Return to Work Corporation of South Australia

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chair of the Board of Management
Return to Work Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Inherent uncertainty – outstanding claims liability and funding ratio

Without qualification to the opinion expressed above, attention is drawn to notes 4, 9 and 10 of the financial report.

There is a significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in notes 9 and 10 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 6.

Basis for opinion

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

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

Responsibilities of the Chief Executive Officer and members of the Board for the financial report

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

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Return to Work Corporation of South Australia's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Andrew Richardson
Auditor-General
16 September 2019

ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	**2019 $'000**	2018 $'000
Premium revenue	7(a)	**510,026**	521,030
Cost of claims	8	**(826,827)**	(607,371)
Claims management fees		**(53,474)**	(61,645)
Tribunal and ombudsman fees	11	**(8,256)**	(8,343)
Underwriting result		**(378,531)**	(156,329)
Net investment profit	7(b)	**271,585**	218,879
Self-insured employer fee	7(c)	**12,023**	12,925
Other income		**296**	275
Net investment profit and other income		**283,904**	232,079
General operating expenses	12	**(58,790)**	(58,250)
Operating profit/(loss) before tax equivalents		**(153,417)**	17,500
Tax equivalents	13	**-**	-
Operating profit/(loss) after tax equivalents		**(153,417)**	17,500
Other comprehensive income - items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	14(d)	**-**	9,208
Total comprehensive result		**(153,417)**	26,708

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash	16	**2**	2
Trade and other receivables	17	**54,098**	63,359
Investments	18	**3,570,862**	3,230,703
Property, plant and equipment	19	**2,404**	3,180
Intangible assets	20	**3,898**	8,694
Total assets		**3,631,264**	3,305,938
Liabilities			
Trade and other payables	22	**14,934**	22,671
Outstanding claims	9, 10	**3,234,880**	2,748,862
Employee benefits	14(c)	**7,749**	6,901
Provisions	23	**139**	-
Total liabilities		**3,257,702**	2,778,434
Net assets		**373,562**	527,504
Equity			
Retained earnings		**373,562**	527,504
Total equity		**373,562**	527,504

Commitments	27
Employer financial guarantees	28
Self-Insured Insolvency Contribution Aggregate	29
Contingent liabilities	30

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2019

	Retained earnings $'000
Total equity at 1 July 2017	500,796
Total comprehensive result	26,708
Total equity at 30 June 2018	527,504
Total equity at 1 July 2018	527,504
Adjustment on adoption of AASB 9	(525)
Restated total equity at 1 July 2018	**526,979**
Total comprehensive result	**(153,417)**
Total equity at 30 June 2019	**373,562**

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Premium receipts		**586,613**	584,432
Claim recoveries		**10,648**	16,960
Other receipts		**326**	303
Claim and other related payments		**(367,618)**	(345,496)
Interest received		**37,571**	35,344
Dividends received		**71,220**	71,189
Other payments to suppliers and employees		**(121,491)**	(122,596)
GST		**(38,975)**	(38,990)
Tax equivalents paid		**-**	(73,371)
Investment expenses		**(6,944)**	(6,371)
Net cash flows from/(used in) operating activities	24	**171,350**	121,404
Cash flows from investing activities			
Proceeds from the sale of investments		**530,442**	1,271,631
Acquisition of property, plant and equipment		**(298)**	(266)
Acquisition of investments		**(681,975)**	(1,394,082)
Net cash flows from/(used in) investing activities		**(151,831)**	(122,717)
Net increase/(decrease) in cash and cash equivalents		**19,519**	(1,313)
Cash and cash equivalents at the beginning of the period		**126,309**	127,622
Cash and cash equivalents at the end of the period	16	**145,828**	126,309

The accompanying notes form part of these financial statements.

Contents of the notes to and forming part of the financial statements

Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia is a not-for-profit statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).

For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

Compensation Fund

The Compensation Fund was established on 30 September 1987 under Section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund

The Insurance Assistance Fund exists to support policies issued under Section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund

Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled 'Mining and Quarrying Industries Fund' which is divided into two parts:

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed act; and,

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in schedule 2 of the Work Health and Safety Act 2012.

Note 2 Statement of compliance

These financial statements are general purpose financial statements prepared in compliance with:

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

Note 2 Statement of compliance (continued)

For the 2018-19 financial statements RTWSA adopted AASB 9 - 'Financial Instruments' and is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019. Further information is provided in Note 31.

Note 3 Basis of preparation

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

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. The coverage provided is similar in nature to general insurance and accordingly the accounting standard AASB 1023 'General Insurance Contracts' is applied. RTWSA operates solely in the State of South Australia.

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, and intangible assets exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of the outstanding claims liability.

Outstanding claims liability

RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 9 and 10.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. RTWSA has adopted a risk margin of 14.0% for the Compensation Fund (2018: 15.0%) and 10.5% for the Statutory Reserve Fund (2018: 10.5%) and the Insurance Assistance Fund (2018: 10.5%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45.0% (2018: 45.0%) at 75% (2018: 75%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Limited.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The IBNR which relates principally to claims for asbestos related diseases affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2019, is $100,000.

Note 4 Use of judgements and estimates (continued)

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Premiums receivable

The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

Note 5 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2019 Total Funds $'000**	2018 Total Funds $'000
Premium revenue		510,026	-	-	-	-	**510,026**	521,030
Cost of claims		(829,555)	2,715	13	-	-	**(826,827)**	(607,371)
Claims management fees		(53,474)	-	-	-	-	**(53,474)**	(61,645)
Tribunal and ombudsman fees		(8,256)	-	-	-	-	**(8,256)**	(8,343)
Underwriting Result		(381,259)	2,715	13	-	-	**(378,531)**	(156,329)
Net investment profit		253,634	14,406	2,273	27	1,245	**271,585**	218,879
Self-insured employer fee		12,023	-	-	-	-	**12,023**	12,925
Other income		296	-	-	-	-	**296**	275
Net investment profit and other income		265,953	14,406	2,273	27	1,245	**283,904**	232,079
General operating expenses		(57,366)	-	-	-	(1,424)	**(58,790)**	(58,250)
Operating profit/(loss) before tax equivalents		(172,672)	17,121	2,286	27	(179)	**(153,417)**	17,500
Tax equivalents		-	-	-	-	-	-	-
Operating profit/(loss) after tax equivalents		(172,672)	17,121	2,286	27	(179)	**(153,417)**	17,500
Other comprehensive income - items that will not be reclassified to profit or loss								
Re-measurements of defined benefit liability		-	-	-	-	-	-	9,208
Total comprehensive result		(172,672)	17,121	2,286	27	(179)	**(153,417)**	26,708

