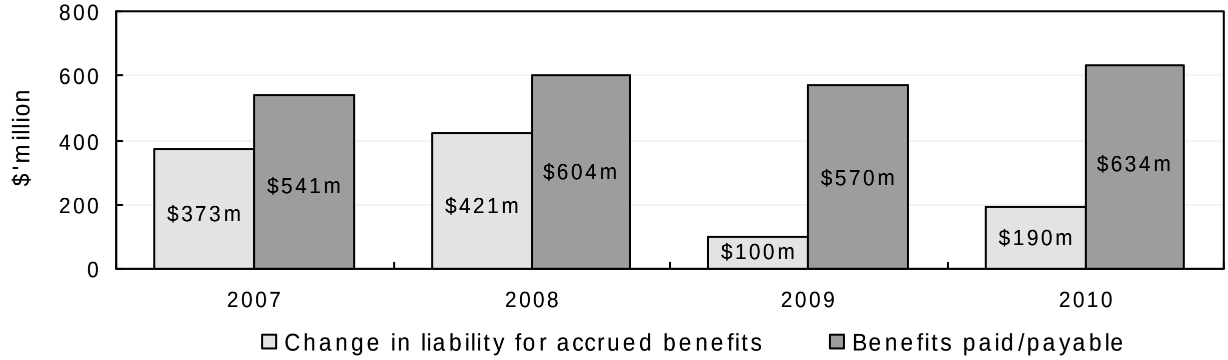
The chart shows that over the last four years employer and member contributions have slowly reduced. This is expected as the new and old schemes are closed schemes with no new contributors.

Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which increased by $153 million to $824 million for the year.

For the four years to 2010 a structural analysis of the components of benefits expense is shown in the following chart.



Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability is provided below under the heading 'Statement of Financial Position'.

Over the period of review there generally has been a steady increase in benefits paid. This is expected as the benefits paid are affected by increases in final salary and inflation adjustments to pensions. However in 2009 benefits paid/payable decreased by $34 million due mainly to a decrease in lump sum payments and commutations of $34 million and $26 million respectively, offset by an increase in pension payments of $27 million. The decrease was attributable mainly to members postponing retirement and resignation because:

- TVSPs were announced in 2009 to come into effect in 2010
- investment returns were still negative due to the world-wide depressed investment markets.

Statement of Financial Position

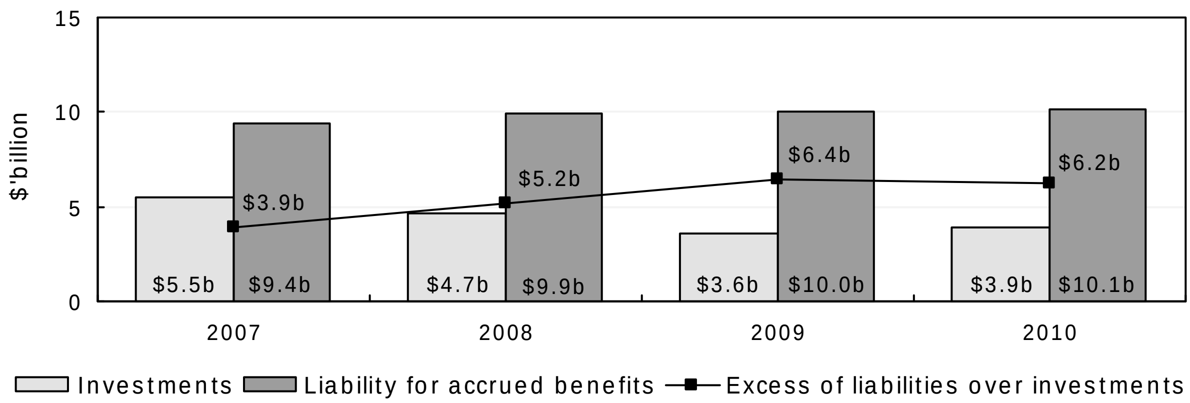
The estimated liability for accrued benefits increased by $190 million to $10.1 billion for which net assets of $3.9 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $6.2 billion. Of the $10.1 billion liability, $8.4 billion (83 percent) represents the old scheme (pension) liability and $1.7 billion (17 percent) is the new scheme (lump sum) liability. The demographic assumptions of the 2007 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

Consistent with the 2008-09 liability calculation for financial reporting the following rates were used:

- CPI 2.5 percent
- discount rate 7 percent
- long-term salary inflation 4 percent.

The liabilities for the old scheme and new scheme increased by $103 million and $87 million due mainly to an additional year of service accrued at reporting date.

For the four years to 2010 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



In 2008-09 and 2007-08 the value of investments decreased, as a result of negative returns on investments from depressed financial markets. The negative investment returns have been offset by increased funding by the Government to move to full funding of the public sector superannuation liability. In 2009-10 investments have increased predominantly due to positive returns on investment and a further increase in government contributions for past service liability.

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	**(136.1)**	(228.2)	(224.3)	(105.4)
Investing	**110.4**	245.4	231.8	108.9
Change in cash	**(25.7)**	17.2	7.5	3.5
Cash at 30 June	**5.1**	30.8	13.6	6.1

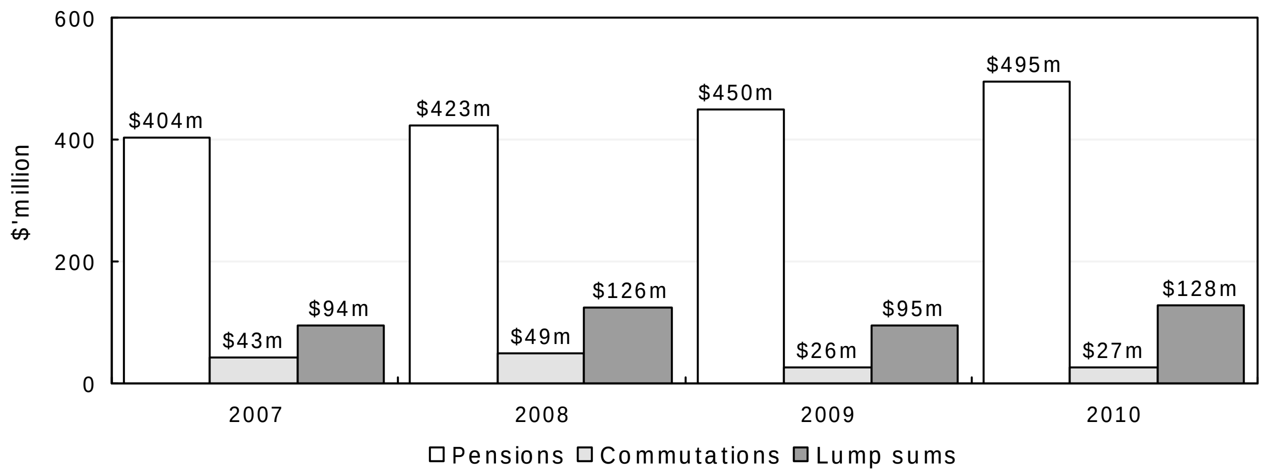
The operating cash outflow decreased in 2009-10 due mainly to a $102 million increase in contributions for past service liability and a $92 million decrease in transfers to Consolidated Account. This was offset by a $78 million increase in benefits paid and two years of higher education superannuation costs totalling $17 million.

In addition, net receipts from Funds SA decreased by $135 million.

Benefits paid

In 2009-10 total benefits paid amounted to $650 million ($571 million), which included $495 million ($450 million) paid as pensions. Details of benefits paid/payable are disclosed in note 7 of the financial report.

The following chart analyses benefits paid for the four years to 2010.



The chart shows an increasing trend in pensions and lump sums paid as more members reach retirement age. Pensions are also adjusted for increases in inflation.

FURTHER COMMENTARY ON OPERATIONS

Funding of benefit payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government employer account.

The South Australian Superannuation Fund portion of a benefit is fully funded. Member contributions are deposited in the Fund and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested with Funds SA.

Note 1(d) to the financial report provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a Special Deposit Account established for that purpose.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2010	2009	2008	2007
Pensioners	**15 332**	15 115	15 283	14 940
Pensions paid ($'million)	**495**	450	423	404

Contributions by members

The number of contributors and contributions received from members for the past three years were:

	2010				
	Old scheme	**New scheme**	**Total**	2009 Total	2008 Total
Contributors (excludes preserved members)	**2 748**	**5 391**	**8 139**	9 095	9 780
Contributions revenue ($'000)	**11 638**	**24 971**	**36 609**	38 180	40 684

Operating Statement
for the year ended 30 June 2010

	Note	**2010**	2009
REVENUE:		**$'000**	$'000
Investment revenue		**462 287**	(811 026)
Other revenue	17	**30 735**	29 959
Contribution revenue:			
Contribution for past service liability		**358 611**	254 000
Contributions by employers		**109 463**	115 797
Contributions by members		**36 609**	38 180
Rollovers from other schemes		**843**	1 340
Government co-contributions	18	**1 733**	1 424
Total contribution revenue		**507 259**	410 741
Total revenue		**1 000 281**	(370 326)
EXPENSES:			
Direct investment expenses	4	**20 871**	19 436
Co-contributions transferred to other scheme	18	**1 733**	1 424
Higher education superannuation costs	20	**8 218**	8 762
Administration expenses	5	**4 978**	5 077
Benefits expense	8	**824 025**	670 226
Total expenses		**859 825**	704 925
TRANSFER TO CONSOLIDATED ACCOUNT	21	**-**	91 500
OPERATING RESULT FOR THE PERIOD		**140 456**	(1 166 751)

Statement of Financial Position
as at 30 June 2010

	Note	**2010**	2009
		$'000	$'000
INVESTMENTS:			
Inflation linked securities		**256 937**	300 688
Internal inflation linked securities		**91 318**	98 416
Property A		**395 252**	253 037
Australian equities A		**1 125 469**	1 033 873
International equities A		**975 898**	864 372
Fixed interest		**109 583**	88 888
Diversified strategies growth A		**214 739**	213 987
Diversified strategies income		**540 083**	454 897
Cash		**216 345**	286 564
Socially responsible		**1 081**	1 007
	10	**3 926 705**	3 595 729
OTHER ASSETS:			
Cash and cash equivalents	12	**5 109**	30 848
Contributions receivable	3	**385**	435
Other income receivable	16	**3 513**	5 095
Sundry debtors		**2 369**	111
		11 376	36 489
Total assets		**3 938 081**	3 632 218
CURRENT LIABILITIES:			
Benefits payable	19	**-**	15 668
Sundry creditors	13	**110**	8 868
PAYG withholding tax	14	**-**	43
Total liabilities		**110**	24 579
NET ASSETS AVAILABLE TO PAY BENEFITS	6	**3 937 971**	3 607 639
LIABILITY FOR ACCRUED BENEFITS	8	**(10 143 237)**	(9 953 361)
EXCESS OF LIABILITIES OVER NET ASSETS		**(6 205 266)**	(6 345 722)

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 received:			
Contributions for past service liability		**356 461**	254 080
Contributions by employers		**109 398**	118 188
Contributions by members		**36 612**	38 677
Rollovers from other schemes		**844**	1 340
Government co-contributions		**1 733**	1 424
		505 048	413 709
Other income:			
Reimbursement from other sources:			
Public authorities		**31 973**	27 357
Temporary disability reimbursements		**76**	96
Other		**349**	368
		32 398	27 821
Benefits paid:			
Pensions		**(494 795)**	(450 465)
Commutation of pension benefits		**(26 813)**	(25 611)
Lump sums		**(128 210)**	(95 313)
PAYG withholding tax		**(44)**	(17)
		(649 862)	(571 406)
Administration expenses		**(5 050)**	(5 433)
Co-contributions transferred to other scheme		**(1 733)**	(1 424)
Higher education superannuation costs		**(16 980)**	-
Transferred to Consolidated Account		**-**	(91 500)
Net cash used in operating activities	11	**(136 179)**	(228 233)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**479 389**	530 050
Payments to Funds SA		**(368 949)**	(284 650)
Net cash provided by investing activities		**110 440**	245 400
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		**(25 739)**	17 167
CASH AND CASH EQUIVALENTS AT 1 JULY		**30 848**	13 681
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**5 109**	30 848

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) South Australian Superannuation Scheme

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the Government of South Australia and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

(a) South Australian Superannuation Scheme (continued)

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that these contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian Superannuation Board

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted DTF to provide the administrative services. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with sections 47C and 47D of the Act. During the year ended 30 June 2010 no payments were made to the Consolidated Account ($91.5 million).

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government departments, statutory authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 24 percent for old scheme contributors and 14.5 percent for new scheme contributors.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) State Government departments

State Government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period $81.4 million ($87.3 million) was received or receivable from State Government departments.

(i) State Government departments (continued)
Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2010 the Government transferred a total of $355.2 million ($253.2 million) into the Account. The Government will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory authorities
Where the employer proportion of a payment relates to statutory authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government liability for statutory authorities*
  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments, based on actuarial assessment, to the Treasurer. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in note 1(d)(i).

- *Employer contribution accounts*
  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. The Treasurer deposits these monies in the Account into what are referred to as the employer contribution accounts. The Treasurer seeks reimbursement from the employer contribution account balances as benefits are paid.

  Contributions of $2.4 million ($350 000) have also been received from SA Water, $488 000 ($225 000) from WorkCoverSA and $478 000 ($225 000) from ForestrySA to fund their accrued superannuation liabilities.

- *Public authorities accounts (universities)*
  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from statutory authorities, $27.6 million ($28 million) relates to amounts received or receivable from SA Government entities and $496 000 ($500 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the public authorities accounts referred to in note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government departments and the State Government liability for statutory authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. 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 accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial 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 presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

(i) Inflation linked securities
The inflation linked securities portfolio 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 sub-sector 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 sub-sector 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*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(x) *Socially responsible investment*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) Taxation
The Scheme is a 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. Therefore no income tax has been brought to account in this financial report.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2010, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) Revenue

Superannuation contributions other than agency specific adjustments that are invoiced are brought to account when received.

(f) Receivables and payables

Contributions receivable are contributions relating to the 2009-10 financial year received by the Scheme after 30 June 2010.

Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2010 but who had not been paid until after 30 June 2010.

(g) GST

Revenues, expenses and assets are recognised net of the amount of the 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.

3. Contributions receivable

	2010	2009
	$'000	$'000
Contributions receivable by employers	385	435

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's proportionate investment.

5. Administration expenses

	Old Scheme Division	New Scheme Division	Total 2010	Total 2009
	$'000	$'000	$'000	$'000
Administration expenses(i)	2 656	2 172	4 828	4 945
Bank fees	29	-	29	38
Other expenses(ii)	56	46	102	90
Consultancy expenses	19	-	19	4
Total administration expenses	2 760	2 218	4 978	5 077

(i) Administration expenses

Administration expense 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. The Board recovers a portion of the administration cost from the Scheme. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

(ii) *Other expenses*
Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (a SA Government entity) for the audit of the Scheme for the reporting period totalled $96 360 ($93 500). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

Net assets available to pay benefits consist of the combined balances of the South Australia Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund Account (employee component)

	2010 Old Scheme Division $'000	2010 New Scheme Division $'000	Total 2010 $'000	Total 2009 $'000
Funds held at 1 July	1 142 084	508 561	1 650 645	2 099 459
Contributions	11 638	24 971	36 609	38 180
Rollovers from other schemes	99	744	843	1 340
Investment revenue	145 682	62 263	207 945	(351 120)
Government co-contributions	332	1 401	1 733	1 424
Other income	44	36	80	107
	157 795	89 415	247 210	(310 069)
Benefits paid	(103 795)	(41 144)	(144 939)	(127 268)
Direct Investment expenses	(6 329)	(2 729)	(9 058)	(8 504)
Co-contributions transferred to other schemes	(332)	(1 401)	(1 733)	(1 424)
Administration expenses	(843)	(665)	(1 508)	(1 549)
	(111 299)	(45 939)	(157 238)	(138 745)
Funds held at 30 June	1 188 580	552 037	1 740 617	1 650 645

(b) South Australian Superannuation Scheme Contribution Account (employer component)

	2010 $'000	2009 $'000
Funds held at 1 July	1 956 994	2 574 445
Employer contributions:		
State Government departments	81 412	87 269
Statutory authorities	28 051	28 528
Contribution for past service liability	358 611	254 000
	468 074	369 797
Investment revenue	254 342	(459 906)
Other income - public authorities	30 405	29 532
Other income - interest received	187	255
Other income - temporary disability	63	65
	753 071	(60 257)
Benefits paid:		
Old scheme contributors	(407 422)	(383 635)
New scheme contributors	(81 788)	(58 837)
Direct investment expenses	(11 813)	(10 932)
Higher education superannuation costs	(8 218)	(8 762)
Administration expenses	(3 470)	(3 528)
Transfer to Consolidated Account	-	(91 500)
	(512 711)	(557 194)
Funds held at 30 June	2 197 354	1 956 994
Total net assets available to pay benefits	3 937 971	3 607 639

7. Benefits paid / payable

	2010 Old Scheme Division $'000	2010 New Scheme Division $'000	2010 Total $'000	2009 Old Scheme Division $'000	2009 New Scheme Division $'000	2009 Total $'000
Pensions:						
Funded from:						
South Australian Superannuation Fund	96 576	130	96 706	90 899	126	91 025
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	19 597	1	19 598	20 870	2	20 872
Public authorities	28 933	5	28 938	27 833	17	27 850
SA Government employer account	333 620	1 113	334 733	312 023	877	312 900
Gross scheme costs	478 726	1 249	479 975	451 625	1 022	452 647
Commutations:						
Funded from:						
South Australian Superannuation Fund	5 470	-	5 470	4 943	-	4 943
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	4 950	-	4 950	2 479	-	2 479
Public authorities	698	-	698	833	-	833
SA Government employer account	15 695	-	15 695	15 975	-	15 975
Gross scheme costs	26 813	-	26 813	24 230	-	24 230

7. Benefits paid / payable (continued)

	2010 Old Scheme Division $'000	2010 New Scheme Division $'000	2010 Total $'000	2009 Old Scheme Division $'000	2009 New Scheme Division $'000	2009 Total $'000
Lump sums:						
Funded from:						
South Australian Superannuation Fund	1 735	40 156	41 891	1 343	29 955	31 298
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	866	18 682	19 548	844	17 831	18 675
Public authorities	-	892	892	90	868	958
SA Government Employer Account	3 002	59 755	62 757	652	39 242	41 894
Gross scheme costs	5 603	119 485	125 088	4 929	87 896	92 825
Retrenchments:						
Funded from:						
South Australian Superannuation Fund	3	-	3	2	-	2
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	-	-	-	-	-
Public authorities	61	-	61	36	-	36
Gross scheme costs	64	-	64	38	-	38
Targeted separation packages:						
Funded from:						
South Australian Superannuation Fund	11	858	869	-	-	-
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	236	236	-	-	-
Public authorities	-	1 104	1 104	-	-	-
Gross scheme costs	11	2 198	2 209	-	-	-
Total benefits paid/payable	511 217	122 932	634 149	480 822	88 918	569 740

8. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by the State Superannuation Office of DTF are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2010 based on membership data as at 30 June 2009.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2010.

The expected future benefit payments have been determined using the 2007 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI of 2.5 percent.

	2010 Old Scheme Division $'000	2010 New Scheme Division $'000	2010 Total $'000	2009 Old Scheme Division $'000	2009 New Scheme Division $'000	2009 Total $'000
Changes in the liability for accrued benefits:						
Liability for accrued benefits at 1 July	8 367 200	1 586 161	9 953 361	8 176 900	1 675 975	9 852 875
Benefits expense(i)	614 217	209 808	824 025	671 122	(896)	670 226
Benefits paid(ii)	(511 217)	(122 932)	(634 149)	(480 822)	(88 918)	(569 740)
Liability for accrued benefits at 30 June	8 470 200	1 673 037	10 143 237	8 367 200	1 586 161	9 953 361
Represented by:						
South Australian Superannuation Fund	1 731 100	552 037	2 283 137	1 711 300	508 561	2 219 861
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 137 200	349 800	1 487 000	1 106 000	334 300	1 440 300
SA Government employer account	5 295 800	756 600	6 052 400	5 242 600	728 600	5 971 200
Public authorities	306 100	14 600	320 700	307 300	14 700	322 000
Total	8 470 200	1 673 037	10 143 237	8 367 200	1 586 161	9 953 361

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer note 7.

Although the total liability for accrued benefits shown above is $10.1 billion, the SA Government is only responsible for funding a portion of the liability, which comprises the SA Government employer account and a portion of the employer contribution accounts.

8. Liability for accrued benefits (continued)

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2007 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 30 November 2007, to the Minister was tabled in Parliament on 4 March 2008. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

9. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

When contributors resign they have two options in the Old Scheme Division (pension scheme) and three options in the New Scheme Division (lump sum scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, lump sum scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2010 based on membership data as at 30 June 2009.

	2010			2009		
	Old Scheme Division $'000	New Scheme Division $'000	Total $'000	Old Scheme Division $'000	New Scheme Division $'000	Total $'000
South Australian Superannuation Fund	1 678 400	552 037	2 230 437	1 646 500	508 561	2 155 061
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 093 500	356 400	1 449 900	1 054 100	362 900	1 417 000
SA Government Employer Account	5 129 000	815 200	5 944 200	5 046 700	842 300	5 889 000
Public authorities	304 000	14 900	318 900	304 300	15 500	319 800
Total	8 204 900	1 738 537	9 943 437	8 051 600	1 729 261	9 780 861

10. Summary of investment holdings

The interests of the Fund and the Account in the unitised investment portfolio of Funds SA are as follows:

	2010			Total	
	Fund - Old Scheme Division $'000	Fund - New Scheme Division $'000	Scheme Contribution Accounts $'000	2010 $'000	2009 $'000
Inflation linked securities	77 809	35 567	143 561	256 937	300 688
Property A	120 700	51 855	222 697	395 252	253 037
Australian equities A	343 123	149 269	633 077	1 125 469	1 033 873
International equities A	297 517	129 449	548 931	975 897	864 372
Fixed interest	32 346	17 556	59 680	109 582	88 888
Diversified strategies growth A	65 532	28 298	120 909	214 739	213 987
Diversified strategies income	164 339	72 533	303 212	540 084	454 897
Cash	57 364	53 143	105 838	216 345	286 564
Internal inflation linked securities	27 723	12 447	51 149	91 319	98 416
Socially responsible	-	1 081	-	1 081	1 007
Total	1 186 453	551 198	2 189 054	3 926 705	3 595 729

11. Reconciliation of operating result to net cash used in operating activities

	2010 $'000	2009 $'000
Operating result	140 456	(1 166 751)
Increase in liability for accrued benefits	189 876	100 486
Investment revenue	(462 287)	811 026
Direct investment expenses	20 871	19 436
Decrease (Increase) in other income receivable	1 582	(2 144)
Decrease in contributions receivable	50	2 966
Decrease in PAYG withholding tax	(43)	(18)
Decrease in benefits payable	(15 668)	(1 649)
(Increase) Decrease in other debtors	(2 258)	7
(Decrease) Increase in other creditors	(8 758)	8 408
Net cash used in operating activities	(136 179)	(228 233)

12. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with 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 $'000	2009 $'000
Cash and cash equivalents	5 109	30 848

13. Sundry creditors

Higher education costs	-	8 762
Audit fees	101	99
Bank fee	4	3
Co-contribution refund from Triple S	5	4
	110	8 868

14. PAYG withholding tax

There was no PAYG withholding tax due on benefit payments made in June 2010 which had not been remitted to the Commissioner of Taxation as at 30 June 2010.

15. Guaranteed benefits

Contributors' benefit entitlements are specified by the Act.

16. Other income receivable

	2010 $'000	2009 $'000
Temporary disability debtors	28	41
Public authorities	3 485	5 054
	3 513	5 095

17. Other revenue

Bank account interest	267	362
Public authorities	30 405	29 532
Temporary disability	63	65
	30 735	29 959

18. Government co-contributions

During the 2009-10 financial year, the Scheme received co-contributions from the ATO amounting to $1.7 million ($1.4 million). Whilst members of the Scheme are eligible to receive the co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Benefits payable

	2010 $'000	2009 $'000
Benefits payable by South Australian Superannuation Fund	-	3 259
Benefits payable by South Australian Superannuation Scheme Contribution Account	-	12 409
	-	15 668

20. Higher education superannuation costs

An amount of $8.2 million ($8.8 million) was paid to the Commonwealth Government which related to the South Australian share of the 2009-10 higher education superannuation costs under the Commonwealth – State agreement. This provides that the employer component of the superannuation benefits payable to former employees of a South Australian University who were members of one of the main State schemes, be shared.

21. Transfer to Consolidated Account

The Treasurer did not approve any transfer during 2009-10 to the Consolidated Account, ($91.5 million).

22. 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.

22. Financial instruments (continued)

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.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(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 a 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 provide a reasonably possible change in the value of the investments in each investment option in 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.

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation	Change in investment assets
2010		Percent	$'000
High growth	Nominal standard deviation	14.70	2 472
Growth	Nominal standard deviation	11.90	457 921
Balanced	Nominal standard deviation	10.70	1 798
Moderate	Nominal standard deviation	6.60	433
Conservative	Nominal standard deviation	5.40	446
Capital defensive	Nominal standard deviation	2.60	93
Cash	Nominal standard deviation	1.20	325
Socially responsible	Nominal standard deviation	12.50	135
Total			463 623
2009			
High growth	Nominal standard deviation	13.80	1 955
Growth	Nominal standard deviation	11.30	398 246
Balanced	Nominal standard deviation	10.00	1 160
Moderate	Nominal standard deviation	8.20	278
Conservative	Nominal standard deviation	5.40	314
Capital defensive	Nominal standard deviation	3.00	130
Cash	Nominal standard deviation	2.60	809
Socially responsible	Nominal standard deviation	10.00	101
Total			402 993

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.

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 redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.

- 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.

(c) Liquidity risk (continued)

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2010	$'000	$'000	$'000
Sundry creditors	110	110	110
Vested benefits[(i)]	9 943 437	9 943 437	9 943 437
Total	9 943 547	9 973 547	9 973 547
2009			
Benefits payable	15 668	15 668	15 668
Sundry creditors	8 868	8 868	8 868
Vested benefits[(i)]	9 780 861	9 780 861	9 780 861
Total	9 805 397	9 805 397	9 805 397

(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).

Financial assets at fair value through profit or loss
(Level 1 and Level 3 are not relevant to the Scheme.)

	Level 2	Total
2010	$'000	$'000
Unlisted managed investment schemes:		
Funds SA	3 926 705	3 926 705
	3 926 705	3 926 705
2009		
Unlisted managed investment schemes:		
Funds SA	3 595 729	3 595 729
	3 595 729	3 595 729

(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.

23. Related parties

Details of the members of the Board and their remuneration for the 2009-10 financial year are disclosed in the notes to the Board's financial report.

SOUTHERN STATE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* (Triple S Act) provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (the Triple S Scheme) for each financial year.

Scope of audit

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

During 2009-10, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Scheme's 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 Southern State Superannuation 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.

Communication of audit matters

The audit did not identify any notable matters relating to the Scheme's operations that warranted formal communication to the South Australian Superannuation Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

As discussed in the South Australian Superannuation Board's commentary, in previous years the transactions for the Super SA Retirement Investment Fund were included in the Triple S Scheme financial report. In 2009-10 these are reported separately and comparative information has been adjusted accordingly in the financial report of the Triple S Scheme and the analyses that follow.

Highlights of the financial report

	2010	2009
	$'million	$'million
REVENUE		
Investment revenue	**697**	(858)
Contribution revenue	**819**	826
Total revenue	**1 516**	(32)
EXPENSES		
Direct investment expenses	**31**	25
Other expenses	**11**	8
Total expenses	**42**	33
Benefits accrued as a result of operations	**1 474**	(65)

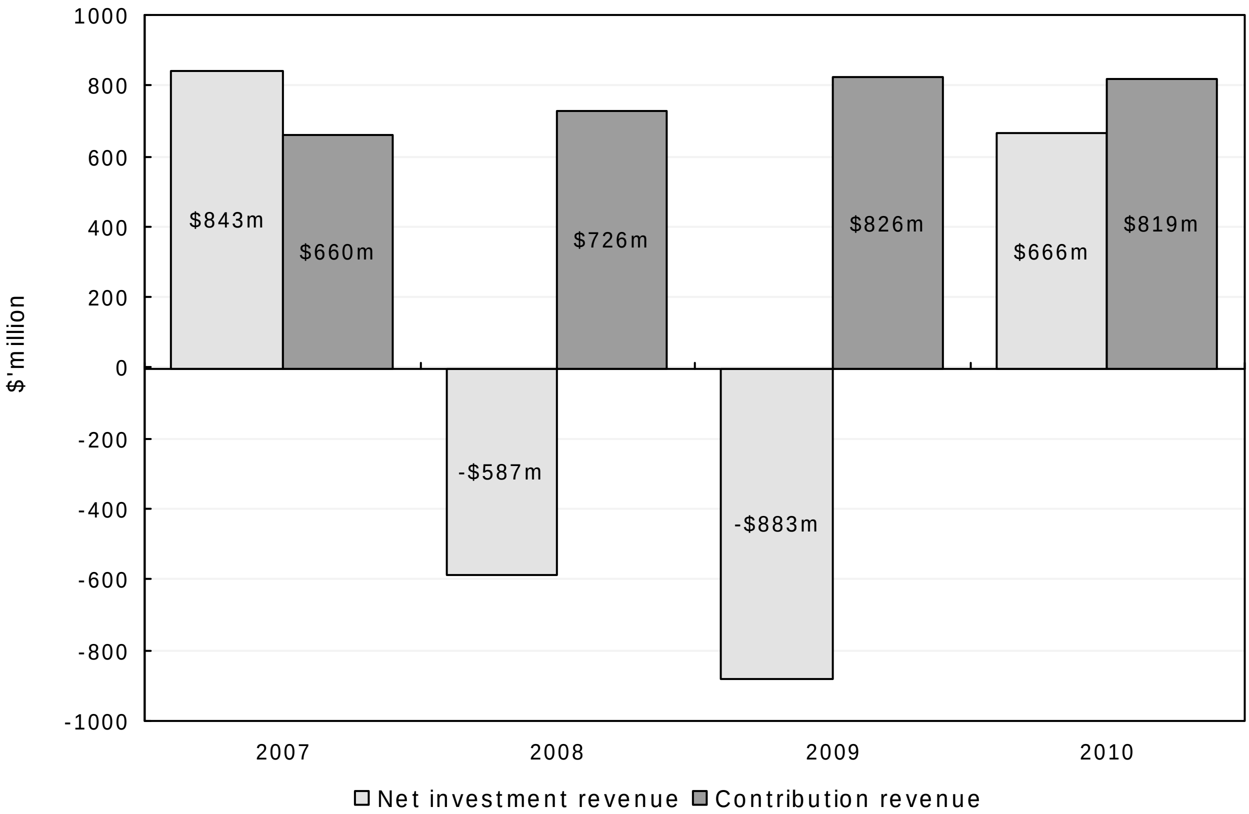
	2010	2009
	$'million	$'million
NET CASH PROVIDED BY OPERATING ACTIVITIES	**446**	584
ASSETS		
Investments	**6 513**	5 401
Other assets	**4**	5
Total Assets	**6 517**	5 406
LIABILITIES		
Current liabilities	**2**	3
Total liabilities	**2**	3
NET ASSETS AVAILABLE TO PAY BENEFITS	**6 515**	5 403
REPRESENTED BY:		
Liability for accrued benefits	**6 416**	5 314
Reserves	**99**	89
	6 515	5 403

Operating Statement

Revenues

Total revenue increased by $1.5 billion. The increase is due to an increase in investment revenue of $1.6 billion offset by a decrease in contribution revenue of $7 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Scheme for the four years to 2010 is presented in the following chart.

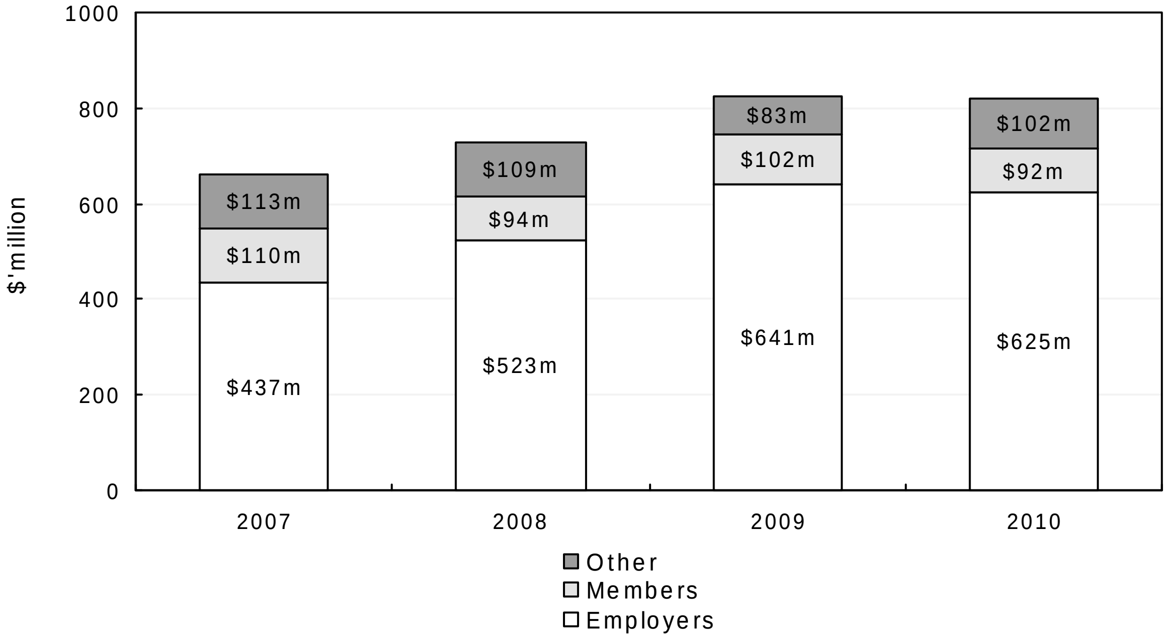


The chart shows the significant reversal for two years after 2007 of the high growth trend in net investment returns. The negative returns on investments were a direct result of the world wide downturn in investment markets. In 2009-10 there was a large positive turnaround in investment revenue. Investment returns are discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

Revenue from contributions has risen over a number of years. However, there was a slight decrease in overall contributions revenue in 2009-10. This reflects the impact of a legislative change that abnormally affected the level of contribution revenue for 2008-09. The legislative change enabled lump sum members of the Police Superannuation Scheme to transfer to the Triple S Scheme from 1 July 2008, resulting in a transfer of $98 million to the Triple S Scheme.

Contribution revenue

Active members of the Triple S Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Scheme. An analysis of amounts contributed by members and employers for the four years to 2010 is presented in the following chart.



The chart indicates that the value of contributions by employers has increased over the four year period by $188 million (43 percent), although there was a decrease of $16 million in 2009-10. In the same period member contributions have decreased by $18 million (16 percent).

Member contributions decreased predominantly as a result of a decrease in the number of active (contributory) members in the Scheme offset by salary increases over the four years.

As previously noted, contribution revenue for 2008-09 included a transfer of $98 million from the Police Superannuation Scheme ($72 million in employer contributions and $26 million in member contributions).

Membership statistics for the last three years are provided in the following table.

	2010	2009	2008
	Numbers	Numbers	Numbers
Contributory	**31 574**	31 963	32 364
Non-contributory	**78 917**	75 688	71 871

	2010	2009	2008
	Percent	Percent	Percent
Contributory	**28.6**	29.7	31.0
Non-contributory	**71.4**	70.3	69.0

Statement of Financial Position

There was a lack of growth in 2008 and 2009 in investments reflecting negative investment returns from depressed financial markets. This was followed by positive returns in 2009-10 resulting in an increase in the value of investments. The movement in net assets is indicative of the accumulative nature of the Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

Year	$'billion
2007	5.8
2008	5.7
2009	5.4
2010	**6.5**

Statement of Cash Flows

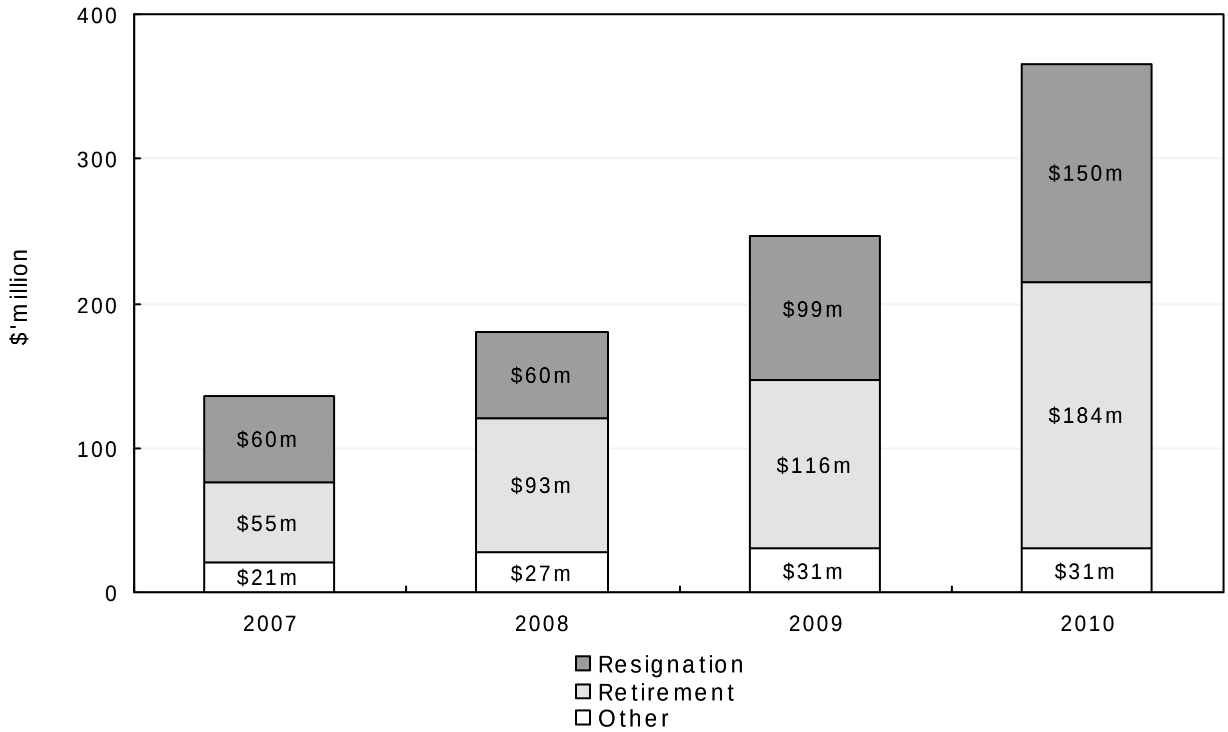
The following table summarises the net cash flows for 2009 and 2010.

