

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2001

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PART B

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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VOLUMES I, II AND III

ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

Part B — Volumes I, II and III of the Report of the Auditor-General contains the Financial Statements of and, comments concerning, the operations of those public sector agencies that I am required by law to audit and that are defined by the *Public Finance and Audit Act 1987* as 'public authorities'. Where appropriate, graphs and tables have been used to illustrate selected information.

Consistent with last year, Audit comment and the Financial Statements of agencies, are presented on a ministerial portfolio responsibility basis.

AGENCIES NOT INCLUDED IN THIS REPORT

In preparing this Report every effort is made to ensure that only matters which are relevant, appropriate and timely are included. Subsection 36(2) of the *Public Finance and Audit Act 1987* provides the Auditor-General with a discretionary power to choose which agencies are excluded from this Report.

The following factors are taken into consideration in determining which agencies are to be included in this Report:

- materiality of financial operations
- materiality of any impact on the public finances
- consolidation of the financial operations in the Parent Entity's Financial Statements included in this Report
- timeliness of information
- materiality of issues arising from the audit
- public interest.

A number of the agencies excluded from the Report are required to prepare an Annual Report in accordance with the requirements of the *Public Sector Management Act 1995*. In addition, Treasurer's Instruction 19 requires that each Chief Executive Officer must ensure that the Annual Report, which is required to be submitted to the responsible Minister in accordance with the *Public Sector Management Act 1995* and Regulations, or other legislation, includes the general purpose financial statements in the form in which they were presented to the Auditor-General, together with a copy of the Report of the Auditor-General on the statements.

SUPPLEMENTARY REPORT

There are also agencies whose Financial Statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The Financial Statements for and commentary on the operations of, the following agencies and superannuation schemes will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- Industry and Trade - Department of
- Institute of Medical and Veterinary Science
- Judges' Pensions Scheme
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme

MAJOR CHANGES IN THE PRESENTATION OF INFORMATION IN THE FINANCIAL STATEMENTS FOR 2000-01

Changes to Australian Accounting Standards in 2000-01

The Financial Statements included in this Report are prepared in accordance with Accounting Standards unless legislative requirements override those standards. In 2000-01 a number of revisions to those Standards took effect, most significantly Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' (these were nominally known as the 'Trilogy' in the period leading up to the changes taking effect).

The effect of the changes in these Standards is to rename the Profit and Loss Statement or Operating Statement to the Statement of Financial Performance, to reformat, where relevant, aspects of the disclosures on the face of the Statement and to set out certain disclosure requirements in the Notes.

Where this is significant to the Statements of individual entities, the Notes to the Financial Statements set out relevant details.

AAS 1 'Statement of Financial Performance'

The most significant presentational changes derive from AAS 1. AAS 1 requires the preparation of a Statement of Financial Performance rather than a Profit and Loss Statement or Operating Statement as presented in the previous year.

AAS 1 prescribes the format of the Statement of Financial Performance, including the disclosure on the face of the Statement of Financial Performance of:

- (i) revenues and expenses arising from ordinary activities;
- (ii) the net amount of extraordinary items;
- (iii) revenues, expenses and valuation adjustments recognised directly in equity.

Disclosures relating to accumulated profits or funds and appropriations to or from reserves and dividends are now reported in the Notes to the Financial Statements.

Ordinary Activities

Readers will observe that the Statement of Financial Performance focuses on revenues and expenses from ordinary activities.

The definition of ordinary activities is very broad and is designed to capture virtually all items of revenue and expense included in the determination of net profit or loss/result for the reporting period arising in the course of the ordinary activities of the entity. In previous reporting periods entities often reported 'abnormal items' on the face of the operating statement to separate such items from the 'normal' activities of the entity and assist users to understand significant matters to the financial results.

AAS 1 intends that events that give rise to an extraordinary item be extremely rare. Examples used to illustrate an extraordinary item are the expropriation of assets eg in a political environment, and an earthquake or other natural disaster.

To support this position AAS 1 requires that:

When a revenue or an expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period, its nature and amount must be disclosed separately in the notes in the financial report.

Therefore the disclosures in the Financial Statements should assist readers to understand where significant matters affect financial performance without being extraordinary items.

Direct Adjustments of Equity

Some standards or other reporting requirements require or permit defined revenue, expense or valuation adjustments to be recognised as a direct adjustment to equity (that is not an item of revenue or expense). Such adjustments were formerly disclosed in the Notes to the Financial Statements. AAS 1 requires disclosure of any such defined adjustments on the face of the Statement of Financial Performance. This excludes transactions with owners as discussed below.

The example most often found is that relating to adjustments to an asset revaluation reserve during the reporting period as a result of asset revaluations in the period.

Total Changes in Equity other than those Resulting from Transactions with the State Government as Owner

Readers will observe that the Statement of Financial Performance concludes with a description 'Total Changes in Equity other than those Resulting from Transactions with the State Government as Owner'. This becomes the 'bottom line' of the Statement and is the product of the result of ordinary and extraordinary activities and defined direct equity changes.

The description referred to in AAS 1 as 'Total Changes in Equity other than those Resulting from Transactions with Owners as Owners' has been adapted for the circumstances of government ownership. It reflects the view that equity bears the results of operations and the consequences of other events affecting an entity such as asset value changes. AAS 1 regards these as the elements of financial performance to be highlighted and reported to the users of the Statements.

Transactions with owners, such as the payment of dividends or the contribution or repayment of capital are at the discretion of the owners and do not reflect financial performance. Such changes are disclosed in the Notes to the Financial Statements.

Goods and Services Tax

The goods and services tax (GST) operated from 1 July 2000. The Notes to the accounts of entities disclose the details of the implications of the introduction of the GST as relevant to the entity.

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

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

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The *Public Finance and Audit Act 1987* requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2001 was conducted by Grant Thornton, Chartered Accountants, who have issued an unqualified Independent Audit Report.

QUALIFIED AUDIT OPINION REPORTS

The expression of an opinion on an organisation's annual Financial Statements by an independent professional auditor adds credibility to those Statements and ensures that an appropriate level of financial disclosure has been exercised.

Public Authorities

For those agencies that I am required to audit, I issue an Independent Audit Report on the Financial Statements in accordance with professional requirements and standards. The opinion expressed in that Report is usually unqualified but, where, in my opinion, circumstances so warrant, a qualified opinion is expressed. In extreme cases it may be necessary to decline to express an opinion.

In all cases where a qualified opinion (or no opinion) is given, full reasons are stated in the Independent Audit Report that is issued.

For the financial year ended 30 June 2001 qualified opinions were expressed on the Financial Statements of the following agencies:

- Administrative and Information Services - Department for
- Correctional Services - Department for
- Country Fire Service Board
- Education, Training and Employment - Department of
- Environment and Heritage - Department for
- SA TAB Pty Ltd
- South Australian Forestry Corporation
- South Australian Metropolitan Fire Service
- South Australian Motor Sport Board
- Water Resources - Department for

CONTROLS OPINION

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* requires the Auditor-General to advise Parliament whether in his opinion the controls exercised by the Treasurer and by public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with the law.

In accordance with that requirement a Controls Opinion has been expressed for each agency.

REFERENCES TO MATTERS OF SIGNIFICANCE

Matters which have arisen from the audit of agencies during this financial year are commented on in Volumes I, II and III of Part B of this Report. Those issues that are regarded as either serious in nature or of public interest importance are listed separately under the heading 'References to Matters of Significance' immediately after the Table of Contents in each Volume.

MINISTER FOR GOVERNMENT ENTERPRISES; MINISTER FOR INFORMATION ECONOMY; MINISTER FOR ADMINISTRATIVE AND INFORMATION SERVICES; MINISTER FOR WORKPLACE RELATIONS

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES

INTRODUCTION

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

- Minister for Government Enterprises
- Minister for Information Economy
- Minister for Administrative and Information Services
- Minister for Workplace Relations

The agencies included herein relating to the portfolio of Administrative and Information Services are:

- Administrative and Information Services - Department for
- Industrial and Commercial Premises Corporation
- Land Management Corporation
- Lotteries Commission of South Australia
- South Australian Forestry Corporation
- South Australian Ports Corporation
- South Australian Totalizator Agency Board
— SA TAB Pty Ltd
- South Australian Water Corporation
- State Supply Board

DEPARTMENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

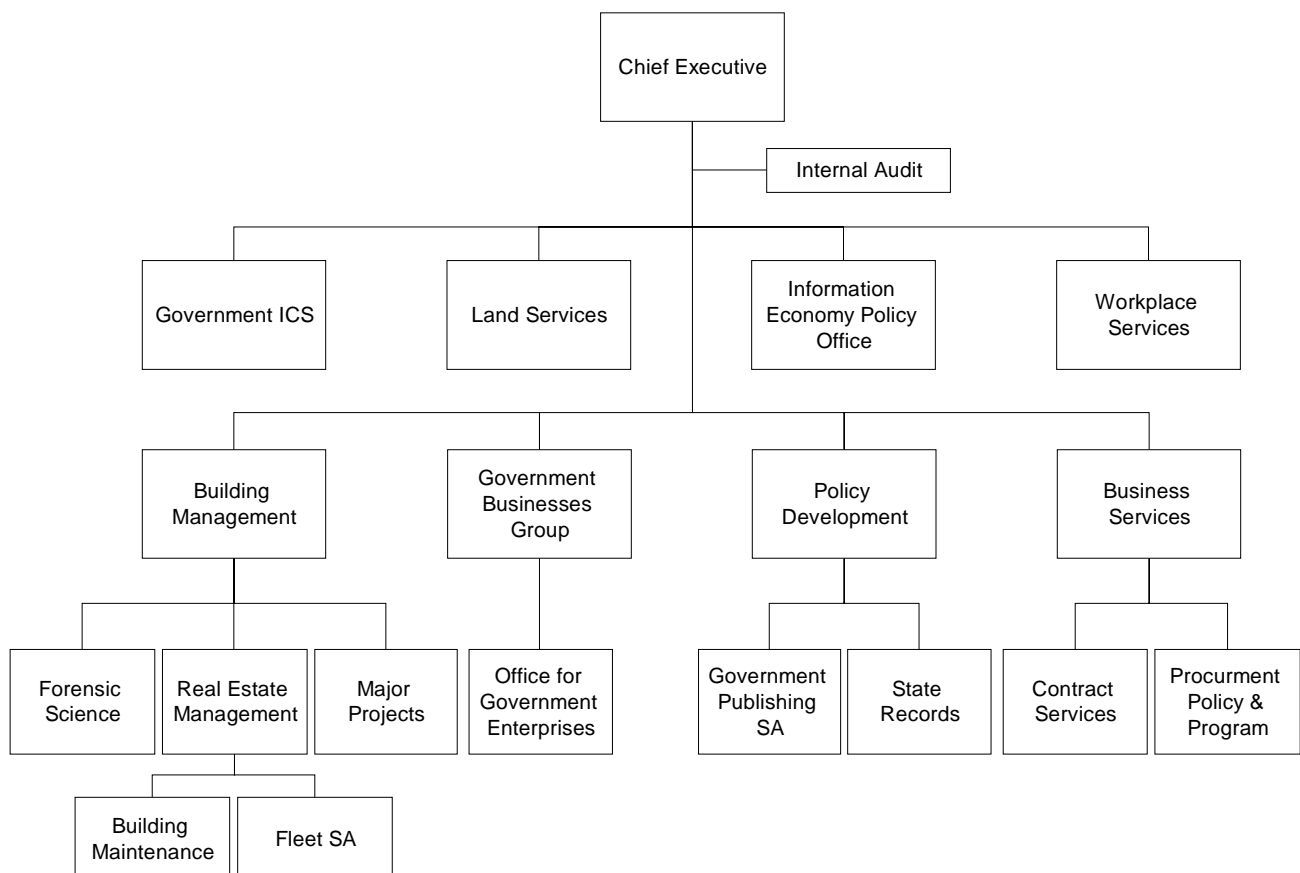
The Department for Administrative and Information Services (DAIS) is an administrative unit established under the *Public Sector Management Act 1995*.

Role and Structure of the Department

The Department is the portfolio based agency for the Ministerial Portfolio of Information Economy and Government Enterprises and Administrative and Information Services. It has responsibility for a diverse range of government activities including:

- project risk management, building asset management, procurement and contract services;
- capital building works and major projects delivery;
- information technology policy, support and management services;
- internal services to government, for example forensic services and fleet management;
- land valuation, survey and registration;
- workplace registration and regulation and industrial relations services;
- information economy;
- government business enterprises policy and monitoring framework.

The structure of the Department is represented as follows:



Note 34 to the Department's Financial Statements provides a summary of the functions, and a breakdown of financial information in relation to the business unit operations of the Department.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

On 1 January 2001 the South Australian Forestry Corporation (the Corporation) was established under the *South Australian Forestry Corporation Act 2000*. From this date, the Corporation assumed the functions previously carried out by the ForestrySA Business Unit of the Department. This transfer of functions also included the transfer of ForestrySA net assets, amounting to \$795.9 million to the Corporation. Note 4(c) to the Department's financial statements provides a detailed financial breakdown of the net asset transfer.

SIGNIFICANT FEATURES

- The Department received funds appropriation in 2000-01 of \$116.3 million, comprising \$92.7 million towards operations and \$23.6 million as an equity contribution towards certain capital projects.
- Total assets employed at 30 June 2001 were \$760 million (\$1.5 billion). The reduction was attributable to the corporatisation of the ForestrySA Business Unit of DAIS.
- The corporatisation of the ForestrySA Business Unit of DAIS from 1 January 2001 resulted in net assets of \$795.9 million being transferred from DAIS to the new entity (South Australian Forestry Corporation).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

In undertaking the audit of the Department recognition was given to the diverse and self contained nature of the activities of a number of the functional areas of the Department. This acknowledged that separate financial accounting systems and processes were often maintained in respect of the major functional areas of the Department particularly at the subsidiary system level.

In this regard the scope of audit in respect of the various functional areas of the Department was directed at ensuring financial systems and accounting record keeping processes and controls were at a level that provided assurance as to the integrity of processing of financial transactions and preparation of financial statement information. The reviews of the specific functional areas of the Department are, however, not undertaken in isolation of the recognition that the Department is required to operate within an overall financial management and accountability framework through consideration and appropriate application of the Financial Management Framework (FMF).

In this context specific Audit attention to each functional area that was subject to review involved consideration of the:

- diverse nature and risks of those areas;
- integrity of the stand alone and subsidiary financial systems;
- materiality of the financial operations of that area with respect to the Department's overall operations and associated implications in regard to financial statement reporting on the Department's operations;
- requirements of the Financial Management Framework.

In more specific terms the scope of the audit included a review of the following areas of financial activity:

- revenue collection, accounts payable, and personnel/payroll functions
- maintenance of the general ledger and associated reconciliations and subsidiary systems
- asset and liability identification, valuation and management
- tendering and contract management processes
- procurement and distribution operations
- residential and commercial property management
- Forestry operations while under the control of DAIS
- motor vehicle fleet management
- management of whole-of-government contracts, including maintenance and information technology
- management and financial reporting.

Audit Communications to Management

All significant matters identified during the course of the audit of the various functional areas of the Department, including financial accounting functions, systems and processes, were communicated in Audit Management letters to the Department. The letters outlined the scope of the audit and findings and recommendations emanating from the reviews. Responses received have been satisfactory. The commentary which follows in 'Audit Findings and Comments' hereunder provides an update on issues reported on last year and issues arising from the current years audit activity.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Financial Management Framework (FMF) provides agencies of government with guidance on critical processes and controls to be put into place to enable the exercise of good financial management. The five basic components of the FMF are planning and analysis, reporting, asset and liability management, transaction processing and control. The FMF was issued by the Department of Treasury and Finance, effective from 1 July 1998.

As mentioned previously the external audit activity of DAIS has not been executed in isolation of the review of DAIS adherence with the requirements of the FMF. Last year's Report conveyed a number of issues regarding the status of implementation of elements of the FMF within DAIS. During the 2000-01 financial year audit process, Audit has followed up certain matters regarding implementation progress. Audit observations and comments arising from an understanding of the status of the application of some of the key elements of the FMF are outlined below.

Planning and Analysis

DAIS has an established strategic planning process. The process established by DAIS involves elements consistent with those of the FMF.

Reporting

This component of the FMF covers elements of good quality reporting, both of an internal (management) and external (statutory and financial statement reporting) nature.

Audit has to date primarily focused on the annual external reporting requirements of DAIS to produce quality statutory financial statements. Audit has noted progressive improvement over the last two financial reporting periods with respect to the efficiency of preparation by DAIS of the annual statutory financial statements.

Asset and Liability Management

The issue of control over the assets of the Department was raised in last year's Report, specifically in relation to the maintenance and reconciliation of the Fixed Asset Register. Audit noted improvements in the level of controls over the Fixed Asset Register in 2000-01, consistent with Audit recommendations.

Transaction Processing

This element of the FMF focuses on transaction processing in relation to the expenditure and revenue business cycles. As in the past, Audit's approach to the review of the business cycles (eg Accounts Payable, Accounts Receivable etc) has addressed the majority of typical/traditional control matters relating to these cycles. Where appropriate, Audit has forwarded during the year, separate Audit Management letters outlining the scope and findings arising from the reviews of the various business transaction cycles. The Department has responded to these letters in a satisfactory manner.

Control

This component of the FMF is both integral to the FMF and to the annual opinion assessment of the Auditor-General on the reasonableness of controls exercised by DAIS in the conduct of its financial affairs. The following provides comments in respect of some important aspects associated with the control component of the FMF.

Risk Management

The implementation of the FMF from 1 July 1998 meant that a structured risk management practice is now formalised as an integral part of an overall effective agency management and control process.

In relation to DAIS, developments have proceeded over several years that align with certain requirements for risk management practice under the FMF. These developments have included the formulation of a Risk Management Policy, appointment of a Principal Adviser Risk Management and Audit Services, and the completion of a Risk Management Scoping Study of DAIS in February 2000.

Last year's Report commented that, although the abovementioned developments represent positive directions, the Risk Management Policy and Risk Management Scoping Study were draft documents. It was considered important for DAIS to formalise endorsement of the documents (with any appropriate amendments) and to determine next actions (eg preparation of a Risk Management Plan and process regarding its maintenance and monitoring).

With respect to developments in 2000-01 Audit noted that the Risk Management Policy was formally endorsed in July 2001 and made available on the Department's Intranet to all employees. In addition, as part of the strategic planning cycle for 2001-02 individual business units are required to undertake a risk analysis. The main output expected from this analysis is a list of the main risks to be addressed in each respective business unit strategic plan and the establishment of strategies to manage these risks.

Further, Audit noted that the Department has recently prepared a consultancy brief to go to the market with respect to the performance of a risk assessment of the Department's Strategic Risk Exposures. This risk assessment is aimed at clearly identifying and categorising strategic risks of the Department, identifying existing departmental wide risk mitigation strategies and recommending other possible risk mitigation strategies. The outcome of these developments will be reviewed during 2001-02.

Audit recognises the initiatives established by DAIS in the last year to move towards formalisation of risk management practices. Audit considers that a key outcome in 2001-02 is the development of an overall departmental risk management plan and process that clearly identifies the risk management strategies established and provides for an effective reporting and monitoring framework.

Monitoring and Reporting

The FMF requires agencies of government to implement a mechanism for monitoring and reporting on the effectiveness of the internal controls of the agency and the manner in which the controls support the agency's overall objectives. The FMF suggests the important roles that an Audit Committee and internal audit activity can play in the area of monitoring and reporting.

Over the past two years DAIS has had in operation elements consistent with these important requirements of the FMF. DAIS has an Audit and Risk Management Advisory Committee supported by senior risk management and internal audit resource expertise. During the year internal reviews of a risk and control related nature were conducted and reported on to the Audit and Risk Management Advisory Committee.

Control Environment

The FMF also emphasises the importance of establishing and maintaining an effective control environment by, among other things, documenting and distributing policies and procedures covering all major activities.

The requirement to have in place up to date key policies and procedures has again been raised in a number of Audit Management letters issued during the year in connection with Audit reviews undertaken of various activities of DAIS.

Last year, Audit commented that DAIS may need to undertake some form of project review to establish the status concerning the completeness and adequacy of policy and procedural documentation and to determine priority areas for upgrade (where applicable) and timeframes for completion of upgrades.

Audit noted that in June 2001 DAIS established a project group to facilitate, coordinate and monitor the progressive implementation of the FMF across DAIS in a consistent and systematic manner. The operational objectives of the group are to:

- develop a standardised FMF evaluation document that highlights areas of potential risk;
- implement the FMF consistently within a DAIS context;
- communicate the principles of sound financial management through the development and distribution of quality documentation;
- identify areas for continuous improvement;
- improve the accessibility of financial management documentation to users through utilisation of the Intranet.

The expected project completion date is March 2002.

General Control Environment

The audit work undertaken and the resultant audit findings reflected the diverse nature of the activities undertaken by the Department and associated financial operation arrangements.

Issues of an internal control nature arising from the audit process, where applicable, were conveyed in Audit correspondence to appropriate management staff of the functional areas of the Department and responses advising action taken have been received or are in the process of consideration by the Department.

In addition to reviews undertaken of a financial accounting, reporting and control nature, reviews of other areas of Departmental activity were also performed. These are commented on below and in the section of this Part of the Report titled 'Further Commentary on Operations'.

Outsourcing of Warehouse Operations

Background

On 23 June 1999 the Minister for Administrative Services signed a Strategic Alliance Deed (the Contract), which outsourced the warehouse logistics operations of DAIS. The Contract followed an October 1998 Cabinet submission that approved the contracting out of the warehousing operations that were previously undertaken by the Department. Financial analysis provided as an attachment to the Cabinet Submission suggested the operations to be outsourced had estimated annual receipts of approximately \$20.5 million, and the restructured operations would reduce net operating expenditure by approximately \$1 million per year.

During 1999-2000 Audit undertook a review of some salient matters associated with the changeover to the service provider including certain aspects of the contractual arrangements. The review revealed a number of significant matters with respect to contractual arrangements, stock management control and information systems arrangements. Audit considered that these issues needed to be resolved as a matter of priority, particularly as the warehousing arrangements involve ongoing private sector participation.

Audit Review - 2000-01

The 2000-01 audit of this area focussed on obtaining an up-to-date status of issues in relation to the outsourced arrangements. While the Department during the year has managed and addressed various aspects of the warehousing contract the follow up audit identified certain matters representing risks to the Department that warranted careful and prompt attention. These matters are discussed below.

Establishment of Benchmarks to Control Costs

The cost to the State of the provision of warehousing logistic services by the Contractor involves a management fee plus reimbursement of operational costs for services provision. The contract provides for the operational costs component to be determinable through establishment of benchmarks agreed between the State and the Contractor.

The process of managing reimbursement of service provision costs, including a proper process of establishing and agreeing on benchmarks was inadequate, and has led to a dispute over the extent of contract expenditure payable to the Contractor. The Department considers that certain monies are recoverable from the Contractor.

The Department has conveyed that the Crown Solicitor's Office has been requested to provide advice in terms of proposed settlement arrangements between the parties in respect of this matter. The Department has also advised that it is working with the contractor to agree on reasonable and defensible benchmarks.

Operating Outside Contract Conditions

In addition to contract non-compliance regarding determination and agreement on benchmarks, other contract provisions were not being followed. These included matters related to the establishment of a Contracts Operations Team and a Contract Management Committee and costs estimation and payment processes.

The Department has acknowledged operating outside contract conditions and has advised future compliance and formalisation of any deviations that may take place in respect of contract conditions.

Contract Renewal

The contract provides an option for contract extension. Audit raised with the Department that prior to any consideration of contract extension an assessment of current risks and exposures be undertaken and legal advice be obtained.

The Department has advised acceptance of this approach.

Audit also notes that the initial period of the contract has expired.

Contract Management

Audit commented last year that any contract where service provision is outsourced to the private sector, monitoring of compliance with contract conditions is of fundamental importance. Audit noted that monitoring processes had not been formalised, including the reporting protocol to senior levels of management in respect of the outcome of these monitoring processes. The Department responded that it was developing a contract management plan involving a compliance checklist to be utilised in the monitoring of contract conditions.

While recognising that the Department during the year established a group (Warehouse Alliance Review Group) to review and address certain problems associated with the contract and its performance, it was only recently that the contract management plan has been finalised for implementation.

Stock Management

Audit considers that a significant risk associated with the outsourced warehousing agreement is the process of adjustment of stock levels and related information. It is therefore essential that management at Contract Services review all such adjustments to the stock levels on the system. In this regard Audit recommended enhancements with respect to:

- a risk based review of adjustment to stock levels during the periods where stock turnover is greatest;
- periodic reviews of stock levels to assess the extent of obsolete stock;
- independent review of stock price adjustments.

The Department has accepted these recommendations and advised adoption of amended procedures.

Whole-of-Government Mobile Phone Contract

During the 2000-01 financial year, Audit reviewed arrangements relating to the whole-of-government contract for the supply of mobile phone services, which was effective from July 2000. The scope of the audit encompassed an examination of the provisions of the contract and the responsibilities of both the provider of services (Optus Networks Pty Ltd) and the user (the South Australian Government). Audit also reviewed the day-to-day management of the contract by the Department. As a result of this review Audit identified a number of issues directed to improving the management of the contract. Those issues are more fully discussed hereunder.

Roles and Responsibilities

The review revealed that a formal document had not been established that outlines the roles and responsibilities of the Department (as administrator of the contract) and those of the customer government agencies. It is considered important that such a document should exist to formally clarify roles and responsibilities that rest with the 'users' and those that rest with the Department. Further, this document would provide the basis for resolving any issues that arise.

DAIS acknowledged that roles and responsibilities should be defined in an authoritative document and that such a document is being prepared and will form part of overall contract management and be distributed to agencies responsible for mobile telephone service procurement.

Cabinet Direction and Mandate

Cabinet directed that all departments and agencies are to obtain mobile telephone services from Optus pursuant to the contract, including the transition of existing users of other mobile phone service providers to Optus. At the time of the audit it was noted that a number of State government mobile connections rested with other service providers.

Although the Department has applied considerable effort in respect of transitioning users from their existing mobile arrangements to Optus, Audit considered that a formal mechanism needed to be established that ensures compliance and appropriate monitoring of compliance of all government agencies in connection with the transition to Optus.

Audit suggested that DAIS consult with the Department of Treasury and Finance and the Department of the Premier and Cabinet regarding the establishment of such a mechanism.

DAIS advised reasons for agencies not transitioning, including extent of network coverage and number portability. Notwithstanding, DAIS indicated that discussions would be held with the Department of Treasury and Finance and the Department of the Premier and Cabinet to explore strategies that might be employed to ensure compliance by all agencies with the Cabinet direction.

Monitoring of Contractual Reporting Obligations

As specified under the contract, Optus must provide a variety of reports on a monthly basis to facilitate the monitoring of Government's usage of mobile services. Further, the contract states that certain Key Performance Indicators (KPIs) are to be met by Optus on a monthly basis and the results of these KPIs are to be reported each month.

In reviewing these reporting aspects of the contract Audit recommended that the Department establish processes to ensure timely and consistent reports are received with an appropriate level of supporting documentation to enable independent assessment of the reasonableness of the information reported.

In respect of attention to monitoring, DAIS have advised of certain actions in progress or taken to achieve improvement.

Land Services Group - Land Ownership and Tenure System - Management Arrangements

Previous Reports have made comment concerning resolution of management issues pertaining to the future management and funding arrangements of the Land Ownership and Tenure System (LOTS). These unresolved issues have been the subject of discussion between DAIS and the Department for Environment and Heritage (DEH). During this year Audit has again communicated with both DAIS and DEH to ascertain an update status on the progress towards finalisation of these issues.

A Heads of Agreement document was signed between the two departments in November 2000 which outlined the broad responsibilities and relationships of the parties and pointed to the requirement to develop a number of specific agreements to resolve outstanding matters.

This has been subsequently supported by a number of signed service level agreements to give effect to the Heads of Agreement document.

Although Audit considers that this represented a positive move forward and that significant aspects of the arrangements have been agreed, it is important to again comment that DAIS and DEH have yet to finalise some operational ownership and management arrangements associated with LOTS. This is a matter of some concern given that certain aspects of the relationships and responsibilities between DAIS and DEH have not been resolved after almost four years.

Real Estate Management

The Real Estate Management Business Unit is responsible for managing the Government's portfolio of owned and leased office accommodation and housing assets and comprises the Residential and Commercial Properties Divisions.

Audit review of this area last year identified delays in the implementation of key financial system upgrades within the Commercial Properties Division. More specifically, delay was experienced in implementing the ACCPAC general ledger. As a consequence, a number of important reconciliation control procedures were not being performed.

While Audit noted in March 2001 that the ACCPAC General ledger had been implemented, key functions and controls over the system were not operational. For example, reconciliation processes had not been established between ACCPAC and accounts receivable and payable subsidiary system data, nor between ACCPAC and the DAIS Corporate General Ledger (Masterpiece). The absence of these functions and controls raised concerns regarding the integrity of system operation, particularly the reliability of system produced financial data.

Audit emphasised that continued delay in the complete operation of these systems represented an increased risk that the Business Unit may experience difficulties in satisfying essential management reviews and reporting requirements.

Audit review of this matter as part of the year end financial statement verification process indicated that some elements of the reconciliation process had been undertaken, however, a number of items were still to be satisfactorily reconciled. As a result, Audit has reviewed the Department's additional alternative verification procedures to enable account balance confirmation for DAIS financial statement purposes.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Administrative and Information Services included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

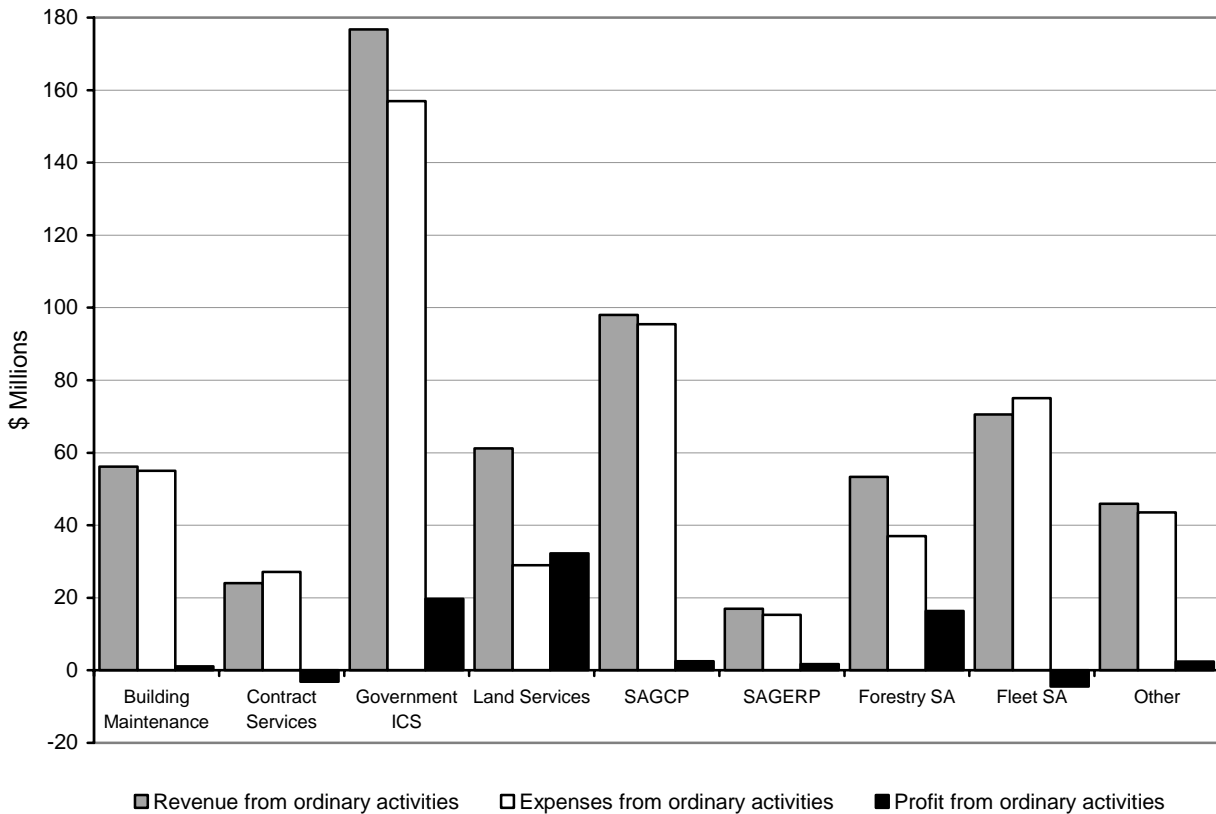
Audit formed the opinion that the controls exercised by the Department for Administrative and Information Services in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Result

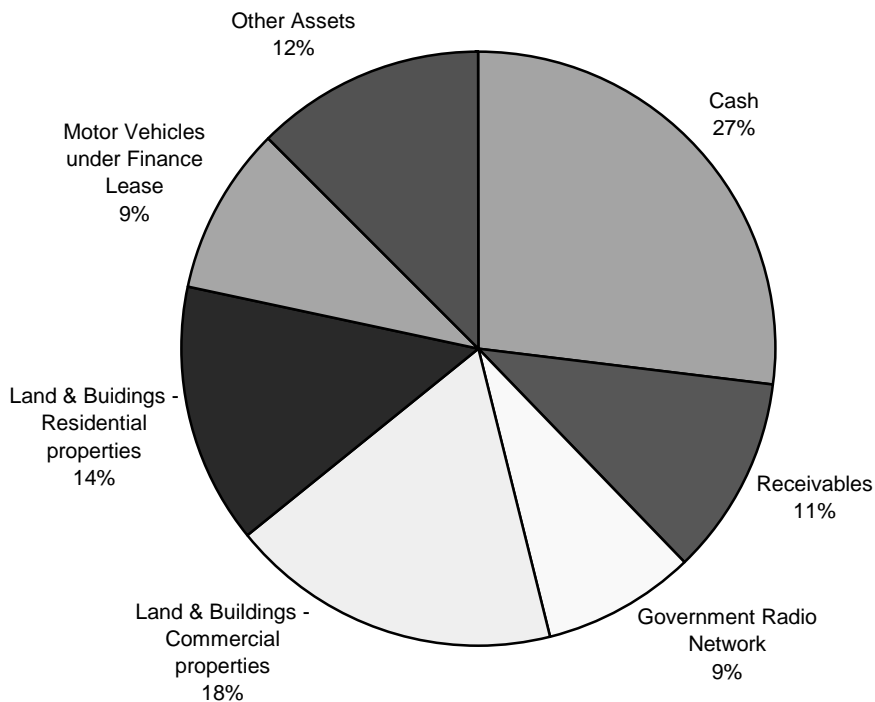
The Department recorded a profit from ordinary activities before restructuring and tax of \$69.9 million compared to \$122.3 million in the previous year. The reduced profit result primarily reflects reduced profit experience in relation to the ForestrySA, Government ICS and Fleet SA business units. ForestrySA only includes operations for the six months ended 31 December 2000, as after this date it was Corporatised as a separate entity. Note 34 to the financial statements provides operating performance information in relation to the business unit operations of the Department.

The following graph provides a summary of the contribution to the profit by the major business unit areas of the Department. Business and corporate services have been excluded from this analysis as the majority of their costs are recovered through re-charges to the other business units.



Assets

Assets under the control of the Department amounted to \$760 million at 30 June 2001. The following chart provides a summary of the major asset categories and their materiality proportionate to the total assets of the Department.



Motor Vehicle Fleet Finance Lease

The Government entered into a sale and leaseback facility managed by the Commonwealth Bank of Australia on 9 May 1996. On that date the Government sold all existing vehicles to a company for \$175.8 million. The book value of the vehicles at the time was \$169.9 million. The facility is set up on a perpetual basis with both parties having the option to terminate the agreement from year eight onwards. Once notice has been given that the facility is to be terminated the agreement has a 'wind down' period of seven years. The Department is responsible for the management of the motor vehicle lease arrangements.

Whilst Audit agreed with the Department that the lease facility was a finance lease as defined by Australian Accounting Standard AAS 17 'Accounting for Leases', there was a divergence of opinion on the interpretation of a number of key definitions in the Standard. The matters on which there was a divergence of opinion were fully explained in Part B of the 1995-96 Report of the Auditor-General to Parliament. In summary, the Department considered that the underlying asset is not the individual vehicles used by government agencies but a 'pool' of vehicles which is available for use and that a component of the residual value on the vehicles is not guaranteed by the Government. Audit, however, considered that there are separate 'lease agreements' in place for each vehicle and that the Government, under the lease facility, guarantees the full residual value of the vehicles.

As the difference in interpretations resulted in a material difference to the amounts disclosed in the Department's financial statements, Audit has issued a qualification since the inception of the lease facility in 1995-96 in respect of the following asset and liabilities:

Assets

Motor vehicles under finance lease.

Liabilities

Current borrowings — finance lease on motor vehicles.

Non-current borrowings — finance lease on motor vehicles.

Other current liabilities — deferred profit on sale and leaseback of motor vehicles.

The Department for Administrative and Information Services (DAIS) has maintained, in respect of this year's financial statements, the reporting treatment adopted in respect of last year's financial statements. As such, Audit has again included a qualification in the Independent Audit Report for the year ended 30 June 2001 in respect of the aforementioned financial statement disclosure items. In Audit's view had there been compliance with the requirements of the Standard, assets of DAIS would increase by \$75 million and liabilities would increase by \$72 million.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

Light Motor Vehicles

Note 2.11 to the Financial Statements sets out the accounting policy with respect to the sale and leaseback of motor vehicles previously owned by the Department. In my opinion the approach adopted by the Department is not consistent with the principles of Australian Accounting Standard AAS 17 'Accounting for Leases', and in the absence of a superior standard does not appropriately reflect the value of the underlying assets and liability of the transaction. Financial statement balances affected are:

Assets

Motor Vehicles under finance lease.

Liabilities

Current borrowings – Finance lease on motor vehicles.

Non-current borrowings – Finance lease on motor vehicles.

Other Current liabilities – Deferred profit on sale and leaseback of motor vehicles.

In my opinion, had the standard been properly adopted assets would increase by \$75 million and liabilities would increase by \$72 million.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department for Administrative and Information Services as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

FURTHER COMMENTARY ON OPERATIONS

Information Technology Management and Initiatives

The Department has responsibility for the planning and coordination activity associated with the whole-of-government direction in regard to Information Technology. In relation to the review of management arrangements and developments associated with Government IT initiatives, Audit's observations on aspects of certain key initiatives subject to review during 2000-01 are commented on below.

IT Infrastructure Contract Management

My reports to Parliament for the last few years have stressed the importance of effective management of contracts with a view to ensuring that both the processes in place and the outcomes achieved are beneficial for the State.

DAIS had underway in 1999-2000, two reviews of specific aspects relating to the EDS IT Infrastructure contract. Those reviews have now reached a stage of finalisation which is summarised below.

EDS Mainframe Billing System Review

This review was directed towards understanding the nature and forming an assessment of the Mainframe billing process in respect of services provided to government agencies by EDS. DAIS contracted external private sector expertise to assist in the review process.

The review gave rise to certain issues that prevented a firm conclusion being reached regarding the Mainframe billing calculations performed by EDS.

Some of the issues related to:

- technical limitations in verifying and re-performing the Mainframe billing calculations;
- information restrictions regarding agency base data;
- review methodology adopted relating to the technical complexity of the Mainframe billing environment;
- availability of certain key information.

Audit sought an understanding of the direction to be taken by DAIS regarding future reviews and the approach to issues identified in this review process.

DAIS have indicated that it is important to:

- advise EDS of the outcome and work with them in determining the best way forward;
- consult with Crown Solicitor's Office to consider the issues raised, and on communicating any implications for future reviews to EDS; and
- in examining and determining an appropriate methodology for future reviews in recognition of the issues emanating from this review.

Market Price Review

This review process assessed the prices charged by EDS for the Mainframe and Wide Area Network segments of agency services in consideration of market price availability.

This important review has resulted in a positive material gain to the State (in the order of millions of dollars). That gain has principally involved a one off payment and credit charge adjustments to the State in respect of the years 1999-2000 and 2000-01, and certain segment reduced charges applicable to the future life of the contract.

DAIS Ongoing Plan of Review

As discussed, DAIS's Plan of Review for the IT Infrastructure contract for 2000-01 focused on the important matters of the Mainframe Billing System Review and the Market Price Review. In order to obtain a fuller understanding of the DAIS Plan of Review for 2001-02, Audit sought details of the proposed coverage for the year. DAIS advised in August 2001, that the Plan of Review for 2001-02 will cover some matters that require attention from a contractual and business perspective.

Economic Development Reporting

Under the IT Infrastructure contract, EDS is required to produce an annual report on economic development, 'EDSCAR' Report. My last year's Report commented on the need for a framework to be developed to provide for certification of EDS performance in this area and that the framework and audit process would require an amendment to the contract. That framework and amendment to the contract have been finalised.

At the time of preparation of this Report, DAIS provided Audit with a copy of the EDSCAR Report for the year ended 30 June 2000. The Report indicates economic development achievement in excess of that required under the IT Infrastructure contract obligations.

Review of Selected EDS Glenside IPC Managed Environments

EDS is principally responsible for the processing of public sector financial and operational systems, including certain mandated whole-of-government financial systems under contracted arrangements with the State Government. EDS operational controls are of primary importance in ensuring that Government systems are secure when resident on EDS's infrastructure.

To enable Audit to form an opinion on the adequacy of the controls within EDS's managed environments, focussed reviews of selected aspects of EDS operations have been undertaken since introduction of the IT Infrastructure outsourcing arrangements with the Government.

During 2000-01 Audit undertook a review of EDS Glenside IPC selected EDS managed environments. That review covered aspects of the Department of Human Services (DHS) and SA Forestry Corporation's computer processing environments. Those environments principally support the whole-of-government Masterpiece financials system application processing for those agencies. The DHS environment is Mainframe based and the Forestry environment utilises the Unix operating system.

The review found that the DHS environment was generally satisfactory and for the SA Forestry Corporation environment, identified a number of important areas that were considered in need of management attention to affect required control improvements.

The review also raised the critical issue of arrangements for continuity of operation of key government financial and operational systems.

The review findings were communicated by Audit to DAIS/EDS and the two agencies concerned during the year. DAIS and the agencies conveyed satisfactory action being taken in respect of the matters raised.

Business Resumption Planning

My Report to Parliament for last year made specific comment on the matter of Business Resumption Planning arrangements for certain government infrastructure services. More recently, Audit sought information from DAIS regarding the status of Business Resumption Planning arrangements for EDS managed services.

DAIS advised in August 2001 that:

- at a whole-of-government level, EDS is obliged under the contract to provide certain disaster recovery services for the mainframe business segment, but not necessarily for the other business segments of midrange, local area network, wide area network or workstation. DAIS has requested EDS provide a price for a whole-of-government mainframe disaster recovery test;
- at the successful completion of testing of the mainframe disaster recovery DAIS will be developing broad guidelines for the midrange and local area network based on the lessons learnt from the mainframe project;
- DAIS has advised agencies that they have prime responsibility for their individual business resumption planning. As part of their business resumption plans agencies should develop their own individual requirements in regards to disaster recovery planning in the midrange and local area network segments and seek from EDS, using the Change Request Proposal process, the required disaster recovery services to the extent that they do not already exist;
- continuity of operation of key government financial systems are covered to a significant extent by the mainframe disaster recovery project.

Government Radio Network Contract

The South Australian Government Radio Network (SA-GRN) is designed to improve radio communications services for South Australian public safety organisations and SA Government entities. The network comprises voice, paging and mobile data.

During the latter part of the year Audit reviewed some aspects of the project developments to date. These aspects included:

- Concept Design deliverable and retention of contract payments;
- Deed of Amendment to the GRN contract;
- Security of the Government Radio Network.

Audit observations arising from the review of these aspects and communicated to DAIS, are commented on below.

Concept Design Deliverable and Retention of Contract Payments

My last year's Report commented on the non-finalisation of certain key deliverables required under the contract, namely, Concept Design, 'Fleetmap Services Program' and 'Optimisation of the Metropolitan Business Region Voice Network' and the retention of contract payments by DAIS pending the completion of those deliverables.

There was an expectation by DAIS of finalisation of these deliverables and payment of retained moneys by October 2000. Audit has been advised that the Fleetmap Services Program and optimisation of the Metropolitan Business Region Voice Network has been completed, however the documentation component of the Concept Design has yet to be completed by Telstra and accordingly an amount of \$500 000 is still being withheld.

Given that the Concept Design is a fundamental component of the contract deliverables, Audit sought DAIS's advice as to any perceived risk which may result to the project of a legal, contract compliance or operational nature through delay in finalisation.

DAIS in its response reaffirmed that necessary revisions to the Concept Design are a fundamental component in completing the rollout of the SA-GRN and that Telstra Corporation Ltd (Telstra) has made significant progress towards finalising the deliverable.

Deed of Amendment to the GRN Contract

A review of the original contract by the SA-GRN Unit and Telstra identified areas where agreed altered practices and redefinition of certain aspects of the scope of the contract needed to be formalised. The identified areas relate to a change in practical completion elements and timing of payments and certain other specified matters. A Deed of Amendment to the GRN Contract has been drafted to reflect the agreed practices and redefined aspects.

Audit was advised by DAIS in August 2001 that the Principal Contract Administrators for SA-GRN Unit and Telstra had agreed that the Government Radio Network would operate under the Deed of Amendment as of 1 July 2001. However, Audit noted the Deed had not been finalised by both parties at that time. The Deed is being finalised through legal advice from the Crown Solicitor's Office.

Security of the Government Radio Network

In regard to this matter, Audit sought some understanding of the position regarding the potential for unauthorised access to the Government Radio Network. The following advice was received from DAIS.

The SA-GRN Unit has sought and received assurances from Telstra that the design, construction and operation of the SA-GRN incorporates high levels of security arrangements. They have also expressed confidence that this security is sufficient to prevent illegal acts such as 'hacking'.

Telstra have given assurances that it will continue to be vigilant in identifying any possible avenues of illegal entry to the network. Security of the network is monitored at the Network Operations and Control Centre on a 24-hour basis.

The encryption standards used at the network are of a type used by the defence forces and agencies like the FBI in the USA.

Audit will examine some elements of the security arrangements covering the Government Radio Network during 2001-02.

Automated Torrens Land Administration System (ATLAS)

ATLAS is a redevelopment of the Land Ownership and Tenure System (LOTS). The project commenced in late 1999 and is a major project of Government.

The ATLAS project's objectives are to, at a whole-of-government level, deliver electronic land administration to South Australia, and to transform the processes and service delivery of the Land Services Group within DAIS.

Audit obtained some understanding of the status and certain information with respect to developments concerning the DAIS ATLAS project.

The following summarises Audit's understanding of the status of arrangements and developments for the project.

- An ATLAS Program Board undertakes governance of the project with representation from stakeholders in DAIS, the Attorney-General's Department, Department of Treasury and Finance, Department for Transport, Urban Planning and the Arts, and the Department for Environment and Heritage.
- Cabinet approved in principle funding of \$14 million over a 4 year period for the project in February 2000 and approved stage 1 of the ATLAS project for expenditure of \$3.312 million over 2 years. Stage 1 includes detailed planning for Stage 2 which will be the subject of a Cabinet Submission planned for December 2001.
- Stage 1 of the project consists of Business Process Re-engineering projects and minor systems implementations to improve customer service aspects. Three consultancies for Information Technology Architecture, Market Awareness and Stakeholder Requirements were under way.
- Some delays in the project have been incurred, principally due to difficulties in recruiting appropriate project management personnel. Stage 1 of the project is expected to conclude in December 2001.

As mentioned, this is a major project of Government and has a considerable lead time for finalisation of design and progress to implementation and operation. As such, the efficiency and effectiveness of completion of deliverables for Stage 1 of the project, which essentially relates to business re-engineering matters and key system development projects, are critical for the overall success of the project.

In this context, Audit communicated to DAIS the need for strong governance and management.

In its response of August 2001, DAIS confirmed Audit's understanding of the status of developments of the ATLAS program. The DAIS response advised that the stage two of the project is timed to conclude in June 2002 and includes the development of a business case for major new system requirements and associated applications within Land Services Group, and to prepare a further Cabinet Submission, for approval to expend funds against future stages of ATLAS.

The DAIS response also identified a number of issues of high risk to the project and relevant mitigation strategies to counter those risks.

Audit will monitor the management and progress of the ATLAS project during 2001-02.

Government HRMS Payroll Systems

In March 2000, external consultants concluded a business case which recommended the South Australian Government move towards a new operational model for HRMS and evaluate and implement the most appropriate HRMS solution.

A further consultancy was convened during the latter part of this year which concluded that a strategy based upon the implementation of single HRMS across government was not plausible at this time and would introduce unacceptable risks for the South Australian Government and its agencies.

A joint submission from the Minister for Administrative and Information Services, the Minister for Government Enterprises and the Minister for Human Services (DHS) was presented to Cabinet in April 2001. It recommended that Cabinet note the key findings of the consultancy report and the recommendation from the report that the existing Concept agencies adopt the Department of Human Services (DHS) strategy of a specific HRMS Bureau Service.

Cabinet approved the Minister for Human Services to contract with a specified private sector organisation for a bureau service for the provision of an HRMS and associated services for the Human Services portfolio at a capital cost of \$7.6 million. Cabinet also approved the waiver of tender to allow Concept agencies to negotiate with the DHS bureau service provider.

Audit will review the progress in implementation of the Human Resource Management System initiatives during 2001-02.

South Australian Government Light Vehicle Fleet - Sale and Leaseback Arrangement

In previous Reports comment has been included in relation to the abovementioned facility arrangement. Earlier comment in this section of this Report provides background information to the facility arrangement and discusses its financial reporting treatment. The main benefit from entering into the facility was the anticipated achievement of a lower cost of funding the Government's vehicle fleet.

Audit comments in past Reports have communicated the importance of exercising proper management over the ongoing arrangements due to the long term nature of the lease facility and its expected benefits over the extended period of time. This required an ongoing analysis of the elements affecting motor vehicle lease rate calculations to enable a proper assessment of the potential impact on the cost of the leaseback facility to the Government and ultimately expected benefits to be derived. The elements requiring consideration include changes in residual values of vehicles; changes in taxation law; and the number of replacement vehicle leases.

In the latter part of 1999-2000 the Department of Treasury and Finance (DTF) initiated a review of the facility to determine whether it remains economic, particularly in light of the changes to the taxation system. Audit inquiry in early August 2001 indicated that this review is yet to be finalised.

DTF received in the latter part of 2000-01 a report from an external finance agency, which had been engaged by DTF to assist its review process. Audit has been advised that DTF is presently evaluating a range of options, involving further inquiry and consideration of matters with both the authors of the report and one of the leasing facility participants. DTF has not indicated a time for completion of the evaluation process but has advised of their intention to formulate a position to the Treasurer/Cabinet once the evaluation process is finalised.

Capital Works - Adelaide Convention Centre Extension

In May 1999 Cabinet approved an \$85 million extension for the Adelaide Convention Centre. In October 1999 the Public Works Committee issued its report in relation to the extension project, which recommended that the project proceed. The project, due for completion in September 2001, is to provide an additional 7000 square metres of exhibition space (creating a total exhibition area of more than 10 000 square metres) together with banquet facilities for up to 4800 people.

The May 2001 Capital Investment Statement of the Budget Papers disclosed an estimated total cost for the project at \$85 million, which was consistent with the Cabinet approval of May 1999. However, commentary in the Statement noted that the estimated total project cost is subject to revision. With respect to this total approved budget for the project, the Minister for Tourism stated in the Estimates Committee hearings (19 June 2001) that a budget overrun of between \$5 million and \$7 million is expected.

In consideration that the actual project cost was expected to exceed the approved budget of \$85 million, Audit requested in July 2001 from the Department an up-to-date status concerning costs and related approvals for the anticipated increased project expenditure. This was important in the context of attesting to the authority for project payments and in consideration of implications for year end financial reporting.

The Department advised Audit in August 2001 that:

- as at the end of July 2001 the forecast cost to complete the project was \$91.87 million, compared with the approved budget of \$85 million;
- the main factors contributing to the overrun related to over-expenditure on project construction variations and fee claims for additional work from the managing contractor and consultants related to these variations;
- to minimise the risks to the project in terms of cost and meeting completion date a separate agreement (Acceleration Agreement) was initiated with the managing contractor in July 2001. This agreement included provision for settlement of potential claims from the managing contractor and specific authorisation and incentive to the managing contractor to prudently manage cost claims and additional resource costs relating to achieving acceleration of the works. The Acceleration Agreement does not cap the risk of subcontractor cost claims for additional variation work. The abovementioned forecast cost of \$91.87 million takes into account the implementation of the Acceleration Agreement;
- the necessary Cabinet authorisation for expenditure exceeding the approved budget of \$85 million was in process.

On 20 August 2001 Cabinet approved a submission from the Minister for Tourism and the Premier. Cabinet approved additional appropriation of up to \$7.4 million and expenditure approval up to a limit of \$92.4 million in relation to the project. This was subject to the final appropriation amount being agreed between the Premier, the Treasurer, Minister for Tourism and the Minister for Administrative and Information Services. Cabinet was also advised that a formal recommendation for final project funding and expenditure approval will be submitted to Cabinet after completion of construction and reconciliation of all outstanding contractor and consultant claims.

2002 World Congress on Information Technology

In October 2000 the Minister for Information Economy signed an agreement with the Australian Information Industry Association Limited to, in partnership, stage the 2002 World Congress on Information Technology (the Congress) in Adelaide. The agreement outlines the organisation, staging and management requirements associated with the Congress, including:

- establishment of an Executive Committee to manage the staging of the Congress
- establishment of a Secretariat to carry out certain prescribed functions
- appointment of a Chief Executive Officer
- independent external audit of the Congress accounts.

Under the Agreement the Minister has undertaken to provide funding of \$1.3 million to support the planning and staging of the Congress. Further, the Minister has undertaken to meet any shortfall against an agreed budget for the staging of the Congress.

The Agreement also provides for the distribution of any surplus in accordance with specified percentages and the preparation of audited annual financial statements.

This arrangement is disclosed as an administered item in the financial statements of the Department. Notes 3.8 and 35 refer.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|---------|------------------|----------------|
| REVENUE FROM ORDINARY ACTIVITIES: | 32 | | |
| Sales | | 385 087 | 414 689 |
| Fees for regulatory services | | 61 618 | 61 547 |
| Whole-of-Government contracts | | 84 871 | 85 535 |
| Appropriation for operating purposes | | 92 736 | 90 974 |
| Net change in value of growing timber | 4(b) | - | 12 420 |
| Other revenue | 4(b) | 15 029 | 110 737 |
| Total Revenue | | 639 341 | 775 902 |
| EXPENSES FROM ORDINARY ACTIVITIES: | 32 | | |
| Cost of sales | 4(a) | 271 852 | 287 521 |
| Whole-of-Government contracts | | 91 608 | 86 485 |
| Employee expenses | 2.3 | 79 719 | 173 675 |
| Administration | 4(a) | 72 420 | 57 550 |
| Other expenses from ordinary activities | 4(a) | 43 895 | 36 963 |
| Total Expenses | | 559 494 | 642 194 |
| Borrowing costs | | 9 974 | 11 445 |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING | | 69 873 | 122 263 |
| NET EXPENSE FROM RESTRUCTURING | 1, 4(c) | 770 888 | - |
| (LOSS) PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | (701 015) | 122 263 |
| INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES | 2.15 | 7 555 | 12 669 |
| NET (LOSS) PROFIT AFTER TAX AND RESTRUCTURE | | (708 570) | 109 594 |
| Increase in asset revaluation reserve arising on revaluation of non-current assets | | 3 463 | 4 003 |
| TOTAL REVENUE, EXPENSE AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY | | 3 463 | 4 003 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | (705 107) | 113 597 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|------------------|----------------|------------------|
| CURRENT ASSETS: | | | |
| Cash | 14 | 204 104 | 107 125 |
| Receivables | 15 | 82 105 | 179 037 |
| Inventories | 13 | 8 755 | 8 187 |
| Other | 16 | 32 708 | 34 153 |
| Total Current Assets | | 327 672 | 328 502 |
| NON-CURRENT ASSETS: | | | |
| Growing Timber | 2.7, 23 | - | 578 520 |
| Land, buildings and fitouts | 18, 23 | 250 608 | 447 178 |
| Assets under finance lease | 19 | 92 318 | 101 884 |
| Plant and equipment | 20, 23 | 16 406 | 22 776 |
| Government radio network | 2.8, 21, 23 | 65 253 | 36 071 |
| Other | 22 | 7 799 | 8 052 |
| Total Non-Current Assets | | 432 384 | 1 194 481 |
| Total Assets | | 760 056 | 1 522 983 |
| CURRENT LIABILITIES: | | | |
| Creditors | 24 | 21 821 | 15 767 |
| Borrowings | 25 | 10 881 | 9 882 |
| Provisions | 26 | 24 227 | 39 076 |
| Other | 27 | 102 642 | 79 631 |
| Total Current Liabilities | | 159 571 | 144 356 |
| NON-CURRENT LIABILITIES: | | | |
| Borrowings | 25 | 182 346 | 195 620 |
| Provisions | 26 | 26 955 | 31 154 |
| Total Non-Current Liabilities | | 209 301 | 226 774 |
| Total Liabilities | | 368 872 | 371 130 |
| NET ASSETS | | 391 184 | 1 151 853 |
| EQUITY: | | | |
| Reserves | 28 | 80 663 | 841 861 |
| Capital funds | 29 | 166 249 | 142 695 |
| Retained profits | 7 | 144 272 | 167 297 |
| TOTAL EQUITY | | 391 184 | 1 151 853 |
| Commitments | 2.8, 3.8, 30, 31 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | 2001 | 2000 |
|---|-----------------------|-----------------------|
| | Inflows (Outflows) | Inflows (Outflows) |
| | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| INFLOWS: | | |
| Receipts from customers | 634 363 | 586 594 |
| Receipts from appropriation/Department of the Premier and Cabinet | 93 277 | 91 755 |
| Interest receipts | 14 822 | 14 286 |
| GST received | 59 943 | - |
| Receipts from taxation authority | 6 292 | - |
| | <u>808 697</u> | <u>692 635</u> |
| OUTFLOWS: | | |
| Payments to suppliers and employees | (521 919) | (638 784) |
| Finance lease interest payments | (8 959) | (9 553) |
| Income tax payments | (9 878) | (10 199) |
| GST paid | (59 764) | - |
| Payments to taxation authority | (5 946) | - |
| Departmental restructuring | (23 696) | - |
| Interest payments | (9 863) | (10 760) |
| | <u>(640 025)</u> | <u>(669 296)</u> |
| Construction works - Reimbursements | 159 292 | 111 243 |
| - Less: Payments | 150 786 | 112 889 |
| | <u>8 506</u> | <u>(1 646)</u> |
| Net Cash provided by Operating Activities | <u>32(b) 177 178</u> | <u>21 693</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| INFLOWS: | | |
| Proceeds from the sale of plant, equipment and motor vehicles | 229 | 272 |
| Proceeds from the sale of land, buildings and fitouts | 4 740 | 15 679 |
| | <u>4 969</u> | <u>15 951</u> |
| OUTFLOWS: | | |
| Purchase of plant, equipment and motor vehicles | (30 556) | (43 757) |
| Purchase of land, buildings and fitouts | (10 872) | (10 694) |
| | <u>(41 428)</u> | <u>(54 451)</u> |
| Net Cash used in Investing Activities | <u>(36 459)</u> | <u>(38 500)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| INFLOWS: | | |
| Increase in prepayment of motor vehicle fleet operating expenses | 1 222 | 2 000 |
| Increase in capital funds | 23 554 | 66 854 |
| | <u>24 776</u> | <u>68 854</u> |
| OUTFLOWS: | | |
| Repayment of long-term borrowings | (2 899) | (10 124) |
| Decrease in lease liability | (9 981) | (9 303) |
| Repayment of capital funds | - | (9 030) |
| Dividends paid | (55 636) | (36 876) |
| | <u>(68 516)</u> | <u>(65 333)</u> |
| Net Cash (used in) provided by Financing Activities | <u>(43 740)</u> | <u>3 521</u> |
| NET INCREASE (DECREASE) IN CASH HELD | <u>96 979</u> | <u>(13 286)</u> |
| CASH AT 1 JULY | <u>107 125</u> | <u>120 411</u> |
| CASH AT 30 JUNE | <u>32(a) 204 104</u> | <u>107 125</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of the Department

The Department for Administrative and Information Services (DAIS) delivers leadership, policy advice, quality infrastructure and specialist services to create economic and social value for the South Australian Government and the community.

The strategic challenges for DAIS are:

- promote DAIS as a strategic partner and service provider;
- understand our customers and stakeholders and deliver on the 'promise';
- strategically position Government to lead South Australia in take up of the Information Economy;
- develop and grow shared services;
- ensure a critical mass of specialised expertise;
- optimise the value from our assets;
- support and encourage ongoing learning and development.

Within DAIS there is a cluster of common capabilities and competencies in the areas of project management, financial management, contract management, risk management, strategic planning, e-business, information and technology management and management of government assets that enable the Department to deliver on the Government's broader strategic priorities.

1. Role of the Department (continued)

The organisational structure of the Department is as follows:

Administered Activities

Salaries for the Minister, Valuer-General,
Senior Judges and Judges of the Industrial
Relations Commission and Employee Ombudsman
Gaming machines operations deposit account
Asset sales deposit account
CBA Special Deposit Account
State Government Auctions
Land Services Trust Funds
Major Projects
World Congress on Information Technology 2002

Controlled Activities

Building Maintenance
Building Management
Business Services
Contract Services
Fleet SA
Forensic Science
Government Business Group
Government Information and Communication Services
Industrial Relations Court and Commission and Workers
Compensation Appeals Tribunal
Information Economy Policy Office
Land Services Group
Major Projects
Parliamentary Publishing SA
Policy Development
Procurement Policy and Program
Real Estate Management (including SA Government
Commercial and Employee Residential Properties)
State Records
Workplace Services

The governance arrangements for the Department's operation include the DAIS Corporate Management Meeting (CMM) comprising four senior directors and the Chief Executive who focus on high level strategic and policy issues and the DAIS Management Group (DMG) comprising a broad cross section of departmental directors (including CMM members) who focus on management policies and issues across the Department. In addition, there is a Senior Executive Forum, comprising key executives and managers (including all DMG members) throughout the Department, which focuses on the development of the Department's strategic planning processes.

The number of full time equivalent employees at reporting date is 1647.90 (1916.06). Of this total, 19 are full-time equivalent employees for Administered Activities.

The principal registered office is Level 2, Wakefield House, 30 Wakefield Street, Adelaide SA 5000, telephone number is 08 8226 5060.

Corporatisation of ForestrySA

The ForestrySA business unit of DAIS was corporatised pursuant to the *South Australian Forestry Corporation Act 2000* and commenced trading under the Act as ForestrySA from 1 January 2001. (Refer to Note 4 (c)).

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Accounting Standards

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

The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuation of non-current assets. The accounting policies have been consistently applied unless otherwise stated.

Reporting Period

The financial report has been prepared for the period 1 July 2000 to 30 June 2001.

Comparative Information

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosure' and AAS 36 'Statement of Financial Position' for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit of the Department as reported in the prior year financial report.

2.2 Principles of Consolidation

The financial statements consolidate the activities of all operational business units of the Department as detailed in Note 1 as controlled activities.

All inter-business unit balances and transactions, and unrealised profits arising from inter-Department transactions have been eliminated in full.

2.3 Cost of Sales

The Department generates the majority of its income from services provided to other government agencies. The costs directly incurred in generating this income are included as cost of sales. The major categories within cost of sales are:

- Contract costs
- Employee costs
- Administration costs
- Commercial property costs
- Residential property costs
- Materials
- Other.

2.3 Cost of Sales (continued)

Employee expenses not directly involved in generating sales are included in employee expenses in the body of the Statement of Financial Performance.

2.4 Inventories

(a) *Work in Progress - Construction Projects*

Construction work in progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs related to the professional services provided only.

Profits on construction contracts are brought to account on the percentage of completion basis, as determined by the current engineering estimates. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

(b) *Stock on Hand - Government Supplies Warehouse*

Stock on hand is valued at the lower of average cost and net realisable value.

2.5 Outstanding Contractor Reimbursement (Prepaid Contract Revenue)

The Department undertakes a number of capital projects on behalf of other agencies. Client agencies receive an invoice listing all costs including the professional contractor costs incurred in completing the capital project. Contractor costs in relation to projects managed by the Department are reimbursed by clients and are recorded as either prepaid contract revenue (creditors) or outstanding contractor reimbursements (receivables).