Note 5 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2019

	Notes	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2019 Total Funds $'000**	2018 Total Funds $'000
Assets								
Cash		2	-	-	-	-	**2**	2
Trade and other receivables		54,053	-	-	-	45	**54,098**	63,359
Investments		3,340,056	185,563	29,385	342	15,516	**3,570,862**	3,230,703
Property, plant and equipment		2,404	-	-	-	-	**2,404**	3,180
Intangible assets		3,898	-	-	-	-	**3,898**	8,694
Total assets		3,400,413	185,563	29,385	342	15,561	**3,631,264**	3,305,938
Liabilities								
Trade and other payables		14,665	-	-	-	269	**14,934**	22,671
Outstanding claims	9, 10	3,166,978	67,620	182	100	-	**3,234,880**	2,748,862
Employee benefits		7,749	-	-	-	-	**7,749**	6,901
Provisions		139	-	-	-	-	**139**	-
Total liabilities		3,189,531	67,620	182	100	269	**3,257,702**	2,778,434
Net assets		210,882	117,943	29,203	242	15,292	**373,562**	527,504
Equity								
Retained earnings		210,882	117,943	29,203	242	15,292	**373,562**	527,504
Total earnings		210,882	117,943	29,203	242	15,292	**373,562**	527,504

Note 6 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2019 $'000	2018 $'000
Funded position	**373,562**	527,504
Funding percentage	**111.5%**	119.0%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

Note 7 Income

(a) Premium revenue

	2019 $'000	2018 $'000
Registered employer premium	**508,836**	519,646
Fines and penalties	**1,190**	1,384
Premium revenue	**510,026**	521,030

Premium revenue

Premiums are payable by all registered South Australian employers under the Act.

Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 22).

(b) Net Investment profit

	2019 $'000	2018 $'000
Dividends	**71,220**	71,189
Interest received	**37,571**	35,344
Change in net market values:		
Investment held at end of financial year	**193,624**	117,885
Investment realised during the financial year	**(24,517)**	253
Investment profit	**277,898**	224,671
Investment expenses	**(6,313)**	(5,792)
Net investment profit	**271,585**	218,879

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Note 7 Income (continued)

(c) Self-insured employer fee

	2019 $'000	2018 $'000
Self-insured employer fee - SA Government	**5,636**	5,761
Self-insured employer fee - Non SA Government	**6,387**	7,164
Self-insured employer fee	**12,023**	12,925

Note 8 Cost of claims

	Notes	2019 $'000	2018 $'000
Income support		**139,296**	116,313
Redemptions		**1**	1,132
Lump sum payments		**62,430**	48,419
Hospital treatment		**16,328**	14,393
Medical treatment		**67,437**	63,770
Vocational rehabilitation		**11,457**	13,387
Physiotherapy		**9,374**	8,892
Legal costs		**31,061**	31,596
Other		**21,890**	22,507
Claims paid		**359,274**	320,409
Less recoveries from other parties		**(9,680)**	(15,418)
Net claims paid		**349,594**	304,991
Increase/(decrease) in net outstanding claims liability	9, 10	**483,425**	293,957
Net self-insurer settlements		**(6,192)**	8,423
Cost of claims		**826,827**	607,371

Claim recoveries

Claims recoveries are made from a range of parties in accordance with the Act.

Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

Note 9 Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Notes	2019 $'000	2018 $'000
Expected future gross claims payments (undiscounted)		**4,154,355**	4,632,619
Discount to present value		**(1,376,304)**	(2,304,934)
Central estimate		**2,778,051**	2,327,685
Risk margin		**388,927**	349,153
Liability for outstanding claims		**3,166,978**	2,676,838
Recoveries	17	**(63,637)**	(61,044)
Net liability for outstanding claims		**3,103,341**	2,615,794
Current liability for outstanding claims		**429,108**	372,918
Non-current liability for outstanding claims		**2,737,870**	2,303,920
Total liability for outstanding claims		**3,166,978**	2,676,838
Change in liability for outstanding claims		**490,140**	291,040
Change in claim recoveries receivable		**(2,593)**	4,732
Movement in net outstanding claims liability		**487,547**	295,772
Weighted average expected term to settlement		**15.0 years**	15.0 years

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 302, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 75% (2018: 75%) probability of sufficiency as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 14.0% (2018: 15.0%) to bring the estimated net liability to a 75% (2018: 75%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Limited. Should the timing of cash flows vary from that projected by Finity Consulting Pty Limited then the proportions of the overall claims liability that are shown as current and non-current may vary.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(a) Outstanding claims (continued)
The RTW Scheme is designed to provide services and up to two years of income support and up to three years of medical support for workers injured at work together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 9(e).

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The increase in the outstanding claims liability includes the net impact of the decrease in the average discount rate from 3.33% at 30 June 2018 to 2.10% at 30 June 2019

Note 9(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year $'000	Prior years $'000	**2019 Total $'000**	Current year $'000	Prior years $'000	2018 Total $'000
Undiscounted						
Gross incurred	904,860	(1,094,167)	**(189,307)**	844,952	(842,149)	2,803
Recoveries	(12,873)	655	**(12,218)**	(11,983)	1,064	(10,919)
Net incurred	891,987	(1,093,512)	**(201,525)**	832,969	(841,085)	(8,116)
Discounted						
Gross incurred	687,954	204,426	**892,380**	548,633	102,122	650,755
Recoveries	(12,371)	(1,480)	**(13,851)**	(11,057)	171	(10,886)
Net incurred	675,583	202,946	**878,529**	537,576	102,293	639,869
Discount and discount movement						
Gross incurred	(216,906)	1,298,593	**1,081,687**	(296,319)	944,271	647,952
Recoveries	502	(2,135)	**(1,633)**	926	(893)	33
Net discount movement	(216,404)	1,296,458	**1,080,054**	(295,393)	943,378	647,985