	2010 $'million	2009 $'million
Net cash flows		
Operating	**446**	584
Investing	**(446)**	(593)
Change in cash	**-**	(9)
Cash at 30 June	**4**	4

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $365 million ($246 million). The following chart analyses benefits paid for the four years to 30 June 2010 and shows an increasing trend. This is expected in an open scheme which was established 15 years ago.



The increase in 2010 was mainly due to:

- TVSPs being offered by the SA Government in 2010
- positive investment returns after two years of negative returns making it more attractive for members to retire.

Operating Statement
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
REVENUE:			
Investment revenue		**696 359**	(858 017)
Other revenue		**360**	281
Contribution revenue:			
Contributions by members	1(a)	**91 756**	102 094
Contributions by employers	1(a)	**625 316**	640 764
Government co-contributions		**14 005**	11 574
Rollovers from other schemes		**88 260**	71 070
Total contribution revenue		**819 337**	825 502
Total revenue		**1 516 056**	(32 234)
EXPENSES:			
Direct investment expenses	3	**30 606**	24 822
Transfer to board reserves	13	**1 500**	-
Insurance administration expense	13	**812**	598
Administration expenses	4	**9 035**	7 653
Total expenses		**41 953**	33 073
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		**1 474 103**	(65 307)

Statement of Financial Position
as at 30 June 2010

	Note	**2010 $'000**	2009 $'000
INVESTMENTS:			
Inflation linked securities		**610 336**	589 257
Internal Inflation linked securities		**191 968**	177 970
Property A		**414 900**	201 388
Australian equities A		**1 675 184**	1 390 598
International equities A		**1 428 648**	1 141 274
Fixed interest		**452 839**	354 978
Diversified strategies growth A		**350 011**	312 268
Diversified strategies income		**862 420**	652 736
Cash		**518 471**	576 811
Socially responsible		**7 755**	3 833
		6 512 532	5 401 113
OTHER ASSETS:			
Cash and cash equivalents	5	**4 226**	4 302
Contributions receivable	6	**56**	14
Sundry debtors	7	**158**	194
		4 440	4 510
Total assets		**6 516 972**	5 405 623
CURRENT LIABILITIES:			
Benefits payable	8	**3**	2 855
Sundry creditors	9	**2 406**	226
PAYG withholding tax		**2**	13
		2 411	3 094
Total liabilities		**2 411**	3 094
NET ASSETS AVAILABLE TO PAY BENEFITS	10	**6 514 561**	5 402 529
Represented by			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to members' accounts	11	**6 408 119**	5 310 771
Not allocated to members' accounts	12	**7 711**	2 856
		6 415 830	5 313 627
RESERVES:			
Death, invalidity and income protection insurance reserve	13	**93 472**	83 298
Administration fee reserve	14	**5 259**	5 604
		98 731	88 902
		6 514 561	5 402 529

Statement of Cash Flows for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
Contributions received:	Note	**$'000**	$'000
Contributions by members		**91 760**	103 321
Contributions by employers		**625 322**	651 583
Government co-contributions		**14 016**	11 574
Rollovers from other schemes		**88 260**	71 070
		819 358	837 548
GST paid/recoup received		**31**	(56)
Other revenue		**2 483**	892
Benefits paid:			
Retirement		**(184 495)**	(115 502)
Resignation		**(149 838)**	(98 763)
Retrenchment		**(2)**	-
Invalidity		**(15 132)**	(18 754)
Death		**(11 316)**	(10 259)
Payments to unclaimed monies		**(23)**	(147)
Temporary disability		**(4 131)**	(2 523)
		(364 937)	(245 948)
Insurance administration expenses		**(812)**	(598)
Transfer to board reserves		**(1 500)**	-
Administration expenses		**(9 032)**	(7 654)
Net cash provided by operating activities	17	**445 591**	584 184
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**4 949 263**	28 465
Payments to Funds SA		**(5 394 930)**	(621 777)
Net cash used in investing activities		**(445 667)**	(593 312)
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		**(76)**	(9 128)
CASH AND CASH EQUIVALENTS AT 1 JULY		**4 302**	13 430
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	**4 226**	4 302

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Southern State Superannuation Scheme

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the *Southern State Superannuation Act 2009.* The Southern State Superannuation Regulations 2009 provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994.*

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund (the Employee Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(a) Southern State Superannuation Scheme (continued)

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

Benefits, represented by the balances of member accounts, are available for employees who retire, resign, are retrenched, elect 'Transition to Retirement' or 'Early Access to Super' whilst still an employee of the South Australian public sector or die and for those who terminate their employment because of invalidity. The balance of individual member entitlements is provided on annual statements forwarded to each member.

(b) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of the South Australian Superannuation Board (the Board) under section 15 of the Act to keep accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Southern State Superannuation Fund (the Fund). The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Subsection 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the current reporting period contributions were made to a Special Deposit Account. All employer contributions are received from SA Government entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the current reporting period payments were made from a Special Deposit Account.

2. Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. 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 accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

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 presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Comparative information

Where presentation or classification of items in the financial report due to the separation of previous consolidated financial report, comparative figures have been adjusted to conform to changes in presentation or classification in these financial report unless impracticable.

Previously the Super SA Income Stream and Flexible Rollover Product were consolidated in the Southern State Superannuation Scheme financial report. From 2009-10 the Board has elected to prepare a separate financial report (titled Super SA Retirement Investment Fund) which comprises the Super SA Income Stream and Flexible Rollover Product. Therefore comparative figures for 2008-09 have been removed for these products and now only the comparative figures for the Southern State Superannuation Scheme are shown in this financial report.

(c) 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 internal 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 30 June 2009 was performed by an independent valuer, Macquarie Bank Limited.

(iii) Property A

Property 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*
  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 portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(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 valuations of private equity investments are 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 funds 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

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

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(x) Socially responsible investment

The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2010, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to members of the Scheme.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) Revenue

Superannuation contributions other than agency specific adjustments that are invoiced are brought to account when received.

This results in the financial reporting providing reliable and relevant information as contributions receivable cannot be reliably estimated at 30 June.

(f) Receivables and payables

Contributions receivable are contributions relating to the 2009-10 financial year received by the Scheme after 30 June 2010.

Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(g) GST

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry Debtors includes a refund from the ATO for GST paid on administration expenses.

3. Direct investment expenses

Direct investment expenses comprises of fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

4. Administration expenses

	2010	2009
	$'000	$'000
Administration expenses(i)	8 954	7 576
Other expenses (ii)	81	77
	9 035	7 653

(i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Southern State Superannuation Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2010 the charge is $1 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2010 the amount charged to members' employer contribution accounts was $8 million ($7.3 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2010, based on actual costs of administering the Scheme, amounted to $8.9 million including GST ($7.6 million).

(ii) 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 $69 190 ($68 082). No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents 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
Cash and cash equivalents:	$'000	$'000
Triple S	4 226	4 302

6. Contributions receivable

Contributions from members	15	13
Contributions from employers	41	1
	56	14

7. Sundry debtors

Refund from ATO for GST	119	150
Other	39	44
	158	194

8. Benefits payable

Benefits payable by Southern State Superannuation Fund	3	2 855

9. Sundry Creditors

Audit fees payable	79	81
Bank interest payable	-	144
Refund of overpaid contributions	63	-
Transfer to South Australian Superannuation Scheme for incorrect banking	2 263	-
Other	1	1
	2 406	226

10. Net assets available to pay benefits

Funds held at 1 July	5 402 529	5 712 688
Contributions by members	91 151	101 799
Employer contributions	625 316	640 764
Government co-contributions	14 005	11 574
Rollovers from other schemes	88 260	71 070
Spouse contributions	605	295
Investment income	696 359	(858 017)
Other revenue	360	281
	1 516 056	(32 234)
Benefits paid and payable	(362 071)	(244 852)
Direct investment expenses	(30 606)	(24 822)
Administration expenses	(9 035)	(7 653)
Insurance administration	(812)	(598)
Transfer to board - Tripe S operational risk reserve	(1 500)	-
	(404 024)	(277 925)
Total net assets available to pay benefits	6 514 561	5 402 529

11. Allocated to members' accounts

The value of funds which have been formally allocated to member accounts equals the vested benefits as per note 16. The formal allocation of earnings to members' accounts has been determined for the 2010 year.

12. Not allocated to members' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members' accounts on a cash basis.

13. Death, invalidity and income protection insurance reserve

The Scheme provides an insurance benefit based on units of cover, with a few exceptions, in the event of death before age 65 or invalidity before age 65. An income protection insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The standard insurance benefit of two units of cover costs $1.50 per week and is compulsory for most members of the scheme except some casual employees who opted out of insurance and those who opted out of an additional unit of cover under Item 1, Schedule 3 of the repealed Southern State Superannuation Regulations 1995, and those who are special category members in terms of Regulation 28. Police Officers, an operations employee of the South Australian Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme are required to have at least six units of standard insurance cover. The value of a unit under standard insurance for members up to age 34 years is $75 000. The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is an option of fixed insurance with costs increasing with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1.5 million and casual employees up to $750 000.

13. Death, invalidity and income protection insurance reserve (continued)

Triple S insurance changes were introduced from 1 August 2009. These changes related to the income protection insurance benefit and terminal illness benefit. Enhanced eligibility was introduced which meant that most active members working full-time or part-time were covered by income protection insurance unless they had previously opted out. Casual employees who had income protection insurance benefits prior to 1 August 2009 continued to retain the benefit. Casual employees not automatically provided with income protection insurance can apply and be accepted for cover subject to medical evidence. In addition, the period for which income protection insurance benefits could be paid was extended from 18 months to 24 months. Total and permanent disablement (TPD) insurance was also enhanced to include a terminal illness benefit which meant that members who met the required eligibility would receive their TPD insurance benefit whilst being able to maintain their ongoing employment in the South Australian public sector.

As required by section 13a of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2007. The actuary concluded that the current premiums are below the true cost of providing the insurance but there are adequate reserves to support the current premiums for over 20 years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2010.

In the event of invalidity or terminal illness, the basic and voluntary additional units of insurance are paid to the member. In the event of death, the basic and voluntary additional units of insurance are paid to the member's spouse, otherwise to the member's estate.

To be eligible for the income protection insurance benefit, a member must be an active member, working full-time or part-time, receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence.

	2010	2009
	$'000	$'000
Opening balance of the death, invalidity and income protection insurance reserve	83 298	99 090
Investment earnings on insurance reserve (at 12.59 percent)	10 414	(15 126)
Contributions	18 864	12 208
	29 278	(2 918)
Benefit payments:		
Invalidity	(6 929)	(5 978)
Death	(4 910)	(3 743)
Disability pensions	(4 035)	(2 555)
Adjustment to prior year accrual	(918)	-
Transfers to Board - Triple S operational risk reserve	(1 500)	-
Administration fees(i)	(812)	(598)
	19 104	12 874
Net transfer value to the death, invalidity and income protection insurance reserve	10 174	(15 792)
Closing balance of reserve	93 472	83 298

(i) The amount relates to the annual administration fee paid for administering the insurance arrangements.

14. Administration fee reserve

This reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2010	2009
	$'000	$'000
Opening balance of administration fee reserve	5 605	7 033
Investment earnings on insurance reserve (at 12.59 percent)	643	(1 048)
Contributions:		
Member fees	7 955	7 263
Switching fees	10	10
	8 608	8 225
Payments:		
Administration fees(i)	(8 954)	(7 653)
	(8 954)	(7 653)
Net transfer value to the administration fee reserve	(346)	(1 428)
Closing balance of reserve	5 259	5 605

(i) The amount relates to the annual service level agreement administration fee paid for administering the Southern State Superannuation Scheme.

15. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2010 $'000	2009 $'000
Liability for accrued benefits at 1 July	5 402 529	5 712 688
Increase (Decrease) in accrued benefits	1 474 103	(65 307)
Benefits paid and payable	(362 071)	(244 852)
Liability for accrued benefits at 30 June	6 514 561	5 402 529

16. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2010	2009
Vested benefits:	$'000	$'000
Triple S	6 408 119	5 310 771

17. Reconciliation of benefits accrued as a result of operations to net cash provided by operating activities

Benefits accrued as a result of operations	1 474 103	(65 307)
Benefits paid and payable	(362 071)	(244 852)
Investment revenue	(696 359)	858 017
Direct investment expenses	30 606	24 822
(Decrease) Increase in contributions receivable	(42)	12 049
Decrease in sundry debtors	37	481
Increase in sundry creditors	2 180	70
Decrease in PAYG withholding tax	(11)	(59)
Decrease in benefits payable	(2 852)	(1 037)
Net cash provided by operating activities	445 591	584 184

18. Guaranteed benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 2009*.

19. 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.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(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 financial 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 provide a reasonably possible change in the value of the investments in each investment option. 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	Change in investment Assets $'000
2010			
High growth	Nominal standard deviation	14.7	76 136
Growth	Nominal standard deviation	11.9	23 425
Balanced	Nominal standard deviation	10.7	583 992
Moderate	Nominal standard deviation	8.6	1 594
Conservative	Nominal standard deviation	5.4	4 525
Capital defensive	Nominal standard deviation	2.6	515
Cash	Nominal standard deviation	1.2	2 520
Socially responsible	Nominal standard deviation	12.5	969
Total			693 676
2009			
High growth	Nominal standard deviation	13.8	58 266
Growth	Nominal standard deviation	11.3	16 767
Balanced	Nominal standard deviation	10.0	452 163
Moderate	Nominal standard deviation	8.2	876
Conservative	Nominal standard deviation	5.4	3 366
Capital defensive	Nominal standard deviation	3.0	620
Cash	Nominal standard deviation	2.6	5 521
Socially responsible	Nominal standard deviation	10.0	375
Total			537 954

(iv) Sensitivity analysis (continued)

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.

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 counterparty 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	3	3	3
Sundry creditors	2 406	2 406	2 406
PAYG withholding tax	2	2	2
Vested benefits (see below)	6 408 119	6 408 119	6 408 119
Total	6 410 530	6 410 530	6 410 530
2009			
Benefits payable	2 855	2 855	2 855
Sundry creditors	226	226	226
PAYG withholding tax	13	13	13
Vested benefits (see below)	5 310 771	5 310 771	5 310 771
Total	5 313 865	5 313 865	5 313 865

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. Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars
- 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 date (unobservable inputs).

Financial assets at fair value through profit or loss

(Level 1 and Level 3 are not relevant to the Scheme)

	Level 2	Total
2010	$'000	$'000
Unlisted managed investment schemes:		
Funds SA	6 512 532	6 512 532
	6 512 532	6 512 532
2009		
Unlisted managed investment schemes:		
Funds SA	5 401 113	5 401 113
	5 401 113	5 401 113

(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.

20. Related parties

Details of the members of the Board and their remuneration for the 2009-10 financial year are disclosed in the notes to the Board's financial report.

SUPER SA RETIREMENT INVESTMENT FUND

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* (Triple S Act) provides for the Auditor-General to audit the accounts of the Super SA Retirement Investment Fund (the Fund) for each financial year.

Scope of audit

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

During 2009-10, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Scheme's assets is reviewed a 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 Super SA Retirement Fund 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.

Communication of audit matters

The audit did not identify any notable matters relating to the Fund's operations that warranted formal communication to the South Australian Superannuation Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The Super SA Retirement Investment Fund includes transactions for the Income Stream (formerly Allocated Pension) and Flexible Rollover Product. In previous years, these transactions were included in the Triple S Scheme financial report. In 2009-10 these are reported in a separate financial report and prior years comparative information has been included in the financial report and the analyses that follow.

Highlights of the financial report

	2010	2009
	$'million	$'million
REVENUE		
Investment revenue	**37.4**	(28.8)
Contribution revenue	**308.1**	177.4
Other revenue	**1.2**	0.6
Total revenue	**346.7**	149.2
EXPENSES		
Direct investment expenses	**1.8**	1.0
Income tax expense	**19.8**	9.8
Other expenses	**0.6**	0.5
Total expenses	**22.2**	11.3
Benefits accrued as a result of operations	**324.5**	137.9

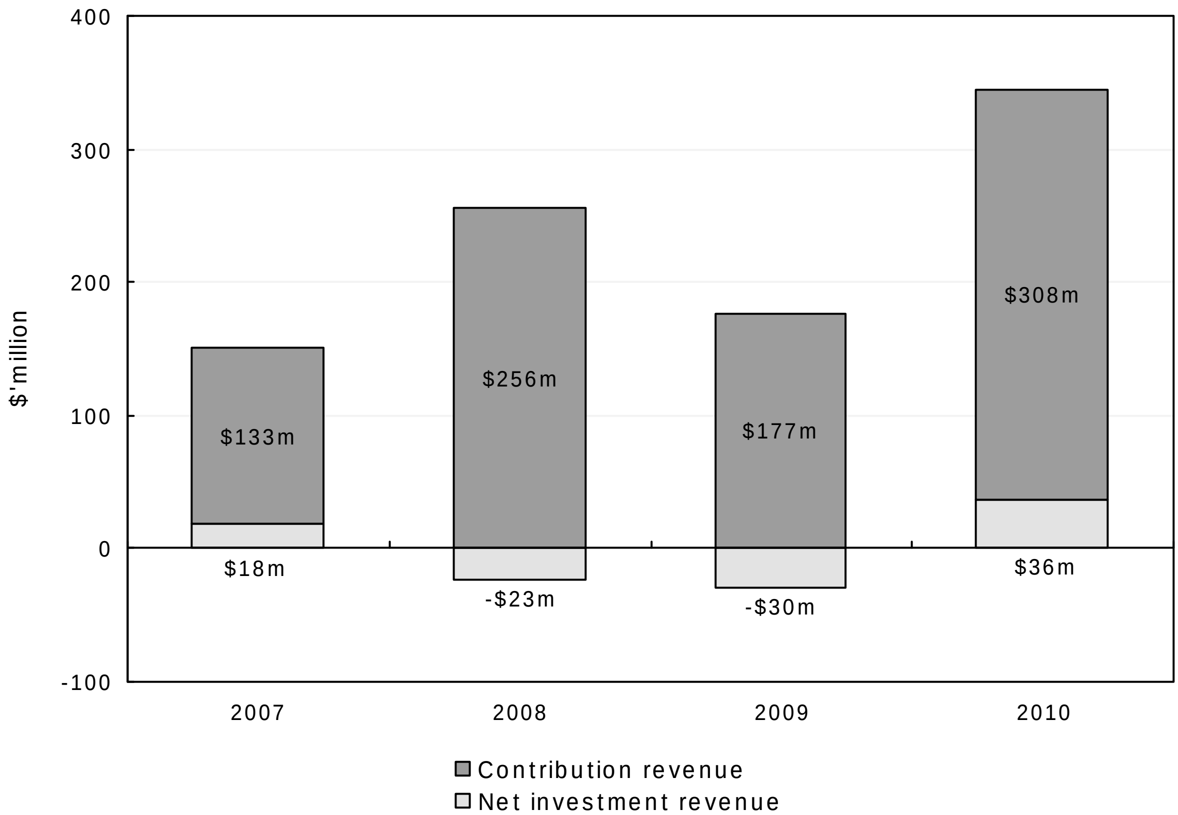
	2010 **$'million**	2009 $'million
NET CASH PROVIDED BY OPERATING ACTIVITIES	**203.6**	100.5
ASSETS		
Investments	**573.3**	340.0
Other assets	**12.0**	5.9
Total Assets	**585.3**	345.9
LIABILITIES		
Current liabilities	**7.3**	5.9
Total liabilities	**7.3**	5.9
NET ASSETS AVAILABLE TO PAY BENEFITS	**578.0**	340.0
LIABILITY FOR ACCRUED BENEFITS	**578.0**	340.0

Operating Statement

Revenues

Total revenue increased by $197.5 million. The increase is predominantly due to an increase in rollovers from other schemes of $108.5 million and an increase in investment revenue of $66.2 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Scheme for the four years to 2010 is presented in the following chart.

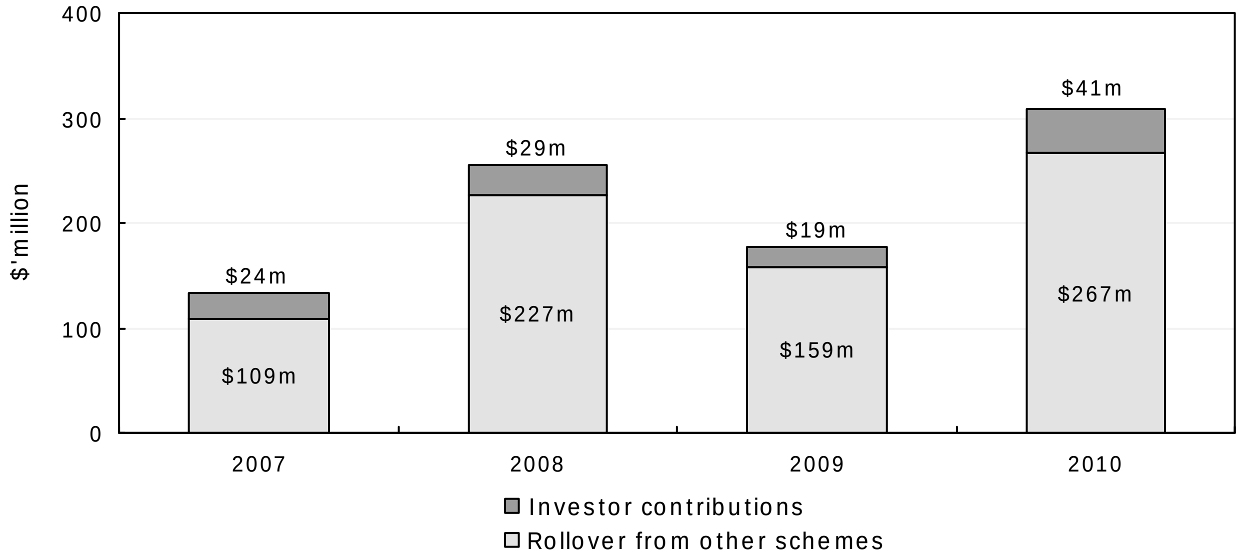


The amount of revenue from contributions has fluctuated over the last four years although membership numbers have risen rapidly. This is due to contributions consisting mainly of rollovers from other schemes, which can fluctuate significantly in dollar value. Contributions are discussed further, below.

The chart also demonstrates the significant reversal in 2009-10 of prior years negative investment returns. The negative returns on investments were a direct result of the world wide downturn in investment markets. Investment returns are discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

Contribution revenue

An analysis of contribution revenue for the four years to 2010 is presented in the following chart.



The chart indicates that the rollovers from other schemes are the dominant factor affecting contributions.

Membership statistics for the last three years are provided in the following table.

	2010	2009	2008
	Number	Numbers	Numbers
Flexible Rollover Product	**2 113**	1 530	1 248
Income Stream	**1 610**	994	620

Statement of Financial Position

The growth in investments and liability for accrued benefits over the four years is indicative of the accumulative nature of the Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

Year	$'million
2007	169
2008	270
2009	340
2010	**578**

Statement of Cash Flows

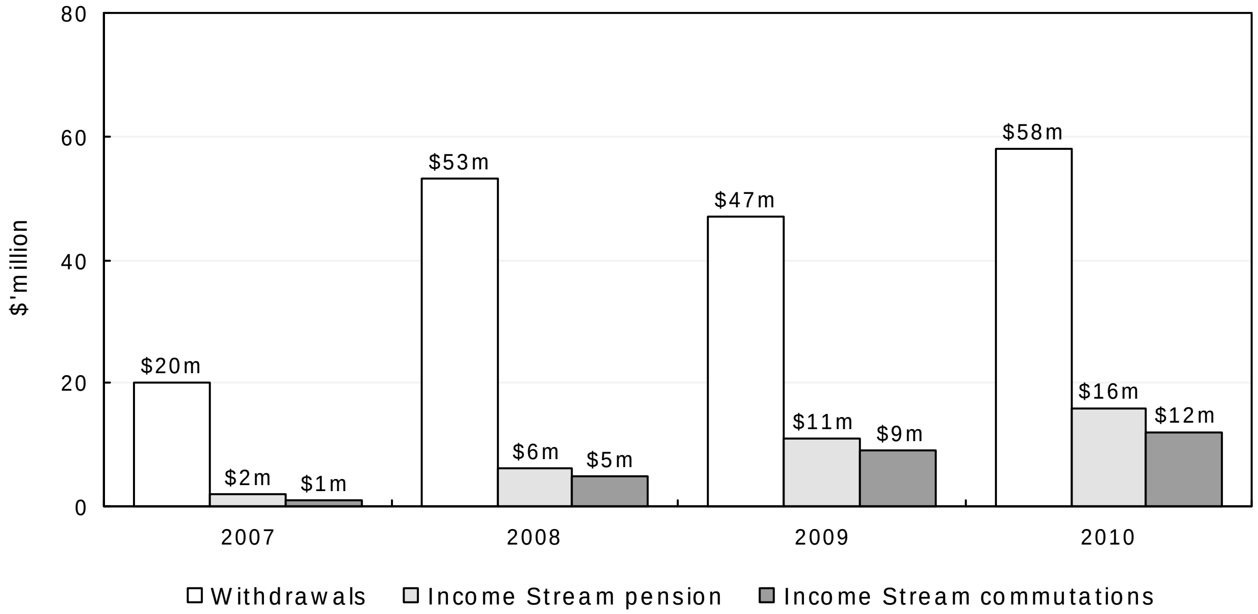
The following table summarises the net cash flows for the current and previous year.

	2010	2009
	$'million	$'million
Net cash flows		
Operating	203.6	100.5
Investing	(197.1)	(99.9)
Change in cash	6.5	0.6
Cash at 30 June	8.8	2.3

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $86.2 million ($67.9 million). The following chart analyses benefits paid for the four years to 30 June 2010 and shows an increasing trend. This is expected in an open scheme which was established five years ago and is experiencing strong membership growth.



Operating Statement
for the year ended 30 June 2010

	Note	**2010**	2009
		$'000	$'000
REVENUE:			
Investment revenue		**37 357**	(28 816)
Other revenue		**1 223**	674
Contribution revenue:			
Contributions by investors	1(a)	**40 937**	18 710
Government co-contributions		**256**	198
Rollovers from other schemes		**266 920**	158 468
Total contribution revenue		**308 113**	177 376
Total revenue		**346 693**	149 234
EXPENSES:			
Direct investment expenses	3	**1 800**	1 056
Administration expenses	4	**576**	514
Total expenses		**2 376**	1 570
INCOME TAX EXPENSE	16(a),(b)	**19 790**	9 792
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		**324 527**	137 872

Statement of Financial Position
as at 30 June 2010

	Note	2010 $'000	2009 $'000
INVESTMENTS:			
Inflation linked securities		**62 735**	34 707
Property B		**37 977**	9 144
Australian equities B		**114 808**	63 087
International equities B		**82 475**	38 323
Fixed interest		**42 819**	19 374
Diversified strategies growth B		**14 131**	9 679
Diversified strategies income		**62 356**	28 390
Cash		**150 029**	134 293
Socially responsible		**6 002**	2 966
		573 332	339 963
OTHER ASSETS:			
Cash and cash equivalents	5	**8 753**	2 275
Contributions receivable	6	**1**	2
Deferred tax assets	16(d)	**3 175**	3 493
Sundry debtors	11	**87**	157
		12 016	5 927
Total assets		**585 348**	345 890
CURRENT LIABILITIES:			
Benefits payable	7	**544**	252
Sundry creditors	12	**8**	307
PAYG withholding tax		**17**	13
Current tax liabilities	16(c)	**6 742**	5 308
		7 311	5 880
Total liabilities		**7 311**	5 880
NET ASSETS AVAILABLE TO PAY BENEFITS	8	**578 037**	340 010
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to investors' accounts	9	**574 473**	339 116
Not Allocated to investors' accounts	10	**3 564**	894
		578 037	340 010

Statement of Cash Flows
for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
Contributions received:	Note	**$'000**	$'000
Contributions by investors		**40 938**	18 708
Government co-contributions		**256**	198
Rollovers from other schemes		**266 919**	158 468
		308 113	177 374
GST paid/recoup received		**(6)**	(1)
Other revenue		**619**	90
Benefits paid:			
Full withdrawal		**(16 263)**	(13 653)
Invalidity		**-**	(1)
Death		**(283)**	(626)
Partial withdrawal		**(41 510)**	(33 688)
Income Stream pension payments		**(15 899)**	(10 634)
Income Stream commutations		**(12 253)**	(9 341)
		(86 208)	(67 943)
Administration expenses		**(877)**	(501)
PAYG withholding tax		**4**	(21)
Income tax expense		**(18 041)**	(8 482)
Net cash provided by operating activities	15	**203 604**	100 516
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**81 464**	32 195
Payments to Funds SA		**(278 590)**	(132 142)
Net cash used in investing activities		**(197 126)**	(99 947)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**6 478**	569
CASH AND CASH EQUIVALENTS AT 1 JULY		**2 275**	1 706
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	**8 753**	2 275

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Super SA Retirement Investment Fund

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994.*

The Super SA Retirement Investment Fund (the Fund) continues in existence under subsection 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make Regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 3 of the Southern State Superannuation Regulations 2009 (the Regulations) provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may still receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollers from investors.

(a) Super SA Retirement Investment Fund (continued)

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the South Australian public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' account, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) 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 funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment and, as such, are subject to tax on investment earnings where applicable.

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 accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

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

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 presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Comparative information

Where presentation or classification of items in the financial report due to the separation of previous consolidated financial report, comparative figures have been adjusted to conform to changes in presentation or classification in these financial report unless impracticable.

Previously the Flexible Rollover Product and the Income Stream were consolidated in the Southern State Superannuation Scheme financial report. From 2009-10 the Board has elected to prepare a separate financial report. Therefore comparative figures for 2008-09 have been shown in this financial report.

(c) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Fund 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) *Property B*
Property 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*
  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.

(iii) *Australian equities B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts). Pooled vehicles (unlisted unit trusts) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the International equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) *Diversified strategies growth B*
The diversified strategies growth B 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 valuations of private equity investments are 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 funds 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.

(vii) *Diversified strategies income*
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) *Socially responsible investment*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(d) Income tax

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and Income Stream, is subject to tax.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(e) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2010, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(f) Revenue

Superannuation rollovers and investor contributions are brought to account when received.

(g) Receivables and payables

Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

(h) 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 the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

3. Direct investment expenses

Direct investment expenses comprises of fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

4. Administration expenses

	2010	2009
	$'000	$'000
Administration expenses(i)	565	410
Other expenses(ii)	11	104
	576	514

(i) Administration expenses incurred by the Board in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2010, based on actual costs of administering the Fund, amounted to $565 000 including GST ($410 000).

(ii) 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 Fund for the reporting period totalled $6820 ($3417) including GST. No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents 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
Cash and cash equivalents:	$'000	$'000
Flexible Rollover Product	3 735	1 752
Income Stream	5 018	523
	8 753	2 275

6. Contributions receivable

Contributions from investors	1	2
	1	2

7. Benefits payable

Benefits payable by the Income Stream	544	252
	544	252

8. Net assets available to pay benefits

(a) Income Stream

Funds held at 1 July	175 590	125 061
Rollovers from other schemes	99 139	66 923
Internal transfers(i)	64 092	27 028
Investment income	19 606	(14 052)
Other revenue	821	503
	183 658	80 402
Benefits paid and payable	(28 445)	(20 016)
Direct investment expenses	(957)	(539)
Administration expenses	(428)	(443)
Internal transfers(i)	(5 298)	(4 329)
Income tax	(5 348)	(4 546)
	(40 476)	(29 873)
Funds held at 30 June	318 772	175 590

(b) Flexible Rollover Product

Funds held at 1 July	164 420	145 061
Contributions by investors	39 719	17 796
Government co-contributions	256	198
Rollovers from other schemes	167 781	91 545
Internal transfers(i)	5 298	4 298
Spouse contributions	1 218	914
Investment income	17 751	(14 764)
Other revenue	402	171
	232 425	100 158
Benefits paid and payable	(58 055)	(47 968)
Direct investment expenses	(843)	(517)
Administration expenses	(148)	(71)
Internal transfers(i)	(64 092)	(26 997)
Income tax	(14 442)	(5 246)
	(137 580)	(80 799)
Funds held at 30 June	259 265	164 420
Total net assets available to pay benefits	578 037	340 010

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the products.

9. Allocated to investors' accounts

The value of funds which have been formally allocated to investor accounts equals the vested benefits as per note 14. The formal allocation of earnings to investors' accounts has been determined for the 2010 year.

10. Not allocated to investors' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

11. Sundry debtors

	2010	2009
	$'000	$'000
Refund from ATO for GST	14	7
Bank interest receivable	68	144
Other	5	6
	87	157

12. Sundry creditors

Transfers to board reserves	-	307
Other	8	-
	8	307

13. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the amounts not allocated to accounts.

	2010	2009
	$'000	$'000
Liability for accrued benefits at 1 July	340 010	270 122
Increase in accrued benefits	324 527	137 872
Benefits paid and payable	(86 500)	(67 984)
Liability for accrued benefits at 30 June	578 037	340 010

14. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

	2010	2009
Vested benefits:	$'000	$'000
Income Stream	316 900	175 262
Flexible Rollover Product	257 573	163 854
	574 473	339 116

15. Reconciliation of benefits accrued as a result of operations to net cash provided by operating activities

	2010	2009
Benefits accrued as a result of operations	324 527	137 872
Benefits paid and payable	(86 500)	(67 984)
Investment revenue	(37 357)	28 816
Direct investment expenses	1 800	1 056
Investors administration fee received	(680)	(515)
Decrease in contributions receivable	1	(2)
Decrease (Increase) in sundry debtors	64	(70)
Decrease (Increase) in deferred tax assets	318	(1 224)
Increase in current tax liabilities	1 434	2 533
(Decrease) Increase in sundry creditors	(299)	14
Increase (Decrease) PAYG withholding tax	4	(21)
Increase in benefits payable	292	41
Net cash provided by operating activities	203 604	100 516

16. Income tax

(a) Major components of tax expense

	2010	2009
Current income tax:		
Current tax charge	20 421	12 104
Adjustment to current tax for prior periods	(949)	(250)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	318	(2 062)
Income tax expense	19 790	9 792

(b) Income tax expense

	2010	2009
Benefits accrued before tax	344 316	178 989
Tax applicable at the rate of 15 percent	51 647	26 848
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	64	45
Tax effect of income that is not accessible in determining taxable income:		
Investment income	(82)	2 085
Investor contributions	(25 016)	(19 862)
Exempt pension income	(2 851)	1 088
Tax effect of other adjustments:		
Imputation and foreign tax credits	(3 028)	(162)
Over provision prior period	(944)	(250)
Income tax expense	19 790	9 792

(c) Current tax liabilities

	2010	2009
Balance at 1 July	5 308	2 775
Income tax paid - current period	(13 679)	(6 796)
Income tax paid - prior periods	(4 359)	(1 686)
Current years income tax provision	20 421	12 104
Over provision prior period	(949)	(1 089)
	6 742	5 308

(d) Deferred tax assets

The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:

	2010	2009
Realised capital losses carried forward (discounted)	2 097	1 786
Unrealised capital losses carried forward (discounted)	1 083	1 707
Accrued income	(5)	-
	3 175	3 493

17. Guaranteed benefits

Benefit entitlements are specified by the Act and the Regulations.

18. Financial instruments

The Fund'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 Fund and is in accordance with the Fund'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 Fund'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 Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund'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 Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

(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 Fund'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 Fund'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 financial 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.

(iii) Other market price risk (continued)

As the Fund'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 provide a reasonably possible change in the value of the investments in each investment option. These standard deviations provide the risk variable to be applied to each investment option in the year ahead. 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	Change in investment assets $'000
2010			
High growth	Nominal standard deviation	14.01	4 606
Growth	Nominal standard deviation	11.31	8 332
Balanced	Nominal standard deviation	10.31	22 992
Moderate	Nominal standard deviation	8.33	3 427
Conservative	Nominal standard deviation	5.16	2 306
Capital defensive	Nominal standard deviation	2.45	692
Cash	Nominal standard deviation	1.10	1 366
Socially responsible	Nominal standard deviation	11.76	706
Total			44 427
2009			
High growth	Nominal standard deviation	13.48	2 381
Growth	Nominal standard deviation	11.07	4 099
Balanced	Nominal standard deviation	9.88	12 007
Moderate	Nominal standard deviation	8.15	1 520
Conservative	Nominal standard deviation	5.36	1 141
Capital defensive	Nominal standard deviation	2.85	443
Cash	Nominal standard deviation	2.40	2 529
Socially responsible	Nominal standard deviation	10.00	297
Total			24 417

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

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 counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund 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 Fund does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

(c) Liquidity risk (continued)

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 Fund's financial liabilities based on the earliest date on which the Fund 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	544	544	544
Sundry creditors	8	8	8
PAYG withholding tax	17	17	17
Current tax liabilities	6 742	6 742	6 742
Vested benefits(i)	574 473	574 473	574 473
Total	581 784	581 784	581 784
2009			
Benefits payable	252	252	252
Sundry creditors	307	307	307
PAYG withholding tax	13	13	13
Current tax liabilities	5 308	5 308	5 308
Vested benefits(i)	339 116	339 116	339 116
Total	344 996	344 996	344 996

(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 Fund 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).

Financial assets at fair value through profit or loss

(Level 1 and Level 3 are not relevant to the Scheme)

	Level 2	Total
2010	$'000	$'000
Unlisted managed investment schemes:		
Funds SA	573 332	573 332
	573 332	573 332
2009		
Unlisted managed investment schemes:		
Funds SA	339 963	339 963
	339 963	339 963

(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.

19. Related parties

Details of the members of the Board and their remuneration for the 2009-10 financial year are disclosed in the notes to the South Australian Superannuation Board's financial statements.

SOUTH AUSTRALIAN TOURISM COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Tourism Commission (the Commission), a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*. The Commission is responsible to the Minister for Tourism.

Functions

The Commission was established to promote South Australia as a tourist destination and further develop and improve the State's tourism industry.

For more information about the Commission's objectives refer note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 23(3) of the *South Australian Tourism Commission Act 1993* provides for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

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

This assessment also considers whether 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:

- financial management compliance program
- overseas representation offices
- payroll
- cash at bank (including overseas representation office bank accounts)
- general ledger
- contract management
- expenditure (including industry assistance)
- revenue (including SA Visitor and Travel Centre)
- SA Visitor and Travel Centre travel booking system.

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 South Australian Tourism Commission 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 South Australian Tourism Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the South Australian Tourism Commission have been conducted properly and in accordance with law.

Communication of audit matters

Business cycle controls

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, South Australian Tourism Commission. Matters raised with the Commission and the related responses are detailed below.