2.6 Accrued Revenue - Maintenance

Revenue is accrued on maintenance work which has been performed but not billed as at 30 June 2001. The amount accrued is based on cost incurred plus an agreed profit margin.

2.7 Non-Current Assets

Cost and Valuation

- *Valuation Methodology - Freehold Land, Buildings and Fitouts*

Freehold land, buildings and fitouts have been brought to account at cost or valuation in accordance with Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

- *Commercial, Industrial and Heritage Properties*

The revaluation policy adopted in relation to property, plant and equipment is to revalue all owned properties on a progressive basis over three years. There were no properties revalued during the current year.

In accordance with this policy, all heritage properties and commercial metropolitan properties were revalued as at 31 December 1999 whilst all commercial country properties were revalued as at 30 June 2000.

Net market value has been adopted as the basis for recoverable amount for land and buildings revalued during the 1999-2000 financial year. Written down market value based upon estimated useful life has been adopted as the basis for recoverable amount for plant and equipment revalued.

Independent valuations of land and buildings were conducted by the Valuer-General (Valuation SA) or by Adderly and Partners Pty Ltd. Independent valuations of plant and equipment were conducted by Edward Rushton Australia Pty Ltd on all heritage and commercial metropolitan properties whilst United Valuations and Consulting Pty Ltd conducted valuations on all commercial country properties.

- *Residential Properties*

The revaluation policy adopted in relation to property is to revalue all owned properties on an annual basis.

Asset values are determined in the following manner:

The Valuer-General estimates are used as the base valuation and then discounted by the average losses experienced over an average of the last five years. This management valuation has been adopted to ensure the balance sheet value of assets is not stated at a balance in excess of recoverable amount. The discount rate used for the reporting period is 6.68 percent (10.38 percent).

Valuation Methodology - Plant and Equipment

Plant and equipment is brought to account at cost, less, where applicable, any accumulated depreciation.

Valuation Methodology - Government Radio Network

Infrastructure or plant and equipment assets that have been constructed or purchased for the provision of government radio network services are recorded at their cost of acquisition and are brought to account from the time a region is operationally available for use and are depreciated on a straight line basis over their estimated service lives.

30 June 2000 Valuation Methodology – Growing Timber

Due to the special nature of growing timber, which includes a long production cycle combined with physical change, historical cost accounting does not provide a meaningful measure of the economic performance or asset value of forestry activities. In order to provide more relevant, reliable and understandable information, a market value based method has been applied to growing timber.

The inventory value of growing timber is calculated for financial reporting purposes only, as a measure of forest management performance over the reporting period. The methodology assumes that the forest will be harvested over time and in an orderly manner.

30 June 2000 Valuation Methodology – Growing Timber (continued)

The main features of this method are:

- At the reporting date the inventory of growing timber is valued at its net market value.
- For the purpose of this financial statement net market value is defined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market after deducting the direct costs incurred in realising the proceeds of such a disposal. This is in accordance with the requirements of Australian Accounting Standard AAS 35 'Self Generating and Regenerating Assets'. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.
- The difference between the net market value of the inventory of growing timber held at the reporting date and the net market value at the previous reporting date is recognised as revenue in the Operating Statement, where it is described as 'Net change in value of growing timber'.
- The market value of growing timber realised during the period is reported under Sales Revenue.
- All non-capital forest expenditure is recognised as an expense in the year the expenditure takes place.

Current policy provides that revenue resulting from the net increment in the value of growing timber is unrealised revenue and is therefore not available for distribution. This amount is transferred to the equity section of the Statement of Financial Position.

The volume of growing timber is estimated using a model which simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every five years and at this occasion the model simulations are repeated. For South Eastern forests the master database was last updated in 1998, for Central forests in 1997 and for the Northern forests in 1999.

The method used to determine the volume of timber contained in the radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practice. This ensures that the net market value is based upon realisable volumes.

Disposal of Non-Current Assets

The gain or loss on disposal of all non-current assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the operating profit in the year of disposal. Any realised amounts within the Asset Revaluation Reserve are transferred to accumulated surplus on disposal.

Depreciation

All non-current assets, excluding freehold land and certain categories within the library collections, are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use.

For Commercial, Industrial and Heritage properties the depreciable amount of all non-current assets incorporating buildings and building plant are depreciated over their useful lives commencing from the time the asset is held ready for use.

| | |
|--|-------|
| The following maximum years are generally used for the life of the assets: | Years |
| Buildings | 40 |
| Building plant: | |
| Air conditioning | 15 |
| Transportation | 20 |
| Plant room | 20 |

In general the following depreciation rates are applied to the following asset classes:

| | |
|------------------------|---------|
| | Percent |
| Fitouts | 20 |
| Residential Properties | 2.5 |
| Computers | 33 |
| PABX | 20 |
| Office Equipment | 20 |

The assets related to the Government Radio Network are depreciated on a straight line basis over the estimated useful life of the asset, when installed and accepted as ready for use. From 1 July 2000 the Government Radio Network assets have been further segregated for reporting and depreciation purposes. The following maximum years are generally used for the life of assets.

| | |
|----------------------|-------|
| Land and Buildings: | Years |
| Huts | 15 |
| Towers | 40 |
| Plant and Equipment: | |
| Terminal equipment | 10 |

Information Technology Assets - Land Services

Negotiations are continuing between DAIS and the Department for Environment and Heritage (DEH) regarding ownership, operation and associated financial management matters relating to computing assets and information shared with the Land Services Group. During the year a Heads of Agreement document was signed between DAIS and DEH that formulated a basis for the agencies to move forward to settle outstanding issues. While this represents a positive development, resolution of issues is still to be achieved.

Further to this, as at the reporting date DEH have advised that a proposal to transition a major proportion of the assets and on-going support to EDS, as per the whole-of-government contract, has been provided to the DAIS Chief Executive.

2.8 **Government Radio Network Contract**

On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA-GRN) for a period of seven years with a commencement date of 24 May 1999. The contract is directed to the establishment of a single integrated government-owned, radio network providing voice, and for the first time, wide area data and paging communications to support public safety and other Government operations and includes a significant industry development program.

The SA-GRN is replacing 28 existing separate networks, giving agencies the ability to communicate with each other effectively through a common radio network for the first time. This approach has significant financial and operational advantages over a non-integrated network approach. Construction work will be progressively completed over five regions:

- Greater Metropolitan Area of R1 construction completed January 2000
- Remainder of R1 (Fleurieu Peninsula and Kangaroo Island) construction completed July 2000
- R2 (South East) construction completed January 2001
- R4 (Yorke Peninsula and the Mid North) construction scheduled for completion July 2001
- R3 (Riverland) construction scheduled for completion January 2002
- R5 (Eyre Peninsula and the West Coast) construction scheduled for completion July 2002.

The SA-GRN network will support approximately 45 000 users and provide vastly improved geographical coverage over existing networks.

As at 30 June 2001 approximately 9000 terminal units were active on the system.

South Australian Government commitments to Telstra Corporation Ltd over the life of the contract total \$155.449 million. Other commitments associated with the project's development, over the life of the contract, total \$63.544 million. An additional provision of \$28.714 million has been established for contingencies over the duration of the contract.

As from 1 July 2000 the Department commenced charging entities for utilising the SA-GRN in order to recover recurrent project costs in accordance with agreed cost recovery principles. Entities that are partially or fully funded through the Community Emergency Services Levy Fund also make a capital contribution to the recovery of network infrastructure costs as the network has been dimensioned primarily to meet their needs.

2.9 **Investments**

The Department's interest in companies and trusts which are not controlled are brought to account at cost. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable. During each of the three financial years ending 1998-99 the Department paid \$100 000 as an equity interest in Ngapartji Pty Ltd.

2.10 **Client Monies Received in Advance**

The Department enters into advance payment arrangements with specific agencies for minor and major works undertaken by the Department on behalf of the agency. As at 30 June 2001 this liability was shown under Creditors and Borrowings and amounted to \$5.728 million (\$5.491 million).

2.11 **Leases**

Operating Leases

For operating leases (being those where the lessor retains substantially all the risks and benefits incidental to ownership of the leased assets), the Department has brought the lease rental payments to account as an expense in the Statement of Financial Performance.

Finance Leases

- *Light Motor Vehicles - Arrangement*

In May 1996, the Government sold and leased back its light motor vehicle fleet through an arrangement managed by the Commonwealth Bank of Australia for a total consideration of \$195 million which included some pre-paid operating expenditure such as fuel, registration and compulsory third party insurance. The total lease facility is for \$218 million which includes provision for an increase in new car prices and fleet running costs. The 15 year lease facility includes a seven year wind down.

The lease has been treated as a finance lease in accordance with Australian Accounting Standard AAS 17 'Accounting for Leases'. The value of the lease property and the matching liability has been determined as the present value of the minimum lease payments discounted using the interest rate that equates the minimum lease payments to the fair value of the leased assets.

Given the exposure of the lessee, the lease has been accounted for as one under which the residual value is partially guaranteed by the lessee. Accordingly, the lease asset and liability have been valued in accordance with AAS 17 by deducting from the fair value of the motor vehicles, which are the subject of the lease, the value of the unguaranteed residual value which is expected to accrue to the lessor at the end of the lease term.

Any adjustments to the minimum lease payments are treated as contingent rentals and are brought to account as either revenues or expenses in the period in which they occur consistent with the provisions of AAS 17.

The profit on the sale and leaseback transaction is amortised over the lease term of 15 years.

The Department is not subject to any interest rate risk in respect of the finance lease as the financial instrument is held between the Treasurer and the Commonwealth Bank of Australia.

- *Light Motor Vehicles - Contingent Rentals*

As mentioned, any adjustments to the vehicle minimum lease payments are treated as contingent rentals and are reflected as revenues and expenses in the Statement of Financial Performance. The adjustments essentially arise from periodic reviews of agreed vehicle residual values, which have a direct effect on the calculation of the lease payments to be applied to new vehicles leased under the arrangement.

- **Light Motor Vehicles - Contingent Rentals (continued)**
Although periodic reviews of residual values have been undertaken, the lower residual values set in September 1999, reflecting past market performance, have not changed. However, lease rates will continue to rise as vehicles under pre-September 1999 residual values are replaced by new vehicles under the September 1999 residual values and the full impact is realised.

Therefore, the Department will incur increased lease payments over the minimum lease payment which is reflected as increased contingent rentals in the Statement of Financial Performance in the 2000-01 year.

The amount of contingent rentals brought to account in 2000-01 as an expense was \$28.898 million (\$18.453 million).

- **Plant and Equipment**
In June 1999, Forensic Science entered into a finance lease agreement with Hewlett-Packard for a Mass Spectrometer. This is used to identify trace quantities of complex chemical such as illicit drugs. This lease is being accounted for in accordance with AAS 17.

Commencing July 1999, the Department has progressively taken up several leases with EDS for Information Technology servers. As at 30 June 2001, the Department had 25 separate leases that are being used by various business units as required. These leases are being accounted for in accordance with AAS 17.

- **Accommodation Leases**
The Department is responsible for the finance lease in relation to Roma Mitchell House, North Terrace and Glenside Computing facilities building. Both leases are accounted for in accordance with AAS 17.

2.12 Provision for Whole-of-Government Initiatives

The provision for whole-of-government initiatives was created for the following purposes:

- Whole-of-Government Procurement Review - Balance at 30 June 2001 \$0.356 million (\$0.356 million)
- Outsourcing of facilities maintenance - Balance at 30 June 2001 \$2.230 million (\$3.939 million)
- Review of Valuation Services (Land Services Group) - nil balance at 30 June 2001. (\$0.435 million).

2.13 Employee Entitlements

Provision has been made in the financial statements for the liability for employee entitlements arising from services rendered by employees up to the reporting date. Related on-costs consequential to the employment of employees (viz payroll tax) have been included in the determination of the liability.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

Long Service Leave

As at 30 June 2001 the provision for long service leave has been determined for the Department's employees who have completed eight or more years of service. A separate allowance has been made for on-costs. This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

The current component of long service leave is determined based on departmental estimates of long service leave due to be taken during the 12 months ending 30 June 2002.

2.14 Workers Compensation

DAIS is responsible for all workers compensation with an actuarial estimate of the outstanding liability as at 30 June 2001 provided by a consulting actuary through the Government Workers Rehabilitation and Compensation Office.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to this agency's experience of claims numbers and payments. A separate valuation of the liabilities of this agency has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2001 and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet.

This valuation conforms to WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance', of the Institute of Actuaries of Australia.

The allocation of workers compensation liabilities has been split into current (ie provision required to meet the liability over the coming year) and non-current (ie provision required for later years).

2.15 Taxation Equivalents

DAIS is not required to pay Commonwealth or State taxes. However, as several business units within DAIS engage in trading activities in competition with private sector enterprises, payments in lieu of these taxes, are made to the South Australia Government.

Taxation Equivalents are required to be paid by the following units of DAIS:

- Fleet SA
- Real Estate Management
- Building Maintenance
- ForestrySA
- SA Government Employee Residential Properties
- SA Government Commercial Properties.

2.15 Taxation Equivalents (continued)

In relation to Company tax equivalents the 'Accounting Profits model' is applied with the exception of ForestrySA where the 'Liability Method of Tax Effect Accounting' is applied. ForestrySA was Corporatised as a separate entity on 1 January 2001. All tax assets and liabilities were transferred to the new entity at this time.

Under the Accounting Profits Model, income tax expense is calculated separately for each business unit by applying the income tax rate (currently 34 percent) to the individual business unit's accounting profit for the year.

Under the Liability Method of tax effect accounting the income tax expense shown in the Statement of Financial Performance is based on the operating profit before tax adjusted for any permanent differences.

2.16 Goods and Services Tax (GST)

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

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

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

The Department prepares a Business Activity Statement on behalf of its administered entities and for clients provided bureau services (Industrial and Commercial Premises Corporation and the Electricity Supply Industry Planning Council) under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of financial Position and Cash flow Statement of the Department

2.17 Prepaid Revenue - Maintenance

Included in the item of Prepaid Revenue - Maintenance and Other Revenue is the prepaid revenue recognised on maintenance work which has been billed but not performed as at 30 June 2001. The amount recognised is based on the amount in excess of cost incurred plus an agreed profit margin.

2.18 Incentives Monies Owing

Surplus Incentive Funds Reserve

Where incentives are provided by private building owners in relation to office accommodation contracts for government entities these monies are to be applied to refitting relevant accommodation. Once the fitout project is completed, any unspent monies are transferred to the Surplus Incentives Fund Reserve. Funds are applied from this reserve to fund approved fitout projects.

EDS Centre Incentives

Monies were receipted into the DAIS operating account on behalf of the Minister for Information Services and the Minister for Administrative Services during the 1998-99, 1999-2000 and 2000-01 financial years for the management and administration of the design and construction of the EDS fitout works. Approval is required from the Minister before these monies can be committed for expenditure in relation to fitout works in the EDS Centre. Monies receipted in relation to the management and administration of the EDS fitout works have initially been recognised through the Statement of Financial Position as part of incentive monies owing. Monies spent during a financial year on the management and administration of the EDS fitout works will be recognised through the Statement of Financial Performance as income and expenditure in the financial year in which the expenditure has been incurred. The balance of monies unspent at the end of the financial year is included in the incentive monies owing within the Statement of Financial Position.

2.19 Financial Instruments Disclosure

Trade accounts receivable generally settled within 60 days are carried at amounts due.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified and deemed irrecoverable.

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

Loans are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled. Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with this Department.

Interest on loans is recognised as an expense and is based on the common public sector interest rate plus a guaranteed margin, 8.45 percent as at 30 June 2001 (7.7 percent).

Forward foreign exchange contracts are used to reduce the risk associated with the purchase of foreign currency denominated goods and services.

Actual values carried in the Statement of Financial Position for all financial instruments are at fair values.

Cash at Bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis.

2.20 Major Contractual Commitments

For the following contracts the Department incurs expenditure on behalf of other government agencies and recovers these costs from those agencies.

Facilities Maintenance Contract

The Department holds two contracts with private Facility Management Contractors to undertake minor works and maintenance on behalf of Government agencies. The contracts commenced in April 1998 for a period of three years plus two years plus two years. The first three years of each of the contracts expired in June 2001 and have been renewed for a further two years. The value of these contracts annually is approximately \$35 million excluding management fees.

EDS

In October 1995, the South Australian Government signed an 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd that has a term of slightly more than nine years. It expires in mid 2005.

The agreement requires EDS to provide information technology infrastructure services across five 'business segments' (ie mainframe, midrange, local area network, wide area network and workstation segments) to most of the South Australian Government agencies.

Capital Works Program

The Department undertakes a risk management role within the Capital Work Program (ie Building). As a consequence of this role, building contractors are engaged to construct government assets on behalf of agencies. The annual value of construction work managed by the Department is approximately \$250 million.

3. Administered Items

The following items are administered by the Department as at 30 June 2001:

3.1 Asset Sales Deposit Account

The Department administers funds in relation to the following scoping reviews:

- SAGRIC International Pty Ltd
- Ports Corporation
- South Australian Totalizator Agency Board
- Lotteries Commission of South Australia.

3.2 Gaming Machines Operations Deposit Account

Contract Services holds funds on behalf of the State Supply Board for gaming machines and machinery sales as provided for under section 26 of the *Gaming Machines Act 1992*.

3.3 Auctions

Contract Services holds funds on behalf of other agencies in relation to vehicle and plant disposal auctions.

3.4 Commonwealth Bank of Australia (CBA) Deposit Account

This account was established as a result of the sale and leaseback of the light motor vehicle fleet. This account is non-interest bearing and is utilised to collect the proceeds from sales of vehicles on behalf of the fleet owner.

3.5 Special Acts Salaries

The Department receives a separate appropriation for the payment of salaries in relation to:

- Minister for Government Enterprises;
- Presidents, Deputy Presidents and Magistrates of the Industrial Relations Court and Commission and Workers Compensation Tribunals;
- Valuer-General;
- Employee Ombudsman.

Funding is provided under 'Recurrent Expenditure - Special Acts'. The Department has no control over the use of these funds.

3.6 Land Services Trust Funds

The Department holds the funds in the following accounts under the authorisation of the following acts:

- Real Property Act Assurance Fund (RPAAF) — Section 201 *Real Property Act 1886*
- Real Property Act Trust Accounts — Section 146 *Real Property Act 1886*
- Workers Liens Trust Account — Section 16 *Workers Liens Act 1893*.

3.7 Major Projects

The Department holds funds in trust for capital works on behalf of other agencies for certain major projects. The Department holds any carry forward funds on behalf of the Government and applies expenditure to these projects subject to project manager approval. These projects do not contribute to the asset base of the Department, in that the Department has no control over these assets once they are completed. The finished capital projects are transferred to the controlling agency. This arrangement has been established for the following major projects:

- Glenelg Harbour (transferred to TransportSA March 1998);
- West Beach Boating Facility onshore works (transferred to West Beach Trust March 1999);
- West Beach Boating Facility offshore works (transferred to TransportSA March 1999);
- Patawalonga Infrastructure (to be transferred to the Minister for Water Resources September 2001);
- Riverbank Precinct (to be transferred to the Minister for Tourism as an interim arrangement pending finalisation of a formal tenure arrangement).

In addition, funds are held on behalf of the Department of the Premier and Cabinet in relation to the construction of the National Wine Centre.

3.8 World Congress on Information Technology 2002 (WCIT2002)

The WCIT 2002 is the 13th, biennial Congress of the World Information Technology and Services Alliance and will be held in Adelaide between 27 February 2002 and 1 March 2002. This event is co-hosted by the Australian Information Industry Association and the South Australian Government. The aim is to attract world attention to the information technology industry by providing a three-day event featuring leading speakers in the world of information technology and business.

The State Government is supporting the staging of the Congress by providing sponsorship of \$1.3 million. It has also undertaken to meet any shortfall against an agreed budget. At this stage the quantum of any contingent liability cannot be determined as the congress is still in the process of attracting sponsors and delegates.

The funds for the event are held and managed by a secretariat through an Executive Committee. For the purpose of financial reporting the revenues disclosed include cash received or receivable and in kind services actually received. The value of in kind sponsorship equates to \$0.163 million as at 30 June 2001.

| 4. Net Profit | | 2001 | 2000 |
|--|------|----------------|---------------|
| Profit from Ordinary Activities has been arrived at after: | Note | \$'000 | \$'000 |
| (a) Debiting as Expense | | | |
| Cost of Sales: | 2.3 | | |
| Contract costs | | 76 438 | 98 392 |
| Employee costs | | 15 205 | 26 439 |
| Administration costs | | 77 517 | 67 248 |
| Commercial property costs | | 77 289 | 69 458 |
| Residential property costs | | 6 975 | 6 102 |
| Materials | | 18 428 | 19 882 |
| | | 271 852 | 287 521 |
| Administration: | | | |
| Finance charges on finance lease | 2.11 | 8 959 | 9 553 |
| Administration costs | | 63 433 | 47 953 |
| Overseas travel | | 28 | 44 |
| | | 72 420 | 57 550 |
| Other Expenses: | | | |
| Accommodation and power | | 11 557 | 11 530 |
| Amortisation of leased assets | 2.11 | 10 347 | 9 433 |
| Depreciation | 2.7 | 19 761 | 16 000 |
| Loss on disposal of assets | | 2 230 | - |
| | | 43 895 | 36 963 |
| (b) Crediting as Revenue | | | |
| Change in Net Market Value of Growing Timber | 2.7 | | |
| Change in net market value due to: | | | |
| Normal growth and price changes | | - | 68 215 |
| Reported in the Statement of Financial Performance as: | | | |
| Sales revenue | | - | 55 795 |
| Changes in volumes and prices | | - | 12 420 |
| Net Change in Market Value | | - | 68 215 |
| Other Revenue: | | | |
| Unfunded Superannuation Contribution recovery | 6 | - | 94 000 |
| Profit on sale of assets | 2.7 | - | 2 506 |
| Interest on cash | | 14 672 | 12 805 |
| Other revenue | | 357 | 1 426 |
| | | 15 029 | 110 737 |

(c) Net Expenses from Restructuring of Administrative Arrangements

Reconciliation of Net Expenses Recognised in the Statement of Financial Performance (Refer Note 1)

The financial statements only include the operations of the ForestrySA business unit from 1 July 2000 to 31 December 2000. All the assets and liabilities have been transferred to the Corporation and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government', relevant Accounting Policy Statements and Urgent Issues Group Abstract 38 'Contributions by Owners made to Wholly-Owned Public Sector Entities'.

| | 2001 | 2000 |
|---|----------------|--------|
| | \$'000 | \$'000 |
| Net assets transferred | 795 872 | - |
| Less: Return of capital | 24 984 | - |
| Net Expenses from the Restructuring of Administrative Arrangements | 770 888 | - |

During the reporting period, as a result of the corporatisation of ForestrySA, assets and liabilities amounting to \$816.837 million and \$20.965 million respectively were transferred from the Department.

In respect of the activities relinquished, the following assets and liabilities were transferred

| | | |
|---------------------|----------------|---|
| Assets: | | |
| Current assets | 34 349 | - |
| Non-current assets | 782 488 | - |
| Total Assets | 816 837 | - |

Reconciliation of Net Expenses Recognised in the Statement of Financial Performance (Refer Note 1) (continued)

| | 2001 | 2000 |
|--------------------------|----------------|----------|
| | \$'000 | \$'000 |
| Liabilities: | | |
| Current liabilities | 16 911 | - |
| Non-current liabilities | 4 054 | - |
| Total Liabilities | 20 965 | - |
| NET ASSETS | 795 872 | - |

5. **Targeted Voluntary Separation Packages (TVSPs)**

In accordance with government policy to reduce the public sector workforce, 34 (84) employees of the Department were paid TVSPs during 2000-01.

These payments were met by the Department and have been in part recovered from a fund administered by the Department of the Premier and Cabinet.

| | 2001 | 2000 |
|--|--------|--------|
| | \$'000 | \$'000 |
| TVSP payments | 1 579 | 7 275 |
| Recovered from the Department of the Premier and cabinet in respect of TVSPs | 4 693 | 7 295 |
| Annual and long service Leave accrued over the period of employment paid to employees who received TVSPs | 559 | 1 516 |

6. **Unfunded Superannuation Contribution Payments and Recoveries**

In 1999-2000 the Department, at the request of the Treasurer, made available funds of \$94 million to be applied to reduce that part of the State's past service superannuation liability to both past and present employees of the Department. The Treasurer also authorised reimbursement of that expenditure in 2000-01. As such the 1999-2000 financial statements recognised both an expense of \$94 million and a revenue receivable of \$94 million.

7. **Retained Profits**

| | 2001 | 2000 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Retained profits at 1 July | 167 297 | 97 414 |
| Net (loss) profit | (708 570) | 109 594 |
| Dividend declared | (53 996) | (55 111) |
| Transfers to and from reserves: | | |
| Transfer from Timber Insurance Reserve | 11 033 | (2 033) |
| Transfer from Asset Realisation Reserve | - | 23 473 |
| Transfer from Asset Revaluation Reserve | 180 713 | 4 003 |
| Transfer from Asset Replacement Reserve | - | 2 377 |
| Transfer from Growing Timber Revaluation Reserve | 547 795 | (12 420) |
| Retained Profits at 30 June | 144 272 | 167 297 |

8. **Sale of Businesses - During Prior Financial Year**

Central Linen

As at 18 January 2000 the assets of Central Linen were sold to Spotless Pty Ltd, in conjunction with the outsourcing of the business. The assets included all laundry equipment, spares and motor vehicles located at the Dudley Park facility, in addition to the facility itself and linen either at the facility or in transit. The sale proceeds amounted to \$11.3 million, the written down value of the assets were \$9.9 million and the resulting profit on sale is included in the Statement of Financial Performance under other revenue. No other liabilities or assets were transferred to the purchaser.

Sprint

During the months between October 1999 and February 2000 the Sprint units ceased operation. All surplus assets were sold at auction, and the resulting profit on sale is included in the Statement of Financial Performance under other revenue.

In conjunction with the closure, the services previously performed by Sprint were outsourced by the SA Government as part of a 3 year contract entered into with Endeavour Print Document Services on 5 November 1999. Under the contract conditions, agencies which obtained laser printing and copying services from Sprint are required to obtain those services from Endeavour Print.

9. **Superannuation**

During the reporting period, DAIS paid \$9.495 million (\$10.357 million) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

10. **Redeployees**

The Department funds the cost of redeployees within a corporate Placement Services Unit. The net cost for 2000-01 was \$5.763 million (\$8.411 million) which included accommodation, training and outplacement services. This amount is included under expenses from ordinary activities.

11. **Auditors' Remuneration**

| | 2001 | 2000 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Estimated amounts payable to the auditors of the Department | 510 | 575 |

12. **Fees Paid to Consultants**

| | | |
|-------------------------------------|-------|-------|
| Fees paid or payable to consultants | 3 106 | 3 245 |
|-------------------------------------|-------|-------|

| | | 2001 \$'000 | 2000 \$'000 |
|---|-------------|----------------|----------------|
| 13. Inventories | | | |
| Work in progress - Construction Projects: | Note 2.4(a) | | |
| Cost to date plus profit recognised | | 66 039 | 54 492 |
| Progress billings | | 60 354 | 50 707 |
| | | <u>5 685</u> | <u>3 785</u> |
| Stock: | | | |
| Other stock on hand | 2.4(b) | 3 070 | 4 402 |
| | | <u>8 755</u> | <u>8 187</u> |
| 14. Cash | 2.19 | | |
| Cash held with Treasury | | 203 920 | 106 931 |
| Cash held in imprest account and petty cash | | 184 | 194 |
| | | <u>204 104</u> | <u>107 125</u> |
| 15. Receivables (Current) | | | |
| Trade debtors | 2.19 | 76 135 | 71 462 |
| Less: Provision for doubtful debts | | 846 | 742 |
| | | <u>75 289</u> | <u>70 720</u> |
| Unfunded superannuation contribution receivable | 6 | - | 94 000 |
| Outstanding contractor reimbursement: | 2.5 | | |
| Contractor payments | | 366 055 | 266 343 |
| Contractor recoveries | | 359 239 | 252 026 |
| | | <u>6 816</u> | <u>14 317</u> |
| | | <u>82 105</u> | <u>179 037</u> |
| 16. Other Current Assets | | | |
| Accrued revenue: | | | |
| TVSPs and incentive payments | 5 | 2 063 | 4 882 |
| Maintenance and other revenue | 2.6 | 22 533 | 22 362 |
| Accrued interest on bank | | 1 152 | 1 533 |
| Prepaid expenses | | 6 960 | 5 376 |
| | | <u>32 708</u> | <u>34 153</u> |
| 17. Growing Timber | | | |
| Opening balance | | 578 520 | 566 100 |
| Revaluation of standing timber | | - | 12 420 |
| Restructure transfer | | (578 520) | - |
| Closing Balance | | <u>-</u> | <u>578 520</u> |
| 18. Land, Buildings and Fitouts | 2.7 | | |
| Forestry Land | | - | 192 958 |
| Commercial Properties: | | | |
| Land | | 24 923 | 28 095 |
| Building plant | | 11 318 | 10 207 |
| Buildings | | 83 217 | 87 320 |
| Less: Accumulated depreciation | | 10 338 | 8 938 |
| | | <u>109 120</u> | <u>116 684</u> |
| Industrial Properties: | | | |
| Land | | 4 636 | 4 636 |
| Building plant | | 1 863 | 1 190 |
| Buildings | | 11 330 | 11 185 |
| Less: Accumulated depreciation | | 1 427 | 723 |
| | | <u>16 402</u> | <u>16 288</u> |
| Heritage Properties: | | | |
| Land | | 7 593 | 7 593 |
| Building plant | | 872 | 787 |
| Buildings | | 2 733 | 2 683 |
| Less: Accumulated depreciation | | 247 | 78 |
| | | <u>10 951</u> | <u>10 985</u> |
| Residential Properties: | | | |
| Land | | 19 493 | 18 660 |
| Buildings | | 87 986 | 85 033 |
| Less: Accumulated depreciation | | - | - |
| | | <u>107 479</u> | <u>103 693</u> |
| Fitouts: | | | |
| In owned buildings - At cost | | 4 773 | 3 537 |
| Less: Accumulated depreciation | | 2 179 | 1 616 |
| | | <u>2 594</u> | <u>1 921</u> |
| In leased buildings - At cost | | 9 121 | 8 550 |
| Less: Accumulated depreciation | | 5 059 | 3 901 |
| | | <u>4 062</u> | <u>4 649</u> |
| Total Fitouts | | <u>6 656</u> | <u>6 570</u> |
| Total Freehold Land, Buildings and Fitouts | | <u>250 608</u> | <u>447 178</u> |

Administrative and Information Services

| 19. Assets under Finance Lease | Note | 2001 \$'000 | 2000 \$'000 |
|---|----------|----------------------|-----------------------|
| Motor Vehicles: | 2.11 | | |
| At valuation | | 111 279 | 111 279 |
| Less: Accumulated amortisation | | 40 652 | 31 372 |
| | | <u>70 627</u> | <u>79 907</u> |
| Accommodation: | | | |
| At valuation | | 22 539 | 22 367 |
| Less: Accumulated amortisation | | 1 589 | 742 |
| | | <u>20 950</u> | <u>21 625</u> |
| Plant and Equipment: | | | |
| At valuation | | 1 025 | 420 |
| Less: Accumulated amortisation | | 284 | 68 |
| | | <u>741</u> | <u>352</u> |
| Total Assets under Finance Lease | | <u><u>92 318</u></u> | <u><u>101 884</u></u> |
| 20. Plant and Equipment | 2.7 | | |
| At cost | | 42 213 | 55 903 |
| Less: Accumulated depreciation | | 25 807 | 33 127 |
| | | <u>16 406</u> | <u>22 776</u> |
| 21. Government Radio Network | 2.7, 2.8 | | |
| Assets held ready for use | | 52 940 | 30 996 |
| Less: Accumulated depreciation | | 5 472 | 769 |
| | | <u>47 468</u> | <u>30 227</u> |
| Assets under construction | | 17 785 | 5 844 |
| | | <u>65 253</u> | <u>36 071</u> |
| 22. Other Non-Current Assets | | | |
| Asset replacement investment account | | 7 499 | 7 499 |
| Investments in Ngapartji | 2.9 | 300 | 300 |
| Future income tax benefit | 2.15 | - | 253 |
| | | <u>7 799</u> | <u>8 052</u> |

| 23. Movements in Carrying Amounts of Non-Current Assets | 2001 | | | |
|---|-----------------------------|----------------------------------|---|---|
| | Growing Timber \$'000 | Plant and Equipment \$'000 | GRN Assets held ready for use \$'000 | GRN Assets under Construction \$'000 |
| Balance at 1 July | 578 520 | 22 776 | 30 227 | 5 844 |
| Additions | - | 8 886 | 16 086 | 17 785 |
| Disposals | - | (266) | - | - |
| Transfer from assets under construction | - | - | 5 844 | (5 844) |
| Revaluation increments (decrements) | - | - | - | - |
| Restructure transfer | (578 520) | (6 888) | - | - |
| Write off | - | (2 642) | - | - |
| Depreciation expense | - | (5 460) | (4 689) | - |
| Carrying Amount at 30 June | <u>-</u> | <u>16 406</u> | <u>47 468</u> | <u>17 785</u> |

| | 2001 | | | | | | |
|-------------------------------------|----------------|-----------------|-----------------------|---------------------|-----------------------|-----------------|---------------------|
| | Forestry | | Commercial Properties | | Industrial Properties | | |
| | Land \$'000 | Plant \$'000 | Buildings \$'000 | Buildings \$'000 | Land \$'000 | Plant \$'000 | Buildings \$'000 |
| Balance at 1 July | 192 958 | 27 374 | 7 620 | 81 690 | 4 636 | 752 | 10 900 |
| Additions | - | - | 1 647 | 2 672 | - | 689 | 145 |
| Assets recognised for first time | - | - | (1) | 122 | - | - | - |
| Disposals | - | (2 411) | (9) | (104) | - | - | - |
| Revaluation increments (decrements) | - | (40) | - | 78 | - | - | - |
| Restructure transfer | (192 958) | - | - | (3 885) | - | - | - |
| Write off | - | - | - | - | - | - | - |
| Depreciation expense | - | - | (2 367) | (3 266) | - | (426) | (294) |
| Carrying Amount at 30 June | <u>-</u> | <u>24 923</u> | <u>6 890</u> | <u>77 307</u> | <u>4 636</u> | <u>1 015</u> | <u>10 751</u> |

| | 2001 | | | | | | |
|-------------------------------------|---------------------|-----------------|---------------------|------------------------|--------------------|--------------------------------|----------------------------------|
| | Heritage Properties | | | Residential Properties | | Fitouts | |
| | Land \$'000 | Plant \$'000 | Buildings \$'000 | Land \$'000 | Building \$'000 | In owned Building \$'000 | In leased Buildings \$'000 |
| Balance at 1 July | 7 593 | 738 | 2 654 | 18 660 | 85 033 | 1 921 | 4 649 |
| Additions | - | 85 | 50 | 36 | 3 459 | 1 237 | 796 |
| Assets recognised for first time | - | - | - | - | - | - | - |
| Disposals | - | - | - | (452) | (1 723) | - | (19) |
| Revaluation increments (decrements) | - | - | - | 1 249 | 2 466 | - | - |
| Restructure transfer | - | - | - | - | - | - | - |
| Write off | - | - | - | - | - | - | (96) |
| Depreciation expense | - | (86) | (83) | - | (1 249) | (564) | (1 268) |
| Carrying Amount at 30 June | <u>7 593</u> | <u>737</u> | <u>2 621</u> | <u>19 493</u> | <u>87 986</u> | <u>2 594</u> | <u>4 062</u> |

| | | | |
|--|----------|------------------|---------|
| 24. Creditors (Current) | | 2001 | 2000 |
| | Note | \$'000 | \$'000 |
| Client monies received in advance | 2.10 | 5 728 | 5 491 |
| Trade creditors | 2.19 | 12 418 | 6 038 |
| Incentive monies owing | 2.18 | 3 675 | 4 238 |
| | | 21 821 | 15 767 |
| 25. Borrowings | | | |
| Current: | | | |
| Finance leases | 2.11, 30 | 10 881 | 9 882 |
| Non-Current: | | | |
| Borrowings from State Government | 2.19 | 94 807 | 97 706 |
| Finance leases | 2.11, 30 | 87 539 | 97 914 |
| | | 182 346 | 195 620 |
| 26. Provisions | | | |
| Current: | | | |
| Whole-of-Government initiatives | 2.12 | 1 293 | 1 885 |
| Annual leave | 2.13 | 4 984 | 4 609 |
| Workers compensation | 2.14 | 1 035 | 1 434 |
| Long service leave | 2.13 | 2 134 | 2 774 |
| Provision for dividend | | 13 000 | 21 646 |
| Provision for income tax | 2.15 | 1 781 | 6 728 |
| | | 24 227 | 39 076 |
| Non-Current: | | | |
| Whole-of-Government initiatives | 2.12 | 1 293 | 2 845 |
| Workers compensation | 2.14 | 3 351 | 3 898 |
| Long service leave | 2.13 | 22 311 | 23 953 |
| Deferred income tax | 2.15 | - | 458 |
| | | 26 955 | 31 154 |
| 27. Other Current Liabilities | | | |
| Accrued Expenses | | 73 108 | 47 927 |
| Prepaid reimbursements relating to the sale and leaseback of motor vehicles | 2.11 | 21 441 | 20 219 |
| Prepaid revenue - Maintenance and other revenue | 2.17 | 3 848 | 6 384 |
| Deferred profit on sale and leaseback of motor vehicles | 2.11 | 3 285 | 3 802 |
| Accrued salaries and wages | | - | 450 |
| Accrued interest | | 960 | 849 |
| | | 102 642 | 79 631 |
| 28. Reserves | | | |
| Asset Revaluation Reserve: | | | |
| Balance at the beginning of the reporting period | | 251 702 | 247 431 |
| Forestry restructure transfer | | (179 697) | - |
| Other movements | | 2 446 | 4 271 |
| Closing balance | | 74 451 | 251 702 |
| Surplus Incentive Funds Reserve: | | | |
| Balance at the beginning of the reporting period | | 803 | 803 |
| Net movement during the year | | (137) | - |
| Closing balance | | 666 | 803 |
| Capital Reserves: | | | |
| Due to the corporatisation of ForestrySA, capital funds of \$24.983 million have been recognised as a return on capital (a direct reduction against equity) in accordance with Urgent Issue Group Abstract 38. | | | |
| Balance at the beginning of the reporting period | | 30 529 | 30 529 |
| Forestry restructure transfer | | (24 983) | - |
| Closing balance | | 5 546 | 30 529 |
| Insurance Loss Reserve | | | |
| Since 1996-97 the Department has set aside \$3 million per year to create over five years, a \$15 million risk exposure reserve in relation to the Department's plantation forests. This reserve has been created with the Treasurer's consent and will serve to cover risk exposure, over and above the Department's insurance excess arrangement, up to a total loss aggregate of \$15 million, in any one insurance year. | | | |
| | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| Balance at the beginning of the reporting period | | 11 033 | 9 000 |
| Movement during the year | | (11 033) | 2 033 |
| Closing balance | | - | 11 033 |
| Growing Timber Revaluation Reserve: | | | |
| Balance at the beginning of the reporting period | | 547 794 | 535 374 |
| Movement during the year | | (547 794) | 12 420 |
| Closing balance | | - | 547 794 |
| Total Reserves | | 80 663 | 841 861 |

29. Capital Funds provided by the South Australian Government

During the current year additional funds were also provided to the Department as equity funding for the Government Radio Network, SAMIS, Atlas and the Imaging System. During the prior year capital funds in the order of \$9.030 million relating to Central Linen and Sprint operations were repaid to the Treasurer. Additional funds were also provided to the Department as equity funding for the Government Radio Network, SAMIS, Atlas, Forensic Science fitout and State Records Archive capital projects.

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|----------------|----------------|
| Balance at the beginning of the reporting period | | 142 695 | 84 871 |
| Movement during the year | | 23 554 | 57 824 |
| Closing balance | | 166 249 | 142 695 |
| 30. Finance Lease Commitments | 2.11 | | |
| <i>Motor Vehicles:</i> | | | |
| Not later than one year | | 15 395 | 15 395 |
| Later than one year and not later than five years | | 54 067 | 58 770 |
| Later than five years | | 21 779 | 32 470 |
| | | 91 241 | 106 635 |
| Deduct future finance charges | | 20 614 | 26 727 |
| | | 70 627 | 79 908 |
| Classified as: | | | |
| Current | | 10 058 | 9 281 |
| Non-current | | 60 569 | 70 627 |
| | | 70 627 | 79 908 |
| <i>Accommodation:</i> | | | |
| Not later than one year | | 3 478 | 3 288 |
| Later than one year and not later than five years | | 13 910 | 13 153 |
| Later than five years | | 70 965 | 67 555 |
| | | 88 353 | 83 996 |
| Deduct future finance charges | | 61 304 | 56 458 |
| | | 27 049 | 27 538 |
| Classified as: | | | |
| Current | | 518 | 489 |
| Non-current | | 26 531 | 27 049 |
| | | 27 049 | 27 538 |
| <i>Plant and Equipment:</i> | | | |
| Not later than one year | | 348 | 134 |
| Later than one year and not later than five years | | 469 | 260 |
| Later than five years | | - | - |
| | | 817 | 394 |
| Deduct future finance charges | | 73 | 44 |
| | | 744 | 350 |
| Classified as: | | | |
| Current | | 305 | 112 |
| Non-current | | 439 | 238 |
| | | 744 | 350 |
| Total Finance Lease Commitments | | | |
| Current | | 10 881 | 9 882 |
| Non-current | | 87 539 | 97 914 |
| | | 98 420 | 107 796 |
| 31. Operating Lease Commitments | 2.11 | | |
| Not later than one year | | 55 159 | 51 158 |
| Later than one year and not later than five years | | 168 397 | 145 714 |
| Later than five years | | 143 192 | 127 399 |
| | | 366 748 | 324 271 |
| 32. Statement of Cash Flows | | | |
| (a) Reconciliation of Cash | | | |
| For the purposes of the Statement of Cash Flows, cash is cash at Bank | 14 | 204 104 | 107 125 |
| (b) Reconciliation of Operating Profit to Net Cash provided by Operating Activities | | | |
| Operating profit | | (708 570) | 109 594 |
| Non cash items: | | | |
| Depreciation of buildings, plant and equipment | | 19 761 | 15 979 |
| Loss (Profit) on disposal of assets | | 2 798 | (1 990) |
| Net expenses on restructuring | | 747 192 | - |
| Amortisation of finance lease | | 10 347 | 9 433 |
| Profit on sale and leaseback | | (517) | (516) |
| Timber revaluation | | - | (12 420) |
| Change in assets and liabilities: | | | |
| Decrease (Increase) in debtors | | 88 427 | (89 403) |
| Increase (Decrease) in provision for doubtful debts | | 119 | (387) |
| (Increase) in inventories | | (2 469) | (164) |
| Decrease (Increase) in accrued revenue | | 2 862 | (3 777) |
| (Increase) Decrease in prepaid expenses | | (1 784) | 4 285 |
| Increase (Decrease) in creditors | | 12 302 | (9 387) |
| Increase (Decrease) in accrued expenses | | 13 254 | (3 241) |
| (Decrease) Increase in prepaid revenue | | (2 360) | 1 693 |
| (Decrease) Increase in incentive monies owing | | (563) | 2 711 |
| (Decrease) in provisions | | (3 621) | (717) |
| Net Cash provided by Operating Activities | | 177 178 | 21 693 |

| | | | |
|--|--|------------------|-----------|
| 33. Remuneration of Employees | | 2001 | 2000 |
| Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000. | | \$'000 | \$'000 |
| The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits: | | 6 587 | 6 755 |
| | | | |
| The number of employees of the Department whose remuneration falls within the following bands for the year ended were: | | 2001 | 2000 |
| | | Number of | Number of |
| | | Employees | Employees |
| \$100 000 - \$109 999 | | 7 | 13 |
| \$110 000 - \$119 999 | | 12 | 9 |
| \$120 000 - \$129 999 | | 4 | 6 |
| \$130 000 - \$139 999 | | 4 | 4 |
| \$140 000 - \$149 999 | | 4 | 3 |
| \$150 000 - \$159 999 | | 4 | 1 |
| \$160 000 - \$169 999 | | 4 | 4 |
| \$170 000 - \$179 999 | | 2 | - |
| \$180 000 - \$189 999 | | 2 | 4 |
| \$190 000 - \$199 999 | | 2 | - |
| \$200 000 - \$209 999 | | - | 3 |
| \$230 000 - \$239 999 | | 2 | 1 |
| \$240 000 - \$249 999 | | - | 1 |

34. Business Unit Information

DAIS carries out a number of functions and services through its business units. These functions are as follows:

- Building Maintenance - Delivers facilities maintenance services to agencies in country areas and part of metropolitan Adelaide, provides asbestos monitoring and management.
- Building Management and Major Projects - Building Management provides risk and contract management services to non-infrastructure agencies for the delivery of capital works and facilities management services and a range of building related specialist services including building asset management, heritage building conservation and disability access advice. Major Projects is responsible for managing major Government development projects which are complex and do not fall within normal agency arrangements and manages the program of works for the Industrial and Commercial Premises Corporation
- Contract Services - Provides a broad range of procurement services on a whole-of-government basis to Government and the State Supply Board.
- Government ICS - Supports the efficient electronic delivery of government services and takes a central strategic leadership role in the planning, management and delivery of information and communication services across government.
- Land Services - Provides an effective government guaranteed system of land titling, land boundary security, and a viable and impartial property valuation service for the benefit of business, government and the community.
- Real Estate Management - Manages the government's portfolio of owned and leased office accommodation and housing assets on behalf of Government and agencies including the provision of strategic policy advice in these areas. The portfolio of owned and leased office accommodation is represented by SA Government Commercial Properties and the portfolio of housing assets is represented by SA Government Employee Residential Properties.
- State Records - Responsible for improving records management across all state government agencies and local councils including the provision of archival services for permanent and temporary records.
- Government Businesses Group - Provides a policy and monitoring framework for government business enterprises within the Government Enterprises portfolio and a project management service to government for business related changes, including restructuring and contracting out.
- ForestrySA - Manages the State owned plantation forests, recreational access and native forests conservation, in addition to providing policy advice to key stakeholders, support for the forest industry development and farm forest activities and initiatives.
- Information Economy Policy Office - Provides advice to government on the information economy including, the formulation of strategies to ensure take up of opportunities, the raising of awareness throughout the community and the development of information industries in the State.
- Fleet SA - Provides fleet management services to government for passenger and light commercial motor vehicles in addition to the provision of a chauffeured VIP transport service for Ministers and visiting dignitaries.
- Forensic Science - Provides independent pathology and scientific analysis services to the justice system and the community.
- Workplace Services - Provides advisory, compliance and education services relating to occupational health and safety, industrial relation and public safety legislation.
- Parliamentary Publishing SA - This area incorporates the operations of Riverside 2000 which provides document publishing services to Parliament.
- Industrial Court, Commission and Workers Compensation Tribunals - Provides administration of the Industrial Relations Court and Commission and the Workers Compensation Appeals Tribunal and Workers Compensation Tribunal.
- Business and Corporate Services - Business Services supports the operation of the Department through the provision of a central service relating to human resources, information technology, administration, finance, occupational health and safety and redeployment. In addition, the business services unit provides corporate shared services to other government agencies on a fee for service basis. Corporate Services includes the activities of the Office of the Chief Executive, Policy Development, Employee Ombudsman and the Ministers' Office.

34. Business Unit Information (continued)

2001

| | Building M'tnce | Building Mgmt & Major Projects | Contract Services | Govt ICS | Land Services | Real Estate Mgmt | SA Govt Comm Property | SA Govt Employee Residntl Property | State Records | Govt Business Groups |
|---|--------------------|---|----------------------|----------------|------------------|------------------------|-----------------------------|---|------------------|----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Abridged Statement of Financial Performance | | | | | | | | | | |
| Revenues from Ordinary Activities: | | | | | | | | | | |
| Sales and miscellaneous revenue | 55 740 | 8 015 | 22 540 | 145 945 | 59 192 | 5 525 | 95 292 | 17 001 | 2 087 | 111 |
| Appropriations | 411 | 5 668 | 1 494 | 30 762 | 2 017 | 241 | 2 670 | - | 2 748 | 2 127 |
| Total Revenues from Ordinary Activities | 56 151 | 13 683 | 24 034 | 176 707 | 61 209 | 5 766 | 97 962 | 17 001 | 4 835 | 2 238 |
| Expenses from Ordinary Activities: | | | | | | | | | | |
| Employee expenses | 6 297 | 6 567 | 4 121 | 7 568 | 17 258 | 3 048 | - | - | 2 052 | 1 103 |
| Goods and services | 48 744 | 6 327 | 22 852 | 142 168 | 11 643 | 2 206 | 88 222 | 13 514 | 3 047 | 512 |
| Depreciation and amortisation | 6 | 203 | 186 | 7 218 | 94 | 59 | 7 236 | 1 813 | 44 | 140 |
| Total Expenses from Ordinary Activities | 55 047 | 13 097 | 27 159 | 156 954 | 28 995 | 5 313 | 95 458 | 15 327 | 5 143 | 1 755 |
| Profit from Ordinary Activities before Restructuring | 1 104 | 586 | (3 125) | 19 753 | 32 214 | 453 | 2 504 | 1 674 | (308) | 483 |

Abridged Statement of Financial Position

| | | | | | | | | | | |
|--------------------------|---------------|---------------|--------------|----------------|---------------|--------------|----------------|----------------|--------------|--------------|
| Assets: | | | | | | | | | | |
| Current assets | 16 423 | 49 320 | 3 942 | 89 277 | 60 838 | 1 854 | 34 929 | 11 478 | 3 638 | 1 287 |
| Non-current assets | 9 | 2 196 | 711 | 74 121 | 1 712 | 365 | 164 101 | 110 059 | 778 | 103 |
| Total Assets | 16 432 | 51 516 | 4 653 | 163 398 | 62 550 | 2 219 | 199 030 | 121 537 | 4 416 | 1 390 |
| Liabilities: | | | | | | | | | | |
| Current liabilities | 5 783 | 23 360 | 964 | 59 091 | 5 390 | 433 | 7 912 | 2 268 | (3) | 122 |
| Non-current liabilities | 5 025 | 2 515 | 1 404 | 1 415 | 5 014 | 851 | 77 718 | 40 092 | 216 | 254 |
| Total Liabilities | 10 808 | 25 875 | 2 368 | 60 506 | 10 404 | 1 284 | 85 630 | 42 360 | 213 | 376 |
| NET ASSETS | 5 624 | 25 641 | 2 285 | 102 892 | 52 146 | 935 | 113 400 | 79 177 | 4 203 | 1 014 |

2001

| | Forestry SA | Info Econ Policy Office | Fleet SA | Forensic Science | Work- place Services | Parlia- mentary Publi- shing SA | Ind Court Comsn & Wkrs Comp Tribunals | Bus & Corp Services | Elimina- tions | Consol- idation |
|---|----------------|-------------------------------|----------------|---------------------|----------------------------|--|---|---------------------------|-------------------|--------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Abridged Statement of Financial Performance | | | | | | | | | | |
| Revenues from Ordinary Activities: | | | | | | | | | | |
| Sales and miscellaneous revenue | 53 348 | 378 | 63 594 | 2 601 | 7 413 | 2 288 | 4 984 | 19 338 | (18 787) | 546 605 |
| Appropriations | - | 4 467 | 7 000 | 5 637 | 6 197 | 806 | 3 443 | 17 048 | - | 92 736 |
| Total Revenues from Ordinary Activities | 53 348 | 4 845 | 70 594 | 8 238 | 13 610 | 3 094 | 8 427 | 36 386 | (18 787) | 639 341 |
| Expenses from Ordinary Activities: | | | | | | | | | | |
| Employee expenses | 4 521 | 2 136 | 3 789 | 4 386 | 9 572 | 677 | 4 847 | 16 982 | - | 94 924 |
| Goods and services | 31 932 | 1 619 | 61 901 | 2 240 | 5 581 | 2 060 | 3 379 | 15 276 | (18 787) | 444 436 |
| Depreciation and amortisation | 554 | 54 | 9 333 | 228 | 146 | 5 | 58 | 2 731 | - | 30 108 |
| Total Expenses from Ordinary Activities | 37 007 | 3 809 | 75 023 | 6 854 | 15 299 | 2 742 | 8 284 | 34 989 | (18 787) | 569 468 |
| Profit from Ordinary Activities before Restructuring | 16 341 | 1 036 | (4 429) | 1 384 | (1 689) | 352 | 143 | 1 397 | - | 69 873 |
| Abridged Statement of Financial Position | | | | | | | | | | |
| Assets: | | | | | | | | | | |
| Current assets | - | 1 493 | 30 133 | 6 573 | 1 929 | 2 007 | 1 579 | 10 972 | - | 327 672 |
| Non-current assets | - | 216 | 70 817 | 1 573 | 473 | 16 | 423 | 4 711 | - | 432 384 |
| Total Assets | - | 1 709 | 100 950 | 8 146 | 2 402 | 2 023 | 2 002 | 15 683 | - | 760 056 |
| Liabilities: | | | | | | | | | | |
| Current liabilities | - | 240 | 37 305 | 938 | 1 776 | 1 094 | 835 | 12 060 | - | 159 569 |
| Non-current liabilities | - | 268 | 61 436 | 950 | 2 384 | 191 | 597 | 8 972 | - | 209 301 |
| Total Liabilities | - | 508 | 98 741 | 1 888 | 4 160 | 1 285 | 1 432 | 21 032 | - | 368 870 |
| NET ASSETS | - | 1 201 | 2 209 | 6 258 | (1 758) | 738 | 570 | (5 349) | - | 391 186 |

35. Schedule of Administered Items

2001

| | Asset Sales Deposit Account \$'000 | Gaming Machines \$'000 | State Govern- ment Auctions \$'000 | CBA Vehicles \$'000 | Special Acts Salaries \$'000 | Lands Services Group Trust Funds \$'000 | Major Projects \$'000 | World Congress on IT 2002 \$'000 | Total \$'000 |
|--|--|------------------------------|--|---------------------------|---------------------------------------|--|-----------------------------|--|-----------------|
| PERFORMANCE STATEMENT | | | | | | | | | |
| Administered Revenues from Ordinary Activities: | | | | | | | | | |
| Receipts and other revenue | - | 29 654 | 76 312 | 92 484 | 1 958 | 510 | 1 966 | 1 683 | 204 567 |
| Receipts from Government | 11 019 | - | - | - | - | - | 14 915 | - | 25 934 |
| Total Revenues | 11 019 | 29 654 | 76 312 | 92 484 | 1 958 | 510 | 16 881 | 1 683 | 230 501 |
| Administered Operating Expenses: | | | | | | | | | |
| Employee expenses | 807 | - | - | - | 1 958 | - | - | 356 | 3 121 |
| Other operating expenses | 7 202 | 26 044 | 74 571 | 91 490 | - | 455 | 41 707 | 1 274 | 242 743 |
| Total Operating Expenses | 8 009 | 26 044 | 74 571 | 91 490 | 1 958 | 455 | 41 707 | 1 630 | 245 864 |
| Administered Operating Revenues | | | | | | | | | |
| Less: Administered Operating Expenses | 3010 | 3 610 | 1 741 | 994 | - | 55 | (24 826) | 53 | (15 363) |
| STATEMENT OF FINANCIAL POSITION | | | | | | | | | |
| Current assets | 4 192 | 3 481 | 75 | 16 743 | 17 | 4 357 | 7 292 | 475 | 36 632 |
| Non-current assets | 39 | - | - | - | - | - | - | - | (39) |
| Total Assets | 4 231 | 3 481 | 75 | 16 743 | 17 | 4 357 | 7 292 | 475 | 36 671 |
| Current liabilities | 2 434 | 23 | - | 14 794 | - | 11 | 389 | 506 | 18 157 |
| Non-current liabilities | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 2 434 | 23 | - | 14 794 | - | 11 | 389 | 506 | 18 157 |
| NET ASSETS | 1 797 | 3 458 | 75 | 1 949 | 17 | 4 346 | 6 903 | (31) | 18 514 |
| Retained profits | | | | | | | | | |
| STATEMENT OF CASH FLOWS | | | | | | | | | |
| Operating Activities: | | | | | | | | | |
| Inflows | 9 818 | 29 651 | 76 313 | 83 944 | 1 696 | 511 | 16 861 | 1 292 | 220 086 |
| Less: Outflows | 6 903 | 26 332 | 74 571 | 81 787 | 1 959 | 469 | 43 758 | 1 124 | 236 903 |
| | 2 915 | 3 319 | 1 742 | 2 157 | (263) | 42 | (26 897) | 168 | (16 817) |
| Investing Activities: | | | | | | | | | |
| Inflows | 21 | - | - | - | - | - | - | - | 21 |
| Less: Outflows | - | - | - | - | - | - | - | - | - |
| | 21 | - | - | - | - | - | - | - | 21 |
| Net Increase (Decrease) in cash held | 2 936 | 3 319 | 1 742 | 2 157 | (263) | 42 | (26 897) | 168 | (16 796) |
| Cash balance at 1 July | 53 | 150 | (1 666) | 6 045 | (1 678) | 4 315 | 34 174 | (85) | 41 308 |
| CASH BALANCE AT 30 JUNE | 2 989 | 3 469 | 76 | 8 202 | (1 941) | 4 357 | 7 277 | 83 | 24 512 |

36. Administered Units: Remuneration of Employees

| | | |
|---|----------------|----------------|
| Amounts received or receivable by employees included under administered items whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits | 2001 \$'000 | 2000 \$'000 |
| | 2 416 | 2 041 |

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:

| | Number of Employees | Number of Employees |
|-----------------------|------------------------|------------------------|
| \$110 000 - \$119 999 | - | 3 |
| \$120 000 - \$129 999 | 1 | - |
| \$130 000 - \$139 999 | 2 | 1 |
| \$160 000 - \$169 999 | 2 | 1 |
| \$190 000 - \$199 999 | 1 | 1 |
| \$210 000 - \$219 999 | - | 1 |
| \$220 000 - \$229 999 | 1 | - |
| \$240 000 - \$249 999 | 1 | 3 |
| \$250 000 - \$259 999 | 3 | - |

INDUSTRIAL AND COMMERCIAL PREMISES CORPORATION

FUNCTIONAL RESPONSIBILITY

The Corporation was established on 1 March 1997 under the name MFP Industrial Premises Corporation. It was established as a subsidiary of the then Minister for State Development, pursuant to regulations under the *Public Corporations Act 1993*, to take over functions previously conducted by the South Australian Urban Projects Authority under the Industrial Premises Development Scheme and to carry out other functions conferred by the Minister.

The Scheme provides for the development of new factory and commercial properties and the management of established factories and commercial properties as part of the Government's program for assisting industry. Under the Scheme various finance and accommodation tenure arrangements have been entered into with private sector entities for the provision of facilities designed to satisfy particular operating requirements and to secure their presence in South Australia.

On 24 December 1997, by amendment regulations, the name of the Corporation was changed to Industrial and Commercial Premises Corporation (ICPC) and the responsibility for the Corporation was transferred to the Minister for Government Enterprises.

The Corporation has a Board of Directors appointed by the Minister and is subject to the control and direction of the Minister. Staff and facilities required to conduct the affairs of the Corporation are provided by the Department for Administrative and Information Services. The Corporation has no staff of its own.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993*, requires subsidiaries of Public Corporations, established pursuant to section 24 of the Act, to keep proper accounts of their financial affairs and to prepare financial statements in respect of each year.

It further provides that the Auditor-General must audit the accounts and financial statements of the subsidiary.

Scope of Audit

The audit of the Corporation was undertaken in conjunction with the audit of the Department for Administrative and Information Services.

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

During 2000-01 specific areas of audit attention included:

- expenditure of monies with respect to new developments
- borrowings and related interest expenses
- raising and recovery of monies due with respect to established properties
- administrative expenses charged to the Corporation.

AUDIT FINDINGS AND COMMENTS

The review of the abovementioned auditable areas revealed generally satisfactory results.

In relation to the important matter of management control of risks, Audit noted last year that the Corporation, with the assistance of consultants, established in the latter part of the year a business risk management framework. This involved the completion of a risk profile of the organisation, covering the identification and assessment of risks and the development of proposed control strategies to manage these risks.

In the 2000-01 financial year the Corporation established a Risk Management Plan that outlined key risks and strategies, actions, timeframes and responsibilities for addressing these risks.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Industrial and Commercial Premises Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the Industrial and Commercial Premises Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

The Corporation recorded a profit from ordinary activities before income tax of \$2.8 million compared to a profit of \$316 000 in 1999-2000. The difference was primarily due to the recognition of \$2.6 million as other revenue in relation to a revaluation upwards of land and buildings assets. Note 10(c) provides the details with respect to this revaluation.

Statement of Financial Position

The majority of land and building assets are subject to guarantee arrangements by the Minister for Industry and Trade (Notes 10 and 2.3(d) to the financial statements refers). The guarantees effectively provide that in the event of the Corporation selling the land and buildings the Minister will make up the difference between the proceeds from sale and the actual cost of construction of the assets.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------|----------------|----------------|
| REVENUE FROM ORDINARY ACTIVITIES: | | | |
| Interest | | 1 275 | 1 288 |
| Rent | | 3 710 | 2 588 |
| Profit on sale of assets | | 10 | - |
| Recoveries and sundry income | | 403 | 526 |
| Other income | 10(c) | 2 629 | - |
| Total Revenue | | 8 027 | 4 402 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Interest | | 3 172 | 2 921 |
| Administrative expenditure | 3 | 1 533 | 796 |
| Depreciation | 2.3(b) | 537 | 369 |
| Total Expenses | | 5 242 | 4 086 |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | 2 785 | 316 |
| Income tax expense relating to ordinary activities | 4 | 947 | 114 |
| PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX | | 1 838 | 202 |
| Increase (decrease) in asset revaluation reserve arising from revaluation of non-current assets | | - | 25 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 1 838 | 227 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|-----------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash | 16 | 4 687 | 560 |
| Receivables | 8 | 2 296 | 1 911 |
| Accruals and prepayments | | 30 | - |
| Total Current Assets | | 7 013 | 2 471 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 8 | 7 006 | 8 787 |
| Land held for re-sale | 9 | - | 275 |
| Construction projects in progress | 2.3(c) | 304 | 6 292 |
| Property, plant and equipment | 2.3(b),10 | 25 381 | 16 215 |
| Total Non-Current Assets | | 32 691 | 31 569 |
| Total Assets | | 39 704 | 34 040 |
| CURRENT LIABILITIES: | | | |
| Creditors and borrowings | 11 | 1 260 | 4 543 |
| Provisions | 12 | 1 267 | 320 |
| Other accruals | 13 | 542 | 490 |
| Total Current Liabilities | | 3 069 | 5 353 |
| NON-CURRENT LIABILITIES: | | | |
| Creditors and borrowings | 11 | 36 704 | 30 445 |
| Total Non-Current Liabilities | | 36 704 | 30 445 |
| Total Liabilities | | 39 773 | 35 798 |
| NET LIABILITIES | | (69) | (1 758) |
| EQUITY | | | |
| Asset revaluation reserve | 9,14 | 25 | 108 |
| Accumulated (losses) profits | 22 | (94) | (1 866) |
| FUNDS DEFICIENCY | | (69) | (1 758) |
| Liability Obligations | 6 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | | 2001 | 2000 |
|---|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Rent received | Note | \$'000 | \$'000 |
| Principal received from mortgage and agreement loans | | 3 753 | 3 040 |
| Payments for land acquisition and construction projects in progress | | 1 712 | 2 099 |
| Recoveries and sundry receipts | | (1 108) | (5 891) |
| Interest received | | 102 | 698 |
| Interest received | | 1 219 | 1 397 |
| Servicing costs and payments to suppliers | | (1 348) | (681) |
| Interest payments | | (3 136) | (2 904) |
| Tax equivalent paid | 4 | (164) | (185) |
| Net Cash provided by (used in) Operating Activities | 15 | 1 030 | (2 427) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds from disposals of property, plant and equipment | | 285 | 655 |
| Net Cash provided by Investing Activities | | 285 | 655 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings | | 4 072 | 3 000 |
| Dividends paid | 7 | (149) | (150) |
| Repayment of borrowings | | (1 111) | (1 793) |
| Net Cash provided by Financing Activities | | 2 812 | 1 057 |
| NET INCREASE (DECREASE) IN CASH HELD | | 4 127 | (715) |
| CASH AT 1 JULY | | 560 | 1 275 |
| CASH AT 30 JUNE | 16 | 4 687 | 560 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Industrial and Commercial Premises Corporation

Industrial and Commercial Premises Corporation (I&CPC), previously known as MFP Industrial Premises Corporation, was established on 1 March 1997 as a subsidiary of the then Minister for State Development by Regulations under the *Public Corporations Act 1993*.