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development

	Prior years* $'000	Year ended 30 June 2009 $'000	Year ended 30 June 2010 $'000	Year ended 30 June 2011 $'000	Year ended 30 June 2012 $'000	Year ended 30 June 2013 $'000	Year ended 30 June 2014 $'000	Year ended 30 June 2015 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2018 $'000	Year ended 30 June 2019 $'000
Estimate of ultimate claims cost**												
At the end of the year	6,236,406	471,917	506,902	527,850	625,012	665,173	574,982	353,734	406,719	411,384	421,395	534,781
One year later	6,179,126	480,472	487,196	586,296	616,974	602,689	403,139	373,333	407,683	407,586	466,182	-
Two years later	6,156,246	489,652	521,046	562,035	581,152	435,366	400,500	339,167	409,268	436,585	-	-
Three years later	6,139,115	517,651	499,973	545,014	415,185	448,842	387,006	364,908	422,385	-	-	-
Four years later	6,193,759	525,857	515,277	448,017	416,116	433,620	401,390	384,569	-	-	-	-
Five years later	6,221,011	542,833	420,122	429,945	413,940	426,533	413,075	-	-	-	-	-
Six years later	6,204,109	415,349	432,573	405,541	415,322	446,462	-	-	-	-	-	-
Seven years later	5,998,347	406,873	416,154	415,383	413,659	-	-	-	-	-	-	-
Eight years later	6,045,267	397,925	418,988	420,175	-	-	-	-	-	-	-	-
Nine years later	5,999,256	403,565	411,132	-	-	-	-	-	-	-	-	-
Ten years later	6,079,004	403,051	-	-	-	-	-	-	-	-	-	-
Eleven years later	6,089,358	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**	6,089,358	403,051	411,132	420,175	431,659	446,462	413,075	384,569	422,385	436,585	466,182	534,781
Cumulative payments**	5,836,774	363,267	342,631	344,108	344,472	335,053	291,807	241,711	240,232	209,406	165,375	73,452
Outstanding payments**	252,584	39,784	68,501	76,067	87,187	111,409	121,268	142,858	182,153	227,179	300,807	461,329
Discount adjustment***	251,786	14,671	21,000	19,798	17,794	17,155	14,422	13,052	12,062	10,386	9,036	6,835
Net outstanding claims	504,370	54,455	89,501	95,865	104,981	128,564	135,690	155,910	194,215	237,565	309,843	468,164

* Development of incurred cost estimate as at 30 June 2009 for accidents prior to 30 June 2008.

** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development (continued)

	2019 $'000	2018 $'000
Prior years	**504,370**	500,715
Year ended 30 June 2009	**54,455**	58,308
Year ended 30 June 2010	**89,501**	102,907
Year ended 30 June 2011	**95,865**	92,184
Year ended 30 June 2012	**104,981**	88,323
Year ended 30 June 2013	**128,564**	112,101
Year ended 30 June 2014	**135,690**	128,955
Year ended 30 June 2015	**155,910**	148,841
Year ended 30 June 2016	**194,215**	208,672
Year ended 30 June 2017	**237,565**	263,263
Year ended 30 June 2018	**309,843**	365,535
Year ended 30 June 2019	**468,164**	-
Net outstanding claims	**2,479,123**	2,069,804
Claims handling expenses	**243,105**	204,800
Risk margin	**381,113**	341,190
Net liability for outstanding claims	**3,103,341**	2,615,794

(d) Maturity profile

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2019	417,859	495,103	244,522	390,673	579,261	975,923	3,103,341
2018	361,657	427,749	212,916	335,513	480,917	797,042	2,615,794

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2019	2018
Economic Assumptions		
Inflation rate - income support	0.00% to 2.50%	0.00% to 3.40%
Inflation - medical, legal and other costs	2.10% to 2.60%	2.30% to 3.65%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 2.00%
Superimposed inflation rate - other	0.00% to 2.00%	0.00% to 2.00%
Discount rate	2.10%	3.33%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.60%	9.60%
Risk margin	14.00%	15.00%

Note 9 Outstanding claims liability - Compensation Fund (continued)

(e) Key assumptions (continued)

Finity Consulting Pty Limited has made a range of assumptions relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers (assessed as having a whole person impairment (WPI) greater than 30%)
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability $'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (1% gap between inflation and discount rate)	(518)	(17%)
Weak economic conditions (-1% gap)	431	14%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	436	14%
Impact of a 6 year increase in the life expectancy of catastrophic injury claims	466	15%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	236	8%

In conducting its valuation, Finity Consulting Pty Limited modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability.

Note 10 Outstanding claims liability - Other Funds

(a) Outstanding claims - SRF and IAF

	SRF $'000	IAF $'000	**2019 Combined $'000**	2018 Combined $'000
Open claims	3,061	-	**3,061**	3,413
Total incurred but not yet reported (IBNR)	40,649	116	**40,765**	43,116
Claims handling expenses	3,715	10	**3,725**	3,955
Central estimate	47,425	126	**47,551**	50,484
Risk margin	20,195	56	**20,251**	21,440
Net liability for outstanding claims	67,620	182	**67,802**	71,924

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2018: 75%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2019 due to exposure prior to 30 June 2019. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile - SRF and IAF
The expected maturity of the discounted net outstanding claims provision is analysed below.