- There was scope to improve financial reporting by overseas representation offices and review by the Commission of the overseas office information reported. The Commission responded that it has undertaken a project to improve the financial management of overseas offices. That included developing a financial management handbook stipulating responsibilities and accountabilities.

- Overseas representation office bank accounts were not reconciled monthly to the general ledger. The Commission responded that it has commenced a project to develop a new online international finance recording and bank reconciliation system. The overseas bank accounts were reconciled at financial year end and balances cleared to the head office bank account.

- Expenditure reports detailing changes to the vendor master file were not independently reviewed. The Commission indicated that the vendor master file is reviewed as part of the annual accounts payable purging process and the Commission will ensure that the integrity of the file is maintained.

- Supplier master file changes to the SA Visitor and Travel Centre's online reservation booking system were not checked. The Commission responded that a report was developed by the new online reservation booking system designers and a new checking process of supplier master file changes has been implemented.

- A policy over the commission rates charged or the checking of commission rates for travel bookings at the SA Visitor and Travel Centre has yet to be developed. The Commission indicated that a system report has been developed to serve as the commission rate exception report. All highlighted bookings with commission rates outside an acceptance threshold will be investigated on a monthly basis.

New online reservation booking system

In July 2009, the Commission implemented a new online reservation booking system. Subsequently, Audit communicated to the Commission on certain system implementation matters that were outstanding. The matters were:

- certain IT security and operational documentation

- completion of an endorsed business continuity and disaster recovery plan which incorporates the Commission and third party service providers

- production of a current escrow lodgement certificate.

The Commission advised of action taken to finalise these matters.

Merchant facilities – eCommerce data security compliance

DTF is the holder of the whole-of-government contract for merchant facilities (credit card facilities) with the Australia and New Zealand Banking Group (ANZ). ANZ is the appointed preferred supplier and the Commission uses merchant facilities under this contract. To maintain merchant services, the Commission must comply with the global payment card industry (PCI) compliance requirements to protect cardholder data.

In July 2009, the ANZ wrote to DTF outlining specific PCI security and evidence requirements that DTF and agencies had to fulfil to maintain their merchant status. In February - March 2010 Audit conducted a high level PCI compliance assessment involving DTF and selected agencies, which included the Commission.

The review concluded that the Commission needed to include a compliance statement in contractual arrangements between the Commission and any third party PCI providers, ensuring that the service provider is complying with PCI standards. Audit also recommended that the Commission document its manual credit card transaction process and clarify with DTF and/or ANZ certain aspects of PCI training for staff, including the basic requirements of a formal PCI security awareness program. These matters were satisfactorily responded to by the Commission.

Implementation of TIs 2 and 28

TIs 2 and 28 require the Commission to develop, implement, document and maintain a robust and transparent financial management compliance program which is aimed at assessing the effectiveness of its internal controls.

The Commission has updated its policies and procedures in its procedure manual. It has established a compliance program which includes an up to date version of a compliance checklist. This checklist is in accordance with the toolkit promulgated by DTF. Its purpose is to assist in the assessment of the adequacy of the control environment. The Commission has reported the results of the assessment and compliance to the Internal Audit and Risk Committee.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

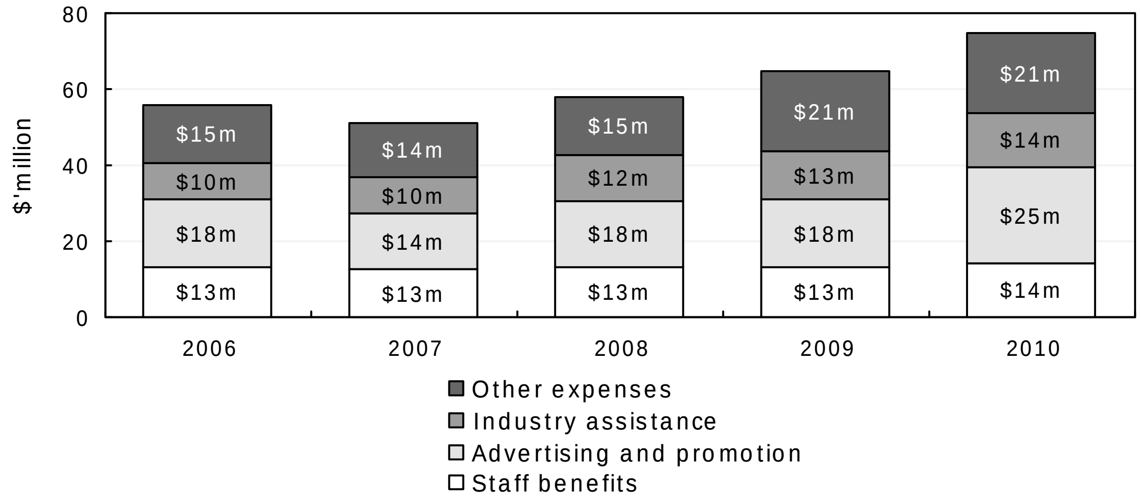
Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefit expenses	**14.2**	13.0
Advertising and promotion	**25.1**	18.1
Industry assistance	**14.2**	12.6
Other	**20.4**	21.1
Total expenses	**73.9**	64.8
INCOME		
Revenues from SA Government	**59.8**	52.3
Other	**12.4**	12.8
Total income	**72.2**	65.1
Net result and total comprehensive result	**(1.7)**	0.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	**0.9**	1.4
ASSETS		
Current assets	**5.8**	5.3
Non-current assets	**3.8**	3.8
Total assets	**9.6**	9.1
LIABILITIES		
Current liabilities	**6.8**	4.4
Non-current liabilities	**2.4**	2.6
Total liabilities	**9.2**	7.0
TOTAL EQUITY	**0.4**	2.1

Statement of Comprehensive Income

Expenses

For the five years to 2010, a structural analysis of the main expense items for the Commission is shown in the following chart.



Total expenses increased by $9.1 million in 2010 mainly as a result of increases in:

- employee benefit expenses of $1.2 million due mainly to TVSP payments of $800 000
- advertising and promotion of $7 million due to additional expenditure on domestic marketing campaigns, expenditure on advertising and promotion of the Australian Tourism Exchange and marketing and promotion of events
- industry assistance of $1.6 million due to an increase of $1.5 million in sponsorship of events. The majority of the increase was due to sponsorship of events for Rescue 2012, World Lawn Bowls 2012 and Australian University Games 2012.

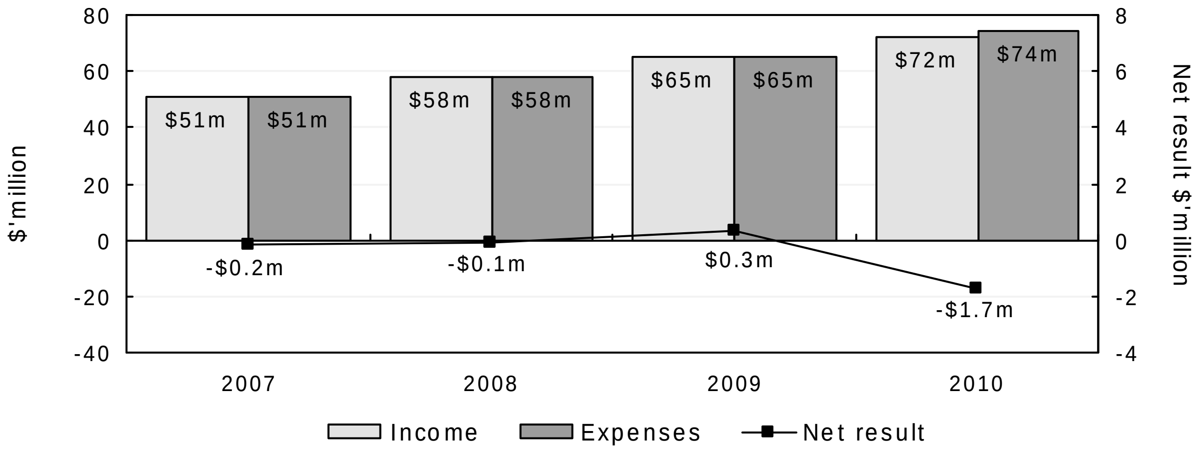
Income

Income for the year totalled $72.2 million ($65.1 million). This includes revenue predominantly appropriated from government for operating purposes of $59.8 million ($52.3 million) representing 83 percent (80 percent) of total income. The Commission is dependent on the ongoing financial support of the State Government. Government funding is based on estimated expenses less income generated by the Commission.

Other income predominantly consists of participation fees, event entry fees, refunds/recoups of salaries and expenses and grants.

Net result

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



The funding from the SA Government was sufficient to cover either all or the majority of operating expenses for the last four years.

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	**0.9**	1.4	1.0	(0.3)
Investing	**(0.5)**	(1.2)	(0.5)	(0.2)
Financing	**(0.2)**	(0.1)	(0.2)	(0.2)
Change in cash	**0.2**	0.1	0.3	(0.7)
Cash at 30 June	**3.8**	3.6	3.5	3.2

The analysis of cash flows shows that funds generated from operating activities of $900 000 was used to fund investing activities of $560 000 and financing activities of $200 000 and resulted in a small increase in cash at 30 June.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
EXPENSES:			
Employee benefit expenses	5	**14 165**	12 946
Advertising and promotion		**25 153**	18 141
Industry assistance	6	**14 211**	12 644
Administration and accommodation	7	**10 794**	10 560
Event operations		**9 019**	9 690
Depreciation expense	8	**468**	765
Borrowing costs		**11**	24
Net loss from the disposal of non-current assets	11	**101**	32
Total expenses		**73 922**	64 802
INCOME:			
Participation fees	9	**5 723**	6 346
Commission on sales		**670**	825
Other revenue	10	**6 083**	5 664
Total income		**12 476**	12 835
NET COST OF PROVIDING SERVICES		**61 446**	51 967
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	12	**60 050**	52 242
Payments to SA Government	12	**(300)**	-
Total revenues from SA Government		**59 750**	52 242
NET RESULT		**(1 696)**	275
TOTAL COMPREHENSIVE RESULT		**(1 696)**	275

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	13	**3 797**	3 610
Receivables	14	**1 764**	1 733
Other financial assets	15	**260**	-
Total current assets		**5 821**	5 343
NON-CURRENT ASSETS:			
Plant and equipment	16	**3 386**	3 398
Investment in Australian Tourism Data Warehouse Ltd	17	**400**	400
Total non-current assets		**3 786**	3 798
Total assets		**9 607**	9 141
CURRENT LIABILITIES:			
Payables	18	**5 139**	2 744
Other current liabilities	19	**180**	191
Employee benefits	20	**1 423**	1 270
Borrowings	21	**50**	193
Total current liabilities		**6 792**	4 398
NON-CURRENT LIABILITIES:			
Payables	18	**116**	119
Other non-current liabilities	19	**1 092**	1 246
Employee benefits	20	**1 171**	1 196
Borrowings	21	**-**	50
Total non-current liabilities		**2 379**	2 611
Total liabilities		**9 171**	7 009
NET ASSETS		**436**	2 132
EQUITY:			
Contributed capital	22	**64**	64
Retained earnings	22	**372**	2 068
TOTAL EQUITY		**436**	2 132

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 23

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

	Contributed capital $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2008	-	1 793	1 793
Net result for 2008-09	-	275	275
Total comprehensive result for 2008-09	-	275	275
Transactions with SA Government as owner			
Equity contribution received	64	-	64
Balance at 30 June 2009	64	2 068	2 132
Net result for 2009-10	-	(1 696)	(1 696)
Total comprehensive result for 2009-10	-	(1 696)	(1 696)
Balance at 30 June 2010	**64**	**372**	**436**

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 benefit payments		**(14 008)**	(12 813)
Payments for supplies and services		**(56 973)**	(51 106)
Interest paid		**(11)**	(24)
GST payments on purchases		**(4 700)**	(4 044)
GST payments to the ATO		**(70)**	-
Cash used in operations		**(75 762)**	(67 987)
CASH INFLOWS:			
Fees and charges		**5 500**	6 879
Commission earned		**670**	825
GST recovered from the ATO		**3 420**	2 781
GST receipts on receivables		**1 286**	1 123
Other receipts		**6 073**	5 540
Cash generated from operations		**16 949**	17 148
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**60 050**	52 242
Payments to SA Government		**(300)**	-
Cash generated from SA Government		**59 750**	52 242
Net cash provided by operating activities	26	**937**	1 403
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of plant and equipment		**(557)**	(1 189)
Cash used in investing activities		**(557)**	(1 189)
CASH INFLOWS:			
Proceeds from sale of plant and equipment		**-**	6
Cash generated from investing activities		**-**	6
Net cash used in investing activities		**(557)**	(1 183)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Cash transferred as a result of restructuring activities		**-**	(31)
Repayment of borrowings	21	**(193)**	(180)
Cash used in financing activities		**(193)**	(211)
CASH INFLOWS:			
Capital contributions from government	22	**-**	64
Cash generated from financing activities		**-**	64
Net cash used in financing activities		**(193)**	(147)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**187**	73
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 610**	3 537
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**3 797**	3 610

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

(Activities - refer note 4)	1		2		3	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**590**	640	**1 880**	1 721	**1 985**	1 788
Advertising and promotion	**767**	760	**480**	139	**2 342**	1 611
Industry assistance	**124**	135	**4 755**	4 771	**5 197**	3 024
Administration and accommodation	**185**	186	**1 033**	898	**3 277**	3 038
Event operations	**-**	-	**-**	-	**9 019**	9 690
Depreciation expense	**13**	27	**39**	76	**157**	182
Borrowing costs	**-**	1	**1**	3	**2**	3
Net loss from the disposal of non-current assets	**3**	1	**8**	4	**38**	4
Total expenses	**1 682**	1 750	**8 196**	7 612	**22 017**	19 340
INCOME:						
Participation fees	**-**	-	**505**	1 515	**3 619**	3 826
Commission on sales	**-**	-	**-**	-	**-**	-
Other revenue	**8**	40	**938**	917	**2 922**	2 094
Total income	**8**	40	**1 443**	2 432	**6 541**	5 920
NET COST OF PROVIDING SERVICES	**1 674**	1 710	**6 753**	5 180	**15 476**	13 420
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT						
Revenues from SA Government	**1 784**	1 891	**5 784**	4 036	**15 254**	13 829
Payments to SA Government	**(11)**	-	**(32)**	-	**(47)**	-
TOTAL REVENUE FROM (PAYMENTS TO) SA GOVERNMENT	**1 773**	1 891	**5 752**	4 036	**15 207**	13 829
NET RESULT	**99**	181	**(1 001)**	(1 144)	**(269)**	409
TOTAL COMPREHENSIVE RESULT	**99**	181	**(1 001)**	(1 144)	**(269)**	409

(Activities - refer note 4)	4		Total	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**9 710**	8 797	**14 165**	12 946
Advertising and promotion	**21 564**	15 631	**25 153**	18 141
Industry assistance	**4 135**	4 714	**14 211**	12 644
Administration and accommodation	**6 299**	6 438	**10 794**	10 560
Event operations	**-**	-	**9 019**	9 690
Depreciation expense	**259**	480	**468**	765
Borrowing costs	**8**	17	**11**	24
Net loss from the disposal of non-current assets	**52**	23	**101**	32
Total expenses	**42 027**	36 100	**73 922**	64 802
INCOME:				
Participation fees	**1 599**	1 005	**5 723**	6 346
Commission on sales	**670**	825	**670**	825
Other revenue	**2 215**	2 613	**6 083**	5 664
Total income	**4 484**	4 443	**12 476**	12 835
NET COST OF PROVIDING SERVICES	**37 543**	31 657	**61 446**	51 967
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT				
Revenues from SA Government	**37 228**	32 486	**60 050**	52 242
Payments to SA Government	**(210)**	-	**(300)**	-
TOTAL REVENUE FROM (PAYMENTS TO) SA GOVERNMENT	**37 018**	32 486	**59 750**	52 242
NET RESULT	**(525)**	829	**(1 696)**	275
TOTAL COMPREHENSIVE RESULT	**(525)**	829	**(1 696)**	275

A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Tourism Commission

Objectives

The purpose of the South Australian Tourism Commission (the Commission) established under the *South Australian Tourism Commission Act 1993* is, on behalf of the Government, to work in partnership with the private sector in productively marketing South Australia's tourism product intrastate, interstate and internationally to ensure that South Australia is a compelling part of any Australian holiday. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a Special Deposit Account pursuant to section 21 of the PFAA.

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 Commission has early-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. 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 judgment in the process of applying the Commission'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
- 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 transaction 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 these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (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 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 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 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 Commission is a statutory corporation of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*.

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expense, assets and liabilities. As administered items are significant in relation to the Commission'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 controlled items.

Administered items

The Commission is responsible for the administration of the item described below. This item is not recorded in the Statement of Comprehensive Income or the Statement of Financial Position as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities, for the South Australian Visitor and Travel Centre (SAV&TC) are detailed separately in note 28.

South Australian Visitor and Travel Centre

The Commission operates the SAV&TC which arranges bookings of tourism products such as accommodation, transfers and tours on behalf of tourism operators. The SAV&TC administers the collection of money from customers and forwards payments to operators.

(d) 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.

(e) Rounding

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

(f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, FBT, GST and the emergency services levy.

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

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

The net amount of GST recoverable from, or payable to, the 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 are disclosed on a gross basis.

(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 and 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 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 Commission 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 transactions or other event.

(h) Income (continued)

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:

Contributions received
Contributions are recognised as an asset and income when the Commission 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 Commission 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 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 Commission 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 Commission obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of a loan, the Commission has recorded a loan receivable.

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 Commission and the contribution is recorded as contributed equity.

Net gain 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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any gain on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the written down value of the asset from the proceeds of the asset at that time.

Commission
Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items.

Participation fees
The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees.

Other income
Other income comprises event entry fees, merchandise sales, recoups of expenditure from regional marketing boards and other government agencies.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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 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:

Employee benefit expenses
Employee benefit expenses includes all costs related to employment including salaries and wages, 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 Commission to the superannuation plan in respect of current services of current Commission staff. DTF centrally recognises the superannuation liability in the whole of government financial statements.

Depreciation
All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

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

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.

Depreciation 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*
General plant and equipment	3-5
Event plant and equipment	10
Fitouts	10
Pageant plant and equipment	5-15

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

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

Borrowing costs
All borrowing costs are recognised as expenses.

Payments to SA Government
Payments to SA Government includes an appropriation adjustment 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 item combine amounts expected to be realised within 12 months and more than 12 months, the Commission 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.

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

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 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.

Receivables
Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments 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 or the goods/services have been provided under a contractual arrangement.

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

Other financial assets
The Commission measures financial assets and debt at historical cost. All interest free loans are recorded at historic cost.

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.

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised. All pageant floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant floats are recorded at historic cost less accumulated depreciation.

- 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.

  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 assets 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 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 revaluations 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 asset.

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

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

(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.

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 below the threshold of $100 000 have been included with the non-government transactions, 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 the normal operations of the Commission.

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.

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

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

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

Borrowings/Financial liabilities
The Commission measures financial liabilities including borrowings debt at historic cost.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Commission has entered into 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 incentives
All incentives for the agreement of the new operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

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

The lease incentive received is in the form of leasehold improvements, as such, is capitalised as an asset and depreciated over the remaining term of the lease.

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 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.

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

Long service leave
The liability for long service leave is recognised after an employee has completed 5.5 years (6.5 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.

Provisions
Provisions are recognised when the Commission 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 reliable estimate can be made of the amount of the obligation.

When the Commission 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 reporting date. If the effect of the time value of money is material, provision 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, capital and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of 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, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

(n) Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Associated currency gains and losses where material are disclosed separately in note 7 to the Statement of Comprehensive Income.

3. New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies during 2009-10. Except for AASB 2009-12, which the Commission 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 Commission for the reporting period ending 30 June 2010. The Commission 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 Commission.

4. Activities of the Commission

In achieving its objective, the Commission provides a range of services classified into the following activities:

Activity 1: Strategic advice

To assist the tourism industry by providing tourism forecasting data and statistical research advice and evaluation, and industry policy and planning services.

Activity 2: Tourism development

To provide advice and assistance to tourism operators and develop sustainable tourism products and infrastructure to raise the standard of tourism services and facilities across the State.

Activity 3: Tourism events

To bid for and stage major events in South Australia.

Activity 4: Tourism marketing

To provide high quality marketing services and development of marketing strategies and campaigns that increase the number of visitors to South Australia.

The disaggregated disclosures schedule presents expenses and income information attributable to each of the activities for the years ended 30 June 2009 and 30 June 2010.

5. Employee benefit expenses	2010 $'000	2009 $'000
Salaries and wages	10 362	10 160
TVSPs (refer below)	813	-
Long service leave	357	240
Annual leave	792	755
Employment on-costs - superannuation	1 027	1 016
Employment on-costs - other	634	591
Board fees	164	153
Other employee related expenses	16	31
Total employee benefit expenses	14 165	12 946

TVSPs

Amount paid to these employees:		
TVSPs	813	-
Annual leave and long service leave paid to 30 June	176	-
Recovery from DTF	803	-
Net cost to the Commission	186	-

The number of employees who received a TVSP to 30 June was 10 (nil).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	2	2
$110 000 - $119 999	2	-
$120 000 - $129 999	-	1
$130 000 - $139 999	1	1
$140 000 - $149 999	1	1
$150 000 - $159 999	1	1
$160 000 - $169 999	2	-
$170 000 - $179 999	1	1
$180 000 - $189 999	-	1
$320 000 - $329 999	1	-
$360 000 - $369 999	-	1
Total	11	9

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment and includes salary and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.703 million ($1.499 million).

6. Industry assistance

	2010	2009
Industry assistance paid/payable to entities external to the SA Government:	$'000	$'000
Sponsorship of events	4 744	3 226
Tourism infrastructure grants	3 644	4 164
Tourism marketing boards/information centre grants	2 650	2 585
Marketing/industry support	2 661	2 411
Trade show subsidies/membership of tourism industry bodies	209	46
	13 908	12 432
Industry assistance paid/payable to entities within the SA Government:		
Sponsorship of events	200	140
Tourism infrastructure grants	103	-
Marketing/industry support	-	72
	303	212
Total industry assistance	14 211	12 644

7. Administration and accommodation

	2010	2009
Administration and accommodation paid/payable to entities external to the SA Government:		
Communication and computing	2 518	2 681
Stationery, postage, couriers and freight	255	402
Contractors and consultants	1 622	1 731
Taxis, hire cars and car parking	230	260
Domestic and international travel	723	704
Seminars, courses and training	521	302
Accommodation and service costs	909	916
Bad debts and allowances for doubtful debts	2	(4)
Loss on foreign exchange hedges	731	175
Other	911	1 111
	8 422	8 278
Administration and accommodation paid/payable to entities within the SA Government:		
Accommodation and service costs	1 287	1 262
Motor vehicle	454	440
Computer processing	104	118
Insurance	141	124
Audit, legal and other fees	386	338
	2 372	2 282
Total administration and accommodation	10 794	10 560

Consultants

The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Between $10 000 and $50 000	2	57	1	14
Above $50 000	-	-	1	52
Total consultants	2	57	2	66

8. Depreciation expense

	2010 $'000	2009 $'000
General plant and equipment	68	85
Event plant and equipment	23	24
Fitouts	277	563
Pageant plant and equipment	100	93
Total depreciation expense	468	765

9. Participation fees

	2010	2009
Participation fees received/receivable from entities external to the SA Government:	$'000	$'000
Cooperative marketing/advertising	1 491	1 799
Sponsorship revenue	3 412	2 756
Trade/consumer show participation/workshops/training	509	160
In-kind revenue	311	1 631
Total participation fees	5 723	6 346

10. Other revenue

Other revenue received/receivable from entities external to the SA Government:		
Event entry fees	1 636	1 439
Refunds/recoups of expenses	633	703
Service fees	10	135
Salary recoups	1 479	1 305
Familiarisation expenditure recouped	143	202
Commonwealth grants	210	-
Sales of merchandise	88	97
Sundry income	1 018	683
	5 217	4 564
Other revenue received/receivable from entities within the SA Government:		
Grants	800	1 100
Recoups of expenses	66	-
	866	1 100
Total other revenue	6 083	5 664

11. Net loss from the disposal of non-current assets

Plant and equipment:		
Proceeds from disposal	-	6
Net book value of assets disposed	(101)	(38)
Total net loss from the disposal of non-current assets	(101)	(32)

12. Revenues from (payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	59 139	51 713
Other revenues from SA Government	911	529
Total revenues from SA Government	60 050	52 242
Payments to SA Government:		
Other payments to the consolidated account	(300)	-
Total payments to SA Government	(300)	-
Total revenues from (payments to) SA Government	59 750	52 242

13. Cash and cash equivalents

Cash on hand and at bank	3 699	3 552
Deposits with the Treasurer	98	58
Total cash and cash equivalents	3 797	3 610

Deposits with the Treasurer

Relates to 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 and at bank and deposits with the Treasurer are non-interest bearing. Deposits with the Treasurer earn a floating interest rate, based on a daily bank deposit rate. The carrying amount of cash and cash equivalents represents fair value.

14. Receivables

	2010	2009
Current:	$'000	$'000
Receivables	832	691
Allowance for doubtful debts	(2)	(7)
	830	684
GST input tax recoverable	643	579
Accrued revenue	223	250
Prepayments	68	220
Total receivables	1 764	1 733
Receivables from SA Government entities:		
Receivables	-	13
Total receivables from SA Government entities	-	13

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

Movement 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 under 'administration and accommodation' in the Statement of Comprehensive Income for specific debtors.

	2010 $'000	2009 $'000
Carrying amount at 1 July	7	12
Increase in the allowance	2	1
Amounts recovered during the year	-	(5)
Amounts written off	(7)	(1)
Carrying amount at 30 June	2	7

Interest Rate and Credit Risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than 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 27.

(b) Categorisation of financial instruments and risk exposure information – refer note 27.

15. Other financial assets

	2010 $'000	2009 $'000
Loan receivable	260	-
Total other financial assets	260	-

All loans receivable held at 30 June 2010 were receivable from non-SA Government entities. Loans receivable are recognised at cost and are receivable in 2010-11. The loan is interest free for the life of the loan.

(a) Maturity analysis of other financial assets – refer note 27.

(b) Categorisation of financial instruments and risk exposure information – refer note 27.

16. Plant and equipment

	2010 $'000	2009 $'000
Plant and equipment at cost (deemed fair value)	5 353	5 206
Accumulated depreciation at the end of the period	1 967	1 808
Total plant and equipment	3 386	3 398

Carrying amount of plant and equipment
Plant and equipment includes $728 000 of fully depreciated plant and equipment still in use.

Impairment
There were no indications of impairment of plant and equipment at 30 June 2010.

Reconciliation of non-current assets	General plant and equipment	Event plant and equipment	Fitouts	Pageant plant and equipment	Total
2010	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	201	154	2 473	570	3 398
Additions	354	-	-	203	557
Disposals	(58)	(17)	-	(26)	(101)
Depreciation	(68)	(23)	(277)	(100)	(468)
Carrying amount at 30 June	429	114	2 196	647	3 386
2009					
Carrying amount at 1 July	344	-	601	526	1 471
Additions	123	35	2 435	137	2 730
Disposals	(38)	-	-	-	(38)
Depreciation	(85)	(24)	(563)	(93)	(765)
Other changes	(143)	143	-	-	-
Carrying amount at 30 June	201	154	2 473	570	3 398

17. Investment in Australian Tourism Data Warehouse

The Australian Tourism Data Warehouse (ATDW) is a joint project of all state and territory tourism authorities working with Tourism Australia (TA) to present and market Australian tourism product to the world through TA's website. Operators listed on the ATDW have their details uploaded onto the new consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in ATDW does not give the Commission controlling interest in ATDW.

18. Payables

	2010	2009
Current:	$'000	$'000
Creditors	-	199
Accrued expenses	4 879	2 318
Employment on-costs	260	227
Total current payables	5 139	2 744
Non-current:		
Employment on-costs	116	119
Total non-current payables	116	119
Total payables	5 255	2 863
Government/Non-Government payables		
Payables to SA Government entities:		
Accrued expenses	122	-
Total payables to SA Government entities	122	-

Interest rate and credit risk

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

(a) Maturity analysis of payables – refer note 27.

(b) Categorisation of financial instruments and risk exposure information – refer note 27.

19. Other liabilities

	2010	2009
Current:	$'000	$'000
Lease incentive	154	154
Unclaimed monies	6	14
Unearned revenue	20	23
Total current other liabilities	180	191
Non-current:		
Lease incentive	1 092	1 246
Total non-current other liabilities	1 092	1 246
Total other liabilities	1 272	1 437

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of a default

20. Employee benefits

Current:		
Annual leave	847	725
Long service leave	247	236
Accrued salaries and wages	329	309
Total current employee benefits	1 423	1 270
Non-current:		
Long service leave	1 171	1 196
Total non-current employee benefits	1 171	1 196
Total employee benefits	2 594	2 466

The total current and non-current employee expense (that is, aggregate employee benefit plus related on-costs) for 2010 is $1.683 million ($1.497 million) and $1.287 million ($1.315 million) respectively.

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 2009 benchmark of 6.5 years to 5.5 years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $101 000 and employee benefit expense of $110 000. 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.

21. Borrowings

	2010	2009
	$'000	$'000
Balance 1 July	243	423
Repayments	(193)	(180)
Balance 30 June	50	243
Represented by:		
Current borrowings	50	193
Non-current borrowings	-	50
Total borrowings	50	243

21. Borrowings (continued)

All borrowings held at 30 June 2010 were payable to the SA Government. Borrowings are recognised at cost and have a maturity date of 21 September 2010. The interest rate is 6.72 percent for the life of the loan.

(a) Maturity analysis of borrowings – refer note 27.

(b) Categorisation of financial instruments and risk exposure information – refer note 27.

(c) Defaults and breaches – there were no defaults or breaches on any of the above liabilities throughout the year.

22. Equity

	2010	2009
	$'000	$'000
Contributed capital	64	64
Retained earnings	372	2 068
Total equity	436	2 132

23. Unrecognised contractual commitments

(a) Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 426	1 572
Later than one year but not longer than five years	5 953	5 830
Later than five years	4 415	5 965
Total operating lease commitments	11 794	13 367

These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable in arrears.

The weighted average interest rate implicit in the non-cancellable operating leases is 4 percent. Where lease agreements refer to a market rate of CPI a rate of 3.5 percent has been applied.

(b) Other commitments

	2010	2009
	$'000	$'000
Within one year	14 258	11 859
Later than one year but not longer than five years	11 041	10 694
Later than five years	385	22
Total other commitments	26 684	22 575

The Commission's other commitments are for grants to regional tourism marketing boards, international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts. There are no purchase options available to the Commission.

(c) 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	3 942	4 501
Later than one year but not longer than five years	1 704	3 051
Total remuneration commitments	5 646	7 552

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

24. Auditor's remuneration

	2010	2009
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	81	69

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

25. Remuneration of board members

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

South Australian Tourism Commission Board

M Abbott	I Horne	A Skipper
J Ellison	J Jeffreys	M Tilley
R Foord	K Lehman	L Tuit

25. Remuneration of board members (continued)

The number of directors whose total remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$0 - $9 999	-	1
$10 000 - $19 999	8	7
$20 000 - $29 999	1	1
Total	9	9

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. Total remuneration received or receivable by members was $170 000 ($162 000). Amounts paid to a superannuation plan for board members was $47 000 ($55 000).

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

26. Cash flow reconciliation

	2010	2009
Reconciliation of cash and cash equivalents to cash at 30 June as per:	$'000	$'000
Statement of Financial Position	3 797	3 610
Statement of Cash Flows	3 797	3 610

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

	2010	2009
Net cash provided by operating activities	937	1 403
Revenues from SA Government	(60 050)	(52 242)
Payments to SA Government	300	-
Non-cash items:		
Depreciation expense and impairment of non-current assets	(468)	(765)
Loss from disposal of non-current assets	(101)	(32)
Movement in assets and liabilities:		
Increase (Decrease) in receivables	291	(388)
Increase in employee benefits	(127)	(108)
Decease in other liabilities	165	265
Increase in payables	(2 393)	(100)
Net cost of providing services	(61 446)	(51 967)

27. Financial instruments/financial risk management

27.1 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 assets, financial liability and equity instrument are disclosed in note 2.

		Carrying amount	
Financial assets		2010	2009
Cash and cash equivalents:	Note	$'000	$'000
Cash and cash equivalents	13	3 797	3 610
Receivables:			
Receivables(1)	14	1 764	934
Held-to-maturity investments:			
Shares	17	400	400
Other financial assets	15	260	-
Total financial assets		6 221	4 944
Financial liabilities			
Financial liabilities - at cost:			
Payables(1)	18	5 139	2 517
Other current liabilities	19	180	37
Borrowings	21	50	243
Total financial liabilities		5 369	2 797

(1) Receivable and payable amounts disclosed above 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 employee on-costs which are determined via reference to the employee benefit liability to which they relate. The fair value of all financial assets and liabilities is represented by their carrying amount.

Fair Value

The Commission does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 13, 14, 15, 17, 18, 19, 21 and 26).

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission 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 Commission holds collateral as security for its loan receivable. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 14 for information on the allowance for impairment in relation to receivables.

27.2 Ageing analysis of financial assets

	Past due by			
2010	Less than 30 days $'000	30-60 days $'000	More than 60 days $'000	Total $'000
Not impaired:				
Receivables(1)	590	65	175	830
Other financial assets	260	-	-	260
Impaired:				
Receivables	-	-	2	2
2009				
Not impaired:				
Receivables(1)	607	67	10	684
Impaired:				
Receivables	-	-	7	7

(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.

27.3 Maturity analysis of financial assets and liabilities

	Contractual maturities			
2010	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalents	3 797	3 797	-	-
Receivables	1 053	1 053	-	-
Other financial assets	260	260	-	-
Shares	400	-	-	400
Total financial assets	5 510	5 110	-	400
Financial liabilities:				
Payables	4 879	4 879	-	-
Borrowings	50	50	-	-
Other financial liabilities	26	26	-	-
Total financial liabilities	4 955	4 955	-	-
2009				
Financial assets:				
Cash and cash equivalents	3 610	3 610	-	-
Receivables	934	934	-	-
Shares	400	-	-	400
Total financial assets	4 944	4 544	-	400
Financial liabilities:				
Payables	2 517	2 517	-	-
Borrowings	243	193	50	-
Other financial liabilities	37	37	-	-
Total financial liabilities	2 797	2 747	50	-

Liquidity risk

Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriation by the SA Government. The Commission 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 Commission 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.

Liquidity risk (continued)

The Commission'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 27.1 represents the Commission's maximum exposure to financial liabilities.

Market risk

Market risk for the Commission is primarily through interest rate risk. Exposure to interest rate risk may arise through its borrowings. The Commission's borrowings are managed through SAFA and any movement in interest rates are monitored on a daily basis.

The Commission does not engage in high risk hedging for its financial assets. The hedges in 2009-10 were for the payment of representation fees and marketing activity in overseas offices. In 2009-10 the Commission had 22 (10) cash flow hedging contracts mature, totalling $5.387 million ($6.995 million). As at 30 June 2010 the Commission had in place 31 (8) hedging contracts to manage exchange risk for 2010-11 totalling $4.941 million ($5.340 million). As with all hedges there are financial risks. Cash flows from hedges in 2009-10 are included in the Statement of Comprehensive Income, and shown separately as losses where material in note 7.

Sensitivity disclosure analysis

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

Credit standby arrangements

The Commission has a $283 000 ($283 000) credit card facility with the ANZ. The unused portion of this facility as at 30 June 2010 was $167 000 ($220 000).

28. Disclosure of administered items

	SAV&TC	
	2010	2009
Administered expenses:	$'000	$'000
Commissions paid	638	837
Expenditure to tourism operators	3 885	5 906
Total administered expenses	4 523	6 743
Administered income:		
Gross sales revenue	4 523	6 743
Total administered income	4 523	6 743
Administered assets:		
Cash and cash equivalents	1 990	1 176
Receivables	-	2
Total administered assets	1 990	1 178
Administered liabilities:		
Payables	1 936	852
Deposits on bookings	-	76
Commissions payable	50	250
GST payable	4	-
Total administered liabilities	1 990	1 178

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Water Corporation (the Corporation) was established pursuant to the *South Australian Water Corporation Act 1994*. The Corporation is responsible to the Minister for Water.

Functions

The primary functions of the Corporation, in accordance with the *South Australian Water Corporation Act 1994*, are to provide services for the:

- supply of water by means of reticulated systems
- storage, treatment and supply of bulk water
- removal and treatment of wastewater by means of sewerage systems.

The PCA applies to the Corporation and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with the Corporation.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

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:

- revenue raising, collection, receipting and banking
- tendering and contract management
- expenditure including procurement, accounts payable, and rebate schemes
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowing and finance leases.

The work of internal audit was considered in planning and conducting the audit program.

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 South Australian Water 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 South Australian Water Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities , except for the matters raised in relation to early contractor involvement, pipe assets, fixed assets, expenditure, payroll and revenue as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Water Corporation have been conducted properly and in accordance with law.

Communication of audit matters

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

Adelaide Desalination Project Commonwealth Funding

The approved cost of the Adelaide Desalination Project (ADP) is $1.824 billion with the Commonwealth Government committing funding of $328 million towards that cost. The funding is provided under the National Partnership Agreement (NPA) signed by the Prime Minister of Australia and the Premier of South Australia. The funding comprises two separate components, being $100 million for the 50 gigalitre per annum plant (stage 1) and $228 million for expansion to a 100 gigalitre per annum plant (stage 2). The Commonwealth's commitment of funds is significant and is subject to various conditions.

Audit noted the State and Commonwealth have not yet agreed some funding conditions. Consequently, Audit inquired of the Corporation the status of, and information evidencing, the funding arrangements and conditions between the Commonwealth and South Australia. Audit also sought information on how the State and the Corporation plan to evidence compliance with the Commonwealth funding conditions.

It was noted that the implementation plan for:

- stage 1 ($100 million) has been agreed and some payments have been received from the Commonwealth. It was noted that evidence of formal sign-off of the implementation plan for stage 1 as required by the NPA could not be provided

- stage 2 ($228 million) was in draft format and that one condition required by the Commonwealth related to the use of River Murray water had not yet been clarified.

The Corporation was not able to fully respond to all the matters. The Corporation along with other parties of government are involved in the administration of the funding arrangements for the ADP. In this regard the Corporation referred Audit to DPC, DTF and the Department for Water for further information. As DPC has a central role for managing and monitoring Commonwealth and State funding arrangements, I wrote to DPC to seek clarification on certain matters, including clarification of funding conditions for stage 2. This matter, including the response from DPC, is further discussed in Part A of this Report.