From 24 December 1997, I&CPC was transferred to the Minister for Government Enterprises. As a subsidiary of the Minister, the I&CPC is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its Corporate name. It is governed by a Board of Directors consisting of three members appointed by the Minister (refer Note 17).

The functions of the I&CPC are:

- to develop new factory and commercial properties and to manage existing properties under the Industrial Premises Development Scheme (functions previously carried out by the South Australian Urban Projects Authority);
- to carry out other functions conferred on it by the Minister.

The I&CPC must obtain the approval of the Minister before it makes a material change to its policy direction.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The accounts have been prepared in accordance with the Statements of Accounting Concepts, applicable Urgent Issues Group Consensus views and appropriate Australian Accounting Standards and in accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*. The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

2.2 Comparative Figures

Comparative figures are for the period 1 July 1999 to 30 June 2000.

2.3 Significant Policies

The following is a summary of the significant accounting policies adopted by the reporting entity in the preparation of the accounts.

(a) Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

(b) Property, Plant and Equipment

Property, plant and equipment is brought to account at market value, less, where applicable, any accumulated depreciation.

Land and buildings were valued during the year on the basis of current market values by independent valuers Jones Lang LaSalle, in accordance with the requirements under Australian Accounting Standard, AASB 1041 'Revaluation of Non-Current Assets' as defined by the National Council of the Australian Property Institute.

Depreciation

The depreciable amount of all non-current assets including properties, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use.

Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount.

- (c) **Construction Projects in Progress**
Construction projects in progress is brought to account at cost.
- (d) **Guarantees**
Guarantees exist in relation to a possible sale of the properties owned by the Corporation, such that the Minister for Industry and Trade guarantees to make up any shortfall between the actual cost price of the assets and that realised upon sale.

2.4 Goods and Services Tax

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

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

The Department for Administrative and Information Services (DAIS) prepares a Business Activity Statement on behalf of the Corporation under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to the Corporation forms part of the Statement of Financial Position and Cash Flow Statement of the Department for Administrative and Information Services.

3. Administrative Expenditure

During the reporting period, DAIS was the principal supplier of administrative services to the I&CPC, which does not employ staff directly.

The services provided included human resources, accommodation, commissions and building management, provision of office equipment and consumables, telecommunications and use of vehicles.

Administrative expenditure principally comprises servicing costs in respect of labour and on-costs, and the recovery of overheads by DAIS in respect of general operating expenditure attributable to the operations of the I&CPC.

4. Tax Equivalents

In accordance with Treasurer's Instruction 22 issued pursuant to the *Public Finance and Audit Act 1987*, the I&CPC is required to pay to the State Government an amount equivalent to that which it would have paid to the Commonwealth if it were not exempt from the taxation laws of the Commonwealth. Under this Instruction, the I&CPC is deemed to be liable for the equivalents of income tax and wholesale sales tax.

The Treasurer's Instruction provides for income tax to be calculated using either the substantive *Income Tax Assessment Act 1997 (ITAA)* method or the accounting profit method. The Department of Treasury and Finance has advised that the I&CPC is required to apply the accounting profit method. Under this method, the corporate income tax rate for ITAA purposes (presently 34 percent) is applied to the operating profit.

Income tax equivalent paid or payable to the State Government during the reporting period and recognised in the Operating Statement is summarised in the following table:

| | 2001 | 2000 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Tax equivalent paid | 164 | 185 |
| Provision for tax equivalent (refer Note 12) | 947 | 114 |

Included in tax equivalent paid by I&CPC is an amount of \$102 280 in relation to land tax for 2000-01. This amount was subsequently recovered from the Department of Industry and Trade.

5. Financial Instruments

(a) Credit Risk Exposure

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

(b) Interest Rate Risk Exposure

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

| | Floating Rate | Fixed Interest Maturing | | | 2001 Total | 2000 Total |
|---|----------------|-------------------------|-------------------|--------------|-----------------|-----------------|
| | | 1 year or less | Over 1 to 5 years | Over 5 years | | |
| Financial Assets: | | | | | | |
| Cash | 4 687 | - | - | - | 4 687 | 560 |
| Receivables | 515 | 816 | 515 | 8 456 | 10 302 | 11 698 |
| | 5 202 | 816 | 515 | 8 456 | 14 989 | 12 258 |
| Weighted average interest rate percent | 8.25 | 9.60 | 6.90 | 8.51 | | |
| Financial Liabilities: | | | | | | |
| Trade creditors | 13 | - | - | - | 13 | - |
| SAFA Loans | 13 720 | 2 044 | 13 000 | 9 187 | 37 951 | 34 988 |
| | 13 733 | 2 044 | 13 000 | 9 187 | 37 964 | 34 988 |
| Weighted average interest rate percent | 5.16 | 8.49 | 10.81 | 8.05 | | |
| Net Financial Assets (Liabilities) | (8 531) | (1 228) | (12 485) | (731) | (22 975) | (22 730) |

| | | | |
|------------|--|-----------------|----------|
| (b) | Interest Rate Risk Exposure (continued) | 2001 | 2000 |
| | Reconciliation of Net Financial Assets (Liabilities) to Net Liabilities | \$'000 | \$'000 |
| | Net financial liabilities as above | (22 975) | (22 730) |
| | Non-financial assets and (liabilities): | | |
| | Construction projects in progress | 304 | 6 292 |
| | Land held for resale | 0 | 275 |
| | Property, plant and equipment | 25 381 | 16 215 |
| | Other accruals | (512) | (490) |
| | Provisions | (2 267) | (1 320) |
| | Net Liabilities as per Statement of Financial Position | (69) | (1 758) |

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of Receivables and Payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represents the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

| | 2001 | |
|------------------------------|------------------------|-----------------------|
| | Carrying Amount | Net Fair Value |
| | \$'000 | \$'000 |
| Financial Assets: | | |
| Cash | 4 687 | 4 687 |
| Trade debtors | 515 | 515 |
| Deferred purchase agreements | 9 787 | 10 494 |
| Provision for doubtful debts | (1 000) | (1 000) |
| | 13 989 | 14 696 |
| Financial Liabilities: | | |
| SAFA loans | 37 951 | 41 310 |

(d) Terms and Conditions

Financial Assets

- *Cash on Hand and Deposits*

Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis.

Interest is calculated on the average daily balance of the account and the interest rate is the Common Public Sector Interest Rate (CPSIR) which averaged 8.25 percent for the year ended 30 June 2001.

- *Receivables*

Receivables are recorded at amounts due to the I&CPC less a provision for doubtful debts. They are recorded as payments fall due.

Receivables are due within 14 days.

- *Mortgage Debtors*

Mortgage debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA where mortgage payments are paid quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely.

Mortgage loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Mortgages carry a security over the debt.

- *Deferred Purchase Debtors*

Deferred purchase debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA, where payments by the debtors are made quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part therefore is judged to be less rather than more likely.

Deferred purchase loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Deferred purchase properties are secured by title held in the name of the I&CPC until settlement.

Financial Liabilities

- *Creditors*

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

Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

- *Borrowings*

Borrowings are recorded at the amounts owed.

Loans are carried at the amounts borrowed. Loans are drawn from SAFA and the interest rate is based on current market rates. Repayments are determined in negotiation with SAFA.

6. GST Liability and Deferred Purchase Agreements

I&CPC has long term contractual arrangements with several clients. In certain circumstances I&CPC will be liable to pay the GST to the Australian Tax Office in respect of properties settled after 30 June 2005 under Deferred Purchase Agreements where I&CPC does not currently have the opportunity to pass on the GST cost to its customers. The potential GST cost to I&CPC relating to these properties is approximately \$1 259 000 which will not arise until after 30 June 2005 unless any of these agreements are determined prior to that date. Whilst there is an additional potential GST cost in respect of the interest component under these agreements, it is not practicable to make an estimate in this case as it is considered likely that the ATO will not require GST to be paid on the interest component. However, given that the Federal Treasurer has announced likely amendments to the GST to allow suppliers (such as I&CPC) to pass on the cost of the GST on property settled after 30 June 2005, the Directors do not envisage the total of these costs arising to I&CPC and accordingly no provision for this liability is considered necessary at this time.

7. Dividend Payment

Pursuant to pre-existing arrangements between the former UPA and the Department of Treasury and Finance, the I&CPC is committed to return to Treasury as dividends all interest subsidies received from the Department of Industry and Trade in respect of commercial interest margins foregone by the I&CPC on new lending under the Industrial Premises Development Scheme. The amount paid to Treasury during the reporting period was \$149 366.

The regulations which establish the I&CPC provide separately for the payment of specified dividends or specified interim dividends. Prior to the end of the financial year, no recommendation was made by the Board to the Treasurer for a specified dividend or interim dividend to be paid in respect of the reporting period for the I&CPC.

8. Receivables

| | 2001 | 2000 |
|--|---------------------|----------------------|
| Current: | \$'000 | \$'000 |
| Trade debtors | 515 | 334 |
| | <u>515</u> | <u>334</u> |
| Mortgage and sale under agreement loans: | | |
| Factories subject to: | | |
| Deferred purchase agreements | 1 781 | 1 577 |
| | <u>1 781</u> | <u>1 577</u> |
| | <u>2 296</u> | <u>1 911</u> |
| Non-Current: | | |
| Mortgage and sale under agreement loans: | | |
| Factories subject to: | | |
| Deferred purchase agreements | 8 006 | 9 787 |
| Less: Provision for doubtful debts | <u>(1 000)</u> | <u>(1 000)</u> |
| | <u>7 006</u> | <u>8 787</u> |
| Total Receivables | <u>9 302</u> | <u>10 698</u> |

9. Land Held for Resale

Land held for resale represents a parcel of land subject to a lease agreement for commercial purposes. This parcel of land was last valued as at 30 June 2000. A parcel of land was sold in 2000-01, and as a result the amount in the revaluation reserve relating to a revaluation of this land in the prior years was transferred into accumulated losses (Note 14 refers).

| | 2001 | 2000 |
|---|----------------------|----------------------|
| (a) Property, Plant and Equipment | \$'000 | \$'000 |
| Land and buildings: | | |
| Industrial and commercial property: | | |
| Freehold land at independent valuation 2000 | 325 | 2 195 |
| Freehold land at independent valuation 2001 | <u>3 090</u> | <u>-</u> |
| | <u>3 415</u> | <u>2 195</u> |
| Buildings at independent valuation 2000 | 700 | 13 805 |
| Buildings at independent valuation 2001 | <u>21 410</u> | <u>1 025</u> |
| | <u>22 110</u> | <u>14 830</u> |
| Less: Accumulated depreciation | <u>(144)</u> | <u>(810)</u> |
| | <u>21 966</u> | <u>14 020</u> |
| Total Industrial and Commercial Property | <u>25 381</u> | <u>16 215</u> |

| | Buildings | Land | Total |
|---|---------------|--------------|----------------------|
| (b) Property, Plant and Equipment, Movements in Carrying Amounts | | | |
| Carrying value at the beginning of year | 14 020 | 2 470 | 16 490 |
| Additions | 6 706 | 368 | 7 074 |
| Depreciation | (537) | - | (537) |
| Disposals - Land | - | (275) | (275) |
| Revaluation increments (decrements) | <u>1 777</u> | <u>852</u> | <u>2 629</u> |
| | <u>21 966</u> | <u>3 415</u> | <u>25 381</u> |

(c) Other Income - Revaluation of Non-Current Assets

In accordance with the accounting standards AASB 1041 - 'Revaluation of Non-current Assets', net revaluation increments have been credited to the operating statement to the extent that the increments reverse revaluation decrements previously recognised as expenses in the operating statement.

| | | | |
|-----|--|----------------------|----------------------|
| 11. | Creditors and Borrowings | 2001 | 2000 |
| | Current: | \$'000 | \$'000 |
| | Trade creditors and accruals | 13 | - |
| | SAFA loans ^(a) | 1 247 | 4 543 |
| | | <u>1 260</u> | <u>4 543</u> |
| | Non-Current: | | |
| | SAFA loans ^(a) | 36 704 | 30 445 |
| | Total Creditors and Borrowings | <u>37 964</u> | <u>34 988</u> |
| | (a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding of industrial and commercial projects under the Industrial Premises Development Scheme. | | |
| | The repayment schedule is as follows: | | |
| | Not later than one year (classified as current) | 1 245 | 1 542 |
| | Later than one year but not later than two years | 2 321 | 2 345 |
| | Later than two years but not later than five years | 15 381 | 2 318 |
| | Later than five years | 19 002 | 28 783 |
| | | <u>37 949</u> | <u>34 988</u> |
| 12. | Provisions | | |
| | Current: | | |
| | Income tax equivalent | 1 267 | 320 |
| | Total Provisions | <u>1 267</u> | <u>320</u> |
| 13. | Other Accruals | | |
| | Current Liabilities: | | |
| | Accrued interest on debt | 500 | 467 |
| | Sundry accruals | 42 | 23 |
| | | <u>542</u> | <u>490</u> |
| 14. | Asset Revaluation Reserve | | |
| | Balance at 1 July | 108 | 674 |
| | Add: Land revaluation | - | 25 |
| | Less: Transfer to accumulated losses | - | 591 |
| | Less: Revaluation on property sale | 83 | - |
| | Closing Balance | <u>25</u> | <u>108</u> |
| 15. | Reconciliation of Net Cash used in Operating Activities to Surplus After Income Tax Equivalent | | |
| | Surplus (Deficit) after income tax equivalent | 1 838 | 202 |
| | Non-cash flows in surplus after income tax equivalent: | | |
| | Depreciation | 537 | 370 |
| | Profit on sale of assets | (10) | - |
| | Revaluation increment | (2 629) | - |
| | Changes in assets and liabilities: | | |
| | Decrease in receivables | 1 396 | 2 975 |
| | Decrease (Increase) in construction projects in progress | 5 988 | (6 111) |
| | Less non cash transfers to property, plant and equipment | (7 074) | - |
| | Increase in trade creditors and accruals | 67 | - |
| | Increase in provisions | 947 | 114 |
| | (Decrease) Increase in accruals and prepayments | (30) | 23 |
| | Net Cash provided by (used in) Operating Activities | <u>1 030</u> | <u>(2 427)</u> |
| 16. | Cash | | |
| | Cash at the end of the reporting period, as shown in the Statement of Financial Position and the Statement of Cash Flows, comprises the following: | | |
| | Cash at Treasury | 4 687 | 560 |
| | Total Cash | <u>4 687</u> | <u>560</u> |
| 17. | Board of Directors | | |
| | As at 19 December 1999 the following persons were appointed by the Minister for Government Enterprises to the Board, for a term expiring on 18 December 2001: | | |
| | Mr G Foreman (Chairperson) | | |
| | Mr J W Frogley | | |
| | Ms P J Martin | | |
| | Pursuant to Government policy, remuneration is not applicable to the appointed directors as they are employees of the Government or officers of the Crown. | | |
| 18. | Consultants | 2001 | 2000 |
| | Fees and expenses incurred during the reporting period as a result of engaging consultants were: | \$'000 | \$'000 |
| | Capitalised to construction projects in progress | - | 171 |

Industrial and Commercial Premises Corporation

| | | |
|--|---------------|---------------|
| 19. Auditors' Remuneration | 2001 | 2000 |
| | \$'000 | \$'000 |
| Amounts received or due and receivable by the auditors for auditing the accounts | 16 | 15 |

The auditors received no other benefits.

| | |
|---|--|
| 20. Executive Officers' Remuneration | |
| Disclosures required by the Treasurer's Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', in respect of employees whose remuneration is \$100 000 or more is not applicable as the Industrial and Commercial Premises Corporation has no employees and operates under a servicing arrangement with the Department for Administrative and Information Services (refer Note 3). | |

| | |
|---|--|
| 21. Related Party Transactions | |
| Where occurring, transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties. | |

The Industrial and Commercial Premises Corporation did not enter into any transactions with any member of the Board or with any employees of the Department for Administrative and Information Services during the reporting period, other than normal transactions of a remunerative or reimbursement nature which may occur from time to time.

| | | |
|---|----------------|---------------|
| 22. Movement in Accumulated Profits (Losses) | 2001 | 2000 |
| | \$'000 | \$'000 |
| Items relating to the net change in accumulated profits (losses): | | |
| Opening accumulated profit | (1 866) | (2 510) |
| Net profit after tax | 1 838 | 202 |
| Dividends provided for or paid | (149) | (150) |
| Transfer from asset revaluation reserve | 83 | 591 |
| Accumulated Profits (Losses) 30 June 2001 | (94) | (1 866) |

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

The Corporation is a subsidiary corporation of the Minister for Government Enterprises established pursuant to the provisions of the *Public Corporations Act 1993*. It has a Board which is its governing body whose members are appointed by the Minister.

The Corporation was established on 24 December 1997 by regulations pursuant to the *Public Corporations Act 1993* to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the Minister for Government Enterprises. The regulations establishing the Corporation, as amended, provide for it to undertake the following functions:

- Acquire, hold, manage, lease and dispose of surplus and other land, improvements and property controlled by the Corporation with a view to the release of large areas of undeveloped or underdeveloped land; to make land and property available for commercial, industrial, residential or other purposes; and to ensure the orderly development of land.
- To manage the sale of surplus government land administered on behalf of other agencies or instrumentalities of the Crown.
- To manage the Crown's interest in identified joint ventures and land development projects.
- To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park and Science Park.
- To manage urban projects to achieve urban regeneration or other government policy outcomes.
- Other functions conferred by the Minister.

The Board of the Corporation was appointed on its establishment by the Minister for Government Enterprises at that time.

SIGNIFICANT FEATURES

Net assets of the Corporation were \$98.2 million and included cash assets of \$56.9 million, land inventories of \$27.9 million and investments in joint ventures valued at \$10.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Corporation is a subsidiary corporation established pursuant to the *Public Corporations Act 1993*. Clause 13(3) of the Schedule to the Act requires the Auditor-General to audit the accounts and financial statements of subsidiary corporations.

Scope of Audit

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

During 2000-01 specific areas of audit attention included, for both controlled and administered items:

- inventories
- property, plant and equipment
- revenue, receipting and banking
- accounts payable
- salary and related payments
- implementation of the Goods and Services Tax.

Audit Communications to Management

At the conclusion of the audit a letter was forwarded to the Chief Executive communicating the issues arising from the audit to which a satisfactory response has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit review of the systems and transactional processing of the Corporation revealed that general financial controls existed which support the completeness and accuracy of transaction processing.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Land Management Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

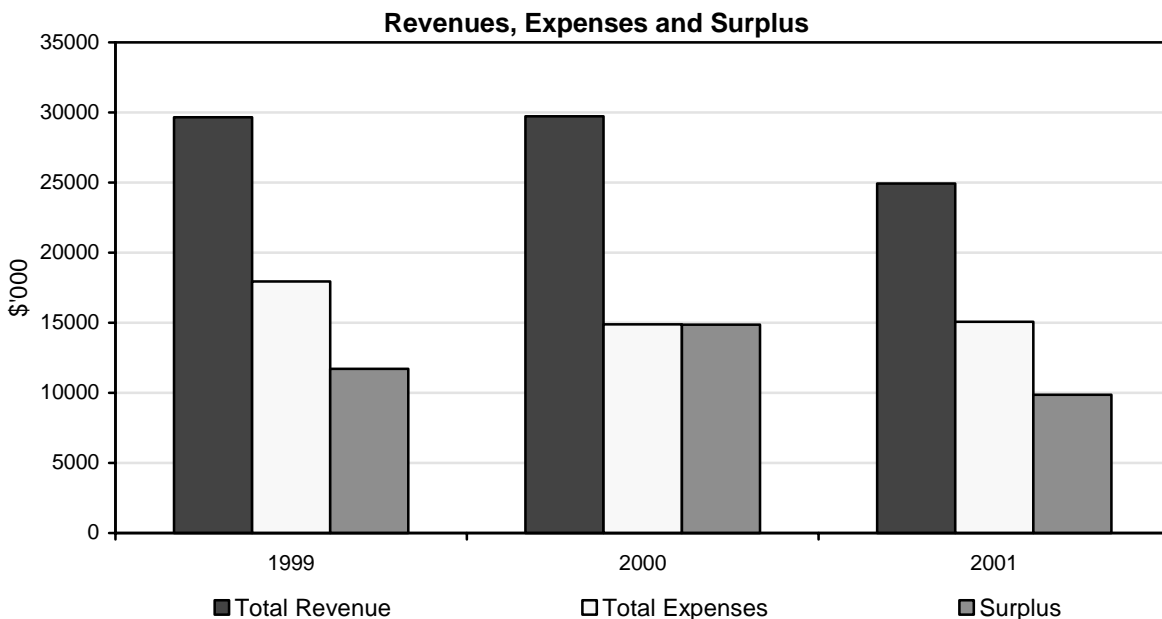
Audit formed the opinion that the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

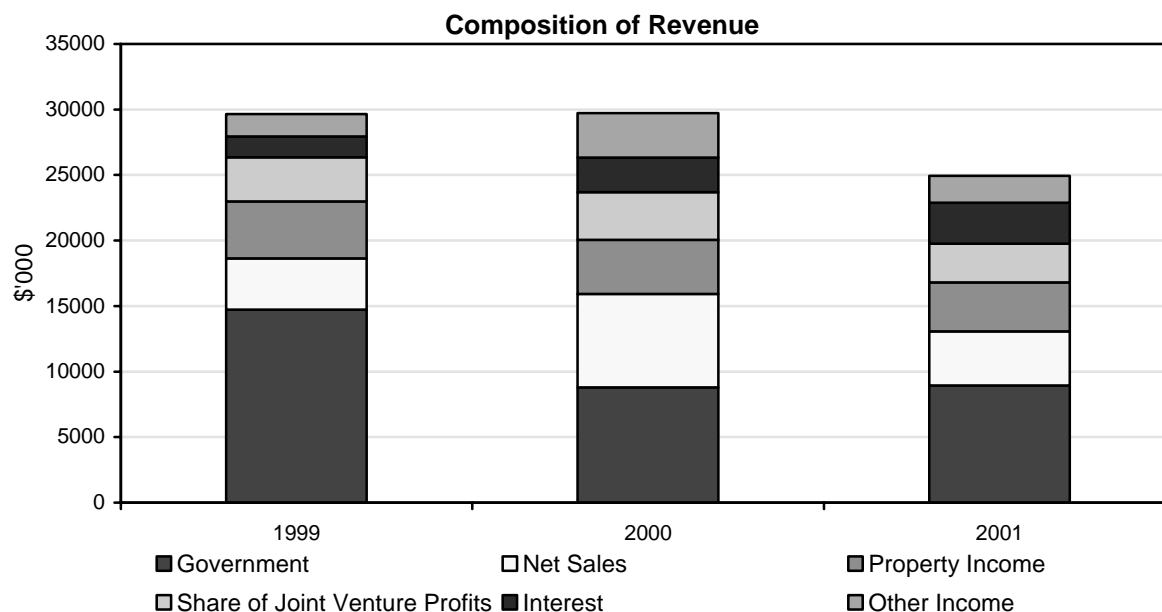
Statement of Financial Performance

The Corporation's surplus from ordinary activities before the effect of a change in accounting policy was \$9.9 million, (\$14.9 million) which reflected operating revenues of \$16.0 million, (\$20.9 million in 1999-2000) revenues from government of \$8.9 million (\$8.8 million) and operating expenses of \$15.1 million (\$14.9 million).

The following chart shows movements over the past three years in revenues, expenses and the surplus and shows that the reduction in the surplus in 2000-01 was due to the overall reduction in total revenues while total expenses remained virtually unchanged.



The following chart shows the changing composition of the Corporation's revenues over the past three years.



The factors having the most impact on the operating result were as follows.

Land Sales

Sales of land comprising sales proceeds from joint venture entities to which the Corporation is a party and other land sales by the Corporation gave rise to a net profit of \$4.1 million representing 25.8 percent of the Corporation's operating revenues. The proceeds from sales were \$7.0 million with costs of sales of \$2.9 million. The value of land sales is highly dependent upon the extent of demand for undeveloped land. In 2000-01 sales were down for both the Corporation \$5.7 million (\$8.4 million) and joint ventures, \$1.3 million (\$2.7 million)

Property Income

Property income (principally rental income) decreased to \$3.8 million (\$4.1 million) as a result of significant asset sales in the previous year.

Other Income

The reduction of \$1.4 million in Other Income to \$2.0 million is due principally to a decrease in profit on asset sales. In the previous reporting period, significant asset sales of \$6.9 million occurred, netting a profit of \$1.5 million.

Net Interest Income

Cash holdings of the Corporation continued to increase in 2000-01. As at 30 June 2001, cash assets of the Corporation totalled \$56.9 million (\$50.4 million). For the 2000-01 year, interest income totalled \$3.1 million (\$2.6 million).

Interest bearing liabilities totalled \$3.9 million (\$3.9 million) at balance date which for the 2000-01 year required interest payments of \$0.5 million (\$0.5 million).

The net interest income for the Corporation, therefore, totalled \$2.6 million (\$2.2 million) representing 26.8 percent of the surplus from ordinary activities before income tax equivalent. If the growth trend with respect to cash assets continues, given that interest on borrowings is fixed, it is likely that net interest income will continue to increase over time.

Statement of Financial Position

Inventory

The value of the Corporation's land inventory at balance date was \$27.9 million, an increase of \$0.8 million. Inventory purchases in the 2000-01 year totalled \$3.5 million.

Asset Valuations

Sales values are determined by market conditions at a point in time. In turn, the profit is also influenced by the carrying amount of assets. The values ascribed to the Corporation's assets mainly reflect the closing carrying values of the assets transferred from the former MFP Development Corporation and the Minister for Government Enterprises (formerly the MFP Projects Board) to the Corporation effective 1 May 1998 which were revalued immediately prior to transfer.

This prior revaluation of land inventory recognised the net realisable value of the assets by determining the net present value of the estimated future cash flows from holding, developing and sale of the land inventories as part of a planned sales process. The cash flows are projected over an extended period, in some instances up to thirty years, and consequently involve significant uncertainty. The timing of the land sales, which has a direct impact on the timing of cash flows and consequent values, is based on projected demand for residential land. This is also inherently uncertain.

The discount rate used to determine net present values was a market rate of 25 percent reflecting the rate of return a private sector developer would require from investing in land inventory. The discount rate adopted was consistent with the requirements of the Department of Treasury and Finance Accounting Policy Statements.

The final inventory value brought to account in the financial statements is further supported by an independent valuation of land holdings obtained as at 30 June 2001.

Investment in Joint Venture Entities

The decrease in investment in joint ventures reflects the finalisation of the Northfield Joint Venture in the previous year, together with the completion of all land sales of the Seaford Joint Venture in the current period and a cash distribution from the Golden Grove joint venture.

Administered Transactions

The value of net assets administered by the Corporation decreased by \$3.0 million during the reporting period. This leaves a carry forward deficit of \$5.7 million, up from \$2.7 million in the previous year. The main reason for the carry forward deficit is loans payable to the Treasurer totalling \$28.8 million in respect of the East End and Port Waterfront Projects. Further discussion of these loans can be found under 'Further Commentary on Operations' below.

With regard to administered revenues and expenses for the year, administered revenues totalling \$3.8 million were sourced principally through State grants of \$1.8 million and interest revenue of \$1.0 million. These revenues were offset by administered expenses of \$6.8 million, comprising mainly interest expense of \$2.1 million and other operating expenses of \$4.0 million.

FURTHER COMMENTARY ON OPERATIONS

Administered Projects

East End Redevelopment - Unrecoverable Loan Balance

The East End Redevelopment project has been reported as an administered project in the Corporation's accounts since the Corporation's establishment in December 1997. This results from the arrangements for this project whereby the Corporation only administers transactions in relation to this project and has no control in regard to the assets and liabilities of the project.

The administered assets of the East End Redevelopment project at 30 June 2001 are \$3.4 million and the administered liabilities \$22.9 million. This represents a net deficit of \$19.5 million at balance date. The major transaction for 2000-01 for the project was the payment of interest of \$1.6 million on a loan for the project. The outstanding loan balance increased by \$350 000 during the year.

As indicated in Note 20.3(c), the Corporation advised the Treasurer during 2000-01 that the loan for this project, an amount of \$22.7 million at 30 June 2001, is unlikely to be fully recoverable given that the project's forecast net cash flows are substantially below the loan value. The Corporation estimates a shortfall of approximately \$19.5 million at project completion in 2003-04. The loan is from the Treasurer and is in the name of the Minister for Government Enterprises.

Immediately prior to reporting under the Corporation, the project was reported under the Minister for Government Enterprises (formerly the MFP Projects Board). At that time (December 1997) the reported financial position for the project was administered assets of \$6.6 million and administered liabilities of \$21 million, a net deficit of \$14.4 million. Each year since then the project has reported a deficit from operations reflecting the excess of interest expenses above revenues for the project.

The section titled 'Minister for Government Enterprises (formerly the MFP Projects Board)' in the Auditor-General's Supplementary Report for 1998 provided an overview of the project to the time of that Report.

The Report noted that the project commenced in December 1993 when the then Minister for Housing and Urban Development and Local Government Relations entered into a Development Agreement with a private developer with respect to the redevelopment of part of the East End Market Site. The Agreement provided for the developer to pay the Government, as landowner, a set percentage of sales as the developer took up the land.

It was reported that two changes were made to arrangements that resulted in reduced amounts payable by the developer to the Government. The changes were primarily based on the Government responding to analysis that indicated the developer was unable to obtain a satisfactory return from the development in the circumstance preceding the changes. The reductions in the projected revenue to the Government from the project were in the order of \$6.5 million. The Cabinet submission supporting the second of the adjustments estimated that the net cost of the development to the Government was projected to be \$18.4 million. It was noted at the time that the estimate was subject to some uncertainty.

The Corporation's current estimate updates the projected outcome for the project. The matter of the repayment of the loan for this project was not resolved at the time of this Report.

Mawson Lakes Government Infrastructure Project

As part of the overall joint venture arrangements in respect of the Mawson Lakes Economic Development Project, the State Government committed to various infrastructure works in July 1997 under a project commitment deed. In February 2001 Cabinet approved a number of changes to this project commitment deed. In particular, included in the deed is a commitment to build the North East Ring Route, which connects the Main North Road and Salisbury Highway.

During the year detailed discussions occurred between the Mawson Lakes Joint Venture and Transport SA as to the alignment of the North East Ring Route. The Joint Venture proposed a new alignment, as it provided significantly better linkages within the joint venture area, including the town centre and eastern and western portions of the joint venture development area.

In exchange for Cabinet's approval of the realignment, the Joint Venture agreed to provide a cash contribution of \$1.0 million and to delay other externally funded infrastructure works. Cabinet approved the \$1.0 million contribution be applied to assist with funding of a bus interchange at Mawson Lakes. The contribution equated to approximately half the estimated increase in costs (in present value terms) stemming from the project commitment deed changes. As the Land Management Corporation is a 50 percent stakeholder in the joint venture, the Corporation, through its joint venture investment, will ultimately fund half of the agreed contribution through the joint venture. The Corporation has advised, however, that this cost has been substantially offset by a similar reduction in planned joint venture expenditure on infrastructure, particularly on connector roads throughout the development.

Port Waterfront Redevelopment

The Corporation is currently managing a major urban renewal project of waterfront land at Port Adelaide on behalf of the State Government. The first step in the management of this process involves completing a detailed master plan for the economic and urban revitalisation of the inner Port Adelaide region. To assist in the completion of this detailed master plan, Cabinet approved the Corporation proceed with a registration of interest process. The Corporation called for registration of interest submissions in June 2001 and the process aims to ultimately lead to two key parties being contracted to present a commercially driven development proposal for the area that meets defined project objectives, including economic, environmental and social benefits.

After completion of the detailed development proposals by these two parties, a panel comprising Corporation Officers and External Consultants will review the two development proposals in depth and then make a recommendation to Cabinet.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|----------------|----------------|
| REVENUES FROM ORDINARY ACTIVITIES: | | | |
| Sales | 4 | 7 015 | 11 186 |
| Less: Cost of sales | | 2 885 | 4 066 |
| | | <u>4 130</u> | <u>7 120</u> |
| Share of net profits of joint venture entities | 5 | 2 952 | 3 639 |
| Interest | | 3 128 | 2 643 |
| Property income | | 3 753 | 4 135 |
| Other income | | 2 040 | 3 396 |
| Total Revenues | | <u>16 003</u> | <u>20 933</u> |
| REVENUES FROM GOVERNMENT: | | | |
| Government grants and subsidies | 6 | 8 928 | 8 800 |
| Total Revenues from Government | | <u>8 928</u> | <u>8 800</u> |
| Total Revenues | | <u>24 931</u> | <u>29 733</u> |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Land tax | | 3 962 | 3 881 |
| Property expenditure | | 3 044 | 3 243 |
| Contractors and consultants | | 997 | 970 |
| Salaries and related payments | | 4 055 | 3 566 |
| Other administrative expenditure | | 2 213 | 2 082 |
| Interest | | 482 | 480 |
| Depreciation | 3 | 308 | 435 |
| Write down of inventories | 2.7 | - | 218 |
| Total Expenses | | <u>15 061</u> | <u>14 875</u> |
| SURPLUS FROM ORDINARY ACTIVITIES BEFORE THE EFFECT OF CHANGE IN ACCOUNTING POLICY | | | |
| | | 9 870 | 14 858 |
| Expense arising from change in accounting policy | 8 | - | 9 027 |
| SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT | | <u>9 870</u> | <u>5 831</u> |
| Income tax equivalent paid or payable to the State Government | 9 | 2 858 | 4 948 |
| SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT | | <u>7 012</u> | <u>883</u> |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | | |
| | | <u>7 012</u> | <u>883</u> |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash assets | 24 | 56 861 | 50 422 |
| Receivables | 11 | 906 | 1 068 |
| Other | 13 | 31 | 62 |
| Total Current Assets | | <u>57 798</u> | <u>51 552</u> |
| NON-CURRENT ASSETS: | | | |
| Inventories | 12 | 27 853 | 27 057 |
| Property, plant and equipment | 14 | 10 296 | 10 134 |
| Investment in joint venture entities | 5 | 10 725 | 12 951 |
| Other | 13 | 41 | 54 |
| Total Non-Current Assets | | <u>48 915</u> | <u>50 196</u> |
| Total Assets | | <u>106 713</u> | <u>101 748</u> |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Payables | 15 | 1 843 | 961 |
| Tax liabilities | 9, 17 | 1 583 | 2 778 |
| Provisions | 18 | 673 | 595 |
| Total Current Liabilities | | <u>4 099</u> | <u>4 334</u> |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 15 | 500 | 500 |
| Interest bearing liabilities | 16 | 3 905 | 3 893 |
| Provisions | 18 | 47 | 27 |
| Total Non-Current Liabilities | | <u>4 452</u> | <u>4 420</u> |
| Total Liabilities | | <u>8 551</u> | <u>8 754</u> |
| NET ASSETS | | <u>98 162</u> | <u>92 994</u> |
| EQUITY: | | | |
| Accumulated surplus | 19 | 98 162 | 92 994 |
| TOTAL EQUITY | | <u>98 162</u> | <u>92 994</u> |
| Commitments | 21 | | |
| Contingent Liabilities | 22 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|---|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Government grants and subsidies received | 6 | 8 928 | 8 800 |
| Land tax paid | | (3 692) | (3 881) |
| Receipts from sales | | 7 536 | 16 385 |
| Receipts from tenants | | 3 849 | 4 100 |
| Interest received | | 3 180 | 2 508 |
| Recoveries and sundry receipts | | 4 722 | 1 820 |
| Payments for salaries and related costs | | (3 962) | (3 356) |
| Payments to suppliers | | (10 587) | (7 068) |
| Payments for land purchase and development | | (3 471) | (800) |
| Payments resulting from a change in accounting policy | 8 | - | (9 027) |
| Interest paid | | (470) | (457) |
| GST receipts from taxation authority | | 1 990 | - |
| GST payments to taxation authority | | (369) | - |
| Income tax equivalent paid | | (4 053) | (2 979) |
| Net Cash provided by Operating Activities | 23 | 3 331 | 6 045 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital contributions to joint venture entities | 5.1 | (3 716) | (3 475) |
| Capital repayments by joint venture entities | 5.1 | 3 219 | 6 587 |
| Distributions of profit by joint venture entities | 5.1 | 5 675 | 2 900 |
| Proceeds from sale of property, plant and equipment | | 567 | 6 929 |
| Purchase of property, plant and equipment | | (793) | (438) |
| Net Cash provided by Investing Activities | | 4 952 | 12 503 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Dividends paid | 10 | (1 844) | (4 628) |
| Net Cash used in Financing Activities | | (1 844) | (4 628) |
| NET INCREASE IN CASH HELD | | 6 439 | 13 920 |
| CASH AT 1 JULY | | 50 422 | 36 502 |
| CASH AT 30 JUNE | 24 | 56 861 | 50 422 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the *Public Corporations Act 1993*. At that time a Board was appointed by the Minister to act as the Corporation's governing body.

The regulations establishing the Corporation provide for it to undertake the following functions:

- (a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown;
- (b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
 - (i) managing the release of large areas of undeveloped (or under-developed) land; and
 - (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes; and
 - (iii) ensuring the orderly development of areas through the management and release of land, as appropriate.
- (c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister;
- (d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park;
- (e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to generate economic development;
- (f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown;
- (g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes;
- (h) To carry out other functions conferred on the Corporation by the Minister.

2. Statement of Significant Account Policies

2.1 Basis of Accounting

The financial statements are a general purpose financial report that have been prepared in accordance with the Treasurer's Instructions issued under the *Public Finance and Audit Act 1987* and applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views. The financial statements have also been prepared on the accrual basis of accounting and in accordance with the historical cost convention (except for a minority of assets carried at independent valuation - refer Note 14). The accounting policies have been consistently applied, unless otherwise stated.

2.2 Administered Transactions

The Corporation administers various projects on behalf of the State Government. The administered revenues, expenses, assets and liabilities in respect of these projects are not controlled by the Corporation. Accordingly, the relevant items are not recognised in the Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows. These amounts are separately disclosed in Note 20 as Administered Transactions.

2.3 Project Expenditure

Expenditure on projects is charged to surplus from ordinary activities before income tax equivalent as incurred, or capitalised where it is expected that future benefits will be derived by the Corporation so as to recover those capitalised costs.

2.4 Employee Entitlements

Provision has been made in the financial statements for the Corporation's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability.

- (i) *Annual Leave*
Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.
- (ii) *Sick Leave*
No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.
- (iii) *Long Service Leave*
Provision has been made for the Corporation's liability for long service leave at balance date on a basis which is consistent with measurement techniques outlined in Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with eight or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.
- (iv) *Superannuation*
Salaries and related payments include superannuation contributions paid by the Corporation under the following categories:
 - (a) During the reporting period, the Corporation paid \$174 000 (\$154 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Corporation's employees;
 - (b) In respect to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled \$199 000 (\$151 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

2.5 Revenue Recognition and Cost of Sales

The determination of sales revenue (and consequent profit recognition) in respect of land made available for joint venture development (refer Note 5) is dependent on the method of land payment prescribed by the joint venture agreements. Sales revenue from the Golden Grove joint venture is brought to account when each land stage is made available for development, in accordance with the pre-determined price specified by the Joint Venture Agreement. Sales revenue for the Seaford and Mawson Lakes joint ventures is brought to account when settlements occur on individual allotments, on the basis of a percentage of gross sales revenue as specified in the respective agreements.

The Corporation has adopted a policy with respect to all other land sales of recognising sales revenue when settlements are completed and legal title has transferred to purchasers. Sales have been recognised prior to settlement where contracts for sale satisfy all revenue recognition criteria in accordance with Australian Accounting Standards.

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

2.6 Interest in Joint Venture Entities

The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as Investment in Joint Venture Entities. The Corporation's share of profit from joint venture entities is included as income in the item Share of Net Profits of Joint Venture Entities in the Statement of Financial Performance. Details of the Corporation's interest in joint venture entities are shown in Note 5.

2.7 Inventories

Inventories (land held for resale) are carried at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the inventory. All inventory is classified as non-current assets.

At the establishment of the Corporation (refer Note 1) inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar valuations were obtained at 30 June 1999 and 30 June 2000, resulting in a write down of \$218 000 in the previous reporting period in respect of land holdings in certain country locations. Valuations obtained in the current reporting period support the present carrying amounts of these assets.

2.8 Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

2.9 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or independent valuation, less, where applicable, any accumulated depreciation or amortisation. The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary, appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable assets are:

| | Percent |
|---------------------|---------|
| Buildings | 2.5 |
| Plant and equipment | 6.7-33 |

2.10 Comparative Figures

The previous year's figures are provided in the Financial Statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in presentation and classification in the current year.

| | | |
|--|---------------|---------------|
| 3. Surplus from Ordinary Activities | 2001 | 2000 |
| Surplus from ordinary activities before income tax equivalent has been determined after: | \$'000 | \$'000 |
| (a) Charging as Expenses | | |
| Interest paid or payable to: | | |
| Other persons | 482 | 480 |
| Depreciation of: | | |
| Buildings and infrastructure | 221 | 300 |
| Plant and equipment | 87 | 135 |
| Bad and doubtful debts | 1 | (25) |
| Rental expense on operating leases | 257 | 205 |
| Transfer to provisions for: | | |
| Employee entitlements | 98 | 54 |
| (b) Crediting as Income | | |
| Interest received or receivable from: | | |
| Other persons | 3 128 | 2 643 |
| Net gain on disposal of property, plant and equipment | 244 | 1 511 |

4. Revenues from Ordinary Activities

(a) Sales Revenue

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Golden Grove, Seaford and Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:

| | | |
|----------------------------|---------------|---------------|
| Land sales: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Joint ventures | 1 269 | 2 740 |
| Other | 5 746 | 8 446 |
| Total Sales Revenue | 7 015 | 11 186 |

(b) Other Revenue from Ordinary Activities

Other revenue from ordinary activities comprises:

| | | |
|---|---------------|---------------|
| Interest received | 3 128 | 2 643 |
| Rent and other property income received | 3 753 | 4 135 |
| Share of net profit of joint venture entities | 2 952 | 3 639 |
| Proceeds on disposal of property, plant and equipment | 567 | 6 929 |
| Recoveries and sundry income | 1 796 | 1 885 |
| | 12 196 | 19 231 |
| Less: Written down value of property, plant and equipment disposals | 323 | 5 418 |
| Total Other Revenue from Ordinary Activities | 11 873 | 13 813 |

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint ventures entities of \$2 952 000 for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

| | | |
|---------------------------------|---------------|---------------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Revenues | 19 240 | 20 141 |
| Expenses | 16 288 | 16 502 |
| Profit from ordinary activities | 2 952 | 3 639 |

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital contributions and acquisition of additional interest:

| | | |
|--|--------------|--------------|
| Balance at 1 July | 5 514 | 8 626 |
| Add: Contributions during the reporting period | 3 716 | 3 475 |
| Less: Repayments during the reporting period | 3 219 | 6 587 |
| Balance at 30 June | 6 011 | 5 514 |

Share of accumulated profits:

| | | |
|---|--------------|--------------|
| Balance at 1 July | 7 437 | 6 698 |
| Add: Profit for the reporting period | 2 952 | 3 639 |
| Less: Distribution of profit to the Corporation during the reporting period | (5 675) | (2 900) |
| Balance at 30 June | 4 714 | 7 437 |

| | | |
|--|---------------|---------------|
| Total Carrying Amount of Investment in Joint Venture Entities | 10 725 | 12 951 |
|--|---------------|---------------|

| | | | |
|------------|--|---------------|---------------|
| 5.1 | Joint Venture Summary (continued) | 2001 | 2000 |
| | The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows: | \$'000 | \$'000 |
| | Current Assets: | | |
| | Cash | 1 124 | 910 |
| | Receivables | 1 774 | 1 762 |
| | Inventories | 6 546 | 8 767 |
| | Prepayments | 33 | 65 |
| | | <hr/> | <hr/> |
| | | 9 477 | 11 504 |
| | Non-Current Assets: | | |
| | Inventories | 5 809 | 5 294 |
| | Property, plant and equipment | 177 | 285 |
| | | <hr/> | <hr/> |
| | | 5 986 | 5 579 |
| | Total Assets | <hr/> | <hr/> |
| | | 15 463 | 17 083 |
| | Current Liabilities: | | |
| | Creditors and borrowings | 2 744 | 2 244 |
| | Provisions | 1 754 | 1 754 |
| | | <hr/> | <hr/> |
| | | 4 498 | 3 998 |
| | Non-Current Liabilities: | | |
| | Creditors and borrowings | 1 | 4 |
| | Provisions | 239 | 130 |
| | | <hr/> | <hr/> |
| | | 240 | 134 |
| | Total Liabilities | <hr/> | <hr/> |
| | | 4 738 | 4 132 |
| | Net Assets | <hr/> | <hr/> |
| | | 10 725 | 12 951 |

5.2 Golden Grove Joint Ventures*Golden Grove Development - Joint Venture with Delfin*

The Corporation has a 50 percent interest in the Golden Grove Development joint venture, involving the development of land at Golden Grove by the Corporation and Delfin Property Group Limited (Delfin). The joint venture was established pursuant to the *Golden Grove (Indenture Ratification) Act 1984* and operates under the Indenture and associated joint venture and management agreements. Land remains in the ownership of the Corporation and is made available in stages to the joint venture. The Corporation progressively receives an agreed payment for the land (as specified in the Joint Venture Agreement) and shares profits and losses equally with Delfin. It is projected that the project will be completed during the 2002-03 financial year, at which stage the joint venture will be wound up.

Para Scarp Joint Venture

The Corporation has a 50 percent interest in a joint venture with Delfin to develop 52 hectares of land contained in seven parcels adjacent to the western boundary of the Golden Grove Development area. Under the terms of the joint venture agreement, Delfin has purchased a half interest in the land and shares development costs and profits equally with the Corporation. It is anticipated that this project will be completed during the 2001-02 financial year.

5.3 Seaford Joint Venture

The joint venture involves the development of land at Seaford in joint cooperation between the Corporation, the South Australia Housing Trust (SAHT) and the private sector. The land is owned jointly by the Corporation and SAHT as tenants in common. The voting power held by the Corporation is 25 percent. The participating interests are:

| | |
|-----------------------------------|--------------------------------|
| Land Management Corporation (LMC) | 41.67 percent (five twelfths) |
| SAHT | 25.00 percent (three twelfths) |
| Southern Horizons Pty Ltd | 33.33 percent (four twelfths) |

Effective from 1 November 1998, the parties agreed to a restructure of the joint venture. The restructured arrangements are comprised in two Variation Agreements referred to as the 'Seaford Variation Agreement' and the 'Seaford Project Agreement'. These Agreements vary the original joint venture arrangements, which are comprised in a Joint Venture Agreement, Project Management Agreement, Physical Infrastructure and Human Services Indenture, Marketing Agreement, two Variation Agreements (dated 8 March 1994 and 28 February 1997) and a Sale Agreement.

The revised arrangements continue to provide for the land owners (LMC and SAHT) to be paid in equal proportions an agreed percentage of the gross land sales revenue received from the sale of the land remaining in the restructured joint venture (the 'Seaford Project Land'). The joint venturers continue to contribute capital required for the purposes of the Seaford Project Land and share profits and losses in the same proportions as their participating interests. With the exception of certain land sale proceeds to be retained by Southern Horizons upon relinquishment of its interests in General Scheme Costs incurred in the joint venture, the land owners remain the legal and beneficiary owners of all the remaining land forming part of the original joint venture (referred to as the 'Land Owners Land' in the Seaford Project Agreement).

At balance date, with all remaining land sold and settled, the parties had agreed to terminate the joint venture. This is expected to take effect during the 2001-02 financial year.

5.4 Northfield Precinct One Joint Venture

The joint venture involved the development of land at Oakden (marketed as Regent Gardens) in joint cooperation between the Corporation, the South Australian Housing Trust (SAHT) and AV Jennings Holdings Limited. The parties agreed to terminate the joint venture and, at 30 June 2000, all settlements were completed and all profits distributed to the parties. Comparative figures for the reporting period ended 30 June 2000 only appear in the table at Note 5.1 in respect of this joint venture.

5.5 Mawson Lakes Economic Development Project

On 10 July 1997 documentation was executed with Delfin Property Group Limited, Lend Lease Corporation Limited and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at The Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements are City of Salisbury, University of South Australia, the Government of South Australia and Telstra Corporation.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project. The revenues and expenses in respect of these works were reclassified as administered items from 1 July 1999 (refer Notes 2.2, 8 and 20.1(f)).

| | | | |
|------------|---|---------------|---------------|
| 6. | Revenues from Government | 2001 | 2000 |
| | Government grants and subsidies received during the reporting period were sourced as follows: | \$'000 | \$'000 |
| | State Government subsidy for land tax expense | 3 962 | 3 882 |
| | State Government recurrent grants | 3 176 | 3 018 |
| | State Government capital grants | 1 790 | 1 900 |
| | | 8 928 | 8 800 |
| 7. | Bad and Doubtful Debts | | |
| | Bad debts written off: | | |
| | Trade debtors | 1 | 36 |
| | Transfer to provision for doubtful debts: | | |
| | Trade debtors | - | (61) |
| | Total Bad and Doubtful Debts Expense | 1 | (25) |
| 8. | Expense arising from Change in Accounting Policy | | |
| | Change in Accounting Policy | | |
| | Transfer of the balance of unexpended State grants arising from reclassification of the Mawson Lakes Government Infrastructure project from a controlled item to an administered item (refer Notes 2.2, 5.5 and 20.1 (f)). | - | (9 027) |
| 9. | Tax Equivalents | | |
| | In accordance with Treasurer's Instructions issued under the <i>Public Finance and Audit Act 1987</i> , the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 34 percent) be applied to the surplus from ordinary activities before income tax equivalent, as adjusted for unexpended State grants and subsidies. The income tax equivalent paid or payable for the reporting period was \$2 858 000 including a provision of \$1 583 000. In addition, the amount of \$2 778 000 provided in the previous reporting period was paid to the Treasurer. The comparative amounts recognised in the Statement of Financial Performance are summarised in the following table: | | |
| | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Income tax equivalent paid | 1 275 | 2 170 |
| | Provision for income tax equivalent (refer Note 17) | 1 583 | 2 778 |
| | | 2 858 | 4 948 |
| 10. | Dividends | | |
| | Pursuant to Regulations under the <i>Public Corporations Act 1993</i> , the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that a dividend of \$1 844 000 (\$4 628 000) be paid in respect of the reporting period. | | |
| 11. | Receivables | 2001 | 2000 |
| | Current: | \$'000 | \$'000 |
| | Trade and other debtors | 914 | 1 076 |
| | Less: Provision for doubtful debts | 8 | 8 |
| | Total Receivables | 906 | 1 068 |
| 12. | Inventories | | |
| | Non-Current: | | |
| | Land held for resale | 27 853 | 27 057 |
| | Total Inventories | 27 853 | 27 057 |
| | Summary of land held for resale: | | |
| | Cost of acquisition | 26 894 | 26 132 |
| | Development cost capitalised | 959 | 925 |
| | | 27 853 | 27 057 |
| 13. | Other Assets | | |
| | Current: | | |
| | Prepayments | 31 | 62 |
| | Non-Current: | | |
| | Prepayments | 41 | 54 |
| | Total Other Assets | 72 | 116 |

| | | | |
|--|--|---------------|---------------|
| 14. Property, Plant and Equipment | | 2001 | 2000 |
| Land and Buildings: | | \$'000 | \$'000 |
| Freehold land: | | | |
| At cost | | 1 650 | 1 250 |
| At independent valuation ^(a) | | 95 | 295 |
| | | 1 745 | 1 545 |
| Buildings: | | | |
| At cost | | 9 018 | 8 901 |
| Less: Accumulated depreciation | | 705 | 493 |
| | | 8 313 | 8 408 |
| Total Land and Buildings | | 10 058 | 9 953 |
| Plant and Equipment: | | | |
| At cost | | 1 834 | 1 878 |
| Less: Accumulated depreciation | | 1 596 | 1 697 |
| Total Plant and Equipment | | 238 | 181 |
| Total Property, Plant and Equipment | | 10 296 | 10 134 |

(a) The revaluation of freehold land was based on an assessment of the current market values. The independent valuations were carried out by Mr John L Morgan, B.App.Sc. (Valuation) on 2 August 1999 and 3 August 1999.

Movements in carrying amounts:

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year are as follows:

| | 2001 | | | |
|-----------------------------------|----------------------------|---------------------|----------------------------------|-----------------|
| | Freehold Land \$'000 | Buildings \$'000 | Plant and Equipment \$'000 | Total \$'000 |
| Carrying amount at 1 July | 1 545 | 8 408 | 181 | 10 134 |
| Additions | 400 | 198 | 195 | 793 |
| Disposals | (200) | (72) | (51) | (323) |
| Depreciation | - | (221) | (87) | (308) |
| Carrying Amount at 30 June | 1 745 | 8 313 | 238 | 10 296 |

| | | | |
|--|------|----------------|---------------|
| 15. Payables | | 2001 | 2000 |
| Current: | Note | \$'000 | \$'000 |
| Trade creditors | | 1 495 | 566 |
| Sundry Creditors and accrued expenses | | 348 | 395 |
| | | 1 843 | 961 |
| Non-Current: | | | |
| Non-interest bearing loan - Department of Industry and Trade | | 500 | 500 |
| | | 500 | 500 |
| Total Payables | | 2 343 | 1 461 |
| 16. Interest-Bearing Liabilities | | | |
| Non-Current: | | | |
| Loan - Department of Treasury and Finance | | 3 905 | 3 893 |
| Total Interest-Bearing Liabilities | | 3 905 | 3 893 |
| 17. Tax Liabilities | | | |
| Current: | | | |
| Income tax equivalent | | 1 583 | 2 778 |
| Total Tax Liabilities | | 1 583 | 2 778 |
| 18. Provisions | | | |
| Current: | | | |
| Annual leave | | 206 | 194 |
| Long service leave | | 467 | 401 |
| | | 673 | 595 |
| Non-Current: | | | |
| Long service leave | | 47 | 27 |
| Total Provisions | | 720 | 622 |
| 19. Accumulated Surplus | | | |
| Accumulated surplus at 1 July | | 92 994 | 96 739 |
| Surplus for the year after income tax equivalent | | 7 012 | 883 |
| Dividend paid to the Treasurer | 10 | (1 844) | (4 628) |
| Accumulated Surplus at 30 June | | 98 162 | 92 994 |

20. Administered Transactions

20.1 Summary of Administered Projects

During the reporting period the Corporation administered the following projects on behalf of the State Government:

- (a) *Inner Western Program*
The Inner Western Program involves the remediation of environmentally degraded land in Bowden, Brompton and West Hindmarsh to achieve urban renewal outcomes. The program has been principally funded by way of proceeds from the progressive sale of the land.
- (b) *Mile End Railyards Redevelopment*
The Corporation's role in respect of the Mile End railyards site has included the management of the redevelopment of the site and the transfer of the land from Australian National to the State. At the end of the reporting period, the Corporation's remaining role involves the finalisation of remediation issues and the sale of two properties.
- (c) *East End Redevelopment*
The East End redevelopment is a State Government initiative involving a prominent site steeped in the early history of the City. Other parties involved in the redevelopment are Mancorp (The Rundle East Company Pty Ltd) and the Liberman Group. The project includes refurbishment of existing commercial/retail space facing Rundle Street, the construction of approximately 300 units/apartments and commercial and retail premises and the restoration of heritage units along the perimeter of the site.
- (d) *Port Waterfront Redevelopment*
The Port Waterfront redevelopment represents a major urban renewal project involving the redevelopment of waterfront land at Port Adelaide. The opportunity arises from the utilisation of various government owned surplus waterfront properties and facilities, resulting from the decline of the Inner Harbour as an economically viable industrial port. In June 2001 the Corporation called for Registration of Interest submissions from companies and consortia as part of a three stage process to select a preferred party to participate in the joint development of the land as a major ongoing project.
- (e) *Islington Redevelopment*
The Corporation's role in respect of the Islington project is to manage the remediation of a derelict and contaminated rail workshop site on behalf of the Department for Transport, Urban Planning and the Arts. The works are funded by the Commonwealth Government in respect of former Australian National land, which is now in the ownership of the Minister for Transport, Urban Planning and the Arts. Site works were completed during the reporting period.
- (f) *Mawson Lakes Government Infrastructure*
Under the terms of the joint venture arrangements for the Mawson Lakes Economic Development Project (refer Note 5.5), the State Government has obligations for various infrastructure works. The Corporation receives State grants in respect of these obligations and administers payments for the infrastructure works. Effective from 1 July 1999, the Mawson Lakes Government Infrastructure project was reclassified from a controlled item to an administered item.

In February 2001, Cabinet approved a variation to the Project Commitment Deed whereby certain obligations under the original Deed were revised. The most significant of these was the revision to the scope, timing and cost of the Mawson Connector road (formerly known as the North East Ring Route).
- (g) *Sports Park Infrastructure*
Sports Park is located 10 km north of Adelaide on a 120 hectare site. Infrastructure works are in progress to improve stormwater management and to upgrade internal roads and services. The Corporation's role involves the management of infrastructure works, management of the works in kind agreement with the Croatian Sports Centre and maintenance of the undeveloped eastern portion of the site.

20.2 Financial Summary

Projects administered by the Corporation are principally financed from State loans and grants, Commonwealth grants and proceeds from the sale of land and properties. At period end, project funds held by the Corporation on behalf of the State Government were \$15 891 000 comprised as follows:

| | | |
|--|---------------|---------------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Inner Western Program | 2 534 | 3 040 |
| Mile End Railyards redevelopment | 715 | 694 |
| East End redevelopment | 557 | 1 312 |
| Port Waterfront redevelopment | (869) | 217 |
| Islington redevelopment | 25 | 24 |
| Mawson Lakes government infrastructure | 12 698 | 12 026 |
| Sports Park infrastructure | 231 | 554 |
| Project Funds at 30 June | 15 891 | 17 867 |

The following Statement of Receipts and Payments summarises the movements in project funds during the reporting period:

| | | |
|---|--------------|---------------|
| Receipts: | | |
| State loans | 350 | 800 |
| State grants | 1 751 | 3 778 |
| Net revenues from restructuring of administrative arrangements | - | 322 |
| Transfer resulting from a change in accounting policy (refer Notes 8 and 20.1(f)) | - | 9 027 |
| Interest | 950 | 299 |
| Sale of land and properties | 548 | 2 193 |
| Other operating receipts | 492 | 512 |
| Total Receipts | 4 091 | 16 931 |

| | | | | |
|-------------|---------------------------------------|--|----------------|--------|
| 20.2 | Financial Summary (continued) | | 2001 | 2000 |
| | Payments: | | \$'000 | \$'000 |
| | Interest | | 2 145 | 1 931 |
| | Transfer land sale proceeds | | 118 | 335 |
| | Other operating payments | | 3 804 | 1 940 |
| | Total Payments | | 6 067 | 4 206 |
| | Net (decrease) increase in funds held | | (1 976) | 12 725 |
| | Project Funds at 1 July | | 17 867 | 5 142 |
| | Project Funds at 30 June | | 15 891 | 17 867 |

20.3 Financial Schedules

Schedule A and Schedule B provide financial information regarding:

- Administered Assets and Liabilities;
- Administered Revenues and Expenses;

in respect of each project administered by the Corporation on behalf of the State Government.

Assets and liabilities administered and included in Schedule A are not recognised in the Corporation's Statement of Financial Position.

Revenues and expenses administered and included in Schedule B are not recognised in the Statement of Financial Performance. Schedule B is presented in a Statement of Financial Performance format and therefore excludes land purchases, borrowings and repayment of borrowings, where applicable. Cash receipts and payments are reflected as movements in Project Funds, as disclosed in Note 20.2.

Schedule A**Schedule of Administered Assets and Liabilities as at 30 June 2001**

| | | 2001 | | | | | | | |
|---------------------------------------|------|--------------|------------|---------------|-----------------|-----------|---------------------------------|--------------------------------|---------------|
| | | Inner West | Mile End | East End | Port Waterfront | Islington | Mawson Lakes Infra-structure | Sports Park Infra-structure | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered Assets: | Note | | | | | | | | |
| Cash assets | | 2 534 | 715 | 557 | (869) | 25 | 12 698 | 231 | 15 891 |
| Receivables | | 10 | 3 | 19 | 27 | 3 | 46 | 1 | 109 |
| Inventories: | | | | | | | | | |
| Land held for resale | (a) | - | 101 | - | 4 445 | - | - | - | 4 546 |
| Property, plant and equipment: | | | | | | | | | |
| Land and buildings | (b) | - | - | 2 816 | 300 | - | - | - | 3 116 |
| Total Administered Assets | | 2 544 | 819 | 3 392 | 3 903 | 28 | 12 744 | 232 | 23 662 |
| Administered Liabilities: | | | | | | | | | |
| Payables | | 40 | - | 123 | 216 | - | 129 | 1 | 509 |
| Loans from the Treasurer | (c) | - | - | 22 740 | 6 090 | - | - | - | 28 830 |
| Total Administered Liabilities | | 40 | - | 22 863 | 6 306 | - | 129 | 1 | 29 339 |

Schedule of Administered Assets and Liabilities as at 30 June 2000

| | | 2000 | | | | | | | |
|---------------------------------------|------|--------------|------------|---------------|-----------------|-----------|---------------------------------|--------------------------------|---------------|
| | | Inner West | Mile End | East End | Port Waterfront | Islington | Mawson Lakes Infra-structure | Sports Park Infra-structure | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered Assets: | Note | | | | | | | | |
| Cash assets | | 3 040 | 694 | 1 312 | 217 | 24 | 12 026 | 554 | 17 867 |
| Receivables | | 16 | 3 | 4 | 21 | - | - | 4 | 48 |
| Inventories: | | | | | | | | | |
| Land held for resale | (a) | - | 101 | 475 | 4 480 | - | - | - | 5 056 |
| Property, plant and equipment: | | | | | | | | | |
| Land and buildings | (b) | - | - | 2 816 | 300 | - | - | - | 3 116 |
| Total Administered Assets | | 3 056 | 798 | 4 607 | 5 018 | 24 | 12 026 | 558 | 26 087 |
| Administered Liabilities: | | | | | | | | | |
| Payables | | 105 | - | 121 | 55 | - | 45 | - | 326 |
| Loans from the Treasurer | (c) | - | - | 22 390 | 6 090 | - | - | - | 28 480 |
| Total Administered Liabilities | | 105 | - | 22 511 | 6 145 | - | 45 | - | 28 806 |

Schedule A Notes**(a) Inventories - Land held for Resale**

Subject to the qualification in Note 20.3(c) in respect of the Port Waterfront Redevelopment project, inventories are carried at the lower of cost and net realisable value.

(b) Property, Plant and Equipment - Land and Buildings

East End Redevelopment

An independent valuation was carried out by Mr W J Reynolds, FAPI, Certified Practising Valuer, of the Department for Administrative and Information Services on 30 June 1999 based on the net present value of the State Government's interest in the properties currently the subject of a lease with a private developer. The valuation was marginally higher than the carrying amount. The present value of the Government's interest in the properties is largely dependent on the number of years that it is anticipated that Government may retain ownership. Therefore, as a conservative measure, the carrying amount has been retained.

Port Waterfront Redevelopment

An independent valuation was carried out by Mr Andrew Cain, B App Sc (Val) AAPI (Val) of Jones Lang LaSalle Advisory Services Pty Limited on 6 August 1999 using a current market value basis as at 30 June 1999 for most properties.

(c) Loans from the Treasurer

East End Redevelopment

The loan is in the name of the Minister for Government Enterprises (formerly Minister for Housing and Urban Development). The Corporation has advised the Treasurer that this loan is unlikely to be fully recoverable given that the project's forecast net cash flows are substantially below the loan value. A shortfall of approximately \$19.5 million is currently forecast at project completion in 2003-04. The large non-recoverable component of the loan has been generated by the difference between what was originally paid by the government for the site, plus ongoing interest charges, and the amount recoverable through the development of the site.