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2019	3,121	5,516	6,243	15,338	24,154	13,430	67,802
2018	3,353	6,132	6,930	16,359	25,271	13,879	71,924

Note 10 Outstanding claims liability - Other Funds (continued)

(c) Movement in liability - SRF and IAF

	SRF 2019 $'000	2018 $'000	Change $'000	IAF 2019 $'000	2018 $'000	Change $'000
Asbestos related						
Reported	1,903	2,268	(365)	-	-	-
IBNR / re-opened claims	40,509	42,820	(2,311)	116	124	(8)
	42,412	45,088	(2,676)	116	124	(8)
Non-asbestos related						
Reported	1,158	1,145	13	-	-	-
IBNR / re-opened claims	140	172	(32)	-	-	-
	1,298	1,317	(19)	-	-	-
Central estimate	43,710	46,405	(2,695)	116	124	(8)
Claims handling expenses	3,715	3,944	(229)	10	11	(1)
Risk margin	20,195	21,380	(1,185)	56	60	(4)
Total outstanding claims liability	67,620	71,729	(4,109)	182	195	(13)

(d) Key assumptions
The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2019	2018
Inflation rate		
asbestos claims	4.50%	5.00%
non-asbestos claims	2.50%	3.00%
Discount rate	1.67%	2.94%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	10.50%
IBNR claims	45.00%	45.00%

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions
The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

(f) Mining and Quarrying Industries Fund - Silicosis liability
The 30 June 2019 triennial valuation undertaken by Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being $100,000.

Note 10 Outstanding claims liability - Other Funds (continued)

(g) Summary of Other Funds

	2019 $'000	2018 $'000
Statutory reserve fund	**67,620**	71,729
Insurance assistance fund	**182**	195
Mining and quarrying industries fund	**100**	100
Net liability for outstanding claims	**67,902**	72,024
Current liability for outstanding claims	**3,121**	3,353
Non-current liability for outstanding claims	**64,781**	68,671
Total liability for outstanding claims	**67,902**	72,024
Change in liability for outstanding claims	**(4,122)**	(1,815)

Note 11 Tribunal and ombudsman fees

	2019 $'000	2018 $'000
South Australian Employment Tribunal	**7,620**	7,810
Ombudsman funding	**636**	533
Total tribunal and ombudsman fees	**8,256**	8,343

Note 12 General operating expenses

	Notes	2019 $'000	2018 $'000
Employee benefits	14	**31,975**	29,750
Depreciation		**1,047**	1,287
Amortisation		**4,796**	4,712
Expenses relating to operating leases		**2,606**	2,520
Other operating costs		**18,366**	19,981
Total general operating expenses		**58,790**	58,250

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were $412,700 (2018: $405,000). No other services were provided by the Auditor-General's Department.

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

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

	No.	2019 $'000	No.	2018 $'000
Below $10,000	**2**	**9**	-	-
$10,000 or above	**9**	**1,601**	5	1,952
Total	**11**	**1,610**	5	1,952

Note 13 Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office.

Note 14 Employee benefits

	2019 $'000	2018 $'000
Salaries and wages	**27,588**	26,143
Long service leave	**1,202**	522
Annual leave	**334**	569
Skills and experience retention leave	**58**	30
Contributions to defined contribution plans	**2,793**	2,486
Total employee benefits expenses	**31,975**	29,750

(a) Key management personnel
Key leadership personnel RTWSA include the Minister, Board members, the Chief Executive Officer and members of the Executive Team. The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990.

	2019 $'000	2018 $'000
Compensation		
Salaries and other short-term employee benefits	**2,238**	2,249
Post-employment benefits	**212**	210
Total	**2,450**	2,459

Note 14 Employee benefits (continued)

(b) Remuneration of Employees

	2019 No.	2018 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
$149,000 to $151,000*	-	3
$151,001 to $171,000	15	11
$171,001 to $191,000	6	2
$211,001 to $231,000	4	5
$231,001 to $251,000	-	3
$251,001 to $271,000	3	2
$291,001 to $311,000	1	1
$351,001 to $371,000	-	1
$371,001 to $391,000	1	-
$531,001 to $551,000	1	1
Total	31	29

The table includes all employees who received Normal Remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments in respect of certain employees whose employment terminated in the financial year. The total remuneration received by those employees for the year was $6.3 million (2018: $6.1 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

(c) Liability for employee benefits

	2019 $'000	2018 $'000
Current		
Accrued salaries and wages	487	466
Annual leave	1,942	1,967
Skills and experience retention leave	69	70
Long service leave	2,769	2,499
	5,267	5,002
Non-current		
Long service leave	2,482	1,899
Total employee benefits	7,749	6,901

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave

Employee benefits accrue 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.

The liability of salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

Note 14 Employee benefits (continued)

(c) Liability for employee benefits (continued)
The annual leave liability and the skills and experience retention leave liability are expected to be payable in full within 12 months and are measured at the undiscounted amount expected to be paid.

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2.50% at 30 June 2018 to 1.25% at 30 June 2019.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is an increase in the long service liability of $0.5 million and employee benefits expense of $0.6 million. The impact of future periods is impracticable to estimate as the long service leave is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance maintained the salary inflation rate at 4.00% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The unconditional portion of the long service leave provision is classified as current as RTWSA does not have an unconditional right to defer the settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after ten years of service.

(d) Movement in net liability for defined benefit obligations

	2019 $'000	2018 $'000
Balance at 1 July	-	(10,078)
Included in other comprehensive income		
Re-measurement gain:		
- Actuarial gain/(loss)	-	9,208
Other		
Employer Contributions	-	870
Balance at 30 June	-	-

(e) Reconciliation of the present value of the defined benefit obligation

	2019 $'000	2018 $'000
Opening present value of defined benefit obligations	-	27,398
Actuarial (gains)/losses:		
- Impact of changes in financial assumptions	-	(9,208)
De-recognition on payment of net liability to Super SA	-	(18,190)
Closing present value of defined benefit obligations	-	-

Note 14 Employee benefits (continued)

(e) Reconciliation of the present value of the defined benefit obligation (continued)
Employee benefits - defined benefits superannuation plan

In years prior to 30 June 2018 RTWSA applied AASB 119 in reporting its contributions and commitments to defined benefit superannuation plans with the State Superannuation Scheme. This was due to RTWSA having outstanding commitments for past service liabilities.

During the year ended 30 June 2018, after discussion with Super SA, an external actuarial valuation review was completed to determine RTWSA's superannuation past service liabilities deficit as of 30 June 2017. The deficit amount of $870,000 was paid by RTWSA to extinguish its liability.