Tendering and contract management

Previous year's audit

Last year's audit of some aspects of the Corporation's tendering and contract management noted:

- the Corporation had started a reform process to improve procurement practice and related policies and procedures. This included engaging an external accounting contractor to perform a procurement process review, which identified a number of issues with the high-level procurement processes and control environment at the Corporation

- areas for improvement similar to the external contractor review. Key areas related to the procurement framework, policies and procedures, key control structures and contract management

- examples where the Corporation could improve documentation to demonstrate compliance with existing policies and procedures. These emphasised the need for a clear framework and policies and procedures, and a consistent control structure to ensure compliance with the same.

The Corporation's response provided information on the status of the procurement business improvement review and actions and plans to address the above matters.

2009-10 audit

During the year Audit followed up the status of the procurement business improvement review and the progress in addressing the matters from the previous audits. As some procurement business improvement review changes are still underway, Audit sought an update on the:

- procurement business improvement review,
- progress in addressing matters raised from last year's audit and the actions
- plans for the procurement quality assurance framework.

Corporation's response

The Corporation advised, that:

- the commercial and information systems procurement model was completed including the creation and implementation of new roles and responsibilities that provide delineation between sourcing and contract management activity

- process maps have been developed for all sourcing and contract management functions with the exception of one area, which is planned for completion by end September 2010. This included a more disciplined and standardised procurement plan and measures to involve Procurement earlier in the procurement process

- the creation and amendment of all procurement source documents are now registered and controlled

- a quality assurance framework was developed. The framework addressed the methodology and processes for documentation control, records management, auditing and considers the requirements for corrective and preventative actions, recommendations for improvement and controls to sustain improvements. The framework includes a quality assurance audit program, which commenced in March 2010.

These actions are to be subject to a confirmation audit in 2010-11.

Early contractor involvement

During the year Audit concluded the examination of certain aspects of an early contractor involvement procurement. Early contractor involvement aims to engage the contractor during the early phases of a project to assist in the evolution of the design and to promote a better understanding by the parties of a project and its potential risks. The contract reviewed was entered in April 2008 and the project was completed during 2009-10.

The audit identified some areas where there was insufficient documentation to support some project procurement decisions. The main issues with the procurement were:

- no signed approval for the early contractor process, procurement plans, selection of a single contractor from the panel for early contractor involvement and selection of the same contractor to perform the construction work

- no formal documentation outlining that a waiver of competitive tender was approved

- no documented agreement between Corporation and the contractor for the input into the design process

- the contract was awarded before the final report was received from the independent estimate auditor

- responsibilities and risks for the early contractor involvement were not documented.

At the time of the procurement, there were no procedures for the use of panel contractors.

Corporation's response

The Corporation's response indicated it was investigating alternative contract styles with early contractor involvement being one of these investigated and trialled. The response also recognised the lack of documentation for some key areas and outlined revised processes to remedy this.

Audit comment

It is noted this procurement was completed before the Corporation commenced the procurement business improvement review discussed under the heading 'Tendering and contract management' above. The audit observations for the early contractor involvement procurement were an example of the areas where the Corporation needed to enhance processes and improve documentation. It is expected that improvements arising from procurement business improvement review will address issues arising from this review.

Pipe assets

Pipe assets account for over half of the infrastructure, property, plant and equipment recorded in the Corporation's financial statements. The main systems used to record and value pipe information are the Geographical Information System (GIS) and the Asset Valuation System (AVS) respectively. The most significant impact on the pipe values recorded is the estimate of the per metre pipe replacement cost. The main activity for valuation takes place during July each year.

During 2010 Audit reported on the review of the controls over the capturing, recording, estimation and valuation processes for pipe assets for the previous year. This review revealed:

For the GIS there was no:

- control to ensure that all information was received for input into the GIS
- independent review to ensure all asset information has been completely and accurately input
- reconciliations to ensure the complete and accurate transfer of information from the GIS to the AVS was not performed

The Corporation engaged a consultant to assist in identifying issues and solutions relating to the GIS. The consultant's report identified issues with inaccurate, missing and incomplete attribute data, and missing and incomplete assets.

For the AVS there was no:

- independent review of the unit replacement costs entered into the AVS and the AVS formulas, assumptions and rules
- reconciliation performed to ensure the AVS information was completely and accurately transferred to the financial asset register.

For pipe cost estimates there was no independent review of:

- the estimates prepared by the internal principal estimator
- the input of the estimated replacement costs into the spreadsheets
- the methods and assumptions applied to extrapolate replacement costs
- the formulas used to determine the unit replacement costs.

The Corporation's response indicated appropriate action taken or planned to address the matters raised. This includes cost estimates being prepared by an external quantity surveyor and reviewed by the principal estimator.

Fixed assets

During 2010 Audit reported on the controls over compiling fixed asset information for the previous year's financial statement, which identified the Corporation had:

- not documented the internal control framework and procedures for the capturing and recording of infrastructure, plant and equipment information used for financial reporting
- not reconciled data transferred to the financial asset register to source systems and spreadsheets
- not independently checked/reviewed information and calculations in spreadsheets
- not reconciled open work orders for capital work in progress to the general ledger

- no quality assurance process over the figures reported to ensure they were reasonable and in line with management's understanding.

The audit noted examples of errors that could have been detected had appropriate internal control and review processes been implemented. Audit also recommended that the Corporation review the timing of asset valuation and recording processes and bring forward those processes that can be performed earlier so that effective quality assurance and analysis can be performed.

The Corporation's response indicated specific action to address all matters raised.

Expenditure

Areas identified where internal controls over accounts payable could be improved included:

- evidencing of review and approval of delegations and subdelegations profiles in the accounts payable system
- checking the appropriate use of special delegations
- performing scheduled quarterly reviews of user delegation profiles
- checking to ensure requests for user access was appropriately authorised
- reviewing the use of special access profiles to process transactions which exceed the delegation limits
- review of additions and changes to critical supplier master file information
- review of officers with access to modify suppliers
- complete and regular review of Commbiz access.

The Corporation's response detailed action taken and planned to address all the matters raised.

Payroll

The main audit observation from the payroll audit was that there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. This matter was reported in previous years.

The Corporation indicated the introduction of an online time and attendance system would address this matter. Further, the Corporation intended to pilot the system from September 2010 and roll it out across the Corporation by end of March 2011.

Revenue

The main issues from the revenue audit were:

- unexplained variances for the some reconciliations between revenue system and the general ledger
- some policies and procedures were past their review date and contained outdated processes. In addition, some key processes were not sufficiently documented in the procedures
- reports developed to manage recurring estimated water readings were not effective
- no current memorandum of administrative arrangement for the administration of pensioner concessions.

The Corporation's response detailed action taken and planned to address all the matters raised.

Implementation of TIs 2 and 28

The Corporation has established a financial management compliance program corporate guideline. The guideline outlines the components of the Corporation's financial management compliance program including questionnaires and the role of internal audit and the senior management team.

During 2009-10 results from the questionnaires were reviewed by internal audit to assess the appropriateness of employee responses. The results of the review were reported to the Audit Committee. Non-compliances were assessed by the Corporation as low risk and recorded on the recommendation implementation register for actioning.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
INCOME		
Water and wastewater rates and charges	**689**	630
Community service obligations	**199**	183
Other	**178**	176
Total income	**1 066**	989
EXPENSES		
Depreciation and amortisation expense	**211**	178
Borrowings costs	**144**	107
Operational and service contracts	**131**	140
Employment expenses	**102**	92
Other expenses	**207**	214
Total expenses	**795**	731
Net profit after income tax expense	**190**	181
OTHER COMPREHENSIVE INCOME	**820**	363
Total comprehensive income for the year	**1 010**	544
NET CASH INFLOWS FROM OPERATING ACTIVITIES	**444**	331
ASSETS		
Current assets	**179**	155
Non-current assets	**11 673**	9 537
Total assets	**11 852**	9 692
LIABILITIES		
Current liabilities	**334**	347
Non-current liabilities	**4 318**	2 987
Total liabilities	**4 652**	3 334
TOTAL EQUITY	**7 200**	6 358

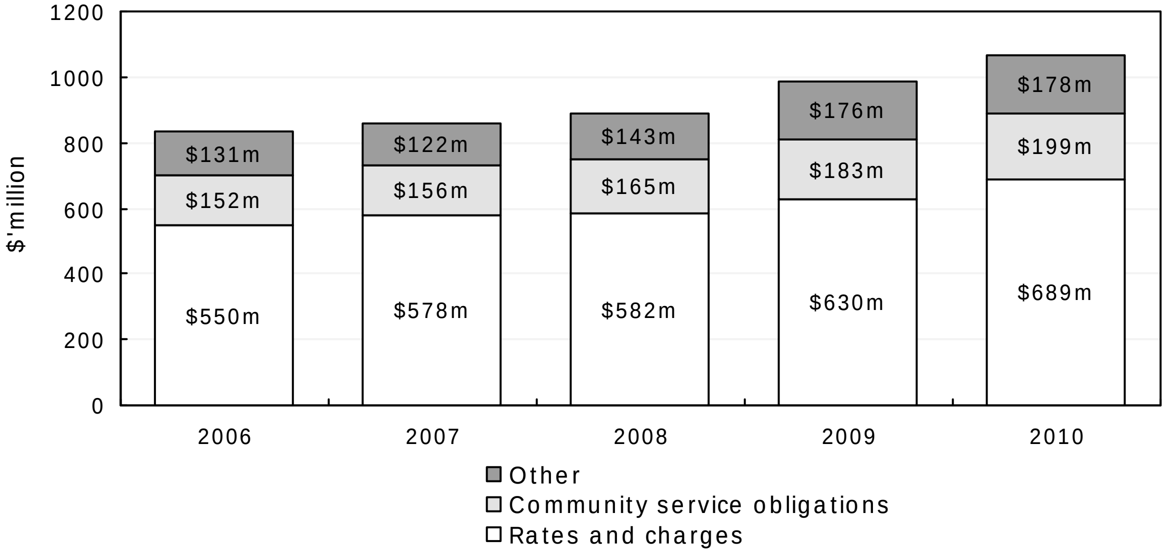
Statement of Comprehensive Income

Income

Total income increased by $77 million to $1066 million. The increase was due mainly to:

- water and wastewater rates and charges increasing by $59 million due mainly to an increase in prices
- community service obligations (CSOs) increasing by $16 million mainly for country services and waterproofing Adelaide.

The following chart analyses the main sources of income for the Corporation for the five years to 2010.



The above chart shows total income has increased by $233 million since 2006. Comments on the trend over this period are:

- The main factors affecting water and wastewater rates and charges are price increases and water consumption. Water restrictions, which commenced in November 2006, have resulted in an overall reduction of water consumption since that time. The increase since that time is attributable mainly to price increases and growth in customer numbers.

- CSOs are provided under the financial ownership framework agreed with DTF. The increases in CSOs reflect mainly additional investment in country water.

- Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives. A large component of the recoverable works are received from the Murray-Darling Basin Authority for management and works on the Murray River.

Expenses

Total expenses increased by $64 million to $795 million. The major components of the increase were:

- borrowing costs increased by $37 million due mainly to increased borrowings to fund capital projects and increased interest rates

- depreciation and amortisation increased by $33 million due mainly to higher asset values

- employment expenses increased by $10 million due to salary escalation and the appointment of additional employees for drought and water security initiatives

- other expenses decreased by $7 million. Factors contributing to change were:

  — an increase in the costs of goods sold of $14 million

  — a decrease in electricity costs of $10 million due mainly to reduced pumping demands

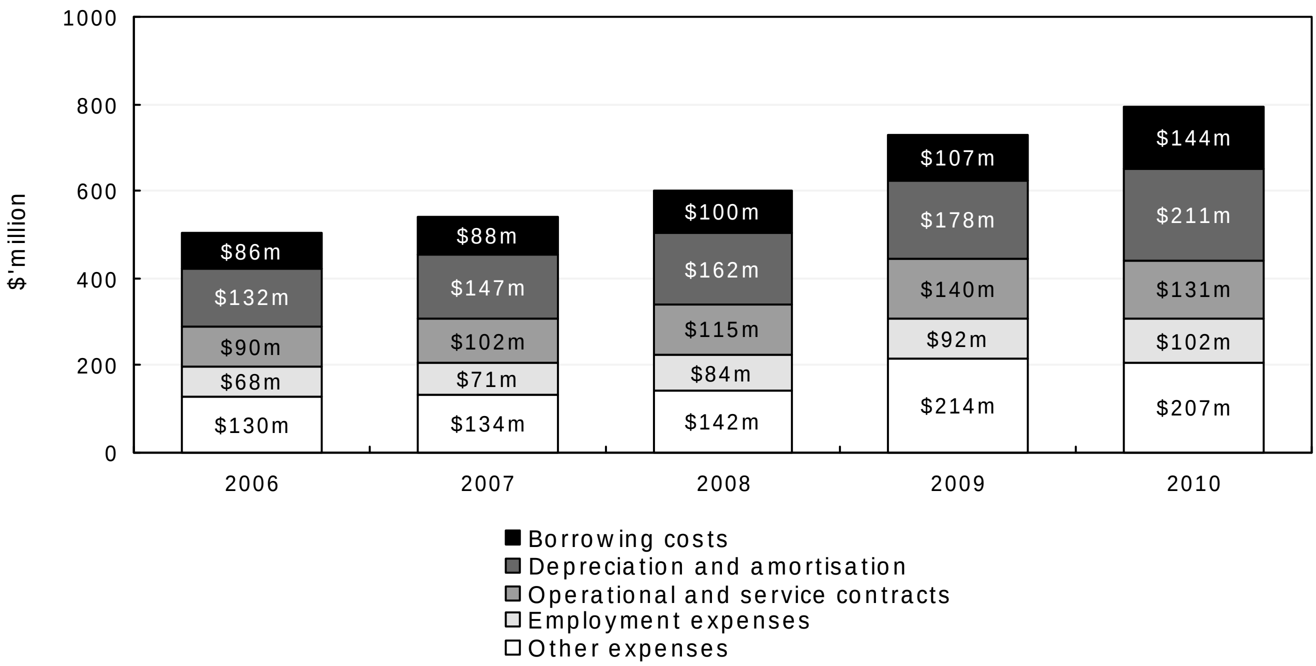
  — an increase in rebates provided of $3 million due mainly the transfer of the rainwater tank rebates scheme to the Corporation from the Minister for Environment and Conservation

  — increase in accommodation costs of $4 million

  — 2009 included ex gratia payments to customers arising from a change in billing policy of $10 million

  — 2009 included losses on interest rate swap derivatives due to historic lows in interest rates and foreign exchange transactions of $12 million

The following chart analyses the main expense items for the Corporation for the five years to 2010.



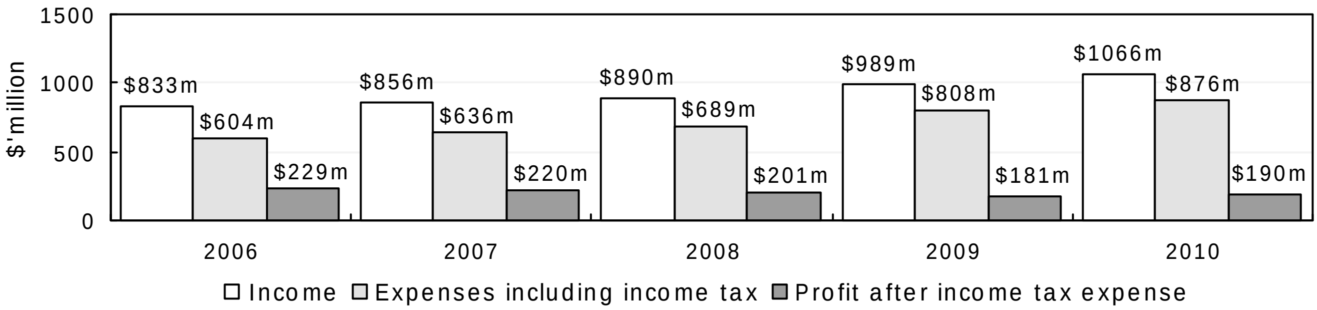
Since 2006 expenses have increased by $289 million. Major factors affecting expenses are:

- increased borrowing costs since 2008 due mainly to additional borrowings to fund the acquisition of assets
- depreciation and amortisation costs continue to grow significantly in line with the impact of asset revaluations. Over the past five years this expense has increased by $79 million, primarily due to asset revaluations
- operational and service contracts increasing significantly over the period due mainly to increased costs for water security activities, water restrictions and the drought
- since 2008 the increase in employment expenses exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions, drought initiatives and capital and operational projects
- for other expenses:
  - — electricity costs were higher in 2007 and 2009 due to additional pumping of water
  - — a water efficiency rebates scheme was introduced in 2008 and grew in 2009 and 2010
  - — there was an increase in the level of recoverable works since 2008. The level of works varies from year to year depending on economic conditions and government initiatives.

Operating result

The Corporation's profit after income tax increased by $9 million (decreased by $20 million) to $190 million ($181 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2010.



The chart shows that both income and expenses have increased over the period since 2006. The chart also shows that prior to 2009-10 the annual profit after income tax has decreased.

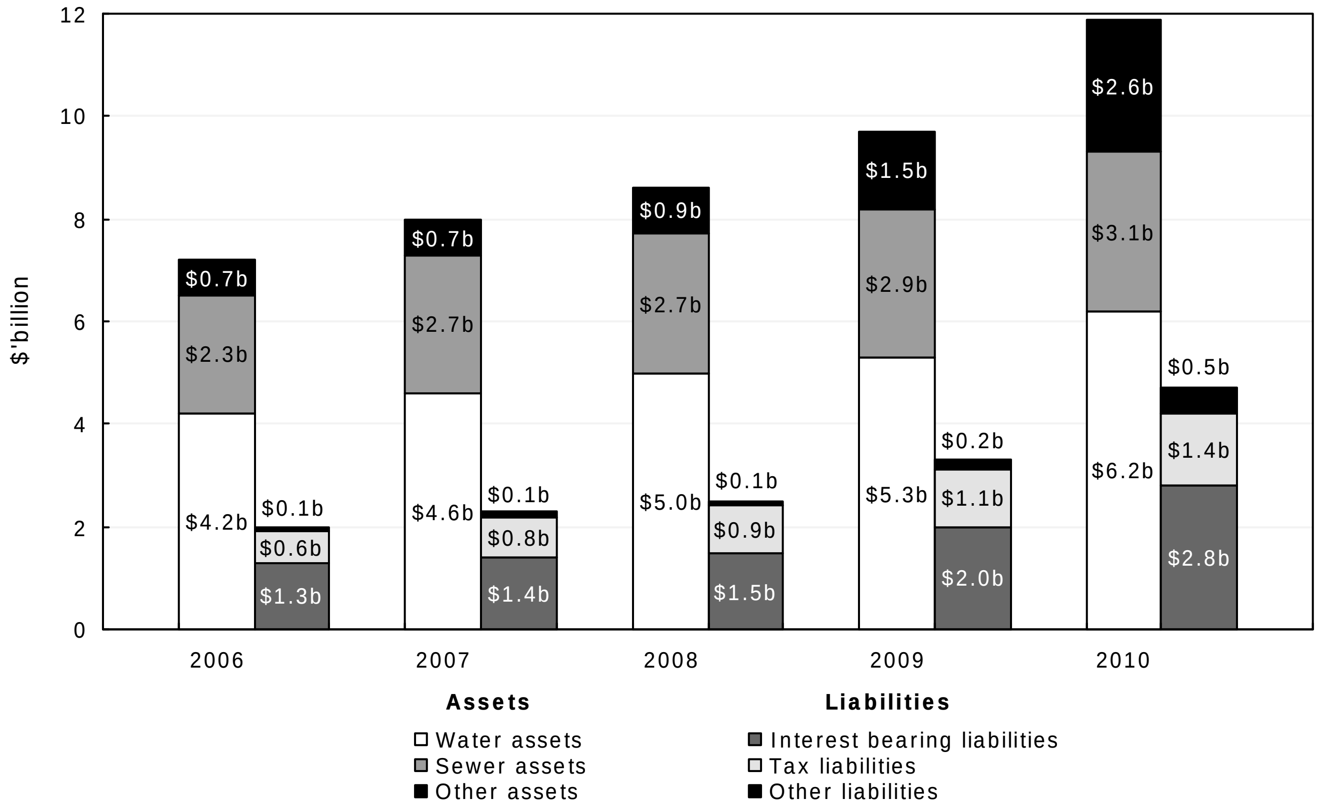
The biggest impact on the Corporation's profit has been various drought and water security initiatives causing higher operating and financing costs.

Other comprehensive income

Other comprehensive income of $820 million ($363 million) is attributable mainly to the revaluation of assets.

Statement of Financial Position

A structural analysis of assets and liabilities for the five years to 2010, is shown in the following chart.



The Corporation's financial position is dominated by non-current infrastructure assets and related borrowings and tax liabilities.

In 2010 total assets increased by $2.2 billion to $11.9 billion. The change was due mainly to:

- acquisition of infrastructure, plant and equipment of $1.2 billion, an increase of $411 million over 2009. The increase includes the desalination plant $837 million, Christies Beach wastewater treatment plant capacity upgrade $52 million, southern urban reuse project $35 million and assets contributed through development activity $65 million

- infrastructure, plant and equipment revaluations of $1.2 billion. The combined revaluations over the past three years amounted to $2.1 billion. Revaluation of assets is based on independent valuation or director's valuation and is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(d) to the financial statements details the Corporation's revaluation policies.

Interest bearing liabilities increased by $865 million to fund non-current asset additions. In addition tax liabilities increased by $340 million due mainly to the tax effect of revaluing assets.

Current assets and liabilities

Current assets and liabilities are significant in their own right. At 30 June 2010 current liabilities amounted to $334 million ($347 million), exceeding current assets of $179 million ($155 million) by $155 million ($192 million). While such a large deficiency in working capital can be of concern, the Corporation has a strong cash flow position from operating activities which would enable all of its current liabilities to be met.

The increase in current assets of $24 million is due mainly to:

- an increase in unused seasonal water allocations of $35 million, which comprises an amount of $18 million that was classified as non-current last year and the purchase of an additional $17 million
- a reduction of $13 million in receivables due mainly to the introduction of quarterly billing for water usage.

Statement of Cash Flows

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

	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Net cash flows					
Operating	**444**	331	325	308	400
Investing	**(1 140)**	(649)	(249)	(160)	(106)
Financing	**696**	317	(79)	(145)	(290)
Change in cash	**-**	(1)	(3)	3	4
Cash at 30 June	**1**	1	2	5	2

Factors affecting cash flows over the five years include:

- an increasing level of investment in the construction and purchase of infrastructure, plant and equipment. For 2009 and 2010 investing activities totalled $1.8 billion, while over a five year period investing activities totalled $2.3 billion
- payment of a dividend to the Government. This amounted to $169 million ($161 million) in 2010
- increased net borrowings. In 2010 net cash flows from borrowings were $870 million ($482 million)
- repayment of $74 million of capital in 2006 made as a result of revised CSO funding arrangements.

FURTHER COMMENTARY ON OPERATIONS

Performance statement

As a public corporation the Corporation is bound by a Charter and is also required to meet a range of performance targets set out in an annual performance statement, as agreed to between the Corporation, the Minister for Water Security and the Treasurer. The performance statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

Two key financial performance measures agreed to in the performance statement are set out in the following table.

Performance measure	**Target 2009-10**	**Actual Result 2009-10**
Profit before tax ($'million)	**274.0**	**271.3**
Rate of return on assets (percent)(1)	**3.7**	**3.3**

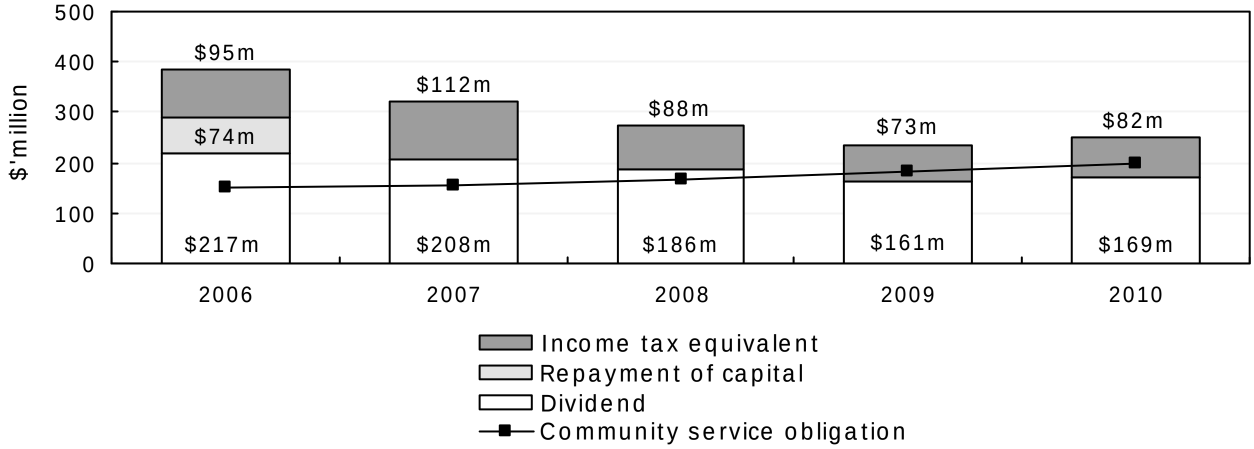
(1) (Profit before tax plus net interest costs, less free assets revenue, plus free assets depreciation) divided by (assets excluding free assets).

The Corporation was close to achieving the profit before tax target. The Corporation's rate of return on assets is less than the target primarily due to increased asset values from revaluations and capital additions.

Contributions to the State Government

Effectively, the Government fulfils a number of key roles in relation to the Corporation including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of the Corporation which impacts on the amount of funding it provides to, or receives from, the Corporation.

A structural analysis of particular contributions (dividends, capital repayments, income tax equivalent) paid to the Government and CSO funding provided by the Government for the five years to 2010 is shown in the following chart.



The above chart shows that the amount of money returned to the SA Government through tax equivalent, dividend and capital repayment decreased each year from 2006 to 2009, while there was a relatively small increase for 2010. Since 2006 the level of CSO funding has continued to increase. In 2009 and 2010 the CSO funding exceeded the dividend.

The Corporation operates under a financial ownership framework developed by DTF for public non-financial corporations. It was implemented in 2005-06. The main features of the framework are:

- debt to total assets ratio range of 15-25 percent for the next four to five years
- dividend payout ratio of 95 percent based on after tax profit
- arrangements for the Government to purchase non-commercial services for which CSO payments are made.

The following table summarises movements in the major items influencing borrowings and the debt to asset (gearing) ratio.

	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Net cash inflows from operating activities	**444**	331	325	308	400
Net cash outflows from investing activities	**(1 140)**	(649)	(249)	(160)	(106)
Surplus cash from operations after investing activities	**(696)**	(318)	76	148	294
Repayments to owners	**(169)**	(161)	(186)	(208)	(292)
Shortfall in funds available to pay owners	**865**	479	110	60	(2)
Net increase in borrowings	**870**	482	112	63	1
Debt/Asset ratio (percent)	**24**	20	17	17	18

Up to 2008 the net cash generated from operating activities was sufficient to cover the net cash used in investing activities (ie essentially the purchase of property, plant and equipment, etc), but insufficient to pay the level of dividend and return of capital required by DTF. To meet its payment obligations to government and finance its capital works programs the Corporation's net increase in borrowings has risen significantly since 2007.

The financial ownership framework gearing ratio range was 15-25 percent with a long-term target of 20 percent. Up to 2008 the debt/asset ratio was below the long-term target predominantly due to the value of assets increasing significantly due to revaluation. However in 2010, due to borrowings to fund capital works (discussed above), the ratio exceeded the long-term target. It is noted this was envisaged by the annual performance statement debt/asset ratio target, which established a target of 26 percent.

Adelaide Desalination Project

As a part of the consideration of a range of water security projects, Cabinet has approved the construction of the desalination plant.

Major components of the ADP

The ADP is a major construction undertaking. The objective of the work is to construct infrastructure that obtains and treats seawater to produce drinking quality water. The major components the project include:

- design and construction of the desalination plant and associated marine works
- design and construction of the transfer pipeline system
- construction of power supply infrastructure.

Further, there are ongoing costs for the operation and maintenance the desalination plant and the power to operate the desalination plant.

Governance arrangements

The delivery of the ADP is governed by the Adelaide Desalination Project Steering Committee. In March 2008 Cabinet approved the appointment of an independent project advisor for the ADP and to be chair of the Committee. Membership of the Committee comprises the Under Treasurer, and the Chief Executives of the Corporation, the Department for Transport, Energy and Infrastructure, the Department of Water, Land and Biodiversity Conservation and the Department for Environment and Heritage.

A separate project team established within the Corporation has responsibility for executing the procurement and delivery arrangements for the pilot and full scale desalination plant facilities.

Developments during 2009-10

Last year's report provided a summary of major events including the Government approvals and key contracts entered into. Please refer to my previous report for this information. For the 2009-10 financial year, there were no new major contracts for construction activities. On 7 September 2009, a contract to supply renewable energy to operate the desalination plant was executed.

The main activity for the year has been the construction of desalination plant and associated marine works, transfer pipeline system and power supply infrastructure.

For most of the year, construction targets have been achieved. However, the target for first water has been moved from December 2010 to April 2011. The major reason for this change is the impact of a fatal accident in July 2010. The Corporation's internal reports indicate that there are no delays to the other targets such as practical completion and handover of the 50 gigalitre per annum plant on 31 August 2011 and the 100 gigalitre per annum plant in on 31 December 2012.

Project expenditure

Costs of constructing the ADP are included in capital works in progress and amount to $1.2 billion as at 30 June 2010. Note 1(u) indicates the estimated cost for the ADP is $1.8 billion and that the final handover of the 100 gigalitre plant is targeted for the end of December 2012.

Audit review

During the year Audit reviewed certain aspects of the ADP including commonwealth funding, high level project governance, controls over procurement and testing of a number of contract payments. Comments on commonwealth funding have been included in 'Audit findings and comments'. The review of the project will continue into 2010-11.

North-South Interconnection System

In July 2009 Cabinet approved expenditure of $30 million to undertake preliminary works (excluding construction) for the North-South Interconnection System. These works are for the preliminary scoping, feasibility and concept work to develop a system interconnection design solution.

Adelaide has discrete northern and southern water supply systems. The aim of the project is to connect the northern and southern water supply systems to enable the ability to transfer large volumes of water between the systems. The North-South Interconnection System is a major construction undertaking which will enable full utilisation of the capacity of reservoirs and the Adelaide desalination plant between the two systems. The total estimated capital expenditure for the total project in the Corporation's forward estimates is $403 million.

Oversight of the project is provided by the Adelaide Desalination Project Steering Committee (see 'Adelaide Desalination Project').

As at 30 June 2010 total expenditure on the preliminary works for the North-South Interconnection System was $13.3 million.

Metropolitan Adelaide Service Delivery Project

In 1995 the Corporation and United Water entered into an agreement for the management, operation and maintenance of Adelaide's water and waste water systems (Adelaide Water Contract). This agreement commenced on 1 January 1996 and will expire on 30 June 2011.

The Corporation commenced planning for the replacement of this agreement in 2007. In preparation for the expiry of the Adelaide Water Contract, the Corporation initiated the Metropolitan Adelaide Service Delivery Project (MASDP).

On 19 October 2009 Cabinet approved the contracting strategy to replace the Adelaide Water Contract. This strategy involves transitioning the existing contract to several new arrangements comprising:

- operations and maintenance alliance
- project management and procurement arrangement
- design and construction management arrangements
- return of some strategic activities back to the Corporation.

In February 2010 the Corporation issued a call for expressions of interest for the operations and maintenance alliance component. The expressions of interest closed in March 2010. The Corporation has assessed the expressions of interest and in August 2010 issued a request for a proposal to selected participants. The request for proposals must be lodged in November 2010.

The procurement process for the other components of the strategy are planned to be undertaken during the 2010-11 financial year.

South Australian Water Corporation and United Water charging dispute

Last year Corporation's financial statements disclosed that the Corporation has commenced Supreme Court action against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract. The Corporation and United Water subsequently agreed to refer the matter for expert determination. At the time of preparing the report the independent expert had not yet made a determination. Refer to note 1(v) to the financial statements.

The dispute relates to charging under the contract between the Corporation and United Water. United Water's main responsibilities under the agreement involve the general management, operation and maintenance of the water and wastewater systems in the Adelaide metropolitan area and the management of most of the Corporation's capital assets. United Water charges the Corporation for these services.

Audit comment

As mentioned in last year's Report the Corporation needs to take note of any matters of significance that have arisen from its experience so far with the contract charging dispute. In particular, those matters that can further improve its contract formulation, execution and management approach and processes for other current Corporation contractual arrangements or arrangements that may be subject to renewal or renegotiation at sometime in the future.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010**	2009
INCOME:		**$'000**	$'000
Revenue from ordinary activities	4	**1 065 800**	988 427
Other income	5	**245**	745
Total income		**1 066 045**	989 172
EXPENSES:			
Depreciation and amortisation expense	6	**(211 130)**	(177 696)
Borrowing costs		**(143 562)**	(106 905)
Electricity expense		**(30 195)**	(40 550)
Services and supplies		**(176 982)**	(174 060)
Operational and service contracts		**(131 283)**	(139 549)
Salaries and employee benefits expense		**(101 590)**	(91 821)
Total expenses		**(794 742)**	(730 581)
PROFIT BEFORE INCOME TAX		**271 303**	258 591
Income tax expense	7	**(81 255)**	(77 217)
NET PROFIT AFTER INCOME TAX EXPENSE		**190 048**	181 374
OTHER COMPREHENSIVE INCOME:			
Gain on revaluation of infrastructure, plant and equipment assets	30	**1 153 650**	500 524
Revaluation of investment in unlisted shares	30	**7 297**	5 931
Income tax relating to components of other comprehensive income	7(c)	**(340 504)**	(143 788)
Other comprehensive income for the year, net of tax		**820 443**	362 667
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 010 491**	544 041

Total comprehensive income for the year 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 and cash equivalents	27	**1 425**	1 281
Receivables	8	**114 029**	127 478
Inventories	9	**5 394**	5 287
Derivative financial instruments	23	**15**	-
Other current assets	10	**57 626**	20 877
Total current assets		**178 489**	154 923
NON-CURRENT ASSETS:			
Available-for-sale financial assets	11	**21 833**	14 536
Deferred tax assets	12	**30 315**	29 954
Intangible assets	13	**79 626**	50 026
Infrastructure, plant and equipment	14	**11 541 278**	9 422 359
Derivative financial instruments	23	**348**	1 576
Other non-current assets	15	**-**	18 464
Total non-current assets		**11 673 400**	9 536 915
Total assets		**11 851 889**	9 691 838
CURRENT LIABILITIES:			
Payables	16	**217 227**	188 235
Interest bearing liabilities	17	**61 964**	96 955
Current tax liabilities	18	**23 201**	32 959
Provisions	19	**18 905**	17 551
Derivative financial instruments	23	**329**	1 359
Other current liabilities	20	**12 241**	9 557
Total current liabilities		**333 867**	346 616
NON-CURRENT LIABILITIES:			
Payables	21	**1 639**	1 630
Interest bearing liabilities	22	**2 760 556**	1 860 109
Derivative financial instruments	23	**2 792**	7 191
Deferred tax liabilities	24	**1 394 305**	1 044 431
Provisions	25	**25 366**	25 545
Other non-current liabilities	26	**133 662**	48 096
Total non-current liabilities		**4 318 320**	2 987 002
Total liabilities		**4 652 187**	3 333 618
NET ASSETS		**7 199 702**	6 358 220
EQUITY:			
Contributed equity		**173 610**	173 610
Reserves	30(a)	**6 813 675**	5 994 726
Retained profits	30(b)	**212 417**	189 884
TOTAL EQUITY		**7 199 702**	6 358 220

Total equity is attributable to the SA Government as owner

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

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008		173 610	5 634 338	172 929	5 980 877
Effect of change in accounting policies	1(a)	-	-	(5 440)	(5 440)
Restated total equity at 1 July 2008		173 610	5 634 338	167 489	5 975 437
Profit for the year		-	-	181 374	181 374
Gain on revaluation of infrastructure, plant and equipment assets	30	-	500 524	-	500 524
Revaluation of investment in unlisted shares	30	-	5 931	-	5 931
Transfer to retained profits on disposal	30	-	(2 279)	-	(2 279)
Transfer from infrastructure, plant and equipment reserve	30	-	-	2 317	2 317
Income tax relating to components of other comprehensive income	7(c)	-	(143 788)	-	(143 788)
Total comprehensive income for the year		-	360 388	183 691	544 079
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	35	-	-	(161 296)	(161 296)
Balance at 30 June 2009		173 610	5 994 726	189 884	6 358 220
Balance at 1 July 2009		173 610	5 994 726	189 884	6 358 220
Profit for the year		-	-	190 048	190 048
Gain on revaluation of infrastructure, plant and equipment assets	30	-	1 153 650	-	1 153 650
Revaluation of investment in unlisted shares	30	-	7 297	-	7 297
Transfer to retained profits on disposal	30	-	(1 494)	-	(1 494)
Transfer from infrastructure, plant and equipment reserve	30	-	-	1 494	1 494
Income tax relating to components of other comprehensive income	7(c)	-	(340 504)	-	(340 504)
Total comprehensive income for the year		-	818 949	191 542	1 010 491
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	35	-	-	(169 009)	(169 009)
Balance at 30 June 2010		**173 610**	**6 813 675**	**212 417**	**7 199 702**

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
Receipts from customers		**959 737**	808 496
Payments to suppliers and employees		**(612 515)**	(552 060)
Receipts from community service obligation funding		**198 244**	182 669
Receipts from contributions		**27 894**	29 357
Receipts from government grants		**87 972**	43 872
Interest received		**440**	418
Borrowing costs paid		**(135 960)**	(108 947)
Income taxes paid	18	**(82 003)**	(73 159)
Net cash inflows from operating activities	28	**443 809**	330 646
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for construction and purchase of infrastructure, plant and equipment		**(1 110 183)**	(641 857)
Payments for intangible assets		**(30 401)**	(10 278)
Proceeds from disposal of infrastructure, plant and equipment		**433**	2 964
Net cash outflows from investing activities		**(1 140 151)**	(649 171)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**2 568 096**	1 677 615
Repayment of borrowings		**(1 698 566)**	(1 195 333)
Dividends paid	35	**(169 009)**	(161 296)
Repayment of finance lease liability		**(4 035)**	(3 610)
Net cash inflows from financing activities		**696 486**	317 376
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(144)**	(1 149)
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 281**	2 430
CASH AND CASH EQUIVALENTS AT 30 JUNE	27	**1 425**	1 281

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a State owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. Property, rights, powers and liabilities of the Minister for Water Security, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932*, were vested in the Corporation.

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable AASs, interpretations and TIs and APFs issued pursuant to the PFAA. The financial statements were authorised for issue by the South Australian Water Corporation Board on 14 September 2010.