Port Waterfront Redevelopment

The loan is in the name of the Minister for Government Enterprises (formerly Minister for Housing and Urban Development). The Corporation has advised the Treasurer that this loan is unlikely to be fully recoverable given the recent changes to the project's timeframe, scope and expected revenue streams, based on current forecasts. However, whether the loan is ultimately recoverable or not will significantly depend on the outcome of the project's Registration of Interest process (refer Note 20.1 (d)). Accordingly, no adjustment has been made to the carrying value of land held for resale in respect of the project.

Schedule B

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

| | 2001 | | | | | | | |
|------------------------------------|----------------------|--------------------|--------------------|---------------------------|---------------------|---|--|-----------------|
| | Inner West \$'000 | Mile End \$'000 | East End \$'000 | Port Waterfront \$'000 | Islington \$'000 | Mawson Lakes Infra-structure \$'000 | Sports Park Infra-structure \$'000 | Total \$'000 |
| Administered Revenues: | | | | | | | | |
| State grants | - | - | - | - | - | 1 000 | 751 | 1 751 |
| Interest | 163 | 40 | 65 | 7 | 1 | 681 | 27 | 984 |
| Sale of land and properties | - | - | 513 | 35 | - | - | - | 548 |
| Other operating revenues | 15 | - | 198 | 296 | 14 | - | - | 523 |
| Total Administered Revenues | 178 | 40 | 776 | 338 | 15 | 1 681 | 778 | 3 806 |
| Administered Expenses: | | | | | | | | |
| Cost of sales | - | - | 475 | 35 | - | - | - | 510 |
| Interest | - | - | 1 588 | 550 | - | - | - | 2 138 |
| Transfer land sale proceeds | 97 | - | - | - | - | - | - | 97 |
| Bad and doubtful debts | 1 | (2) | - | 6 | - | - | - | 5 |
| Other operating expenses | 527 | 22 | 279 | 1 024 | 11 | 1 046 | 1 105 | 4 014 |
| Total Administered Expenses | 625 | 20 | 2 342 | 1 615 | 11 | 1 046 | 1 105 | 6 764 |
| SURPLUS (DEFICIT) | (447) | 20 | (1 566) | (1 277) | 4 | 635 | (327) | (2 958) |

Schedule of Administered Revenues and Expenses for the year ended 30 June 2000

| | 2000 | | | | | | | |
|--|----------------------|--------------------|--------------------|---------------------------|---------------------|---|--|-----------------|
| | Inner West \$'000 | Mile End \$'000 | East End \$'000 | Port Waterfront \$'000 | Islington \$'000 | Mawson Lakes Infra-structure \$'000 | Sports Park Infra-structure \$'000 | Total \$'000 |
| Administered Revenues: | | | | | | | | |
| State grants | - | - | - | - | - | 3 000 | 778 | 3 778 |
| Net revenues from restructuring of administrative arrangements | - | - | - | - | - | - | 322 | 322 |
| Transfer resulting from a change in accounting policy | - | - | - | - | - | 9 027 | - | 9 027 |
| Interest | 152 | 33 | 40 | 58 | 1 | - | 18 | 302 |
| Sale of land and properties | 833 | 211 | 1 117 | 11 | - | - | - | 2 172 |
| Other operating revenues | 32 | - | 182 | 188 | 50 | - | - | 452 |
| Total Administered Revenues | 1 017 | 244 | 1 339 | 257 | 51 | 12 027 | 1 118 | 16 053 |

20.3 Financial Schedules (continued)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2000 (continued)

| | 2000 | | | | | | | |
|------------------------------------|----------------|------------|----------------|-----------------|------------|------------------------------|-----------------------------|---------------|
| | Inner West | Mile End | East End | Port Waterfront | Islington | Mawson Lakes Infra-structure | Sports Park Infra-structure | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered Expenses: | | | | | | | | |
| Cost of sales | 1 229 | 172 | 825 | 10 | - | - | - | 2 236 |
| Interest | - | - | 1 384 | 566 | - | - | - | 1 950 |
| Transfer land sale proceeds | 355 | - | - | - | - | - | - | 355 |
| Bad and doubtful debts | - | 5 | - | 8 | - | - | - | 13 |
| Write down of inventories | 3 134 | - | - | 2 220 | - | - | - | 5 354 |
| Property revaluation decrement | - | - | - | 824 | - | - | - | 824 |
| Other operating expenses | 445 | 69 | 229 | 610 | 57 | 46 | 560 | 2 016 |
| Total Administered Expenses | 5 163 | 246 | 2 438 | 4 238 | 57 | 46 | 560 | 12 748 |
| SURPLUS (DEFICIT) | (4 146) | (2) | (1 099) | (3 981) | (6) | 11 981 | 558 | 3 305 |

21. Capital Expenditure Commitments

At balance date the Corporation had capital expenditure commitments of \$2 452 000, all payable within 12 months. In addition, capital expenditure commitments, unquantified at balance date, may arise in respect of the Corporation's share of the funding of future development works under the terms of various joint venture arrangements currently in place (refer Note 5).

22. Contingent Liabilities

Golden Grove Development (refer Note 5.2)

Indemnity for bank guarantees in favour of Local and State Government Authorities.

The maximum limit available at balance date to the joint venture is \$4 000 000.

The maximum liability amounts to \$3 594 000 (\$3 315 000).

The Corporation's contingent liability in respect of this amount is 50 percent.

| | |
|---------------|---------------|
| 2001 | 2000 |
| \$'000 | \$'000 |

| | |
|--------------|--------------|
| 1 797 | 1 658 |
|--------------|--------------|

Mawson Lakes Joint Venture (refer Note 5.5)

Indemnity for letter of guarantee in favour of Local and State Government Authorities.

The maximum liability amounts to \$3 369 000 (\$900 000).

The Corporation's contingent liability in respect of this amount is 50 percent.

| | |
|--------------|------------|
| 1 685 | 450 |
|--------------|------------|

AV Jennings Limited

Guarantee pursuant to the Northgate Development Deed between the Corporation and AV Jennings Ltd

| | |
|------------|------------|
| 537 | 537 |
|------------|------------|

Other

The Corporation has other contingent liabilities arising from its contractual arrangements.

These were not considered to be material at balance date.

23. Reconciliation of Cash Flows from Operating Activities with Surplus from Ordinary Activities after Income Tax Equivalent

Surplus from Ordinary Activities after Income Tax Equivalent

| | |
|--------------|------------|
| 7 012 | 883 |
|--------------|------------|

Non-cash flows in Surplus from Ordinary Activities after Income Tax Equivalent:

Share of net profit of joint venture entities

| | |
|----------------|----------------|
| (2 952) | (3 639) |
|----------------|----------------|

Net gain on disposal of property, plant and equipment

| | |
|--------------|----------------|
| (244) | (1 511) |
|--------------|----------------|

Depreciation

| | |
|------------|------------|
| 308 | 435 |
|------------|------------|

Movement in income tax equivalent payable

| | |
|----------------|--------------|
| (1 195) | 1 969 |
|----------------|--------------|

Provision for long service leave

| | |
|-----------|-----------|
| 86 | 46 |
|-----------|-----------|

Provision for annual leave

| | |
|-----------|----------|
| 12 | 8 |
|-----------|----------|

Provision for doubtful debts

| | |
|----------|-------------|
| - | (61) |
|----------|-------------|

Write down of inventories

| | |
|----------|------------|
| - | 218 |
|----------|------------|

Changes in assets and liabilities:

Decrease in receivables

| | |
|------------|--------------|
| 162 | 4 990 |
|------------|--------------|

Decrease in prepayments

| | |
|-----------|----------|
| 44 | 1 |
|-----------|----------|

(Increase) Decrease in inventories

| | |
|--------------|--------------|
| (796) | 3 266 |
|--------------|--------------|

Increase (Decrease) in payables

| | |
|------------|--------------|
| 894 | (560) |
|------------|--------------|

Net Cash provided by Operating Activities

| | |
|--------------|--------------|
| 3 331 | 6 045 |
|--------------|--------------|

24. Cash Assets

Cash at Treasury

| | |
|---------------|---------------|
| 56 618 | 49 845 |
|---------------|---------------|

Cash in trust, at bank and on hand

| | |
|------------|------------|
| 243 | 577 |
|------------|------------|

Cash shown in the Statement of Financial Position and Statement of Cash Flows

| | |
|---------------|---------------|
| 56 861 | 50 422 |
|---------------|---------------|

25. Additional Financial Instruments Disclosure

25.1 Interest Rate Risk

The Corporation has certainty with respect to the interest expense arising from the fixed rate loan from the Treasurer which comprises the major part of its debt.

The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:

| | 2001 | | | | 2001 Total \$'000 | 2000 Total \$'000 |
|---|--|--|-------------------------------------|---------------------------------------|-------------------------|-------------------------|
| | Effective Interest Rate Percent | Floating Interest Rate \$'000 | Fixed Interest Rate \$'000 | Non- Interest Bearing \$'000 | | |
| Financial Assets: | | | | | | |
| Cash assets | 5.06 | 56 861 | - | - | 56 861 | 50 422 |
| Receivables | | - | - | 906 | 906 | 1 068 |
| | | 56 861 | - | 906 | 57 767 | 51 490 |
| Financial Liabilities: | | | | | | |
| Payables | | - | - | 2 343 | 2 343 | 1 461 |
| Interest-bearing liabilities ^(a) | 12.36 | - | 3 905 | - | 3 905 | 3 893 |
| | | - | 3 905 | 2 343 | 6 248 | 5 354 |

(a) The fixed interest rate loan matures in April 2017.

25.2 Credit Risk

The Corporation is exposed to credit risk associated with the amounts due to it from tenants and others for rent and sundry charges. The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small although the credit performance of tenants as a whole may be expected to be influenced by common factors.

25.3 Net Fair Value of Financial Instruments

The net fair value of term debtors is determined by discounting the cash flows to their present values at market interest rates. The net fair value of borrowings is determined by discounting the cash flows to their present values at market interest rates of similar borrowings. For other assets and other liabilities the net fair value approximates their carrying value. Analysis of the net fair value of financial instruments as at 30 June is detailed below:

| | 2001 | | 2000 | |
|------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | Carrying Amount \$'000 | Net Fair Value \$'000 | Carrying Amount \$'000 | Net Fair Value \$'000 |
| Financial Assets: | | | | |
| Cash assets | 56 861 | 56 861 | 50 422 | 50 422 |
| Receivables | 906 | 906 | 1 068 | 1 068 |
| Total Financial Assets | 57 767 | 57 767 | 51 490 | 51 490 |
| Financial Liabilities: | | | | |
| Payables | 2 343 | 2 343 | 1 461 | 1 461 |
| Interest-bearing liabilities | 3 905 | 6 123 | 3 893 | 6 246 |
| Total Financial Liabilities | 6 248 | 8 466 | 5 354 | 7 707 |
| Net Financial Assets | 51 519 | 49 301 | 46 136 | 43 783 |

26. Directors' Remuneration

The number of Directors of the Board whose income from the Corporation falls within the following bands were:

| | 2001 Number of Directors | 2000 Number of Directors |
|---------------------|--------------------------------|--------------------------------|
| \$0 - \$10 000 | 1 | 1 |
| \$10 001 - \$20 000 | 3 | 3 |
| \$20 001 - \$30 000 | 2 | 2 |
| \$50 001 - \$60 000 | - | 1 |
| \$80 001 - \$90 000 | 1 | - |

Total income received or due and receivable by all Directors of the Corporation for the period they held office was \$182 000 (\$132 000). Included in this remuneration are fees paid by Golden Grove and Mawson Lakes Joint Venture Committees. One director also received fees backdated to January 1998 for membership of the Golden Grove Joint Venture Committee as previously determined and paid for by the Golden Grove Joint Venture but not forwarded to the director at the time. Directors who are employed under the *Public Sector Management Act 1995* are not entitled to fees.

The number of Directors who held office at 30 June 2001 was 6 (6).

27. Employees' Remuneration

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated fringe benefits tax.

The number of employees whose remuneration from the Corporation was within the following bands were:

| | 2001 Number of Employees | 2000 Number of Employees |
|-----------------------|--------------------------------|--------------------------------|
| \$100 001 - \$110 000 | 2 | - |
| \$110 001 - \$120 000 | 1 | 2 |
| \$120 001 - \$130 000 | 1 | 1 |
| \$130 001 - \$140 000 | 1 | - |
| \$180 001 - \$190 000 | - | 1 |
| \$190 001 - \$200 000 | 1 | - |

27. Employees' Remuneration (continued)

Total income received or due and receivable by the above employees for the period they held office was \$0.76 million (\$0.53 million).

The number of employees at the reporting date was 56.6.

Targeted Voluntary Separation Packages (TVSPs)

One employee of the Corporation was paid a TVSP during the reporting period. This payment was met by the Corporation and will be recovered from the Department of the Premier and Cabinet. The amount paid or payable totalled \$44 000 and is yet to be recovered. In addition to this, accrued annual leave and long service leave entitlements amounting to \$18 000 were paid to that employee. These payments are included in salaries and related payments.

28. Auditors' Remuneration

| | 2001 \$'000 | 2000 \$'000 |
|--|------------------|------------------|
| Amounts received or due and receivable by the principal auditors for auditing the accounts | <u>50</u> | <u>58</u> |
| Total Auditor's Remuneration | <u>50</u> | <u>58</u> |

29. External Consultants

Fees and expenses incurred during the reporting period as a result of engaging consultants were:

| | | |
|--|-------------------|-------------------|
| Recognised in the Statement of Financial Performance | 553 | 616 |
| Capitalised in the Statement of Financial Position | 179 | - |
| Charged against Administered Project Funds (refer Note 20) | <u>140</u> | <u>209</u> |
| Total | <u>872</u> | <u>825</u> |

30. Related Party Disclosure**Directors**

The Directors of the Corporation appointed in accordance with the Regulations under the *Public Corporations Act 1993* were:

| | |
|--------------------------------------|--------------------------------------|
| J B Hogan, Chairman | P J Martin |
| A L Ashby | R J Payze |
| S M Day (appointed 23 December 2000) | S E Young (expired 23 December 2000) |
| D H Edwards | |

Details of the Directors' remuneration are set out in Note 26.

During the period of their appointment to the Land Management Corporation:

Mr J B Hogan was Chairman of the South Australian Housing Trust Board, Presiding Member of the Torrens Catchment Water Management Board, Deputy Chairman of HomeStart Finance and Board Member of other unrelated companies.

Ms A L Ashby was Managing Director of Rowan Ashby Consulting (until 8 June 2001) and a Board Member of North Western Adelaide Health Service and Adelaide Entertainments Corporation.

Mr S M Day was a Director of the Finance and Treasury Association and a Director of CTC-Leckey Pty Ltd.

Mr D H Edwards was Chairman of David Edwards Investments Pty Ltd and involved in a number of unrelated activities.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Member of the South Australian Community Housing Association (SACHA), a Board Member of the Industrial and Commercial Premises Corporation and the South Australian Film Corporation and a Council Member of the University of Adelaide.

Mr R J Payze was Chief Executive, Department for Transport, Urban Planning and the Arts until 23 October 2000, Vice President/Deputy Chairman of the South Australian National Football League and a Board Member of the Passenger Transport Board and the Royal Automobile Association of South Australia Incorporated.

Mr S E Young was Executive Chairman of Equity and Advisory Ltd and a Board Member of a number of public and private companies.

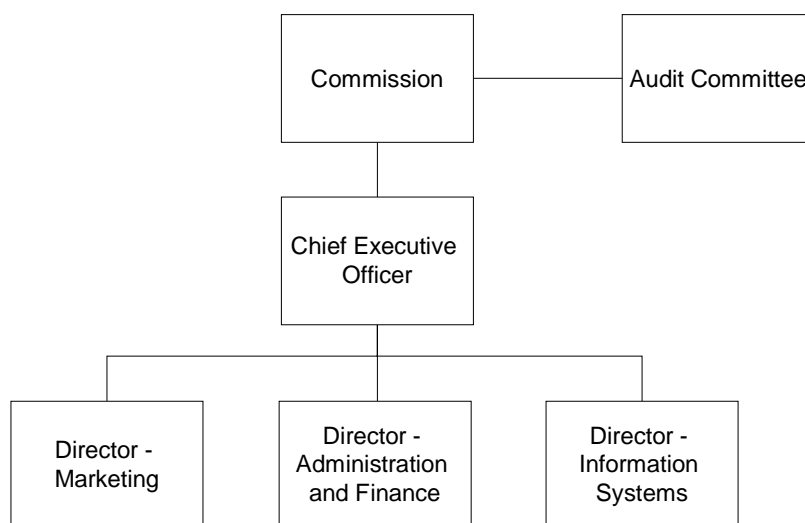
From time to time the Corporation has dealings with the above entities. All transactions entered into with the entities named above have been carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Land Management Corporation had entered into a transaction during the year ended 30 June 2001.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia. The Commission, which is responsible for overseeing the affairs of the Lotteries Commission, comprises four members appointed by the Governor and is subject to the control and direction of the Minister for Government Enterprises. The Commission has established an Audit Committee to focus on matters of a financial and audit nature. The structure of the Commission during 2000-01 is detailed below.



The Commission is responsible for the administration of the following lottery games:

- Lotto
- Powerball
- SA Lotto
- Oz Lotto
- Keno
- Instant Scratchies
- Super 66
- The Pools

With the exception of SA Lotto, Keno and Instant Scratchies, the lottery games administered by the Commission are conducted in conjunction with other States and Territories of Australia pursuant to various 'Bloc' agreements. The aim of these 'Blocs' is to promote and operate games according to uniform rules and regulations. With the exception of the pooling of the prize money, in all respects each Bloc member is legally, economically and organisationally independent.

Section 18 of the Act gives the Commission power, with the approval of the Minister, to make rules providing for or regulating the practices, procedures and operations of the Commission.

While the Commission's main business activities are controlled centrally through Head Office, the greatest proportion of its selling activity is decentralised via a large agency network across the State. These agencies are privately owned by individuals or companies and are paid a commission fee for the sale of lottery tickets.

Application of Proceeds of the Commission

Effective from 1 July 2000, subsection 16(3) of the Act was amended to provide for the payment of the Goods and Services Tax (GST) in respect of net gambling revenue and the payment of a gambling tax of 41 percent of net gambling revenue. The gambling tax is paid to the Hospitals Fund except for sports lotteries and special lotteries, which are paid to the Recreation and Sport Fund.

Pursuant to subsection 16(3) of the Act, the Commission is required to pay surplus funds to the Hospitals Fund (as a contribution towards public hospitals). These funds are the balance of funds remaining after making an allowance for GST in respect of net gambling revenue; gambling tax; operating and capital expenses; applying net proceeds of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

Treasurer's Instruction 22 applies a tax equivalent regime to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth. The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to subsection 16(3) of the Act, to pay surplus funds to the Hospitals Fund.

The total distribution of funds to government, including the Hospitals Fund and Recreation and Sport Fund is detailed in Note 17 to the financial statements.

Unclaimed Prizes

In accordance with sections 16B and 16C of the Act a prize in a lottery that has not been collected or taken delivery of within 12 months is forfeited to the Commission and transferred to the Unclaimed Prizes Reserve. The legislative requirements and the consequential accounting treatment regarding the retention and distribution of unclaimed prizes is explained in Note 1(o) to the financial statements.

REVIEW OF GOVERNMENT OWNERSHIP

In February 1998 the Government announced a number of initiatives to examine the possible sale of certain government assets, including the Lotteries Commission of South Australia. In February 2000 the Government announced its intention to offer for sale the operations of the Commission.

As a result of the proposed sale process, Ministerial directions were given to the Commission, whereby certain restrictions were placed on the conduct and affairs of the Commission.

In December 2000 the Commission was advised that the sale would not proceed and that the Ministerial directions that applied during the review process were revoked.

SIGNIFICANT FEATURES

- Sales increased by \$14.6 million to \$309.6 million. This is principally attributable to increased sales turnover in the Powerball game administered by the Commission.
- A Gambling tax, representing 41 percent of net gambling revenue, was levied from 1 July 2000. The gambling tax amounted to \$51.5 million and was paid into the Hospitals Fund and Recreation and Sport Fund in accordance with the *State Lotteries Act 1966*.
- Goods and Services Tax (GST) of \$11.4 million was paid. Due to the Commission being a gambling operator, GST is payable on net gambling revenue and is recognised as an expense in the Statement of Financial Performance.
- Profit from ordinary activities decreased by \$55.2 million from \$84.9 million to \$29.7 million, reflecting the introduction of the gambling tax and the GST (refer above).
- Distributions to government from the year's operations totalled \$78.8 million (\$86 million) a decrease of \$7.2 million or 8 percent. (Refer to Note 17). The decrease is attributed mainly to GST expense (refer above).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18A(2) of the *State Lotteries Act 1966* specifically provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- Board minutes
- revenue, receipting and banking
- On-Line Wagering System
- accounting policies
- budgetary control
- accounts payable
- salaries and wages
- general ledger.

The On-Line Wagering System is the key business system for the Commission. Consequently significant audit focus was directed to that system, which included the verification of sales and winners for nominated draws using audit computer software.

Further commentary regarding the computer information systems environment is contained in 'Audit Findings and Comments' hereunder.

Audit Communications to Management

Audit submitted to the Chief Executive Officer a management letter conveying the scope of the audit and findings arising from the review of its operations. In addition, the Commission's Internal Auditors undertook a number of reviews. The findings of both external and internal audit reviews were submitted to the Audit Committee and are further commented on in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit review focussed on the control framework governing the Commission's operations and included consideration of the Commission's policies, procedures and internal control mechanisms. Audit noted that the Commission's operating environment was characterised by good internal control practices with independent checking over the preparation and processing of transactions to ensure that processes were being completely and accurately performed.

Consequently, the overall internal control structure of the Commission was assessed as satisfactory. This reflects the Commission's awareness of the importance of establishing and maintaining a strong internal control infrastructure.

Audit Committee

The Commission has an Audit Committee which comprises three Commission members. The Audit Committee meets on a quarterly basis and reports to the Commission.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Commission. These responsibilities extend to liaising with the external auditors, approving and evaluating the internal audit program, monitoring risk management practices, and the review of the annual financial statements.

Internal Audit

Internal Audit was involved in the review of a number of aspects of the information technology environment as well as other areas of the Commission. These included reviews of:

- computer operations
- local area network and internet security
- completeness and accuracy of gaming sales
- administrative/accounting system (AS 400)
- GST compliance
- systems assurance
- control over retailers day-to-day operations.

The Audit Committee directs and evaluates Internal Audit by reviewing and approving the audit plan, evaluating the effectiveness of Internal Audit and ensuring that the internal auditors are able to perform their duties free from restrictions.

Risk Management

The Commission operates a risk management program. The program is a structured, formalised process that includes:

- a risk management policy and procedure;
- a register detailing risks identified together with controls aimed at addressing those risks;
- risk action plans for areas assessed with unacceptable exposure;
- regular reporting processes;
- planned annual review of all risks.

Audit review revealed that the Commission has continued its risk management program, which included a detailed review of all risks during the year.

Commentary on Computer Information Systems (CIS) Environment

The On-Line Wagering System and other financial accounting systems are operated, in-house, by the Commission. The On-Line Wagering System is the major system operating at the Commission. This is the organisation's lottery system which records details of sales and prize payouts.

Due to the significance of information technology to the Commission, the internal audit program included a number of projects that focussed on the information technology area. The verification work by Internal Audit is considered to be a critical component of the on-going program of internal review activity and provides a sound management control process to ensure the on-going integrity over the Commission's gaming operations.

Audit's review of the Commission's control environment over information technology included an assessment of the recent and future planned Internal Audit coverage. Audit observed that the Commission has implemented a comprehensive Internal Audit review coverage of the new system that addressed system management, operation and security. In developing that coverage, the Commission considered the results of internal risk management assessments, actions proposed emanating from previous Internal Audit reports, and past matters raised by Audit.

The audit work performed during the year included the verification of sales and winners for nominated draws. To perform this work the Commission arranged for the supply of a Computer Assisted Audit Technique (CAAT). The CAAT provided to Audit was a copy of the On-Line Wagering System programs rather than a specific purpose CAAT. Consequently the verification approach required Audit to conduct extensive testing and validation of the operation of the CAAT. The CAAT was successfully tested and nominated draws verified. To maximise the benefit for Audit purposes the CAAT was also used to contribute to forming an opinion on the Commission's financial statements.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Lotteries Commission of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer’s Instruction 2 ‘Financial Management Policies’.

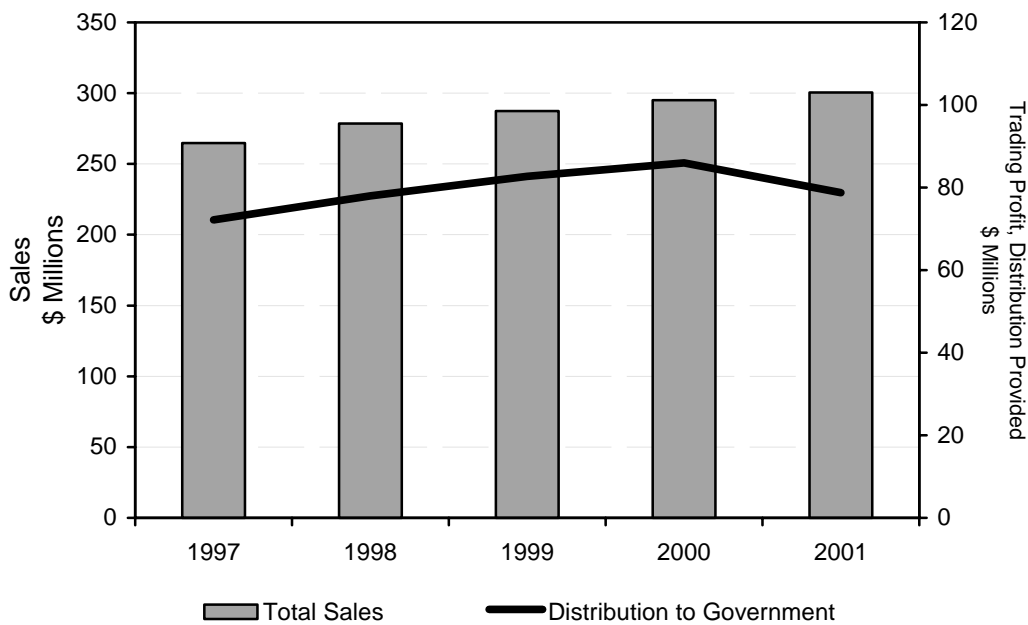
Audit formed the opinion that the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Sales and Distribution to Government

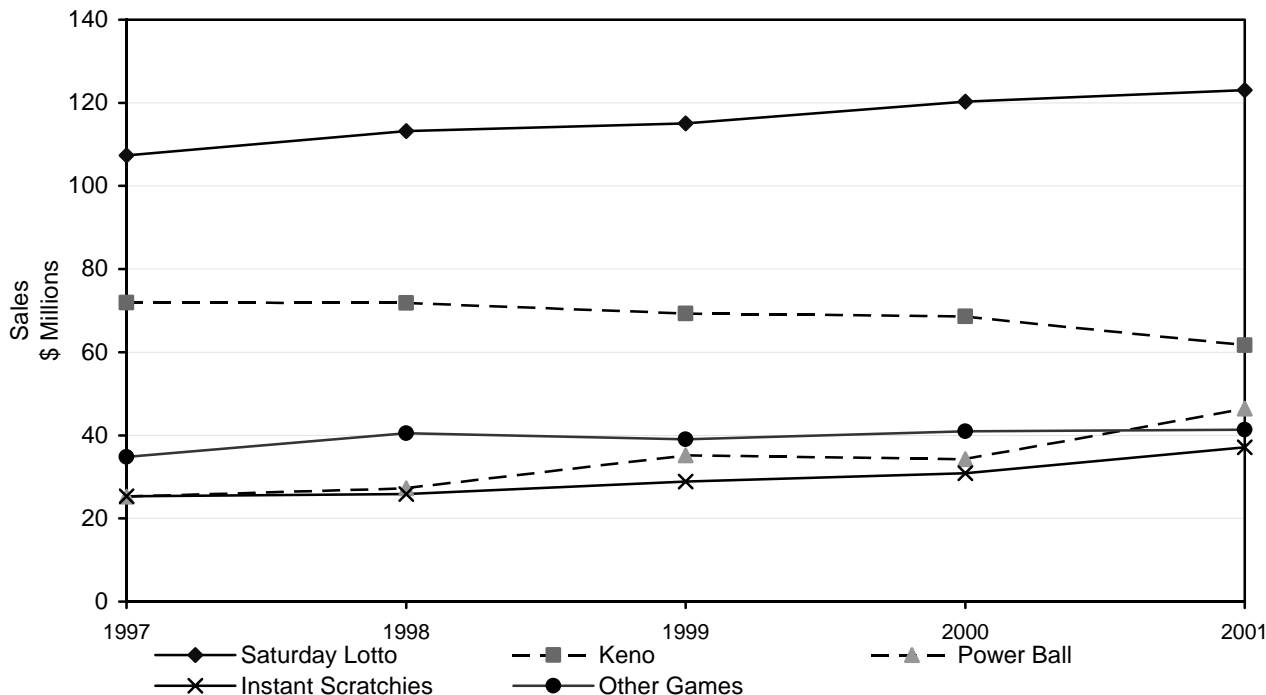
The following graph illustrates the trend in sales and amount of distribution to the Government over the past five years and shows that sales for the year have increased by \$14.6 million to \$309.6 million representing a percentage increase of 4.9 percent.



The distributions available to the Government from the year’s operations were \$78.8 million, a decrease of \$7.2 million over the previous year. The decrease was due to the introduction of Goods and Services Tax (GST) on net gambling revenue, which is an expense to the Commission. Had this tax not been an expense to the Commission, distributions to the Government would have increased by \$4.2 million to \$90.2 million.

Sales Revenue

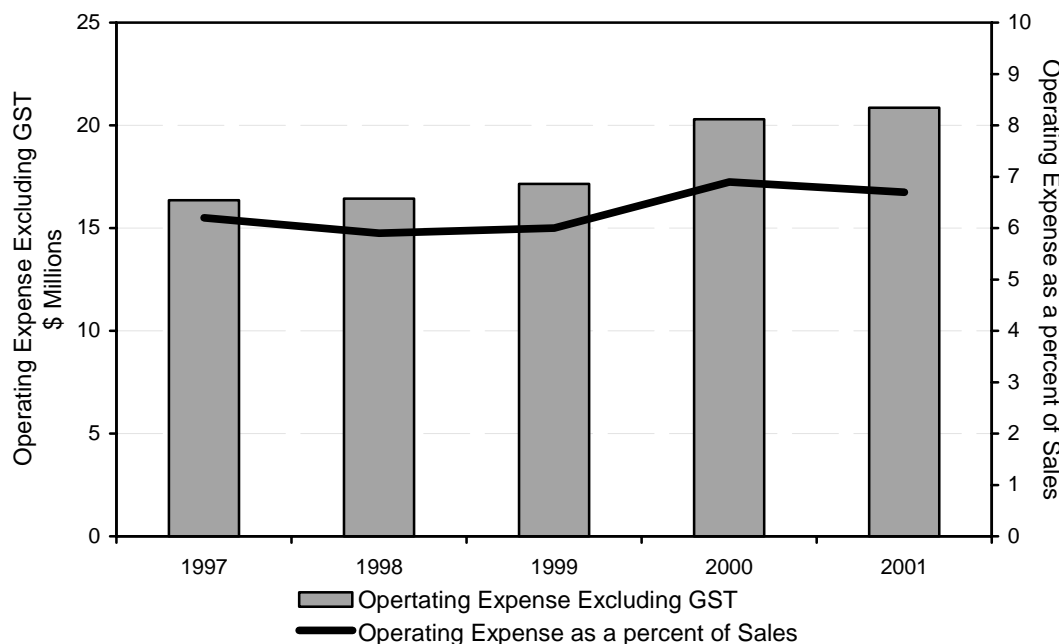
The following graph provides details of sales generated by the lottery products provided by the Commission. Notably, Lotto (Saturday) sales were \$123 million and Keno sales were \$61.7 million, representing 40 percent and 20 percent of sales respectively.



As illustrated above, the major contribution to the increase in sales is due to Powerball and Instant Scratchies. The graph also highlights the decline in Keno sales over the past five years, which decreased by \$6.9 million (10 percent) from last year.

Expenses

The following graph describes total operating expenses (excluding GST expense), together with those expenses expressed as percentage of sales revenue.

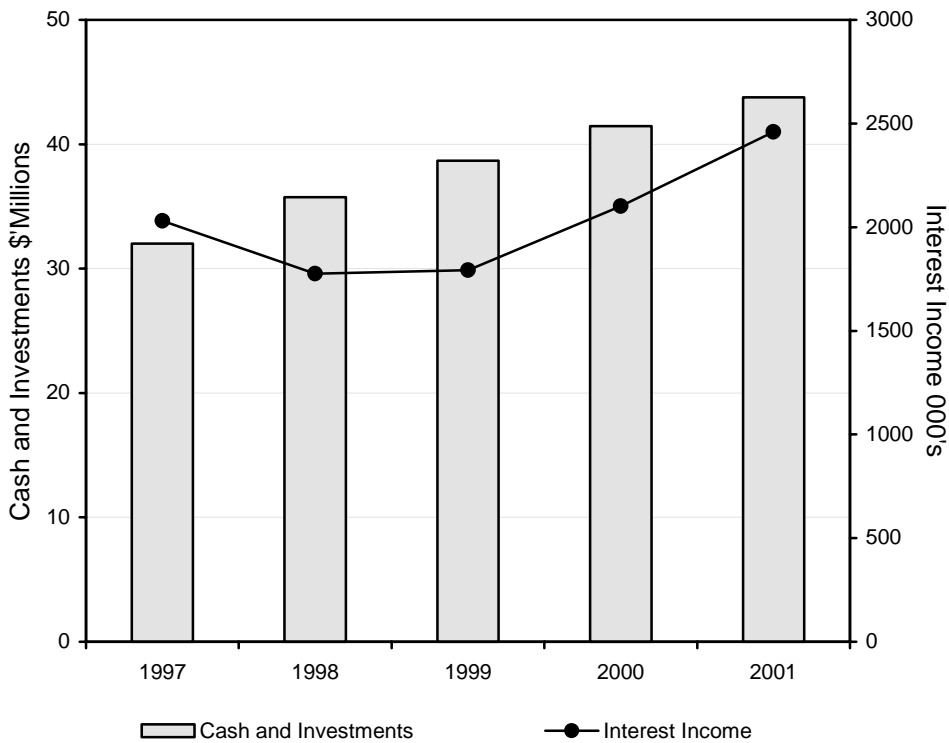


The above graph shows that whilst operating expenses, excluding GST, have increased, when those expenses are expressed as a percentage of sales the increase is not so prominent, particularly considering the increased depreciation expense and borrowing expenses associated with the implementation of the new On-Line Wagering System in June 1999.

Statement of Financial Position

Cash and Investments

The graph below compares cash and investments to interest income for the past five years.



Investments are short-term deposits and largely reflect funds held for unclaimed monies, to pay prizes and for distribution to government. The above graph illustrates that the trend in interest income has generally reflected the level of the Commission’s cash and investment holdings. It is noted that in 1997 prevailing interest rates were generally higher resulting in a larger interest income for that year.

Staff and Agents

| | 2001 | 2000 | 1999 |
|---|------|------|------|
| Administration and selling staff (FTE): | | | |
| Permanent | 78 | 78 | 71 |
| Permanent part-time | 12 | 12 | 13 |
| Ticket Selling Agents: | | | |
| Metropolitan | 366 | 367 | 385 |
| Country | 161 | 168 | 165 |

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------------|------------------|----------------|
| REVENUES FROM ORDINARY ACTIVITIES: | | | |
| SALES REVENUE | 2 | 309 593 | 295 018 |
| Cost of Sales: | | | |
| Prizes | 1(b) | (180 604) | (174 519) |
| Gambling tax | 1(r), 17 | (51 480) | - |
| Agents' commission | 3 | (22 707) | (21 853) |
| | | (254 791) | (196 372) |
| TRADING PROFIT | | 54 802 | 98 646 |
| Other revenues from ordinary activities | 4 | 7 171 | 6 520 |
| Total Revenues | | 61 973 | 105 166 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Goods and Services Tax | 1(q) | (11 415) | - |
| Employee expenses | | (5 396) | (4 785) |
| Marketing | | (4 918) | (4 935) |
| Computer operations | | (3 569) | (3 468) |
| Depreciation | 5 | (2 752) | (2 431) |
| Borrowing costs | 1(s) | (693) | (654) |
| Other | 6 | (3 528) | (4 024) |
| Total Expenses | | (32 271) | (20 297) |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT | | 29 702 | 84 869 |
| Income tax equivalent expense relating to ordinary activities | 1(p),1(r),17 | (10 099) | 30 553 |
| PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT | 18 | 19 603 | 54 316 |
| Net increase in asset revaluation reserve | 16 (i) | 347 | - |
| TOTAL NET CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER | | 19 950 | 54 316 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|---------------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash | | 125 | 125 |
| Investments | 1(l) | 43 659 | 41 327 |
| Receivables | 1(k), 7 | 5 037 | 2 444 |
| Inventories | 1(f), 8 | 328 | 393 |
| Prepayments | | 290 | 469 |
| Total Current Assets | | 49 439 | 44 758 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 1(c), 1(d), 9 | 20 738 | 22 855 |
| Total Non-Current Assets | | 20 738 | 22 855 |
| Total Assets | | 70 177 | 67 613 |
| CURRENT LIABILITIES: | | | |
| Accounts payable | 1(m), 10 | 2 107 | 4 510 |
| Borrowings | 1(s) | 1 253 | 1 172 |
| Employee entitlements | 11 | 304 | 364 |
| Other | 12 | 25 445 | 20 012 |
| Total Current Liabilities | | 29 109 | 26 058 |
| NON-CURRENT LIABILITIES: | | | |
| Borrowings | 1(s) | 8 285 | 9 493 |
| Provisions | 1(g), 13 | 790 | 4 281 |
| Unclaimed prizes reserve | 14 | 11 612 | 11 661 |
| Total Non-Current Liabilities | | 20 687 | 25 435 |
| Total Liabilities | | 49 796 | 51 493 |
| NET ASSETS | | 20 381 | 16 120 |
| EQUITY: | | | |
| Funds retained for capital purposes | 15 | 2 976 | 2 976 |
| Reserves | 16 | 17 405 | 13 144 |
| Retained profits | 18 | - | - |
| TOTAL EQUITY | | 20 381 | 16 120 |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|--|----------|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers | | 289 413 | | 277 074 | |
| Prizes paid | | (179 746) | | (172 195) | |
| Payments to suppliers and employees (excluding GST) | | (17 068) | | (16 754) | |
| GST payments to taxation authority | 1(q) | (7 672) | | - | |
| GST payments on purchases | 1(q) | (3 370) | | - | |
| GST receipts on sales | 1(q) | 383 | | - | |
| Interest received | | 2 487 | | 2 045 | |
| Borrowing costs paid | | (714) | | (539) | |
| Net Cash provided by Operating Activities | 27(ii) | | 83 713 | | 89 631 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Payments for property, plant and equipment | | (1 616) | | (5 059) | |
| Proceeds from sale of equipment | | 2 | | 41 | |
| Net Cash used in Investing Activities | | | (1 614) | | (5 018) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from borrowings | | 83 | | 4 700 | |
| Repayment of borrowings | | (1 210) | | (847) | |
| Distribution to the Hospitals Fund and Recreation and Sport Fund for gambling tax | 1(r), 17 | (47 047) | | - | |
| Distribution to the Hospitals Fund for income tax equivalent | 1(r), 17 | (10 695) | | (30 101) | |
| Distribution to the Hospitals Fund and Recreation and Sport Fund for after tax surplus | 1(r), 17 | (20 898) | | (55 580) | |
| Net Cash used in Financing Activities | | | (79 767) | | (81 828) |
| NET INCREASE IN CASH HELD | | | 2 332 | | 2 785 |
| CASH AT 1 JULY | | | 41 452 | | 38 667 |
| CASH AT 30 JUNE | 27(i) | | 43 784 | | 41 452 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) **Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with the *State Lotteries Act 1966*, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the *Public Finance and Audit Act 1987* and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The financial statements are based on the historical cost convention and have not been adjusted to take account of current valuations or current costs, except where stated.

(b) **Changes in Accounting Policies**

SA Lotteries has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

The provision for Keno prizes at 1 July 2000 comprised \$3 398 000 for SA Lotteries' generated sales and has been adjusted in the Statement of Financial Performance. The balance of \$264 000 for an external obligation subject to a legal arrangement has now been treated as an accrual in Note 12. Keno prizes are now expensed when won rather than being provided for as a fixed percentage of net Keno sales as this treatment does not meet the criteria for recognition as a liability in accordance with Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements'.

Had the new accounting policy always been in place, the amount presented as prizes paid would have been \$184 031 000 (\$177 334 000) resulting in a net profit before tax of \$26 275 000 (\$82 054 000). Tax expense would have been \$8 934 000 (\$29 539 000) and profit after tax \$17 342 000 (\$52 515 000).

A portion of the opening balance of \$548 000 has been utilised for prizes won during the financial year and the net effect on the profit from ordinary activities from the opening balance is an increase of \$2 850 000.

A Keno Prize Reserve of \$2 850 000 has been created to meet a large Spot 10 (10 hit) Jackpot prize payment in the event that Spot 10 (10 hit) is won more than once in each financial year.

The change in accounting policy has had no effect on retained profits as these are forwarded to the Hospitals Fund.

(c) **Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost or at independent valuation.

Property, plant and equipment, excluding freehold land, are depreciated by the Commission on the straight line basis to reflect their decline in service potential over their estimated useful lives.

(c) Property, Plant and Equipment (continued)

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

| | Percent |
|----------------------------------|--------------------------|
| Property: | |
| Freehold land | Nil |
| Buildings* | 2.9 and 3.3 |
| Plant and equipment: | |
| Furniture, fixtures and fittings | 5 and 10 |
| Plant and office equipment | 5, 6.67, 10, 20 and 33.3 |
| On-line lotteries system | 12.5, 20 and 33.3 |

* As from 1 June 2001 the useful lives were reviewed resulting in a change in percentage from 2.5 percent to the rates stated above. The financial effect of the change is an increase of \$2000 on depreciation expense.

(d) Revaluation of Non-Current Assets

The Commission's policy, in line with Accounting Policy Statements, is to independently revalue non-current assets every three years, with adjustments to book value as appropriate. The policy applies to non-current assets where the fair value at the time of acquisition is equal to or greater than \$1 million and the estimated useful life is equal to or greater than five years.

(e) Recognition of income

Sales for Lotto, SA Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools are recorded as at the date of the draw or competition. Sales for Instant Scratchies are recorded when books of tickets are activated. Lotto, SA Lotto, Oz Lotto, Powerball, Super 66 and The Pools sales as at 30 June for draws or competitions subsequent to that date are treated as sales in advance.

(f) Inventories

Inventories are carried at actual cost.

(g) Employee Entitlements

Provision has been made in the financial statements for the Commission's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability.

(i) Superannuation

The Commission contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer to Note 24).

(ii) Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

(iii) Long Service Leave

Provision has been made for employee entitlements to long service leave. An estimate of the present value of future cash outflows for all eligible employees has been made using a benchmark of eight year's service as a method of estimating long service leave liability. Provision for employees with service entitlements expected to be settled within the next 12 months is accounted for as a current liability with the balance of the provision accounted for as a non-current liability.

(iv) Sick Leave

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

(v) Workers Compensation

A workers compensation levy rate is paid to the WorkCover Corporation to cover any claims.

(h) Building Maintenance Reserve

This reserve was established to meet future major building maintenance costs (refer to Note 16(ii)).

(i) Capital Asset Reserve

This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets (refer to Note 16(iii)).

(j) Keno Prize Reserve

This reserve was established to meet a payment for a second and subsequent payment of Keno Spot 10 (10 hits) Jackpot Prize within a financial year (refer to Note 16 (iv)).

(k) Receivables

Trade and Other Debtors

Debtor agents and sundry debtors are settled within seven days and 30 days respectively and are carried at amounts due (refer to Notes 7 and 25). All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable. Bad debts written-off for the year ended 30 June 2001 totalled \$1000 (\$33 000).

Receivables from Bloc

Lotto, Super 66, Oz Lotto, Powerball and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Bloc members are carried at the excess of actual prizes payable over the relevant percentage of draw turnover prescribed for each game. Settlement of amounts receivable from Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to Note 7).

(l) Investments

Deposits are held with the South Australian Government Financing Authority (SAFA) in short term financial instruments and are valued at cost. Interest is paid at SAFA's overnight at call deposit rate. These deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund (refer to Note 25).

(m) Accounts Payable

Trade and Other Creditors

Accounts payable are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days (refer to Notes 10 and 25).

Accounts Payable to Bloc

Lotto, Super 66, Oz Lotto, Powerball and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts payable to Bloc members are carried at the excess of the relevant percentage of draw turnover prescribed for each game over actual prizes payable. Settlement of amounts payable to Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to Notes 10 and 25).

(n) Foreign Currency

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale (refer to Note 25).

(o) Unclaimed Prizes

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay 50 percent of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund and 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund. The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia prize payments.

The *State Lotteries Act 1966* provides for ex-gratia payments to a person who satisfies the Commission that he or she is a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Rules.

Ex-gratia prize payments are charged to the unclaimed prizes reserve. Subsequent payments to either the Recreation and Sport Fund or Hospitals Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(p) Tax Equivalent Regime

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to section 16(3) of the *State Lotteries Act 1966*, as amended, to pay surplus funds to the Hospitals Fund (refer to Note 1(r)).

The Commission is obliged to adopt the accounting profit method of tax effect accounting with respect to income tax whereby income tax expense is calculated on the accounting profit. Permanent and timing differences do not arise. Tax due but not paid at balance date is recognised as a current liability.

(q) Goods and Services Tax (GST)

A New Tax System (Goods and Services Tax) Act 1999, commenced on 1 July 2000.

SA Lotteries as a gambling operator, is required to pay one eleventh of net gambling revenue (NGR), defined as gross sales less monetary prizes payable, direct to the Australian Taxation Office (ATO).

Revenues, expenses and non-current assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the statement of financial position.

Cash flows from operating activities are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities in capital equipment which is recoverable from the ATO is classified as operating cash flows.

(r) Distribution of Funds to Government

The *Statutes Amendment (Lotteries and Racing - GST) Act 2000* came into operation on 1 July 2000 to amend the application of funds from the Lotteries Fund.

The Act introduced a gambling tax of 41 percent of NGR on all lotteries conducted by the Commission. The gambling tax is paid into the Hospitals Fund, except the gambling tax on The Pools, which is paid into the Recreation and Sport Fund.

(r) Distribution of Funds to Government (continued)

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, as amended, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after payment of gambling tax and GST on NGR; making allowances for operating and capital expenses; applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

As detailed in Note 1(p), the Commission is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with Schedule 1 of Treasurer's Instruction 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- (i) 41 percent of NGR in respect of all lotteries conducted by the Commission except sports lotteries and special lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting profit method), recorded as an expense item in the Statement of Financial Performance;
- (iii) an after tax surplus distribution payment, recorded as a profit distributed item in the Statement of Financial Performance;
- (iv) unclaimed prizes.

The composition of amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in Note 17 'Distribution of Funds to Government'.

A wholesale sales tax equivalent payment to the Hospitals Fund was made this financial year for purchases of consumable items in June 2000 (refer to Note 17).

(s) Borrowings and Borrowing Costs

Borrowings are initially brought to account at their principal amounts. Interest expense is brought to account on an accrual basis over the period it becomes due. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The on-line lotteries system has been financed, in part, from borrowings from the Treasurer of South Australia and in part from the capital asset reserve. The loan is unsecured. Repayments are made six monthly on a credit foncier loan basis, with interest charged at the lenders benchmark rate. The carrying amount for borrowings therefore approximates fair value (refer to Note 25).

| | | | |
|-----------|-----------------------|----------------|----------------|
| 2. | Sales Revenues | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Lotto | 123 023 | 120 304 |
| | SA Lotto | 21 468 | 21 292 |
| | Oz Lotto | 17 133 | 16 662 |
| | Powerball | 46 438 | 34 288 |
| | Keno | 61 689 | 68 620 |
| | Instant Scratchies | 37 099 | 30 866 |
| | The Pools | 716 | 607 |
| | Super 66 | 2 027 | 2 379 |
| | | 309 593 | 295 018 |

Sales revenue includes agents' commission.

3. Agents' Commission

Agents' commission represents the service fee on sale of lottery tickets retained by agents at point of sale with net sales proceeds being remitted to the Commission.

4. Other Revenue

| | | | |
|--|---------------------------------|--------------|--------------|
| | Agents' fees and charges | 3 101 | 3 285 |
| | Interest from investments | 2 460 | 2 102 |
| | Commission on Head Office sales | 417 | 443 |
| | Easisplay Club service fee | 298 | 281 |
| | Liquidated damages* | 545 | - |
| | Sundry | 350 | 409 |
| | | 7 171 | 6 520 |

* The GTECH contract for the on-line lotteries system installed late in June 1999 provided for SA Lotteries to claim liquidated damages for delays in installation. A delay did occur and settlement was effected in June 2001.

5. Depreciation

| | | | |
|--|--------------------------|--------------|--------------|
| | Asset Class: | | |
| | Buildings | 61 | 59 |
| | Plant and equipment | 250 | 235 |
| | On-line lotteries system | 2 441 | 2 137 |
| | | 2 752 | 2 431 |

6. Other

| | | | |
|--|--------------------------------|--------------|--------------|
| | General | 2 218 | 2 672 |
| | Printing of tickets | 1 310 | 907 |
| | Wholesale sales tax equivalent | - | 445 |
| | | 3 528 | 4 024 |

| | | | |
|-----------|-------------------------------------|---------------|--------------|
| 7. | Current Assets - Receivables | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Debtor - Agents | 3 171 | 2 068 |
| | Prize money due from Blocs | 1 221 | - |
| | Sundry | 645 | 376 |
| | | <u>5 037</u> | <u>2 444</u> |
| 8. | Current Assets - Inventories | | |
| | Ticket stock | <u>328</u> | <u>393</u> |

Ticket stock includes Instant Scratchies tickets, on-line coupons, ticket rolls and ribbons.

| | | | |
|-----------|---|---------------|---------------|
| 9. | Non-Current Assets - Property, Plant and Equipment | | |
| | Freehold land and buildings: | | |
| | Buildings at independent valuation May 2001* | 2 490 | 2 360 |
| | Accumulated depreciation | (7) | (133) |
| | | <u>2 483</u> | <u>2 227</u> |
| | Land at independent valuation May 2001* | 3 310 | 3 280 |
| | | <u>5 793</u> | <u>5 507</u> |
| | Plant and equipment: | | |
| | At historical cost | 4 091 | 4 060 |
| | Accumulated depreciation | (3 432) | (3 379) |
| | | <u>659</u> | <u>681</u> |
| | On-line lotteries system: | | |
| | At historical cost | 20 065 | 20 006 |
| | Accumulated depreciation | (5 779) | (3 339) |
| | | <u>14 286</u> | <u>16 667</u> |
| | Total Property, Plant and Equipment - Net Book Value | <u>20 738</u> | <u>22 855</u> |

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| | | | |
|---------------------------|--------------------------------|---------------|---------------|
| Freehold Land: | Carrying amount 1 July | 3 280 | 3 280 |
| | Revaluation increment* | 30 | - |
| | Carrying amount 30 June | <u>3 310</u> | <u>3 280</u> |
| Buildings: | Carrying amount 1 July | 2 227 | 2 286 |
| | Revaluation increment* | 317 | - |
| | Depreciation expense | (61) | (59) |
| | Carrying amount 30 June | <u>2 483</u> | <u>2 227</u> |
| Plant and Equipment: | Carrying amount 1 July | 681 | 706 |
| | Additions | 228 | 210 |
| | Disposals | - | - |
| | Depreciation expense | (250) | (235) |
| | Carrying amount 30 June | <u>659</u> | <u>681</u> |
| On-Line Lotteries System: | Carrying amount 1 July | 16 667 | 16 646 |
| | Additions | 60 | 2 158 |
| | Disposals | - | - |
| | Depreciation expense | (2 441) | (2 137) |
| | Carrying amount 30 June | <u>14 286</u> | <u>16 667</u> |

* Pursuant to the Commission's policy of revaluing freehold land and buildings (refer to Note 1(d)) independent valuations of \$5 800 000 were obtained in May 2001 from Simon Hickin B App Sc (Val) AAPI ASIA Certified Practising Valuer of Jones Lang LaSalle. Adjustments were made to the asset revaluation reserve to reflect the increment.

| | | | |
|------------|---|---------------|--------------|
| 10. | Current Liabilities - Accounts Payable | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Clemenger (BBDO) Adelaide Pty Ltd | 88 | 28 |
| | GTECH Australasia Corporation | 1 | 1 406 |
| | Oberthur Gaming Technologies Pty Ltd | 93 | 188 |
| | Prodigy Design Plastics Pty Ltd | 104 | - |
| | Starcom Worldwide (Aust) Pty Ltd | 175 | 193 |
| | Young & Rubicam Adelaide | 18 | 116 |
| | Prize money due to Blocs | 1 202 | 2 183 |
| | Other | 426 | 396 |
| | | <u>2 107</u> | <u>4 510</u> |

The liability to Clemenger (BBDO) Adelaide Pty Ltd, the Commission's advertising agency for Lotto, Super 66, SA Lotto, Oz Lotto, Powerball and Easiplay Club, includes production advertising material for television and radio commercials, press and point of sale material.

The liability to GTECH Australasia Corporation, the Commission's on-line lotteries system supplier, covers software licence fees.

10. Current Liabilities - Accounts Payable (continued)

The liability to Oberthur Gaming Technologies Pty Ltd covers the print and supply of Instant Scratchies tickets.

The liability to Prodigy Design Plastics Pty Ltd covers point of sale ticket dispensers and Keno caddies.

The liability to Starcom Worldwide (Aust) Pty Ltd, the Government's Master Media Agency, covers the placement of the Commission's media advertising through television, radio, outdoor and press.

The liability to Young and Rubicam Adelaide, the Commission's advertising agency for The Pools, Keno, Instant Scratchies and Corporate, includes production advertising material for television and radio commercials, press and point of sale material.

Prize money due to Blocs (refer to Note 1(m)).

11. Current Liabilities - Employee Entitlements

| | | |
|--|---------------|--------|
| Employee entitlements: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Annual leave (refer to Note 1(g)(ii)) | 262 | 291 |
| Long service leave (refer to Note 1(g)(iii)) | 42 | 73 |
| | 304 | 364 |

12. Current Liabilities - Other

| | | |
|-------------------------------------|---------------|--------|
| Accruals | 1 984 | 626 |
| Undistributed funds (refer Note 17) | 6 975 | 6 832 |
| Prizes payable | 9 382 | 5 446 |
| Bonus prize reserve ⁽ⁱ⁾ | 6 091 | 5 085 |
| Sales in advance (refer Note 1(e)) | 1 013 | 2 023 |
| | 25 445 | 20 012 |

(i) Bonus Prize reserve:

| | | |
|--------------------------------------|----------------|---------|
| Balance at 1 July | 5 085 | 4 060 |
| Allocated to reserve during the year | 8 445 | 8 022 |
| | 13 530 | 12 082 |
| Applied to prizes during the year | (7 439) | (6 997) |
| Balance at 30 June | 6 091 | 5 085 |

The reserve allocation comprises the following percentages of net sales (sales revenue less agents' commission) for the following games:

| | |
|-----------------------|---------|
| | Percent |
| Lotto and SA Lotto | 5.0 |
| Oz Lotto and Super 66 | 3.5 |
| Powerball | 2.5 |
| The Pools | 2.0 |

These funds are applied from time to time either to boost the first division prize or to provide additional prize money for the respective games.

13. Non-Current Liabilities - Provisions

| | | |
|--|---------------|--------|
| Employee entitlements: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Long service leave (refer Note 1(g)(iii)) | 790 | 619 |
| Provision for Keno prizes* (refer Note 1(b)) | - | 3 662 |
| | 790 | 4 281 |

* Prize money for 2000 is based on 75 percent of net Keno sales. This provision is the difference between actual prizes payable and this percentage.

14. Unclaimed Prizes Reserve

| | | |
|---|----------------|---------|
| Balance at 1 July | 11 661 | 10 295 |
| Unclaimed monies forfeited | 3 030 | 3 070 |
| | 14 691 | 13 365 |
| Monies provided for distribution to the Hospitals Fund | (1 514) | (1 534) |
| Monies provided for distribution to the Recreation and Sport Fund | (1) | (1) |
| Allocated to prizes | (1 564) | (169) |
| Balance at 30 June | 11 612 | 11 661 |

Refer to Note 1(o).

15. Funds Retained for Capital Purposes

The Commission has retained funds of \$2.976 million which represent the historical cost of the investment in land and buildings at 23 Rundle Mall, Adelaide and 26 Payneham Road, Stepney.

16. Reserves

| | | |
|--------------------------------------|---------------|--------|
| Asset revaluation ⁽ⁱ⁾ | 3 011 | 2 664 |
| Building maintenance ⁽ⁱⁱ⁾ | 94 | 94 |
| Capital asset ⁽ⁱⁱⁱ⁾ | 11 450 | 10 386 |
| Keno prize ^(iv) | 2 850 | - |
| | 17 405 | 13 144 |

| | | | |
|---|--|----------------|---------|
| 16. Reserves (continued) | | 2001 | 2000 |
| (i) <i>Asset Revaluation</i> | | \$'000 | \$'000 |
| Balance at 1 July | | 2 664 | 2 664 |
| Transferred to reserve during the year | | 347 | - |
| Balance at 30 June | | 3 011 | 2 664 |
| | | | |
| (ii) <i>Building Maintenance</i> | | | |
| Balance at 30 June | | 94 | 94 |
| Refer to Note 1(h). | | | |
| | | | |
| (iii) <i>Capital Asset</i> | | | |
| Balance at 1 July | | 10 386 | 9 198 |
| Transfer to reserve during the year | | 2 000 | 2 000 |
| Transfer to retained profits | | (936) | (812) |
| Net transfer to reserve | | 1 064 | 1 188 |
| Balance at 30 June | | 11 450 | 10 386 |
| | | | |
| Capital asset comprises the: | | | |
| Capital Fund account | | 6 961 | 5 249 |
| Capital Fund assets (at amortised value)* | | 4 489 | 5 137 |
| | | 11 450 | 10 386 |
| | | | |
| Capital fund account - Movements during the year: | | | |
| Balance at 1 July | | 5 249 | 3 981 |
| Transfer to reserve during the year | | 2 000 | 2 000 |
| Assets financed during the year | | (288) | (732) |
| Balance at 30 June | | 6 961 | 5 249 |
| | | | |
| Capital fund assets - Movements during the year: | | | |
| Amortised value at 1 July | | 5 137 | 5 217 |
| Assets financed during the year | | 288 | 732 |
| Depreciation | | (936) | (812) |
| Amortised value at 30 June | | 4 489 | 5 137 |
| | | | |
| Refer to Note 1(i). | | | |
| | | | |
| * Assets financed from the capital fund: | | | |
| Balance at 1 July | | 7 334 | 6 996 |
| Assets financed during the year | | 288 | 732 |
| | | 7 622 | 7 728 |
| Assets disposed during the year | | (199) | (394) |
| Balance at 30 June | | 7 423 | 7 334 |
| Accumulated depreciation write-down | | (2 934) | (2 197) |
| Capital Fund assets (at amortised value) | | 4 489 | 5 137 |
| | | | |
| (iv) <i>Keno Prize</i> | | | |
| Balance at 1 July | | - | - |
| Transfer to reserve during the year | | 2 850 | - |
| Balance at 30 June | | 2 850 | - |

Refer to Notes 1(b) and 1(j)

| | | | | | |
|--|--|----------------|---------------------|---------------------|----------------|
| 17. Distribution of Funds to Government | | Balance | Distribution | Distribution | Balance |
| | | 1 July | Provided | Paid | 30 June |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Distribution of Funds to Government: | | | | | |
| Gambling tax | | - | 51 480 | 47 047 | 4 433 |
| Income tax equivalent | | 2 426 | 10 099 | 10 695 | 1 830 |
| Profit distributed | | 4 217 | 15 689 | 19 295 | 611 |
| Unclaimed prizes | | 109 | 1 515 | 1 523 | 101 |
| Sales tax equivalent # | | 80 | - | 80 | - |
| | | 6 832 | 78 783 | 78 640 | 6 975 |
| Comprising: | | | | | |
| Distribution to Hospitals Fund* | | 6 811 | 78 524 | 78 377 | 6 958 |
| Distribution to Recreation and Sport Fund*: | | | | | |
| Gambling tax | | - | 155 | 145 | 10 |
| Profit distributed | | 21 | 103 | 117 | 7 |
| Unclaimed prizes | | - | 1 | 1 | - |
| | | 21 | 259 | 263 | 17 |
| Total 2000-01 | | 6 832 | 78 783 | 78 640 | 6 975 |
| Total 1999-2000 | | 6 514 | 85 999 | 85 681 | 6 832 |

Comprises Sales Tax Equivalent on operating expenses of \$80 000 for the month of June 2000.

* Refer Note 1(r).

| | | |
|---|-----------------------------|---------------|
| 18. Retained Profits | 2001 | 2000 |
| | \$'000 | \$'000 |
| Retained profits at 1 July | - | - |
| Profit for year | 19 603 | 54 316 |
| Profit distributed | (15 689) | (53 128) |
| Transfer to capital asset reserve | (2 000) | (2 000) |
| Transfer to Keno prize reserve | (2 850) | - |
| Transfer from capital asset reserve | 936 | 812 |
| Retained Profits at 30 June | - | - |
| 19. Commission Members' Fees | 2001 | 2000 |
| The number of Commission members whose fee was within the following bands: | Number of | Number of |
| | Members | Members |
| \$1 - \$10 000 | - | 3 |
| \$10 001 - \$20 000 | - | 2 |
| \$20 001 - \$30 000 | 3 | - |
| \$30 001 - \$40 000 | 1 | - |
| Total fee received, or due and receivable, by Commission members | 102 | 46 |
| 20. Remuneration of Employees | 2001 | 2000 |
| The number of employees whose total remuneration package was within the following bands: | Number of | Number of |
| | Employees | Employees |
| \$110 001 - \$120 000 | - | 1 |
| \$120 001 - \$130 000 | 1 | - |
| \$130 001 - \$140 000 | - | 1 |
| \$140 001 - \$150 000 | 2 | 1 |
| \$200 001 - \$210 000 | - | 1 |
| \$220 001 - \$230 000 | 1 | - |
| Total remuneration packages received, or due and receivable, by employees whose remuneration is \$100 000 or more | \$'000 645 | \$'000 599 |
| 21. Number of Employees | 2001 | 2000 |
| | Number | Number |
| Number of employees at 30 June | 95 | 95 |
| Number of full time equivalent at 30 June | 89.7 | 89.5 |
| 22. Remuneration of Auditors | 2001 | 2000 |
| | \$'000 | \$'000 |
| Amounts received, or due and receivable, by the auditors for auditing the accounts | 130 | 123 |
| 23. External Consultants | 2001 | 2000 |
| The external consultants used by the Commission and expenditure has been grouped under the following ranges: | Number of | Number of |
| | Consultants | Consultants |
| Below \$10 000 | 11 | 8 |
| \$10 000 - \$50 000 | | |
| Collison & Co - Intellectual property | | |
| Dare Sutton Clarke Pty Ltd - Building structural review | | |
| KPMG - Project management and general consulting | | |
| Moore Stephen Hughes Fincher - Game audit | | |
| Morgan & Banks - Staff recruitment | | |
| The Marketing Centre - Mystery shopping | | |
| University of South Australia - Marketing project | | |
| Above \$50 000 | | |
| Market Equity - Game research | | |
| PricewaterhouseCoopers - Internal audit | | |
| Total expenditure on consultancies | \$'000 528 | \$'000 590 |
| 24. Superannuation | | |
| The Commission contributed to the following employee superannuation schemes: | | |
| (a) | | |
| The Commission has an established superannuation scheme for its employees. The scheme accommodates both defined members and accumulation members for benefits payable on resignation, retirement, death or disability. The defined members contributions are: | | |
| Category A - 6 percent of base salary | | |
| Category B - 5 percent of base salary | | |
| Category C - 4 percent of base salary | | |
| Category D - 4 percent of base salary | | |

24. Superannuation (continued)

The scheme is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2000 by Allan Archer, BSc, FIA, FIAA, Superannuation Actuary. The report was dated 31 January 2001.

| | | |
|--|--|--------|
| <i>Information from the last actuarial report:</i> | | \$'000 |
| Accrued benefits as at 1 July 2000 - the last measurement date | | 5 891 |
| Net market value of assets as at 1 July 2000 | | 6 792 |
| Net market value of assets as at 1 July 2000 in excess of accrued benefits | | 901 |

| | | |
|---|--|-------|
| <i>Information from the last audited annual accounts:</i> | | |
| Vested benefits as at 30 June 2000 | | 5 696 |
| Net market value of assets as at 30 June 2000 | | 6 792 |

Funds are invested in a 'diversified growth' strategy in the scheme known as Mercer Retirement Trust - Lotteries Commission of South Australia Superannuation Plan.