As a consequence of clearing the past service liability the superannuation contributions paid by RTWSA to the State Superannuation Scheme and other superannuation schemes 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 scheme. The impact from the unwinding of AASB 119 reporting was accounted for within Other Comprehensive Income for the year ended 30 June 2018.

Note 15 Remuneration of board and committee members

Members during the financial year ended 30 June 2019 were:

Member	Appointed / Resigned	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee
Ms. J Denley		Member	-	Member	Chair
Dr. W Griggs		Member	Member	-	Member
Mr. C Latham		Member	Chair	-	-
Mr. N McBride		Member	-	Member	Member
Mr. G McCarthy	Appointed 1 March 2019	Chair	Member	-	Member
Ms. E Perry	Appointed 13 February 2019	Member	-	-	-
Ms. Y Sneddon		Member	-	Chair	-
Mr. J Szakács	Resigned 11 February 2019	Member	Member	-	-
Ms. J Yuile	Resigned 12 February 2019	Member	-	-	Member

Mr. G McCarthy was appointed Chair on 1 March 2019 and Ms. J Denley ceased as Chair on 28 February 2019.

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

	2019	2018
$0 to $20,000	1	-
$20,001 to $40,000	1	-
$40,001 to $60,000	2	-
$60,001 to $80,000	4	6
$80,001 to $100,000	1	-
$100,001 to $120,000	-	1

The total remuneration received and receivable by board members was $476,000 (2018: $490,000) which includes superannuation contributions.

The Minster's Advisory Committee is established under section 171 of the Return to Work Act 2014 (the Act). Its role includes advising the Minister for Industrial Relations on the operation of the Act. The members remuneration paid/payable was $61,000 (2018: $45,000). Members of the Committee include M. Atchison (Presiding Member), L. Birch, D. Blairs, E.Dabars, P. Jezukaitis, E. van der Linden, A. Moeller, S. Myatt and R. Paterson, as appointed to the Committee on 23 January 2018 by His Excellency, the Governor in Executive Council.

Remuneration for this committee is not included in the board and committee remuneration table.

Note 16 Cash and cash equivalents

	Notes	2019 $'000	2018 $'000
Cash		**2**	2
Cash equivalents		**145,826**	126,307
Cash and cash equivalents in the Statement of Cash Flows		**145,828**	126,309

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

Note 17 Trade and other receivables

	Notes	2019 $'000	2018 $'000
Current receivables			
Trade receivables - non government entities		**11,771**	27,112
Less allowance for doubtful debts		**(7,600)**	(10,555)
		4,171	16,557
Refunds		**(13,711)**	(14,249)
Recoverable claim payments	9	**11,249**	11,261
Sundry debtors and prepayments		**1**	7
Total current receivables		**1,710**	13,576
Non-current receivables			
Recoverable claim payments	9	**52,388**	49,783
Total non-current receivables		**52,388**	49,783
Total trade and other receivables		**54,098**	63,359
Impairment of receivables			
Opening balance under AASB 139		**(10,555)**	(7,676)
Adjustments on initial adoption of AASB 9		**(525)**	-
Closing balance		**(11,080)**	(7,676)
Amounts written off		**5,954**	6,911
Increase in allowance recognised		**(2,474)**	(9,790)
Closing Balance		**7,600**	10,555

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. Allowances for doubtful debts are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. Bad debts are written off when identified.

Note 18 Investments

	2019 $'000	2018 $'000
Deposits with financial institutions	**235,952**	267,700
Government/semi-government securities	**852,813**	731,463
Non-government debt instruments	**436,468**	395,401
Securities listed on the Australian Stock Exchange	**375,151**	339,916
Securities listed on overseas stock exchanges	**935,437**	856,660
Unit Trust – unlisted property, infrastructure and private debt assets	**728,628**	649,209
Derivatives	**6,413**	(9,646)
Total investments	**3,570,862**	3,230,703
Current	**337,909**	370,880
Non-current	**3,232,953**	2,859,823
Total investments	**3,570,862**	3,230,703

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

Note 19 Property, plant and equipment

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Fair value			
Balance at 1 July 2017	6,775	2,998	9,773
Additions	-	158	158
Disposals	-	(1,590)	(1,590)
Balance at 30 June 2018	6,775	1,566	8,341
Balance at 1 July 2018	6,775	1,566	8,341
Additions	-	271	271
Disposals	-	(1,019)	(1,019)
Balance at 30 June 2019	6,775	818	7,593
Depreciation			
Balance at 1 July 2017	(3,429)	(2,035)	(5,464)
Depreciation charge	(677)	(610)	(1,287)
Disposals	-	1,590	1,590
Balance at 30 June 2018	(4,106)	(1,055)	(5,161)
Balance at 1 July 2018	(4,106)	(1,055)	(5,161)
Depreciation charge	(678)	(369)	(1,047)
Disposals	-	1,019	1,019
Balance at 30 June 2019	(4,784)	(405)	(5,189)
Carrying Amounts			
At 30 June 2018	2,669	511	3,180
At 30 June 2019	1,991	413	2,404

All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value.

Refer to Note 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2019	2018
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications and general office equipment	3-5	3-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 20 Intangible assets

	IT development and software $'000
Cost	
Balance at 1 July 2017	44,882
Additions	84
Balance at 30 June 2018	44,966
Balance at 1 July 2018	44,966
Balance at 30 June 2019	44,966
Amortisation	
Balance at 1 July 2017	(31,560)
Amortisation Charge	(4,712)
Balance at 30 June 2018	(36,272)
Balance at 1 July 2018	(36,272)
Amortisation Charge	(4,796)
Balance at 30 June 2019	(41,068)
Carrying Amounts	
At 30 June 2018	8,694
At 30 June 2019	3,898

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised can include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where RTWSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is three to ten years.