Change in accounting policy

In accordance with AASB Interpretation 18 'Transfer of Assets from Customers' which is effective 1 July 2009, SA Water is required to recognise revenue received from customers relating to major and minor land divisions and connections, when the works associated with that revenue have been completed. Revenue received in advance of the works being completed is now recorded as unearned revenue in note 20. Customer contributions were previously recognised as revenue when the contribution was received.

Change in accounting policy (continued)
As this is a change in accounting policy effective 1 July 2009, the 2008-09 comparatives have been restated to reflect this change.

The impact of this change in accounting policy on the financial statements is as follows:

2008-09: A decrease to revenue of $263 000, an increase to current liabilities - other of $8.046 million ($7.783 million) and a decrease to Retained Profits of $8.046 million ($5.44 million).

The Corporation's accounting policy for borrowing costs has changed in accordance with AASB 123 and APF III. This policy and the impact of its change are disclosed in note 1(i).

Historical cost convention
These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant notes.

Rounding
The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(b) Jointly controlled operations
The Corporation's interest in the Joint Venture operation is brought to account by including its proportionate share of the Joint Venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the Joint Venture operation refer to note 32.

(c) Revenue recognition
Rates and charges
Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June. Refer also to note 3.

Unbilled revenue
In accordance with AIFRS, SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principal is to recognise revenue in the period it is earned, rather than billed. The unbilled revenue balance therefore represents the value of the water consumed between customers' last quarterly bills and the end of the financial year. The calculation is based on master meters, billing system reconciliations and assessments of water losses.

Community service obligations
The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. SA Water is compensated for the non-commercial component of these services through community service obligations (CSO) payments from the Government. The main CSOs relate to under recovery of country water and wastewater services and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets
Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main

(ii) subdividers who make contributions where either:

  (a) water and sewerage infrastructures are constructed by subdividers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction

  (b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to construct assets are recognised when the assets are constructed. Revenue received in advance of the assets constructed is recorded as unearned revenue in note 20. Refer also note 1(a).

Disposal of non-current assets
The gain or loss on disposal of non-current assets is recognised at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

Recoverable works
Revenue derived from the provision of services to external parties is recognised to the extent that is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants
In accordance with AASB 120 grants from the Government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions.

Government grants relating to construction of property, plant and equipment are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

The Corporation received grant funding in 2009-10 amounting to $85.774 million ($44.826 million). For 2009-10 the projects are: Adelaide Desalination Project, Virginia Pipeline Extension, Glenelg to Adelaide Park Lands Recycled Water Project, Lower Lakes Integrated Pipeline (potable water component), the Water Information - Modernisation and Extension of Hydrometric Stations Program, Southern Urban Reuse Project, Adelaide Airport Stormwater Scheme and the Barker Inlet Stormwater Scheme, refer note 26.

Government grants relating to expenditure are deferred and recognised in the Statement of Comprehensive Income in the period necessary to match them with the costs they are intended to compensate. The Corporation received grant funding in 2009-10 amounting to $1.93 million for the following projects: Remote Communities Works and the Great Artesian Basin Sustainability Initiative (GABSI), refer note 20.

(d) Non-current assets

(i) Infrastructure, plant and equipment

- *Acquisition*

  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in note 1(f).

  Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

- *Valuations*

  To comply with APF III and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

  To reflect the change in values, the Corporation annually revalues its non-current assets at directors' valuation or independent valuation, with effect from 1 July each year. The directors' valuation is performed using the producer price index (PPI) or current contract rates. The PPI measures changes over time in the price of new construction outputs. Current contract rates are based on recent estimated costs of supplying and installing assets. Revaluation adjustments are taken to the asset revaluation reserve on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

  Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial review. The most recent independent review was completed by GHD Pty Ltd and Ernst & Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values.

  Accordingly the Corporation has adopted the following asset valuation methods:

  (i) Infrastructure assets

  The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded.

  (a) water mains and connections and sewer mains and connections were independently valued by Currie and Brown as at 1 July. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains

  (b) water filtration plants were independently valued by Currie and Brown as at 1 July

(i) Infrastructure assets (continued)

(c) other infrastructure assets - independent valuation or directors' valuations as at 1 July based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

(ii) Land and buildings

Land is brought to account at market value using valuations provided from the State Valuer-General.

Buildings were indexed as at 1 July by the PPI.

(iii) Plant and equipment

Plant and equipment is brought to account at historical cost.

(iv) Other assets

Other assets are brought to account at cost and indexed annually using the PPI.

- *Depreciation*

  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from two to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of asset	*Useful life (years)*
Water and sewer assets	7-170
Water and sewer leased assets	40-50
Buildings	50
Other	2-50
Plant and equipment	3-15

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(ii) Available-for-sale financial assets

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). The Corporation's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes 'Class A' reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Ltd. Advances to WRS were converted to non-voting class B shares, issued at a price of $1 per share.

The Corporation's investment in non-voting class B shares have been measured at fair value, in accordance with AASB 139 (refer note 11). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the fair value of the pipeline assets in 2018 discounted to their net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the 'available-for-sale revaluation reserve'. The VPS was independently valued by Leadenhall VRG Pty Ltd in 2009.

(iii) Intangible assets

- *Issued water licences*

  The SA Government has issued water licences to the Corporation under the NRMA. The licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there is not an active market for the allocations endorsed on the licences. The details of these water licences are as follows:

  Rights other than those relating to the River Murray are:

  - various south east region licences.
  - various Murray Mallee area licences.
  - various Eyre Peninsula region licences.
  - Licence 4484 McLaren Vale licence for the Aldinga Wastewater Treatment Plant
  - Licence 5706 Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant

  River Murray water rights are conferred via multiple instruments:

  - Licence 2333 River Murray licence for metropolitan Adelaide.
  - Licence 2334 River Murray licence for country Adelaide.
  - various other River Murray licences that can be used for Adelaide, country or other purposes.

- *Issued water licences (continued)*
  In addition, SA Water also owns water rights held under the *Water Act 1989* (Victoria). The rights held are:

  - WEE043798, high reliability Goulburn zone 1A water share.
  - WEE047878, high reliability Murray Zone 7 water share.

  The allocations made to these water shares are able to be transferred for use in South Australia.

- *Water rights - permanent*
  The Corporation has purchased a series of tradable water rights. The rights are perpetual and are accumulated as water access entitlements onto licences held by the Corporation issued by the SA Government under the NRMA and as water shares issued by the Victorian Government under the *Water Act 1989*. Water rights are valued at cost on the date of acquisition. The water rights have an indefinite useful life and as such are not subject to amortisation.

- *Seasonal water allocations - temporary*
  In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human needs in 2009-10 and 2010-11. SA Water also purchased water allocations for operational needs. These purchases have been treated as other assets in the accounts and will be expensed as the water is used. At 30 June 2010 the Government have approved the carry forward of unused water allocations to 2010-11.

- *Prescription of the Mount Lofty Ranges*
  SA Water has contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long-term protection of the water supply to Adelaide.

- *Easements*
  In accordance with APF III, easements are classified as intangible assets and measured at cost. Easements gifted to the Corporation are not valued.

- *Application software*
  Application software is measured at cost as per AASB 138. The useful life is reviewed annually and has been assessed at seven years. The software is amortised using the straight-line method.

(e) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. SA Water's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows under the assumption of consisting of two cash generating units. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the asset revaluation reserve.

The Corporation has reviewed the impairment triggers as at 30 June 2010 and given no indication of a trigger event, no impairment losses have been identified.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives
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 Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term on a straight-line basis.

Finance leases
Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 and the Corporation obtains ownership of the asset at the end of the lease term.

Finance leases (continued)
The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(g) Expenditure on behalf of State Government
Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the SA Government and are disclosed in note 6.

(h) Taxes
Taxation equivalents
The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the ATO.

Income tax expense is calculated in accordance with AASB 112 using the Balance Sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects at, the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The charge for land tax and council rate equivalents has been calculated by RevenueSA, based on valuations supplied by the Valuer-General.

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 a cost of acquisition of the asset or as an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as part of receivables or payables in the 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 activities, which is recoverable from or payable to the ATO, is classified as part of operating cash flows.

(i) Borrowing costs
Borrowing costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges.

In accordance with APF III and AASB 123, material borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised.

The Corporation capitalises borrowing costs on the acquisition of assets where the estimated project cost exceeds $4 million and the construction period is greater than 12 months.

(i) Borrowing costs (continued)

The capitalisation of borrowing costs is a change in the Corporation's accounting policies. Under the transitional provisions of AASB 123, the Corporation has elected not to capitalise borrowing costs for projects commenced before 1 July 2009.

The Corporation has not capitalised borrowing costs for projects commenced on or after 1 July 2009 as these were assessed as not material.

(j) Cash and cash equivalents

Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) Receivables

Receivables for rates and charges are normally settled within 21 days, with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. An allowance for doubtful debts is established based on a review of outstanding amounts at balance date. Refer also to note 3.

Bad debts are written off when they are identified.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods and services manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liability is settled. The related on costs for annual leave have been recognised in the Statement of Financial Position as payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long service leave

Liabilities arising in respect of long service leave expected to be settled within 12 months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on costs have been recognised in the Statement of Financial Position as payables.

The Corporation's long service leave liability is valued by Mr C Papanicolas, BSc(Ma)(Hons), ASIA, FIAA of Professional Financial Consulting Pty Ltd.

Superannuation

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

(n) Workers compensation

The Corporation is registered with WorkCoverSA as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the WRCA and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr C Papanicolas, BSc(Ma)(Hons), ASIA, FIAA of Professional Financial Consulting Pty Ltd.

(o) Insurance

The SAICORP Division of SAFA, has assumed responsibility and liability for, and will indemnify the Corporation against, damage suffered to the Corporation's property or claims made against the Corporation and/or the SA Government. In addition, insurance arrangements are in place for construction works, travel insurance and directors' and officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

(p) Payables (continued)

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event which is required to be settled and the amount has been reliably estimated.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and Crown Law advice are used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

(r) Borrowings

All the Corporation's core debt borrowings are measured at their historical value. The Corporation has a long-term borrowing facility with the SAFA. The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. The Corporation's core debt portfolio is actively managed by SAFA under a Liability Management Service Agreement and within requirements outlined in the Corporation's Treasury Risk Management Policies.

(s) Derivatives

The Corporation's Treasury Risk Management Policies provides a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments policy, the Corporation utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise borrowing costs.

Interest rate derivatives

The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage exposures. The Corporation does not trade physical debt other than as necessary to rebalance the portfolio to the debt benchmark with no trades of physical debt occurring in 2009-10.

Foreign exchange derivatives

Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with the Corporation's Foreign Exchange Risk Management policy and TI 23. Permitted foreign currency derivatives as outlined in the Corporation's Permitted Treasury Instruments policy includes spot and forward foreign currency contracts and currency options to maximum maturity of three years. In all instances, the Corporation's foreign exchange requirements are arranged through SAFA.

As at 30 June 2010, the Corporation had no foreign exchange derivatives.

Accounting for derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as ‘held for trading’ under AASB 139 and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney’s Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with the Corporation’s Treasury Policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items
The following administered items are not recognised in the Corporation’s Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 39.

River Murray levy
The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of government is not controlled by the Corporation.

Pensioner concessions
The Corporation is responsible for the administration of local government pensioner concession payments. An amount is received from SA Government which is used to make payments to local government councils. The amount collected on behalf of government is not controlled by the Corporation.

Compensation payments from United Water
In 2005-06, the State Government consented to a change in ownership of United Water International (United Water). As part of the change in ownership negotiation, United Water agreed to make payments to the Government (through the Corporation) in settlement of United Water being released from a condition of the contract to relocate Thames Water Asia Pacific to South Australia and a requirement for Australianisation. The United Water contract requires these payments be made to the Minister for Water Security. The Corporation receives these payments which are then forwarded to DTF. The final payment was made in December 2009.

Rainwater Tank Plumbing Rebate Scheme
In 2008-09 SA Water administered the Rainwater Tank and Plumbing Rebate Scheme on behalf of the Minister for Environment and Conservation. On 1 July 2009 responsibility for the scheme transferred to the Corporation. Costs are now reported in the Corporation’s controlled activities.

Water allocations on behalf of Department of Water, Land and Biodiversity Conservation
In 2008-09 the Minister for Water Security conferred on the Corporation the function of purchasing water entitlements (both permanent and temporary) for and on behalf of the State. This includes the purchase of temporary water allocations on behalf of the Department of Water, Land and Biodiversity Conservation (DWLBC). The revenue and expenditure relating to the purchase of water allocations for DWLBC is included in the administered items schedule. Administration costs relating to the water allocations purchased are recovered from DWLBC and recognised in the Corporation’s controlled financial statements. Water allocations that are purchased for SA Water’s use are recognised in the Corporation’s controlled financial statements.

Lower Lakes irrigation pipeline
In 2008-09 the Corporation was requested to project manage the design and construction of the Jervois to Langhorne and Currency Creek irrigation pipelines and pump stations on behalf of the Department of Primary Industries and Resources SA. All expenditure incurred for the irrigation pipeline is recovered from Department of Primary Industries and Resources SA. Expenditure and recoveries for the design and construction of the pipeline is reported in the administered items schedule. The Corporation has no record of the fixed assets in its financial statements. Construction was completed in 2009-10.

(u) Adelaide Desalination Project
In 2008-09 the Corporation began the Adelaide Desalination Project (ADP) to build a seawater desalination plant and transfer pipeline system at Port Stanvac at an estimated cost of $1.824 billion. The ADP cost includes the desalination plant, marine works, transfer pipeline system to transfer water to Happy Valley and power supply infrastructure. First water is targeted for April 2011, which equates to nominal 15ML per day. Delivery of 50 gigalitre per annum capacity is targeted for the end of August 2011 with the final handover of the 100 gigalitre per annum plant targeted for the end of December 2012.

(v) United Water dispute

In 2009, SA Water filed proceedings in the Supreme Court against United Water alleging misleading and deceptive conduct and breach of contract. The parties to the dispute subsequently agreed to refer the matter for expert determination. The parties are awaiting the determination of the independent expert.

(w) New accounting standards and interpretations

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2010. The Corporation has assessed the impact of new and amended standards and there will be no major impact on the accounting policies of the Corporation.

2. Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. During 2009-10 the benchmark debt duration was increased from 1.9 years to 2.75 years, on advice from the Corporation's debt advisor and manager, SAFA. The benchmark duration was increased due to the increase in the size of the Corporations borrowings, historically low interest rates and the need to reduce the subsequent risk to the Corporation's profitability from increases in interest rates. The extension in benchmark duration is expected to reduce the exposure to interest risk by reducing the volatility of potential interest rate outcomes.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Balance Sheet date, assuming all other variables are held constant. The movements in post-tax profit for the year and equity are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2010 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1 percent upwards and 0.5 percent downwards. While current and implied market rates show minimal movement during 2010-11 an upward factor of 1 percent is reasonable for assessing the impact on post-tax profit, with any reasonable possible fall likely to be to a lesser extent.

		Interest rate risk			
	Carrying	-0.5%		+1%	
2010	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 425	(5)	(5)	10	10
Derivatives - held for trading	363	261	261	(523)	(523)
Financial liabilities:					
Derivatives - held for trading	(3 121)	(333)	(333)	667	667
Short-term borrowings	(57 411)	201	201	(402)	(402)
Long-term borrowings	(2 649 304)	375	375	(749)	(749)
Total increase (decrease)		499	499	(997)	(997)

		Interest rate risk			
	Carrying	-0.5%		+1%	
2009	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 281	(5)	(5)	9	9
Derivatives - held for trading	1 576	575	575	(1 150)	(1 150)
Financial liabilities:					
Derivatives - held for trading	(8 550)	(838)	(838)	1 676	1 676
Short-term borrowings	(92 882)	325	325	(650)	(650)
Long-term borrowings	(1 744 304)	718	718	(1 435)	(1 435)
Total increase (decrease)		775	775	(1 550)	(1 550)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by the Corporation. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

(b) Credit risk (continued)

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the *Waterworks Act 1932*, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity risk

The Corporation has in place a Liquidity Risk Management policy to provide a prudential framework for managing liquidity risk. The Corporation is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Corporation's Board monthly.

Contractual maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal and interest. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

2010	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
Non-derivatives:					
Non-interest bearing liabilities*	188 242	-	-	-	188 242
Finance lease liabilities	21 042	21 042	63 125	167 181	272 390
Floating rate borrowings	144 336	1 400	26 077	-	171 813
Fixed rate borrowings	665 061	365 746	1 621 081	500 717	3 152 605
Total non-derivatives	1 018 681	388 188	1 710 283	667 898	3 785 050
Derivatives:					
Financial liabilities:					
Net settled (interest rate swaps)	(479)	(161)	(25)	-	(665)
Financial assets:					
Net settled (interest rate swaps)	2 039	1 326	496	-	3 861
Total derivatives	1 560	1 165	471	-	3 196
2009					
Non-derivatives:					
Non-interest bearing liabilities*	166 451	-	-	-	166 451
Finance lease liabilities	20 852	20 852	62 553	186 224	290 481
Floating rate borrowings	195 789	86 497	27 872	-	310 158
Fixed rate borrowings	656 629	326 871	590 085	185 580	1 759 165
Total non-derivatives	1 039 721	434 220	680 510	371 804	2 526 255
Derivatives:					
Financial liabilities:					
Net settled (interest rate swaps)	6 730	2 214	992	-	9 936
Financial assets:					
Net settled (interest rate swaps)	(1 727)	(854)	344	-	(2 237)
Total derivatives	5 003	1 360	1 336	-	7 699

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

(d) Fair value of measurements

(i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements. Refer note 1(f).

(i) *Fair value of financial liabilities (continued)*

The carrying amounts and fair values of long-term borrowings at balance date are:

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying, amount $'000	Fair value $'000
Long-term borrowings	2 649 304	2 692 093	1 744 304	1 757 157

The fair values of all other financial liabilities approximates the carrying values.

The following table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) 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)

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

	Quoted market price (Level 1) $'000	Valuation technique market observable inputs (Level 2) $'000	Valuation technique non-market observable inputs (Level 3) $'000	Total $'000
2010				
Assets:				
Derivatives held for trading	-	363	-	363
Available-for-sale financial assets				
Unlisted shares	-	-	21 833	21 833
Total assets	-	363	21 833	22 196
Liabilities:				
Derivatives held for trading	-	3 121	-	3 121
Total liabilities	-	3 121	-	3 121

The following table presents the changes in level 3 instruments for the year ended 30 June 2010:

	Available-for-sale financial assets unlisted shares $'000	Total $'000
Opening balance	14 536	14 536
Gains recognised in other comprehensive income	7 297	7 297
Closing balance	21 833	21 833

The Corporation has invested in unlisted class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6 percent (6 percent) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1 percent higher, while all other variables were constant, the carrying amount of the shares would decrease by $1.5 million ($1.1 million). If the discount rate was 1 percent lower, while all other variables were held constant, the carrying amount of the shares would increase by $1.6 million ($1.2 million).

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Critical accounting estimates and judgments (continued)

In particular, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are listed below:

- unbilled revenue (refer note 1(c))
- contributed assets (refer note 1(c))
- valuation and useful lives of assets (refer note 1(d))
- impairment of assets (refer note 1(e))
- borrowing costs (refer note 1(i))
- provision for long service leave (refer note 1(m))
- provision for workers compensation (refer note 1(n))
- provisions (refer note 1(q))
- valuation of derivatives (refer note 1(s)).

4. Revenue from ordinary activities

	Note	2010 $'000	2009 $'000
CSOs		198 547	183 087
Water and wastewater rates and charges		688 958	630 167
Recoverable works		89 333	83 026
Fees and charges		21 146	19 998
Miscellaneous		1 289	2 180
Government grants		70	4
Contributed assets		65 023	68 422
Rents		1 050	1 069
Interest		384	474
		1 065 800	988 427

5. Other income

	Note	2010 $'000	2009 $'000
Net gain on disposal of infrastructure, plant and equipment		-	212
Reversal of prior year infrastructure, plant and equipment revaluation decrement		245	533
		245	745

6. Expenses

Profit before income tax includes the following specific expenses:

	Note	2010 $'000	2009 $'000
Depreciation:	14		
Buildings		1 008	2 156
Plant and equipment		5 409	3 759
Other		17 435	9 338
Infrastructure assets - water		124 756	104 775
Infrastructure assets - sewer		57 351	53 927
Amortisation:			
Computer software	13	5 171	3 741
		211 130	177 696
Borrowing costs:			
Interest paid/payable for borrowings not at fair value through profit or loss		130 051	92 965
Finance charges on capitalised leases		13 511	13 940
		143 562	106 905
Net losses from fair value adjustments of derivatives held for trading:*			
Interest rate derivatives		195	9 459
Foreign currency derivatives		-	2 135
		195	11 594
Finance lease contingent rentals		3 382	3 073
Rental expense relating to operating leases:			
Minimum lease payments		8 531	7 116
Net bad and doubtful debts expense including movements in allowance for doubtful debts		229	99
Infrastructure, plant and equipment revaluation decrement		874	569
Write-down in value of infrastructure, plant and equipment		-	47
Net loss on disposal of infrastructure, plant and equipment		515	-
Write-off value of capital works in progress		330	1 140
Superannuation contributions		14 156	11 272
Consultancy costs		4 298	2 485
Expenditure on behalf of State Government:			
Water Industry Best Practice Program		162	487

* During 2008-09 interest rates fell to historic lows. Net accounting losses on interest rate derivatives were incurred as noted above. The Corporation achieved reduced cost benefits on interest expense where maturing debt was re-priced at lower rates.

7. Income tax expense

	Note	2010	2009
(a) Income tax expense		$'000	$'000
Current tax		83 579	86 898
Deferred tax		(2 389)	(9 464)
Amounts under (over) provided in prior years		65	(217)
		81 255	77 217
Deferred income tax (revenue) expense included in income tax expense comprises:			
Increase in deferred tax assets	12	(404)	(10 185)
(Decrease) Increase in deferred tax liabilities	24	(1 985)	721
		(2 389)	(9 464)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		271 303	258 591
Tax at the Australian tax rate of 30 percent (30 percent)		81 391	77 577
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Net loss on sale of land		17	3
Investment allowance		(294)	(146)
Revaluation decrement		79	-
Government grants		(3)	-
		81 190	77 434
Amounts under (over) provided in prior years		65	(217)
Income tax expense		81 255	77 217
Total income tax expense		81 255	77 217
(c) Tax expense (income) relating to items of other comprehensive income			
Gain on revaluation of infrastructure, plant and equipment assets	30(a)	338 314	142 009
Revaluation of investment in unlisted shares	30(a)	2 190	1 779
		340 504	143 788

8. Current assets - receivables

	2010	2009
Receivables:		
Rates receivable (water and wastewater)	55 321	62 709
Sundry debtors	46 845	53 112
Allowance for doubtful debts	(162)	(65)
	102 004	115 756
Other receivables:		
CSOs	12 025	11 722
	114 029	127 478

(a) Impaired receivables

An allowance for impairment loss is recognised when there is objective evidence than an individual receivable is impaired.

	2010	2009
	$'000	$'000
The ageing of these receivables is as follows:		
More than 90 days overdue	162	65
Movements in the allowance for impairment loss are as follows:		
At 1 July	65	76
Provision for impairment recognised during the year	208	23
Amounts written off	(111)	(34)
At 30 June	162	65

(b) Past due but not impaired

	2010	2009
At 30 June the ageing of rates receivable that are past due but not impaired is as follows:		
Past due 0-69 days	14 769	10 140
More than 69 days	9 029	6 429
	23 798	16 569

The other balances within rates receivable do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is $7.099 million ($6.687 million).

	2010	2009
At 30 June, the ageing of sundry debtors receivable that are past due but not impaired is as follows:	$'000	$'000
Past due 0-30 days	1 854	2 985
Past due more than 30 days	1 377	1 645
	3 231	4 630

(b) Past due but not impaired (continued)

The other balances within sundry debtor receivable do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is $1.25 million ($1.563 million).

Balances for other receivables relate to CSOs and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

		Note	2010	2009
			$'000	$'000
9.	**Current assets - inventories**			
	Raw materials and stores		5 740	5 613
	Allowance for obsolete stock		(978)	(1 038)
	Work in progress - sundry debtors		632	712
			5 394	5 287
10.	**Current assets - other current assets**			
	Interest receivable		-	56
	Prepayments		3 218	1 289
	Seasonal water allocations		54 408	19 532
			57 626	20 877
11.	**Non-current assets - available-for-sale financial assets**			
	Unlisted shares at fair value		21 833	14 536
12.	**Non-current assets - deferred tax assets**			
	The balance comprises temporary differences attributable to:			
	Doubtful debts		48	20
	Obsolete stock		293	311
	Unlisted shares at fair value		-	2 406
	Infrastructure, plant and equipment		2 328	2 456
	Pooled assets		81	83
	Payables		1 080	1 046
	Audit fee payable		109	85
	Government grants		9 632	7 747
	Employee benefits		11 066	10 638
	Deferred lease incentive		533	573
	Unearned income - customer contribution		297	79
	Provision for site rehabilitation		1 189	1 443
	Provision for asset disposal		45	50
	Provision for damages and claims		143	237
	Provision for workers compensation		132	177
	Derivative financial liability		(1 746)	(118)
			25 230	27 233
	Amounts recognised directly in equity:			
	Derivative financial liability		2 683	2 683
	Unlisted shares at fair value		-	(2 312)
	Unearned income - customer contributions		2 335	2 335
	Revaluation of infrastructure, plant and equipment		67	15
	Net deferred tax assets		30 315	29 954
	Movements:			
	Balance at 1 July		29 954	21 399
	Credited to the Statement of Comprehensive Income	7	404	10 185
	Charged to equity		(43)	(1 764)
	Amounts under-provided in prior years		-	134
	Balance at 30 June		30 315	29 954
	Deferred tax assets to be recovered within 12 months		9 112	8 989
	Deferred tax assets to be recovered after more than 12 months		21 203	20 965
			30 315	29 954

13. Non-current assets - intangible assets

2010	Easements	Prescription rights	Computer software	Purchased water rights	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	5 857	4 500	19 322	20 347	50 026
Additions from internal development	-	-	1 372	-	1 372
Additions from external acquisitions	-	-	9 395	23 945	33 340
Transfers	59	-	-	-	59
Amortisation charge	-	-	(5 171)	-	(5 171)
Closing net book amount	5 916	4 500	24 918	44 292	79 626
At 30 June:					
Cost	5 916	4 500	64 440	44 292	119 148
Accumulated amortisation	-	-	(39 522)	-	(39 522)
Net book amount	5 916	4 500	24 918	44 292	79 626
2009					
Year ended 30 June:					
Opening net book amount	5 637	4 500	14 137	20 347	44 621
Additions from internal development	-	-	3 099	-	3 099
Additions from external acquisitions	220	-	5 827	-	6 047
Amortisation charge	-	-	(3 741)	-	(3 741)
Closing net book amount	5 857	4 500	19 322	20 347	50 026
At 30 June:					
Cost	5 857	4 500	53 673	20 347	84 377
Accumulated amortisation	-	-	(34 351)	-	(34 351)
Net book amount	5 857	4 500	19 322	20 347	50 026

14. Non-current assets - infrastructure, plant and equipment

2010	Work in progress	Land	Buildings	Leased sewer infrastructure	Plant and equipment
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	749 121	301 651	18 396	20 318	27 935
Revaluation*	-	26 419	583	643	-
Additions	1 169 502	262	5 583	-	6 748
Disposals	-	(136)	-	-	(806)
Transfers	(166 785)	(59)	-	-	-
Depreciation charge	-	-	(1 008)	(575)	(5 409)
Asset write-down	(330)	-	-	-	-
Closing net book amount	1 751 508	328 137	23 554	20 386	28 468
At 30 June:					
Cost	1 751 508	-	-	-	56 259
Valuation	-	328 137	59 821	22 998	-
Accumulated depreciation	-	-	(36 267)	(2 612)	(27 791)
Net book amount	1 751 508	328 137	23 554	20 386	28 468

	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	5 179 533	2 897 700	133 014	94 691	9 422 359
Revaluation*	896 218	222 737	4 212	2 210	1 153 022
Additions	90 100	60 966	-	6 811	1 339 972
Disposals	-	-	-	-	(942)
Transfers	-	-	-	-	(166 844)
Depreciation charge	(121 270)	(56 776)	(3 486)	(17 435)	(205 959)
Asset write-down	-	-	-	-	(330)
Closing net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278
At 30 June:					
Cost	-	-	-	-	1 807 767
Valuation	10 932 429	5 080 562	174 308	163 192	16 761 447
Accumulated depreciation	(4 887 848)	(1 955 935)	(40 568)	(76 915)	(7 027 936)
Net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278

14. Non-current assets - infrastructure, plant and equipment (continued)

2009

	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Year ended 30 June:					
Opening net book amount	249 437	257 859	13 295	19 457	24 217
Revaluation*	-	27 960	878	1 418	-
Additions	731 472	18 269	6 379	-	7 825
Disposals	-	(2 437)	-	-	(301)
Transfers	(230 648)	-	-	-	-
Depreciation charge	-	-	(2 156)	(557)	(3 759)
Asset write-down	(1 140)	-	-	-	(47)
Closing net book amount	749 121	301 651	18 396	20 318	27 935
At 30 June:					
Cost	749 121	-	-	-	54 188
Valuation	-	301 651	53 134	22 292	-
Accumulated depreciation	-	-	(34 738)	(1 974)	(26 253)
Net book amount	749 121	301 651	18 396	20 318	27 935

	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other $'000	Total $'000
Year ended 30 June:					
Opening net book amount	4 913 985	2 693 970	127 126	38 732	8 338 078
Revaluation*	256 154	202 411	9 267	2 436	500 524
Additions	110 790	54 689	-	62 861	992 285
Disposals	-	-	-	-	(2 738)
Transfers	-	-	-	-	(230 648)
Depreciation charge	(101 396)	(53 370)	(3 379)	(9 338)	(173 955)
Asset write-down	-	-	-	-	(1 187)
Closing net book amount	5 179 533	2 897 700	133 014	94 691	9 422 359
At 30 June:					
Cost	-	-	-	-	803 309
Valuation	9 336 467	4 719 024	168 958	151 802	14 753 328
Accumulated depreciation	(4 156 934)	(1 821 324)	(35 944)	(57 111)	(6 134 278)
Net book amount	5 179 533	2 897 700	133 014	94 691	9 422 359

* Includes the reversal of the prior year revaluation decrement. Refer notes 5 and 30.

Carrying amounts that would have been recognised if revalued assets were stated at cost
If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2010 $'000	2009 $'000
Freehold land:		
Cost	38 080	37 817
Buildings:		
Cost	50 196	44 613
Accumulated depreciation	(27 686)	(26 817)
Net book amount	22 510	17 796
Water infrastructure:		
Cost	1 855 231	1 782 315
Accumulated depreciation	(713 789)	(677 623)
Net book amount	1 141 442	1 104 692
Sewer infrastructure:		
Cost	1 325 180	1 286 934
Accumulated depreciation	(536 718)	(516 093)
Net book amount	788 462	770 841
Other:		
Cost	140 866	134 056
Accumulated depreciation	(61 253)	(45 595)
Net book amount	79 613	88 461

15. Non-current assets - other non-current assets

Seasonal water allocations	-	18 464

16. Current liabilities - payables

Interest payable	22 460	11 466
Trade creditors	183 476	163 797
Other creditors	11 291	12 972
	217 227	188 235

17. Current liabilities - interest bearing liabilities

	Note	2010 $'000	2009 $'000
Lease liabilities	31	4 553	4 073
Short-term borrowings		57 411	92 882
		61 964	96 955

The Corporation has a $100 million short-term borrowing facility with SAFA bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Due to the short-term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value. Refer note 2.

18. Current tax liabilities

	2010 $'000	2009 $'000
Provision for current income tax movements during the year were as follows:		
Balance at 1 July	32 959	19 302
Income tax paid	(82 003)	(73 158)
Current year's income tax provision	83 579	86 898
Amounts over provided in prior year	(11 334)	(83)
	23 201	32 959

19. Current liabilities - provisions

	2010 $'000	2009 $'000
Employee benefits	12 978	11 897
Asset disposal	30	60
Site rehabilitation	3 964	4 015
Damages and claims	477	790
Workers compensation	1 456	789
	18 905	17 551

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Current:	Asset disposal $'000	Site rehabili-tation $'000	Damages & claims $'000	Workers compen-sation $'000	2010 Total $'000
Carrying amount at 1 July	60	4 015	790	789	5 654
Payments made during the year	(4)	(847)	(378)	(564)	(1 793)
Transfer from non-current provision	-	796	-	-	796
Re-measurement adjustments	(26)	-	-	1 231	1 205
Additional provision recognised	-	-	65	-	65
Carrying amount at 30 June	30	3 964	477	1 456	5 927

20. Current liabilities - other current liabilities

	Note	2010 $'000	2009 $'000
Government grants		1 924	-
Lease incentives		134	134
Unearned income		8 773	8 078
Deposits from contractors		1 410	1 345
		12 241	9 557

21. Non-current liabilities - payables

	Note	2010 $'000	2009 $'000
Other payables		1 639	1 630

22. Non-current liabilities - interest bearing liabilities

	Note	2010 $'000	2009 $'000
Lease liabilities	31	111 252	115 805
Long-term borrowings		2 649 304	1 744 304
		2 760 556	1 860 109

23. Derivative financial instruments

	2010 $'000	2009 $'000
Current financial assets		
Interest rate swaps - held for trading	15	-
Total current derivative financial instrument assets	15	-
Non-current financial assets		
Interest rate swaps - held for trading	348	1 576
Total derivative financial instrument assets	363	1 576
Current financial liabilities		
Interest rate swaps - held for trading	329	1 359
Non-current financial liabilities		
Interest rate swaps - held for trading	2 792	7 191
Total derivative financial instrument liabilities	3 121	8 550

24. Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:	Note	2010 $'000	2009 $'000
Prepayments		266	160
Rates receivable		2 970	8 556
Interest receivable		-	17
Derivative financial asset		109	473
Unlisted shares at fair value		(2 406)	-
Seasonal water allocations		16 322	-
Depreciation and amortisation		78 501	79 549
		95 762	88 755
Amounts recognised directly in equity:			
Revaluation of infrastructure, plant and equipment		1 294 042	955 676
Unlisted shares at fair value		4 501	-
		1 298 543	955 676
Total deferred tax liabilities		1 394 305	1 044 431
Movements:			
Balance at 1 July		1 044 431	901 686
Charged to the Statement of Comprehensive Income	7	(1 985)	721
Charged to equity	30	338 366	142 024
Unlisted shares at fair value		2 094	-
Amounts under provided in prior years		11 399	-
Balance at 30 June		1 394 305	1 044 431
Deferred tax liabilities to be settled within 12 months		19 561	8 732
Deferred tax liabilities to be settled after more than 12 months		1 374 744	1 035 699
		1 394 305	1 044 431

25. Non-current liabilities - provisions

Employee benefits	23 907	23 564
Site rehabilitation	-	796
Workers compensation	1 339	1 077
Asset disposal	120	108
	25 366	25 545

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

Non-current:	Site rehabili-tation $'000	Workers compen-sation $'000	Asset disposal $'000	2010 Total $'000
Carrying amount at 1 July	796	1 077	108	1 981
Transfer to current provision	(796)	-	-	(796)
Re-measurement adjustments	-	262	-	262
Additional provision recognised	-	-	12	12
Carrying amount at 30 June	-	1 339	120	1 459

26. Non-current liabilities - other non-current liabilities

	2010 $'000	2009 $'000
Non-business advances	497	497
Government grants	131 521	45 822
Lease incentives	1 644	1 777
	133 662	48 096

27. Reconciliation of cash

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:

Cash and cash equivalents	1 425	1 281

(a) Fair value

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

28. Reconciliation of net profit after income tax to net cash inflows from operating activities

Net profit for the year	190 048	181 374
Non-cash items:		
Depreciation and amortisation	211 130	177 696
Amortisation of government grant revenue	(70)	(4)
Contributed assets	(38 126)	(39 264)
Net loss (gain) on disposal of infrastructure, plant and equipment	509	(225)
Infrastructure, plant and equipment revaluation decrement reversal	(245)	(533)
Infrastructure, plant and equipment revaluation decrement	874	569
Write-down of capitalised expenditure	330	1 187

28. Reconciliation of net profit after income tax to net cash inflows from operating activities (continued)

	2010 $'000	2009 $'000
Changes in assets and liabilities:		
Decrease (Increase) in rates and sundry receivables	20 421	(31 557)
Increase in inventories	(107)	(168)
(Increase) Decrease in prepayments	(1 930)	517
Increase in other operating assets	(16 413)	(38 240)
Decrease (Increase) in fair value of derivative financial assets	1 213	(447)
Increase in deferred tax asset	(402)	(10 319)
(Decrease) Increase in trade creditors	(11 703)	15 532
Increase in provision for employee benefits	1 424	2 780
Increase (Decrease) in provision for workers compensation	929	(1 259)
Increase in other operating liabilities	4 909	11 790
(Decrease) Increase in fair value of derivative financial liabilities	(5 429)	3 064
Increase in government grants	87 972	43 872
Increase in provision for deferred income tax	9 412	721
Decrease in other provisions	(1 179)	(96)
(Decrease) Increase in provision for income taxes payable	(9 758)	13 656
Net cash inflows from operating activities	443 809	330 646

29. Capital risk management

Capital is managed within the parameters outlined in the financial ownership framework for the Corporation, which encompasses the Corporation's relationship with its owner in respect of capital structure, CSOs and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for the Corporation includes a target range for debt to total assets (gearing) ratio of 15 percent to 25 percent.

The Corporation's strategy, which is unchanged from 2009, was to maintain a gearing ratio within 15 percent to 25 percent. The gearing ratios based on continuing operations at 30 June 2010 and 30 June 2009 were as follows:

	Note	2010 $'million	2009 $'million
Current interest bearing liabilities	17	62	97
Non-current interest bearing liabilities	22	2 761	1 860
Net debt		2 823	1 957
Total assets		11 852	9 692
Gearing ratio (percent)		24	20

Outside of the financial ownership framework, the Corporation is not subject to any externally imposed capital requirements.

The Corporation and the State Government continue to review the parameters of the financial ownership framework to ensure the appropriateness of the targets.