As at 30 June 2001 the Policy Committee for the scheme comprised:

| | |
|------------------------|------------------------------|
| Commission appointed | - D P LeMessurier (Chairman) |
| | - J R Roache. |
| Member representatives | - G N Button |
| | - P H Wright |

The Commission pays the contribution level recommended by the actuary appropriate to meet the expected long term costs of benefits being provided. In accordance with the advice of the actuary, a contribution holiday was taken by the Commission from 1 August 1999 to 30 June 2001. Contribution to the defined benefits plan during the year was nil (\$15 000).

To comply with the Commonwealth Superannuation Guarantee legislation, the Commission has made contributions of 8 percent effective for the full year of eligible earnings. The contribution by the Commission for the accumulation members of the plan during the year was \$63 000 (\$31 000). These contributions are mainly invested in a 'diversified growth' strategy under the Mercer Retirement Trust.

- (b) The Commission contributed \$13 000 for superannuation on behalf of employees who are members of private funds (\$14 000).

25. Financial Instruments

(a) Interest Rate Risk

With the exception of investments and loans, all other financial assets and financial liabilities are non-interest bearing. The Commission's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are as follows:

| | 2001 | | | Total \$'000 |
|--|--|-------------------------------------|---------------------------------------|-----------------|
| | Floating Interest Rate \$'000 | Fixed Interest Rate \$'000 | Non- Interest Bearing \$'000 | |
| Financial Assets: | | | | |
| Cash | - | - | 125 | 125 |
| Investments | 43 659 | - | - | 43 659 |
| Receivables | - | - | 3 816 | 3 816 |
| Receivables - Blocs | - | - | 1 221 | 1 221 |
| Total financial assets 2000-01 | 43 659 | - | 5 162 | 48 821 |
| Weighted average interest rate (percent) | 5.86 | | | |
| Total financial assets 1999-2000 | 41 327 | - | 2 569 | 43 896 |
| Weighted average interest rate (percent) | 5.39 | | | |
| Financial Liabilities: | | | | |
| Loans | - | 9 538 | - | 9 538 |
| Accounts payable | - | - | 905 | 905 |
| Accounts payable - Bloc | - | - | 1 202 | 1 202 |
| Undistributed funds | - | - | 6 975 | 6 975 |
| Prizes payable | - | - | 9 382 | 9 382 |
| Total financial liabilities 2000-01 | - | 9 538 | 18 464 | 28 002 |
| Weighted average interest rate (percent) | 7.05 | | | |
| Total financial liabilities 1999-2000 | - | 10 665 | 16 788 | 27 453 |
| Weighted average interest rate (percent) | 6.83 | | | |

(b) Foreign Exchange Risk

SA Lotteries entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of the outstanding contracts.

| | Weighted Average Rate | | | |
|--|--------------------------|------|----------------|----------------|
| | 2001 | 2000 | 2001 \$'000 | 2000 \$'000 |
| Buying US Dollars: | | | | |
| Not longer than one year | 0.49 | 0.61 | 851 | 446 |
| Longer than one year but not longer than two years | 0.50 | - | 301 | - |
| | | | 1 152 | 446 |

(c) **Credit Risk**

The Commission's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position. Credit risk represents the loss that would be recognised if parties holding financial assets of SA Lotteries at balance date fail to honour their obligations under contract.

Investments are held in A grade securities with SAFA. SA Lotteries minimises its credit on trade debtors by undertaking its sales transactions with a large number of agents and requiring those agents to remit outstandings on a twice weekly basis. SA Lotteries is therefore not materially exposed to credit risk.

(d) **Net Fair Values**

The Commission's accounting policies used to determine the net fair value of financial assets and liabilities are disclosed in Note 1. The aggregate net fair values of recognised financial assets and financial liabilities at the balance date are equal to the carrying values as per the Statement of Financial Position.

25. **Related Party Disclosures**

Commission Members

During the financial year the following persons held the position of Member of the Lotteries Commission of South Australia: Chairperson, Ms S C Biggs, LLB, FAICD Dip; Mr D P LeMessurier, Ass Dip (Man), SIA (aff), FAICD, MSDIA, MBA; Mr J M Patten, BEc (Commerce), FCA; Mr P H Plummer, FCA, MTIA.

Details of Commission Members' fees are set out in Note 19.

No Commission Member has entered into a material contract with the Commission since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

27. **Statement of Cash Flows**

(i) **Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in bank and investments with SAFA.

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

| | | |
|-------------------------------|---------------|---------------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Cash | 125 | 125 |
| Short-term deposits with SAFA | 43 659 | 41 327 |
| | <u>43 784</u> | <u>41 452</u> |

(ii) **Reconciliation of the Net Cash provided by Operating Activities to Surplus Funds available for Retention and Distribution**

| | | |
|--|---------------|---------------|
| Surplus funds available for retention and distribution | 29 702 | 84 869 |
| Gambling tax | 51 480 | - |
| Wholesale sales tax equivalent | - | 445 |
| Depreciation | 2 752 | 2 431 |
| Provision for long service leave | 140 | 4 |
| Provision for annual leave | (29) | 53 |
| Prepayments, stock on hand and debtors | (2 349) | (1 564) |
| Unclaimed prizes reserve | 1 466 | 2 901 |
| Bonus prize reserve | 1 006 | 1 025 |
| Provision for Keno prizes | (3 662) | (2 551) |
| Profit on sale of equipment | (2) | (41) |
| Accounts payable and accrued liabilities | 283 | 1 601 |
| Prizes payable | 3 936 | (387) |
| Sales in advance | (1 010) | 845 |
| Net Cash provided by Operating Activities | <u>83 713</u> | <u>89 631</u> |

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment and Functions

The South Australian Forestry Corporation (the Corporation) is a public corporation, established on 1 January 2001, under the *South Australian Forestry Corporation Act 2000* (the Act). The Corporation effectively took over the functions previously undertaken by the Forestry SA Business Unit within the Department for Administrative and Information Services (DAIS). As such, as at 1 January 2001, the operations and employees as well as the assets and liabilities of Forestry SA were transferred to the Corporation.

The object of the Act was to establish a statutory corporation as a business enterprise with the principal responsibility of managing plantation forests for the benefit of the people and economy of the State. More specifically, the Act provides for the Corporation to carry out the following functions:

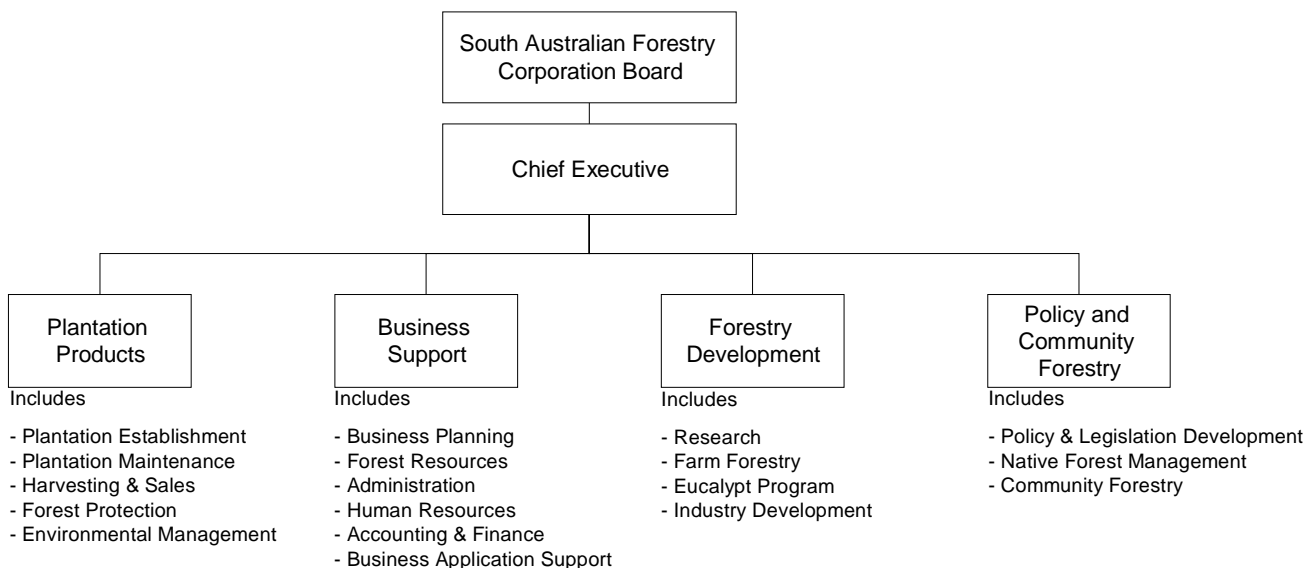
- To manage plantation forests for commercial production.
- To encourage and facilitate regionally based economic activities based on forestry and other industries.
- To conduct research related to the growing of wood for commercial purposes.
- Any other function conferred on the Corporation by an Act or the Minister.

The Act provides for a Board of directors, consisting of five members, to be established as the governing body of the Corporation. The Act also specifies that the Corporation is a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

Under the *Public Corporations Act 1993* the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation’s operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

Structure

The Corporation’s structure is represented in the following diagram.



SIGNIFICANT FEATURES

- As at 1 January 2001, the Corporation was established with net assets of \$796 million, transferred from the Forestry SA Business Unit of DAIS. At 30 June 2001 net assets were \$822 million.
- Total assets at 30 June 2001 were \$844 million. The value attributable to Growing Timber was \$593 million.
- Trading profit before revaluation of growing timber was \$16.3 million for the six months ending 30 June 2001.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

Scope of Audit

The audit of the Corporation focused on all key financial functions and was directed primarily at obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control. During 2000-2001 specific areas of audit attention included:

- revenue from forest product sales
- harvesting and transporting contract expenditure
- accounts payable and accounts receivable functions
- measurement and valuation of growing timber
- recording and control of fixed assets
- stores management and control
- maintenance of the general ledger and associated reconciliations and subsidiary systems
- management and financial reporting.

Audit Communications to Management

Audit findings and relevant recommendations arising from the various reviews and associated testing of the Corporation's functions and financial systems and records have been communicated to the Chief Executive of the Corporation. The issues conveyed relate to general financial controls, computing operations and controls and the matter of the measurement and valuation of forest assets. Responses to Audit management letters are of a positive nature indicating either that the issues are under consideration, are being addressed or have been actioned.

The commentary that follows in 'Audit Findings and Comments' hereunder principally provides a summary of issues arising from the current years audit activity.

AUDIT FINDINGS AND COMMENTS

Audit Committee and Internal Audit Activity

Prior to commentary on issues raised through Audit Management letter communication to the Corporation it is important to mention that the Corporation has established an Audit Committee and has recently introduced an Internal Audit activity, which is to be fully operative during the 2001-02 financial year.

Commentary on General Financial Controls

The results of reviews of areas of operating and financial related systems and controls revealed certain opportunities to improve control practices and procedures. Matters raised by Audit included:

Computerised Forestry Logging System and Masterpiece Financial System

A number of recommendations were communicated to enhance security and control arrangements within the computer processing environments that influence the overall adequacy of controls exercised in relation to the abovementioned systems. See further explanation under the heading 'Commentary on Computer Operations and Control'.

Forestry Logging Operations

Audit noted that there was scope to enhance monitoring control over the contracts for harvesting and transporting expenditure. Specifically, Audit considered that there needed to be a formalised and regular process established to review variances between actual and contracted volume of work performed. In addition, variances outside of an agreed range should be subject to senior management approval.

Stores Inventory

Audit review of this area identified the need to strengthen physical access security arrangements, conduct formalised regular stocktakes and perform regular reconciliations between the stores and general ledger systems.

Commentary on Computer Operations and Control

During the year, Audit undertook a review of certain Forestry Corporation computing operations at Mt. Gambier and Adelaide sites and EDS Glenside. Those sites represent the principal computer processing environment sites for Forestry Corporation key operational and financial systems. Audit's focus was directed to the Forestry Logging System and Masterpiece System computer processing environments and operations.

A number of important areas were identified that were considered in need of management attention to effect required control improvements. Some of the more salient matters requiring control improvement are summarised as follows:

- There is a need for the Corporation to revisit its IT Strategic Plan and have the revised plan formally endorsed by management.
- Service Level Agreements need to be established for the IT infrastructure services provided by EDS.
- Security configuration within networks, the computer operating systems and access features concerning the abovementioned systems need to be reviewed and improved. One such important area was password management.
- Certain checks to confirm correctness of information entered and processed by the abovementioned systems were recommended for performance.
- Security management practices need to be formalised in policies and procedures, including those specifically relating to the abovementioned systems.
- The business recovery plan requires updating and some form of ongoing testing of the plan needs to be scheduled on a regular basis.

Valuation of Forest Assets

Note 1.4 to the Corporation's financial statements provides a summary of the valuation methodology utilised by the Corporation in arriving at a value for growing timber. The value, in part, is based on volume estimates of growing timber. This is a matter of technical complexity and involves systems and databases associated with predicting growing timber.

In 1994, I appointed an independent consultant with expertise in forestry to examine the systems and processes used in the estimation of growing timber and to report with respect to their auditability. In summary, the consultant concluded that the systems and processes used in the estimation of growing timber were generally of a high technical standard. Notwithstanding these comments, the consultant made a number of statements with regard to the auditability of the estimates of the volume of standing timber. This precludes the independent attestation of these estimates within an acceptable level of audit confidence.

Audit, in the latter part of 1999-2000 completed an up to date assessment of systems and processes in relation to the estimation of growing timber. That assessment was undertaken with the assistance of an external forestry consultant. Although the assessment indicated that the Corporation (and its predecessor entities) have addressed certain issues relating to the reliability of the estimate, there exists matters that require resolution before consideration can be given to removing a qualifying comment that has been made in relation to the estimation of growing timber in my previous Independent Audit Reports on the Corporation's (and its predecessor entities) accounts. I have again commented in the Independent Audit Report for the year ended 30 June 2001 that I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

In November 2000, the Corporation responded to a report forwarded by Audit on the abovementioned up to date audit assessment of systems and processes regarding the estimation of growing timber and provided a summary of the progress towards addressing the outstanding issues.

Further comment on the Growing Timber valuation is provided in the section below titled 'Interpretation and Analysis of Financial Statements'.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Forestry Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Forestry Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Establishment of the Corporation

As at 1 January 2001, the Corporation effectively took over the functions previously undertaken by the Forestry SA Business Unit within the Department for Administrative and Information Services (DAIS). Note 1.1 to the financial statements explains the specific nature and significance of the material transactions that were effected between DAIS and the Corporation as at establishment date.

Statement of Financial Performance

As the Corporation was established on 1 January 2001 the Statement of Financial Performance only covers the six-month period from 1 January 2001 to 30 June 2001. Further, this statement does not contain comparative figures. However, as the Corporation effectively assumed the functions of the ForestrySA business unit of DAIS, the Corporation has provided full year financial information and comparative figures in Note 26 to the financial statements.

Statement of Financial Position

Growing Timber

As stated in Note 1.4 'Forestry Accounting' to the financial statements, the value of growing timber is calculated for financial reporting purposes only as a measure of forest management performance over the reporting period. The methodology assumes that the forest will be harvested over time and in an orderly manner.

This method does not provide a measure of the forest's realisable value, that is, the amount for which an asset would exchange for on the date of valuations between a willing buyer and a willing seller in an arms-length transaction. Accordingly, the estimate brought to account by the Corporation should not be interpreted as a 'current market valuation' as its use by the Corporation is not designed to represent those values that could be realised at the date of valuation.

The following table summarises valuations of growing timber for the past five years by region and revaluation increments (decrements).

| Region | 2001 \$'million | 2000 \$'million | 1999 \$'million | 1998 \$'million | 1997 \$'million |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| South East Region: | | | | | |
| Young plantations | 25.9 | 24.9 | 22.4 | 23.5 | 24.1 |
| Old plantations | 486.5 | 478.5 | 469.1 | 473.9 | 496.2 |
| Central and Northern Regions: | | | | | |
| Young plantations | 3.8 | 3.4 | 3.3 | 3.7 | 3.6 |
| Old plantations | 77.2 | 71.7 | 71.3 | 71.1 | 80.4 |
| | 593.4 | 578.5 | 566.1 | 572.2 | 604.3 |
| Revaluations: | | | | | |
| Increment (Decrement) | 14.9 | 12.4 | (6.1) | (32.1) | (6.3) |

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

Growing Timber

The Corporation manages South Australia's plantation forests. In relation to Forestry operations the Corporation has adopted a market based method of revaluation for the Non-Current Asset - Growing Timber. Under this method, the inventory 'growing timber' is valued at its 'net market value' at the reporting date.

In 1994, I appointed an independent consultant with expertise in Forestry to examine the systems and processes used in the estimation of growing timber and to report with respect to their auditability. In summary, the consultant concluded that the systems and processes used in the estimation of growing timber were generally of a high technical standard. Notwithstanding these comments, the consultant made a number of statements with regard to the auditability of the estimates of the volume of standing timber. This precludes the independent attestation of these estimates within an acceptable level of audit confidence.

Audit, in the latter part of 1999-2000, again with assistance from an external forestry consultant, undertook an up to date assessment of systems and processes in relation to the estimation of growing timber. Although the 1999-2000 review noted some progress with respect to systems and processes, there still existed certain matters requiring consideration and resolution before the qualifying comment of the Auditor-General in relation to the estimation of growing timber could be re-assessed for removal from the Independent Audit Report. The outstanding matters are receiving attention by the Corporation.

Consistent with prior years I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the South Australian Forestry Corporation as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

Statement of Financial Performance for the period 1 January 2001 to 30 June 2001

| | Note | 2001 \$'000 |
|--|-------|----------------|
| Sales revenue | 4(ii) | 47 398 |
| Cost of sales | | (23 064) |
| Gross Profit | | 24 334 |
| Community service obligation funding | 4(ii) | 3 461 |
| Other revenue | 4(ii) | 1 866 |
| Plantation expenses | | (8 021) |
| Non-commercial activity expenses | | (2 276) |
| Administration expenses | | (3 107) |
| Trading Profit before Revaluation of Growing Timber | | 16 257 |
| Net change in value of growing timber | 3 | 14 930 |
| Profit from Ordinary Activities before Related Income Tax Expense and Restructure | | 31 187 |
| Income tax related to ordinary activities | 2,5 | 5 447 |
| Profit from Ordinary Activities after Related Income Tax Expense and before Restructure | | 25 740 |
| Transfer of net assets from restructure | 1,7 | 770 888 |
| NET PROFIT AFTER INCOME TAX AND RESTRUCTURE | | 796 628 |
| Net credit to an asset revaluation reserve on revaluation of non-current assets | | 7 703 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 804 331 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 |
|--------------------------------------|------|----------------|
| CURRENT ASSETS: | | |
| Cash | | 25 224 |
| Receivables | 9 | 10 964 |
| Inventories | 10 | 2 022 |
| Other | 11 | 306 |
| Total Current Assets | | 38 516 |
| NON-CURRENT ASSETS: | | |
| Growing timber | 10 | 593 450 |
| Property, plant and equipment | 12 | 212 142 |
| Total Non-Current Assets | | 805 592 |
| Total Assets | | 844 108 |
| CURRENT LIABILITIES: | | |
| Creditors and accruals | 13 | 5 999 |
| Provisions | 14 | 12 050 |
| Other | 15 | 1 483 |
| Total Current Liabilities | | 19 532 |
| NON-CURRENT LIABILITIES: | | |
| Creditors and accruals | 13 | 1 925 |
| Provisions | 14 | 847 |
| Other | 15 | 235 |
| Total Non-Current Liabilities | | 3 007 |
| Total Liabilities | | 22 539 |
| NET ASSETS | | 821 569 |
| EQUITY: | | |
| Base capital | 17 | 24 983 |
| Reserves | 20 | 761 158 |
| Retained profits | 18 | 35 428 |
| TOTAL EQUITY | | 821 569 |

Statement of Cash Flows for the period 1 January 2001 to 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 |
|--|--------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | | 45 515 |
| Payments to suppliers and employees | | (36 821) |
| Interest received | | 652 |
| Community service obligation funding | | 3 461 |
| GST receipts on sales | | 4 775 |
| GST payments on purchases | | (3 035) |
| GST payments to taxation authority | | (1 601) |
| Income tax paid | | (4 975) |
| Net Cash provided by Operating Activities | 22(ii) | <u>7 971</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of fixed assets | | (934) |
| Proceeds from sale of fixed assets | | 78 |
| Net Cash used in Investing Activities | | <u>(856)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividend paid | | (5 587) |
| Net Cash used in Financing Activities | | <u>(5 587)</u> |
| NET DECREASE IN CASH HELD | | <u>1 528</u> |
| CASH AT 1 JANUARY | | <u>23 696</u> |
| CASH AT 30 JUNE | 22(ii) | <u><u>25 224</u></u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 *Establishment of the South Australian Forestry Corporation*

The South Australian Forestry Corporation (SAFC) was created pursuant to the *South Australian Forestry Corporation Act 2000* and began trading on 1 January 2001. Prior to this date the functions of SAFC were carried out by the ForestrySA business unit within the Department for Administrative and Information Services (DAIS), an administrative unit of the South Australian Government.

On 1 January 2001 all of the operations and employees of ForestrySA were transferred to SAFC. As at 1 January 2001 an amount of \$24.983 million was transferred from DAIS to SAFC and recognised as base capital within the equity component of the Statement of Financial Position. Effective also on that date ForestrySA net assets of \$770 888 million were transferred at no cost from DAIS to SAFC. The Statement of Financial Performance for the SAFC for the six months ended 30 June 2001 recognises this as a revenue item entitled 'transfer of net assets from restructure' (Refer Note 7).

This treatment is consistent with applicable accounting standards and Urgent Issues Group consensus views, including Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' and Urgent Issues Group Abstract 38 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

1.2 *Basis of Accounting*

These accounts cover the operations of SAFC and have been prepared in accordance with Statement of Accounting Concepts, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views and the Treasurer's Instructions. The accounts have been prepared on the basis of historical cost and do not take into account changing money values or except where stated, current valuation of non-current assets. A market value based method as described in Note 1.4, Forestry Accounting, has been applied in relation to growing timber. The accounting policies have been consistently applied unless otherwise stated. The accrual method of accounting has been adopted in these accounts.

These are the first general purpose financial statements prepared by SAFC, representing the six months ended 30 June 2001.

1.3 *Comparative Figures*

As this is the first general purpose financial report of SAFC, comparative figures are not available.

The Notes to the accounts include a Statement of Financial Performance and Statement of Cash Flows for the years ended 30 June 2001 and 30 June 2000 for the combined operations of SAFC and the ForestrySA business unit. As the operations of SAFC and the ForestrySA business unit do not differ in any material aspects, this Note provides meaningful information in relation to the current operations of SAFC.

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current period.

1.4 *Forestry Accounting*

Due to the special nature of growing timber, which includes a long production cycle combined with physical change, historical cost accounting does not provide a meaningful measure of the economic performance or asset value of forestry activities. In order to provide more relevant, reliable and understandable information, a market value based method has been applied to growing timber.

The inventory value of growing timber is calculated for financial reporting purposes only, as a measure of forest management performance over the reporting period. The methodology assumes that the forest will be harvested over time and in an orderly manner.

1.4 Forestry Accounting (continued)

The main features of this method are:

At the reporting date the inventory of growing timber is valued at its net market value. For the purpose of this financial statement net market value is defined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market after deducting the direct costs incurred in realising the proceeds of such a disposal. This is in accordance with the requirements of Australian Accounting Standard AAS 35 'Self Generating and Regenerating Assets'. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.

The difference between the net market value of the inventory of growing timber held at the reporting date and the net market value at the previous reporting date is recognised as revenue in the Statement of Financial Performance, where it is described as 'Net change in value of growing timber':

- The market value of growing timber realised during the period is reported under Sales Revenue;
- All non-capital forest expenditure is recognised as an expense in the year the expenditure takes place.

Current policy provides that revenue resulting from the net increment in the value of growing timber is unrealised revenue and is therefore not available for distribution. This amount is transferred from Retained Profit to the Growing timber Revaluation Reserve of the Statement of Financial Position.

The volume of growing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data are continuously being collected with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every five years and on these occasions the model simulations are repeated. For South Eastern forests the master database was last updated in 1998, for Central forests in 1997 and Northern forests in 1999.

The method used to determine the volume of timber contained in the radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practice. This ensures that the net market value is based upon realisable volumes.

1.5 Income Tax (Payment in Lieu of Income Tax)

SAFC is not required to pay Commonwealth income tax. However, as SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax, equivalent to the tax applicable to public companies under Commonwealth income tax law, is paid to the South Australian Government Consolidated Account.

The liability method of tax-effect accounting has been adopted, whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax expense, adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax expense and taxable income are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit. These items are recorded at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1.6 Current and Non-Current Classifications

In the Statement of Financial Position, assets and liabilities expected to be realised as cash within 12 months are classified as current. Assets and liabilities expected to be realised as cash in a period greater than 12 months are classified as non-current.

1.7 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or management's valuation, less, where applicable, any accumulated depreciation or amortisation. Property, plant and equipment are revalued downwards to recoverable amount where the carrying value of any group of assets, for which relevant cash flows can be identified, exceeds recoverable amount.

All fixed assets including buildings and capitalised leasehold assets, but excluding freehold land, are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

SAFC adopts the policy of annually revaluing all land registered in the name of the Minister at the end of June each year. The basis of the revaluation is the current market value of the unimproved land. In accordance with this policy, land was revalued in 2001 in an independent valuation by the Valuer-General.

The revaluations of freehold land have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

1.8 Leases

Lease payments under operating leases are charged as expenses in the periods in which they are incurred.

1.9 Inventories

Growing timber and log are valued at net market value. Market values are determined as follows:

Growing timber of a marketable size is valued at its net market value. SAFC has determined the net market value by sampling market conditions over the twelve months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This is in accordance with the requirements of AAS 35.

Growing timber below a marketable size is valued by a reasonable proxy by annually compounding the current replacement cost, from the date of preparation of the site for planting, at the minimum desired rate of return of 6 percent per annum in absence of verifiable market prices; this is considered to be a reasonable approximation, particularly as young timber accounts for approximately 5 percent of the total value.

1.10 Employee Benefits

Provision is made in respect of SAFC's liability for employee entitlements arising from services rendered by employees at balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages, salaries, annual leave and rostered days off which will be settled after one year, have been measured at their nominal amount.

Long Service Leave is accrued in respect of all employees with more than seven years service with the entity. This base provides a reasonable approximation of the present value of the estimated future cash outflows to be made for those entitlements.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2001 provided by a consulting actuary engaged through the Government Workers Compensation Office and provides for the estimated cost of ongoing payments to employees as required under current legislation.

During the six months ended 30 June 2001 SAFC paid \$0.522 million to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

1.11 Doubtful Debts

The provision for doubtful debts is reviewed on an annual basis giving consideration to the currency of each customer account.

1.12 Goods and Services Tax

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

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

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

1.13 Insurance Loss Reserve

On 1 January 2001 the Insurance Loss Reserve of the ForestrySA business unit was transferred to SAFC. This reserve had been created with the Treasurer's consent to cover risk exposure, over and above SAFC's insurance excess arrangements, up to a total loss aggregate of \$15 million in any one insurance year.

On 2 July 2001, following the end of the reporting period, the amount of this reserve was transferred to retained profits to partially fund a \$20 million return of capital to the South Australian Government. SAFC still retains the same insurance excess arrangements, but no longer holds cash reserves equal to the excess amount.

1.14 Administered Items

The following items are administered by SAFC as at 30 June 2001:

IPS Fund

A collective group interested in the effective control of the IPS beetle. The balance of the Fund is for the publication of research findings.

Carter Holt Harvey Compensation Fund

Compensation Fund for the loss of revenue as per specific agreements between the South Australian Government and Carter Holt Harvey in the contract for the sale of Forwood Products.

2. Funding

SAFC is funded by its trading operations. Prices charged for its products are determined by existing market forces. This financial report encompasses the Special Deposit Account with the Department of Treasury and Finance through which all funds controlled by SAFC are recorded.

Proceeds from the sale of all goods and services are controlled by SAFC and can be deployed for the achievement of its objectives. Returns to the SA Government are by way of payments in lieu of income tax and dividends in accordance with SAFC's Dividend policy.

| | | |
|---|------|----------------|
| 3. Change In Net Market Value of Growing Timber | | 2001 |
| Change in net market value due to: | Note | \$'000 |
| Normal growth and price changes | | 38 686 |
| Reported in the operating statements as: | | |
| Sales Revenue | 1 | 23 756 |
| Net change in value of unrealised growing timber due to: | | |
| Change in volume and prices | 1 | 14 930 |
| Net Change in Market Value | | 38 686 |
| 4. Profit | | |
| Profit from Ordinary Activities before income tax and restructure has been determined after: | | |
| (i) <i>Charging as Expenses</i> | | |
| Depreciation of non-current assets | | 582 |
| Bad and doubtful debts | 6 | (8) |
| Rental expense on operating leases | | 561 |
| Transfers to (from) provision for: | | |
| Long service leave | | (701) |
| Annual leave | | (195) |
| Workers compensation | | 27 |
| (ii) <i>Crediting as Income</i> | | |
| Sales Revenue: | | |
| Revenue realised from the sale of timber products | 3 | 23 756 |
| Other sales revenue (including recoup of harvesting and transport costs) | | 23 642 |
| Other operating revenue: | | |
| Interest received or receivable | | 652 |
| Proceeds on disposal of non-current assets | | 78 |
| Community service obligation funding received | | 3 461 |
| Government grants received | | 102 |
| Other revenue | | 782 |
| (iii) During the year \$177 515 was paid to consultants | | 178 |
| 5. Income Tax | | |
| (i) The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows: | | |
| Prima facie tax at 34 percent on net profit | | 272 706 |
| Add: Increase in income tax expense due to non tax deductible Items: | | |
| Other non-allowable items | | - |
| | | 272 706 |
| Less: Decrease in income tax expense due to: | | |
| Transfer of net assets from restructure | | 262 102 |
| Forest revaluation | | 5 076 |
| Other deductible Items | | 81 |
| | | 267 259 |
| Income tax attributable to operating profit before income tax | | 5 447 |
| Under provision for income tax in prior year | | - |
| Income Tax Expense | | 5 447 |
| (ii) The income tax expense comprises amounts set aside as: | | |
| Provision for income tax attributable to current year: | | |
| Income tax payable on operating profit | | 5 371 |
| Under provision for income tax in prior year | | - |
| Provision for income tax attributable to future years: | | |
| Provision for deferred income tax | | 312 |
| Future Income Tax Benefit | | (236) |
| | | 5 447 |
| The amounts shown as provision for deferred income tax and future income tax benefit reflect the expected reduction in the income tax rate from 34 percent in 2000-01 to 30 percent in 2001-02. | | |
| 6. Bad and Doubtful Debts | | |
| Transfer to (from) doubtful debts | | (8) |
| Bad debts written off against doubtful debts | | - |
| 7. Transfer of Net Assets from Restructure | | |
| Transfer of net assets from restructure before related income tax expense | | 770 888 |
| Related income tax expense | | - |
| Transfer of net assets from restructure | 1 | 770 888 |
| Add: Base capital | 17 | 24 983 |
| Net assets transferred | | 795 871 |
| The following assets and liabilities were transferred: | | |
| Assets: | | |
| Current assets | | 34 349 |
| Non-current assets | | 782 488 |
| Total Assets | | 816 837 |

| | | |
|--|------|------------------|
| 14. Provisions | | 2001 |
| Current: | Note | \$'000 |
| Income tax | | 2 768 |
| Dividend | 19 | 9 165 |
| Workers compensation | | 117 |
| | | 12 050 |
| Non-Current: | | |
| Income tax | | 470 |
| Workers compensation | | 377 |
| | | 847 |
| 15. Other Liabilities | | |
| Current: | | |
| Accrued expenses | | 1 215 |
| Revenue received in advance | | 268 |
| | | 1 483 |
| Non-Current: | | |
| Accrued expenses | | 235 |
| 16. Equity | | |
| Equity represents the residual interest in the net assets of the South Australian Forestry Corporation. The South Australian Government holds the equity interest in the Corporation on behalf of the community. | | |
| 17. Base Capital | | |
| Base capital represents advances from the South Australian Government in the nature of contributions as owner. | | |
| | Note | 2001 |
| Base capital as at 30 June | | \$'000 |
| | | 24 983 |
| 18. Retained Profits | | |
| Retained profits at 1 January | 1.1 | - |
| Net profit | | 796 628 |
| Transfer to asset revaluation reserve | 20 | (179 697) |
| Transfer to insurance loss reserve | 20 | (11 033) |
| Transfer to growing timber revaluation reserve | 20 | (562 725) |
| Total Available for Appropriation | | 43 173 |
| Dividends provided for or paid | 2,19 | 7 745 |
| Retained Profits at 30 June | | 35 428 |
| 19. Dividends Paid and Proposed | | |
| Provision as at 1 January | | 7 006 |
| Interim dividend paid current year | | 5 587 |
| | | 1 419 |
| Dividend provided | | 7 745 |
| Provision as at 30 June | | 9 164 |
| 20. Reserves | | |
| Asset revaluation reserve | | 187 400 |
| Insurance loss reserve | | 11 033 |
| Growing timber revaluation reserve | | 562 725 |
| | | 761 158 |
| Movements during the period: | | |
| Asset Revaluation: | | |
| Transfer from retained profits | | 179 697 |
| Revaluation increment (decrement) on land | | 7 703 |
| Insurance Losses: | | |
| Transfer from retained profits | | 11 033 |
| Growing Timber Revaluation: | | |
| Transfer from retained profits | | 547 795 |
| Net increase in value for period transferred from retained profits | | 14 930 |
| | | 761 158 |
| 21. Capital and Leasing Commitments | | |
| (i) Operating Lease Commitments | | |
| Non cancellable operating leases contracted for but not capitalised in the accounts: | | |
| Due not later than one year | | 891 |
| Due later than one year but not later than five years | | 661 |
| Due later than five years | | - |
| Total operating lease commitments | | 1 552 |

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

The property lease is non cancellable, with rental payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments to be increased by 4 percent per annum.

The vehicle leases are non cancellable, with rental payable monthly in arrears. Rental provisions within the lease agreement apply fixed rates for the full term of each lease. No options exist to renew the leases at the end of the term of the leases.

| | | |
|-----|---|-----------------|
| 22. | Statement of Cash Flows | 2001 \$'000 |
| | (i) Components of Cash | |
| | For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposit account. Cash as shown in the Statement of Cash Flows is reconciled to the beginning and end of period Balance Sheet as follows: | |
| | Cash | 2 |
| | Deposit account | 25 222 |
| | | 25 224 |
| | (ii) Reconciliation of Net Cash provided by Operating Activities to Operating Profit After Tax | |
| | Net cash provided by operating activities | 7 971 |
| | Depreciation and amortisation | (582) |
| | Doubtful debts | (8) |
| | (Increase) Decrease in provisions for: | |
| | Long service leave | 701 |
| | Annual leave | 195 |
| | Workers compensation | (27) |
| | Movement in income taxes payable and future income tax benefit | (472) |
| | Revenue on net assets received at no cost on commencement of operations | 770 888 |
| | Revenue on property, plant and equipment received at no cost | 685 |
| | Gain (Loss) on sale of property, plant and equipment | (252) |
| | Changes in Assets and Liabilities: | |
| | Increase (Decrease) in receivables | 2 404 |
| | Increase (Decrease) in inventories | 15 051 |
| | Increase (Decrease) in prepaid expenses | 106 |
| | (Increase) Decrease in creditors | (1095) |
| | (Increase) Decrease in accrued expenses | 1 115 |
| | (Increase) Decrease in unearned revenue | (68) |
| | Operating Profit (Loss) after Tax | 796 628 |
| 23. | Schedule of Administered Items | 2001 |
| | | Carter Holt |
| | | IPS Fund Harvey |
| | | \$'000 \$'000 |
| | Statement of Financial Performance | |
| | Administered operating revenues receipts from government | - 6 |
| | Total Operating Revenues | - 6 |
| | Administered operating expenses | - 63 |
| | Administered Operating Revenues less Administered Operating Expense | - 57 |
| | Statement of Financial Position | |
| | Current assets | 9 170 |
| | Non-current assets | - - |
| | Total Assets | 9 170 |
| | Current liabilities | - - |
| | Non-current liabilities | - - |
| | Total Liabilities | - - |
| | Net Assets | 9 170 |
| | Retained profits | 9 170 |
| | Statement of Cash Flows | |
| | Operating Activities: | |
| | Inflows | - 6 |
| | Outflows | - 63 |
| | Net Cash Flow from Operating Activities | - (57) |
| | Net Increase (Decrease) in Cash Held | - (57) |
| | Cash Balance at 1 January | 9 227 |
| | Cash Balance at 30 June | 9 170 |
| 24. | Remuneration of Directors and Employees | 2001 |
| | For the six months ended 30 June 2001 | \$'000 |
| | (i) Directors' Remuneration | |
| | Income paid or due and payable to or on behalf of directors | 58 |
| | | 2001 |
| | | Number of |
| | | Directors |
| | The number of directors whose income was within the following bands: | |
| | \$10 000 - \$19 999 | 5 |
| | (ii) Employees' Remuneration | |
| | Income paid or due and payable to or on behalf of employees whose income is \$100 000 or more. | |
| | No employee was paid \$100 000 or more during the reporting period. | |
| | For the year ended 30 June 2001 | 2001 |
| | (i) Directors' Remuneration | \$'000 |
| | Income paid or due and payable to or on behalf of directors | 76 |
| | | 2001 |
| | | Number of |
| | | Directors |
| | The number of directors whose income was within the following bands: | |
| | \$10 000 - \$19 999 | 4 |
| | \$20 000 - \$29 999 | 1 |

| | |
|---|------------------|
| (ii) Employees' Remuneration | 2001 |
| | \$'000 |
| Income paid or due and payable to or on behalf of employees whose income is \$100 000 or more | 460 |
| | 2001 |
| | Number of |
| | Employees |
| \$100 000 - \$109 999 | 3 |
| \$140 000 - \$149 999 | 1 |

25. Financial Instruments

(i) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the balance sheet is generally the carrying amount, net of any provision for doubtful debts.

(ii) Interest Rate Risk Exposures

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

| | Floating Rate \$'000 | Fixed Interest Maturing | | | 2001 Total \$'000 |
|---|----------------------------|-----------------------------|--------------------------------|---------------------------|-------------------------|
| | | 1 year or less \$'000 | Over 1 to 5 years \$'000 | Over 5 years \$'000 | |
| Financial Assets: | | | | | |
| Cash | 25 224 | - | - | - | 25 224 |
| Receivables | 10 964 | - | - | - | 10 964 |
| | <u>36 188</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36 188</u> |
| Weighted average interest rate percent | 6.42 | | | | - |
| Financial Liabilities: | | | | | |
| Payables | 4 919 | - | - | - | 4 919 |
| Weighted average interest rate percent | - | - | - | - | - |
| Net Financial Assets (Liabilities) | <u>31 269</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31 269</u> |

Reconciliation of Net Financial Assets to Net Assets

| | |
|--|-----------------------|
| | 2001 |
| | \$'000 |
| Net financial assets as above | 31 269 |
| Non financial Assets and (Liabilities): | |
| Current inventories | 2 022 |
| Other current assets | 306 |
| Non-current Inventories | 593 450 |
| Property, plant and equipment | 212 142 |
| Other non-current assets | - |
| Accrued salaries and wages | (378) |
| Employee entitlements | (2 627) |
| Current provisions | (12 050) |
| Other current liabilities | (1 483) |
| Non-current provisions | (847) |
| Other non-current liabilities | (235) |
| Net Assets per Statement of Financial Positions | <u><u>821 569</u></u> |

(iii) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The resultant net fair values represents the best estimate of replacement cost. The cost of realising fair values is considered immaterial.

Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

| | |
|------------------------------|---------------|
| | 2001 |
| | \$'000 |
| Financial Assets: | |
| Cash | 25 224 |
| Trade Debtors | 10 971 |
| Provision for Doubtful Debts | (7) |
| | <u>36 188</u> |
| Financial Liabilities: | |
| Trade Creditors | 4 919 |

(iv) Terms and Conditions

Financial Assets

- *Cash on Hand and Deposits*

Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account and the interest rate is the 90 day Bank Bill Rate which averaged 5.87 percent for the six months ended 30 June 2001.

- *Receivables*

Receivables are recorded at amounts due to ForestrySA less a provision for doubtful debts. They are recorded as the debts fall due. Receivables are due within 30 days.

Financial Liabilities• *Creditors*

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

Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

| | | | |
|-----|---|------------------------|------------------------|
| 26. | Combined Full Year Results for the DAIS - ForestrySA Business Unit and the South Australian Forestry Corporation | 2001 \$'000 | 2000 \$'000 |
| | Statement of Financial Performance for the year ended 30 June: | | |
| | Sales revenue | 99 571 | 104 753 |
| | Cost of sales | (48 699) | (48 215) |
| | Gross Profit | 50 872 | 56 538 |
| | Community service obligation funding | 3 461 | - |
| | Other revenue | 3 041 | 2 932 |
| | Plantation expenses | (15 058) | (14 728) |
| | Non-commercial activity expenses | (3 887) | (3 948) |
| | Administration expenses | (5 832) | (5 843) |
| | Trading Profit before Revaluation | 32 597 | 34 951 |
| | Net Change in Value of Growing Timber | 14 930 | 12 420 |
| | Profit from Ordinary Activities before Related Income Tax Expense and Restructure | 47 527 | 47 371 |
| | Income tax related to ordinary activities | 11 010 | 12 569 |
| | Profit from Ordinary Activities after Related Income Tax Expense and before Restructure | 36 517 | 34 802 |
| | Net credit to an asset revaluation reserve on revaluation of non-current assets | 7 703 | 4 412 |
| | Total Changes in Equity other than those Resulting from Transactions with the State Government as Owner | 44 220 | 39 214 |
| | Cash Flow Statement for the year ended 30 June: | | |
| | | 2001 | 2000 |
| | | Inflows | Inflows |
| | | (Outflows) | (Outflows) |
| | | \$'000 | \$'000 |
| | Cash Flows from Operating Activities: | | |
| | Receipts from customers | 102 682 | 104 756 |
| | Payments to suppliers and employees | (74 298) | (70 644) |
| | Interest received | 1 406 | 1 387 |
| | Community service obligation funding | 3 461 | - |
| | GST receipts on sales | 10 017 | - |
| | GST payments on purchases | (5 934) | - |
| | GST payments to taxation authority | (3 747) | - |
| | Income tax paid | (14 654) | (10 194) |
| | Net Cash provided by Operating Activities | 18 933 | 25 305 |
| | Cash Flows from Investing Activities: | | |
| | Purchase of fixed assets | (1 772) | (4 623) |
| | Proceeds from sale of fixed assets | 194 | 276 |
| | Net Cash used in Investing Activities | (1 578) | (4 347) |
| | Cash Flows from Financing Activities: | | |
| | Dividend paid | (12 643) | (14 068) |
| | Net Cash used in Financing Activities | (12 643) | (14 068) |
| | Net increase in cash held | 4 712 | 6 890 |
| | Cash at 1 July | 20 512 | 13 622 |
| | Cash at 30 June | 25 224 | 20 512 |

SOUTH AUSTRALIAN PORTS CORPORATION

FUNCTIONAL RESPONSIBILITY

The South Australian Ports Corporation (the Corporation) is a public corporation pursuant to the provisions of the *South Australian Ports Corporation Act 1994*.

The primary function of the Corporation is to manage the ports and related facilities vested under the Act on a sound commercial basis and to use its best endeavours to:

- ensure that orderly, efficient and reliable services, including safe and secure cargo storage and handling facilities, are provided to users;
- maximise the use and promote the proper exploitation of the ports and related facilities both within and outside Australia;
- encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of services and facilities;
- undertake such activities as will encourage and facilitate the development of trade or commerce for the economic benefit of the State.

During the year the Corporation was responsible for managing port facilities located at Port Adelaide, Port Giles, Wallaroo, Port Pirie, Port Lincoln, Thevenard, Klein Point, Cape Jervis, Penneshaw and Kingscote. In April 2001 the Kangaroo Island related ports of Cape Jervis, Penneshaw and Kingscote were transferred to the Department for Transport, Urban Planning and the Arts (DTUPA) by way of a order of the Minister for Government Enterprises pursuant to the *South Australian Ports (Disposal of Maritime Assets) Act 2000*.

DIVESTMENT PROCESS

During 1997-98, the South Australian Government announced that it was considering the sale of the Corporation. As a result, a scoping review was initiated to examine a range of feasible options and to provide the Government with relevant advice so that it may determine its long term policy and regulatory role in sea transport in South Australia. In particular, the scoping review was to look at the future of the Corporation and to advise on the approach necessary to implement the selected option.

Following the announcement of the scoping review, a Ministerial direction was given to the Corporation pursuant to section 6 of the *Public Corporations Act 1993*, which limited the Corporation entering into any long term commitments, and providing direction on information to be made available to the review team.

In April 1999 the Government announced its intention to proceed in principle with the divestment of the Corporation by way of trade sale. The Government established the Ports Corp Sale Project Team within the Department for Administrative and Information Services. In addition a private sector corporate advisory firm has been appointed to '... assist the Government to achieve a vibrant, competitive transport sector for South Australia and maximise the value of the Ports Corp trade sale'.

In November 1999 the Government announced that the Kangaroo Island ports, including Kingscote, Penneshaw and Cape Jervis would be separated from the sale, as these ports '... are community ferry ports and quite different from the larger commercial wharves that operate elsewhere in the state'. Navigational aids, channels and breakwaters have also been excluded from the proposed divestment of the South Australian Ports Corporation.

The legislation enabling the divestment of the Corporation, the *South Australian Ports (Disposal of Maritime Assets) Act 2000*, was proclaimed in January 2001.

Essentially this legislation facilitated the divestment of Corporation assets and liabilities and included specific provisions governing the following the:

- disposal of maritime assets or liabilities by way of a sale/lease agreement;
- terms of certain sale/lease agreements;
- requirement for transfer orders or sale/lease agreements to be laid before both Houses of Parliament together with a report on the probity of the divestment process.

Invitations to submit an Expression of Interest were advertised in March 2001. Expressions of Interest were received in April 2001 with final bids being received on 9 July 2001.

The Minister for Government Enterprises engaged the services of a legal firm to provide probity auditing services relating to the divestment process.

As at the date of preparation of this Report, no announcement had been made with respect to the results of the divestment process.

Ministerial Directions

As a result of the divestment process a Ministerial Direction was given to the Corporation on 28 May 2000, pursuant to section 6 of the *Public Corporations Act 1993*. The Direction was applicable to the Corporation during the year and included:

- limitation on the Corporation employing staff and entering into agreements without the approval of the Minister;
- a requirement for the Corporation and its staff to cooperate with those responsible for the sale or lease of the Corporation;
- a requirement 'To enter into negotiations with any potential purchaser or lessee of Ports Corp assets ... in accordance with a request by the Minister ...'.

With respect to the latter point, subsequent requests were made in writing by the Minister with respect to a number of matters including:

- a site currently used by the Royal South Australian Yacht Squadron;
- parcels of land located at Port Pirie;
- the transfer of Kangaroo Island related ports (Cape Jervis, Penneshaw and Kingscote) to the Minister for Transport and Urban Planning;
- the negotiation of recreational access arrangements with relevant local councils.

In addition, during 2000-01 a further Ministerial Direction was given to the Corporation on 8 November 2000 pursuant to section 6 of the *Public Corporations Act 1993*. The Direction related to the Terminal Operating Agreement with CSX World Terminal Australia (formerly Sea-Land) and required the Corporation to achieve a revised commercial-in-confidence arrangement with Sea-Land in accordance with a Memorandum of Understanding signed by the Minister for Government Enterprises and Sea-Land on 12 October 2000.

SIGNIFICANT FEATURES

- Profit from Ordinary Activities before Income Tax Expense increased \$2.3 million (18 percent) from \$12.5 million to \$14.8 million.
- Interest Bearing Liabilities (ie borrowings) decreased by \$7.6 million (45 percent) from \$16.8 million to \$9.2 million which contributed to a decrease in cash assets of \$2.4 million.
- Dividends increased by \$4.4 million attributable primarily to a special capital dividend of \$3.5 million provided for during the year relating to the transfer of the Kangaroo Island related port facilities to DTUPA.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

Scope of Audit

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

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Work undertaken by Audit during the year indicated that there was a sound internal control environment in place, although opportunities were identified to enhance the existing controls. These matters were raised with the Corporation for consideration and a satisfactory response was received.

Audit Committee

The Board Audit Committee met on a regular basis during the year to oversee the financial reporting and auditing processes. Representatives of the Auditor-General attended meetings of the Committee as observers.

Directors' Questionnaires

Directors' Questionnaires were used again in 2000-01 to provide the Directors with a mechanism for assessing the internal controls and corporate governance practices within the Corporation. The representations from management included matters relating to the integrity and fairness of information conveyed within the financial statements, legal compliance, and the effectiveness of internal controls.

Internal Audit

The Corporation has an established internal audit function, which has been contracted to an external accounting firm. An internal audit plan was approved and monitored by the Board Audit Committee. Work undertaken by Internal Audit was considered in determining the nature and extent of external audit coverage.

Asset Management

Revaluation of Non-Current Assets

The Department of Treasury and Finance's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' requires physical non-current assets greater than \$1 million to be revalued every three years. As the assets of the Corporation had last been revalued in July 1995 they were due for revaluation during 1998-99.

In June 1999 the Treasurer exempted the Corporation from compliance with APS 3 in the 1998-99 year due to the decision in principle to sell the Corporation.

Further exemptions from revaluation were granted by the Treasurer with respect to the 1999-2000 and 2000-01 financial years.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Ports Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Ports Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

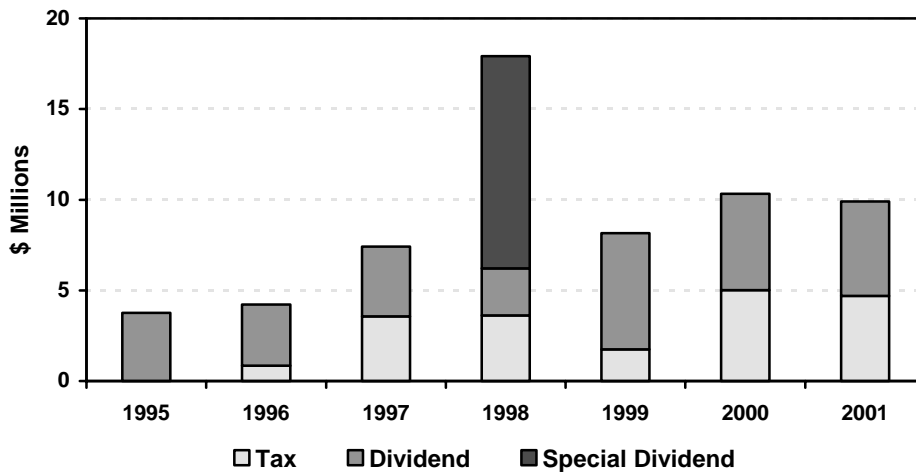
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Income from Port Activities

Income from Cargo and Shipping Services and Port Operations increased by \$2.9 million (9 percent) from \$33 million to \$35.9 million due mainly to an increase in usage of port facilities associated with a higher grain harvest.

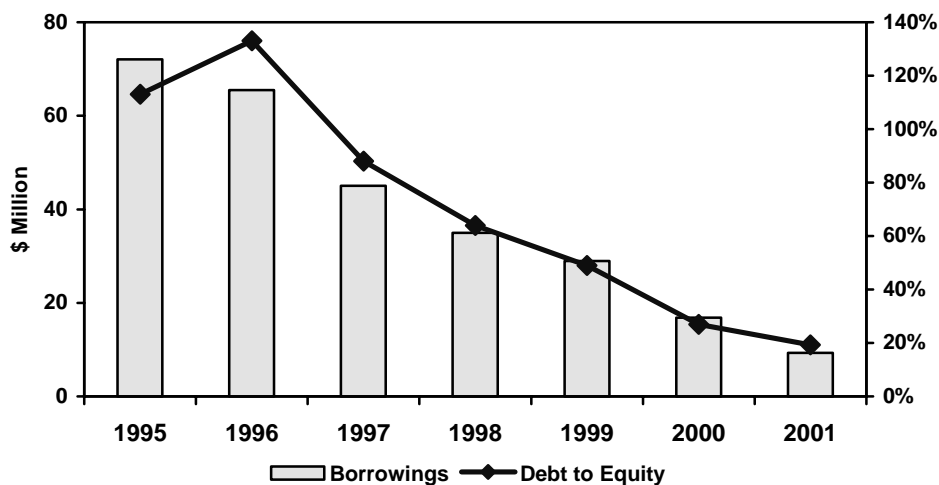
Contributions Paid to Government

Contributions paid to government through dividend and tax payments decreased by \$435 000 (4 percent). Contributions paid by the Corporation since 1995 have been as follows:



Borrowings

As a result of strong cash flows from operating activities and asset sales over the past five years, the Corporation has been able to significantly reduce its level of borrowings from \$72.1 million in 1995 to \$9.3 million in 2001. The significance of borrowings to the Corporation’s financial position is demonstrated in the following diagram:



Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|---|------|----------------|----------------|
| REVENUES FROM ORDINARY ACTIVITIES | | 43 422 | 38 110 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Employee benefits expenses | | 12 842 | 11 863 |
| Depreciation expenses | | 3 017 | 2 922 |
| Borrowing costs expenses | | 1 014 | 1 463 |
| Other expenses from ordinary activities | | 11 779 | 9 362 |
| Total Expenses | | 28 652 | 25 610 |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX | 2 | 14 770 | 12 500 |
| Income tax expense | 4 | 4 905 | 4 216 |
| NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE | | 9 865 | 8 284 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS | | 9 865 | 8 284 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|------|----------------|----------------|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash | | 1 195 | 3 637 |
| Receivables | 5 | 9 518 | 3 195 |
| Inventories | | 9 | 11 |
| Other | 6 | 612 | 140 |
| Total Current Assets | | 11 334 | 6 983 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 7 | 79 372 | 84 699 |
| Deferred tax assets | 8 | 1 219 | 1 147 |
| Total Non-Current Assets | | 80 591 | 85 846 |
| Total Assets | | 91 925 | 92 829 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Creditors | 9 | 10 117 | 4 478 |
| Interest-bearing liabilities | 10 | 2 000 | 5 000 |
| Current tax liabilities | 11 | 1 173 | 1 827 |
| Provisions | 12 | 1 258 | 1 426 |
| Total Current Liabilities | | 14 548 | 12 731 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing liabilities | 10 | 7 262 | 11 841 |
| Deferred tax liabilities | 11 | 3 448 | 2 518 |
| Provisions | 12 | 3 451 | 3 007 |
| Total Non-Current Liabilities | | 14 161 | 17 366 |
| Total Liabilities | | 28 709 | 30 097 |
| NET ASSETS | | 63 216 | 62 732 |
| EQUITY: | | | |
| Contributed equity | 13 | 15 000 | 15 000 |
| Asset revaluation reserve | 14 | 24 927 | 24 927 |
| Asset development reserve | 14 | - | 2 500 |
| Retained profits | 15 | 23 289 | 20 305 |
| TOTAL EQUITY | | 63 216 | 62 732 |
| Contingent Liabilities | 17 | | |
| Commitments | 22 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 | | 2000 | |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | Inflows (Outflows) \$'000 | Inflows (Outflows) \$'000 | Inflows (Outflows) \$'000 | Inflows (Outflows) \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| RECEIPTS: | | | | | |
| From customers | | 48 913 | | 40 269 | |
| From indentured ports | | - | | 4 017 | |
| Interest received | | 225 | | 456 | |
| | | | 49 138 | | 44 742 |
| PAYMENTS: | | | | | |
| Salaries and wages and related payments | | (13 055) | | (12 671) | |
| Suppliers | | (17 731) | | (9 514) | |
| Indentured ports | | - | | (4 017) | |
| Income tax equivalents | | (4 702) | | (5 018) | |
| Interest | | (1 106) | | (1 820) | |
| | | | (36 594) | | (33 040) |
| Net Cash provided by Operating Activities | 16.1 | | 12 544 | | 11 702 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| RECEIPTS: | | | | | |
| Proceeds from the sale of property, plant and equipment | | 628 | | 703 | |
| PAYMENTS: | | | | | |
| Payments for property, plant and equipment | | (2 847) | | (3 045) | |
| Net Cash used in Investing Activities | | | (2 219) | | (2 342) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| RECEIPTS: | | | | | |
| Borrowings | | 700 | | - | |
| PAYMENTS: | | | | | |
| Repayment of borrowings | | (8 279) | | (12 079) | |
| Dividend paid to government | | (5 188) | | (5 307) | |
| Net Cash used in Financing Activities | | | (12 767) | | (17 386) |
| NET (DECREASE) INCREASE IN CASH HELD | | | (2 442) | | (8 026) |
| CASH AS AT 1 JULY | | | 3 637 | | 11 663 |
| CASH AS AT 30 JUNE | 16.2 | | 1 195 | | 3 637 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

1.1 Basis of Preparation

The financial report is a general purpose financial report which has been prepared under the accrual method of accounting in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, Accounting Policy Statements and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared using the historical cost convention and has not been adjusted to take account of changing money values except where stated.

The accounting policies have been consistently applied, unless otherwise noted.

All values expressed in the notes are to the nearest thousand dollars unless otherwise specified.

The financial report has been prepared on a 'going concern' basis. In January 2001 legislation required for the divestment of the Corporation was proclaimed. As at balance date no decision regarding the divestment had been made and the Corporation has continued to operate on a 'normal business trading' basis.

1.2 Property, Plant and Equipment

The Corporation has valued its non-current assets in accordance with the South Australian Department of Treasury and Finance's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 6, 'Land and Improvements'. In doing so the Corporation has also satisfied the requirements of Australian Accounting Standards AAS 10 'Accounting for the Revaluation of Non-Current Assets' and AAS 38 'Revaluation of Non-Current Assets'.

Given the decision to divest the Corporation, the Treasurer on 17 May 2001 granted a further exemption from compliance with APS 3 which requires non-current assets to be revalued every three years.

Property, plant and equipment are brought to account at cost or at independent valuation, less where applicable, any depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the amount recoverable from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the employment and subsequent disposal of these assets. The expected net cash flow has been discounted to present value in determining the recoverable amount.

The revaluations have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

1.2 Property, Plant and Equipment (continued)

The depreciable amount of all non-current assets, excluding land, is depreciated on a straight line basis over the estimated remaining useful life to the Corporation, with depreciation commencing from the time the asset is commissioned.

The range of depreciation rates used within the following classes of non-current assets are:

| | Percent |
|--|----------|
| Berths structures and fixed cargo handling equipment | 2.5 - 10 |
| Buildings | 2.5 - 20 |
| Areas (roads and areas, ramps and slipways) | 2.5 - 10 |
| Waterways (berths and channels) | 2.5 - 10 |
| Breakwaters | 2.5 - 7 |
| Navigational aids | 3.0 - 13 |
| Plant and equipment | 2.5 - 50 |

1.3 Inventories

Inventories are valued on the lower of cost and net realisable value. Costs have been assigned to inventories on a weighted average cost basis.

1.4 Employee Entitlements

The Corporation has applied the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements' and Accounting Policy Statement APS 9 'Employee Entitlements'.

(i) Salaries, Wages and Annual Leave

The provisions for employee entitlements to salaries, wages and annual leave represent amounts for which the Corporation has a present obligation resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current salary and wage rates.

(ii) Long Service Leave

The liability for employee entitlements to long service leave represents the pro-rata entitlement for each employee whose service years exceed eight years multiplied by the current rate at reporting date.

(iii) Superannuation

The Corporation contributes to employee superannuation and pension funds in addition to contributions made by employees. Such contributions are paid to the South Australian Department of Treasury and Finance towards the accruing liability for superannuation in respect of employees and are charged against income. There is no liability for payments to beneficiaries as they have been assumed by the superannuation and pension funds.

During the 2000-01 financial year the South Australian Superannuation Board agreed to, and the Treasurer subsequently approved, a proposed revised section 5 Arrangement under the *Superannuation Act 1988*, between the South Australian Superannuation Board and the Corporation. An amount of \$509 000, being the actuarially determined present value of the increase in members entitlements as a consequence of the proposed revised Arrangement, was deemed payable by the Corporation as a lump sum payment. This amount is to be amortised over a 10 year period.

(iv) Workers Compensation

The Corporation had engaged Bruce Watson (BSc. FIAA) to perform an independent actuarial assessment on all outstanding claims as at 30 June 2001.

The Corporation has provided for the estimated liability of all outstanding claims as at 30 June 2001, including a proportional estimate of inactive claims and expected future liabilities for which the Corporation may become liable. It should be noted that the Corporation has one claim that would be subject to recovery from its excess workers compensation insurance policy. This policy however was with HIH Insurance at the time of the claim and as such no allowance has been made for possible recovery within the provision as at balance date.

1.5 Taxation*(i) Income Tax Equivalents*

The Corporation adopts the principles of tax effect accounting in accordance with Australian Accounting Standard AAS 3, 'Accounting for Income Tax'. The income tax equivalent expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit adjusted for income and expenses as a result of permanent and timing differences. The provision for deferred income tax liability and the future income tax benefit result from the tax effect of timing differences between income and expense items, recognised in different accounting periods for accounting and tax purposes, calculated at tax rates expected to apply when the differences reverse. The components of the future income tax benefit and provision for deferred income tax are shown in Notes 8 and 11 respectively.

The Corporation has reviewed the components of its future income tax benefit and as at balance date on a going concern basis, these are expected to be realised.

(ii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (a) Where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (b) For receivables and payables which are recognised inclusive of GST.

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

- (iii) **Land Tax**
In accordance with the *Public Corporations Act 1993* and from 1 July 1995 the Corporation became liable for land tax under the *Land Tax Assessment Act 1936*.

For accounting purposes and for the year ended on 30 June 2001, land tax has been expensed.

- (iv) **Wholesale Sales Tax**
The Corporation was subject to the Wholesale Sales Tax equivalent regime that was applicable up to and including 30 June 2000. This regime was ceased with the introduction of the GST as at 1 July 2000. Hence for comparison purposes it should be noted that this item is included in the previous years figures but not in the 2000-01 reported results.

1.6 Revenue

Revenue from the rendering of a service is recognised upon delivery of the service to customers.

1.7 Financial Instruments included in Liabilities

Loans and notes payable are recognised when issued at the amount of the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest is recognised as an expense over a straight line basis.

1.8 Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

The provision for doubtful debts recognises the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. The provision contains a specific calculation of identified doubtful debts and a general component with respect to receivables which are doubtful of recovery but which have not been specifically identified.

2. Profit from Ordinary Activities

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|----------------|----------------|
| Profit from ordinary activities before income tax expense is arrived at after: | | \$'000 | \$'000 |
| Revenue: | | | |
| (a) <i>Operating Activities:</i> | | | |
| Cargo and shipping services | | 26 192 | 23 907 |
| Port operations | | 9 756 | 9 117 |
| Facilities services | | 1 594 | 1 185 |
| Industrial estate management | | 2 765 | 2 265 |
| Other revenue: | | | |
| Interest received or receivable | | 224 | 435 |
| Miscellaneous | | 2 610 | 1 085 |
| Sundry income | | 281 | 117 |
| (b) <i>Non-Operating Activities</i> | | | |
| Profit from the sale of property, plant and equipment | 3 | 226 | 59 |
| Expense: | | | |
| (a) <i>Operating Activities:</i> | | | |
| Operations and services | | 23 420 | 19 639 |
| Interest paid or payable | | 1 014 | 1 463 |
| Bad debts written-off | | 16 | 18 |
| Depreciation of property, plant and equipment | | 3 017 | 2 922 |
| Transfer to provisions for: | | | |
| Employee entitlements | | 486 | 646 |
| Workers compensation | | 520 | 675 |
| Doubtful debts | | 21 | - |
| (b) <i>Non-Operating Activities</i> | | | |
| Loss on disposal of property, plant and equipment | 3 | 384 | 307 |

3. Sales of Property, Plant and Equipment

Sales of property, plant and equipment in the ordinary course of business have given rise to the following losses:

| | | |
|---|--------------|--------------|
| Gross proceeds from sale of property, plant and equipment | 4 940 | 110 |
| Less: Written-down value of assets sold | 5 098 | 358 |
| Profit (Loss) on sale of Property, Plant and Equipment | (158) | (248) |

The results include a \$349 000 loss (\$289 000 loss last year) which related to the demolition of cargo sheds. In addition the result also reflects the outcome of the transfer of Kangaroo Island related Ports to the Department of Transport, Urban Planning and the Arts with a written down value of \$3.46 million.