The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Note 21 Fair value measurement (non-financial assets)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

In determining fair value, the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible) have been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Balance at 1 July 2017	3,346	963	4,309
Additions	-	158	158
Depreciation	(677)	(610)	(1,287)
Disposals	-	-	-
Balance at 30 June 2018	2,669	511	3,180
Balance at 1 July 2018	2,669	511	3,180
Additions	-	271	271
Depreciation	(678)	(369)	(1,047)
Disposals	-	-	-
Balance at 30 June 2019	1,991	413	2,404

Total losses for level 3 non-financial assets in the period included in general operating expenses:

	$'000
2018	(1,287)
2019	(1,047)

Note 22 Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	**13,880**	21,749
Unearned premiums	**125**	38
Employment on-costs	**681**	688
Non-current		
Employment on-costs	**248**	196
Total trade and other payables	**14,934**	22,671

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs include payroll tax, RTWSA premium and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

RTWSA 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 the reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained constant at 41% and the average factor for the calculation of employer superannuation on-costs has changed from 10.1% in 2018 to 9.8% in 2019. These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

Note 23 Provisions

	2019 $'000	2018 $'000
Balance at the start of the year	**-**	4,343
Provisions made/(written back) during the year	**139**	(33)
Provisions used during the year	**-**	(4,310)
Balance at the end of the year	**139**	-

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2019. The redundancy provision was calculated in accordance with the RTWSA Award 2018 and RTWSA Enterprise Agreement 2018.

Note 24 Reconciliation of comprehensive result to net cash flows from operating activities

	2019 $'000	2018 $'000
Total comprehensive result	**(153,417)**	26,708
Depreciation	**1,047**	1,287
Amortisation	**4,796**	4,712
Net loss on sale of non-current assets	**-**	-
Investment (profit)	**(277,898)**	(224,671)
Dividends received	**71,220**	71,189
Interest received	**37,571**	35,344
Increase/(decrease) in payables	**(7,710)**	3,812
(Increase)/decrease in receivables	**8,736**	2,073
Increase/(decrease) in outstanding claims liability	**486,018**	289,225
Increase/(decrease) in employee benefits	**848**	(10,561)
Increase/(decrease) in tax equivalents provision	**-**	(73,371)
Increase/(decrease) in provisions	**139**	(4,343)
Net cash flows from operating activities	**171,350**	121,404

Note 25 Risk management

(a) Overview

RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement which is reviewed annually
- the establishment and regular review by the Board and management of a corporate risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Note 25 Risk management (continued)

(a) Overview (continued)
The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk
As set out in Note 1, RTWSA provides insurance protection in the event of work-related injury, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than $13,041 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and premium setting policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 53,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 9 and 10. A key control utilised by RTWSA in seeking to ensure the adequacy of the claims provision is the regular completion of actuarial valuations:

- Compensation Fund - every six months
- Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- IBNR arising from asbestos related matters - every twelve months with a more detailed review every two years
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk
Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

Note 25 Risk management (continued)

(d) Financial risk
RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework

RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 2.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements. However any variance to the target is required to be within Board approved limits.

Note 25 Risk management (continued)

(d) Financial risk (continued)
The composition of each asset group at 30 June 2019 was:

	Deposits With Financial Institutions $'000	Government / semi - Government Securities $'000	Non-Government Debt Instruments $'000	Securities listed on the Australian stock exchange $'000	Securities listed on overseas stock exchanges $'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets $'000	Derivatives $'000	Total $'000
Cash	145,826	-	-	-	-	-	-	145,826
Fixed interest	7,028	244,944	117,562	-	-	-	712	370,246
Inflation Linked Securities	41,192	607,869	76,333	-	-	-	(27)	725,367
Australian Equities	5,220	-	-	353,518	-	-	13	358,751
Overseas Equities - hedged	-	-	-	-	263,140	-	1,848	264,988
Overseas Equities - unhedged	-	-	-	-	383,907	-	-	383,907
Property & Infrastructure	9,689	-	-	21,633	288,390	508,422	1,656	829,790
Alternative income	26,997	-	242,573	-	-	220,206	2,211	491,987
	235,952	852,813	436,468	375,151	935,437	728,628	6,413	3,570,862

The composition of each asset group at 30 June 2018 was:

	Deposits With Financial Institutions $'000	Government / semi - Government Securities $'000	Non-Government Debt Instruments $'000	Securities listed on the Australian stock exchange $'000	Securities listed on overseas stock exchanges $'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets $'000	Derivatives $'000	Total $'000
Cash	126,307	-	-	-	-	-	-	126,307
Fixed interest	11,630	205,457	119,761	-	-	-	753	337,601
Inflation Linked Securities	48,163	524,507	79,125	-	-	-	(218)	651,577
Australian Equities	3,590	-	-	322,576	-	-	19	326,185
Overseas Equities - hedged	-	-	-	-	235,648	-	(4,929)	230,719
Overseas Equities - unhedged	-	-	-	-	378,028	-	-	378,028
Property & Infrastructure	11,880	-	-	17,340	242,984	481,453	(5,338)	748,319
Alternative income	66,130	1,499	196,515	-	-	167,756	67	431,967
	267,700	731,463	395,401	339,916	856,660	649,209	(9,646)	3,230,703

Use of derivatives

In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market

Note 25 Risk management (continued)

(d) Financial risk (continued)

- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers risk management policies and RTWSA's Derivatives Policy and Fund Manager Guidelines. Where there is inconsistency, RTWSA's Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentially maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Futures contracts

- RTWSA invests across a range of markets. Futures contracts give investors the ability to increase or decrease exposure to these markets with very low transaction costs
- the gain or loss on outstanding futures contracts as at the reporting period are taken up in the financial statements as an unrealised gain or loss based on the fair value as at the end of the reporting period
- futures contracts are predominantly used for transactional efficiency and value added strategies.

Credit risk - investments

Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

RTWSA manages its exposure to credit risk related to fixed interest and cash investments through its Investment Strategy and Investment Guidelines, which incorporate credit limits. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

Note 25 Risk management (continued)

(d) Financial risk (continued)
The following tables outline RTWSA's credit risk exposure within the major debt securities asset classes as at balance date.