30. Reserves and retained profits

(a) Reserves

	Note	2010 $'000	2009 $'000
Infrastructure, plant and equipment revaluation reserve		6 803 174	5 989 332
Available-for-sale revaluation reserve		10 501	5 394
Balance at 30 June		6 813 675	5 994 726
Movements:			
Infrastructure, plant and equipment revaluation reserve:			
Balance at 1 July		5 989 332	5 633 096
Revaluation - gross	14	1 153 650	500 524
Movements in deferred tax liability	24	(338 366)	(142 024)
Movements in deferred tax asset		52	15
Transfer to retained profits on disposal		(1 494)	(2 279)
Balance at 30 June		6 803 174	5 989 332
Available-for-sale investments revaluation reserve:			
Balance at 1 July		5 394	1 242
Revaluation of investment in unlisted shares		7 297	5 931
Movements in deferred tax asset	12	(96)	(1 779)
Movements in deferred tax liabilities	24	(2 094)	-
Balance at 30 June		10 501	5 394

(b) Retained profits

Movements in retained profits were as follows:	Note	2010 $'000	2009 $'000
Balance at 1 July		189 884	167 489
Profit for the year		190 048	181 374
Dividends	35	(169 009)	(161 296)
Transfers from infrastructure, plant and equipment revaluation reserve		1 494	2 317
Balance at 30 June		212 417	189 884

(c) Nature and purpose of reserves

(i) Infrastructure, plant and equipment revaluation reserve

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation reserve

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation reserve.

31. Commitments

(a) Capital commitments

Total capital expenditure contracted for at balance date but not recognised in the financial statements and payable:

	2010 $'000	2009 $'000
Within one year	500 373	885 857
Later than one year but not later than five years	106 796	404 983
Later than five years	1 108	-
	608 277	1 290 846

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	11 002	12 984
Later than one year but not later than five years	36 586	34 056
Later than five years	89 744	73 908
	137 332	120 948

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI 3 percent or 4 percent. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

Future other expenditure commitments not provided for in the financial statements and payable:

	2010 $'000	2009 $'000
Within one year	120 232	94 094
Later than one year but not later than five years	234 365	209 224
Later than five years	907 852	767 837
	1 262 449	1 071 155

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing the services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

Also included in other expenditure commitments is $1.129 billion relating to the operations and maintenance of the Adelaide Desalination Project which is based on the minimum expenditure commitment.

(d) *(i) Finance leases*

Commitments in relation to finance leases are payable as follows:	Note	2010 $'000	2009 $'000
Within one year		17 584	17 584
Later than one year but not later than five years		70 335	70 335
Later than five years		133 975	151 559
Minimum lease payments		221 894	239 478
Future finance charges		(106 089)	(119 600)
Total lease liabilities		115 805	119 878

(d) *(i) Finance leases (continued)*

	Note	2010	2009
Representing lease liabilities:		$'000	$'000
Current	17	4 553	4 073
Non-current	22	111 252	115 805
		115 805	119 878

	2010	2009
The present value of finance lease liabilities is as follows:		
Within one year	4 553	4 073
Later than one year but not later than five years	24 262	21 698
Later than five years	86 990	94 107
Minimum lease payments	115 805	119 878

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(ii) *Contingent rentals*

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2010	2009
	$'000	$'000
Within one year	3 458	3 268
Later than one year and not later than five years	13 832	13 070
Later than five years	33 206	34 665
	50 496	51 003

The amount of contingent rentals paid during the year is disclosed in note 6.

(e) ***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 payable:

	2010	2009
	$'000	$'000
Within one year	13 821	11 883
Later than one year but not later than five years	13 467	16 535
Later than five years	-	-
	27 288	28 418

32. Interests in joint venture

Jointly controlled operations

The Corporation holds an interest of 50 percent in the output of the joint venture operation named 'SA Water/Lofty Ranges Power - Joint Venture' whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2010	2009
Current assets:	$'000	$'000
Cash and cash equivalents	58	49
Receivables	3	3
Other current assets	3	10
Total current assets	64	62
Non-current assets:		
Infrastructure, plant and equipment	1 584	1 581
Total non-current assets	1 584	1 581
Total assets	1 648	1 643
Current liabilities:		
Payables	26	20
Total current liabilities	26	20
Total liabilities	26	20
Net assets	1 622	1 623

33. Employee benefits

	2010	2009
Aggregate liability for employee benefits, including on-costs:	$'000	$'000
Current:		
Accrued wages and salaries including on-costs included in other creditors	3 678	3 055
Annual leave:		
On-costs included in other creditors	1 380	1 364
Provision for employee benefits	9 020	8 596
	10 400	9 960

33. Employee benefits (continued)

	2010	2009
	$'000	$'000
Long service leave:		
On-costs included in other creditors	249	219
Provision for employee benefits	3 958	3 301
	4 207	3 520
Total current employee benefits	18 285	16 535
Non-current:		
Long service leave:		
On-costs included in other creditors	1 639	1 630
Provision for employee benefits	23 907	23 564
Total non-current employee benefits	25 546	25 194
Total employee benefits	43 831	41 729

34. Remuneration of auditors

Amounts received and receivable by the auditors for auditing the accounts	360	277

The auditors received no other benefits.

35. Dividends

Dividends paid	169 009	161 296

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer, pursuant to subsection 30(2) of the PCA.

36. Remuneration of employees

The number of employees whose remuneration paid and payable falls within the following bands is:	2010 Number	2009 Number
$100 000 - $109 999	67	51
$110 000 - $119 999	46	51
$120 000 - $129 999	44	29
$130 000 - $139 999	24	20
$140 000 - $149 999	18	20
$150 000 - $159 999	8	4
$160 000 - $169 999	10	8
$170 000 - $179 999	5	4
$180 000 - $189 999	1	1
$190 000 - $199 999	3	5
$200 000 - $209 999	7	4
$210 000 - $219 999	2	1
$230 000 - $239 999	1	3
$240 000 - $249 999	1	1
$250 000 - $259 999	5	1
$260 000 - $269 999	-	1
$270 000 - $279 999	1	2
$280 000 - $289 999	1	-
$300 000 - $309 999	2	-
$310 000 - $319 999	-	1
$320 000 - $329 999	2	-
$380 000 - $389 999	-	1
$400 000 - $409 999	1	-
$470 000 - $479 999	-	1
$570 000 - $579 999	1	-

The total remuneration paid and payable for those employees was $34.5 million ($28.4 million). This amount includes separation payments, lump sum payments for annual and long service leave, fringe benefits and superannuation payments.

37. Remuneration of Directors

The number of directors of the Corporation whose remuneration paid and payable falls within the following bands is:	2010 Number	2009 Number
$40 000 - $49 999	4	4
$50 000 - $59 999	1	1
$90 000 - $99 999	1	1
$470 000 - $479 999	-	1
$570 000 - $579 999*	1	-

The total remuneration paid and payable for those directors was $900 000 ($800 000) which includes fringe benefits and superannuation contributions. These figures include the Chief Executive who is also included in note 36.

* This includes lump sum payments for long service leave.

38. Related party disclosures

(a) *Directors*

The following persons held the position of Director of the Corporation during the financial year:

G B Allison	S G M Blencowe	F T Blevins
C S Cooper	A F C Digance	A D Howe
P W Pledge		

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison and a Principal of Allison Partners Pty Ltd.

Ms Blencowe is an independent member of the Primary Industries and Resources SA Risk and Audit Committee, an independent member of the Community CPS Australia Ltd Nomination Committee and a specialist member, City of Adelaide Development Assessment Panel.

Mr Blevins is a member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Cooper is Chair of the Fisheries Council SA and a Director of Rural Solutions SA.

Ms Digance was a Director of Australian Central Credit Union until retiring from the board in December 2009 and a member of the Dental Professional Conduct Tribunal.

Ms Howe is a Director of the Water Services Association of Australia (WSAA) and Water Quality Research Australia Ltd, and a member of the boards of the Botanic Gardens and the Stormwater Management Authority. She is also a member of the advisory boards of the SA Government Financing Authority, the South Australian President of CEDA and a council member of the South Australian branch of the Institute of Public Administration of Australia.

Mr Pledge is a consultant to Sportsmed SA, Chairman of Perks (Chartered Accountants), Chairman of the Commonwealth Government's Clean Energy Innovation Centre Interim Advisory Board, member of the Commonwealth Government's Enterprise Connect Advisory Council and a Director of the Financial Planning Association.

All financial benefits provided by SA Water to related parties are provided on arm's-length terms.

(b) *Key management personnel compensation*

Key management personnel compensation for the years ended 30 June 2010 and 2009 is set out below. The key management personnel are the directors of the Corporation (including the Chief Executive) and the senior management team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits $'000	Post-employment benefits $'000	Long-term benefits $'000	Total $'000
2010	17	2 832	679	85	3 596
2009	17	2 790	632	86	3 508

39. Statement of administered items

	River Murray levy $'000	Pensioner concessions $'000	United Water payments $'000	Rainwater tank rebates $'000
Administered income:				
Revenue	24 090	29 000	736	-
Total administered income	24 090	29 000	736	-
Administered expenses:				
Expenses	24 090	29 000	736	-
Total administered expenses	24 090	29 000	736	-
Operating surplus	-	-	-	-
Current assets:				
Cash and cash equivalents	266	1 009	-	-
Receivables	1 156	-	-	-
Total current assets	1 422	1 009	-	-
Total administered assets	1 422	1 009	-	-
Current liabilities:				
Payables	1 422	1 009	-	-
Bank overdraft	-	-	-	-
Total current liabilities	1 422	1 009	-	-
Total administered liabilities	1 422	1 009	-	-
Net assets	-	-	-	-

39. Statement of administered items (continued)

	River Murray levy	Pensioner concessions	United Water payments	Rainwater tank rebates
Cash flows from operating activities:	$'000	$'000	$'000	$'000
Cash inflows	23 811	29 000	736	426
Total cash inflows	23 811	29 000	736	426
Cash outflows	23 658	29 361	736	-
Total cash outflows	23 658	29 361	736	-
Net cash (outflows) inflows from operating activities	153	(361)	-	426
Net increase (decrease) in cash and cash equivalents held	153	(361)	-	426
Cash and cash equivalents at 1 July	113	1 370	-	(426)
Cash and cash equivalents at 30 June	266	1 009	-	-

	Water purchases	Lower Lakes irrigation pipeline	2010 Total	2009 Total
Administered income:	$'000	$'000	$'000	$'000
Revenue	7 100	23 139	84 065	164 331
Total administered income	7 100	23 139	84 065	164 331
Administered expenses:				
Expenses	7 100	23 139	84 065	164 331
Total administered expenses	7 100	23 139	84 065	164 331
Operating surplus	-	-	-	-
Current assets:				
Cash and cash equivalents	-	69	1 344	5 324
Receivables	-	23	1 179	10 926
Total current assets	-	92	2 523	16 250
Total administered assets	-	92	2 523	16 250
Current liabilities:				
Payables	-	92	2 523	15 726
Bank overdraft	-	-	-	524
Total current liabilities	-	92	2 523	16 250
Total administered liabilities	-	92	2 523	16 250
Net assets	-	-	-	-
Cash flows from operating activities:				
Cash inflows	7 198	32 640	93 811	154 736
Total cash inflows	7 198	32 640	93 811	154 736
Cash outflows	7 100	36 412	97 267	153 111
Total cash outflows	7 100	36 412	97 267	153 111
Net cash (outflows) inflows from operating activities	98	(3 772)	(3 456)	1 625
Net (increase) decrease in cash and cash equivalents held	98	(3 772)	(3 456)	1 625
Cash and cash equivalents at 1 July	(98)	3 841	4 800	3 175
Cash and cash equivalents at 30 June	-	69	1 344	4 800

40. SA Government/Non-SA Government transactions

(a) Income

	2010	2009
	$'000	$'000
Income received/receivable from entities external to the SA Government:		
Rates and charges	646 692	593 122
Contributed assets	65 023	68 422
Recoverable works	74 997	64 131
Fees and charges	21 026	19 720
Miscellaneous	931	2 136
Government grants	14	4
Interest received	84	467
Rents	1 050	1 058
Other income	245	745
Total income - non-SA Government entities	810 062	749 805

		2010	2009
(a)	***Income (continued)***		
	Income received/receivable from entities within the SA Government:	$'000	$'000
	Rates and charges	42 266	37 045
	CSOs	198 547	183 087
	Recoverable works	14 336	18 895
	Fees and charges	120	278
	Miscellaneous	358	44
	Government grants	56	-
	Interest received	300	7
	Rents	-	11
	Total income - SA Government entities	255 983	239 367
	Total income	1 066 045	989 172
(b)	***Expenses***		
	Supplies and services:		
	Supplies and services provided by entities external to the SA Government:		
	Operational services	77 788	63 283
	Materials and other	15 437	15 865
	Administration	37 382	60 649
	Total supplies and services - non-SA Government entities	130 607	139 797
	Supplies and services provided by entities within the SA Government:		
	Operational services	19 191	18 713
	Materials and other	-	22
	Administration	27 184	15 528
	Total supplies and services - SA Government entities	46 375	34 263
	Total supplies and services	176 982	174 060
	Operational and service contracts:		
	Provided by entities external to the SA Government:		
	Operational and service contracts	129 436	138 021
	Provided by entities within the SA Government:		
	Operational and service contracts	1 847	1 528
	Total operational and service contracts	131 283	139 549
	Borrowing costs:		
	Borrowing costs provided by entities external to the SA Government:		
	Interest expense	-	344
	Finance lease charges	13 511	13 940
	Total borrowing costs - non-SA Government entities	13 511	14 284
	Borrowing costs provided by entities within the SA Government:		
	Interest expense	130 051	92 621
	Total borrowing costs - SA Government entities	130 051	92 621
	Total borrowing costs	143 562	106 905
(c)	***Receivables***		
	Receivables from SA Government entities:		
	CSOs	12 025	11 722
	Rates receivable (water and wastewater)	3 151	588
	Sundry debtors	3 021	7 301
	Total receivables - SA Government entities	18 197	19 611
	Receivables from non-SA Government entities:		
	Rates receivable (water and wastewater)	52 170	62 121
	Sundry debtors	43 662	45 746
	Total receivables - non-SA Government entities	95 832	107 867
	Total receivables	114 029	127 478
(d)	***Payables***		
	Current:		
	Payables to SA Government entities:		
	Trade creditors	3 375	7 266
	Interest payable	22 460	11 466
	Other creditors	1 768	2 183
	Total payables - SA Government entities	27 603	20 915
	Payables to non-SA Government entities:		
	Trade creditors	180 101	156 531
	Other creditors	9 523	10 789
	Total payables - non-SA Government entities	189 624	167 320
	Total current payables	217 227	188 235
	Non-current:		
	Payables to SA Government entities:		
	Other creditors	1 205	1 188
	Payables to non-SA Government entities:		
	Other creditors	434	442
	Total non-current payables	1 639	1 630

SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Superannuation Funds Management Corporation of South Australia (Funds SA) is a statutory authority established by the *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act).

Functions

Funds SA's main function is to invest and manage the public sector superannuation funds, the nominated funds of approved authorities and other funds (funds under management) pursuant to strategies formulated by Funds SA. For details of Funds SA's objectives and functions refer note 1 of the financial statements.

Restrictions on operations

Pursuant to subsection 21(1) of the SFMCSA Act, Funds SA is subject to the direction and control of the Minister. However, a ministerial direction must not be given for an investment decision, dealing with property or the exercise of a voting right.

Funds SA has broad powers over the investment of funds under management. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the SFMCSA Act impose restrictions so that Funds SA must not invest in real property outside the State or enter into derivative transactions (eg futures contracts, forward contracts, swaps) without the relevant authority of the Minister.

Funds under management

The funds managed and invested by Funds SA are identified in note 1(b) of the financial statements.

Funds SA is not responsible for administering (ie receipting contributions and paying benefits) any of the public sector superannuation funds or eligible superannuation funds. This responsibility rests with the following entities:

- South Australian Superannuation Board — South Australian Superannuation Scheme, Southern State Superannuation Fund, Super SA Retirement Investment Fund and South Australian Ambulance Service Superannuation Scheme
- Police Superannuation Board — Police Superannuation Scheme
- South Australian Parliamentary Superannuation Board — Parliamentary Superannuation Scheme
- DTF — the Governors' Pensions Scheme and the Judges' Pensions Scheme
- The Trustee of the South Australian Metropolitan Fire Service Superannuation Scheme.

Additional information on administering superannuation schemes is available in the financial statements of the various schemes included elsewhere in Part B of this Report.

Approved authorities for the purpose of investing funds with Funds SA are:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission.

Structure

Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external fund management firms. Fund managers are utilised for all investment types, and there is a single custodian (who is responsible for holding, valuing and accounting for the assets) for the majority of those fund managers. Each fund manager and the custodian is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and section 28 of the SFMCSA Act provide for the Auditor-General to audit the accounts of Funds SA for each financial year.

Assessment of controls

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

This assessment also considers whether 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, the review included:

- investment policy and strategy
- investment activity (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- fixed assets
- administration expenses.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Superannuation Funds Management Corporation 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 Superannuation Funds Management Corporation of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Superannuation Funds Management Corporation of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

The audit undertaken indicated that the internal controls over Funds SA's operations were satisfactory. There were no matters arising from the audit that warranted communication in a management letter to the Chief Executive Officer.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

Funds SA	**2010**	2009
	$'million	$'million
Total expenses	**4.3**	4.3
Total income	**5.2**	4.0
NET SURPLUS (DEFICIT) AND TOTAL COMPREHENSIVE RESULT	**0.9**	(0.3)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1.0**	(0.1)
Total assets	**2.6**	1.6
Total liabilities	**1.2**	1.2
TOTAL EQUITY	**1.4**	0.4

Funds under management

	2010	2009
	$'billion	$'billion
NET INCOME	**1.5**	(2.0)
NET ASSETS	**14.8**	12.6

Statement of Comprehensive Income

The operating result of Funds SA for the year was a surplus of $916 000 compared with a deficit of $284 000 the previous year.

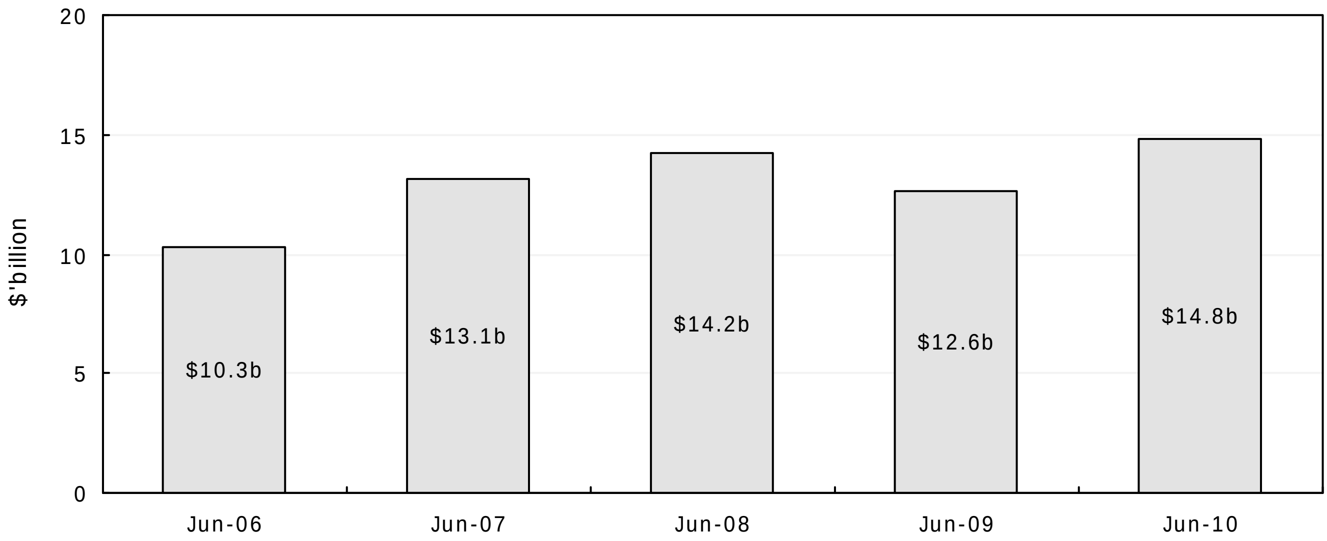
Revenues from fees and charges increased by $1.2 million as a result of the higher level of funds under management during the year. Expenses decreased by $42 000 mainly as a result of a decrease in supplies and services costs, down $250 000 due mainly to a decrease in legal and advisory costs, offset by an increase in employee benefits costs, up $139 000.

FURTHER COMMENTARY ON OPERATIONS

Funds under management

As mentioned, Funds SA invests and manages the public sector superannuation funds, the funds of eligible superannuation schemes and the nominated funds of approved authorities. The public sector superannuation funds represent 82 percent of total net funds under management.

The following chart illustrates the net funds under management as at 30 June over the past five years.



In 2010 the net funds under management increased by $2.2 billion to $14.8 billion due mainly to an increase in funds invested by clients of $647 million and net income earned from investing activities of $1.5 billion (further commented on under the heading 'Income from investments')

Asset allocation

An investment policy drives decisions about how funds will be invested. Section 7 of the SFMCSA Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level
- the need for liquidity in the funds
- such other matters as are prescribed by regulation.

Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. Funds SA manages some of its financial risks by diversifying funds under management into 14 asset classes. These asset classes underpin the investment strategies (multi-sector portfolios) and single sector products which Funds SA offers to its clients to meet their differing time horizons and levels of acceptable risks. Client investors are responsible for setting investment objectives and selecting investment options which meet their needs. Funds SA is responsible for managing the investment portfolio in accordance with agreed asset allocations and reporting investment performance as required by the client.

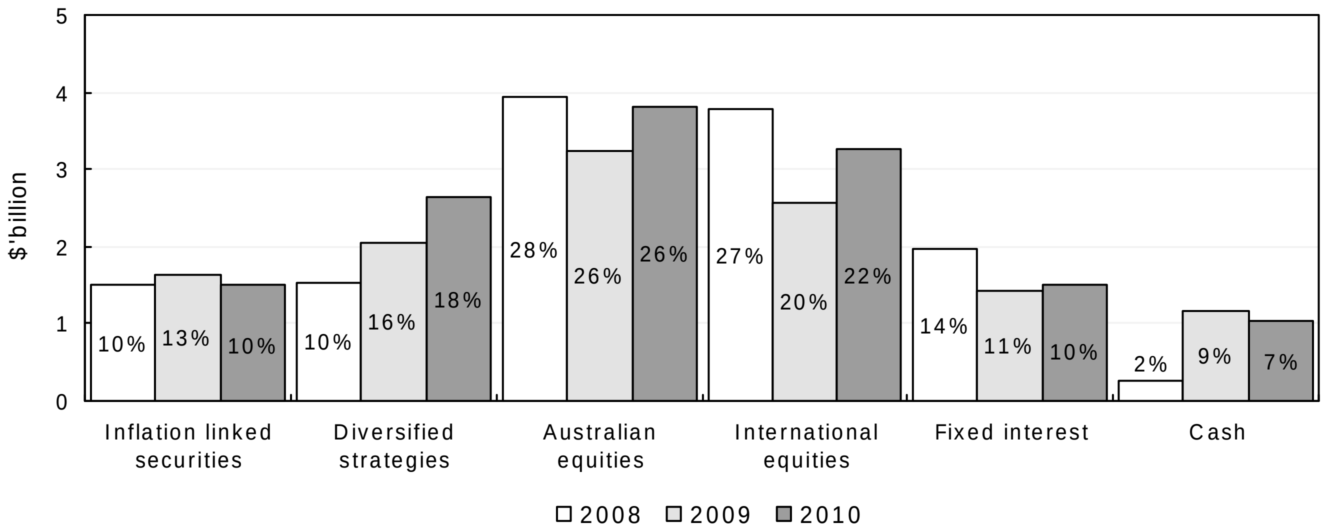
From 1 July 2009, Funds SA reduced the strategic weightings to property and equity in the portfolios. The major adjustments are summarised below:

- a general reduction in 'growth assets' with an offsetting rise in 'defensive/income' asset classes
- listed international equities markedly reduced with Australian equities only marginally reduced
- diversified strategies income allocation was marginally increased across most strategies
- cash was significantly raised across all strategies to enhance portfolio flexibility and to cater for the heightened environment of risk and illiquidity.

Funds SA continually monitors investment performance during the year and made other adjustments to investment subclass holdings as required.

From 1 July 2010, a new asset class for short-term fixed interest investments has been established. This was in response to an increase in bond issuance resulting from the stimulus programs in many developed economies with the aim to better balance inflation risk and reduce duration risk for defensive investment funds.

The value of each asset class (excluding the property and socially responsible investment classes which in total only represents 7 percent (5 percent) of the total funds under management) and the holding of each asset class as a percentage of total funds under management at 30 June for the last three financial years is illustrated in the following chart. The asset classes include both taxed and untaxed funds where applicable.



The chart shows that the improved financial markets during the year resulted in an increased value of equity investments although the percentage of overall funds invested in total equities did not change significantly. Diversified strategies investments also improved significantly in value when compared with the previous year.

The primarily long-term nature of investment strategies means funds under management are exposed to periodic falls in financial markets as well as gains.

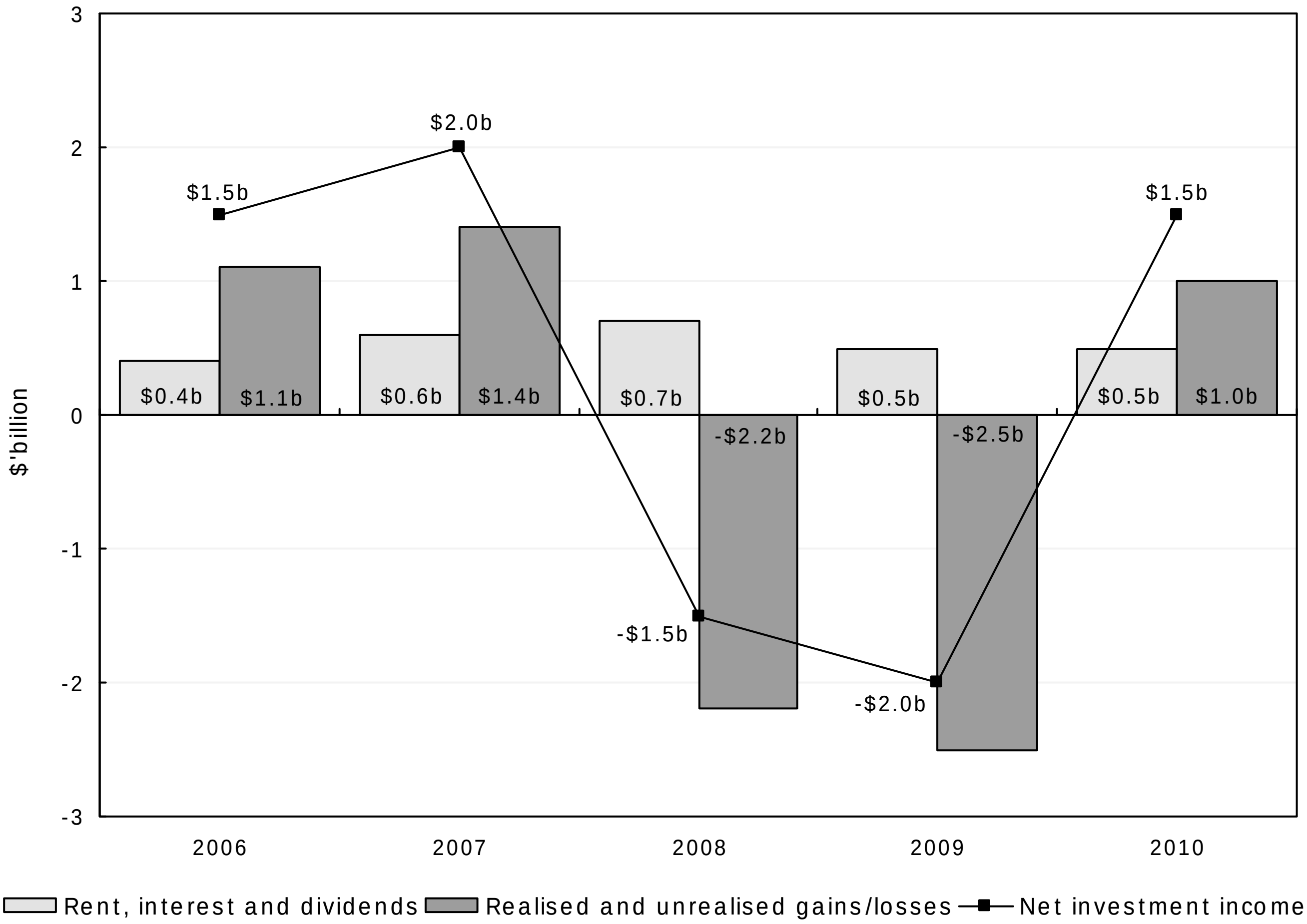
Income from investments

Net income from investment activities comprises income from rent, interest and dividends, realised and unrealised gains and losses from investment valuations less expenses incurred in the investment activity.

Net income from investment activities was a surplus of $1.5 billion ($2 billion loss). Income comprised rent, interest and dividends of $538 million ($533 million), realised gains of $807 million ($1.6 billion realised losses) and unrealised gains of $241 million ($889 million unrealised losses).

Schedule 1 to the financial statements provides full details of income earned from investment activities for each asset class.

An analysis of the investment result for funds under management for the five years to 2010 is shown in the following chart.



As can be seen from this chart realised and unrealised gains contributed significantly to the net investment income result. In 2006, 2007 and 2010 positive realised and unrealised gains contributed to significant total net investment income. However, in 2008 and 2009 the significant financial market downturn resulted in negative net investment returns. The negative net investment income for 2008 and 2009 effectively negated the positive net investment income achieved in 2006 and 2007.

The following table shows a structural analysis of net income earned for the five years to 2010 highlighting the varying performance of the major investment asset classes. It should be noted that the magnitude of net income earned from investment activities in each year is a function of not only the performance of financial markets, especially equities, but also the size of total assets invested in the markets.

Net income earned from investment activities

	2010	2009	2008	2007	2006
	$'million	$'million	$'million	$'million	$'million
Inflation linked funds	**168**	3	87	26	59
Property	**52**	(394)	(294)	232	88
Australian equities	**416**	(759)	(675)	972	630
International equities	**342**	(835)	(752)	569	630
Fixed interest	**145**	130	47	29	19
Diversified strategies	**348**	(178)	86	139	69
Cash/Socially responsible	**46**	40	23	26	16
Total net income	**1 517**	(1 993)	(1 478)	1 993	1 511
Total value of assets invested as at 30 June	**14 770**	12 617	14 170	13 109	10 290

The above table reflects that Funds SA's investment strategy is weighted towards equity holdings. Diversified strategies investments have also taken on increased holdings in recent years. These asset classes recorded significant increases in net investment income in 2010, however, the volatile nature of these investments will cause their returns to fluctuate from year to year consistent with prevailing economic conditions. The negative net income in 2008 and 2009 reflects the significant fall in share markets in these two years.

The table below shows Funds SA's percentage return for each of the past seven years for both the balanced and growth (tax exempt) funds, which together account for 74 percent of total funds under management. These figures were provided by Funds SA and are unaudited.

Funds SA investment return
periods ending 30 June

	7 years	**2010**	2009	2008	2007	2006	2005	2004
	Percent pa	**Percent**	Percent	Percent	Percent	Percent	Percent	Percent
Balanced	**6.9**	**12.6**	(15.3)	(9.3)	17.7	17.6	14.7	16.1
Growth	**6.9**	**12.3**	(17.5)	(11.2)	19.5	19.4	15.3	17.9

The performance against target benchmarks for each asset class for the 2009-10 year and also the three years ended 2009-10 is shown in the following tables. These figures were provided by Funds SA and are unaudited.

	1 year Actual Percent	1 year Benchmark Percent	3 years Actual Percent	3 years Benchmark Percent
Cash	3.9	3.9	5.2	5.6
Fixed interest	15.3	10.5	8.3	8.8
Inflations linked securities A	11.1	10.1	5.9	4.4
Diversified strategies income	14.6	11.9	8.0	9.0
Property A	7.8	8.1	(17.6)	(18.0)
Australian equities A	12.9	13.1	(8.0)	(8.0)
International equities A	13.2	11.8	(9.8)	(9.3)
Diversified strategies growth A	21.5	7.9	(1.8)	9.6
Inflation linked securities B	10.4	10.2	5.4	4.4
Property B	14.9	8.1	(16.9)	(17.4)
Australian equities B	12.7	13.1	(9.2)	(8.0)
International equities B	13.8	12.1	(9.1)	(9.4)
Diversified strategies growth B	18.0	7.9	(3.4)	9.6

The performance of most asset classes for 2009-10 was close to benchmark. The main exceptions were the diversified strategies growth A and B funds which performed well above the benchmark. The benchmark for these two funds is set at cash plus four percent and is intended to proxy the long-term equity return. The majority of assets held in these two classes are equity in nature and the return over the short-term is more aligned with the performance of equity asset classes.

Although all asset classes returned positive investment performances in 2009-10, the effects of the global financial crisis can still be seen in the three year return figures where a number of classes recorded negative returns.

Investment expenses

In 2010 investment expenses amounted to $69 million, an increase of $11.6 million from the previous year. The increase is a result of the higher value of funds under management. Investment expenses remain at 0.5 percent of average funds under management.

Year	$'million
2006	55.9
2007	75.5
2008	80.1
2009	57.4
2010	**69.0**

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010** **$'000**	2009 $'000
INCOME:			
Revenues from fees and charges		**5 154**	3 976
Interest revenues		**23**	43
Total income		**5 177**	4 019
EXPENSES:			
Employee benefits costs	3	**3 079**	2 940
Supplies and services	4	**1 009**	1 259
Depreciation and amortisation expense	5	**173**	104
Total expenses		**4 261**	4 303
NET SURPLUS (DEFICIT)		**916**	(284)
TOTAL COMPREHENSIVE RESULT		**916**	(284)

Net surplus (deficit) and total comprehensive result is 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		**1 392**	476
Receivables - administration fee		**450**	331
Other current assets		**56**	59
Total current assets		**1 898**	866
NON-CURRENT ASSETS:			
Property, plant and equipment	7	**650**	764
Funds SA investment trusts	15	**-**	-
Total non-current assets		**650**	764
Total assets		**2 548**	1 630
CURRENT LIABILITIES:			
Payables	8	**319**	342
Employee benefits liability	9	**309**	329
Total current liabilities		**628**	671
NON-CURRENT LIABILITIES:			
Payables	8	**57**	45
Employee benefits liability	9	**511**	478
Total non-current liabilities		**568**	523
Total liabilities		**1 196**	1 194
NET ASSETS		**1 352**	436
EQUITY:			
Retained earnings		**1 352**	436
TOTAL EQUITY		**1 352**	436

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	11
Contingent assets and liabilities	12

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

	Retained earnings $'000	Total $'000
Balance at 30 June 2008	720	720
Total comprehensive result for 2008-09	(284)	(284)
Balance at 30 June 2009	436	436
Total comprehensive result for 2009-10	916	916
Balance at 30 June 2010	**1 352**	**1 352**

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:			
Receipts from fees and charges		**5 505**	4 462
Interest received		**20**	42
GST recovered from the ATO		**137**	230
Cash generated from operations		**5 662**	4 734
CASH OUTFLOWS:			
Employee benefits payments		**(3 066)**	(2 842)
Supplies and services		**(1 155)**	(1 455)
GST paid to the ATO		**(466)**	(585)
Cash used in operations		**(4 687)**	(4 882)
Net cash provided by (used in) operating activities	13	**975**	(148)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		**-**	1
Cash generated from investing activities		**-**	1
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(59)**	(395)
Cash used in investing activities		**(59)**	(395)
Net cash used in investing activities		**(59)**	(394)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**916**	(542)
CASH AND CASH EQUIVALENTS AT 1 JULY		**476**	1 018
CASH AND CASH EQUIVALENTS AT 30 JUNE		**1 392**	476

Schedule 1: Asset Sector Funds Under Management

This Schedule provides information in relation to assets under Funds SA's management as at balance date.

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB 139. The sources of valuations are provided below.

This Schedule provides the following information:

- investment valuation sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Assets Under Management
- financial instruments and management of portfolio risk.

Investment valuation sources
Discretely managed portfolios
Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

Managed funds
Pooled funds/Unlisted unit trusts
Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers.

Private equity
The value of private equity investments is based on the most recent fund valuations supplied by the relevant fund managers.

Currency hedge overlay
The value of the currency hedge overlay, as at 30 June 2010, is supplied by Funds SA's custodian and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally managed investments
Internally managed inflation linked bonds
These investments, 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.

Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2010

Asset sector:	Rent interest and dividends $'000	Realised gains (losses)[1] $'000	Unrealised gains (losses)[2] $'000	Expenses $'000	**2010 Total $'000**
Inflation linked securities	41 578	31 007	50 751	(2 078)	**121 258**
Property A	13 128	35	37 463	(3 158)	**47 468**
Australian equities A	138 351	127 521	144 419	(10,983)	**399 308**
International equities A	71 348	316 519	(42 102)	(17 259)	**328 506**
Internal inflation linked securities	27 348	(1 319)	20 739	(266)	**46 502**
Fixed interest	24 214	80 479	(18 652)	(2 095)	**83 946**
Diversified strategies:					
Growth A	23 223	116 029	(4 674)	(18 427)	**116 151**
Income	94 753	112 360	31 377	(10 199)	**228 291**
Cash	45 565	-	-	(806)	**44 759**
Motor Accident Commission fixed interest	47 552	8 519	5 761	(1 111)	**60 721**
Australian equities B	5 881	-	11 282	(811)	**16 352**
International equities B	2 571	10 123	2 031	(791)	**13 934**
Property B	1 732	1 000	2 043	(196)	**4 579**
Diversified strategies:					
Growth B	172	4 295	267	(650)	**4 084**
Socially responsible investment	787	-	300	(133)	**954**
Total	538 203	806 568	241 005	(68 963)	**1 516 813**

(1) Realised gains (losses)
Realised gains (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(2) Unrealised gains (losses)
Unrealised gains (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

Statement of Income and Expenses of Assets Under Management for the year ended 30 June 2009

Asset sector:	Rent interest and dividends $'000	Realised gains (losses)[1] $'000	Unrealised gains (losses)[2] $'000	Expenses $'000	2009 Total $'000
Inflation linked securities	70 761	2 097	(79 983)	(2 140)	(9 265)
Property A	4 839	(232 278)	(145 873)	(4 180)	(377 492)
Australian equities A	162 732	(573 864)	(306 091)	(5 149)	(722 372)
International equities A	71 046	(667 357)	(195 035)	(16 735)	(808 081)
Internal inflation linked securities	27 482	(29)	(14 518)	(379)	12 556
Fixed interest	23 289	12 702	(2 476)	(1 782)	31 733
Diversified strategies:					
Growth A	21 505	(119 861)	(104 051)	(15 532)	(217 939)
Income	47 706	(32 318)	41 669	(7 531)	49 526
Cash	40 517	-	-	(712)	39 805
Motor Accident Commission fixed interest	57 217	44 732	(2 883)	(1 362)	97 704
Australian equities B	2 860	175	(39 482)	(663)	(37 110)
International equities B	292	(10 005)	(16 829)	(656)	(27 198)
Property B	1 132	-	(17 322)	(129)	(16 319)
Diversified strategies:					
Growth B	1 730	(4 095)	(6 246)	(433)	(9 044)
Socially responsible investment	-	-	123	(8)	115
Total	533 108	(1 580 101)	(888 997)	(57 391)	(1 993 381)

Statement of Net Assets Under Management as at 30 June 2010

Asset sector:	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	**2010 Total $'000**
Inflation linked securities	993 135	125 512	-	-	184	(380)	**1 118 451**
Property A	178	949 191	97	-	343	(669)	**949 140**
Australian equities A	3 091 476	497 276	-	-	438	(2 549)	**3 586 641**
International equities A	2 198 261	970 175	-	(49 405)	294	(3 462)	**3 115 863**
Internal inflation linked securities	-	-	384 409	-	103	(791)	**383 721**
Fixed interest	658 275	-	-	-	133	(527)	**657 881**
Diversified strategies:							
Growth A	-	76 005	581 248	(18 155)	1 008	(291)	**639 815**
Income	1 359 160	625 848	-	(20 054)	201	(2 780)	**1 962 375**
Cash	-	1 027 467	-	-	396	(58)	**1 027 805**
Motor Accident Commission fixed interest	850 680	-	-	-	1 054	(217)	**851 517**
Australian equities B	-	211 723	-	-	105	(58)	**211 770**
International equities B	-	153 807	-	(2 413)	103	(25)	**151 472**
Property B	-	71 332	-	-	145	(7)	**71 470**
Diversified strategies:							
Growth B	-	3 167	24 419	(710)	101	(3)	**26 974**
Socially responsible investment	-	15 154	-	-	4	(2)	**15 156**
Total	9 151 165	4 726 657	990 173	(90 737)	4 612	(11 819)	**14 770 051**

Statement of Net Assets Under Management as at 30 June 2009

Asset sector:	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2009 Total $'000
Inflation linked securities	1 098 524	149 830	-	-	191	(443)	1 248 102
Property A	254	538 148	97	-	343	(443)	538 399
Australian equities A	2 564 850	524 628	-	-	429	(2 229)	3 087 678
International equities A	1 725 617	644 526	-	95 970	296	(2 405)	2 464 004
Internal inflation linked securities	-	-	372 749	-	1 049	(745)	373 053
Fixed interest	501 197	-	-	-	444	(407)	501 234
Diversified strategies:							
Growth A	-	52 632	489 221	55 202	941	(277)	597 719
Income	763 670	640 302	-	25 576	199	(726)	1 429 021
Cash	-	1 165 115	-	-	335	(81)	1 165 369
Motor Accident Commission fixed interest	920 162	-	-	-	38	(230)	919 970
Australian equities B	76	147 519	-	-	736	(54)	148 277
International equities B	-	85 893	-	3 278	552	(9)	89 714
Property B	-	22 481	-	-	317	(2)	22 796
Diversified strategies:							
Growth B	-	3 047	18 808	2 023	101	(4)	23 975
Socially responsible investment	-	7 835	-	-	-	(1)	7 834
Total	7 574 350	3 981 956	880 875	182 049	5 971	(8 056)	12 617 145

Fair value hierarchy

In accordance with the disclosure requirements under AASB 7, Funds SA had adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2010. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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 2)
- inputs for the asset or liability that are not based on observable market data (ie unobservable inputs) (level 3).

As per AASB 7 paragraph 27A 'the level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair vale measurement in its entirety'. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the investment.

The determination of what constitutes 'observable' requires significant judgement by Funds SA. Funds SA considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA's investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1	Level 2	Level 3	Other	Total
Financial assets and liabilities through profit or loss:	$'000	$'000	$'000	$'000	$'000
Inflation linked securities*	140 328	978 576	384 409	(1 141)	1 502 172
Property A	514	271 550	677 738	(662)	949 140
Australian equities A	3 091 800	497 276	-	(2 435)	3 586 641
International equities A	2 198 530	920 770	-	(3 437)	3 115 863
Fixed interest	517 107	141 276	-	(502)	657 881
Diversified strategies growth A	1 001	57 850	581 248	(284)	639 815
Diversified strategies income	352 767	1 612 341	-	(2 733)	1 962 375
Cash	1 027 847	-	-	(42)	1 027 805
Motor Accident Commission fixed interest	652 574	195 340	3 803	(200)	851 517
Australian equities B	101	211 723	-	(54)	211 770
International equities B	101	151 394	-	(23)	151 472
Property B	144	18 790	52 542	(6)	71 470
Diversified strategies growth B	100	2 457	24 419	(2)	26 974
Socially responsible investment	4	15 154	-	(2)	15 156
Total	7 982 918	5 074 497	1 724 159	(11 523)	14 770 051

* Inflation linked securities includes both the Internal inflation linked securities and inflation linked securities (external) asset classes.

Level 1

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities and developed market nominal sovereign bonds.

Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

Level 2

Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

Level 3

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used valuation techniques to derive fair value. Level 3 investments include certain unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transaction purposes and directly held non-traded index-linked securities.

Other

Although not specifically required by AASB 7, 'Other' includes accrued expenses and GST payable (to the ATO)/receivable (from the ATO) for each asset class and is included in the above disclosure for completeness purposes only.

Financial instruments and management of portfolio risk
Use of derivative financial instruments
Derivatives can be defined as financial contracts whose value depends on, or is derived from other specific 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 and forward rate agreements and exchange-traded futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2010 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market risk
Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment options are consistent with the time horizon of each.

Liquidity risk
Two types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet clients' cash redemption requirements.

Funds SA manages liquidity risk as follows:

- firstly, by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions

- secondly, a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

Currency risk
Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

Funds SA's strategic policy for the management of its foreign currency exposure is as follows:

- foreign currency exposures in the diversified strategies growth A, diversified strategies growth B, diversified strategies income and fixed interest asset sectors are fully hedged to Australian dollars

- foreign currency exposures in the international equities A and international equities B asset sectors are 42.5 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

Interest rate risk
Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Superannuation Funds Management Corporation of South Australia

(a) Objectives of the Superannuation Funds Management Corporation of South Australia

The Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act).

Under section 5 of the Act, the functions of Funds SA are:

(a) to invest and manage:

(i) the public sector superannuation funds
(ii) the nominated funds of approved authorities

pursuant to strategies formulated by the Corporation

(a) Objectives of the Superannuation Funds Management Corporation of South Australia (continued)

(ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation

(b) such other functions as are assigned to the Corporation by this or any other Act.

The object of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

(a) the need to maintain the risks relating to investment at an acceptable level
(b) the need for liquidity in the funds
(c) such other matters as are prescribed by regulation.

(b) Purpose of the financial statements

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under subsection 26(1) of the Act, and in respect of each of the funds, as required by subsection 26(2) of the Act.

As at 30 June 2010, Funds SA managed the following funds:

Public sector superannuation funds:

- South Australian Superannuation Scheme
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Account
- Police Superannuation Scheme
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account
- Southern State Superannuation Scheme
  - Southern State Superannuation Fund
- Super SA Retirement Investment Fund
  - Super SA Flexible Rollover Product
  - Super SA Income Stream (formerly Super SA Allocated Pension)
- Parliamentary Superannuation Scheme
- Judges' Pensions Scheme
- Governors' Pensions Scheme

Eligible superannuation funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme

Nominated funds of approved authorities:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund

(c) Format and content of Funds SA's financial statements

Funds SA adopts the format and content of the model financial statements developed by DTF.

The Statement of Financial Position does not incorporate the funds under its management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under note 16 in accordance with subsection 26(2) of the Act.

Controlled entities have not been consolidated into Funds SA's Statement of Financial Position as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

(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 Funds SA'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 APSs require the following note disclosures, which have been included in this financial report:

  (a) expenses incurred as a result of engaging consultants (refer note 4)

  (b) 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 (refer note 3)

  (c) 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 (refer note 10).

Funds SA'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.

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 and all amounts rounded to the nearest thousand dollars ($'000).

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) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative amounts have been reclassified unless reclassification is impracticable.

(d) Income and expenses

Income and expenses are recognised in Funds SA'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.

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

Income

Revenues from fees and charges

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to Funds SA clients (being SA Government entities). This revenue is recognised upon delivery of the service to the clients.

(e) Current and non-current classification

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

(f) Cash and cash equivalents

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

Cash is measured at nominal value.

(g) Receivables

Receivables include amounts receivable from Funds SA's clients. Receivables arise in the normal course of providing services to the clients.

(h) 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.

(i) Impairment

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

(j) Depreciation and amortisation of non-current assets

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

The useful lives of all major assets held by Funds SA are reassessed on an annual basis.

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

Depreciation/Amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	Term of lease
Computer and office equipment:		
Computers, hardware and software	Straight-line	3
Office furniture	Straight-line	10

(k) Payables

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

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

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

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.

(l) 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 salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for 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 shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with Funds SA's experience of employee retention and leave taken.

The long service leave liability expected to be paid out within 12 months of the reporting date is classified as current. The remainder of the long service leave liability is recognised as non-current.

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

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

(m) Leases
Funds SA has entered into an operating lease for its office premises. The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased premises. Lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased premises.

(n) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating commitments arising from contractual or statutory sources and are disclosed at their 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.

(o) Insurance
Funds SA has arranged, through SAICORP, a division of SAFA, to insure all major risks of Funds SA with the exception of directors and officer insurance which is insured through an independent insurance provider.

(p) Taxation
Funds SA is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

(q) Valuation basis of client funds under management
Note 16 provides financial statements in respect of each client fund under the management of Funds SA for the 2009-10 financial year.

The valuation of the investments of each client fund follows the valuation approach required under accounting standards relevant to that client:

- For superannuation scheme clients, investments have been valued at net market value in accordance with AAS 25
- All other clients' investments have been valued at fair value in accordance with AASB 139.

3. Employee benefits costs

	2010 $'000	2009 $'000
Salaries and wages	2 259	2 086
Board fees	334	327
Employment on-costs	486	527
Total employee benefits costs	3 079	2 940

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	1	3
$110 000 - $119 999	2	1
$120 000 - $129 999	1	2
$130 000 - $139 999	2	-
$170 000 - $179 999	3	3
$210 000 - $219 999	-	1
$220 000 - $229 999	1	-
$340 000 - $349 999	-	1
$350 000 - $359 999	1	-
Total	11	11

The table includes all employees who received or are due remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.844 million ($1.75 million).

4. Supplies and services

	2010 $'000	2009 $'000
Computing and communication	163	215
Human resource expenses	20	39
Board expenses	193	217
Staff development	32	33
Subscriptions and publications	96	83
External audit fees	79	74
Travel and accommodation	99	58
Legal and advisory expenses	11	231
Office rent	207	197
Office supplies and printing	58	45
Website expenses	17	11
Client relationship expenses	12	19
Other	22	37
Total supplies and services[1]	1 009	1 259

(1) There were no transactions with SA Government entities greater than $100 000.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2010 Number	2010 $'000	2009 Number	2009 $'000
Below $10 000	6	11	6	22
Between $10 000 and $50 000	-	-	2	51
Above $50 000	-	-	2	149
Total paid/payable to the consultants engaged	6	11	10	222

5. Depreciation and amortisation expense

	2010 $'000	2009 $'000
Depreciation:		
Computer and office equipment	93	51
Amortisation:		
Leasehold improvements	80	53
Total depreciation and amortisation	173	104

6. Auditor's remuneration

	2010	2009
Audit fees paid/payable to the Auditor-General's Department	79	74
Total audit fees - SA Government entities	79	74

Other services

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

7. Property, plant and equipment

	2010	2009
Leasehold improvements:		
Leasehold improvements at fair value	576	576
Accumulated amortisation	(231)	(151)
Total leasehold improvements	345	425
Computer and office equipment:		
Computer and office equipment at fair value	563	811
Accumulated depreciation	(258)	(472)
Total computer and office equipment	305	339
Total property, plant and equipment	650	764

Reconciliation of non-current assets

The following table shows the movement of non-current assets:

	2010 Leasehold improvements $'000	2010 Computer and office equipment $'000	2010 Non-current assets total $'000	2009 Leasehold improvements $'000	2009 Computer and office equipment $'000	2009 Non-current assets total $'000
Carrying amount at 1 July	425	339	764	282	155	437
Additions	-	60	60	196	236	432
Disposals	-	(1)	(1)	-	(1)	(1)
Depreciation and amortisation	(80)	(93)	(173)	(53)	(51)	(104)
Carrying amount at 30 June	345	305	650	425	339	764

8. Payables

	2010 $'000	2009 $'000
Current:		
Creditors	185	204
Accrued expenses	79	82
Employment on-costs	55	56
Total current payables	319	342

8. Payables (continued)

	2010 $'000	2009 $'000
Non-current:		
Employment on-costs	57	45
Total non-current payables	57	45

9. Employee benefits liability

	2010 $'000	2009 $'000
Current:		
Annual leave	110	126
Long service leave	72	79
Accrued salaries and wages	127	124
Total current employee benefits	309	329
Non-current:		
Long service leave*	511	478
Total non-current employee benefits	511	478
Total employee benefits	820	807

* The liability for long service leave is now recognised after an employee has completed 5.5 years of service, compared to 6.5 years of service in previous years. The impact of this change is $4000.

10. Key management personnel

(a) Board members

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

Helen Nugent	Chairman	throughout the year
Kevin Crawshaw	Director	appointed 2 October 2009
Anne De Salis	Director	throughout the year
Leigh Hall	Director	throughout the year
David McMahon	Director	throughout the year
Jan McMahon	Director	throughout the year
Ros Sumner	Director	ceased 1 October 2009
Jim Wright*	Director	throughout the year

(b) Subcommittees

Funds SA has established two subcommittees where members receive remuneration for their membership. These are:

Audit Committee

Leigh Hall	Chairman	throughout the year
Kevin Crawshaw	Member	appointed 10 November 2009
David McMahon	Member	throughout the year
Helen Nugent	Member	throughout the year
Ros Sumner	Member	ceased 1 October 2009

Human Resource Committee

Helen Nugent	Chairman	throughout the year
Anne De Salis	Member	throughout the year
Jan McMahon	Member	throughout the year
Jim Wright*	Member	throughout the year

* As an SA Government employee, Jim Wright is not entitled to and does not receive remuneration for membership of the Funds SA Board and the Human Resource Committee.

(c) Other key management personnel

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

John Piteo	Chief Financial Officer
Richard Smith	Chief Executive Officer

(d) Key management personnel compensation

The key management personnel are the governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

	2010 $'000	2009 $'000
Short-term employee benefits	879	859
Long-term employee benefits	19	10
Total	898	869

(e) Remuneration of governing board members

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA board and board subcommittees. Directors' fees for the 2009-10 year were set by the Governor of South Australia. The aggregate remuneration of directors was $321 000 ($314 000).

(e) Remuneration of governing board members (continued)

In 2009-10, the aggregate amount paid, or due and payable for directors, to the Southern State Superannuation Scheme totalled $74 000 ($8000). In 2009-10, the periodic amounts paid, or due and payable, to private superannuation funds totalled $24 000 ($74 000).

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

	2010	2009
The number of governing board members whose remuneration received or receivable falls within the following bands:	Number	Number
$10 000 - $19 999	1	1
$20 000 - $29 999	-	1
$30 000 - $39 999	1	1
$40 000 - $49 999	3	2
$50 000 - $59 999	1	1
$90 000 - $99 999	1	1
Total	7	7

(f) Transactions with directors and director-related entities

The Chairman of Funds SA, Dr Helen Nugent, is a non-executive director of the Macquarie Bank Group Limited. Macquarie Bank Group Limited (or its wholly-owned subsidiaries) has provided funds management and other services to Funds SA during 2009-10 on normal commercial terms and conditions. Dr Nugent did not received any board papers, take part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Bank Group Limited (or its wholly-owned subsidiaries). Dr Nugent has also advised the Board that she did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

11. Unrecognised contractual commitments

Operating lease commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

	2010	2009
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	$'000	$'000
Within one year	233	219
Later than one year but not longer than five years	835	954
Later than five years	-	85
Total non-cancellable operating lease commitments	1 068	1 258

Remuneration commitments

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

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 as follows:

	2010	2009
	$'000	$'000
Within one year	1 351	1 360
Later than one year but not longer than five years	1 705	1 867
Total remuneration commitments	3 056	3 227

12. Contingent assets and liabilities

Funds SA is not aware of any contingent assets or liabilities.

13. Cash flow reconciliation

Reconciliation of net cash provided by operating activities to net surplus (deficit)

Net surplus (deficit)	916	(284)
Non-cash items:		
Depreciation and amortisation expense	173	104
Changes in assets/liabilities:		
Increase in receivables	(119)	(100)
Decrease (Increase) in other current assets	3	(21)
(Decrease) Increase in payables	(11)	64
Increase in employee benefits	13	98
Decrease in provisions	-	(9)
Net cash provided by (used in) operating activities	975	(148)

14. Financial instruments

(a) Interest rate risk

Funds SA's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with the weighted average interest rate risk at balance date.

(a) Interest rate risk (continued)

2010	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
Financial assets:	Percent	$'000	$'000	$'000
Cash	3.63	1 392	-	1 392
Receivables	-	-	450	450
Other assets	-	-	56	56
Total financial assets		1 392	506	1 898
Financial liabilities:				
Payables	-	-	151	151
Total financial liabilities		-	151	151
2009				
Financial assets:				
Cash	5.48	476	-	476
Receivables	-	-	331	331
Other assets	-	-	59	59
Total financial assets		476	390	866
Financial liabilities:				
Payables	-	-	239	239
Total financial liabilities		-	239	239

Interest rate and credit risk

Receivables are normally settled within 30 days. Receivables and other assets are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Funds SA as it has been determined that the possible impact on the net surplus/deficit or net assets from fluctuations in interest rates is immaterial.

(b) Market risk exposure

The administration fee that Funds SA charges to its clients to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depend upon the performance of the underlying investments, which are linked to the performance of world financial markets.

Funds SA manages this risk in two ways:

- firstly, its administration fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management
- secondly, Funds SA has the ability to increase the administration fee should this action be necessary to cover administration expenses.

As Funds SA has the ability to amend the administration fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

(c) Maturity analysis of financial assets and liabilities

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

	Contractual maturities			
	2010		2009	
	Carrying amount	Less than one year	Carrying amount	Less than one year
Financial assets:	$'000	$'000	$'000	$'000
Cash	1 392	1 392	476	476
Receivables	450	450	331	331
Other assets	56	56	59	59
Total financial assets	1 898	1 898	866	866
Financial liabilities:				
Payables	151	151	239	239
Total financial liabilities	151	151	239	239

15. Investments in Funds SA unit trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying clients. Since that time, an additional two unit trusts have been established. A consolidated list of the Funds SA unit trusts is provided below.

Trust	Date established	Settled sum
High Growth B Unit Trust	20 June 2008	$10
Growth B Unit Trust	20 June 2008	$10
Balanced B Unit Trust	20 June 2008	$10
Moderate B Unit Trust	20 June 2008	$10
Conservative B Unit Trust	20 June 2008	$10
Capital Defensive B Unit Trust	20 June 2008	$10
Cash Option B Unit Trust	20 June 2008	$10
Australian Equities B Unit Trust	20 June 2008	$10
International Equities B Unit Trust	20 June 2008	$10
Property B Unit Trust	20 June 2008	$10
Diversified Strategies Growth B Unit Trust	20 June 2008	$10
Diversified Strategies Income A and B Unit Trust	20 June 2008	$10
Fixed interest A and B Unit Trust	20 June 2008	$10
Inflation Linked Securities A and B Unit Trust	20 June 2008	$10
Cash A and B Unit Trust	20 June 2008	$10
Socially Responsible Investment Unit Trust	12 February 2009	$10
Short-term Fixed Interest A and B Unit Trust	8 June 2010	$10
		$170

16. Client funds under management

Operation of investment portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various client funds. For the year ending 30 June 2010, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash.

Each client fund holds units in an investment option, which in turn holds units in each of the asset sectors according to the target strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the market value of underlying investments.

Furthermore, a number of clients hold direct investments in Funds SA's socially responsible investment asset class.

Under subsection 26(2) of the Act, Funds SA is required to 'prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year'. In compliance with the Act, the format of these financial statements was approved by the Treasurer on 19 April 2007.

These client fund financial statements are explained and disclosed below:

- Each client fund's allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include client placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each client fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian equities A, international equities A, property A, diversified strategies growth A and internal inflation linked securities asset classes are available to untaxed clients only, whereas Australian equities B, international equities B, property B and diversified strategies growth B asset classes are available to taxed clients only. All other asset classes, with the exception of Motor Accident Commission fixed interest which is available to Motor Accident Commission only, are available to both untaxed and taxed clients.

(a) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**1 950 825**	2 577 462
Receipts	**362 250**	276 950
Net investment income	**242 530**	(470 837)
	604 780	(193 887)
Payments	**(366 550)**	(432 750)
Funds under management at 30 June	**2 189 055**	1 950 825

(a) South Australian Superannuation Scheme - Employer Contribution Accounts (continued)

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
Growth A	**2 189 055**	1 950 825
Funds under management at 30 June	**2 189 055**	1 950 825

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**633 078**	566 772
International equities A	**548 931**	473 899
Property A	**222 697**	138 939
Inflation linked securities	**143 561**	164 271
Internal inflation linked securities	**51 149**	53 841
Fixed interest	**59 680**	47 207
Diversified strategies income	**303 212**	248 997
Diversified strategies growth A	**120 909**	117 450
Cash	**105 838**	139 449
Funds under management at 30 June	**2 189 055**	1 950 825

(b) South Australian Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**1 137 850**	1 479 020
Receipts	**1 900**	1 300
Net investment income	**139 353**	(257 020)
	141 253	(255 720)
Payments	**(92 650)**	(85 450)
Funds under management at 30 June	**1 186 453**	1 137 850

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
Growth A	**1 186 453**	1 137 850
Funds under Management at 30 June	**1 186 453**	1 137 850

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**343 123**	330 579
International equities A	**297 517**	276 409
Property A	**120 700**	81 038
Inflation linked securities	**77 809**	95 814
Internal inflation linked securities	**27 723**	31 404
Fixed interest	**32 346**	27 534
Diversified strategies income	**164 339**	145 232
Diversified strategies growth A	**65 532**	68 504
Cash	**57 364**	81 336
Funds under management at 30 June	**1 186 453**	1 137 850

(c) South Australian Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**507 054**	615 109
Receipts	**22 154**	44 278
Net investment income	**59 534**	(102 605)
	81 688	(58 327)
Payments	**(37 544)**	(49 728)
Funds under management at 30 June	**551 198**	507 054

(c) South Australian Superannuation Fund - New Scheme Division (continued)

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
High growth A	**16 817**	14 168
Growth A	**472 566**	435 628
Balanced A	**16 809**	11 598
Moderate A	**5 034**	3 387
Conservative A	**8 258**	5 822
Capital defensive A	**3 563**	4 339
Cash A	**27 070**	31 105
Socially responsible investment	**1 081**	1 007
Funds under management at 30 June	**551 198**	507 054

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**149 268**	136 522
International equities A	**129 449**	114 063
Property A	**51 855**	33 059
Inflation linked securities	**35 567**	40 605
Internal inflation linked securities	**12 447**	13 171
Fixed interest	**17 557**	14 147
Diversified strategies income	**72 533**	60 668
Diversified strategies growth A	**28 298**	28 033
Cash	**53 143**	65 779
Socially responsible investment	**1 081**	1 007
Funds under management at 30 June	**551 198**	507 054

(d) Southern State Superannuation (Employer's) Fund

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**4 350 338**	4 593 526
Receipts	**121 404**	662 576
Net investment income	**451 879**	(715 571)
	573 283	(52 995)
Payments	**(4 923 621)**	(190 193)
Funds under management at 30 June	**-**	4 350 338

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
High growth A	**-**	287 318
Growth A	**-**	109 346
Balanced A	**-**	3 766 985
Moderate A	**-**	4 948
Conservative A	**-**	29 559
Capital defensive A	**-**	11 238
Cash A	**-**	138 221
Socially responsible investment	**-**	2 723
Funds under management at 30 June	**-**	4 350 338

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**-**	1 126 727
International equities A	**-**	924 396
Property A	**-**	160 074
Inflation linked securities	**-**	483 776
Internal inflation linked securities	**-**	146 177
Fixed interest	**-**	288 898
Diversified strategies income	**-**	529 996
Diversified strategies growth A	**-**	254 308
Cash	**-**	433 263
Socially responsible investment	**-**	2 723
Funds under management at 30 June	**-**	4 350 338

(e) Southern State Superannuation Fund

Statement of Receipts and Payments

	2010 $'000	2009 $'000
Funds under management at 1 July	**1 050 775**	1 097 114
Receipts	**5 338 437**	205 854
Net investment income	**213 872**	(167 268)
	5 552 309	38 586
Payments	**(90 553)**	(84 925)
Funds under management at 30 June	**6 512 531**	1 050 775

Statement of Funds Under Management - by Investment Option

Investment option:	2010 $'000	2009 $'000
High growth A	**517 931**	134 803
Growth A	**196 851**	39 112
Balanced A	**5 457 872**	753 145
Moderate A	**18 535**	5 729
Conservative A	**83 789**	32 781
Capital defensive A	**19 813**	9 387
Cash A	**209 985**	74 708
Socially responsible investment	**7 755**	1 110
Funds under management at 30 June	**6 512 531**	1 050 775

Statement of Funds Under Management - by Asset Sector

Asset sector:	2010 $'000	2009 $'000
Australian equities A	**1 675 183**	263 871
International equities A	**1 428 648**	216 878
Property A	**414 900**	41 313
Inflation linked securities	**610 336**	105 481
Internal inflation linked securities	**191 968**	31 793
Fixed interest	**452 839**	66 081
Diversified strategies income	**862 420**	122 740
Diversified strategies growth A	**350 011**	57 959
Cash	**518 471**	143 549
Socially responsible investment	**7 755**	1 110
Funds under management at 30 June	**6 512 531**	1 050 775

(f) Super SA Retirement Investment Fund - Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2010 $'000	2009 $'000
Funds under management at 1 July	**161 484**	144 410
Receipts	**155 292**	101 922
Net investment income	**17 006**	(15 210)
	172 298	86 712
Payments	**(77 186)**	(69 638)
Funds under management at 30 June	**256 596**	161 484

Statement of Funds Under Management - by Investment Option

Investment option:	2010 $'000	2009 $'000
High growth B	**16 277**	10 645
Growth B	**39 311**	20 162
Balanced B	**91 865**	54 401
Moderate B	**15 192**	6 944
Conservative B	**17 588**	7 460
Capital defensive B	**13 841**	7 698
Cash B	**59 108**	51 974
Socially responsible investment	**3 414**	2 200
Funds under management at 30 June	**256 596**	161 484

(f) Super SA Retirement Investment Fund - Super SA Flexible Rollover Product (continued)

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities B	**50 755**	29 943
International equities B	**36 368**	18 177
Property B	**16 989**	4 493
Inflation linked securities	**26 713**	15 333
Fixed interest	**18 053**	8 319
Diversified strategies income	**27 257**	13 007
Diversified strategies growth B	**6 351**	4 718
Cash	**70 696**	65 294
Socially responsible investment	**3 414**	2 200
Funds under management at 30 June	**256 596**	161 484

(g) Super SA Retirement Investment Fund - Super SA Income Stream

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**178 485**	124 968
Receipts	**162 448**	110 804
Net investment income	**19 231**	(14 147)
	181 679	96 657
Payments	**(43 428)**	(43 140)
Funds under management at 30 June	**316 736**	178 485

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
High growth B	**16 601**	7 022
Growth B	**34 385**	16 852
Balanced B	**131 233**	67 169
Moderate B	**25 949**	11 705
Conservative B	**27 073**	13 834
Capital defensive B	**14 365**	7 853
Cash B	**64 542**	53 279
Socially responsible investment	**2 588**	771
Funds under management at 30 June	**316 736**	178 485

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities B	**64 053**	33 146
International equities B	**46 107**	20 146
Property B	**20 988**	4 651
Inflation linked securities	**36 021**	19 374
Fixed interest	**24 767**	11 054
Diversified strategies income	**35 100**	15 383
Diversified strategies growth B	**7 780**	4 961
Cash	**79 332**	68 999
Socially responsible investment	**2 588**	771
Funds under management at 30 June	**316 736**	178 485

(h) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**159 529**	143 968
Receipts	**2 038**	46 250
Net investment income	**19 574**	(25 053)
	21 612	21 197
Payments	**(14 230)**	(5 636)
Funds under management at 30 June	**166 911**	159 529

(h) Parliamentary Superannuation Scheme (continued)

Statement of Funds Under Management - by Investment Option

	2010	2009
	$'000	$'000
Investment option:		
High growth A	**954**	740
Growth A	**164 328**	157 454
Balanced A	**1 502**	1 317
Socially responsible investment	**127**	18
Funds under management at 30 June	**166 911**	159 529

Statement of Funds Under Management - by Asset Sector

	2010	2009
	$'000	$'000
Asset sector:		
Australian equities A	**48 259**	46 365
International equities A	**41 837**	38 759
Property A	**16 925**	11 326
Inflation linked securities	**10 935**	13 421
Internal inflation linked securities	**3 889**	4 395
Fixed interest	**4 596**	3 907
Diversified strategies income	**23 078**	20 343
Diversified strategies growth A	**9 231**	9 616
Cash	**8 034**	11 379
Socially responsible investment	**127**	18
Funds under management at 30 June	**166 911**	159 529

(i) Judges' Pensions Scheme

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**157 690**	138 912
Receipts	**4 270**	49 820
Net investment income	**19 361**	(24 102)
	23 631	25 718
Payments	**(10 460)**	(6 940)
Funds under management at 30 June	**170 861**	157 690

Statement of Funds Under Management - by Investment Option

	2010	2009
	$'000	$'000
Investment option:		
Growth A	**170 861**	157 690
Funds under management at 30 June	**170 861**	157 690

Statement of Funds Under Management - by Asset Sector

	2010	2009
	$'000	$'000
Asset sector:		
Australian equities A	**49 413**	45 813
International equities A	**42 846**	38 307
Property A	**17 382**	11 231
Inflation linked securities	**11 205**	13 278
Internal inflation linked securities	**3 992**	4 352
Fixed interest	**4 658**	3 816
Diversified strategies income	**23 667**	20 127
Diversified strategies growth A	**9 437**	9 494
Cash	**8 261**	11 272
Funds under management at 30 June	**170 861**	157 690

(j) Governors' Pensions Scheme

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**1 377**	552
Receipts	**-**	1 100
Net investment income	**168**	(90)
	168	1 010
Payments	**(195)**	(185)
Funds under management at 30 June	**1 350**	1 377

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
Growth A	**1 350**	1 377
Funds under management at 30 June	**1 350**	1 377

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**390**	400
International equities A	**338**	335
Property A	**137**	98
Inflation linked securities	**89**	116
Internal inflation linked securities	**32**	38
Fixed interest	**37**	33
Diversified strategies income	**187**	176
Diversified strategies growth A	**75**	83
Cash	**65**	98
Funds under management at 30 June	**1 350**	1 377

(k) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**102 625**	112 217
Receipts	**20 960**	12 890
Net investment income	**13 602**	(17 312)
	34 562	(4 422)
Payments	**(13 130)**	(5 170)
Funds under management at 30 June	**124 057**	102 625

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
Balanced B	**124 057**	102 625
Funds under management at 30 June	**124 057**	102 625

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities B	**34 585**	29 798
International equities B	**25 167**	18 277
Property B	**9 870**	2 795
Inflation linked securities	**17 627**	15 595
Fixed interest	**9 932**	6 886
Diversified strategies income	**16 763**	12 033
Diversified strategies growth B	**5 055**	5 447
Cash	**5 058**	11 794
Funds under management at 30 June	**124 057**	102 625

(l) Police Superannuation Scheme - Employer Contribution Account

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**335 804**	447 980
Receipts	**61 000**	40 225
Net investment income	**41 702**	(70 674)
	102 702	(30 449)
Payments	**(17 530)**	(81 727)
Funds under management at 30 June	**420 976**	335 804

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	$'000	$'000
Growth A	**420 976**	335 804
Funds under management at 30 June	**420 976**	335 804

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	$'000	$'000
Australian equities A	**121 747**	97 561
International equities A	**105 565**	81 574
Property A	**42 827**	23 916
Inflation linked securities	**27 608**	28 277
Internal inflation linked securities	**9 836**	9 268
Fixed interest	**11 477**	8 126
Diversified strategies income	**58 310**	42 861
Diversified strategies growth A	**23 252**	20 217
Cash	**20 354**	24 004
Funds under management at 30 June	**420 976**	335 804

(m) Police Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**-**	24 261
Receipts	**-**	-
Net investment income	**-**	-
	-	-
Payments	**-**	(24 261)
Funds under management at 30 June	**-**	-

The Police Superannuation Fund – New Scheme Division was closed 1 July 2008 and its assets transferred into the Southern State Superannuation Fund.

(n) Police Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**280 806**	358 927
Receipts	**25**	480
Net investment income	**34 429**	(60 595)
	34 454	(60 115)
Payments	**(3 230)**	(18 006)
Funds under management at 30 June	**312 030**	280 806

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	$'000	$'000
Growth A	**312 030**	280 806
Funds under management at 30 June	**312 030**	280 806

(n) Police Superannuation Fund - Old Scheme Division (continued)

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	$'000	$'000
Australian equities A	**90 239**	81 582
International equities A	**78 245**	68 214
Property A	**31 744**	19 999
Inflation linked securities	**20 463**	23 646
Internal inflation linked securities	**7 291**	7 750
Fixed interest	**8 507**	6 795
Diversified strategies income	**43 220**	35 841
Diversified strategies growth A	**17 235**	16 906
Cash	**15 086**	20 073
Funds under management at 30 June	**312 030**	280 806

(o) South Australian Government Financing Authority (SAICORP - Insurance Fund 1)

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**204 444**	247 919
Receipts	**25 000**	-
Net investment income	**27 036**	(43 475)
	52 036	(43 475)
Payments	**-**	-
Funds under management at 30 June	**256 480**	204 444

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	$'000	$'000
Growth A	**256 480**	204 444
Funds under management at 30 June	**256 480**	204 444

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	$'000	$'000
Australian equities A	**74 223**	59 368
International equities A	**64 451**	49 818
Property A	**26 106**	14 545
Inflation linked securities	**16 775**	17 166
Internal inflation linked securities	**5 982**	5 636
Fixed interest	**6 975**	4 931
Diversified strategies income	**35 432**	26 078
Diversified strategies growth A	**14 158**	12 305
Cash	**12 378**	14 597
Funds under management at 30 June	**256 480**	204 444

(p) South Australian Government Financing Authority (SAICORP - Insurance Fund 2)

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**36 304**	44 023
Receipts	**-**	-
Net investment income	**2 708**	(7 719)
	2 708	(7 719)
Payments	**(25 000)**	-
Funds under management at 30 June	**14 012**	36 304

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	$'000	$'000
Growth A	**14 012**	36 304
Funds under management at 30 June	**14 012**	36 304

(p) South Australian Government Financing Authority (SAICORP - Insurance Fund 2) (continued)

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**4 056**	10 542
International equities A	**3 521**	8 846
Property A	**1 426**	2 583
Inflation linked securities	**916**	3 048
Internal inflation linked securities	**327**	1 001
Fixed interest	**381**	876
Diversified strategies income	**1 936**	4 631
Diversified strategies growth A	**773**	2 185
Cash	**676**	2 592
Funds under management at 30 June	**14 012**	36 304

(q) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**4 827**	6 292
Receipts	**500**	200
Net investment income	**526**	(465)
	1 026	(265)
Payments	**(1 460)**	(1 200)
Funds under management at 30 June	**4 393**	4 827

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
High growth A	**2 153**	1 906
Capital defensive A	**2 034**	2 767
Cash A	**206**	154
Funds under management at 30 June	**4 393**	4 827

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**821**	800
International equities A	**736**	678
Property A	**305**	231
Inflation linked securities	**379**	557
Internal inflation linked securities	**112**	159
Fixed interest	**523**	697
Diversified strategies income	**617**	620
Diversified strategies growth A	**163**	150
Cash	**737**	935
Funds under management at 30 June	**4 393**	4 827

(r) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**1 817 007**	1 799 315
Receipts	**116 000**	34 000
Net investment income	**173 137**	23 192
	289 137	57 192
Payments	**(36 000)**	(39 500)
Funds under management at 30 June	**2 070 144**	1 817 007

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
Motor Accident Commission A	**2 070 144**	1 817 007
Funds under management at 30 June	**2 070 144**	1 817 007

(r) Motor Accident Commission Compulsory Third Party Fund (continued)

Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities A	**389 230**	319 025
International equities A	**363 352**	162 370
Inflation linked securities	**65 308**	193 030
Internal inflation linked securities	**68 973**	64 069
Diversified strategies income	**269 216**	110 023
Cash	**62 548**	48 520
Motor Accident Commission fixed interest	**851 517**	919 970
Funds under management at 30 June	**2 070 144**	1 817 007

(s) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2010	2009
	$'000	$'000
Funds under management at 1 July	**169 663**	203 109
Receipts	**16 220**	11 803
Net investment income	**21 059**	(34 931)
	37 279	(23 128)
Payments	**(10 314)**	(10 318)
Funds under management at 30 June	**196 628**	169 663

Statement of Funds Under Management - by Investment Option

	2010	2009
Investment option:	**$'000**	$'000
High growth B	**633**	330
Growth B	**192 724**	165 530
Balanced B	**1 077**	686
Moderate B	**283**	86
Conservative B	**63**	31
Capital defensive B	**14**	41
Cash B	**1 834**	2 959
Funds under management at 30 June	**196 628**	169 663

Statement of Receipts and Payments
Statement of Funds Under Management - by Asset Sector

	2010	2009
Asset sector:	**$'000**	$'000
Australian equities B	**61 876**	55 025
International equities B	**43 433**	32 803
Property B	**23 213**	10 853
Diversified strategies growth B	**7 756**	8 828
Diversified strategies income	**26 498**	19 598
Inflation linked securities	**18 086**	17 090
Fixed interest	**6 003**	3 031
Cash	**9 763**	22 435
Funds under management at 30 June	**196 628**	169 663

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Trade and Economic Development (the Department) is an administrative unit established under the PSA.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for Economic Development (Premier)
- Minister for Regional Development
- Minister for Industry and Trade
- Minister for Small Business.

Functions

The function of the Department is to promote economic development in the State by working with business and the community to create and retain jobs, maintain a competitive business climate, increase investment, facilitate major projects, encourage innovation and entrepreneurship, promote trade and encourage industry's involvement in the development of a highly skilled work force to meet the needs of business. For details of the Department's objectives 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 the Department for each financial year.

Assessment of controls

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

This assessment also considers whether 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:

- financial assistance grants paid to organisations to develop the State's economy
- salaries, wages and other employee benefit expenses
- supplies and services payments
- update of the general ledger.