4. Income Tax Expense

The prima facie income tax expense on pre-tax accounting income reconciles to the income tax expense in the accounts as follows:

| | | |
|---|--------------|--------------|
| Profit from ordinary activities before income tax expense | 14 770 | 12 500 |
| Prima facie tax payable on profit from ordinary activities before income tax expense at 34 percent (36 percent) | 5 022 | 4 500 |
| Add (Less): Tax effect of permanent differences: | | |
| Exempt income | - | (9) |
| Non-allowable depreciation | (72) | 46 |
| Other non-deductible items | 17 | 8 |
| Change in net deferred tax liability due to change in tax rate | (62) | (329) |
| Income Tax Expense attributable to Profit/Loss from Ordinary Activities | 4 905 | 4 216 |

| | | |
|--|---------------|---------------|
| 4. Income Tax Expense (continued) | 2001 | 2000 |
| | \$'000 | \$'000 |
| Income tax expense comprises: | | |
| Current income tax payable | 4 047 | 3 577 |
| Future income tax benefit | (72) | 177 |
| Provision for deferred income tax | 930 | 462 |
| | 4 905 | 4 216 |
| 5. Receivables | | |
| Current Assets: | | |
| Trade debtors | 5 041 | 3 844 |
| Less: Provision for doubtful debts | (121) | (100) |
| | 4 920 | 3 744 |
| Sundry debtors | 5 332 | 124 |
| Less: Unearned income | (734) | (673) |
| Total Receivables | 9 518 | 3 195 |
| Unearned income comprises commercial lease rentals relating to periods beyond 30 June 2001 and the unamortised component of the accommodation lease payment. | | |
| 6. Other Assets | | |
| Current: | | |
| Prepayments | 612 | 140 |
| 7. Property, Plant and Equipment | | |
| Real Property: | | |
| Land at: | | |
| Independent valuation 1998 | 29 603 | 31 095 |
| Total Real Property | 29 603 | 31 095 |
| Infrastructure: | | |
| Berth Structures and Fixed Cargo Handling Equipment (Wharves and Cargo Handling Equipment) at: | | |
| Independent valuation 1995 | 29 553 | 29 951 |
| Less: Accumulated depreciation | 6 727 | 5 717 |
| Cost | 5 033 | 3 836 |
| Less: Accumulated depreciation | 408 | 242 |
| | 27 451 | 27 828 |
| Buildings at: | | |
| Independent valuation 1995 | 3 474 | 3 945 |
| Less: Accumulated depreciation | 856 | 805 |
| Cost | 1 320 | 1 282 |
| Less: Accumulated depreciation | 256 | 182 |
| | 3 682 | 4 240 |
| Areas (Roads and Areas, Ramps and Slipways) at: | | |
| Independent valuation 1995 | 3 248 | 3 495 |
| Less: Accumulated depreciation | 532 | 485 |
| Cost | 2 681 | 1 479 |
| Less: Accumulated depreciation | 243 | 91 |
| | 5 154 | 4 398 |
| Waterways (Dredged Berths/Channels) at: | | |
| Independent valuation 1995 | 5 961 | 5 961 |
| Less: Accumulated depreciation | 1 523 | 1 269 |
| Cost | 346 | 1 559 |
| Less: Accumulated depreciation | 114 | 69 |
| | 4 670 | 6 182 |
| Breakwaters at: | | |
| Independent valuation 1995 | 2 640 | 3 103 |
| Less: Accumulated depreciation | 396 | 407 |
| Cost | - | 780 |
| Less: Accumulated depreciation | - | 55 |
| | 2 244 | 3 421 |
| Navigational Aids (Navigational Facilities) at: | | |
| Independent valuation 1995 | 1 999 | 2 201 |
| Less: Accumulated depreciation | 842 | 768 |
| Cost | 46 | 10 |
| Less: Accumulated depreciation | 5 | 3 |
| | 1 198 | 1 440 |
| Total Infrastructure | 44 399 | 47 509 |
| Plant and Equipment at: | | |
| Independent valuation 1995 | 3 390 | 3 442 |
| Less: Accumulated depreciation | 2 239 | 2 103 |
| Cost | 4 108 | 3 790 |
| Less: Accumulated depreciation | 1 517 | 1 061 |
| Total Plant and Equipment | 3 742 | 4 068 |
| Work in Progress at: | | |
| Cost | 1 628 | 2 027 |
| Total Non-Current Assets | 79 372 | 84 699 |

7. Property, Plant and Equipment (continued)

Infrastructure and plant and equipment assets at valuation were revalued as at 1 July 1995. The independent valuation was undertaken on the basis of an assessment of recoverable amount and deprival value and was performed by Mr P Tilley FVLE [Val], AREI, REIV [Aust] of Edward Rushton Aust Pty Ltd.

The independent valuation undertaken as at 1 July 1995 grouped assets in terms of whether they directly related to the provision of ship or cargo related activities, or alternatively, provided only indirect support to port related activities or form part of other non-port related core activities (ie land management).

Land assets were revalued as at 30 June 1998. The independent valuation was undertaken on the basis of deprival value and was performed by Mr D Harris (AAPI).

The Corporation's Directors were satisfied that the Corporation's carrying values were not greater than their recoverable amount, given current economic indicators.

| (a) Movements in Carrying Amounts | | Real | Infrastructure | Plant and | |
|---|--|---------------|----------------|---------------|----------------|
| Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year. | | Property | | Equipment | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Balance at 1 July | 31 095 | 47 509 | 4 068 | 82 672 |
| | Additions | - | 3 188 | 320 | 3 508 |
| | Disposals | (1 492) | (4 491) | (52) | (6 035) |
| | Depreciation expense | - | (1 807) | (594) | (2 401) |
| | Carrying amount at 30 June | 29 603 | 44 399 | 3 742 | 77 744 |
| | | | | 2001 | 2000 |
| | | | | \$'000 | \$'000 |
| 8. Deferred Tax Assets | | | | | |
| | Non-Current: | | | | |
| | Future Income Tax Benefit | | | 1 219 | 1 147 |
| 9. Creditors | | | | | |
| | Current: | | | | |
| | Amounts payable to suppliers and employees | | | 4 810 | 3 272 |
| | Dividends payable | | | 5 036 | 843 |
| | Interest payable | | | 271 | 363 |
| | | | | 10 117 | 4 478 |
| 10. Interest Bearing Liabilities | | | | | |
| | Current | | | 2 000 | 5 000 |
| | Non-Current | | | 7 262 | 11 841 |
| | | | | 9 262 | 16 841 |

All loans are provided by the South Australian Government Financing Authority (SAFA). Interest rates include both fixed and floating arrangements. Interest rates on floating borrowings are set quarterly at 0.17 percent below quoted 90 day bank bill rates. Repayment dates vary from 15 March 2002 to 15 July 2004. On all outstanding borrowings there is a 0.75 percent charge levied by the South Australian Department of Treasury and Finance reflecting the Guarantee provided by the South Australian Government on these borrowings.

10.1 Interest Rate Exposure

The Corporation is subject to interest rate exposures primarily through financial assets and liabilities. The following table summarises the extent of the Corporation's exposure within their maturity profiles, together with effective interest rates as at balance date.

| | Floating Interest Rate ^(a) | 2001 Fixed Interest Rate Maturing In | | | Non-Interest Bearing | Total | Average Interest Rate | |
|------------------------|---------------------------------------|--------------------------------------|-------------------|-------------------|----------------------|---------------|-----------------------|---------|
| | | 1 Year or less | Over 1 to 5 years | More than 5 years | | | Floating | Fixed |
| | | \$'000 | \$'000 | \$'000 | | | Percent | Percent |
| Financial Assets: | | | | | | | | |
| Cash | 1 195 | - | - | - | - | 1 195 | 4.92 | - |
| Trade debtors | - | - | - | - | 5 041 | 5 041 | - | - |
| | 1 195 | - | - | - | 5 041 | 6 236 | | |
| Financial Liabilities: | | | | | | | | |
| Trade creditors | - | - | - | - | 9 847 | 9 847 | - | - |
| SAFA loans | - | 2 000 | 7 262 | - | - | 9 262 | - | 7.06 |
| | - | 2 000 | 7 262 | - | 9 847 | 19 109 | | |
| | | | | | | | | |
| | Floating Interest Rate ^(a) | 2000 Fixed Interest Rate Maturing In | | | Non-Interest Bearing | Total | Average Interest Rate | |
| | | 1 Year or less | Over 1 to 5 years | More than 5 years | | | Floating | Fixed |
| | | \$'000 | \$'000 | \$'000 | | | Percent | Percent |
| Financial Assets: | | | | | | | | |
| Cash | 3 637 | - | - | - | - | 3 637 | 5.58 | - |
| Trade debtors | - | - | - | - | 3 844 | 3 844 | - | - |
| | 3 637 | - | - | - | 3 844 | 7 481 | - | - |
| Financial Liabilities: | | | | | | | | |
| Trade creditors | - | - | - | - | 4 115 | 4 115 | - | - |
| SAFA loans | 5 000 | - | 11 841 | - | - | 16 841 | 6.66 | 7.03 |
| | 5 000 | - | 11 841 | - | 4 115 | 20 956 | | |

(a) Floating interest rates represent the most recently determined rate applicable to the instruments at balance date.

10.2 Net Fair Values of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below. Short term instruments, where carrying amounts approximate net fair values, are omitted. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

| | 2001 | | 2000 | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Carrying Amount \$'000 | Net Fair Values \$'000 | Carrying Amount \$'000 | Net Fair Values \$'000 |
| Financial Liabilities: | | | | |
| Current debt | 2 000 | 2 040 | 5 000 | 5 056 |
| Non-current debt | 7 262 | 7 565 | 11 841 | 12 115 |
| | 9 262 | 9 605 | 16 841 | 17 171 |

The net fair values of short and long-term debt are estimated by discounting expected cash flows at the interest rates currently offered to the Corporation for debt of the same remaining maturity and security, plus costs expected to be incurred if the liability were settled at balance date.

| | | | | |
|---|-----------------|-----------|---------------|------------------------|
| 11. Tax Liabilities | | | 2001 | 2000 |
| Current: | | | \$'000 | \$'000 |
| Income Tax | | | 1173 | 1 827 |
| Non-Current: | | | | |
| Provision for deferred income tax | | | 3 448 | 2 518 |
| | | | 4 621 | 4 345 |
| 12. Provisions | | | | |
| Current: | | | | |
| Employee entitlements: | | | | |
| Annual leave | | | 942 | 870 |
| Long service leave | | | 65 | 57 |
| Workers compensation | | | 251 | 499 |
| | | | 1 258 | 1 426 |
| Non-Current: | | | | |
| Employee entitlements: | | | | |
| Long service leave | | | 2 596 | 2 307 |
| Workers compensation | | | 855 | 700 |
| | | | 3 451 | 3 007 |
| | | | 4 709 | 4 433 |
| 13. Contributed Equity | | | | |
| | Opening Balance | | | Closing Balance |
| | 1.7.00 | Additions | Reductions | 30.6.01 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Contributed equity | 15 000 | - | - | 15 000 |
| 14. Reserves | | | 2001 | 2000 |
| Asset revaluation reserve | | | \$'000 | \$'000 |
| Asset development reserve: | | | 24 927 | 24 927 |
| Opening balance | | | 2 500 | 2 500 |
| Reduction in Asset Development Fund | | | (2 500) | - |
| Closing Balance | | | - | 2 500 |
| Total Reserves | | | 24 927 | 27 427 |
| 15. Retained Profits | | | | |
| Retained profits at 1 July | | | 20 305 | 16 992 |
| Net profit attributable to members of the Corporation | | | 9 865 | 8 284 |
| Transfer from Asset Development Fund | | | 2 500 | - |
| Dividends provided for or paid | | | (9 381) | (4 971) |
| Retained profits at 30 June | | | 23 289 | 20 305 |

The Asset Development Fund reflected a grant provided for the development of the Kangaroo Island ports. This reserve has been realised due to the transfer of those ports to the Department for Transport, Urban Planning and the Arts.

| 16. Notes to Statement of Cash Flows | | 2001 | | 2000 | |
|--------------------------------------|---|---------|---------------|---------|---------------|
| 16.1 | Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities | \$'000 | \$'000 | \$'000 | \$'000 |
| | Operating profit after income tax | | 9 865 | | 8 284 |
| | Add (Less): Non-cash items in operating profit: | | | | |
| | Depreciation and amortisation | 3 017 | | 2 922 | |
| | Loss on disposed assets | 384 | | 307 | |
| | Profit on sale of assets | (226) | | (59) | |
| | Bad and doubtful debts | 37 | | 18 | |
| | | | 3 212 | | 3 188 |
| | Changes in assets or liabilities: | | | | |
| | (Increase) Decrease in receivables | (2 048) | | 716 | |
| | (Increase) Decrease in other assets | (472) | | (29) | |
| | (Increase) Decrease in inventory | 2 | | (3) | |
| | (Increase) Decrease in deferred tax asset | (72) | | 177 | |
| | Increase (Decrease) in creditors | 1 505 | | (266) | |
| | Increase (Decrease) in current tax liabilities | (654) | | (1 441) | |
| | Increase (Decrease) in workers compensation provision | (93) | | 551 | |
| | Increase (Decrease) in provision for deferred tax liabilities | 931 | | 461 | |
| | Increase (Decrease) in provision for employee entitlements | 368 | | 64 | |
| | | | (533) | | 230 |
| | | | 2 679 | | 3 418 |
| | Net Cash provided by Operating Activities | | 12 544 | | 11 702 |

16.2 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, 'cash' includes cash on hand and at call deposits with financial institutions, investments in money market instruments maturing with less than two months and net of overdrafts.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2001 | 2000 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Reconciliation of Cash: | | |
| At call deposits with financial institutions | 1 152 | 3 594 |
| Cash advances | 43 | 43 |
| | <u>1 195</u> | <u>3 637</u> |

16.3 Credit Standby and Loan Facilities

The Corporation has a bank overdraft facility amounting to \$7 million. At 30 June 2001 none of this facility was utilised.

17. Contingent Liabilities**17.1 Container Terminal Equipment Buy Back**

Under the Agreement between the State and the container terminal operator and other parties the Corporation under specific circumstances may be liable to repurchase specific terminal equipment at the end of the current lease agreement in 2004. The net purchase price for this equipment is expected to be in line with the market value for the equipment at the time of repurchase. However due to the uncertainty associated with likely events at the time of the cessation of the current leasing arrangements no provision for this repurchase has been established.

Arrangements continued during the financial year to ensure that the terminal equipment is maintained in good operating condition. The Board will continue to monitor the circumstances of this event and will take action as appropriate.

17.2 Adelaide Brighton Cement Ltd

The proceedings undertaken by Adelaide Brighton Cement Ltd against the State of South Australia and South Australian Ports Corporation are continuing in the Supreme Court with the High Court proceedings being remitted to the Supreme Court to be heard concurrently. The action seeks repayment of cargo services charges and harbour services charges imposed by the Corporation (and its predecessors). The claim is based on an assertion that the charges are excises and therefore constitutionally invalid. The action also includes a claim for money allegedly arising out of an interpretation of an agreement entered into in 1965.

Both proceedings have been set down for hearing in November 2001. This action continues to be strongly defended.

17.3 Environmental Issues

The Corporation has responsibilities for environmental management arising from shipping and cargo handling facilities within its ports and for any residual contamination on lands vested to the Corporation.

The Corporation works closely with the oil and shipping industries in the management of ship derived environmental issues. The Corporation provides resources and support to the national oil pollution response plan and has undertaken studies on port contamination arising from marine pests introduced through ballast water discharge or hull fouling.

The Corporation is accredited to the environmental standard ISO 14001. The overall Environmental Management System, which includes an Environmental Management Plan, provides the basis for the ongoing management of environmental issues.

Due to the nature of past business operations conducted on lands vested to the Corporation, potential residual environmental risk exposure may exist.

17.3 Environmental Issues (continued)

The Corporation had previously undertaken site history surveys of lands vested to it, which indicated that the potential residual contamination is unlikely to present immediate problems and that remediation would potentially only be required if the land used changed. During the year additional environmental surveys were undertaken on the Corporation's land as part of the divestment process. These reports identified a number of issues that had been addressed as at a balance date, including the development of appropriate Occupational Health and Safety procedures to minimise risks and additional testing and sampling of specific sites.

Following these reports additional studies were commissioned to determine remediation work and monitoring to be undertaken by Ports Corp in the short to medium term, and to be used as a basis for advising the Environmental Protection Agency (EPA) of identified ground water contamination.

As at balance date the Corporation had not identified the extent of any possible remedial work required, and hence the assessment of the financial impact and liability (if any) arising cannot be reliably estimated.

17.4 Retirement and Redundancy Claim

A third party operator has informed the Corporation that it would seek compensation from the Corporation for potential retirement and redundancy payments arising from past agreements between the State of South Australia and that operator. Due to a change in the status of the documents relied upon by the third party the Corporation's solicitors have advised the Corporation that under specific circumstances the Corporation could be liable for these payments.

As at balance date however it is not possible to determine the extent of this liability or the timing associated with any payments which may become payable. No provision for these possible payments has as such been established.

18. Remuneration Benefits**18.1 Directors' Remuneration**

Number of Directors whose remuneration was due and receivable from the Corporation was within the following bands:

| | 2001 Number of Directors | 2000 Number of Directors |
|---|--------------------------------|--------------------------------|
| \$20 000 - \$29 999 | 3 | 3 |
| \$30 000 - \$39 999 | 1 | 1 |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Aggregate remuneration received or due and receivable by Directors for the year was | 117 | 115 |

The names of the Directors who have held office during the financial year are:

Geoffrey Alfred Fry
John Alfred Michell

Nicholas Roy LeMessurier
Yvonne Sneddon

18.2 Directors Related Party Disclosure

The Directors of the Corporation, or their director-related entities, have transactions with the Corporation that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transaction were undertaken with any other entity at arm's length in similar circumstances.

18.3 Remuneration of Officers

The number of employees whose remuneration was within the following bands:

| | 2001 Number of Employees | 2000 Number of Employees |
|--|--------------------------------|--------------------------------|
| \$100 000 - \$109 999 | 14 | 15 |
| \$110 000 - \$119 999 | - | 1 |
| \$120 000 - \$129 999 | 3 | 2 |
| \$130 000 - \$139 999 | 1 | 2 |
| \$160 000 - \$169 999 | 1 | - |
| \$240 000 - \$249 999 | - | 1 |
| \$250 000 - \$259 999 | 1 | - |
| | 20 | 21 |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Aggregate remuneration received or due and receivable by those employees within these bands including those on contract for the year was | 2 443 | 2 419 |

19. Auditors' Remuneration

Amount received or due and receivable by the Corporation's Auditor for auditing of the accounts during 2000-01 was \$77 000 (\$81 000).

20. Targeted Voluntary Separation Packages (TVSPs)

No TVSPs were paid during the financial year.

21. Consultants

Expenditure of \$643 000 was incurred by the Corporation during 2000-01 as a result of engaging consultants of which \$391 000 related specifically to the divestment process. Other consultancies related to debt management advisory specialists, environmental reviews, actuarial assessments, tax and other professional services advice.

| | | |
|--|---------------|---------------|
| 22. Commitments | 2001 | 2000 |
| Capital Expenditure: | \$'000 | \$'000 |
| Capital expenditure commitments contracted for and payable not later than one year | 496 | 471 |
| Operating Leases: | | |
| Non-cancellable operating property lease contracted for but not recognised. | | |
| in the accounts: | | |
| Not later than one year | 415 | 410 |
| Later than one but not later than five years | 1 737 | 1 707 |
| Later than five years | 757 | 1 202 |
| | 2 909 | 3 319 |
| | 3 405 | 3 790 |

The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement required that the minimum lease payments shall be increased by the lower of CPI or 3.5 percent. An option exists to renew the lease at the end of the 10 year term for an additional five years.

SOUTH AUSTRALIAN TOTALIZATOR AGENCY BOARD

INTRODUCTION

Following a direction by the Minister of Government Enterprises pursuant to the *TAB (Disposal) Act 2000*, the South Australian Totalizator Agency Board (TAB) was registered as a proprietary company (SA TAB Pty Ltd) under the Corporations Law on 26 April 2001. As a result, two sets of financial statements are included herein covering the periods 1 July 2000 to 25 April 2001 and 26 April 2001 to 30 June 2001.

The following comments relate to the operations of the TAB for the full 12 month period.

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

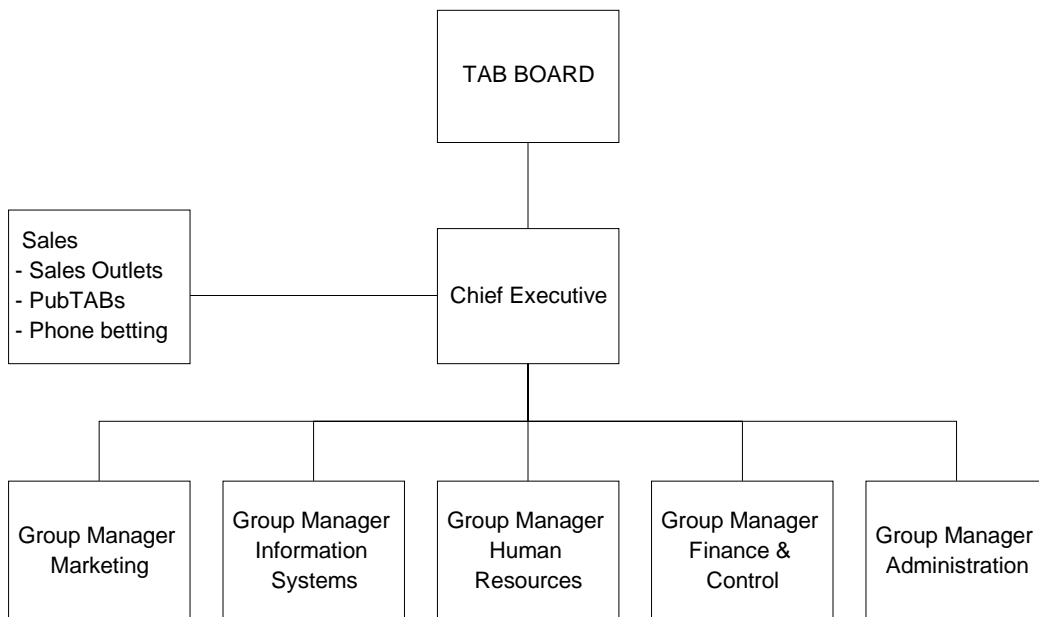
The TAB is empowered by the *Racing Act 1976*, to conduct off-course totalizator betting on thoroughbred, harness and greyhound races held within or outside Australia, and to act as the agent of an authorised racing club in the conduct by that club of on-course totalizator betting. The TAB is also empowered to conduct off-course totalizator betting on football and other sporting events, including fixed odds betting, held within or outside Australia as approved by the Minister.

The TAB is the licence holder of TABRadio. This investment provides for the availability of race broadcasting of events covered by the TAB and other racing information.

The controlling authorities for the three racing codes and football are:

- Thoroughbred Racing SA
- Harness Racing SA
- Greyhound Racing SA
- South Australian National Football League Inc

The structure of the TAB is represented as follows:



SALE OF THE TAB

In February 1998, the South Australian Government announced that it was considering the sale of the TAB. A scoping review was undertaken to determine whether a sale was the best option for the State. As a result of the review, the South Australian Government agreed in principle to the sale of the TAB in February 2000 and commenced a sale process.

In August 2001, the Minister for Government Enterprises announced that the TAB had been purchased by TAB Queensland Limited. Final settlement of the sale is expected to occur in January 2002, subject to probity checks by the Gaming Supervisory Authority.

A transitional Board has been appointed to oversee the transition process of integrating the operations of both organisations

LEGISLATION CHANGES

Changes to the *Racing Act 1976*, operative from 1 July 2000, included amendments relating to the distribution of funds, to take account of the impact of the Goods and Services Tax (GST). The amendments include a payment of a State tax and a payment to the controlling authorities based on a percentage of net gambling revenue. Any surplus funds continue to be distributed on the basis of 45 percent to government and 55 percent to the controlling authorities.

The change in distribution is designed to ensure that the controlling authorities receive the same level of distribution as pre-GST. The reduction in distribution to the Government will be offset through GST revenue grants from the Commonwealth.

SIGNIFICANT FEATURES

- Turnover for the year was \$634.3 million (\$619.7 million), an increase of \$14.6 million (decrease \$600 000). The turnover attributable to Footypunt was \$1.9 million (\$3.3 million).
- Fixed odds Sportsbet commenced in December 2000. Turnover was \$2.2 million.
- Expenditure increased by \$15.9 million to \$68.2 million.
- \$786 000 was transferred from accumulated capital for distribution.
- The amount available for distribution was \$40.8 million.
- The total distributions available to the Government and the Racing Industry were \$8.1 million and \$32.5 million respectively.
- Expenses relating to the GST and State tax were \$9 million and \$5.9 million respectively.
- Turnover by PubTABs was \$313.8 million (\$305.9 million) an increase of \$7.9 million (\$2.1 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 58 of the *Racing Act 1976*, provided for the Auditor-General to audit the accounts of the South Australian Totalizator Agency Board.

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the SA TAB Pty Ltd in respect of each financial year.

Scope of Audit

The audit covered the major financial systems of the TAB and included an assessment of the adequacy of internal controls within those systems. The extent of audit coverage was influenced by the work performed by the Audit Department of the TAB. The specific areas of audit attention included:

- wagering system, including bets and dividends
- expenditure, including accounts payable and salaries and wages
- budgetary control and management reporting
- non-current assets, including adequacy of asset register maintenance
- internal audit activities
- distributions.

Audit Communications to Management

A letter has been forwarded to the Chief Executive, together with the Independent Audit Reports, advising of the scope of audit and indicating that no major issues were noted.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the TAB was assessed as satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audits of the South Australian Totalizator Agency Board and the SA TAB Pty Ltd included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Totalizator Agency Board and the SA TAB Pty Ltd in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisations were conducted properly and in accordance with the law.

INDEPENDENT AUDIT REPORTS

South Australian Totalizator Agency Board

An unqualified audit opinion has been provided with respect to the financial statements of the South Australian Totalizator Agency Board.

SA TAB Pty Ltd

Extract from Independent Audit Report

Qualification

In accordance with the requirements of Auditing Standard AUS 702 'The Audit Report on a General Purpose Financial Report', attention is drawn to the following:

- (a) *As disclosed in Note 1(c) to the financial statements, the financial accounting treatment accorded to certain non-current assets differs from the requirements of Accounting Standard AASB 1021 'Depreciation'. The difference in treatment arises from specific legislative provisions of the Racing Act 1976, with which there has been compliance.*

- (b) *As disclosed in Note 1(a) to the financial statements, the financial accounting treatment accorded to income tax differs from the requirements of Accounting Standard AASB 1020 'Income Taxes'. The difference in treatment arises from specific legislative provisions of the Public Finance and Audit Act 1987 in particular, the Treasurer's Instructions promulgated pursuant to that Act, and the Racing Act 1976, with which there has been compliance.*

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report of the SA TAB Pty Ltd is in accordance with:

- (a) *the Corporations Act 2001, including:*
 - (i) *giving a true and fair view of the SA TAB Pty Ltd's financial position as at 30 June 2001 and of its performance for the period ended on that date; and*
 - (ii) *complying with Accounting Standards and Corporations Regulations; and*
- (b) *other mandatory professional reporting requirements*

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Additional Distribution

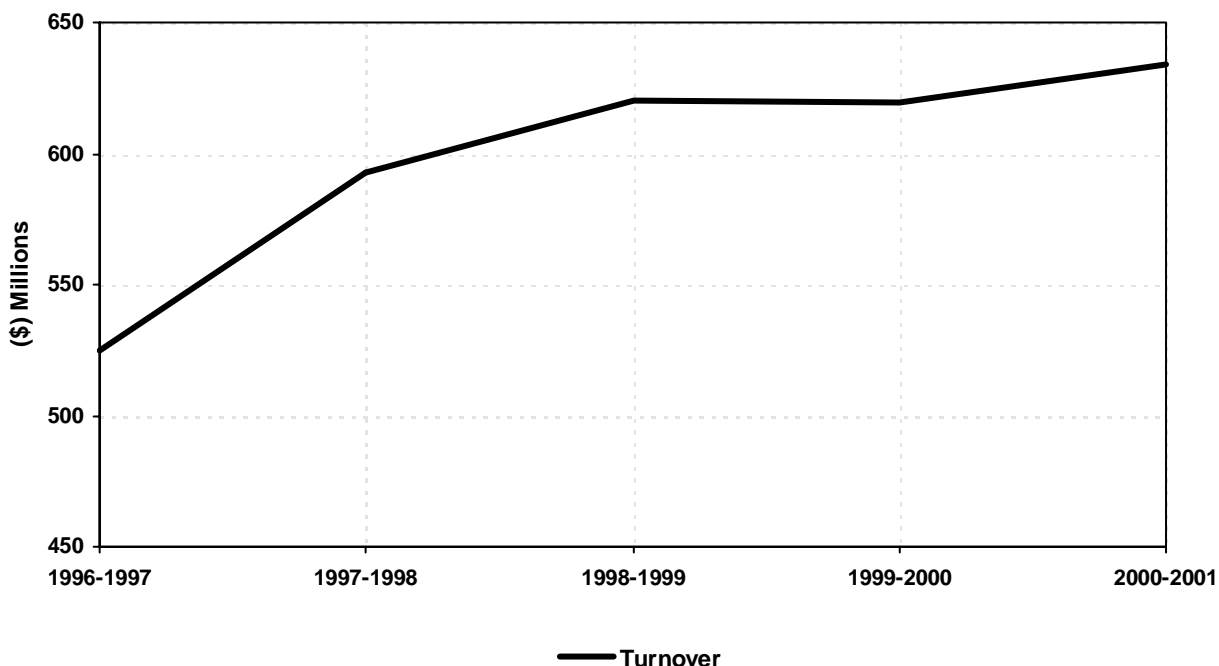
In 1999-2000, there was a lower than expected turnover and therefore a shortfall in distribution to the controlling authorities. The TAB met the shortfall through the utilisation of funds within accumulated capital (other capital). These funds represented a portion of the proceeds from the sale of assets over a number of years.

The amount remaining from those proceeds, \$786 000, has been distributed, in accordance with subsection 69(2) of the *Racing Act 1976*, to the controlling authorities \$432 000 and to the Treasurer \$354 000.

Turnover

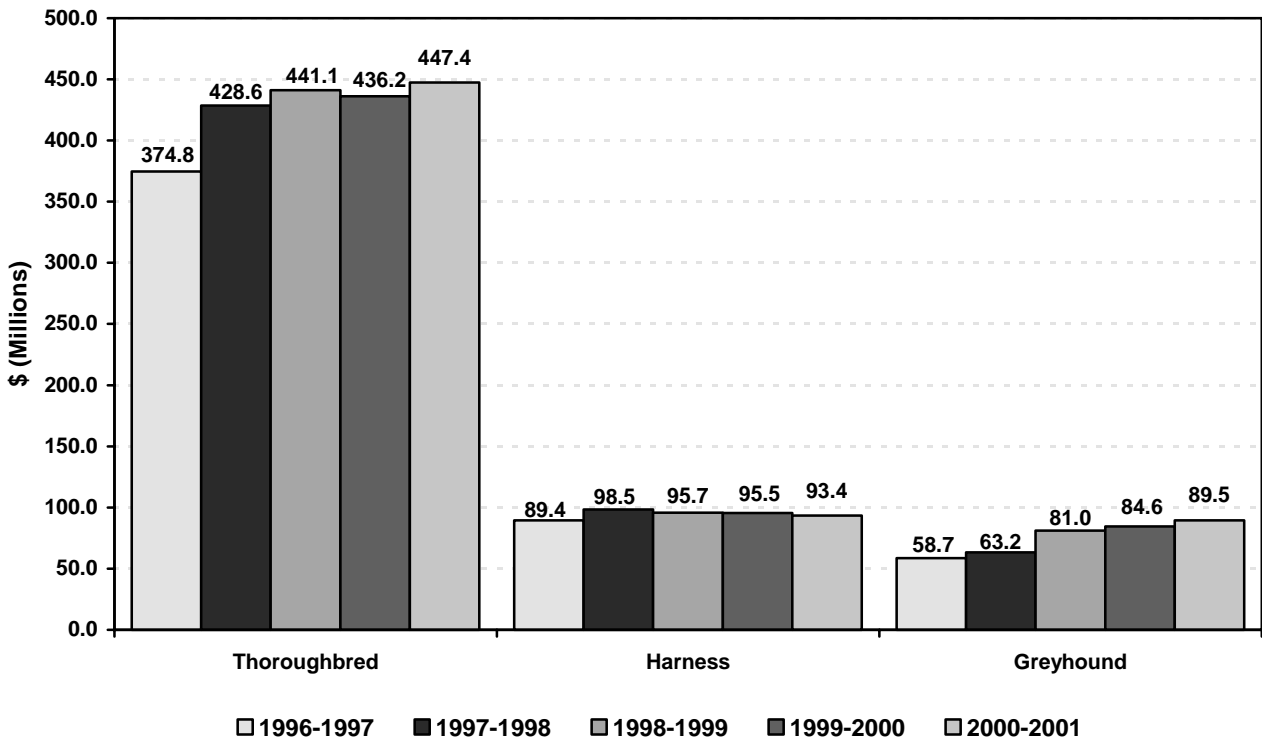
Turnover increased by \$14.6 million to \$634.3 million. The following graph shows the turnover for the last five years.

Five Year Analysis of Turnover



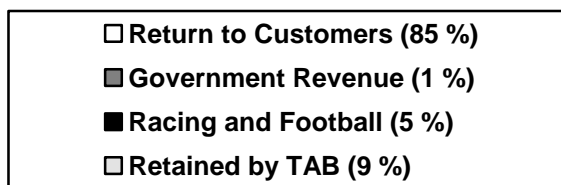
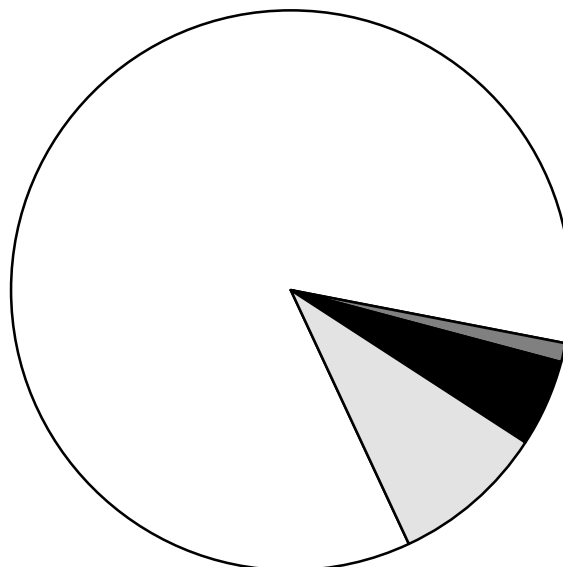
The sources of turnover, for the last five years, from racing are summarised as follows:

Sources of Turnover

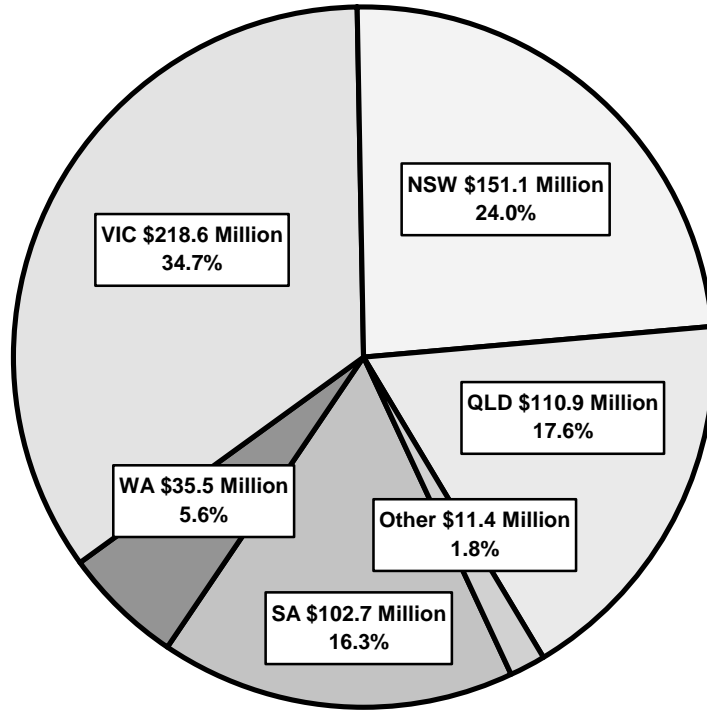


In 2000-01, 85 percent of investments with the TAB were returned, by way of dividends, to customers. The percentage distribution of turnover is represented in the following manner:

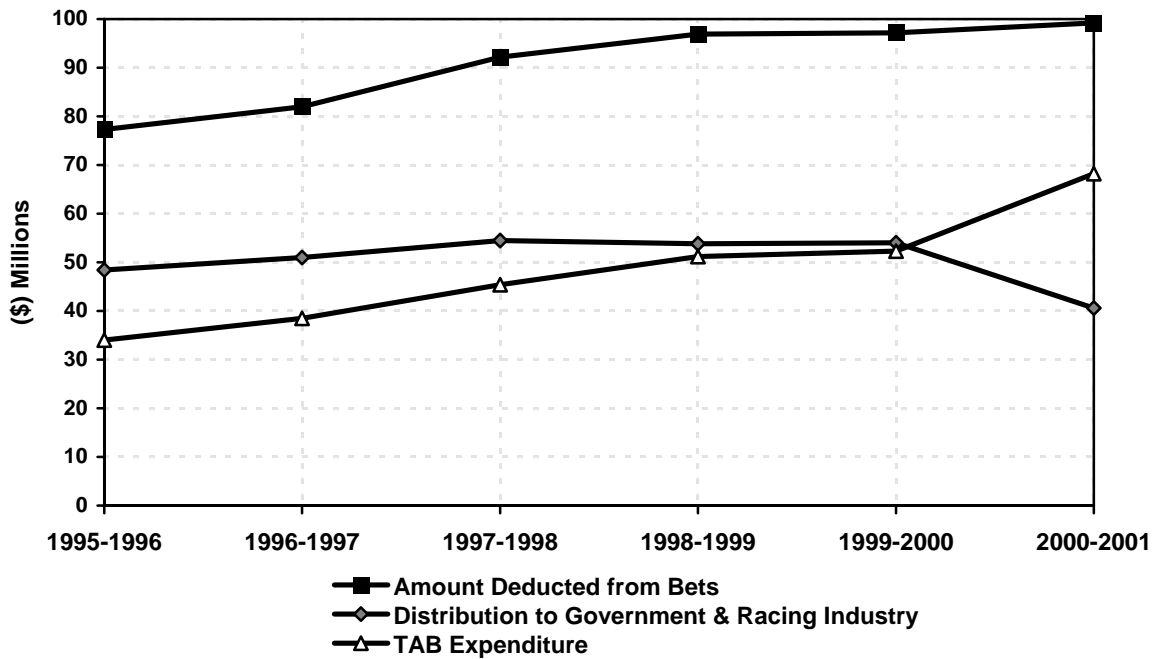
Distribution of Turnover for 2000-01



Racing Turnover by State Event 2000-01



Expenditure — Deduction, Distribution to Government and the Racing Industry and TAB Expenditure



The introduction of the GST and the legislative changes, as previously mentioned, has caused some distortion in comparative information.

Expenditure in relation to GST was \$9 million and for State tax was \$5.9 million. Both amounts are included under 'other expenses from ordinary activities' and are the principal reasons for the increase in TAB expenditure and the reduction in the total amount available for distribution.

The reduction in distribution available to the Government is the result of legislative changes with respect to the distribution of funds.

Income tax expense has reduced as a result of a reduction in distributions available to the Government.

Sportsbet

Sportsbet, which commenced in December 2000, provides for betting on a range of sports conducted in Australia and around the world. All odds are set by the Victorian TABCorp and are fixed at the time the bet is placed.

Commission earned was \$246 000 but after taking into account operating expenses, there was a loss of \$285 000. This loss has been borne by the Government \$128 000 and the Controlling Authorities \$157 000.

The *Racing Act 1976* does not provide for the treatment of a loss on Sportsbet, however, the TAB has recognised the loss in accordance with subsection 69(2)(b) of the Act.

FURTHER COMMENTARY ON OPERATIONS

Sources of Turnover

The following table shows turnover for the past three years:

| | 2000-01 | | 1999-2000 | | 1998-99 | |
|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | \$'000 | % of Turnover | \$'000 | % of Turnover | \$'000 | % of Turnover |
| Sales outlets | 226 637 | 36 | 221 495 | 36 | 227 159 | 37 |
| PubTABs | 313 812 | 49 | 305 881 | 49 | 303 847 | 49 |
| Telephone betting | 93 830 | 15 | 92 293 | 15 | 89 294 | 14 |
| | 634 279 | 100 | 619 669 | 100 | 620 300 | 100 |

Agencies

The number of sales outlets and PubTABs operating at 30 June was 74 (77) and 303 (306) respectively.

Statement of Financial Position

Net assets were \$13.7 million, a decrease of \$1.7 million. Reflecting in this was:

- a net decrease in property, plant and equipment of \$1.2 million to \$9.5 million which included:
 - acquisitions of plant and equipment of \$3.4 million
 - depreciation charges of \$4.2 million
 - proceeds from the sale of property, plant and equipment of \$94 000
 - net recoverable amount write-downs of \$263 000;
- a decrease in short-term investments of \$1.4 million.

FURTHER COMMENTARY ON OPERATIONS

TAB Staff Superannuation Fund

Since August 2000, relevant parties, with an interest in the TAB Staff Superannuation Fund, have held discussions in relation to the treatment of surplus funds in the Fund, in the event of a sale of TAB.

In January 2001, all members of the Fund, with the exception of those on the Trustee Board, requested the wind up of the Fund prior to a sale.

A Ministerial direction, dated June 2001, directed the SA TAB Pty Ltd to negotiate with the Trustee and the members of the Fund in relation to a course of action to be taken for the winding up of the Fund and distribution of surplus funds.

The Trustee has commenced proceedings in the Supreme Court relating to the future administration of the Fund and the entitlements of the members.

At the time of finalising this Report, the matter had not been resolved.

Statement of Financial Performance for the period 1 July 2000 to 25 April 2001

| | | 01.07.00 to 25.04.01 | 30.06.00 |
|--|-------|-------------------------|---------------|
| | Note | \$'000 | \$'000 |
| Turnover | 2 | 521 175 | 619 669 |
| Dividends paid to customers | 2 | (439 495) | (522 459) |
| Commission | | 81 680 | 97 210 |
| Other revenue from ordinary activities | 2 | 9 603 | 11 183 |
| Distribution expenses | | (18 447) | (21 940) |
| Marketing expenses | | (10 508) | (11 655) |
| Occupancy expenses | | (3 702) | (4 327) |
| Information Technology expenses | | (3 136) | (3 764) |
| Other expenses from ordinary activities | 20(d) | (20 935) | (10 585) |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | 34 555 | 56 122 |
| Income tax expense relating to ordinary activities | 3 | (1 038) | (6 836) |
| PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE | 16 | 33 517 | 49 286 |
| NET PROFIT | | 33 517 | 49 286 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 33 517 | 49 286 |

Statement of Financial Position as at 25 April 2001

| | | 25.04.01 | 30.06.00 |
|--------------------------------------|------|---------------|---------------|
| | Note | \$'000 | \$'000 |
| CURRENT ASSETS: | | | |
| Cash | | 3 375 | 2 314 |
| Receivables | 5 | 88 | 120 |
| Investments | 6 | 18 252 | 24 391 |
| Inventories | 7 | 860 | 844 |
| Other | 8 | 1 105 | 1 228 |
| Total Current Assets | | 23 680 | 28 897 |
| NON-CURRENT ASSETS: | | | |
| Investments | 9 | 67 | 67 |
| Property, plant and equipment | 10 | 9 462 | 10 750 |
| Total Non-Current Assets | | 9 529 | 10 817 |
| Total Assets | | 33 209 | 39 714 |
| CURRENT LIABILITIES: | | | |
| Accounts payable | 11 | 5 692 | 3 001 |
| Current tax liability | 12 | 347 | 1 920 |
| Provisions | 13 | 2 094 | 1 934 |
| Other | 14 | 10 117 | 17 085 |
| Total Current Liabilities | | 18 250 | 23 940 |
| NON-CURRENT LIABILITIES: | | | |
| Provisions | 15 | 438 | 348 |
| Total Non-Current Liabilities | | 438 | 348 |
| Total Liabilities | | 18 688 | 24 288 |
| NET ASSETS | | 14 521 | 15 426 |
| FUNDS AND RESERVES: | | | |
| Accumulated capital | 17 | 14 521 | 15 426 |
| TOTAL FUNDS AND RESERVES | | 14 521 | 15 426 |
| Commitments | 22 | | |
| Contingent Liabilities | 23 | | |

Statement of Cash Flows for the period 1 July 2000 to 25 April 2001

| | Note | 01.07.00 to 25.04.01 Inflows (Outflows) \$'000 | 30.06.00 Inflows (Outflows) \$'000 |
|---|------|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | | 521 175 | 619 669 |
| Rental received | | 994 | 1 034 |
| Interest and bill discounts received | | 1 043 | 1 165 |
| Proceeds from sundry activities | | 1 890 | 1 803 |
| Proceeds from refunds outstanding | | 279 | 317 |
| Increase in refunds outstanding | | 7 | 33 |
| Proceeds from unclaimed dividends | | 1 168 | 1 567 |
| Increase in unclaimed dividends | | 305 | (24) |
| Proceeds from fractions | | 4 425 | 5 305 |
| Payment of dividends to customers | | (439 495) | (522 459) |
| Payments to suppliers and employees | | (53 966) | (50 995) |
| Increase in telephone betting deposits | | 1 011 | 249 |
| Net Cash provided by Operating Activities | 25 | 38 836 | 57 664 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Payments for property, plant and equipment | | (2 341) | (3 223) |
| Proceeds from sale of property, plant and equipment | | 93 | 148 |
| Net Cash used in Investing Activities | | (2 248) | (3 075) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Distributions paid | | (41 666) | (52 733) |
| Net Cash used in Financing Activities | | (41 666) | (52 733) |
| NET (DECREASE) INCREASE IN CASH HELD | | (5 078) | 1 856 |
| CASH AT 1 JULY | | 26 705 | 24 849 |
| CASH AT BALANCE DATE | 25 | 21 627 | 26 705 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary Of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the *Racing Act 1976*, the requirements of the Accounting Policy Statements issued by the Treasurer pursuant to the *Public Finance and Audit Act 1987*, the applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with the requirements of the law.

The accounts have been prepared on the basis of historical cost and do not take into account changes in money values or, except where stated, current valuations of non-current assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Income Tax Equivalent Regime

Pursuant to a Ministerial Direction and Treasurer's Instruction 22, an income tax equivalent regime applies to the SA TAB. The regime requires the SA TAB to pay amounts (to the South Australian Government as part of its distribution) deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The income tax equivalent regime has been applied in a manner that is consistent with the requirement, pursuant to section 69(2) of the *Racing Act 1976*, to pay 45 percent of the balance remaining, after deducting the amount of the payments required by subsection (1a) of section 69, to the Treasurer to be credited to the Hospitals Fund.

As a result of the application of the income tax equivalent regime, the transfer of funds to the Hospitals Fund has been reflected in the financial statements as:

- (i) Income tax expense relating to ordinary activities;
- (ii) Distributions to the South Australian Government (see Note 4).

(b) Investments**Current Assets**

The investments in short term financial instruments are valued at cost.

(c) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or fair value. The carrying amount of property, plant and equipment is reviewed annually by the SA TAB to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the SA TAB's assessment of the assets' current valuation.

Property, plant and equipment including buildings but excluding freehold land, are depreciated/amortised on the straight-line basis over their useful lives from the date of acquisition.

(c) **Property, Plant and Equipment (continued)**

The depreciation rates used for each class of asset are within the following ranges:

| | Percent |
|---------------------|-----------|
| Buildings | 2.5 |
| Plant and equipment | 10 - 33.3 |

Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Since July 1981 assets acquired by the SA TAB have been funded at the time of purchase from a Capital Fund which was established pursuant to the *Racing Act 1976*, to finance asset purchases. The annual write-down of the carrying amount of the Capital Fund assets has not been charged to the Statement of Financial Performance but to Accumulated Capital, to reflect the reducing service potential of fund assets. Consequently, the legislative requirements mean that it is not appropriate to apply the provisions of Australian Accounting Standard AAS 4 'Depreciation'.

(d) **Revaluation of Non-Current Assets**

Subsequent to initial recognition as assets, property is measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments will be made by the directors, supplemented by independent assessments at least every three years.

The above policy was adopted with effect from 1 July 2000. The previous policy was to revalue land and buildings at fair value at three yearly intervals. The changed policy has not had a material effect in the current or prior financial year, nor is it expected to have a material effect in subsequent financial years.

The changed policy has been adopted to comply with AASB 38 'Revaluation of Non-Current Assets', released in December 1999 which applied for the first reporting period beginning on or after 1 July 2000.

(e) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

(f) **Employee Entitlements**

(i) *Long Service Leave*

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the interest rate applicable to 10 year Commonwealth Government bonds at balance date. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates. Related on-costs have also been included in the liability.

(ii) *Annual Leave*

The annual leave liability recognised in the accounts represents the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(iii) *Sick Leave*

No provision has been made in respect of sick leave, as on average, sick leave taken is less than the total entitlements that accrue each year.

(iv) *Superannuation*

The SA TAB contributes to separate externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur.

(v) *Workers Compensation*

The SA TAB pays a levy to WorkCover who meets all liabilities associated with workers compensation.

(g) **Leases**

Operating lease payments are charged as an expense in the period in which they are incurred.

(h) **Requirements of the Racing Act 1976 and other Related Matters**

(i) *Fractions*

- *Racing*
Section 76 of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment as to one half to the South Australian Government and the balance to the controlling authorities in the respective shares as specified in section 69(2)(b).
- *Football*
Section 84G of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.

(ii) *Unclaimed Dividends*

Unclaimed dividends for a period of less than six months are recorded as a current liability.

• *Racing*

Section 78 of the *Racing Act 1976*, provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment as to one half to the South Australian Government and the balance to the controlling authorities in respective shares as specified in section 69(2)(b).

- **Football**
Section 84H of the Racing Act 1976, provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.
 - **Fixed Odds Betting**
Section 84N of the *Racing Act 1976*, provides for dividends unclaimed to accrue to the SA TAB for payment to the South Australian Government.
- (iii) **Refunds Outstanding**
In accordance with Board policy the SA TAB records refunds outstanding for a period of less than six months as a liability. Refunds outstanding more than six months accrue to the SA TAB as general revenue and form part of trading distributions.
- (iv) **Doubles and Multiples**
Section 69(1a)(b) of the *Racing Act 1976*, provides for 1 percent of turnover from doubles and 1.4 percent of turnover from multiple betting made with the SA TAB to be payable to the controlling authorities in the respective shares as specified in section 69(2)(b).
- (v) **State Tax**
- **Racing**
Section 69(1a)(f) provides for a State tax equivalent to 6 percent of the net gambling revenue to be paid to the South Australian Government.
 - **Football**
Section 84B (ba) provides for a State tax equivalent to 6 percent of the net gambling revenue to be paid to the South Australian Government.
- (vi) **Net Gambling Revenue Payment**
- **Racing**
Section 69 (1a)(g) provides for a payment equivalent to 18.45 percent of the net gambling revenue to be paid to the controlling authorities in the respective shares as specified in section 69(2)(b).
 - **Football**
Section 84B (bb) provides for a payment equivalent to 15.09 percent of the net gambling revenue to be paid to the South Australian National Football League Inc.
- (i) **Goods and Services Tax**
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense: or
 - For receivables and payables which are recognised inclusive of GST.
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables
- (j) **Comparative Figures**
The SA TAB ceased to exist, as a Statutory Authority, on 25 April 2001. On 26 April 2001 the organisation was corporatised. Accordingly comparative figures relate to different time periods.

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

| | | |
|---|--------------------|----------|
| | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 |
| (a) Operating Revenue | | |
| Turnover | 521 175 | 619 669 |
| Interest revenue | 1 105 | 1 152 |
| Rental revenue | 903 | 1 034 |
| Fractions | 4 425 | 5 305 |
| Unclaimed dividends | 1 168 | 1 567 |
| Outstanding refunds | 279 | 317 |
| On-course costs recovered | 853 | 737 |
| Sundry income | 870 | 1 071 |
| | 530 778 | 630 852 |
| (b) Expenses | | |
| Dividends paid to customers | 439 495 | 522 459 |
| Employee entitlements | 867 | 916 |
| Ordinary lease rental expenses | 2 523 | 2 838 |
| Defined benefit superannuation expenses | - | 112 |

3. Income Tax

Income Tax attributable to income tax equivalent regime (Note 1(a))

1 038 6 836

| | | | |
|----|--|--------------------|----------------|
| 4. | Distributions and Retentions | 01.07.00 | |
| | (a) Distribution Recipients (Note 20(d)) | to 25.04.01 | 30.06.00 |
| | | \$'000 | \$'000 |
| | Thoroughbred Racing SA | 18 446 | 19 129 |
| | Harness Racing SA | 4 392 | 4 555 |
| | Greyhound Racing SA | 2 259 | 2 342 |
| | Racing Industry Development Authority | 752 | 5 524 |
| | Total Racing Industry | 25 849 | 31 550 |
| | South Australian National Football League Inc | 104 | 221 |
| | South Australian Government | 5 850 | 22 426 |
| | Total | 31 803 | 54 197 |
| | (b) Distribution Source | | |
| | <i>(i) Trading:</i> | | |
| | Racing | 24 243 | 44 799 |
| | Footypunt | 167 | 434 |
| | | 24 410 | 45 233 |
| | <i>(ii) Non Trading:</i> | | |
| | Fractions | 4 425 | 5 305 |
| | Unclaimed dividends | 1 168 | 1 567 |
| | Doubles and Multiples | 1 800 | 2 092 |
| | | 7 393 | 8 964 |
| | Total Trading and Non Trading | 31 803 | 54 197 |
| | (c) Retentions | | |
| | Capital Fund | 2 752 | 3 229 |
| | | 2 752 | 3 229 |
| 5. | Current Assets - Receivables | | |
| | Debtors | 88 | 120 |
| 6. | Current Assets - Investments | | |
| | Investments | 12 541 | 19 135 |
| | Short-term deposits | 1 200 | 1 115 |
| | Section 69 - Capital Fund investments ^(a) | 2 708 | 2 416 |
| | Capital Infrastructure Fund | 1 803 | 1 725 |
| | | 18 252 | 24 391 |
| | <i>(a) Section 69 Capital Fund</i> | | |
| | Balance at 1 July | 2 416 | 2 193 |
| | Add: 0.5 percent of racing turnover and 1 percent of sports turnover | 2 606 | 3 114 |
| | Interest on funds | 146 | 115 |
| | | 5 168 | 5 422 |
| | Assets financed from the Fund | (2 460) | (3 006) |
| | Balance at end of reporting period | 2 708 | 2 416 |
| 7. | Current Assets - Inventories | | |
| | At cost: | | |
| | Betting ticket stock | 511 | 605 |
| | Terminal maintenance stock | 240 | 227 |
| | Other stocks | 109 | 122 |
| | Less: Provisions for obsolete stock | - | (110) |
| | | 860 | 844 |
| 8. | Current Assets - Other | | |
| | Prepayments | 201 | 319 |
| | Other debtors | 833 | 900 |
| | Accrued income | 71 | 9 |
| | | 1 105 | 1 228 |
| 9. | Non-Current Assets - Investments | | |
| | Unlisted Investments: | | |
| | Shares - At cost | 67 | 67 |

SA TAB holds 50 percent of the ordinary shares of TAB Radio Facilities Pty Ltd, a company jointly owned with Festival City Broadcasters Ltd.

| | | | | | |
|-----|--------------------------------------|--------------|------------|---------------|---------------|
| 10. | Non-Current Assets | | | | |
| | Property, Plant and Equipment | Freehold | Buildings | Plant and | Total |
| | Gross Carrying Amount: | Land | | Equipment | |
| | Balance at 30 June 2000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Additions | 1 363 | 320 | 36 476 | 38 159 |
| | Disposals | - | - | 2 743 | 2 743 |
| | Net revaluation (decrements) | - | - | (212) | (212) |
| | Recoverable amount write-downs | (63) | - | - | (63) |
| | | - | - | (962) | (962) |
| | Balance at 25 April 2001 | 1 300 | 320 | 38 045 | 39 665 |

| Property, Plant and Equipment (continued) | Freehold | Buildings | Plant and | Total |
|--|----------|------------|-----------------|-----------------|
| | Land | | Equipment | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accumulated Depreciation: | | | | |
| Balance at 30 June 2000 | - | (8) | (27 401) | (27 409) |
| Disposals | - | - | 134 | 134 |
| Net adjustments from revaluation increments | - | 10 | - | 10 |
| Depreciation (Note 1(c)) | - | (7) | (3 685) | (3 692) |
| Recoverable amount write-downs | - | - | 754 | 754 |
| Balance at 25 April 2001 | - | (5) | (30 198) | (30 203) |
| Net Book Value | | | | |
| As at 30 June 2000 | 1 363 | 312 | 9 075 | 10 750 |
| As at 25 April 2001 | 1 300 | 315 | 7 847 | 9 462 |

The SA TAB's land and buildings are independently valued. A property revaluation was conducted by Knight Frank (SA) Pty Ltd (Licensed Valuers) during the year. The valuation was performed on the basis of current market values.

The revaluation of the SA TAB's land and buildings resulted in a write-down of \$63 000. The revaluation decrement was applied to the Accumulated Capital Account. This treatment was approved in 1993 by the Treasurer under section 58(1) of the *Racing Act 1976*. Consequently, the legislative requirements mean that it is not appropriate to apply the provisions of Australian Accounting Standard AAS 10, 'Accounting for the Revaluation of Non-Current Assets'.

| | | |
|--|--------------------|---------------|
| 11. Current Liabilities - Accounts Payable | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 |
| Trade creditors and accruals | 5 692 | 3 001 |
| 12. Current Liabilities - Current Tax Liability | | |
| Current income tax equivalent regime liability | 347 | 1 920 |
| 13. Current Liabilities - Provisions | | |
| Employee Entitlements: | | |
| Annual leave | 691 | 673 |
| Long service leave | 1 126 | 1 022 |
| | 1 817 | 1 695 |
| On-costs associated with employee entitlements | 277 | 239 |
| | 2 094 | 1 934 |
| 14. Current Liabilities - Other | | |
| Distributions payable | 3 852 | 12 143 |
| Unclaimed dividends (Note 1(h)) | 1 298 | 993 |
| Refunds outstanding (Note 1(h)) | 203 | 196 |
| Telephone betting deposits | 4 764 | 3 753 |
| | 10 117 | 17 085 |
| 15. Non-Current Liabilities - Provisions | | |
| Employee Entitlements: | | |
| Long service leave | 377 | 300 |
| On-costs associated with employee entitlements | 61 | 48 |
| | 438 | 348 |
| 16. Retained Profits | | |
| Balance at beginning of financial year | - | - |
| Net Profit | 33 517 | 49 286 |
| Distributions provided for or paid | (30 765) | (47 361) |
| Amounts transferred from reserve | - | 1 304 |
| Amounts transferred to reserve for Capital fund | (2 752) | (3 229) |
| Balance at end of Reporting Period | - | - |

17. Accumulated Capital
The Accumulated Capital balance is comprised primarily of funds provided from racing turnover. The actual cash funds available for capital expenditure is \$2.7 million (refer Note 6) plus the amount in the Capital Infrastructure Fund \$1.8 million (refer Note 6).

As SA TAB's assets are purchased from section 69 Capital Fund, the accounting treatment to introduce the transactions into the financial records of SA TAB is to charge the Fund account with the cost of the assets, with a contra entry to the Accumulated Capital account.

| | Capital Fund | | Other Capital | | Total | |
|---|--------------|----------|----------------|----------|----------------|----------|
| | 25.04.01 | 30.06.00 | 25.04.01 | 30.06.00 | 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July | 2 416 | 2 193 | 13 010 | 14 913 | 15 426 | 17 106 |
| Net increase (refer Note 6) | 292 | 223 | - | - | 292 | 223 |
| Net asset movements | - | - | (1 197) | (599) | (1 197) | (599) |
| Transfer from reserves | - | - | - | (1 304) | - | (1 304) |
| Balance at end of Reporting Period | 2 708 | 2 416 | 11 813 | 13 010 | 14 521 | 15 426 |

| | | |
|--|---|------------|
| 18. Directors' Remuneration | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| Total income received or due and receivable by all Directors of the economic entity: | \$'000 | \$'000 |
| Directors' fees | 151 | 136 |
| <hr/> | | |
| The number of Directors of the Board whose income from the economic entity falls within the following bands: | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | Number of | Number of |
| | Directors | Directors |
| \$10 000 - \$19 999 | 3 | 2 |
| \$20 000 - \$29 999 | 4 | 3 |
| \$30 000 - \$39 999 | - | 1 |
| 19. Executives' Remuneration | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| Total remuneration package received, or due and receivable from the economic entity by Executive Officers whose remuneration package exceeds \$100 000 | \$'000 | \$'000 |
| | 583 | 643 |
| <hr/> | | |
| The number of Executive Officers whose remuneration package from the economic entity falls within the following bands: | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | Number of | Number of |
| | Executives | Executives |
| \$100 000 - \$109 999 | 1 | 1 |
| \$110 000 - \$119 999 | 2 | - |
| \$120 000 - \$129 999 | - | 2 |
| \$240 000 - \$249 999 | 1 | - |
| \$280 000 - \$289 999 | - | 1 |
| 20. Other Information | | |
| (a) | The South Australian Totalizator Agency Board is located in South Australia. It is a Statutory Authority that was established in 1967 by the Government of South Australia. The registered office is 14 Pulteney Court, Adelaide, South Australia. | |
| (b) | The Organisation's functions and objectives are: | |
| | Functions | |
| | The functions of the TAB are set out in the <i>Racing Act 1976</i> , as follows: | |
| | <ul style="list-style-type: none"> • To conduct off-course totalizator betting on races held within or outside Australia. • To act as the agent of an authorised racing club in the conduct by that club of on-course totalizator betting on races held within or outside Australia. • To conduct totalizator betting on football results held within or outside Australia. • To conduct totalizator betting on the result of any other sporting event or an event of any other kind or on a combination of sporting events whether held or occurring within or outside Australia. • Such other functions as are conferred on TAB by this Act. | |
| | Objectives | |
| | TAB's objectives are: | |
| | <ul style="list-style-type: none"> • To provide an efficient and economic off-course and on-course betting service. • To be recognised as a highly skilled and competent provider of skill based betting and complementary services. • To promote the concept of excellence throughout the organisation with an insistence on providing the highest standards of performance, requiring an unswerving expectancy of quality from the staff. • To provide a service culture amongst all the staff and representatives which emphasises courtesy, initiative, responsiveness and accountability for satisfying customer needs. • To improve the image and profile of the TAB. • To increase growth in our markets by increasing support for the growing and newly emerging segments of the market and investing heavily to accelerate the growth of the more traditional channels. • To maximise the efficiency of the business and therefore improve profitability, productivity and expertise. • To play our part in the community by earning the role of a good corporate citizen. | |
| (c) | The number of full-time equivalent employees at the reporting date were 371 (341). | |

- (d) Legislative changes during the year:
- (i) With effect from 1 July 2000 the Federal Government introduced a Goods and Services Tax (GST). As a consequence, the Racing Act was amended to ensure that distributions, other than to the State Government, were maintained at pre GST levels. GST for the period amounted to \$7.4 million and is included in 'Other Expenses from Ordinary Activities' in the Statement of Financial Performance.
- (ii) With effect from 1 July 2000 the State Government introduced a State Tax of 6 percent of the net gambling revenue of the SA TAB. The Racing Act was amended to reflect this change to ensure that distributions, other than to the State Government, were maintained at pre State Tax levels. State Tax for the period amounted to \$4.9 million and is included in 'Other Expenses from Ordinary Activities' in the Statement of Financial Performance.
- (iii) With effect from 30 September 2000 the State Government ceased the operation of the Racing Industry Development Authority. The Racing Act was changed and all distributions after that date were paid by SA TAB direct to the controlling authorities.

| | | |
|--|--------------------|---------------|
| 21. Auditor's Remuneration | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| Remuneration for audit or review of the financial reports of the SA TAB: | \$'000 | \$'000 |
| Auditors of the SA TAB: Auditor-General of South Australia | 83 | 87 |

22. Commitments**(a) Superannuation Commitments**

The SA TAB Staff Superannuation Fund provides defined benefits on resignation, retirement, death or disability.