As at 30 June 2019:

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB/B $'000	$'000	Total $'000
Cash	115,826	30,000	-	-	-	-	-	-	-	145,826
Fixed interest	-	-	-	269,376	73,907	14,539	11,712	-	712	370,246
Inflation linked securities	38,546	-	-	556,851	77,576	35,821	16,600	-	(27)	725,367
Alternative income	-	-	-	51,923	25,580	123,859	207,068	19,887	63,670	491,987
	154,372	30,000	-	878,150	177,063	174,219	235,380	19,887	64,355	1,733,426

As at 30 June 2018:

	Short-term issue ratings*			Long-term issue ratings**					Not rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB/B $'000	$'000	Total $'000
Cash	126,307	-	-	-	-	-	-	-	-	126,307
Fixed interest	10,156	1,474	-	224,102	67,710	22,061	11,345	-	753	337,601
Inflation linked securities	48,163	-	-	512,829	32,341	43,246	15,216	-	(218)	651,577
Alternative income	51,370	8,265	6,495	66,132	21,992	89,172	146,682	17,885	23,974	431,967
	235,996	9,739	6,495	803,063	122,043	154,479	173,243	17,885	24,509	1,547,452

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to trade receivables which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due, under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

30.0% of RTWSA's trade receivables were past due greater than 30 days (2018: 4.7%). The ageing of RTWSA's trade receivables at the reporting date was:

Note 25 Risk management (continued)

(d) Financial risk (continued)

	2019 $'000	2018 $'000
Not past due	**2,296**	15,564
Past due 1-30 days	**623**	218
Past due 31-60 days	**1,077**	587
Past due 61 days to one year	**175**	188
	4,171	16,557

There were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. At least 20% of RTWSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 86.1% (2018: 85.5%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities, excluding outstanding claims, based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 9 & 10.

As at 30 June 2019:

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 Years $'000	No Term $'000	Total $'000
Trade and other payables	14,686	248	-	-	-	14,934

As at 30 June 2018:

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 years $'000	No Term $'000	Total $'000
Trade and other payables	22,475	196	-	-	-	22,671

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect RTWSA'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.

RTWSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Note 25 Risk management (continued)

(d) Financial risk (continued)
Currency risk

RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 40% of the international equity securities are covered by forward exchange contracts, whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our material un-hedged major currency exposures. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
30 June 2019				
US Dollar (10% movement)	(17,612)	17,612	(17,612)	17,612
Euro (10% movement)	(3,218)	3,218	(3,218)	3,218
China (10% movement)	(2,525)	2,525	(2,525)	2,525
JPY (10% movement)	(2,203)	2,203	(2,203)	2,203
Sterling (10% movement)	(1,603)	1,603	(1,603)	1,603
Other (10% movement)	(11,313)	11,313	(11,313)	11,313
30 June 2018				
US Dollar (10% movement)	(17,332)	17,332	(17,332)	17,332
Euro (10% movement)	(3,404)	3,404	(3,404)	3,404
China (10% movement)	(1,745)	1,745	(1,745)	1,745
JPY (10% movement)	(2,362)	2,362	(2,362)	2,362
Sterling (10% movement)	(1,825)	1,825	(1,825)	1,825
Other (10% movement)	(10,913)	10,913	(10,913)	10,913

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA's defensive or low risk exposure to provide capital stability and secure income. RTWSA's investments in interest bearing securities consist largely of marketable securities.

RTWSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Note 25 Risk management (continued)

(d) Financial risk (continued)

		Profit or loss		Equity	
		Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
1% interest rate movement - interest bearing investments					
	2019	(95,802)	95,802	(95,802)	95,802
	2018	(71,189)	71,189	(71,189)	71,189

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities asset groups on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Listed Securities				
30 June 2019				
Domestic securities - (20% movement)	75,030	(75,030)	75,030	(75,030)
International securities - (20% movement)	187,087	(187,087)	187,087	(187,087)
30 June 2018				
Domestic securities - (20% movement)	67,983	(67,983)	67,983	(67,983)
International securities - (20% movement)	171,332	(171,332)	171,332	(171,332)

Fair value measurements

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

Note 25 Risk management (continued)

(d) Financial risk (continued)
The following tables present RTWSA's investments measured and recognised at fair value. There have been no transfers between levels during the period.

At 30 June 2019:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with financial institutions	235,952	-	-	235,952
Government / semi-government securities	852,813	-	-	852,813
Non-government debt instruments	436,468	-	-	436,468
Securities listed on the Australian Stock Exchange	375,151	-	-	375,151
Securities listed on overseas stock exchanges	935,437	-	-	935,437
Unit Trusts - unlisted property and debt security assets	220,206	310,400	-	530,606
Unit Trusts - unlisted infrastructure	-	-	198,022	198,022
Derivatives	-	6,413	-	6,413
Total investments at fair value through profit and loss	3,056,027	316,813	198,022	3,570,862

At 30 June 2018:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with financial institutions	267,700	-	-	267,700
Government / semi-government securities	731,463	-	-	731,463
Non-government debt instruments	395,401	-	-	395,401
Securities listed on the Australian Stock Exchange	339,916	-	-	339,916
Securities listed on overseas stock exchanges	856,660	-	-	856,660
Unit Trusts - unlisted property and debt security assets	167,756	297,614	-	465,370
Unit Trusts - unlisted infrastructure	-	-	183,839	183,839
Derivatives	-	(9,646)	-	(9,646)
Total investments at fair value through profit and loss	2,758,896	287,968	183,839	3,230,703

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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note 25 Risk management (continued)

(d) Financial risk (continued)
All of the resulting fair value estimates are included in level 2 except for unlisted infrastructure assets.

The following table presents the changes in level 3 instruments for the years ended 30 June 2019 and 2018:

	Financial year ended 30 June 2019 $'000	Financial year ended 30 June 2018 $'000
Unit Trusts - unlisted infrastructure		
Opening balance	**183,839**	169,791
Contributions	**3,185**	1,796
Withdrawals	**(1,434)**	-
Gains recognised in investment profit	**12,432**	12,252
Closing balance	**198,022**	183,839

Note 26 Related party transactions

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government.

Related parties of RTWSA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Note 27 Commitments

RTWSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Office Leases $'000	Motor Vehicles $'000	**2019 Total $'000**	Office Leases $'000	Motor Vehicles $'000	2018 Total $'000
Within one year	2,446	101	**2,547**	2,387	189	2,576
Later than one year but not longer than five years	5,244	102	**5,346**	7,748	121	7,869
	7,690	203	**7,893**	10,135	310	10,445

A Memorandum of Understanding is in place between RTWSA and the Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure, regarding the lease of office space at 400 King William Street Adelaide.

RTWSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

Note 28 Employer financial guarantees

Under section 129 of the Act, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2019, RTWSA held security to the value of $274.2 million in financial guarantees or other approved substituted financial securities, for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

Note 28 Employer financial guarantees (continued)

Under the terms of the retro paid loss contracts, RTWSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2019, RTWSA held security to the value of $28.2 million in financial guarantees for retro paid loss employers. These guarantees are held in the event of a retro paid loss employer no longer being able to meet its premium liability.

Note 29 Self-Insured Insolvency Contribution Aggregate

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate ("SIICA") is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2019 is $54.3 million (2018: $53.4 million).

Note 30 Contingent liabilities

The normal course of business may generate exposure to contingent liabilities in relation to claims litigation for the four RTWSA funds. The result of such litigation may result in a liability to RTWSA different to that recognised in the financial statements.

Provisions are made in outstanding claims for obligations that are probable and quantifiable.

There are no individually significant amounts not provided for or that are considered likely to have a material impact on net liabilities.

Note 31 Changes in accounting policy

(a) Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the Treasurer's Instructions (Accounting Policy Statements) 2019 were issued by the Treasurer under the Public Finance and Audit Act 1987. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- removal of the additional requirement to report a statement of equity for administered items
- increasing the bands from $10,000 to $20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in Note 32.

Note 31 Changes in accounting policy (continued)

(b) AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, RTWSA adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

• AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In the prior year, this information was presented as part of other operating costs.

• AASB 7 Financial Instruments: Disclosures requires amended disclosure due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the Treasurer's Instructions (Accounting Policy Statements), AASB 9 Financial Instruments was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

The total impact on RTWSA's retained earnings as at 1 July 2018 is as follows:

	2019 **$'000**
Closing earnings 30 June 2018 - AASB 139	**527,504**
Adjustment to retained earnings from adoption of AASB 9	**(525)**
Opening retained earnings 1 July 2018 - AASB 139	**526,979**

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. Trade receivables are subject to AASB 9's new expected credit loss model. The model generally results in earlier recognition of credit losses than the previous one.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. RTWSA has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in an increase of the loss allowance on 1 July 2018 of $525,000 for trade receivables external to government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Note 32 Impact of standards and statements not yet implemented

RTWSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet implemented and changes to Accounting Policy Statements issued by the Treasurer.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for the 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in Note 31. There are no Accounting Policy Statements that are not yet effective.

The material impacts on RTWSA are outlined below:

(a) AASB 16 - Leases

RTWSA will adopt AASB 16 - Leases from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 Determining whether an arrangement contains a lease, Interpretation 115 Operating Leases - Incentives and Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Impact on the 2019-20 financial statements

RTWSA has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the Treasurer's Instructions (Accounting Policy Statements).

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities recognised in the Statement of Financial Position for the first time.

AASB 16 is expected to have a material impact on the Statement of Financial Position. RTWSA has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by RTWSA prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were the South Australian Government Financing Authority's interest rates for principal and interest loans to SA Government agencies for 1 July 2019.

The estimated impact is set out below:

	as at 1 July 2019 $'000
Right-of-use assets	7,707
Lease liabilities	(7,707)
Net impact on equity	-

Note 32 Impact of standards and statements not yet implemented (continued)

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in general operating expenses will mostly be replaced with:

• a depreciation expense that represents the use of the right-of-use asset: and

• borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on the 2019-20 Statement of Comprehensive Income is set out below:

	2020 $'000
Depreciation	2,586
Operating lease costs	(2,524)
Borrowing costs	91
Net impact on operating profit/(loss)	153

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that RTWSA must adopt for the transition from AASB 117 Leases to AASB 16 Leases. These requirements include that RTWSA will:

• apply AASB 16 retrospectively. The cumulative effect of initially applying the standard will be recognised at 1 July 2019. Comparatives will not be restated.
• only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that RTWSA will:

• not apply AASB 16 to leases of intangible assets
• adopt $15,000 at the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
• apply the short-term leases recognition exemption for all classes of underlying asset.
• separate non-lease components from lease components.
• adopt the revaluation model, where permitted.
• where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
• on initial recognition not record at fair-value, leases that have significantly below-market terms and conditions principally to enable RTWSA to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

(b) AASB 15 - Revenue from contracts with customers

A standard based on the principle that revenue is recognised when control of a good or service transfers to a customer; replacing the existing notion of risks and rewards. (AASB 2016-7 Amendments to Australian Accounting Standards deferred start of standard for NFP entities).

Application date for NFP entities is 1 July 2019.

No impact expected on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and expected from 2022-23, AASB 17.

Note 32 Impact of standards and statements not yet implemented (continued)

(c) AASB 1058 - Income of not-for-profit entities

A standard designed to capture income transactions not reported under AASB 15. The timing of income recognition will depend on whether there is any performance obligation.

Application date is 1 July 2019.

No impact expected on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and expected from 2022-23, AASB 17.

(d) AASB 17 - Insurance Contracts

A comprehensive standard for all insurance contracts (Life, General and Health) replacing AASB 4, AASB 1023 and AASB 1038.

Application date is 1 July 2021, subject to a proposed deferral to 1 July 2022.

There will be significant changes in terminology, presentation and disclosure, including making a choice on whether changes in discount rates and other market variables are accounted for in Comprehensive Income or in Other Comprehensive Income.

Note 33 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2019.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2019

In our opinion the attached general purpose financial statements for the Return to Work Corporation of South Australia:

- comply with relevant Treasurer's instructions issued under section 41 of the Public Finance and Audit Act 1987, and comply with relevant accounting standards;
- are in accordance with the accounts and records of the Return to Work Corporation of South Australia; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2019 and the results of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and the preparation of these general purpose financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.

G. McCarthy
Chair

R. Cordiner
Chief Executive Officer

D. Quirk
Chief Financial Officer

9 September 2019