The audit took into account the controls and procedures performed by service providers including Shared Services SA.

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 the Department of Trade and Economic Development 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 Trade and Economic Development in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the follow up of financial assistance obligations and e-Procurement system access controls as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Trade and Economic Development have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive. Responses to the management letter issues were generally considered to be satisfactory.

The main matters raised with the Chief Executive and the related responses are provided below.

Financial assistance grants

The Department provides financial assistance grants to organisations mainly for industry and regional development. The grant recipients must fulfil certain obligations specified in the grant agreements. The recipients must provide proof of fulfilling these obligations by the deadlines recorded in the Economic Development Integrated Database (EDID). If the recipients do not provide proof they may not receive further grants and may have to repay the grants.

Project managers are responsible for confirming that recipients have provided adequate proof of fulfilment of the obligations. They advise an officer who updates EDID to indicate the obligations are fulfilled.

Consistent with last year, Audit noted a large backlog in overdue obligations. According to the EDID Obligations Report at February 2010 there were 161 obligations overdue.

The Department advised that:

- overdue obligations will continue to exist while it waits for information from financial assistance recipients to satisfy reporting obligations
- it will continue to diligently follow-up outstanding obligations and the 161 obligations overdue at February 2010 had been reduced to 66 at July 2010.

Audit also noted in February 2010 that the monthly reconciliation between EDID and the general ledger had not been performed since October 2009. The Department advised that the reconciliations were brought up to date after the reconciling officer's involvement in the rollout of the new e-Procurement system had diminished.

Access to e-Procurement system

In December 2009 the Department together with Shared Services SA began using the e-Procurement system.

Shared Services SA provides staff with access to the e-Procurement system upon receiving an access form approved by the Department. The access form includes transaction approval limits which can be set within the e-Procurement system.

Audit noted that the Department was not provided with a report periodically from the system to enable confirmation that:

- officers did not have access to the system without the Department's approval
- access levels and transaction approval limits for each officer had been accurately entered into the system and remained appropriate.

The Department advised that Shared Services SA:

- provided one report during the pilot phase to verify users on the system and their delegations
- will be requested to provide an ongoing bi-monthly report for verification.

Implementation of TIs 2 and 28

In response to the introduction of TIs 2 and 28 the Department developed a financial compliance program which involves managers performing self-assessments of their control activities coupled with internal audits of the self-assessments. The internal audits include the review of controls to ensure they are designed effectively and operating.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	$'million	$'million
EXPENSES		
Employee benefit expenses	**20**	21
Supplies, services and other expenses	**24**	29
Grants and subsidies	**19**	20
Total expenses	**63**	70
INCOME		
Total income	**2**	3
Net cost of providing services	**61**	67
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	**62**	66
Payments to SA Government	**(14)**	(3)
Net result and total comprehensive result	**(13)**	(4)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(13)**	14
ASSETS		
Current assets	**11**	29
Non-current assets	**6**	1
Total assets	**17**	30
LIABILITIES		
Current liabilities	**7**	6
Non-current liabilities	**5**	3
Total liabilities	**12**	9
TOTAL EQUITY	**5**	21

Statement of Comprehensive Income

Net cost of providing services

Net cost of providing services fell by $6 million in 2009-10 due to decreases of:

- $3 million in advertising, contractor and consultancy expenses
- $2 million in investment impairment losses. This investment was transferred to SAFA on 21 May 2010 (refer notes 22 and 29 to the financial statements)
- $1 million on recoveries income due to a drop in funding from DPC for the creative industries program.

Statement of Financial Position

Assets

Assets decreased by $12 million due mainly to cash falling by $17 million as a result of:

- $14 million in surplus cash being returned to the SA Government pursuant to the cash alignment policy. The surplus cash mainly arose from $9 million received in 2008-09 from the Land Management Corporation for land disposals and $3 million received from the Office of the Venture Capital Board which was abolished on 1 July 2008

- $2 million in cash being transferred to SAFA (refer note 29 to the financial statements).

This fall in cash was offset by a $5 million increase in leasehold improvements to the Department's relocated premises. The Department relocated its premises in 2009-10.

Liabilities

Liabilities increased by $3 million due mainly to the owner of the Department's relocated premises contributing $2 million in leasehold improvements as a lease incentive.

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	**2010** **$'000**	2009 $'000
EXPENSES:			
Employee benefit expenses	5	**20 402**	20 721
Supplies and services	6	**22 166**	26 636
Depreciation and amortisation	7	**452**	266
Grants and subsidies	8	**18 992**	19 638
Other expenses	9	**33**	443
Net loss from disposal of non-current assets	14	**11**	-
Impairment loss on investment	22	**843**	2 789
Total expenses		**62 899**	70 493
INCOME:			
Commonwealth revenues	12	**606**	530
Interest revenues	13	**3**	16
Net gain from disposal of non-current assets	14	**-**	20
Recoveries	15	**1 611**	2 574
Total income		**2 220**	3 140
NET COST OF PROVIDING SERVICES		**(60 679)**	(67 353)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	**61 991**	65 868
Payments to SA Government	16	**(13 891)**	(2 849)
NET RESULT		**(12 579)**	(4 334)
OTHER COMPREHENSIVE INCOME:			
Change in property, plant and equipment asset revaluation surplus	21	**11**	-
TOTAL COMPREHENSIVE RESULT		**(12 568)**	(4 334)

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

Statement of Financial Position
as at 30 June 2010

		2010	2009
CURRENT ASSETS:	Note	**$'000**	$'000
Cash	17	**10 069**	27 415
Receivables	18	**1 173**	1 374
Financial assistance debtors	19	**9**	-
Other current assets	20	**173**	115
Total current assets		**11 424**	28 904
NON-CURRENT ASSETS:			
Financial assistance debtors	19	**100**	100
Property, plant and equipment	21	**5 886**	622
Financial assets	22	**-**	-
Other non-current assets	20	**60**	60
Total non-current assets		**6 046**	782
Total assets		**17 470**	29 686
CURRENT LIABILITIES:			
Payables	23	**3 957**	3 349
Short-term employee benefits	24	**2 593**	2 470
Short-term provisions	25	**40**	36
Other liabilities	26	**239**	-
Total current liabilities		**6 829**	5 855
NON-CURRENT LIABILITIES:			
Payables	23	**298**	282
Long-term employee benefits	24	**3 010**	2 908
Long-term provisions	25	**132**	106
Other liabilities	26	**2 016**	-
Total non-current liabilities		**5 456**	3 296
Total liabilities		**12 285**	9 151
NET ASSETS		**5 185**	20 535
EQUITY:			
Retained earnings		**5 141**	20 502
Asset revaluation surplus		**44**	33
TOTAL EQUITY		**5 185**	20 535

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

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

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2008		33	30 247	30 280
Error correction	2(l)	-	(10 205)	(10 205)
Restated balance at 30 June 2008		33	20 042	20 075
Net result for 2008-09		-	(4 334)	(4 334)
Total comprehensive result for 2008-09		-	(4 334)	(4 334)
Net assets transferred in from restructure		-	4 794	4 794
Balance at 30 June 2009		33	20 502	20 535
Net result for 2009-10		-	(12 579)	(12 579)
Total comprehensive result for 2009-10		-	(12 579)	(12 579)
Revaluation of plant and equipment	21	11	-	11
Changes in accounting policy	3	-	(80)	(80)
Net assets transferred out from restructure	29	-	(2 702)	(2 702)
Balance at 30 June 2010		**44**	**5 141**	**5 185**

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		**(20 111)**	(19 779)
Payments for supplies and services		**(22 201)**	(24 903)
Payments for grants and subsidies		**(18 892)**	(19 138)
Payments of financial assistance		**-**	(100)
GST paid to ATO		**(4 109)**	(3 644)
Payments for restructure activities		**(2 168)**	-
Cash used in operations		**(67 481)**	(67 564)
CASH INFLOWS:			
Commonwealth revenue		**526**	551
Interest received		**3**	16
GST recovered from ATO		**4 390**	3 665
Receipts from restructure activities		**-**	2 993
Other receipts		**1 542**	10 943
Cash generated from operations		**6 461**	18 168
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**61 991**	65 868
Payments to SA Government		**(13 891)**	(2 849)
Cash generated from SA Government		**48 100**	63 019
Net cash (used in) provided by operating activities	31	**(12 920)**	13 623
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(3 060)**	(166)
Purchase of investments	22	**(1 377)**	(804)
Cash used in investing activities		**(4 437)**	(970)
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		**11**	-
Cash generated from investing activities		**11**	-
Net cash used in investing activities		**(4 426)**	(970)
NET (DECREASE) INCREASE IN CASH		**(17 346)**	12 653
CASH AT 1 JULY		**27 415**	14 762
CASH AT 30 JUNE	17,31	**10 069**	27 415

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

(Activities - refer note 4)	1		2		3	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**4 321**	2 899	**5 313**	6 967	**2 841**	3 197
Supplies and services	**2 261**	2 694	**7 341**	9 750	**1 439**	2 763
Depreciation and amortisation	**-**	-	**-**	-	**-**	-
Grants and subsidies	**611**	334	**5 450**	7 114	**6 176**	6 077
Other expenses	**-**	-	**-**	-	**-**	-
Net loss from disposal of non-current assets	**-**	-	**(63)**	-	**-**	-
Impairment loss on investment	**-**	-	**-**	-	**-**	-
Total expenses	**7 193**	5 927	**18 041**	23 831	**10 456**	12 037
INCOME:						
Commonwealth revenues	**-**	-	**442**	475	**111**	55
Interest revenues	**-**	-	**-**	7	**-**	-
Net gain from disposal of non-current assets	**-**	-	**-**	20	**-**	-
Recoveries	**262**	377	**288**	472	**615**	254
Total income	**262**	377	**730**	974	**726**	309
NET COST OF PROVIDING SERVICES	**(6 931)**	(5 550)	**(17 311)**	(22 857)	**(9 730)**	(11 728)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	**-**	-	**-**	-	**-**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**(6 931)**	(5 550)	**(17 311)**	(22 857)	**(9 730)**	(11 728)

(Activities - refer note 4)	4		5		6	
	2010	2009	**2010**	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**1 017**	596	**660**	755	**5 076**	4 897
Supplies and services	**2 791**	3 787	**1 110**	1 145	**6 238**	5 348
Depreciation and amortisation	**-**	-	**-**	-	**452**	266
Grants and subsidies	**101**	1 184	**1 473**	65	**26**	628
Other expenses	**-**	-	**-**	-	**33**	443
Net loss from disposal of non-current assets	**-**	-	**-**	-	**74**	-
Impairment loss on investment	**-**	-	**-**	-	**843**	2 789
Total expenses	**3 909**	5 567	**3 243**	1 965	**12 742**	14 371
INCOME:						
Commonwealth revenues	**-**	-	**-**	-	**-**	-
Interest revenues	**-**	-	**-**	-	**3**	9
Net gain from disposal of non-current assets	**-**	-	**-**	-	**-**	-
Recoveries	**50**	88	**55**	64	**171**	1 250
Total income	**50**	88	**55**	64	**174**	1 259
NET COST OF PROVIDING SERVICES	**(3 859)**	(5 479)	**(3 188)**	(1 901)	**(12 568)**	(13 112)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	**-**	-	**-**	-	**61 991**	65 868
Payments to SA Government	**-**	-	**-**	-	**(13 891)**	(2 849)
NET RESULT	**(3 859)**	(5 479)	**(3 188)**	(1 901)	**35 532**	49 907

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

(Activities - refer note 4)	7		Total	
	2010	2009	**2010**	2009
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**1 174**	1 410	**20 402**	20 721
Supplies and services	**986**	1 149	**22 166**	26 636
Depreciation and amortisation	**-**	-	**452**	266
Grants and subsidies	**5 155**	4 236	**18 992**	19 638
Other expenses	**-**	-	**33**	443
Net loss from disposal of non-current assets	**-**	-	**11**	-
Impairment loss on investment	**-**	-	**843**	2 789
Total Expenses	**7 315**	6 795	**62 899**	70 493
INCOME:				
Commonwealth revenues	**53**	-	**606**	530
Interest revenues	**-**	-	**3**	16
Net gain from disposal of non-current assets	**-**	-	**-**	20
Recoveries	**170**	69	**1 611**	2 574
Total income	**223**	69	**2 220**	3 140
NET COST OF PROVIDING SERVICES	**(7 092)**	(6 726)	**(60 679)**	(67 353)
REVENUE FROM (PAYMENT TO) SA GOVERNMENT:				
Revenues from SA Government	**-**	-	**61 991**	65 868
Payments to SA Government	**-**	-	**(13 891)**	(2 849)
NET RESULT	**(7 092)**	(6 726)	**(12 579)**	(4 334)

The Department's assets and liabilities are all recognised under Activity 6

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED or the Department) leads the Government of South Australia's efforts to drive productivity and foster sustainable economic development for the benefit of all South Australians.

DTED's objectives are to maintain:

- an internationally competitive business and a diverse 'high value' industry base
- a globally integrated economy
- benefits to South Australia from projects of economic significance
- a competitive economic environment
- a high-performance Department.

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 DTED has early-adopted, AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by DTED 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 requires management to exercise its judgment in the process of applying DTED'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

(b) Basis of preparation (continued)

- 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 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

  (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.

DTED'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

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

The financial statements and accompanying notes include all the controlled activities of DTED. DTED does not have administered items.

(d) Transferred functions

The government approved the transfer of the right, title and interest in the Paragon Private Equity Fund 1 to SAFA. The transfer was effective 21 May 2010 (refer note 29).

(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 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 proceeding period.

(f) Rounding

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

(g) Taxation

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

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

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

(g) Taxation (continued)

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 are 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.

(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 provides 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 32.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to DTED 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.

The following are specific recognition criteria:

Revenues from SA Government

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

Commonwealth revenues

Commonwealth grants are recognised as revenues when DTED obtains control over the funding. Control over grants is normally obtained upon receipt.

Recoveries

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

Net gain 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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any gain (loss) on disposal of non-current assets is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from DTED 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.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses includes all cost 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 DTED 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.

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.

Works of art controlled by DTED have very long and indeterminate useful lives. Their service potential has not, in any material sense been consumed during the reporting period. Consequently, no depreciation has been recognised.

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.

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

Class of asset	*Useful life (years)*
Leasehold improvements	Life of lease
Computer equipment	3-5
Plant and equipment	5-10
Furniture and fittings	3-10
Intangibles/software	5

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

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

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

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

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

(l) 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 combine amounts expected to be settled within 12 months and more than 12 months, DTED has separately disclosed the amounts expected to be recovered after more than 12 months.

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.

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 and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value for Australian accounts while overseas accounts are measured using the OANDA online exchange rate at 30 June.

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

Receivables arise from the partial or full recovery of costs associated with DTED's delivery of programs. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

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

Land sales
On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks to the Land Management Corporation, effective from 1 July 2004. All land sales are recognised upon sale of land as this is the mechanism which triggers a past event, and hence, the requirement to recognise an asset in the form of a Receivable. In the past, some income and receivables from the Land Management Corporation was incorrectly recognised before land had been sold. These errors were corrected in 2008-09.

Other financial assets
DTED measures financial assets at historic cost less or plus any impairment loss or gain.

Where there is an impairment loss, it is reviewed each year and the value of the investment is written down to no more than DTED's interest in the net financial assets of the Paragon Private Equity Fund 1, in which it has invested.

Where there is a gain, it is reviewed each year and the value of the investment is revised upwards according to the revaluation of the financial assets, in which DTED has invested.

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 restructure of administrative arrangements then the assets are recorded 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 equal to or in excess of $10 000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value. Refer also note 3.

The office fitout (including workstations) is reported under leasehold improvements and is depreciated over the life of the lease (10 years).

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

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

Any revaluation increment is credited to the asset revaluation 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 revaluations reserve for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

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

For revalued assets, an impairment loss is offset against the 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. DTED only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and 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.

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

(m) 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 combine amounts expected to be settled within 12 months and more than 12 months, DTED 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 a 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 the normal operations of DTED.

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

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 payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

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

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

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.

Financial guarantees
At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. In determining the value of the indemnities provided by DTED, consideration has been given to the following:

- For those properties indemnified by the Minister for Industry and Trade and subject to lease where the historical cost or borrowing from SAFA remains, the value has been calculated using historical cost less the valuation of the property as at 30 June 2010.
- For those properties that are subject to a deferred purchase agreement where the client is paying principal and interest repayments, the value has been calculated using the value of the loan outstanding as at 30 June 2010 less the most recent property or rating valuation.

DTED 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 28.

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 salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave
The liability for long service leave is recognised after an employee has completed 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 DTED's experience of employee retention and leave taken.

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

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

(n) 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 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
Details of accounting policies that DTED has changed during 2009-10 are detailed below.

DTED increased the asset capitalisation threshold from $2000 to $10 000. All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value. The change in the capitalisation threshold is effective from 1 July 2009. The results of this are shown in the reconciliation of non-current assets (refer note 21).

3. New and revised accounting standards and policies (continued)

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

4. Activities of the Department

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

Activity 1: A strategic approach to economic development
Promote and contribute to economic development in South Australia through the development and dissemination of policy relating to the business environment, physical and knowledge infrastructure.

Activity 2: Globally integrating the SA economy
Support sustainable growth necessary for a prosperous future by building on South Australia's competitive advantage in a changing global environment.

Activity 3: Evolving businesses in SA
Contribute to growth through positive changes in productivity and the increased competitiveness of enterprises.

Activity 4: Marketing SA for economic growth
Position SA as an internationally competitive destination by focussing on investment, migration and business opportunities.

Activity 5: Small business big impact
Support small businesses in their growth and expansion.

Activity 6: Taking care of our business
Implementation of systems and practices to enable the effective and efficient management of DTED in an accountable manner.

Activity 7: Regional SA matters
Work with South Australia's regional communities to build social capital and develop creative approaches to their initiatives and priorities.

5. Employee benefit expenses

	Note	2010 $'000	2009 $'000
Salaries and wages		15 090	15 534
Long service leave		476	463
Annual leave		1 321	1 277
Employment on-costs - superannuation		1 766	1 796
Employment on-costs - other		1 178	1 078
Board fees	30	571	573
Total employee benefit expenses		20 402	20 721

DTED had no TVSPs in 2009-10 and 2008-09.

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$100 000 - $109 999	30	19
$110 000 - $119 999	8	6
$120 000 - $129 999	1	2
$130 000 - $139 999	-	3
$140 000 - $149 999	2	3
$150 000 - $159 999	5	1
$160 000 - $169 999	1	2
$170 000 - $179 999	1	2
$180 000 - $189 999	2	1
$200 000 - $209 999	-	1
$210 000 - $219 999	1	1
$220 000 - $229 999	1	-
$240 000 - $249 999	1	-
$270 000 - $279 999	-	2
$280 000 - $289 999	1	-
$310 000 - $319 999	-	1
$330 000 - $339 999	1	-
Total	55	44

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 $7.4 million ($6 million).

6. Supplies and services

	Note	2010 $'000	2009 $'000
Supplies and services provided by entities within the SA Government:			
Accommodation and service costs		2 405	1 446
Accounting and audit fees	10	145	111
Advertising		39	91
Business training and development support		32	10
Communications and information technology expense		305	317
Contractors		23	22
Overseas trade representation(1)		2	586
Staff related expenses		26	27
Travel and related expenses		378	504
Office administration expenses		1 197	955
Total supplies and services - SA Government entities		4 552	4 069
Supplies and services provided by entities external to the SA Government:			
Accommodation and service costs		508	768
Accounting and audit fees		257	350
Advertising		2 882	4 105
Business training and development support		509	1 113
Communications and information technology expense		1 742	1 396
Contractors		4 326	5 280
Consultancies (refer below)		1 942	2 651
Overseas trade representation(1)		571	133
Staff related expenses		754	1 105
Travel and related expenses		1 355	1 940
Lease incentive amortisation	26	(140)	-
Office administration expenses		2 908	3 726
Total supplies and services - non-SA Government entities		17 614	22 567
Total supplies and services		22 166	26 636

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to DTED not holding a valid tax invoice or payments related to third party arrangements.

(1) Represents payments made to trade organisations relating to activities promoting South Australia.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2010 Number	2009 Number	2010 $'000	2009 $'000
Below $10 000	22	13	115	48
Between $10 000 and $50 000	24	20	667	490
Above $50 000	10	15	1 160	2 113
Total paid/payable to the consultants engaged	56	48	1 942	2 651

7. Depreciation and amortisation expense

	2010 $'000	2009 $'000
Depreciation:		
Plant and equipment	67	145
Buildings and improvements	318	86
Total depreciation	385	231
Amortisation:		
Intangible/software assets	67	35
Total amortisation	67	35
Total depreciation and amortisation	452	266

8. Grants and subsidies

	2010	2009
Grants and subsidies paid/payable to entities within the SA Government:		
Class of assistance:		
Industry development	3 726	8 001
Regional development	-	250
Other	82	138
Total grants and subsidies - SA Government entities	3 808	8 389
Grants and subsidies paid/payable to entities external to the SA Government:		
Class of assistance:		
Industry development	10 491	7 623
Regional development	4 347	3 195
Other	346	431
Total grants and subsidies - non-SA Government entities	15 184	11 249
Total grants and subsidies	18 992	19 638

9. Other expenses

	2010	2009
Other expenses paid/payable to entities external to the SA Government:	$'000	$'000
Bad and doubtful debts	33	443
Total other expenses - non-SA Government entities	33	443
Total other expenses	33	443

10. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	145	111
Total audit fees	145	111

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

11. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where DTED funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

					Total	
	China	Singapore	Dubai	India	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Operating expenses	882	702	581	580	2 745	3 483
Operating revenues	59	1	23	20	103	92
Funds advanced to overseas offices towards operating expenses	1 008	403	729	646	2 786	1 701

12. Commonwealth revenues

	2010	2009
Grants:	$'000	$'000
Tradestart	442	475
Supplier Access to Major Projects Program - Air Warfare Destroyer Project	85	55
Regional Development Australia Adelaide Metropolitan Advisory Board	54	-
Supplier Access to Major Projects Program - Domain Specialist - Water	25	-
Total Commonwealth revenues	606	530

Contributions which have conditions of expenditure still to be met as at reporting date were $836 000. These contributions relate to the Regional Development Australia Adelaide Metropolitan Advisory Board and the Supplier Access to Major Projects Program - Domain Specialist - Water.

Conditions attached to the contributions relating to the Regional Development Australia Adelaide Metropolitan Advisory Board state that funds are to be used for support services (including secretariat, administrative and research) for the Regional Development Australia Adelaide Metropolitan Advisory Board.

Conditions attached to the contributions relating to the Supplier Access to Major Projects Program - Domain Specialist - Water state that funds are to be used to facilitate South Australian industry participation where it has full, fair and reasonable opportunity to tender for the supply of goods and services associated with this project.

Included in revenue is Commonwealth funding for Tradestart. The terms of this grant are that DTED must promote exporting, international business and the Commonwealth Government's trade agenda for a period of approximately four years (ending 30 June 2010). As the grant is a non-recourse grant it has been recognised upon receipt.

13. Interest revenues

	2010	2009
	$'000	$'000
Interest revenues	3	16
Total interest revenues	3	16

14. Net (loss) gain from disposal of non-current assets

Plant and equipment:		
Proceeds from disposal	66	20
Net book value of assets disposed	(77)	-
Total net (loss) gain from disposal of non-current assets	(11)	20

15. Recoveries

Recoveries received/receivable from entities within the SA Government:		
Recoveries - other	944	1 680
Total recoveries - SA Government entities	944	1 680
Recoveries received/receivable from entities external to the SA Government:		
Sponsorship revenues	108	70
Recoveries - financial assistance grants	63	92
Recoveries - business training and development support	172	108
Recoveries - other	324	624
Total recoveries - non-SA Government entities	667	894
Total recoveries	1 611	2 574

16. Revenues from (payments to) SA Government

	2010	2009
Revenues from SA Government:	$'000	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	61 991	65 868
Total revenues from SA Government	61 991	65 868
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	13 891	2 849
Total payments to SA Government	13 891	2 849

Total revenues from government consists of $60.5 million ($64.4 million) for operational funding and $1.5 million ($1.5 million) for capital projects - investing in Paragon Private Equity Fund 1. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to DTED under the annual *Appropriation Act* was not varied. Refer to note 29 for details on additional funding transferred from DTED as a result of administrative restructure.

17. Cash

	2010	2009
	$'000	$'000
Deposits at call - Westpac	5 316	18 802
Deposits with the Treasurer	4 463	8 029
Deposits at call - overseas offices	284	578
Other	6	6
Total cash	10 069	27 415

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

18. Receivables

	2010	2009
Current:	$'000	$'000
Receivables	439	410
Allowance for doubtful debts	(3)	(2)
GST input tax recoverable	638	884
Accrued revenue	99	82
Total current receivables	1 173	1 374
Total receivables	1 173	1 374

Government/Non-Government receivables

	2010	2009
Receivables from SA Government entities:		
Receivables	278	395
Accrued revenue	9	12
Total receivables from SA Government entities	287	407
Receivables from non-SA Government entities:		
Receivables	158	13
GST input tax recoverable	638	884
Accrued revenue	90	70
Total receivables from non-SA Government entities	886	967
Total receivables	1 173	1 374

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) 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
Movements in the allowance for doubtful debts (impairment loss):	$'000	$'000
Carrying amount at 1 July	(2)	-
Increase in the allowance	(3)	(2)
Amounts written off	2	-
Carrying amount at 30 June	(3)	(2)

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. 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.

Interest rate and credit risk (continued)

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 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

19. Financial assistance debtors

	2010	2009
Current:	$'000	$'000
Financial assistance debtors	469	543
Allowance for doubtful debts	(460)	(543)
Total current financial assistance debtors	9	-
Non-current:		
Financial assistance debtors	100	100
Total non-current financial assistance debtors	100	100
Total financial assistance debtors	109	100

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

Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(543)	(2 501)
Increase in the allowance	(27)	(326)
Amounts written off	110	2 284
Carrying amount at 30 June	(460)	(543)

20. Other assets

Current:		
Prepayments	173	115
Total other current assets	173	115
Non-current:		
Prepayments	60	60
Total other non-current assets	60	60
Total other assets	233	175
Government/Non-Government other assets:		
Other assets from SA Government entities:		
Prepayments	-	25
Total other assets from SA Government entities	-	25
Other assets from non-SA Government entities:		
Prepayments	233	150
Total other assets from non-SA Government entities	233	150
Total other assets	233	175

21. Property, plant and equipment

Plant and equipment:		
Plant and equipment at cost (deemed fair value)	574	970
Accumulated depreciation	(200)	(754)
Total plant and equipment	374	216
Leasehold improvements:		
Building improvements at fair value	5 192	461
Accumulated depreciation	(378)	(272)
Total leasehold improvements	4 814	189
Intangibles/software:		
Computer software	708	177
Accumulated amortisation	(105)	(38)
Total intangible assets	603	139
Works of art:		
Works of art at fair value	47	82
Accumulated depreciation	-	(8)
Total works of art	47	74
Capital work in progress:		
Work in progress at cost	48	4
Total capital work in progress	48	4
Total property plant and equipment	5 886	622

Valuation of works of art
The valuation of all works of art was performed by Theodore Bruce, as at 30 June 2010. Works of art were valued at $47 000 as at 30 June 2010.

Impairment
There were no indications of impairment of property, plant and equipment at 30 June 2010.

Reconciliation of non-current assets
The following table shows the movement of non-current assets during 2009-10.

2010	Plant and equipmnt $'000	Works of art $'000	Leasehold imprvmnts $'000	Intangibles/ software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	216	74	189	139	4	622
Additions	327	13	4 943	531	48	5 862
Disposals/transfers	(6)	(71)	-	-	-	(77)
Revaluation increment	-	11	-	-	-	11
Depreciation and amortisation	(67)	-	(318)	(67)	-	(452)
Other changes - policy change	(96)	20	-	-	(4)	(80)
Carrying amount at 30 June	374	47	4 814	603	48	5 886

22. Financial assets

	2010 $'000	2009 $'000
Investment in private equity fund	1 377	2 789
Transfer out	(534)	-
Impairment loss on investment	(843)	(2 789)
Total financial assets	-	-
Movement schedule for the financial assets:		
Opening balance	-	-
Transfer in	-	1 985
Investments purchased at cost	1 377	804
Transfer out	(534)	-
Impairment loss on investment	(843)	(2 789)
Total financial assets	-	-

23. Payables

	2010	2009
Current:		
Creditors and accrued expenses	3 523	2 984
Employee on-costs	434	365
Total current payables	3 957	3 349
Non-current:		
Employee on-costs	298	282
Total non-current payables	298	282
Total payables	4 255	3 631

Government/Non-Government payables

	2010	2009
Payables to SA Government entities:		
Creditors and accrued expenses	743	522
Employee on-costs	685	647
Total payables to other SA Government entities	1 428	1 169
Payables to non-SA Government entities:		
Creditors and accrued expenses	2 780	2 462
Employee on-costs	47	-
Total payables to non-SA Government entities	2 827	2 462
Total payables	4 255	3 631

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has remained at the 2009 rate of 45 percent and the average factor for the calculation of employer superannuation on-cost has also remained at the 2009 rate of 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. 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 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

24. Employee benefits

	2010	2009
Current:	$'000	$'000
Accrued salaries and wages	463	408
Annual leave	1 496	1 508
Short-term long service leave	634	554
Total current employee benefits	2 593	2 470
Non-current:		
Long service leave	3 010	2 908
Total non-current employee benefits	3 010	2 908
Total employee benefits	5 603	5 378

The total current and non-current employees expense (ie aggregate employee benefit plus related on costs) for 2010 is $3 million and $3.3 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 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 $100 000 and employee benefit expenses of $10 000. 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. The actuarial assessment performed by DTF determined that the salary inflation remained at 4 percent. As a result, there is no net financial effect in the annual leave liability and employee benefit expenses.

25. Provisions

	2010	2009
Current:	$'000	$'000
Provision for workers compensation	40	36
Total current provisions	40	36
Non-current:		
Provision for workers compensation	132	106
Total non-current provisions	132	106
Total provisions	172	142
Carrying amount at 1 July	142	154
Additional provisions recognised	168	120
Payments	(138)	(132)
Carrying amount at 30 June	172	142

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.

26. Other liabilities

	2010	2009
Current:	$'000	$'000
Lease incentive	239	-
Total current other liabilities	239	-
Non-current:		
Lease incentive	2 156	-
Accumulated amortisation - lease incentive	(140)	-
Total non-current other liabilities	2 016	-
Total other liabilities	2 255	-

Lease incentive received from building owner applied as a contribution towards fitout costs (as per agreement) and amortised over the period of the lease (10 years), commencing December 2009.

27. Unrecognised contractual commitments

Capital commitments

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

	2010	2009
	$'000	$'000
Within one year	-	5 065
Total capital commitments	-	5 065

Capital commitments at 30 June 2009 relate to office accommodation fitout costs associated with DTED's relocation to new premises.

Investment commitment	2010	2009
	$'000	$'000
Capital commitment	-	4 152
Total investment commitments	-	4 152

Investment commitment (continued)

The SA Government announced in August 2005 that it would invest an amount not exceeding $10 million in a private capital equity fund (Paragon Private Equity Fund 1) established in South Australia and managed by Paragon Advisory Pty Ltd. The government approved the transfer of the right, title and interest in the Paragon Private Equity Fund 1 to SAFA. The effective date of the transfer was 21 May 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	2009
	$'000	$'000
Within one year	5 106	5 501
Later than one year but not longer than five years	5 252	6 404
Total remuneration commitments	10 358	11 905

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

Other commitments

Commitments for the payment of other contracts and grant agreements in existence at reporting date but not recognised as liabilities are payable as follows:

	2010	2009
	$'000	$'000
Within one year	17 032	12 844
Later than one year but not longer than five years	16 347	16 713
Total other commitments	33 379	29 557

Operating lease commitments

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

Within one year	2 490	1 953
Later than one year but not longer than five years	9 579	8 474
Later than five years	11 379	13 696
Total operating lease commitments	23 448	24 123
Representing:		
Cancellable operating leases	141	173
Non-cancellable operating leases	23 307	23 950
	23 448	24 123

DTED's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department for Transport, Energy and Infrastructure - Building Management Accommodation Services. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Motor vehicles are leased from DTF - Fleet SA with lease periods of up to three years. These are cancellable without notice.

28. Contingent assets and liabilities

Contingent assets

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

There are no known contingent assets arising from these present obligations as at 30 June 2010.

Contingent liabilities

Guarantees and indemnities

DTED has provided indemnities relating to various industry packages some of which can be reliably measured. As at 30 June 2010 the indemnities that can be reliably measured total $2.2 million ($3.9 million).

At this stage, DTED does not expect that these contingencies will be called upon.

29. Transferred functions

Transferred out

The government approved the transfer of the right, title and interest in the Paragon Private Equity Fund 1 to SAFA. The following assets and liabilities were transferred to SAFA, effective 21 May 2010.

	SAFA	Total
Net assets transferred:	$'000	$'000
Cash	2 168	2 168
Investments	534	534
Total assets	2 702	2 702
Total liabilities	-	-
Total net assets	2 702	2 702

Net assets transferred by DTED as a result of the administrative restructure were at the carrying amount.

30. Remuneration of board and committee members

Some members that were entitled to receive remuneration for membership during the 2010 financial year were:

Economic Development Board

Bruce Carter (Chair)
Grant Belchamber
Bob Hawke [(1)]
Michael Keating
Mike Moore (retired April 2010)
Leanna Read
Ian Gould
Kevin Osborn (Deputy Chair)
Monsignor David Cappo
Michael Hickinbotham
Justin Milne
Helen Nugent
Rob Chapman

(1) Members has elected not to receive board fees.

Members of the Economic Development Board sub-committees that were entitled to receive remuneration during the 2010 financial year were:

Competitive Planning and Development Sub-committees

Jennifer Westacott (Chair) (appointed February 2010).

Manufacturing Consultative Council

Kevin Foley* (Chair) (retired March 2010)
Ann Angel (retired December 2009)
Annette Cinnamond (retired December 2009)
Chris Field
Peter Gardner (appointed December 2009)
Caroline McMillen
Stephen Myatt
Michael O'Brien* (Deputy Chair) (appointed December 2009)
Chris Stathy
Grant Tinney
Tom Koutsantonis* (Chair) (appointed March 2010)
John Camillo
Andrew Downs
Brian Freeborn (retired December 2009)
Wayne Hanson
Peter Morichovitis (appointed December 2009)
Helen Nugent (appointed December 2009)
Victor Previn
Angus Story (appointed December 2009)
Nick Thredgold (retired December 2009)

Business Development Council

Philip Sims (Chair)
Debra Ferguson
Malcolm Johnson
Paulette Kolarz
Susan Lee
Bevan Roberts
Kym Webber
Linda Eldredge
Chris Herrmann
Rosemary Kemp
Jo-ann Lokan
Conor McKenna
Tegan Webb
Carmel Zollo* (retired April 2010)

Regional Communities Consultative Council

Peter Blacker (Chairman)
Bill Boehm
Jeffrey Burgess
Barbara-Ann Cowey (retired November 2009)
Ann Ferguson
Monica Klein
Kym McHugh
Ian O'Loan
Ruth Schubert*
Marian Woodberry (appointed February 2010)
Samantha Yates
Deborah Agnew
Mark Braes
Mary-Lou Corcoran
Anita Crisp
William Hender
Jane Lowe
Bill McIntosh
Jim Pollock
Craig Wickham
Jeanette Wormald

For the Regional Communities Consultative Council, only the Chair is entitled to remuneration.

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
$1 - $ 9 999	11	15
$10 000 - $19 999	2	1
$20 000 - $29 999	-	-
$30 000 - $39 999	1	-
$40 000 - $49 999	8	9
$60 000 - $69 999	-	1
$70 000 - $79 999	1	-
$80 000 - $89 999	1	1
Total	24	27

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $629 00 ($620 000).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

30. Remuneration of board and committee members (continued)

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.

For the purpose of this table, the travel allowance paid to members has not been included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses incurred by the relevant members.

31. Cash flow reconciliation

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

	2010	2009
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Deposits at call - Westpac	5 316	18 802
Deposits with the Treasurer	4 463	8 029
Deposits at call - overseas offices	284	578
Other	6	6
Balance as per the Statement of Cash Flows	10 069	27 415

	2010	2009
Reconciliation of net cash (used in) provided by operating activities to net result:		
Net cash (used in) provided by operating activities	(12 920)	13 623
Gain (Loss) from disposal of non-current assets	(11)	20
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(452)	(266)
Asset write-downs and transfers	2 168	(2 993)
Impairment loss on investment	(843)	(2 789)
Doubtful debts expense	(33)	(443)
Conversion of loan to grant	40	(502)
Prior period adjustments	-	(51)
Movement in assets/liabilities:		
Decrease in receivables	(110)	(8 358)
Increase (Decrease) in other assets	58	(37)
Increase in payables	(221)	(1 714)
(Decrease) Increase in provisions	(30)	16
Increase in employee benefits	(225)	(840)
Net result	(12 579)	(4 334)

32. Events after the end of the reporting period

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010, dated 1 July 2010 declared that:

Department of Trade and Economic Development employees assigned to work in the office of the Economic Development Board will transfer to the Department of the Premier and Cabinet, effective from 1 July 2010.

33. Financial instruments/financial risk management

33.1 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:					
Cash	17,31	10 069	10 069	27 415	27 415
Loans and receivables:					
Receivables(1)	18	877	877	765	765
Total financial assets at cost		10 946	10 946	28 180	28 180
Financial liabilities					
Financial liabilities - at cost:					
Payables(1)	23	3 436	3 436	2 897	2 897
Total financial liabilities at cost		3 436	3 436	2 897	2 897

(1) Receivable and payment 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 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 employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

DTED has minimal concentration of credit risk. DTED has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. DTED 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 DTED does not hold any collateral as security to 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.

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

33.2 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	249	130	529	908
2009				
Not Impaired:				
Receivables	395	7	6	408

Receivable 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 etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. They are carried at cost.

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

33.3 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	10 069	10 069	-	-
Receivables	100	-	100	-
Total financial assets	10 169	10 069	100	-
Financial liabilities:				
Payables	3 436	3 436	-	-
Total financial liabilities	3 436	3 436	-	-
2009				
Financial assets:				
Cash	27 415	27 415	-	-
Receivables	100	-	81	19
Total financial assets	27 515	27 415	81	19
Financial liabilities:				
Payables	2 897	2 897	-	-
Total financial liabilities	2 897	2 897	-	-

Liquidity risk

Liquidity risk arises where DTED is unable to meet its financial obligations as they fall due. DTED is funded principally from appropriation by the SA Government. DTED works with the 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. DTED 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.

DTED'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 33.1 represent DTED's maximum exposure to financial liabilities.

Market risk
Market risk through interest rate or price fluctuations is immaterial.

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

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.

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2010

A

B

C

D

E

F

H

I

J

L

M