An actuarial assessment of the Fund as at 1 July 1999 was carried out by NSP Buck Pty Ltd. The next actuarial review will be carried out as at 1 July 2002.

Following actuarial advice, the SA TAB reduced the rate of contributions paid to the SA TAB Staff Superannuation Fund from 2 percent of members' base salary to nil with effect from 1 December 1999. The SA TAB contributed \$Nil (\$59 000) to the Fund during the period in respect of defined benefits. In addition, the SA TAB contributed \$Nil (\$53 000) in respect of members to provide additional accumulation style benefits. These contributions were also suspended from 1 December 1999 following actuarial advice.

The defined benefit structure of the Fund and the size of the Fund's assets are both of a sufficient level to ensure that, even though SA TAB contributions have been suspended, the security of members' benefits was retained and that all legislative requirements were satisfied. These requirements include those of the *Superannuation Guarantee (Administration) Act 1992*.

Additionally, the SA TAB paid \$717 000 (\$731 000) in contributions to the Southern State Superannuation Scheme on behalf of employees who were non-Fund members. These contributions relate to the Superannuation Guarantee Levy.

(b) Lease Commitments

Non-Cancellable Operating Leases:

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | | |
|---|--------------------|---------------|
| | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 |
| Within one year | 2 001 | 2 000 |
| Later than one year and not later than five years | 2 956 | 2 597 |
| Later than five years | 8 339 | 6 734 |
| | 5 362 | 4 100 |
| | 16 657 | 13 431 |

The operating lease commitments are not recognised in the accounts as liabilities.

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within lease agreements require lease payments to be reviewed periodically and to be adjusted either in line with market rates or the Consumer Price Index. Options exist to renew the leases at the end of their terms.

| | | |
|---|--------------------|---------------|
| | 01.07.00 | |
| | to 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 |
| Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases | 71 | 95 |

(c) Capital Expenditure Commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

| | | |
|-----------------|---|----|
| Within one year | - | 81 |
|-----------------|---|----|

23. Contingent Liabilities

The SA TAB is aware of a potential claim for breach of lease obligations. The claim has not been quantified.

Proceedings have been lodged against SA TAB for an alleged breach of contract. The SA TAB is currently defending the claim. The maximum exposure for SA TAB is \$5 000.

24. Related Parties' Disclosure

During the financial year the following persons held the position of Board Member of the SA TAB:

| | |
|--|------------------------|
| Mr John G Branson, LL.B (Presiding Member) | |
| Reappointed Presiding Member | 19.4.2001 to 25.4.2001 |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Mr William (Bill) A Dawson | |
| Appointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Ms Janet E Grieve | |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Mr David J Seymour-Smith | |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Ms Vickie A Chapman, LL.B, GDLP | |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Mr Richard P Krantz, FCA | |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |
| Mr John M Patten, B.Ec, FCA | |
| Reappointed | 19.4.2001 to 25.4.2001 |
| Term Expired | 14.4.2001 |

Details of Directors' remuneration are set out in Note 18.

No Director has, since becoming a Director of the SA TAB, entered into a contract or transaction with the SA TAB.

Mr Seymour-Smith held the office of Presiding Member of the Racing Industry Development Authority, until 30 September 2000.

Mr Branson holds a \$1.00 ordinary share in SA TAB Staff Superannuation Fund Pty Ltd, the trustee company of the SA TAB's staff superannuation fund.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the SA TAB or any entity controlled by the SA TAB, had entered into a transaction during the financial period.

25. Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short-term investments in money market instruments.

| | | |
|--|-----------------|----------|
| Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | 25.04.01 | 30.06.00 |
| | \$'000 | \$'000 |
| Cash | 3 375 | 2 314 |
| Short-term investments | 18 252 | 24 391 |
| | 21 627 | 26 705 |

(b) Reconciliation of Net Cash provided by Operating Activities to Profit from Ordinary Activities before Income Tax

| | | |
|---|---------------|--------|
| Profit from ordinary activities before income tax | 34 555 | 56 122 |
| Change in operating assets and liabilities | 2 958 | 1 284 |
| Telephone betting deposits | 1 011 | 249 |
| Refunds outstanding | 7 | 33 |
| Unclaimed dividends outstanding | 305 | (24) |
| Net Cash provided by Operating Activities | 38 836 | 57 664 |

26. Consultancies

Amounts paid for consultancies

129 275

27. Additional Financial Instruments Disclosure**(a) Credit Risk Exposure**

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

The economic entity is not materially exposed to any individual overseas country or individual customer.

The credit risk on financial assets of the economic entity, is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure

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

The economic entity has investments placed in a portfolio managed by an independent investment manager. The fund manager may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures.

| | Note | Floating | Fixed Interest Maturing in | | | Non- | 25.04.01 |
|--------------------------------|-------|---------------|----------------------------|-------------------|-------------------|------------------|---------------|
| | | Interest Rate | 1 Year or Less | 1 Year to 5 years | More than 5 years | Interest Bearing | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets: | | | | | | | |
| Cash | - | - | - | - | - | 3 375 | 3 375 |
| Receivables | 5 | - | - | - | - | 88 | 88 |
| Investments | 6 | 3 003 | 12 820 | 552 | 1 877 | - | 18 252 |
| Other | 8 | - | - | - | - | 833 | 833 |
| Total | | 3 003 | 12 820 | 552 | 1 877 | 4 296 | 22 548 |
| Weighted average interest rate | | 5.53% | 6.00% | 7.50% | 6.23% | - | |
| Financial Liabilities: | | | | | | | |
| Trade creditors | 11 | - | - | - | - | 5 692 | 5 692 |
| Other | 12,14 | - | - | - | - | 10 464 | 10 464 |
| Total | | - | - | - | - | 16 156 | 16 156 |
| 30 June 2000 | | | | | | | |
| Financial Assets | | 2 917 | 16 737 | 2 008 | 2 729 | 3 334 | 27 725 |
| Weighted average interest rate | | 5.68% | 5.53% | 5.75% | 6.38% | - | |
| Financial Liabilities | | - | - | - | - | 22 006 | 22 006 |

(c) Net Fair Values of Financial Assets and Liabilities*Recognised Financial Instruments*

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the economic entity approximate their carrying value.

The net fair value of investments placed in a portfolio managed by an independent investment manager are based on the current book value and interest has been accrued to current market value.

SA TAB PTY LTD

Statement of Financial Performance for the period 26 April 2001 to 30 June 2001

| | Note | 2001 \$'000 |
|--|------|----------------|
| Turnover | 2 | 113 104 |
| Dividends paid to customers | 2 | (95 546) |
| Commission | | <u>17 558</u> |
| Other revenue from ordinary activities | 2 | 2 745 |
| Distribution expenses | | (3 891) |
| Marketing expenses | | (1 561) |
| Occupancy expenses | | (824) |
| Information technology expenses | | (725) |
| Other expenses from ordinary activities | | (4 506) |
| Profit from Ordinary Activities before Income Tax Expense | | <u>8 796</u> |
| Income tax expense relating to ordinary activities | 3 | (429) |
| Profit from Ordinary Activities after related Income Tax Expense | | <u>8 367</u> |
| NET PROFIT | 16 | <u>8 367</u> |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | <u>8 367</u> |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 |
|--------------------------------------|------|----------------|
| CURRENT ASSETS: | | |
| Cash | | 2 661 |
| Receivables | 5 | 229 |
| Investments | 6 | 22 999 |
| Inventories | 7 | 1 108 |
| Other | 8 | 908 |
| Total Current Assets | | <u>27 905</u> |
| NON-CURRENT ASSETS: | | |
| Investments | 9 | 67 |
| Property, plant and equipment | 10 | 9 546 |
| Total Non-Current Assets | | <u>9 613</u> |
| Total Assets | | <u>37 518</u> |
| CURRENT LIABILITIES: | | |
| Accounts payable | 11 | 4 150 |
| Current tax liability | 12 | 502 |
| Provisions | 13 | 2 182 |
| Other | 14 | 16 530 |
| Total Current Liabilities | | <u>23 364</u> |
| NON-CURRENT LIABILITIES: | | |
| Provisions | 15 | 426 |
| Total Non-Current Liabilities | | <u>426</u> |
| Total Liabilities | | <u>23 790</u> |
| NET ASSETS | | <u>13 728</u> |
| FUNDS AND RESERVES: | | |
| Accumulated capital | 17 | 13 728 |
| Contributed Equity | 18 | - |
| TOTAL FUNDS AND RESERVES | | <u>13 728</u> |
| Commitments | 23 | |
| Contingent Liabilities | 24 | |

Statement of Cash Flows for the period 26 April 2001 to 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 |
|---|------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | | 113 104 |
| Rental received | | 227 |
| Interest and bill discounts received | | 424 |
| Proceeds from sundry activities | | 758 |
| Proceeds from refunds outstanding | | 88 |
| Decrease in refunds outstanding | | (45) |
| Proceeds from unclaimed dividends | | 355 |
| Decrease in unclaimed dividends | | (3) |
| Proceeds from fractions | | 922 |
| Payment of dividends to customers | | (95 546) |
| Payments to suppliers and employees | | (13 206) |
| Decrease in telephone betting deposits | | (99) |
| Net Cash provided by Operating Activities | 26 | <u>6 979</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for property, plant and equipment | | (667) |
| Proceeds from sale of property, plant and equipment | | 1 |
| Net Cash used in Investing Activities | | <u>(666)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Distributions paid | | (2 280) |
| Net Cash used in Financing Activities | | <u>(2 280)</u> |
| NET INCREASE IN CASH HELD | | 4 033 |
| CASH AT 26 APRIL | | <u>21 627</u> |
| CASH AT 30 JUNE | 26 | <u>25 660</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report of SA TAB Pty Ltd (SA TAB) is a general purpose financial report which has been prepared in accordance with the *Racing Act 1976*, the requirements of the Accounting Policy Statements issued by the Treasurer pursuant to the *Public Finance and Audit Act 1987*, the applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with the requirements of the law.

The accounts have been prepared on the basis of historical cost and do not take into account changes in money values or, except where stated, current valuations of non-current assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Income Tax Equivalent Regime

Pursuant to a Ministerial Direction and Treasurer's Instruction 22, an income tax equivalent regime applies to the SA TAB. The regime requires the SA TAB to pay amounts (to the South Australian Government as part of its distribution) deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The income tax equivalent regime has been applied in a manner that is consistent with the requirement, pursuant to section 69(2) of the *Racing Act 1976*, to pay 45 percent of the balance remaining, after deducting the amount of the payments required by subsection (1a) of section 69, to the Treasurer to be credited to the Hospitals Fund.

As a result of the application of the income tax equivalent regime, the transfer of funds to the Hospitals Fund has been reflected in the financial statements as:

- (i) income tax expense relating to ordinary activities;
- (ii) profit distributable to the South Australian Government (refer Note 4).

(b) Investments**Current Assets**

The investments in short term financial instruments are valued at cost.

(c) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or fair value. The carrying amount of property, plant and equipment is reviewed annually by the SA TAB to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the SA TAB's assessment of the assets' current valuation.

Property, plant and equipment including buildings but excluding freehold land, are depreciated/amortised on the straightline basis over their useful lives from the date of acquisition.

(c) **Property, Plant and Equipment (continued)**

The depreciation rates used for each class of asset are within the following ranges:

| | Percent |
|---------------------|---------|
| Buildings | 2.5 |
| Plant and equipment | 10-33.3 |

Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Since July 1981 assets acquired by the SA TAB have been funded at the time of purchase from a Capital Fund which was established pursuant to the *Racing Act 1976*, to finance asset purchases. The annual write-down of the carrying amount of the Capital Fund assets has not been charged to the Statement of Financial Performance but to Accumulated Capital, to reflect the reducing service potential of fund assets. Consequently, the legislative requirements mean that it is not appropriate to apply the provisions of Australian Accounting Standard AASB 1021 'Depreciation'.

(d) **Revaluation of Non-Current Assets**

Subsequent to initial recognition as assets, property is measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments will be made by the directors, supplemented by independent assessments at least every three years.

The above policy was adopted with effect from 1 July 2000. The previous policy was to revalue land and buildings at fair value at three yearly intervals. The changed policy has not had a material effect in the current or prior financial year, nor is it expected to have a material effect in subsequent financial years.

The changed policy has been adopted to comply with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', released in December 1999 which applied for the first reporting period beginning on or after 1 July 2000.

(e) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

(f) **Employee Entitlements**

(i) *Long Service Leave*

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the interest rate applicable to 10 year Commonwealth Government bonds at balance date. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates. Related on-costs have also been included in the liability.

(ii) *Annual Leave*

The annual leave liability recognised in the accounts represents the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(iii) *Sick Leave*

No provision has been made in respect of sick leave, as on average, sick leave taken is less than the total entitlements that accrue each year.

(iv) *Superannuation*

The SA TAB contributes to separate externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur.

(v) The SA TAB pays a levy to WorkCover who meets all liabilities associated with workers compensation.

(g) **Leases**

Operating lease payments are charged as an expense in the period in which they are incurred.

(h) **Requirements of the Racing Act 1976 and Other Related Matters**

(i) *Fractions*

- *Racing*
Section 76 of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment as to one half to the South Australian Government and the balance to the controlling authorities in the respective shares as specified in section 69(2)(b).
- *Football*
Section 84G of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.

(ii) *Unclaimed Dividends*

Unclaimed dividends for a period of less than six months are recorded as a current liability.

- *Racing*
Section 78 of the *Racing Act 1976*, provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment as to one half to the South Australian Government and the balance to the controlling authorities in the respective shares as specified in section 69(2)(b).

- (ii) **Unclaimed Dividends (continued)**
- **Football**
Section 84H of the *Racing Act 1976* provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.
 - **Fixed Odds Betting**
Section 84N of the *Racing Act 1976*, provides for dividends unclaimed to accrue to the SA TAB for payment to the South Australian Government.
- (iii) **Refunds Outstanding**
In accordance with Board policy the SA TAB records refunds outstanding for a period of less than six months as a liability. Refunds outstanding more than six months accrue to the SA TAB as general revenue and form part of trading distributions.
- (iv) **Doubles and Multiples**
Section 69(1a)(b) of the *Racing Act 1976*, provides for 1 percent of turnover from doubles and 1.4 percent of turnover from multiple betting made with the SA TAB to be payable to the controlling authorities in the respective shares as specified in section 69(2)(b).
- (v) **State Tax**
- **Racing**
Section 69 (1a)(f) provides for a state tax equivalent to 6 percent of the net gambling revenue to be paid to the South Australian Government.
 - **Football**
Section 84B(ba) provides for a state tax equivalent to 6 percent of the net gambling revenue to be paid to the South Australian Government.
- (vi) **Net Gambling Revenue Payment**
- **Racing**
Section 69(1a)(g) provides for a payment equivalent to 18.45 percent of the net gambling revenue to be paid to the controlling authorities in the respective shares as specified in section 69(2)(b).
 - **Football**
Section 84B(bb) provides for a payment equivalent to 15.09 percent of the net gambling revenue to be paid to the South Australian National Football League Inc.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

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

(j) Comparative Figures

The SA TAB ceased to exist, as a Statutory Authority, on 25 April 2001. On 26 April 2001 the organisation was corporatised. Accordingly, there are no comparative figures.

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense.

| | | |
|------------|---|----------------|
| (a) | Operating Revenue | 2001 |
| | | \$'000 |
| | Turnover | 113 104 |
| | Interest revenue | 364 |
| | Rental revenue | 206 |
| | Fractions | 922 |
| | Unclaimed dividends | 355 |
| | Outstanding refunds | 88 |
| | Oncourse costs recovered | 427 |
| | Sundry income | 383 |
| | | 115 849 |
| (b) | Expenses | |
| | Dividends paid to customers | 95 546 |
| | Employee entitlements | 122 |
| | Ordinary lease rental expenses | 556 |
| | Defined benefit superannuation expenses | 188 |
| | | 115 849 |
| 3. | Income Tax | |
| | Income tax attributable to income tax equivalent regime (Note 1(a)) | 429 |

SA Totalizator Agency Board

| | | |
|----|--|---------------|
| 4. | Distributions and Retentions | 2001 |
| | (a) Distribution Recipients | \$'000 |
| | Thoroughbred Racing SA | 4 913 |
| | Harness Racing SA | 1 170 |
| | Greyhound Racing SA | 601 |
| | Total Racing Industry | <u>6 684</u> |
| | South Australian National Football League Inc | 57 |
| | South Australian Government | 2 256 |
| | Total | <u>8 997</u> |
| | (b) Distribution Source | |
| | (i) <i>Trading</i> | |
| | Racing | 7 260 |
| | Footypunt | 91 |
| | | <u>7 351</u> |
| | (ii) <i>Non-Trading</i> | |
| | Fractions | 922 |
| | Unclaimed dividends | 355 |
| | Doubles and multiples | 369 |
| | | <u>1 646</u> |
| | Total Trading and Non-Trading | <u>8 997</u> |
| | (c) Retentions | |
| | Capital fund | 588 |
| | | <u>588</u> |
| 5. | Current Assets - Receivables | |
| | Debtors | 229 |
| | | <u>229</u> |
| 6. | Current Assets - Investments | |
| | Investments | 17 357 |
| | Short-term deposits | 1 200 |
| | Section 69 Capital Fund investments (a) | 2 616 |
| | Capital Infrastructure Fund | 1 826 |
| | | <u>22 999</u> |
| | (a) Section 69 Capital Fund | |
| | Balance at 26 April | 2 708 |
| | Add: 0.5 percent of racing turnover and 1 percent of sports turnover | 564 |
| | Interest on funds | 24 |
| | | <u>3 296</u> |
| | Assets financed from the Fund | (680) |
| | Balance at 30 June | <u>2 616</u> |
| 7. | Current Assets - Inventories | |
| | At cost: | |
| | Betting ticket stock | 788 |
| | Terminal maintenance stock | 218 |
| | Other stock | 102 |
| | | <u>1 108</u> |
| 8. | Current Assets - Other | |
| | Prepayments | 199 |
| | Other debtors | 697 |
| | Accrued income | 12 |
| | | <u>908</u> |
| 9. | Non-Current Assets - Investments | |
| | Unlisted Investments: | |
| | Shares at cost | 67 |
| | | <u>67</u> |

SA TAB holds 50 percent of the ordinary shares of TAB Radio Facilities Pty Ltd, a company jointly owned with Festival City Broadcasters Pty Ltd.

| 10. Non-Current Assets - Property, Plant and Equipment | Freehold Land \$'000 | 2001 | | Total \$'000 |
|---|----------------------------|------------------------------------|----------------------------------|-----------------|
| | | Buildings \$'000 | Plant and Equipment \$'000 | |
| Gross Carrying Amount: | | | | |
| Balance at 26 April | 1 300 | 320 | 38 045 | 39 665 |
| Additions | - | - | 690 | 690 |
| Disposals | - | - | (12) | (12) |
| Recoverable amount write-downs | - | - | (537) | (537) |
| Balance at 30 June | 1 300 | 320 | 38 186 | 39 806 |
| Accumulated Depreciation: | | | | |
| Balance at 26 April | - | (5) | (30 198) | (30 203) |
| Disposals | - | - | 12 | 12 |
| Depreciation (Note 1(c)) | - | (1) | (550) | (551) |
| Recoverable amount write-downs | - | - | 482 | 482 |
| Balance at 30 June | - | (6) | (30 254) | (30 260) |
| Net Book Value: | | | | |
| As at 30 June | 1 300 | 314 | 7 932 | 9 546 |
| 11. Current Liabilities - Accounts Payable | | | | 2001 |
| Trade creditors and accruals | | | | \$'000 |
| | | | | 4 150 |
| 12. Current Liabilities - Current Tax Liability | | | | 502 |
| Current income tax equivalent regime liability | | | | |
| 13. Current Liabilities - Provisions | | | | |
| Employee entitlements: | | | | |
| Annual leave | | | | 744 |
| Long service leave | | | | 1 147 |
| | | | | 1 891 |
| On-costs associated with employee entitlements | | | | 291 |
| | | | | 2 182 |
| 14. Current Liabilities - Other | | | | |
| Distributions payable | | | | 10 412 |
| Unclaimed dividends (Note 1(h)) | | | | 1 295 |
| Refunds outstanding (Note 1(h)) | | | | 158 |
| Telephone betting deposits | | | | 4 665 |
| | | | | 16 530 |
| 15. Non-Current Liabilities - Provisions | | | | |
| Employee entitlements: | | | | |
| Long service leave | | | | 367 |
| On-costs associated with employee entitlements | | | | 59 |
| | | | | 426 |
| 16. Retained Profits | | | | |
| Balance at 26 April | | | | - |
| Net profit | | | | 8 367 |
| Distributions provided for or paid | | | | (8 565) |
| Amounts transferred from reserve | | | | 786 |
| Amounts transferred to reserve for Capital Fund | | | | (588) |
| Balance at 30 June | | | | - |
| 17. Accumulated Capital | | | | |
| The Accumulated Capital balance is comprised primarily of funds provided from racing turnover. The actual cash funds available for capital expenditure is \$2.6 million (refer Note 6) plus the amount in the Capital Infrastructure Fund \$1.8 million (refer Note 6). | | | | |
| As SA TAB's assets are purchased from section 69 Capital Fund, the accounting treatment to introduce the transactions into the financial records of SA TAB is to charge the Fund account with the cost of the assets, with a contra entry to the Accumulated Capital account. | | | | |
| | Capital Fund \$'000 | 2001 Other Capital \$'000 | | Total \$'000 |
| Balance at 26 April | 2 708 | 11 813 | | 14 521 |
| Net (Decrease) (refer Note 6) | (92) | - | | (92) |
| Net asset movements | - | 85 | | 85 |
| Transfer from reserves | - | (786) | | (786) |
| Balance at 30 June | 2 616 | 11 112 | | 13 728 |

SA Totalizator Agency Board

| | | | |
|-----|--|--|---------------|
| 18. | Contributed Equity | 2001 | 2001 |
| | (a) Share Capital | Shares | \$ |
| | Ordinary shares - fully paid | 1 | 1 |
| | Share held by Minister for Government Enterprises of South Australia in his capacity as a body corporate (pursuant to section 7 of the <i>Administrative Arrangements Act 1994</i>). | | |
| | (b) Ordinary Shares | | |
| | Ordinary shares entitle the holder to participate in the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. | | |
| 19. | Directors' Remuneration | | 2001 |
| | Total income received or due and receivable by all Directors of the economic entity: | | \$'000 |
| | Directors' fees | | 30 |
| | | | <hr/> <hr/> |
| | The number of Directors of the Board whose income from the economic entity falls within the following bands | | |
| | \$0 - \$9 999 | | 6 |
| | | | <hr/> <hr/> |
| 20. | Executives' Remuneration | | |
| | Since the economic entity was corporatised on 26 April 2001 no Executive Officer had a remuneration package received or due and receivable that exceeded \$100 000. | | |
| | Total remuneration package received, or due and receivable for SA TAB Pty Ltd and the South Australian Totalizator Agency Board by Executive Officers whose remuneration package exceeds \$100 000 for the financial year 1 July 2000 to 30 June 2001. | | |
| | | | 815 |
| | | | <hr/> <hr/> |
| | The number of Executive Officers whose remuneration package from the economic entity falls within the following bands: | | |
| | | 2001 | |
| | | Number of | |
| | | Officers | |
| | \$110 000 - \$119 999 | 1 | |
| | \$120 000 - \$129 999 | 1 | |
| | \$130 000 - \$139 999 | 1 | |
| | \$140 000 - \$149 999 | 1 | |
| | \$290 000 - \$299 999 | 1 | |
| 21. | Auditors' Remuneration | | 2001 |
| | Remuneration for audit or review of the financial reports of the SA TAB: | | \$'000 |
| | Auditors of the SA TAB: Auditor-General of South Australia | | 12 |
| | | | <hr/> <hr/> |
| 22. | Other Information | | |
| | (a) | The SA TAB Pty Ltd is located in South Australia. The Company was incorporated on 26 April 2001. The registered office is 14 Pulteney Court, Adelaide, South Australia. | |
| | (b) | The organisation's functions and objectives are: | |
| | | <i>Functions</i> | |
| | | The functions of the SA TAB are set out in the <i>Racing Act 1976</i> , as follows | |
| | | <ul style="list-style-type: none"> • To conduct off-course totalizator betting on races held within or outside Australia. • To act as the agent of an authorised racing club in the conduct by that club of on-course totalizator betting on races held within or outside Australia. • To conduct totalizator betting on football results held within or outside Australia. • To conduct totalizator betting on the result of any other sporting event or an event of any other kind or on a combination of sporting events whether held or occurring within or outside Australia. • Such other functions as are conferred on the SA TAB by this Act. | |
| | | <i>Objectives</i> | |
| | | SA TAB's objectives are: | |
| | | <ul style="list-style-type: none"> • To provide an efficient and economic off-course and on-course betting service. • To be recognised as a highly skilled and competent provider of skill based betting and complementary services. • To promote the concept of excellence throughout the organisation with an insistence on providing the highest standards of performance, requiring an unswerving expectancy of quality from the staff. • To provide a service culture amongst all the staff and representatives which emphasises courtesy, initiative, responsiveness and accountability for satisfying customer needs. • To improve the image and profile of the SA TAB. • To increase growth in our markets by increasing support for the growing and newly emerging segments of the market and investing heavily to accelerate the growth of the more traditional channels. • To maximise the efficiency of the business and therefore improve profitability, productivity and expertise. • To play our part in the community by earning the role of a good corporate citizen. | |
| | (c) | The number of full-time equivalent employees at 30 June were 350. | |

23. Commitments**(a) Superannuation Commitments**

The SA TAB Staff Superannuation Fund provides defined benefits on resignation, retirement, death or disability.

An actuarial assessment of the Fund as at 1 July 1999 was carried out by NSP Buck Pty Ltd. The next actuarial review will be carried out as at 1 July 2002.

Following actuarial advice, the SA TAB reduced the rate of contributions paid to the SA TAB Staff Superannuation Fund from 2 percent of members' base salary to nil with effect from 1 December 1999. The SA TAB contributed \$Nil to the Fund during the year in respect of defined benefits. In addition, the SA TAB contributed \$Nil in respect of members to provide additional accumulation style benefits. These contributions were also suspended from 1 December 1999 following actuarial advice.

The defined benefit structure of the Fund and the size of the Fund's assets are both of a sufficient level to ensure that, even though SA TAB contributions have been suspended, the security of members' benefits was retained and all legislative requirements were satisfied. These requirements include those of the *Superannuation Guarantee (Administration) Act 1992*.

Additionally, the SA TAB paid \$153 000 in contributions to the Southern State Superannuation Scheme on behalf of employees who were non Fund members. These contributions related to the Superannuation Guarantee Levy.

(b) Lease Commitments**Non-Cancellable Operating Leases**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | |
|---|---------------|
| Within one year | 2 915 |
| Later than one year and not later than five years | 8 192 |
| Later than five years | 5 080 |
| | <u>16 187</u> |

The operating lease commitments are not recognised in the accounts as liabilities.

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within lease agreements require lease payments to be reviewed periodically and to be adjusted either in line with market rates or the Consumer Price Index. Options exist to renew the leases at the end of their terms.

| | |
|---|----------------------|
| Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases | 2001 \$'000 65 |
|---|----------------------|

(c) Capital Expenditure Commitments

There were no capital expenditure commitments as at 30 June 2001

24. Contingent Liabilities

The SA TAB is aware of a potential claim for breach of lease obligations. The claim has not been quantified.

Proceedings have been lodged against SA TAB for an alleged breach of contract. The SA TAB is currently defending the claim. The maximum exposure for SA TAB is \$5 000.

25. Related Parties' Disclosure

During the financial period the following persons held the position of Director of the SA TAB:

| | |
|--|-----------|
| Mr John G Branson, LL.B (Presiding Member) | |
| Appointed Presiding Member | 26.4.2001 |
| Appointed | 26.4.2001 |
| Mr William (Bill) A Dawson | |
| Appointed | 26.4.2001 |
| Ms Janet E Grieve | |
| Appointed | 26.4.2001 |
| Mr David J Seymour-Smith | |
| Appointed | 26.4.2001 |
| Ms Vickie A Chapman, LL.B, GDLP | |
| Appointed | 26.4.2001 |
| Mr Richard P Krantz, FCA | |
| Appointed | 26.4.2001 |
| Mr John M Patten, B.Ec, FCA | |
| Appointed | 26.4.2001 |

Details of Directors' remuneration are set out in Note 19.

No Director has, since becoming a Director of the SA TAB, entered into a contract or transaction with the SA TAB.

Mr Branson holds a \$1.00 ordinary share in SA TAB Staff Superannuation Fund Pty Ltd, the trustee company of the SA TAB's staff superannuation fund.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the SA TAB or any entity controlled by the SA TAB, had entered into a transaction during the financial period.

26. Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short-term investments in money market instruments.

| | |
|---|---------------|
| Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | 2001 |
| Cash | \$'000 |
| Short-term investments | 2 661 |
| | 22 999 |
| | 25 660 |

(b) Reconciliation of Net Cash provided by Operating Activities to Profit from Ordinary Activities before Income Tax

| | |
|---|----------------|
| Profit from ordinary activities before income tax | 8 796 |
| Change in operating assets and liabilities | (1 670) |
| Telephone betting deposits | (99) |
| Refunds outstanding | (45) |
| Unclaimed dividends outstanding | (3) |
| Net Cash provided by Operating Activities | 6 979 |

27. Consultancies

Amounts paid for consultancies

36

28. Subsequent Event

On 15 August 2001 the Minister for Government Enterprises announced that the SA TAB had been purchased by TAB Queensland Limited. Final settlement is expected to occur in January 2002, subject to probity checks by the Gaming Supervisory Authority.

The Government has appointed a transitional Board to oversee a smooth and seamless transition process which will be specifically aimed at integrating SA TAB's operations with TAB Queensland Limited.

29. Additional Financial Instruments Disclosure**(a) Credit Risk Exposure**

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

The economic entity is not materially exposed to any individual overseas country or individual customer.

The credit risk on financial assets of the economic entity, is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure

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

The economic entity has investments placed in a portfolio managed by an independent investment manager. The fund manager may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures.

| | | 2001 | | | | | |
|--------------------------------|--------|------------------------------|------------------------|------------------------------|-------------------------|-----------------------------|-----------------------|
| | | Floating Interest Rate | One Year or Less | Over one to five years | More than five years | Non- Interest Bearing | 2001 Total |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets: | | | | | | | |
| Cash | | - | - | - | - | 2 661 | 2 661 |
| Receivables | 5 | - | - | - | - | 229 | 229 |
| Investments | 6 | 3 026 | 16 888 | 1 313 | 1 772 | - | 22 999 |
| Other | 8 | - | - | - | - | 697 | 697 |
| Total | | 3 026 | 16 888 | 1 313 | 1 772 | 3 587 | 26 586 |
| Weighted average interest rate | | 4.97% | 4.31% | 7.00% | 6.05% | - | - |
| Financial Liabilities: | | | | | | | |
| Trade creditors | 11 | - | - | - | - | 4 150 | 4 150 |
| Other | 12, 14 | - | - | - | - | 17 032 | 17 032 |
| Total | | - | - | - | - | 21 182 | 21 182 |

(c) Net Fair Values of Financial Assets and Liabilities**Recognised Financial Instruments**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the economic entity approximate their carrying value.

The net fair value of investments placed in a portfolio managed by an independent investment manager is based on the current book value and interest has been accrued to current market value.

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Water Corporation (the Corporation) was established on 1 July 1995 pursuant to the *South Australian Water Corporation Act 1994* (the Act).

Application of the *Public Corporations Act 1993*

The South Australia Water Corporation is a public corporation subject to the provisions of the *Public Corporations Act 1993*. That Act requires a charter and performance statement to be prepared by the Corporation's Minister and the Treasurer after consultation with the Corporation. The charter for the Corporation outlines:

- the nature and scope of commercial and non-commercial activities, including financial investment activities;
- financial standards and reporting, including interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices;
- the operating environment of the Corporation, asset management and control and the basis for setting fees and charges.

Objectives and Functions

The key objectives of the Corporation are to:

- ensure South Australia's water and wastewater services are operated in a way which provides continuous, high quality supply, protects the health of the public, and minimises environmental impacts;
- ensure South Australia's water and wastewater services are operated in a commercial manner, delivering high quality value-for-money services to customers and adequate financial returns to the Government as owner within the context of government pricing decisions;
- facilitate the development of a viable, export-focused, vigorous water industry in South Australia.

The primary functions of the Corporation in accordance with the Act are to provide services for the:

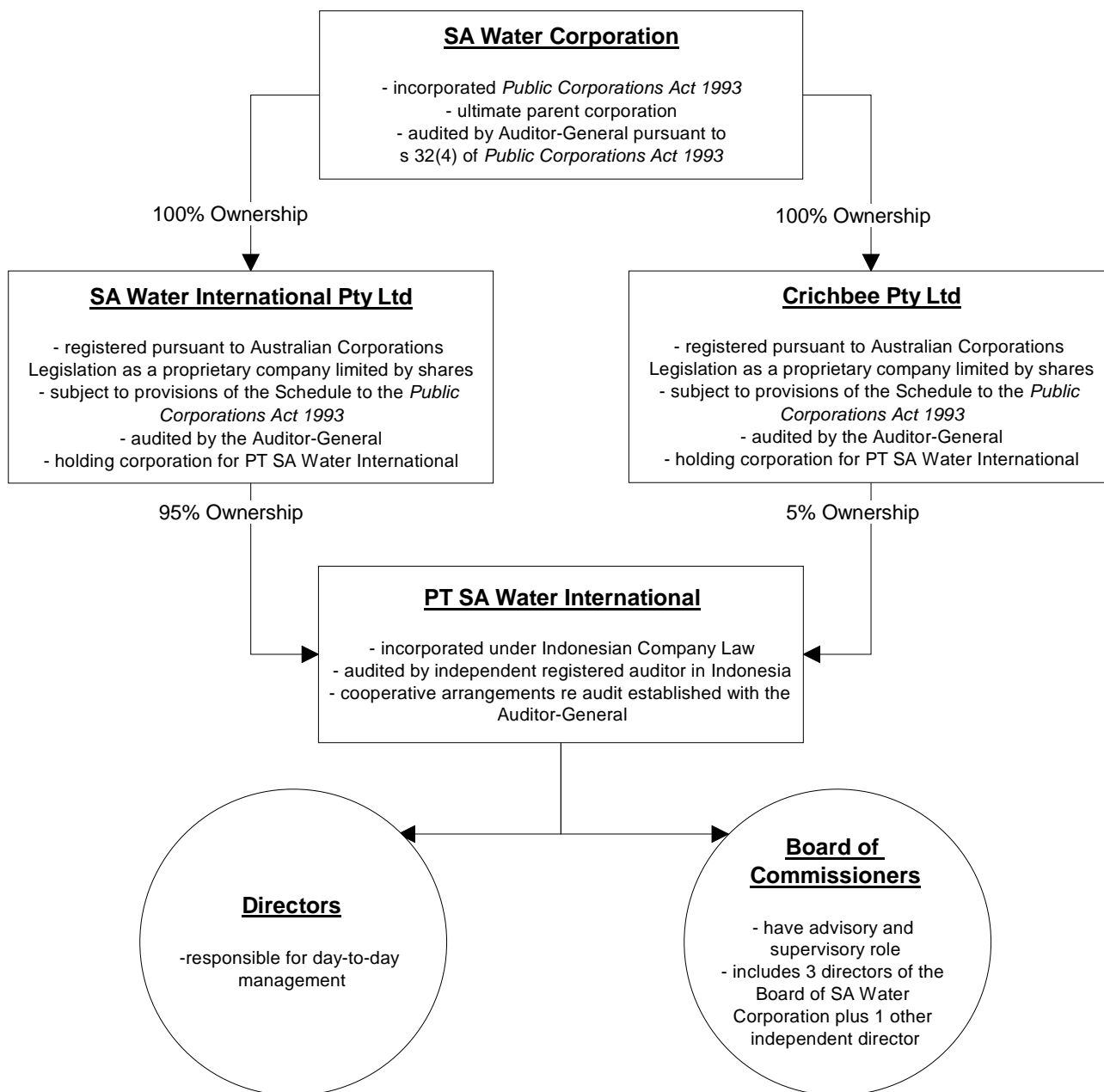
- supply of water by means of reticulated systems;
- storage, treatment and supply of bulk water;
- removal and treatment of wastewater by means of sewerage systems.

Additional functions of the Corporation as set out in the Act include researching and undertaking works to improve water quality and wastewater treatment; developing and marketing commercially viable products, processes and intellectual property; and encouraging and facilitating private or public sector investment and participation in the provision of water and wastewater services and facilities.

CHANGES TO CORPORATE STRUCTURE

Apart from various changes to the Corporation's internal organisation structure during the year, a number of related corporate entities came into operation. This arose out of the Corporation's continued involvement in commercial operations overseas, with particular regard to the Corporation's interests in the Indonesian Province of West Java.

The diagram below depicts the relevant corporate structure as at 30 June 2001:



In December 1999, the Government noted the strategic context of the Corporation's work in Indonesia and in addition to endorsing its proposed role in various commercial projects, approved the establishment of subsidiary companies by which the Corporation could pursue its interests. These entities came into operation during 2000-01.

Under the approved structure (as shown in the above diagram) the Corporation is the sole shareholder in two companies established pursuant to the provisions of the *Corporations Act 2001* (CWIth), those being SA Water International Pty Ltd and Crichbee Pty Ltd.

In March 2000, the Treasurer and the Minister for Government Enterprises approved the incorporation of PT SA Water International, a wholly owned subsidiary of the Corporation, as the vehicle for consulting activities in West Java (SA Water International Pty Ltd held 95 percent of this company while Crichbee Pty Ltd held the remaining 5 percent). PT SA Water International is subject to Indonesian company law.

Further information regarding the Corporation's overseas operations is provided under the section 'Further Commentary on Operations'. Consolidated financial reports have been prepared for the first time in 2000-01 to reflect the commencement of the operations of the subsidiaries.

SIGNIFICANT FEATURES

- The consolidated profit from ordinary activities after income tax expense was \$141.9 million.
- The net increase in asset revaluation reserve was \$9.4 million (\$87.2 million).
- Total net assets at 30 June 2001 were \$4.7 billion.
- A dividend of \$135.5 million (\$175.2 million) was paid to the State Government in addition to a capital repayment of \$29.7 million (\$3.2 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the South Australia Water Corporation in respect of each financial year.

Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- asset management and control
- treasury management
- revenue raising
- contract procedures and monitoring
- salaries and wages
- accounts payable
- budgetary control and management reporting.

Audit Communications to Management

During the year Audit attended meetings with management with respect to all management letters issued. All Audit management letters issued during the year were forwarded to the Chief Executive and, by arrangement, copies were forwarded to the Chair of the Corporation's Audit Committee. Satisfactory responses were received with respect to the issues raised by Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit Committee

The Corporation has an Audit Committee whose membership comprises four Corporation Board members. The Audit Committee Charter embodies the functions detailed in section 31 of the *Public Corporations Act 1993*, and includes the requirement to understand the risks of the business and assess the effectiveness of internal controls. The Charter requires at least four regular meetings each year. The Audit Committee met on four occasions during 2000-01 and Audit attended all meetings as an observer.

Internal Audit

In accordance with section 31 of the *Public Corporations Act 1993*, the Corporation has established an Internal Audit function. The scope of the operations of Internal Audit are detailed in the Internal Audit Charter. The Charter establishes Internal Audit as an independent appraisal function to examine and evaluate the Corporation's activities and to provide a service to management and the Board.

The Audit Committee directs and evaluates Internal Audit by defining expectations; reviewing and approving the audit plan; evaluating the effectiveness, quality and competency of Internal Audit; and ensuring no management restrictions are placed on the internal auditors.

Management Representations

The Corporation seeks representations concerning the discharge of management responsibilities through a Directors' Questionnaire which accompanies the financial statements presented to the Board. The Questionnaire is extensive and seeks specific representations from the Corporation's management concerning such matters as the control exercised over cash, receivables, assets, liabilities, borrowings, commitments, insurance, as well as relating to issues of legal compliance, contract management, environmental considerations, and fraud control.

Overall Assessment

As part of the audit process, consideration was given to the general control environment operating for the financial systems of the Corporation. The audit assessment covered the key internal controls in place, their application and monitoring, and whether the established South Australian Water Corporation policies and procedures detailing the activities to be performed and the tools to assist in monitoring compliance with policies and procedures, were being applied. Audit noted that the operations of some areas were characterised by on-line processing, checking and authorisation of transactions.

The overall assessment of the Corporation's financial control structure was that it was satisfactory. Audit findings and commentary on the more salient findings and issues addressed in the Audit letters to management are detailed below, under the appropriate heading, along with the Corporation's responses.

Revenue - Customer Service Information System (CSIS)

The Customer Service Information System (CSIS) is the Corporation's main revenue system. Its function includes the billing and recovery cycle process, the recording of customer property valuations, and the application of customer rates and exemptions to charges. The system is highly automated and is characterised by on-line processing, checking and authorisation of transactions. Accordingly, there is a significant reliance on automated system controls.

Issues arising from the audit primarily related to the areas of rating and billing. These focussed on the performance of various system reconciliations, maintenance of parameter files, audits of exempt properties and follow up of connection applications.

The issue of compliance with various internal policies and procedures permeated through a number of Audit's findings and it should be noted that this aspect has been referred to management in previous years.

The Corporation's response indicated that action would be taken to resolve the matters identified. The recurring nature of certain matters raised by Audit was of concern to the Corporation's Audit Committee, which sought to heighten the resolve of management to remedy these matters within the earliest possible timeframe.

Management of Major Contracts

Since 1995 significant water industry outsourcing contracts have been entered into by the Government, in particular with:

- United Water International Pty Limited (United Water) for the operation, maintenance and management of Adelaide's water and wastewater systems (the Adelaide Contract).
- Riverland Water Pty Limited (Riverland Water) for the design, construction and operation of ten water treatment plants to provide filtered water to the Adelaide Hills, Barossa Valley, Mid North and Riverland towns (the Riverland Contract).
- Schlumberger Measurement & Systems Pty Limited (Schlumberger) for the manufacture and supply of water meters in South Australia (the Schlumberger Agreement).

Work undertaken by Audit during the year included a specific review of the processes established by the Corporation to monitor the performance of the above contractors with respect to:

- operations and maintenance;
- economic development obligations.

While audit coverage was provided in terms of all of the major outsourcing contracts during the year, Audit's primary focus was directed to the administration of the Schlumberger Agreement.

The comments hereunder refer to the salient matters identified by Audit and where appropriate provide follow-up comment in relation to issues raised in the 1999-2000 audit.

Schlumberger Agreement

Background

The South Australian Water Corporation (the Corporation) and the Minister for Government Enterprises (the Minister) entered into an agreement with Schlumberger Measurement & Systems Pty Ltd (the Contractor) in July 1998 (the Agreement).

The primary objectives of the Agreement were to facilitate the:

- supply (to the Corporation) of state-of-the-art water meters at a competitive price;
- establishment of a viable and export-orientated metering industry within South Australia, that could compete effectively both in Australia and the wider Asia-Pacific region.

The Agreement also provides for economic development commitments by the Contractor in addition to the obligations to manufacture and supply water meters. These economic development initiatives were a key consideration in the selection of the preferred contractor (the Contractor).

Targeted committed net exports under the Agreement over a six year term were set at \$46.5 million. The value of the supply and manufacture component of the contract was estimated at around \$ 23 million.

In last year's Report to Parliament, I commented on aspects of the architecture of the economic development initiatives established under the Agreement. This included comment with respect to the verification of claims for export credits and the absence of reliable reports that measured the performance of the Contractor against the requirements of the Agreement.

During 2000-01 Audit conducted a comprehensive review covering both the 'operations' and 'economic development' components of the Agreement. Notwithstanding the dichotomy of these aspects, Audit found that there were significant interdependencies that would prove pivotal in any analysis of contract administration and Contractor performance.

Audit focused on the Corporation's overall administration of the Agreement. Embedded in the Audit analysis was the recognition that the Agreement had nearly reached the half way mark of its anticipated six year term. In Audit's opinion, shortfalls in the scheduled supply of meters combined with a lack of clarity surrounding the attainment of export targets, indicated variances between the original deliverables expressed in the Agreement and the performance of the Contractor.

The nature and adequacy of the Corporation's 'responses' to the Contractor's level of performance represented a strong focus for Audit. The principal observations arising from the audit may be summarised as follows:

Contract Management Framework — Audit identified that there was no formal contract management framework to monitor and review the *operations* component of the Agreement (ie relating to the supply and manufacture of meters). This was elevated in importance by issues in related areas such as pricing revisions, product quality issues and the requirement for the Contractor to alternatively source meter bodies in response to the Contractor's inability to meet specified targets of supply/quality.

Audit also considered that there was some 'blurring' of the segregation of responsibilities between economic development (vested with the SA Water International Division) and operations and maintenance (as managed by the Water Operations Group).

Audit recommended that a contract management framework be established to address the operations and maintenance aspect of the Agreement, preferably also encapsulating economic development, and that there be a clearer delineation between the administration of the economic development and the supply and manufacture objectives.

Corporation Response

The Corporation acknowledged that ‘... contract management had been an issue’. Yet, the Corporation also saw that there was significant interdependency between the two major parts of the contract and hence that separation ‘... cannot be easily achieved’.

The Corporation outlined a new contract management framework that was designed to differentiate and coordinate all aspects of the contract, including the economic development and operations and maintenance components. Overall coordination of elements was to be addressed through the SA Water Executive Management Group.

Strategic Analysis of the Agreement — Audit identified that the Contractor had, ostensibly, been unable to satisfy economic development commitments with respect to the following:

- *Net value of exports claimed* — the absence of clear reporting by the Contractor cast doubt as to whether export targets had been achieved.
- *Industry Development program* — this had not been updated nor had the Contractor reported on the outcomes achieved.

In view of these findings and in consideration of significant proposed amendments to the Agreement, Audit recommended that the Corporation take steps to clearly identify and document its ‘paradigm’ on how economic development was to be progressed in the future and also that it perform an analysis of available economic options based on generally accepted economic measurement concepts/models (eg that may employ Net Present Value calculations).

Corporation Response

The Corporation indicated that it was mindful of the need to establish the actual performance of the Contractor, particularly in terms of sustainable economic development. It had pursued the Contractor with vigour to ensure that the reporting documentation was provided upon which an assessment of its economic development performance could be made. It stated that, on the basis of the documentation provided thus far, it was ‘... yet to be established whether or not there is, or has been, substantial non-performance or under-performance.’

The Corporation also indicated that the existence of numerous provisions in the contract mitigated the Contractor’s responsibility for either under-performance or non-performance of certain obligations, or restricted the Corporation’s available remedies in such instances. These provisions also significantly limited the strategic options available to the Corporation. Indeed, the ability to limit the Contractor’s reliance on these provisions was regarded by the Corporation as a key consideration in pursuing proposed amendments to the Agreement.

The proposed amendments to the Agreement were based on a detailed analysis by the South Australian Centre for Economic Studies for the United Water and Riverland Water contracts. In turn, this study formed the basis of the revised economic development strategy being pursued by the Corporation, as embodied in the proposed amendments.

This had previously formed the basis for extensive submissions to the Board and the Minister during 1998 in the case of the United Water and Riverland Water contracts and, more recently, in relation to the proposed amendments to the Schlumberger Agreement.

Economic Development Performance, Reporting and Performance Assessment — Audit identified that although various specific-purpose committees had been established by the Corporation to administer and monitor the Agreement, there had been no formal appraisal of the Contractor’s economic development performance under the Agreement. This was inconsistent with the other major outsourced contracts, which had in place both annual and triennial evaluations.

Indeed, the Agreement had already passed its half-way point without such an appraisal having been performed. While Audit acknowledged that there was no provision for such an evaluation in the Agreement, it recommended that the Corporation adopt an appraisal process consistent with practices adopted with the other major outsourcing contracts.

Specifically, Audit identified circumstances where the Contractor had not provided evidence that it had satisfied the contracted economic development strategies of 'industry development and generation of exports'.

In regard to 'industry development', the Contractor was required to update and comply with the Industry Development Programme. The Programme is aimed at establishing a water metering industry in South Australia and the Agreement required the Contractor to review and update this Programme at least every six months. Audit noted that the Contractor had not updated the Programme since the commencement of the Agreement, thereby increasing the uncertainty with respect to those initiatives aimed at fostering and promoting economic growth and industry development.

Pursuant to the Agreement, the Contractor is also required to 'establish and adduce evidence' to support the value of 'generated exports'. Audit observed that the Contractor had not provided the Corporation with adequate information, evidence and reporting to indicate whether export targets had been achieved. The information that was received from the Contractor had been independently assessed as being '... inadequate to establish and subsequently verify the quantum of (the Contractor's) economic development claims'.

Audit recommended that the Corporation seek to ensure compliance with the Agreement, including reinforcing the need to provide adequate evidence to support industry development and the value of net exports.

Corporation Response

The Corporation acknowledged that there were indications that the outcomes initially envisaged from the contract '... have not yet fully materialised, or materialised to the extent originally anticipated'. However, it also stated that '... a shortfall in expected outcomes cannot automatically be presumed to represent evidence of non-performance by one party to the contract until the facts supporting that conclusion are established'.

The Corporation also considered that the Contractor '... had been remiss in not reporting its economic development performance in a manner prescribed under the contract' and recognised that reporting requirements '... should have been rigorously enforced from contract commencement'.

The Corporation also indicated that, since early 2000, it had pursued the Contractor with 'some vigour' to ensure that mandated reports are provided and contained sufficient information to provide a basis for informed contract management, and particularly economic development performance, assessment.

The Corporation indicated that it had agreed with the Contractor to finalise outstanding reporting and performance assessment during June 2001.

Summary Comments

The Audit review raised a number of issues, with many of these being intertwined with the prospect of proposed amendments being effected to the original Agreement. The essence of these proposed amendments commanded a significant level of discussion when looking forward. Of course, any contract amendments must ensure that the rights and obligations of the relevant parties are clearly defined.

In cases where there is evidence that one or both of the parties to the agreement is/are substantially failing to satisfy key performance obligations, there is a need for closer analysis and scrutiny in terms of how to proceed. In addition, how third parties perceive this behaviour is also likely to have significant ramifications where matters of cost-effectiveness, probity and accountability are at stake.

The Agreement between SA Water Corporation, the Minister and Schlumberger provides a complex set of interrelationships, but one where Audit held the view that there was fundamental evidence of non-performance and a failure to validate any achieved export targets and other measures of economic development.

The Corporation's response to Audit's management letter provided clarification on a significant number of the matters raised by Audit, which in some instances had altered the previously held opinion of Audit. In some instances, this had arisen due to the provision of additional information not previously considered by Audit.

Yet the uncertainties associated with the Contractor's performance remain and have now converged on the requirement for a formal and objective assessment of performance. In this regard, and as previously mentioned, the Corporation agreed with the Contractor that outstanding reporting and performance assessment would be finalised during June 2001. The Corporation also intended that this would then form the basis of a report to the Minister on the Contractor's performance.

At the time of preparing this Report, Audit understands that due to the information not having been received from the Contractor, the performance assessment had not yet been performed.

Operations and Maintenance

The Corporation endorsed a revised Contract Management Framework (the Framework) during the year, for the purposes of monitoring the performance under both the Adelaide and Riverland Contracts, following a reassessment of risks. This did not come into operation until the late in the 2000-01 financial year and as such Audit focussed its attention on the existing Framework.

Management letters regarding this aspect of the audit have yet to be forwarded to management. In general, however, Audit concluded that there was consistent application of the Framework and associated verification lists with respect to the Adelaide Contract.

Contract Review

During the year the Corporation entered into negotiations with United Water with respect to financial aspects of this major outsourcing contract. The major objective of the Corporation was to achieve a reduction of the lump sum paid to United Water under the contract. A 'proposed agreement' reached with United Water was approved by the Board of the Corporation late in the year, subject to any necessary approval by the Minister, following extensive negotiations between the two parties.

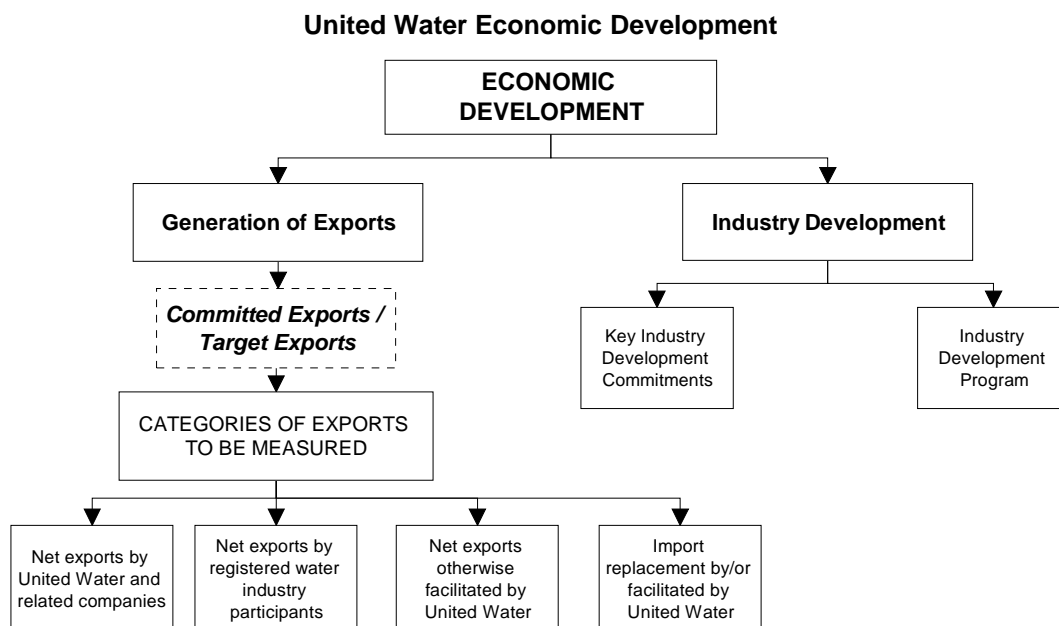
Economic Development Obligations

The agreements entered into with United Water, Riverland Water and Schlumberger all include significant economic development obligations.

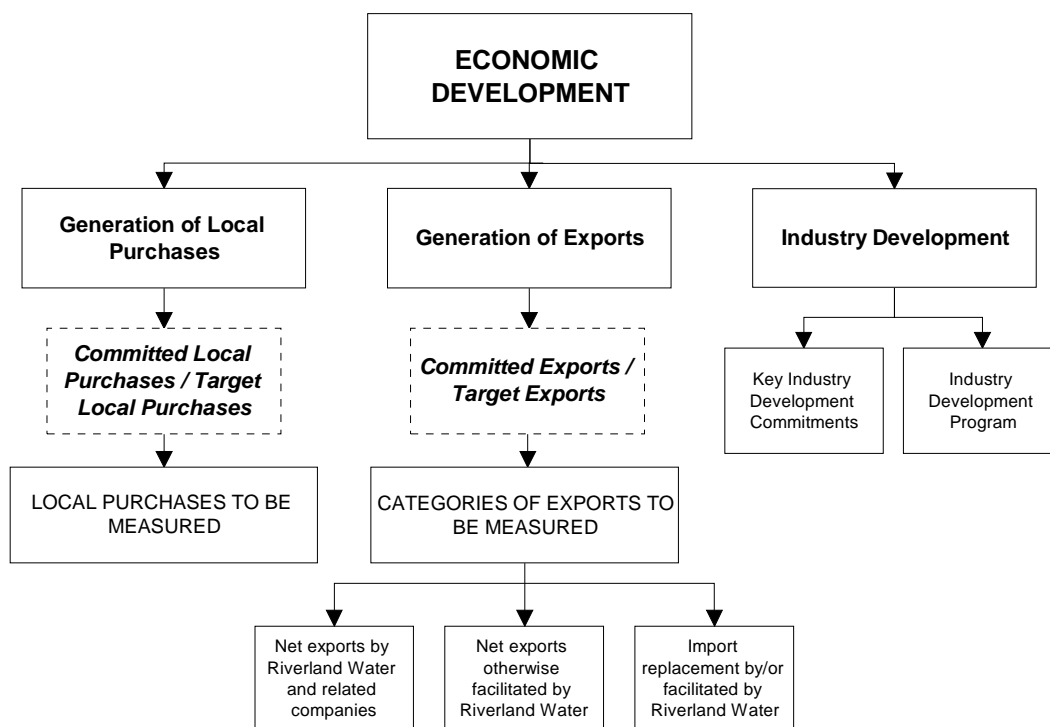
A key element of the contractual arrangements is the objective of stimulating economic growth in South Australia through the creation of an export focused water and metering industry. The contracted parties are obligated over the term of the contracts to achieve certain 'economic development commitments' through the following strategies:

- Generation of a minimum level of exports in each calendar year.
- Generation of a minimum level of local purchases for each calendar year (Riverland contract only).
- The creation and implementation of an industry development strategy and the performance of the specified 'Key Commitments'.

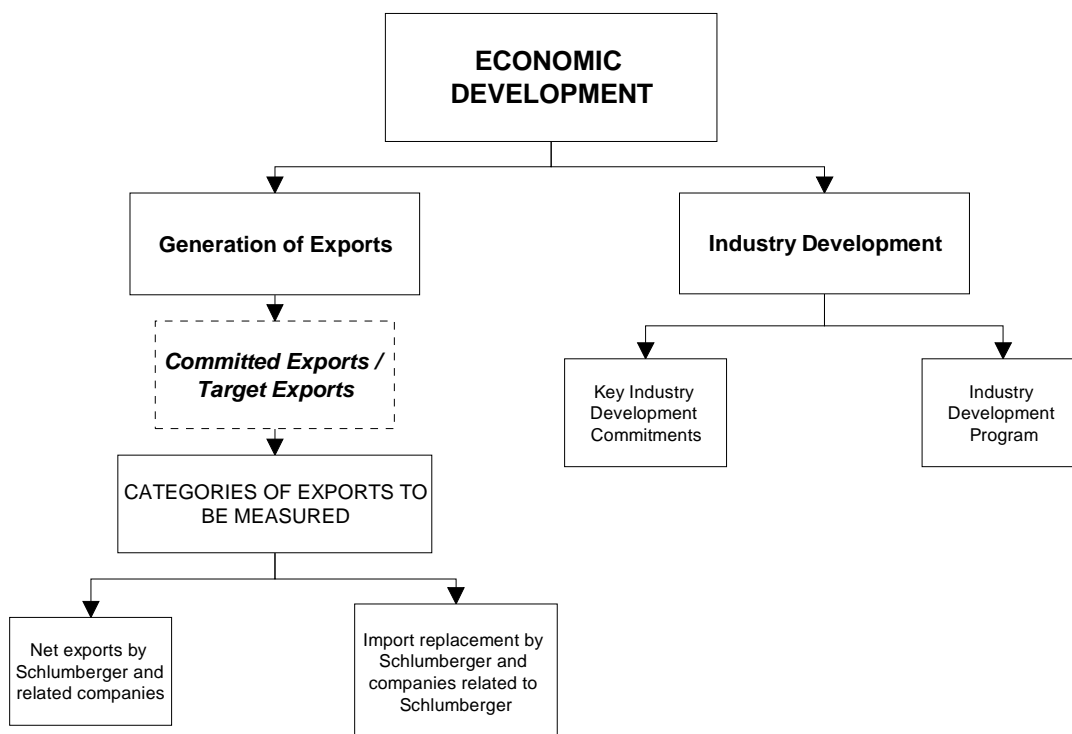
The following diagrams outline the key aspects of the economic development obligations under each of the contracts.



Riverland Water Economic Development



Schlumberger Economic Development



The SA Water International Division of the Corporation is responsible for monitoring the economic development component of the contracts. This Division has day-to-day interaction with the contractors regarding progress with ‘economic development’ matters, reviews of reports and other information submitted by the contractors, and undertakes various reviews of the progress in relation to the achievement of contracted outcomes.

In addition, in accordance with the Adelaide Contract, specific joint committees have been established for the purpose of developing and maintaining the ongoing relationship between the parties to the contract.

The Corporation has also established an Economic Development Performance Review Committee and an Economic Development Committee (a Board Sub Committee) to review economic development matters.

Schedules to the Adelaide and Riverland Contracts specify the formal reviews to be undertaken to assess the progress of the contractors in meeting their economic development commitments under the respective contract. The principal types of review prescribed by these schedules include:

- an Annual Performance Appraisal to assess the extent to which the economic development commitments are being achieved and an overall evaluation of the performance relating to exports, local purchases and industry development;
- a Triennial Review, which represents a major milestone, to conduct a comprehensive assessment of the performance of United Water and Riverland Water in the delivery of their contractual obligations.

Breach of Riverland Contract

In last year's Report I provided comment on the Corporation's approach to economic development with respect to the major outsourcing contracts and referred to breaches associated with the Riverland Contract.

In April 2001, the Board of the Corporation resolved, subject to the agreement and approval of the Minister, to amend the Water Treatment and Economic Development Agreement to effect a substitution of a specific commitment under the Agreement. This had the effect of resolving this specific breach of the contract previously reported. The other reported breach relating to the attainment of exports targets was similarly resolved during the year.

It is also noted a draft of the Corporation's annual appraisal report was forwarded to the Minister and to Riverland Water. It is expected that the Ministerial Review committee will be held in September.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Water Corporation and its related subsidiaries included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Water Corporation and its related subsidiaries in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Community Service Obligations

As part of the Government's Community Service Obligation (CSO) framework, the Corporation identifies activities viewed as non-commercial. As a result of that framework the Corporation has negotiated payments from a number of Ministers, including the:

- Minister for Primary Industries, Natural Resources and Regional Development for country water and wastewater services;
- Minister for Human Services for administration of payments for the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties and charities.

In total, the amount recognised as revenue in the 2000-01 financial statements is \$86.1 million (\$85.3 million).

Financial Performance

The interpretation and analysis of the Corporation's financial statements is fundamentally influenced by its status as a public corporation. As a public corporation it is bound by a Charter and is also required to meet a range of financial performance targets set out in an annual Performance Statement, as agreed to between the Corporation, the Minister for Government Enterprises and the Treasurer.

The Performance Statement also requires the Corporation to produce an economic development outcomes review report, to assess the Corporation's contribution to the economic development of South Australia and to identify opportunities to enhance this contribution.

It is clear from the financial report that the Corporation makes a significant financial contribution to government. In previous years I have offered comments on this area noting that dividends have exceeded profits earned in recent years. The dividend paid during 2000-01 of \$135.5 million (\$175.2 million) again resulted in a relatively high dividend payout ratio of 96 percent (124 percent). In addition, a payment of \$29.7 million (\$3.2 million) was also made to the Government reflecting a repayment of capital.

The Performance Statement traditionally defines the contribution to government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates. It is also relevant to note that the Corporation has a significant interest expense relating to the Government borrowings, which totalled \$83.4 million (\$81.6 million) during the year.

Effectively, the Government fulfils a number of key roles in relation to the Corporation including: price setter; taxer; banker; shareholder and owner; and regulator. Hence, the financial performance of the Corporation is necessarily constrained within the parameters set by the Government.

It follows that its reserving levels to be able to internally fund future operations and future capital replacement and augmentation are similarly constrained within this framework. There can be a view that any interpretation and analysis of the Corporation's financial performance and financial position is to some degree 'self-fulfilling'.

An analysis of some key financial ratios is provided hereunder in the following table:

| Performance measure | Actual 1997-98 Result | Actual 1998-99 Result | Actual 1999-2000 Result | Actual 2000-01 Result |
|---|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
| Rate of return (percent) ⁽¹⁾ | 4.7 | 4.8 | 5.1 | 5.2 |
| Return on equity (percent) ⁽²⁾ | 2.5 | 2.7 | 3.0 | 3.0 |
| Interest cover (times) ⁽³⁾ | 2.9 | 3.0 | 3.1 | 3.3 |

(1) Earnings before interest and tax dividend divided by the total infrastructure assets.

(2) Earnings after interest and tax dividend divided by the total equity.

(3) Interest expense plus operating profit after abnormal items divided by interest expense.

FURTHER COMMENTARY ON OPERATIONS

Establishment of Subsidiary Corporate Governance Frameworks

During the year, the Board approved governance directions to each subsidiary corporation (refer comments under 'Changes to Corporate Structure' for relevant details of subsidiary corporations). While the frameworks for the subsidiary companies are yet to be fully defined given their recent establishment, it was important to develop frameworks to maintain consistency as far as possible with the Corporation's own governance framework. The frameworks entail consideration of processes, policies, guidelines and reporting and monitoring mechanisms.

In general terms, the Corporation recognised that good governance involved ensuring accountability for performance, developing a vision and direction for the organization and setting standards for behaviour throughout the organisation.

A key consideration in the development of the corporate governance frameworks was to provide a level of assurance to the Corporation's Board that the operations of the subsidiary companies have been undertaken in accordance with the Board's expectations. This was to be achieved in part by a limitation on the scope of each company's operations as directed by the Corporation.

Specific directions were provided to the subsidiaries as follows:

- SA Water International Pty Ltd is to act as a holding company for PT SA Water International and market SA Water competencies, services and products in Indonesia.
- Crichbee Pty Ltd is to act as a holding company for PT SA Water International.
- PT SA Water International is not to enter into any transactions, other than approved by the Corporation until such time as the Systems Manager Agreement, or a similar agreement, is signed.

The Systems Manager Agreement had yet to be signed at the time of preparing this Report.

Overseas Business Investment

In previous years all overseas investment activity has been administered through the Corporation's SA Water International Division.

This has included activities in Indonesia and Mozambique. Other areas of operating costs have included the management of the economic development activities associated with the major outsourcing contracts, water industry best practice programs and other industry initiatives.

From 1 July 2000, operating expenses relating to the Corporation's commercial activities within Indonesia and in particular with respect to the work undertaken with respect to advancing the Systems Manager Agreement in West Java, are principally reflected in the financial statements of SA Water International Pty Ltd. Total operating expenses incurred during the year were \$1.2 million (\$1.5 million). Only nominal expenses were reflected in the financial statements of PT SA Water International Pty Ltd (the Indonesian domiciled subsidiary corporation).

A summary of the net assets of each subsidiary company at 30 June 2001 is shown hereunder:

| | SA Water International Pty Ltd \$'000 | Crichbee Pty Ltd \$'000 | PT Water International \$'000 |
|---------------------------------------|--|--|--|
| Contributed Equity | 380 | 20 | - |
| Share Capital | - | - | 383 |
| Retained Profits (Accumulated Losses) | (1 249) | - | 36 |
| Foreign Currency Translation Reserve | - | - | (44) |
| Total Equity | <u>(869)</u> | <u>20</u> | <u>375</u> |
| Total Assets | 505 | 20 | 391 |
| Total Liabilities | <u>1 374</u> | <u>-</u> | <u>16</u> |
| Net Assets | <u>(869)</u> | <u>20</u> | <u>375</u> |

The basis of proceeding with the signing of a Systems Manager Agreement with the Provincial Government of West Java represented the key focus for the Corporation during the year. This entailed ongoing risk assessment supported by reference to independent assessments. As mentioned previously, at the time of preparing this Report an Agreement had not been signed.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | Consolidated | | | SA Water | | |
|--|-------|----------------|----------------|--------|----------------|--------|--------|
| | | 2001 | 2001 | 2000 | 2001 | 2000 | 2000 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| REVENUE FROM ORDINARY ACTIVITIES: | 2 | 613 337 | 613 285 | | 604 652 | | |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | | | | | |
| Salaries and employee benefits expense | | 50 482 | 50 482 | | 50 192 | | |
| Depreciation and amortisation expenses | 3 | 103 753 | 103 753 | | 101 766 | | |
| Borrowing costs expense | 3 | 91 421 | 91 421 | | 92 819 | | |
| Other expenses | 3 | 159 986 | 158 731 | | 163 319 | | |
| Total Expenses | | 405 642 | 404 387 | | 408 096 | | |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | 207 695 | 208 898 | | 196 556 | | |
| Income tax expense relating to ordinary activities | 4(a) | (65 827) | (66 209) | | (54 706) | | |
| NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE | | 141 868 | 142 689 | | 141 850 | | |
| Net increase in asset revaluation reserve | 18(a) | 9 449 | 9 449 | | 87 208 | | |
| Net exchange difference on translation of financial statements of self-sustaining foreign operation | 18(b) | (44) | - | | - | | |
| Total valuation adjustments recognised directly in equity | | 9 405 | 9 449 | | 87 208 | | |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 151 273 | 152 138 | | 229 058 | | |

Statement of Financial Position as at 30 June 2001

| | Note | Consolidated | | | SA Water | | |
|--------------------------------------|-------|------------------|------------------|--------|------------------|--------|--------|
| | | 2001 | 2001 | 2000 | 2001 | 2000 | 2000 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| CURRENT ASSETS: | | | | | | | |
| Cash assets | 16(a) | 972 | 491 | | 441 | | |
| Receivables | 6 | 35 685 | 35 758 | | 22 605 | | |
| Inventories | 7 | 3 580 | 3 580 | | 3 275 | | |
| Other | 8 | 96 593 | 96 593 | | 96 332 | | |
| Total Current Assets | | 136 830 | 136 422 | | 122 653 | | |
| NON-CURRENT ASSETS: | | | | | | | |
| Financial assets | 9 | 14 850 | 15 252 | | 14 851 | | |
| Infrastructure, plant and equipment | 11 | 5 886 795 | 5 886 795 | | 5 862 557 | | |
| Deferred tax assets | 4(d) | 15 424 | 15 424 | | 17 259 | | |
| Intangible assets | 10 | 2 | - | | - | | |
| Other | 8 | 6 225 | 7 474 | | 9 029 | | |
| Total Non-Current Assets | | 5 923 296 | 5 924 945 | | 5 903 696 | | |
| Total Assets | | 6 060 126 | 6 061 367 | | 6 026 349 | | |
| CURRENT LIABILITIES: | | | | | | | |
| Payables | 12 | 65 573 | 65 567 | | 54 940 | | |
| Interest-bearing liabilities | 13 | 34 627 | 34 627 | | 103 236 | | |
| Current tax liabilities | 4(b) | 23 635 | 24 017 | | 26 059 | | |
| Provisions | 14 | 14 353 | 14 353 | | 11 290 | | |
| Other | 15 | 1 652 | 1 652 | | 1 505 | | |
| Total Current Liabilities | | 139 840 | 140 216 | | 197 030 | | |
| NON-CURRENT LIABILITIES: | | | | | | | |
| Interest-bearing liabilities | 13 | 1 176 209 | 1 176 209 | | 1 078 357 | | |
| Deferred tax liabilities | 4(c) | 45 016 | 45 016 | | 38 731 | | |
| Provisions | 14 | 18 065 | 18 065 | | 17 088 | | |
| Other | 15 | 497 | 497 | | 747 | | |
| Total Non-Current Liabilities | | 1 239 787 | 1 239 787 | | 1 134 923 | | |
| Total Liabilities | | 1 379 627 | 1 380 003 | | 1 331 953 | | |
| NET ASSETS | | 4 680 499 | 4 681 364 | | 4 694 396 | | |
| SHAREHOLDERS' EQUITY: | | | | | | | |
| Contributed equity | 17 | 274 950 | 274 950 | | 304 650 | | |
| Reserves | 18 | 4 321 360 | 4 321 404 | | 4 311 955 | | |
| Retained profits | 19 | 84 189 | 85 010 | | 77 791 | | |
| TOTAL SHAREHOLDERS' EQUITY | | 4 680 499 | 4 681 364 | | 4 694 396 | | |
| Commitments | 21 | | | | | | |
| Contingent Liabilities | 24 | | | | | | |

Statement of Cash Flows for year ended 30 June 2001

| | Consolidated | SA Water | 2000 |
|--|------------------|------------------|------------------|
| | 2001 | 2001 | 2000 |
| | Inflows | Inflows | Inflows |
| | (Outflows) | (Outflows) | (Outflows) |
| | \$'000 | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | 518 016 | 517 943 | 489 739 |
| Payments to suppliers and employees | (219 366) | (219 364) | (214 303) |
| Receipts from community service obligations funding | 86 204 | 86 204 | 77 538 |
| Receipts from contributions | 7 982 | 7 982 | 10 116 |
| Interest received | 509 | 505 | 234 |
| Borrowing costs paid | (98 030) | (98 030) | (95 578) |
| Income tax equivalent paid | (60 133) | (60 133) | (34 580) |
| Net Cash provided by Operating Activities | 235 182 | 235 107 | 233 166 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Payments for construction and purchase of infrastructure assets, plant and equipment | (101 588) | (101 588) | (96 156) |
| Payment for investments | - | (401) | (4 011) |
| Proceeds from sales of infrastructure assets, plant and equipment | 875 | 875 | 6 728 |
| Net Cash used in Investing Activities | (100 713) | (101 114) | (93 439) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings | 634 676 | 634 676 | 541 610 |
| Repayment of borrowings | (603 449) | (603 449) | (503 054) |
| Repayment of capital | (29 700) | (29 700) | (3 200) |
| Dividends paid | (135 470) | (135 470) | (175 200) |
| Net Cash used in Financing Activities | (133 943) | (133 943) | (139 844) |
| NET INCREASE (DECREASE) IN CASH HELD | 526 | 50 | (117) |
| CASH AT 1 JULY | 441 | 441 | 558 |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | 5 | - | - |
| CASH AT 30 JUNE | 972 | 491 | 441 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a state owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. Property, rights, powers and liabilities of the Minister for Government Enterprises arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932* were vested in the Corporation, with the exception of certain assets, mainly in relation to the operation of the *Irrigation Act 1994*.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group (UIG) Consensus Views other authoritative pronouncements of the Australian Accounting Standards Board and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. Additionally, the Corporation has undertaken to prepare its financial report in accordance with the Corporations Law.

The financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land and building assets, which are stated using Optimised Deprival Value (ODV) as detailed in Note 1(f).

The Corporation has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosure' and AAS 36 'Statement of Financial Position' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the Corporation as reported in the prior year financial report.

In addition, the Corporation has adopted Australian Accounting Standard AAS 24 'Consolidated Financial Reports' to reflect the commencement of operations of its subsidiaries. Refer to Note 22.

(b) Principles of Consolidation

The consolidated accounts incorporate the results and the assets and liabilities of all entities that, in terms of Australian Accounting Standard AAS 24, are controlled by the Corporation as at 30 June 2001. The financial statements of subsidiary entities have been included from the date control commenced or when operations commenced. Further information regarding subsidiary company activities is disclosed in Note 22.

All inter-entity balances and transactions have been eliminated on consolidation.

No comparatives are provided for consolidated operations as the subsidiary entities did not operate during the previous financial year.

(c) Rates and Charges

Rates and other charges billed, but not yet received at balance date are recognised as revenue for the period. Water consumption recorded in unread meters as at 30 June 2001 is not taken into account in determining revenue for the year ended 30 June 2001.

This method is in accordance with accepted industry practice where cyclical readings are used to assess water charges.

(d) Community Service Obligations (CSOs)

The Corporation provides services to the community on behalf of the Government at a lower than commercial rate of return. CSOs represent recognition of the non-commercial impact of these services provided to the community.

These amounts are recognised as revenue when agreements are reached with appropriate Government Departments.

During the year, payments have been negotiated with the Minister for Primary Industries, Natural Resources and Regional Development for the pricing of country water and wastewater services and certain capital investment projects and the Minister for Human Services for the administration of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties eg charities.

(e) Contributed Assets

Contributed assets principally arise from:

- (i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and
- (ii) subdividers who make contributions where either:
 - a) water and sewerage infrastructure are constructed by the subdivider within yet to be completed subdivisions. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
 - b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised as revenue in the period in which the Corporation gains control of the asset.

(f) Infrastructure, Plant and Equipment*Acquisition of Assets*

Items of property, plant and equipment are initially recorded at cost including capitalised borrowing costs in accordance with Australian Accounting Standard AAS 34 'Borrowing Costs', and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in Note 1(g).

Valuation of Infrastructure, Plant and Equipment

To comply with the Treasurer's Accounting Policy Statement APS 3, 'Revaluation of Non-Current Assets', the Corporation has adopted the optimised deprival value (ODV) method for measuring and presenting land and buildings and infrastructure assets in the Statement of Financial Position. ODV for an asset, held for continued use, is determined by reference to the current market buying price of a similar asset or the current replacement cost of the future economic benefits expected to be derived from use of the asset. ODV represents the Government's investment in the Corporation's assets in today's values.

The ODV concept provides financial information necessary to measure the current costs of long life assets and to identify the decline in the future service potential of those assets.

The Corporation annually revalues its long-term assets at Director's valuation through the application of appropriate indices. The annual revaluation is processed with effect from 1 July each year, with additions during the year brought to account at cost.

Additionally, the Corporation's valuation methodologies are subject to a triennial review by Hunter Water Australia Pty Ltd, a subsidiary of Hunter Water Corporation Pty Ltd. The most recent independent review undertaken was during March 1999.

The Directors had regard to the findings of that independent review and have adopted values for non-current assets based on assumptions, including those relating to specific cost-indices.

Further details regarding the basis of valuation are provided in Note 11.

Depreciation

Infrastructure assets, buildings, plant and equipment, leased assets and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 160 years.

The useful lives of assets are reviewed annually and have been assessed as follows:

| | |
|---------------------------------------|----------------|
| Water and sewer infrastructure assets | Years 7-160 |
| Leased assets | 40-50 |
| Buildings | 50 |
| Other - Various assets | 5-50 |
| Plant and equipment - Various assets | 5-15 |
| Land (not depreciated) | |

The method of depreciation has proper regard to current understanding of the underlying nature of the assets and their expected use in the operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(g) Leases*Operating Leases*

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the profit from ordinary activities. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Finance Leases

Leases for infrastructure, plant and equipment under which the Corporation assumes substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised and depreciated over the term of the lease in accordance with Australian Accounting Standard AAS 17 'Accounting for Leases'.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation. Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AAS 17. Availability charges are allocated between the interest component (which is charged to the Statement of Financial Performance) and a reduction in the lease liability. (Refer Note 11 for further details).

Amortisation

Expenditures associated with establishing outsourcing and other contracts have been capitalised and amortised over the appropriate period of the contract.

(h) Expenditure on Behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and are disclosed in Note 3.

(i) Taxation Equivalents

The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. This regime was introduced as part of the Council of Australian Governments Agreement in March 1994. A Statement of Policy Intent requires implementation of a Tax Equivalent Regime comparable with Commonwealth income tax systems.

The Corporation has adopted the liability method of tax effect accounting for income tax equivalents whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in accounting profit and when items are taken into account in determining taxable income, the net taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. These deferred balances have been restated to allow for changes in future income tax rates. The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

With the introduction of the Goods and Services Tax (GST) the sales tax equivalent was abolished.

The charge for land tax and council rate equivalents has been calculated by RevenueSA - Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

(j) Goods and Services Tax

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

(k) Receivables

Receivables for rates and charges are normally settled within 21 days with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. A provision for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work in progress on a full absorption cost basis. Inventories are valued at the lower of cost and net realisable value.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at balance date at current pay rates in respect of employees' services provided up to that date. In accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements' these liabilities include related on-costs.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long Service Leave

Liabilities arising in respect of long service leave expected to be settled within twelve months of balance date, are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. In accordance with AAS 30 these liabilities include related on-costs. The Corporation's long service leave liability is valued by Mr C Papanicolas BSc, (Ma)(Hons), ASIA, FIAA of William M Mercer Pty Ltd.

Superannuation

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

(n) Workers Compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr L. Brett BSc FIA, FIAA of Brett & Watson Pty Ltd.

(o) Insurance

The South Australian Government Captive Insurance Corporation (SAICORP) has assumed responsibility and liability for and will indemnify the Corporation against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received including any related GST. Trade accounts payable are normally settled within 30 days.

(q) Foreign Currency Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. All monetary items in foreign currencies at balance date are converted to Australian currency at rates of exchange current at that date. Exchange differences relating to monetary items in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance.

Hedges

Where hedge transactions are designated as a hedge of the purchase of goods, exchange differences arising up to the date of the purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase.

The Board currently has a policy to hedge all of its foreign currency exposures in accordance with the South Australian Treasurer's Instruction 23 (Management of Foreign Currency Exposures). An exposure is defined to exist at the firm commitment of an approved purchase or signed contract. Additionally the Board has a policy to maintain bank balances held overseas in Australian dollars.

(r) Commodities

The Corporation's exposure to commodities is managed through a natural hedge. This exposure is monitored, and if any conditions arise that changes the exposure profile of commodity prices, appropriate hedge transactions will be entered into.

(s) Borrowings

All loans are measured at the principal amount. Short-term borrowings are carried in the Statement of Financial Position at their face value. Long-term borrowings are valued at their historical yield. Interest expense is accrued at the contracted rates on a daily basis and includes costs incurred in restructuring borrowings. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

(t) Derivatives

The Corporation is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. To assist in managing these exposures, the following specific derivative instruments are utilised from time to time to hedge the exposure:

(i) Interest Rate Swaps

Interest payments and receipts under interest rate swaps are recognised on an accruals basis in the Statement of Financial Performance as an adjustment to interest expense during the period.

(ii) Interest Rate Futures Contracts

Interest rate futures contracts are purchased to hedge interest rate exposures. Any gains and losses arising are deferred and amortised over the life of the debt the futures contract was designed to hedge.

(iii) *Forward Rate Agreements*

Any realised gain or loss on forward rate agreements are recognised on an accruals basis in the Statement of Financial Performance as an adjustment to interest expense during the period in which settlement occurs.

(iv) *Forward Foreign Exchange Contracts*

The accounting for forward foreign exchange contracts is set out in Note 1(q) above.

Derivative financial instruments are not held for speculative purposes.

| 2. Revenue from Ordinary Activities | Consolidated | SA Water | |
|---|----------------|----------------|----------------|
| | 2001 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Revenue from Operating Activities: | | | |
| Rates and charges | 460 079 | 460 079 | 445 114 |
| Community service obligations (CSO) | 86 104 | 86 104 | 85 259 |
| Contributed assets | 24 450 | 24 450 | 34 957 |
| Recoverable works | 18 105 | 18 105 | 17 508 |
| Fees and charges | 10 878 | 10 878 | 11 822 |
| Miscellaneous | 5 907 | 5 858 | 2 073 |
| | 605 523 | 605 474 | 596 733 |
| Revenue from Outside Operating Activities: | | | |
| Gross proceeds from sale of non-current assets | 6 089 | 6 089 | 6 421 |
| Interest received | 679 | 676 | 124 |
| Rents | 1 046 | 1 046 | 1 374 |
| | 7 814 | 7 811 | 7 919 |
| | 613 337 | 613 285 | 604 652 |
| 3. Profit from Ordinary Activities before Income Tax Expense | | | |
| Profit from ordinary activities before income tax expense has been arrived at after charging (crediting) the following items: | | | |
| Depreciation: | | | |
| Infrastructure assets | 97 925 | 97 925 | 96 143 |
| Plant and equipment | 2 382 | 2 382 | 2 355 |
| Leased assets | 2 599 | 2 599 | 2 421 |
| Amortisation: | | | |
| Adelaide outsourcing costs | 847 | 847 | 847 |
| | 103 753 | 103 753 | 101 766 |
| Borrowing costs: | | | |
| Interest expense | 83 405 | 83 405 | 81 632 |
| Finance charges on capitalised leases | 13 313 | 13 313 | 12 524 |
| Less: Capitalised borrowing costs: | | | |
| Interest expense | (5 297) | (5 297) | (1 337) |
| | 91 421 | 91 421 | 92 819 |
| Finance lease contingent rentals | 416 | 416 | 179 |
| Operating lease rental expense | 3 190 | 3 122 | 2 798 |
| Net expense including movements in allowance for: | | | |
| Bad and doubtful debts | 254 | 254 | (149) |
| Net gain (loss) on disposal of infrastructure, plant and equipment | 4 350 | 4 350 | (32) |
| Expenditure on behalf of State Government: | | | |
| Water Industry Best Practice Program | 574 | 574 | 978 |
| Cooperative Research Centre | 300 | 300 | 300 |
| Loxton Irrigation District administration fee | 182 | 182 | 177 |
| | 1 056 | 1 056 | 1 455 |
| 4. Income Tax | | | |
| (a) Income Tax Expense | | | |
| The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows: | | | |
| Operating Profit | 207 695 | 208 898 | 196 556 |
| Prima facie income tax expense calculated at 34 percent | 70 616 | 71 025 | 70 760 |
| Tax effect of permanent differences: | | | |
| Sundry expenses not deductible | 33 | 6 | 9 |
| Contributed assets | (5 580) | (5 580) | (9 008) |
| | 65 069 | 65 451 | 61 761 |
| Restatement of deferred tax balances due to changes in company tax rate | 735 | 735 | (6 707) |
| Amounts over/under provided in prior years | 23 | 23 | (348) |
| Income Tax Expense Attributable to Operating Profit | 65 827 | 66 209 | 54 706 |
| The income tax expense comprises movements in: | | | |
| Provision for income tax | 54 888 | 55 270 | 52 078 |
| Provision for deferred income tax* | 11 763 | 11 763 | 10 830 |
| Future income tax benefit* | (1 582) | (1 582) | (1 147) |
| Amounts over/under provided in prior years | 23 | 23 | (348) |
| Restatement of deferred tax balances due to change in company tax rate | 735 | 735 | (6 707) |
| | 65 827 | 66 209 | 54 706 |

* This has been calculated at the current company tax rate of 34 percent (2000: 36 percent).

| (b) Current Tax Liabilities | Consolidated | SA Water | |
|---|---------------|---------------|----------|
| | 2001 | 2001 | 2000 |
| | \$'000 | \$'000 | \$'000 |
| <i>Provision for Current Income Tax</i> | | | |
| Movements during the year were as follows: | | | |
| Balance at 1 July | 26 059 | 26 059 | 9 751 |
| Income tax paid | (60 133) | (60 133) | (34 580) |
| Current year's income tax provision | 54 888 | 55 270 | 52 078 |
| (Over) under provision in prior years | 2 821 | 2 821 | (1 190) |
| | 23 635 | 24 017 | 26 059 |
| (c) Deferred Tax Liabilities | | | |
| <i>Provision for Deferred Income Tax</i> | | | |
| Provision for deferred income tax comprises the estimated expense at the applicable rate of 30 percent (2000: 34 percent or 30 percent, depending on when the liability is expected to be realised) on the following items: | | | |
| Expenditure currently deductible for tax but deferred and amortised for accounting purposes | 230 | 230 | 169 |
| Expenditure currently deductible for tax but capitalised and amortised/depreciated for accounting purposes | 2 | 2 | 4 660 |
| Income currently assessable for tax but not earned for accounting purposes | 47 | 47 | 1 |
| Difference in depreciation and amortisation of infrastructure plant and equipment for accounting and income tax purposes | 42 688 | 42 688 | 32 833 |
| Environmental expenditure | 194 | 194 | 200 |
| Research and development | 1 855 | 1 855 | 868 |
| | 45 016 | 45 016 | 38 731 |
| (d) Deferred Tax Assets | | | |
| <i>Future Income Tax Benefit</i> | | | |
| Future income tax benefit comprises the estimated future benefit at the applicable rate of 30 percent (2000: 34 percent or 30 percent depending on when the benefits of the component is expected to be realised) on the following items: | | | |
| Provision and accruals for employee entitlements | 6 438 | 6 438 | 6 823 |
| Provision for obsolete stock | 115 | 115 | 86 |
| Provision for bad debts | 166 | 166 | 115 |
| Superannuation contributions | 49 | 49 | (137) |
| Sundry provisions | 1 976 | 1 976 | 1 048 |
| Accrued interest expense | 5 382 | 5 382 | 6 417 |
| Sundry items | 39 | 39 | 1 698 |
| Provision for the disposal of assets | 165 | 165 | 503 |
| Capitalised finance leases | 1 094 | 1 094 | 706 |
| | 15 424 | 15 424 | 17 259 |

5. Operating Result by Business Undertaking

The Corporation operates primarily within South Australia and has two major business undertakings related to water supply and sewerage. Ownership of irrigation assets was not vested in the Corporation on 1 July 1995, however the Corporation continues to provide irrigation services on behalf of the Minister for Government Enterprises. The results noted below exclude the activities associated with irrigation, which are separately disclosed in Note 31. Operating results for each business undertaking are as follows:

| | Metro Water | Country Water | Metro Sewer | Country Sewer | Other | Consolidated | |
|--|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
| | | | | | | Total 2001 | Total 2000 |
| Assets - \$'billions | 1.9 | 1.8 | 1.7 | 0.3 | 0.2 | 5.9 | 5.9 |
| Operating Revenue | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Rates and charges | 181 750 | 80 134 | 177 759 | 20 436 | - | 460 079 | 445 114 |
| Community service obligations | 2 013 | 68 297 | 5 028 | 10 246 | 520 | 86 104 | 85 259 |
| Contributed assets | 6 825 | 3 042 | 13 334 | 1 249 | - | 24 450 | 34 957 |
| Other revenue | 12 478 | 6 332 | 9 307 | 855 | 13 732 | 42 704 | 39 322 |
| Total Operating Revenue | 203 066 | 157 805 | 205 428 | 32 786 | 14 252 | 613 337 | 604 652 |
| Operating Expenses | | | | | | | |
| Operations and services | 75 750 | 58 420 | 47 153 | 10 864 | 17 225 | 209 412 | 212 056 |
| Depreciation and amortisation | 33 435 | 32 745 | 31 221 | 6 351 | 1 | 103 753 | 101 766 |
| Borrowing costs | 26 557 | 36 096 | 24 421 | 4 347 | - | 91 421 | 92 819 |
| Total Operating Expenses | 135 742 | 127 261 | 102 795 | 21 562 | 17 226 | 404 586 | 406 641 |
| Expenditure on behalf of State Government | - | - | - | - | 1 056 | 1 056 | 1 455 |
| Total Expenditure | 135 742 | 127 261 | 102 795 | 21 562 | 18 282 | 405 642 | 408 096 |
| Operating profit/(loss) before income tax | 67 324 | 30 544 | 102 633 | 11 224 | (4 030) | 207 695 | 196 556 |
| Operating profit/(loss) June 2000 | 65 198 | 31 944 | 93 842 | 12 203 | (6 631) | | 196 556 |
| Profit from ordinary activities before income tax expense | | | | | | 207 695 | 196 556 |
| Income tax equivalent | | | | | | (65 827) | (54 706) |
| Net profit from ordinary activities after income tax expense | | | | | | 141 868 | 141 850 |

| 11. Infrastructure, Plant and Equipment (continued) | Consolidated | SA Water | |
|--|------------------|------------------|------------------|
| | 2001 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Reconciliations | | | |
| Reconciliations of the carrying amounts for each class of infrastructure, plant and equipment are set out below: | | | |
| Water: | | | |
| Carrying amount at 1 July | 3 412 658 | 3 412 658 | 3 387 514 |
| Additions | 35 531 | 35 531 | 39 441 |
| Disposals | (373) | (373) | (731) |
| Depreciation | (58 009) | (58 009) | (58 354) |
| Net revaluation increment | 2 820 | 2 820 | 44 788 |
| Carrying amount at 30 June | 3 392 627 | 3 392 627 | 3 412 658 |
| Sewer: | | | |
| Carrying amount at 1 July | 1 922 063 | 1 922 063 | 1 864 060 |
| Additions | 25 746 | 25 746 | 50 443 |
| Depreciation | (34 255) | (34 255) | (33 428) |
| Net revaluation increment | 3 842 | 3 842 | 40 988 |
| Carrying amount at 30 June | 1 917 396 | 1 917 396 | 1 922 063 |
| Land: | | | |
| Carrying amount at 1 July | 166 492 | 166 492 | 165 935 |
| Additions | 170 | 170 | 557 |
| Disposals | (595) | (595) | (272) |
| Net revaluation increment | 2 598 | 2 598 | 272 |
| Carrying amount 30 June | 168 665 | 168 665 | 166 492 |
| Buildings: | | | |
| Carrying amount at 1 July | 19 211 | 19 211 | 19 485 |
| Additions | 403 | 403 | 1 405 |
| Disposals | (337) | (337) | (1 347) |
| Depreciation | (436) | (436) | (408) |
| Net revaluation increment | 190 | 190 | 76 |
| Carrying amount at 30 June | 19 031 | 19 031 | 19 211 |
| Other - At cost: | | | |
| Carrying amount at 1 July | 34 907 | 34 907 | 28 981 |
| Additions | 17 968 | 17 968 | 10 119 |
| Disposals | (237) | (237) | (240) |
| Depreciation | (5 225) | (5 225) | (3 953) |
| Carrying amount at 30 June | 47 413 | 47 413 | 34 907 |
| Leased Assets: | | | |
| Carrying amount at 1 July | 119 908 | 119 908 | 99 516 |
| Additions | - | - | 22 813 |
| Depreciation | (2 599) | (2 599) | (2 421) |
| Transfer to plant and equipment on expiration of lease | (37) | (37) | - |
| Carrying amount at 30 June | 117 272 | 117 272 | 119 908 |
| Plant and Equipment - At cost: | | | |
| Carrying amount at 1 July | 12 802 | 12 802 | 10 798 |
| Additions | 1 642 | 1 642 | 5 580 |
| Disposals | (120) | (120) | (1 221) |
| Depreciation | (2 382) | (2 382) | (2 355) |
| Carrying amount at 30 June | 11 942 | 11 942 | 12 802 |
| Capital work in progress | 212 449 | 212 449 | 174 516 |
| Total Infrastructure, Plant and Equipment | 5 886 795 | 5 886 795 | 5 862 557 |

Basis of Valuation*Infrastructure Assets*

The Corporation revalued all infrastructure assets on 1 July 2000 (Note 1(f)) using the following approaches:

- Water, Sewer Mains and Water Meters* — Directors' valuations were dominantly based on current contract rates. For water mains and sewer mains, these rates were applied to the actual lengths of pre-defined modern equivalent asset types. Water meter valuations are based on current contract supply rates.
- Other infrastructure assets* — Directors' valuations based on the current cost of replacing the existing asset or the modern equivalent asset where exact replacement cost would not be appropriate. These valuations were undertaken with reference to current construction cost data.

An independent review of SA Water's infrastructure asset valuation methodology and process was undertaken during the year ended 30 June 1999 by an audit team of senior managers from Hunter Water Australia Pty Ltd. The audit team reviewed each of SA Water's major asset categories. The review concluded that there was, in general, a strong correlation between the two organisations in terms of the methodology used and the costs, residual values and the modern equivalent replacement asset types adopted.

The cost of infrastructure assets constructed by the Corporation includes all materials used in construction, direct labour, an appropriate proportion of variable and fixed overheads and contract payments.

Land and Buildings

Land and Buildings — A combination of independent valuations, valuations provided from the State Valuer-General and Directors' valuations. A revaluation of land and buildings was last carried out as at 1 July 2000.

Other Assets and Plant and Equipment

Other assets and plant and equipment are brought to account at historical cost.

SA Water Corporation

Leased Assets

Leased assets are valued at the fair value of the underlying assets constructed. The assets are depreciated over their effective lives based on the lives of similar assets (refer Note 1(g)).

Borrowing Costs

Interest was capitalised to capital work in progress using funds borrowed generally at a weighted average rate of 7.7 percent.

| | | | | |
|---------------------|------------------|---------------|---------------|--------|
| 12. Payables | | Consolidated | SA Water | |
| | | 2001 | 2001 | 2000 |
| | Note | \$'000 | \$'000 | \$'000 |
| | Trade creditors | 33 715 | 33 715 | 26 911 |
| | Interest payable | 17 940 | 17 940 | 18 562 |
| | Other creditors | 13 918 | 13 912 | 9 467 |
| | | 65 573 | 65 567 | 54 940 |

| | | | | |
|---|-----------------------|---------------|---------------|---------|
| 13. Interest Bearing Liabilities | | | | |
| Current: | | | | |
| | Short-term borrowings | 33 035 | 33 035 | 101 808 |
| | Lease liability | 1 592 | 1 592 | 1 428 |
| | | 34 627 | 34 627 | 103 236 |

The Corporation has a \$75 million short term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by South Australian Government Finance Authority (SAFA).

| | | | | |
|--------------|----------------------|------------------|------------------|-----------|
| Non-Current: | | | | |
| | Long-term borrowings | 1 057 080 | 1 057 080 | 957 636 |
| | Lease liability | 119 129 | 119 129 | 120 721 |
| | | 1 176 209 | 1 176 209 | 1 078 357 |

The Corporation has a fully utilised long term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

| | | | | | |
|-----------------------|-----------------------|----|---------------|---------------|--------|
| 14. Provisions | | | | | |
| Current: | | | | | |
| | Employee entitlements | 23 | 5 861 | 5 861 | 5 974 |
| | Asset disposal | | 550 | 550 | 448 |
| | Workers compensation | | 1 354 | 1 354 | 1 503 |
| | Damages and claims | | 2 844 | 2 844 | 2 230 |
| | Sundry | | 3 744 | 3 744 | 1 135 |
| | | | 14 353 | 14 353 | 11 290 |
| Non-Current: | | | | | |
| | Employee entitlements | 23 | 15 600 | 15 600 | 15 069 |
| | Workers compensation | | 2 465 | 2 465 | 2 019 |
| | | | 18 065 | 18 065 | 17 088 |

| | | | | | |
|------------------------------|--|--|--------------|--------------|-------|
| 15. Other Liabilities | | | | | |
| Current: | | | | | |
| | Deposits from contractors | | 455 | 455 | 442 |
| | Unearned income | | 947 | 947 | 1 063 |
| | Advance for Loxton War Service Land Settlement Scheme | | 250 | 250 | - |
| | | | 1 652 | 1 652 | 1 505 |
| Non-Current: | | | | | |
| | Advances for work carried out on behalf of Murray Darling Basin Commission | | 497 | 497 | 497 |
| | Advance for Loxton War Service Land Settlement Scheme | | - | - | 250 |
| | | | 497 | 497 | 747 |

| | | | | | |
|---|--|--|------------|------------|-----|
| 16. Notes to the Statement of Cash Flows | | | | | |
| (a) Reconciliation of Cash | | | | | |
| | For the purpose of the State of Cash Flows, cash includes cash on hand and at bank | | | | |
| | Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | | | |
| | Cash assets | | 972 | 491 | 441 |
| | | | 972 | 491 | 441 |

| (b) | Reconciliation of Profit from Ordinary Activities after Income Tax Expense to Net Cash provided by Operating Activities | Note | Consolidated | SA Water | |
|-----|--|------|------------------|------------------|------------------|
| | | | 2001 | 2001 | 2000 |
| | | | \$'000 | \$'000 | \$'000 |
| | Profit from ordinary activities after income tax expense | | 141 868 | 142 689 | 141 850 |
| | Add (Less) items classified as investing activities: | | | | |
| | Profit on sale of non-current assets | | (4 428) | (4 428) | (71) |
| | Contributed assets | | (16 413) | (16 413) | (25 022) |
| | Add (Less) non-cash items: | | | | |
| | Depreciation | | 102 906 | 102 906 | 100 919 |
| | Amortisation | | 847 | 847 | 847 |
| | Capital expenditure written off | | 1 514 | 1 514 | 7 322 |
| | Provision for employee entitlements | | 419 | 419 | 974 |
| | Provision for workers compensation | | 297 | 297 | (225) |
| | Adjustment for non-business operations | | 530 | 530 | 392 |
| | (Increase) Decrease in future income tax benefit | | 1 834 | 1 834 | (180) |
| | Increase (Decrease) in income taxes payable | | (2 425) | (2 043) | 16 307 |
| | Increase for deferred income tax payable | | 6 284 | 6 284 | 3 999 |
| | Net cash provided by Operating Activities before change in Assets and Liabilities | | 233 233 | 234 436 | 247 112 |
| | Changes in assets and liabilities: | | | | |
| | Decrease in rates and sundry receivables | | 16 315 | 16 242 | 5 034 |
| | (Increase) Decrease in prepayments | | 92 | 92 | (60) |
| | (Increase) Decrease in inventories | | (432) | (432) | 1 174 |
| | (Increase) in other operating assets | | (31) | (1 232) | (7 469) |
| | (Decrease) in trade creditors | | (18 156) | (18 156) | (5 126) |
| | (Decrease) Increase in other operating liabilities | | 3 420 | 3 416 | (7 459) |
| | (Decrease) Increase in other provisions | | 741 | 741 | (40) |
| | Net Cash provided by Operating Activities | | 235 182 | 235 107 | 233 166 |
| 17. | Contributed Equity | | | | |
| | Balance at 1 July | | 304 650 | 304 650 | 307 850 |
| | Net movement during the year | | 29 700 | 29 700 | 3 200 |
| | Balance at 30 June | | 274 950 | 274 950 | 304 650 |
| 18. | Reserves | | | | |
| | (a) Asset Revaluation Reserve | | | | |
| | Balance at 1 July | | 4 311 955 | 4 311 955 | 4 224 747 |
| | Add: Revaluation increments on infrastructure, plant and equipment | 1(f) | 9 449 | 9 449 | 87 208 |
| | Balance at 30 June | | 4 321 404 | 4 321 404 | 4 311 955 |
| | (b) Foreign Currency Translation Reserve | | | | |
| | Balance at 1 July | | - | - | - |
| | Net translation adjustment | | (44) | - | - |
| | Balance at 30 June | | (44) | - | - |
| | Total Reserves | | 4 321 360 | 4 321 404 | 4 311 955 |
| 19. | Retained Profits | | | | |
| | Retained profits at 1 July | | 77 791 | 77 791 | 111 141 |
| | Net profit from ordinary activities after income tax | | 141 868 | 142 689 | 141 850 |
| | | | 219 659 | 220 480 | 252 991 |
| | Dividends paid | | (135 470) | (135 470) | (175 200) |
| | Retained Profits at 30 June | | 84 189 | 85 010 | 77 791 |
| 20. | Additional Financial Instruments Disclosure | | | | |
| | (a) Objectives of Holding Derivative Financial Instruments | | | | |
| | The Corporation is exposed to the risk of adverse movements in interest rates and the Australian Dollar relative to foreign currencies. The Corporation uses derivative financial instruments solely to hedge against interest rate and foreign currency risks. | | | | |
| | Forward exchange contracts are purchased to hedge the Australian Dollar value of French Franc and Singapore Dollar payments arising from the purchase of inventory. The forward exchange contracts commit the Corporation to purchase French Francs and Singapore Dollars at an agreed rate of exchange. | | | | |
| | Interest rate swap agreements are used to convert interest rate exposures on certain debt from floating to fixed rates and vice versa. These swaps entitle the Corporation to either receive/pay floating interest quarterly or semi annually and receive/pay fixed interest semi annually. | | | | |
| | Interest rate futures contracts and forward rate agreements are utilised by the Corporation to hedge interest rate exposures on borrowings. | | | | |
| | (b) Interest Rate Risk Exposures | | | | |
| | The Corporation's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective interest rates as at balance date. | | | | |

(b) Interest Rate Risk Exposures (continued)

| | Note | 2001 | | | | Non-Bearing Interest \$'000 | 2001 Total \$'000 | Weighted Average Interest Rate | |
|------------------------|------|-------------------------------------|---|--------------------------------|---|--------------------------------|-------------------------|--------------------------------|------------------|
| | | Floating Interest Rate \$'000 | Fixed Interest 1 Year or less \$'000 | Over 1 to 5 years \$'000 | Maturing In More than 5 years \$'000 | | | Floating Percent | Fixed Percent |
| Financial Assets: | | | | | | | | | |
| Cash | 16 | 972 | - | - | - | - | 972 | 4.46 | - |
| Current receivables | 6 | - | - | - | - | 35 685 | 35 685 | | |
| Financial assets | 9 | - | - | - | - | 14 850 | 14 850 | | |
| CSO's | 8 | - | - | - | - | 84 758 | 84 758 | | |
| Other | | - | - | - | - | 9 038 | 9 038 | | |
| | | 972 | - | - | - | 144 331 | 145 303 | | |
| Financial Liabilities: | | | | | | | | | |
| Short term borrowings | 13 | 33 035 | - | - | - | - | 33 035 | 5.18 | |
| Long term borrowings | 13 | 125 355 | 99 572 | 452 761 | 379 392 | - | 1 057 080 | 4.97 | 7.26 |
| Accounts payable | | - | - | - | - | 64 319 | 64 319 | | |
| Deposits with SA Water | | - | 1 255 | - | - | 455 | 1 710 | | 5.12 |
| Non business advances | 15 | - | - | - | - | 747 | 747 | | |
| Lease liability | 13 | - | 1 592 | 8 436 | 110 693 | - | 120 721 | | 10.96 |
| Interest Rate Swaps* | | (84 500) | - | 5 000 | 79 500 | - | - | 4.92 | 6.70 |
| | | 73 890 | 102 419 | 466 197 | 569 585 | 65 521 | 1 277 612 | | |

* Notional Principal amount

| | Note | 2000 | | | | Non-Bearing Interest \$'000 | 2000 Total \$'000 | Weighted Average Interest Rate | |
|-------------------------|------|-------------------------------------|---|--------------------------------|---|--------------------------------|-------------------------|--------------------------------|------------------|
| | | Floating Interest Rate \$'000 | Fixed Interest 1 Year or less \$'000 | Over 1 to 5 years \$'000 | Maturing In More than 5 years \$'000 | | | Floating Percent | Fixed Percent |
| Financial Assets: | | | | | | | | | |
| Cash | 16 | 441 | - | - | - | - | 441 | 6.00 | |
| Current receivables | 6 | - | - | - | - | 22 601 | 22 601 | | |
| Non-current receivables | 8 | - | - | - | - | 4 | 4 | | |
| Financial assets | 9 | - | - | - | - | 14 851 | 14 851 | | |
| CSO's | 8 | - | - | - | - | 84 858 | 84 858 | | |
| Other | | - | - | - | - | 9 203 | 9 203 | | |
| | | 441 | - | - | - | 131 517 | 131 958 | | |
| Financial Liabilities: | | | | | | | | | |
| Short term borrowings | 13 | 101 808 | - | - | - | - | 101 808 | 5.26 | |
| Long term borrowings | 13 | 133 569 | 80 072 | 357 315 | 386 680 | - | 957 636 | 6.02 | 7.94 |
| Accounts payable | | - | - | - | - | 54 239 | 54 239 | | |
| Deposits with SA Water | | - | 701 | - | - | 442 | 1 143 | | 6.05 |
| Non business advances | 15 | - | - | - | - | 747 | 747 | | |
| Lease liability | 13 | - | 1 428 | 7 551 | 113 170 | - | 122 149 | | 10.96 |
| Interest Rate Swaps* | | (67 500) | - | 10 000 | 57 500 | - | - | 5.73 | 7.86 |
| | | 167 877 | 82 201 | 374 866 | 557 350 | 55 428 | 1 237 722 | | |

* Notional Principal amount

Interest Rate Sensitivity

In relation to borrowings, a 1 percent change in interest rates would impact on interest expense by \$1.592 million (\$1.048 million) for the year ended 30 June 2001. A 1 percent increase in interest rates would decrease the market value of the debt portfolio by \$42.1 million (\$36.5 million). This analysis is based on the current money market values as at 30 June 2001.

(c) Foreign Exchange

Contracts to buy foreign currency are entered into from time to time to offset purchase obligations so as to maintain a desired hedge position. The following table summarises, by currency, the Australian Dollar value of forward foreign exchange contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Corporation.

| Currency: | Contract Value | | Weighted Average Exchange Rate | |
|-------------------------|----------------|----------------|--------------------------------|----------------|
| | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 |
| French Francs | | | | |
| Buy | | | | |
| Not later than one year | 2 084 | 1 289 | 3.74 | 3.35 |
| | 2 084 | 1 289 | | |
| Singapore Dollars | | | | |
| Buy | | | | |
| Not later than one year | - | 108 | - | 1.02 |
| | - | 108 | | |
| | 2 084 | 1 397 | | |

As these contracts are hedging anticipated purchases, any unrealised gains and loss on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs (refer Note 1(q)). The unrecognised gains and losses, which are unrealised as at 30 June 2001, on hedges of anticipated foreign currency purchases are:

| | 2001 | | 2000 | |
|--------------------------|---|--|---|--|
| | Foreign Currency Gross Unrealised Gains \$'000 | Foreign Currency Gross Unrealised Losses \$'000 | Foreign Currency Gross Unrealised Gains \$'000 | Foreign Currency Gross Unrealised Losses \$'000 |
| Not longer than one year | - | 81 | - | 241 |
| | - | 81 | - | 241 |

(d) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties to the Corporation fail to meet their obligations.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of counterparties with low outstanding amounts and with counterparties with A+ credit rating or higher.

The credit risk on futures contracts is minimised as transactions are made through a recognised futures exchange.

Recognised Financial Instruments

The credit risk on financial assets recognised on the Statement of Financial Position is the carrying amount, net of any provisions for doubtful debts.

Non-recognised Financial Instruments

The credit risk on swap contracts is limited to the amount to be received from counterparties on contracts that are favourable to the Corporation. An amount of \$1.652 million is due to the Corporation as at 30 June 2001 (\$nil).

The forward foreign exchange contracts are subject to credit risk with the South Australian Government Financing Authority. The maximum credit risk exposure on forward foreign exchange contracts is the amount of foreign currency the Corporation is entitled to receive from the counterparties when the contracts are closed out. As at 30 June 2001, there was no amount due to the Corporation (\$nil).

The credit risk exposure on the forward rate agreement is \$nil as at 30 June 2001 (\$nil).

(e) Net Fair Values of Financial Assets and Liabilities

Net fair value is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

Recognised Financial Instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below.

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and financial liabilities of the Corporation approximate their carrying value and are therefore not disclosed below.

The net fair value of other monetary financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows at 30 June 2001 interest rates.

| | 2001 | | 2000 | |
|------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| Financial Liabilities: | \$'000 | \$'000 | \$'000 | \$'000 |
| Long-term borrowings | 1 057 080 | 1 098 253 | 957 636 | 996 766 |
| Lease liabilities | 120 721 | 120 721 | 122 149 | 122 149 |

Non-recognised Financial Instruments

The net fair value of non-recognised financial instruments held at the reporting date are:

| | Net Fair Values | |
|------------------------------------|-----------------|---------|
| | 2001 | 2000 |
| Interest rate swaps | (5 060) | (3 926) |
| Forward foreign exchange contracts | 2 002 | 1 155 |

The net fair value for interest rate swaps is estimated by discounting the anticipated future cash flows to their present value, based on current market interest rates at the respective balance dates.

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the South Australian Government Financing Authority as at 30 June 2001.

21. Expenditure Commitments**Capital Commitments**

Total capital expenditure contracted for at balance date but not recognised in the financial statements:

| | Consolidated 2001 | SA Water 2001 | 2000 |
|---|-------------------|---------------|--------|
| Payable not later than one year | 33 048 | 33 048 | 52 930 |
| Payable later than one year and not later than five years | 9 927 | 9 927 | 7 459 |
| | 42 975 | 42 975 | 60 389 |

Lease and Other Commitments

Finance Lease Commitments:

| | | | |
|---|----------------|----------------|---------|
| Payable not later than one year | 15 344 | 15 344 | 15 002 |
| Payable later than one year and not later than five years | 61 378 | 61 378 | 60 008 |
| Payable later than five years | 247 159 | 247 159 | 255 860 |
| | 323 881 | 323 881 | 330 870 |
| Less: Future finance charges | 203 160 | 203 160 | 208 721 |
| | 120 721 | 120 721 | 122 149 |

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities. The leases comprises a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price and related indexes. The amount of contingent rentals paid during the year is disclosed in Note 3.

| 21. Expenditure Commitments (continued) | | Consolidated | SA Water | |
|---|------|----------------|----------------|----------------|
| | | | 2001 | 2000 |
| Lease Liabilities provided for in the Financial Statements: | Note | \$'000 | \$'000 | \$'000 |
| Current | 13 | 1 592 | 1 592 | 1 428 |
| Non-Current | 13 | 119 129 | 119 129 | 120 721 |
| | | 120 721 | 120 721 | 122 149 |
| Operating Leases and Other Expenditure Commitments: | | | | |
| Payable not later than one year | | 54 499 | 54 499 | 48 487 |
| Payable later than one year and not later than five years | | 208 415 | 208 415 | 12 839 |
| Payable later than five years | | 9 064 | 9 064 | 10 364 |
| | | 271 978 | 271 978 | 71 690 |

Operating lease commitments are not recognised in the financial report as liabilities.

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and waste water networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing services which are reimbursed by the Corporation. The costs are reported for the second pricing period (2000: initial pricing period) and include an estimate for escalation charges.

| 22. Controlled Entities | (a) Particulars in Relation to Controlled Entities | Ordinary Share Consolidated Entity Interest | |
|-------------------------|--|---|---------|
| | | 2001 | 2000 |
| | South Australian Water Corporation | Percent | Percent |
| | Controlled Entities | | |
| | SA Water International Pty Ltd | 100 | 100 |
| | Crichbee Pty Limited | 100 | - |
| | PT SA Water International Pty Limited ⁽¹⁾ | 100 | - |

(1) PT SA Water International Pty Limited was incorporated and carries on business in Indonesia. All other controlled entities were incorporated in Australia. To comply with Indonesian company regulations requiring at least two shareholders 95 percent of the capital of PT SA Water International is held by SA Water International Pty Ltd with the remaining 5 percent held by Crichbee Pty Ltd.

| (b) Movements in Controlled Entities | | Consolidated | | SA Water | |
|--|------|--------------|------------|----------|----------|
| | | 2001 | 2000 | 2001 | 2000 |
| The following changes to controlled entities occurred during the financial year: | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| SA Water International Pty Ltd | | | | | |
| Balance at beginning of year | | - | 1 | - | 1 |
| Additional capital subscribed | | - | 380 | - | - |
| Balance at 30 June | | - | 381 | - | 1 |
| Cash paid | | - | 380 | - | - |
| Goodwill on consolidation | 10 | 1 | 1 | - | - |
| | | 1 | 381 | - | - |
| Crichbee Pty Ltd | | | | | |
| Acquired during the year | | - | 1 | - | - |
| Additional capital subscribed | | - | 20 | - | - |
| Balance at 30 June | | - | 21 | - | - |
| Cash paid | | - | 20 | - | - |
| Goodwill on consolidation | 10 | 1 | 1 | - | - |
| | | 1 | 21 | - | - |
| PT SA Water International Pty Ltd | | | | | |
| Capital subscribed (US \$200 000) | | - | 383 | - | - |
| Balance at 30 June | | - | 383 | - | - |

| 23. Employee Entitlements | | Consolidated | SA Water | 2000 |
|--|----|---------------|---------------|---------------|
| | | 2001 | 2001 | 2000 |
| Accrued wages and salaries | | 874 | 874 | 594 |
| Aggregate employee entitlements, including on-costs: | | | | |
| Annual leave - Current | 14 | 4 300 | 4 300 | 4 125 |
| Long service leave - Current | 14 | 1 561 | 1 561 | 1 849 |
| Long service leave - Non-Current | 14 | 15 600 | 15 600 | 15 069 |
| | | 22 335 | 22 335 | 21 637 |

Long Service Leave Provision

The balance at 30 June 2001 was determined on the basis of an actuarial valuation of the outstanding liability carried out by Mr Christos Papanicolas BSc (Ma) (Hons) ASIA, FIAA of William M Mercer Pty Ltd.

24. Contingent Liabilities

Contingent liabilities as at 30 June 2001, not otherwise provided for in these financial statements as claims disclosed in Note 14, include claims against the Corporation for which the certainty of success has yet to be determined. The claim relates to the sale of assets and a claim for damages in relation to the termination of the employment contract of a former employee. Legal advice indicates that it is unlikely that any significant additional liability will eventuate.

The Company provides for all known environmental liabilities. While the Directors believe that, based upon current information its current provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

25. Auditor's Remuneration

| | Consolidated 2001 \$'000 | SA Water 2001 \$'000 | 2000 \$'000 |
|--|--------------------------------|----------------------------|----------------|
| Amounts received or due and receivable by the Auditors for auditing the accounts | 229 | 229 | 208 |

The Auditors received no other benefits.

26. Consultancy Costs

During the year ended 30 June 2001 the Corporation paid \$4.6 million (\$10.5 million) as a result of engaging consultants. Assignments undertaken by consultants included work for both operating and capital projects.

27. Dividend

| | | | |
|---------------|---------|---------|---------|
| Dividend paid | 135 470 | 135 470 | 175 200 |
|---------------|---------|---------|---------|

The dividend paid to the South Australian Government Consolidated Account on 30 June 2001 was based upon the recommendation of the Board to the Treasurer pursuant to section 30 of the *Public Corporations Act 1993*.

28. Remuneration of Employees

| | Consolidated 2001 Number of Employees | SA Water 2001 Number of Employees | 2000 Number of Employees |
|--|--|--|--------------------------------|
| The number of employees whose total remuneration received in relation to the financial year falls within the following bands were: | | | |
| \$100 000 - \$109 999 | 5 | 5 | 5 |
| \$110 000 - \$119 999 | 4 | 4 | 4 |
| \$120 000 - \$129 999 | 3 | 3 | 3 |
| \$130 000 - \$139 999 | *7 | *7 | 3 |
| \$140 000 - \$149 999 | 5 | 5 | 2 |
| \$150 000 - \$159 999 | *2 | *2 | 1 |
| \$160 000 - \$169 999 | 1 | 1 | - |
| \$170 000 - \$179 999 | - | - | 2 |
| \$180 000 - \$189 999 | 2 | 2 | 2 |
| \$190 000 - \$199 999 | *1 | *1 | - |
| \$210 000 - \$219 999 | 1 | 1 | - |
| \$220 000 - \$229 999 | - | - | 1 |
| \$260 000 - \$269 999 | - | - | 1 |
| \$270 000 - \$279 999 | *1 | *1 | 1 |

The total remuneration received by those employees was \$4.6 million (\$3.7 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance. These figures include four executives who are no longer with the Corporation (relevant ranges containing those employees are marked with *).

The above disclosures are in accordance with the Treasurer's Instruction issued pursuant to the *Public Finance and Audit Act 1987*.

29. Remuneration of Directors

| | Consolidated 2001 Number of Directors | SA Water 2001 Number of Directors | 2000 Number of Directors |
|--|--|--|--------------------------------|
| The number of Directors of the Corporation whose total remuneration received in relation to the financial year falls within the following bands: | | | |
| \$40 000 - \$49 999 | 3 | 3 | 3 |
| \$50 000 - \$59 999 | 2 | 2 | 2 |
| \$80 000 - \$89 999 | 1 | 1 | - |
| \$100 000 - \$109 999 | 1 | 1 | 1 |
| \$160 000 - \$169 999 | 1 | 1 | - |
| \$260 000 - \$269 999 | - | - | 1 |
| \$270 000 - \$279 999 | *1 | *1 | - |

The total remuneration received by those Directors was \$0.76 million (\$0.60 million), which includes fringe benefits and superannuation contributions. These figures include Ms Anne Howe, the Chief Executive, as well as the previous Chief Executive (denoted by *).

30. Related Party Disclosures

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

| | |
|---------------------------------------|--------------------------------------|
| R A Cook | J D Crosby (retired 30 June 2001) |
| C J Hewson | S V McPhee |
| J R Porter | A Thomas |
| S P Sullivan (ceased 16 October 2000) | A D Howe (appointed 23 October 2000) |

Mr Cook is the Chairman of the South Australian Tourism Commission, Chairman of the South Australian Motor Sports Board, Urban Construct Pty Ltd, Digital Precinct Authority and Brock Partners Pty Ltd, Director of the Adelaide Bank Ltd.

30. Related Party Disclosures (continued)

Mr Crosby is the Managing Director of Brencorp Properties Pty Ltd and a Director of various subsidiary boards of Fosters Brewing Group (Lensworth Finance Group). He is also a Director of the Australasian Rail Corporation Board.

Ms Hewson is a Director of CSR Limited, The Australian Gas Light Company and AMP Limited.

Ms McPhee is the Group General Manager Marketing for QANTAS.

Mr Porter is a Lawyer and Company Director and Adjunct Professor in the National Institute of Governance within the division of Management and Technology, University of Canberra. He is Honorary Consul for the Federal Republic of Germany in South Australia.

Mr Thomas is a Director of G H Michell & Sons Pty Ltd, Engelhardt Eyewear Pty Ltd, Olive Matters Pty Ltd and Spoc Nominees, Chairman of the SA Wool Industry Development Board and SA Research and Development Advisory Board.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

31. Irrigation Assets and Liabilities

Assets and liabilities arising from the *Irrigation Act 1994* which were controlled by the former Engineering and Water Supply Department were not vested in the Corporation. Government policy is for self-management of Government Irrigation Districts which resulted in the transfer of assets to trusts formed under the *Irrigation Act* on 1 July 1997 for the Highland Irrigation Areas. During this transitional period, the Corporation continues to manage the irrigation activities for the reclaimed areas on behalf of the Minister for Government Enterprises. In order to reflect this arrangement, the assets and liabilities associated with the irrigation function have been excluded from the Corporation's financial statements. Agreement has been reached whereby the funding of capital works an operations for irrigation activities will be assumed by the Treasurer.

Under this arrangement, the Corporation is able to account for these amounts as advances to the Minister for Government Enterprises. These amounts are recorded in a separate account, Minister for Government Enterprises - Irrigation Assets.

| | Consolidated | |
|--|---------------------|-------|
| | 2001 | 2000 |
| Balance due from the Minister for Government Enterprises | 9 199 | 9 896 |
| Rates revenue - irrigation | (942) | (954) |
| Operating expenses - irrigation | 570 | 563 |
| Capital works in progress Central Irrigation Trust | - | 160 |
| Capital works in progress reclaimed areas | 54 | 119 |
| Less: Contributions received | - | 585 |
| | 8 881 | 9 199 |

32. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy 40 employees (28 employees) were paid a TVSP during the period worth a total value of \$2.8 million (\$1.6 million) with an additional \$0.9 million paid (\$0.5 million) in accrued annual leave and long service leave entitlements.

STATE SUPPLY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The State Supply Board, a statutory authority established under the *State Supply Act 1985* (the Act), is principally responsible for providing a framework for public sector supply. In particular, section 13 of the Act provides for the Board to undertake, provide for or control the acquisition, distribution, management and disposal of goods for or by public authorities. Furthermore, under section 14B of the Act the Board may also undertake the acquisition of services for a public authority at the request of the authority or the Minister.

In relation to services acquisition, as part of the implementation of the whole-of-government Procurement Reform Strategy, Cabinet approved in December 1997 that the State Supply Board be:

- requested to undertake the acquisition of services for public authorities pursuant to section 14B of the *State Supply Act 1985*. A Treasurer's Instruction, 'Expenditure of Goods, Services and Works', effective from 1 July 1998, includes recognition of this requirement;
- required to have regard to the Government's policy for the implementation framework for procurement reform in the exercise of its powers and performance of its functions, in accordance with section 17 of the Act. In May 1998 the Minister for Administrative Services issued a formal request to the Board to this effect.

The Board is also responsible for the purchase and on selling of gaming machines under the *Gaming Machine Act 1992*.

The Board comprises six members appointed by the Governor and, except as provided by the Act, is not subject to ministerial control and direction. The Board receives executive support and policy formulation advice from a secretariat located within the Department for Administrative and Information Services (DAIS), while the Contract Services business unit within DAIS administers strategic and complex whole-of-government contracts on behalf of the Board.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 21(2) of the *State Supply Act 1985* provides that the accounts of the Board must be audited at least once in every year by the Auditor-General.

Scope of Audit

During 2000-01 specific areas of Audit attention included:

- Procurement Reform progress
- Contract Management
- Expenditure
- Salaries
- Board Minutes.

The accounts and financial transactions of the Board are maintained and processed by the Department for Administrative and Information Services (DAIS). In addition, in relation to the contract management activity, the Contract Services business unit of DAIS undertakes certain aspects of this activity on behalf of the Board.

Audit reviews of the financial operations and contract management activity of the Board was covered as part of the examination of the operations and systems and processes of DAIS.

AUDIT FINDINGS AND COMMENTS

The review of the accounts and financial transactions of the Board revealed a generally satisfactory position.

Last year's Report included comment concerning the legal, regulatory and policy framework for procurement in the South Australian public sector. The commentary in summary terms conveyed issues of importance considered in need of addressing to ensure the soundness of the procurement implementation framework. The issues were the subject of correspondence between Audit and the Chair of the State Supply Board.

Since preparation of the previous Report the Chair, State Supply Board has advised Audit that work is proceeding on amendments to the *State Supply Act 1985* to address the issues that had been raised by Audit. The Chair also indicated that the amending legislation is expected to be introduced to Parliament during the September 2001 session.

Further comment on this area is contained in Part A of this Report.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the State Supply Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the State Supply Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|-----------|----------------|----------------|
| REVENUE FROM ORDINARY ACTIVITIES: | | | |
| Appropriation for operating purposes | 2.3 | 423 | 398 |
| Interest on cash at bank | | 10 | - |
| Total Revenue | | 433 | 398 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Employee expenses | 3(i) (ii) | 164 | 51 |
| Administration | 3(i), 4 | 135 | 138 |
| Other expenses from ordinary activities | 3(i) | 30 | 44 |
| Total Expenses | | 329 | 233 |
| PROFIT FROM ORDINARY ACTIVITIES | | 104 | 165 |
| NET PROFIT | | 104 | 165 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 104 | 165 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash | 5 | 310 | 81 |
| Other | 6 | 38 | 38 |
| Total Current Assets | | 348 | 119 |
| NON-CURRENT ASSETS: | | | |
| Plant and equipment | 7 | - | 2 |
| Fit outs | 8 | 19 | 42 |
| Total Non-Current Assets | | 19 | 44 |
| Total Assets | | 367 | 163 |
| CURRENT LIABILITIES: | | | |
| Provisions | 9 | 12 | 1 |
| Other | 10 | 116 | 30 |
| Total Current Liabilities | | 128 | 31 |
| NON-CURRENT LIABILITIES: | | | |
| Provisions | 9 | 15 | 12 |
| Total Non-Current Liabilities | | 15 | 12 |
| Total Liabilities | | 143 | 43 |
| NET ASSETS | | 224 | 120 |
| EQUITY: | | | |
| Accumulated surplus | 14 | 224 | 120 |
| TOTAL EQUITY | | 224 | 120 |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|--|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from appropriation | | 423 | 398 |
| Interest received | | 10 | - |
| Payments to suppliers and employees | | (204) | (242) |
| Net Cash provided by Operating Activities | 13(b) | 229 | 156 |
| NET INCREASE IN CASH HELD | | 229 | 156 |
| CASH AT 1 JULY | | 81 | (75) |
| CASH AT 30 JUNE | 13(a) | 310 | 81 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Purpose of the Board

The Board's mission is:

To guide, manage and control the supplies acquisition, management, distribution and disposal activities of public authorities by direct action on behalf of agencies, where appropriate, and by the development and promulgation of supply policies and guidelines for application by those agencies subject to the *State Supply Act 1985*.

2. Statement of Significant Accounting Policies**2.1 Basis of Accounting**

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

The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuation of non-current assets. The accounting policies have been consistently applied unless otherwise stated.

The Board's principal source of funds is monies appropriated by Parliament. Appropriations are recognised as revenues in the period in which the Board gains control of the appropriated funds.

2.2 Gaming Machines

The State Supply Board is also responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*. Administration of the responsibilities of the Board is undertaken by the Contract Services Business Unit of the Department for Administrative and Information Services (DAIS).

2.3 Appropriations

Reconciliation of appropriations to government revenues:

| | | |
|---------------------------|----------------|----------------|
| Total appropriations | 2001 \$'000 | 2000 \$'000 |
| | 423 | 398 |
| Total Government Revenues | 423 | 398 |

2.4 Non-Current Assets**Cost and Valuation**

Plant and equipment are brought to account at historical cost.

Fit outs have been brought to account at cost or valuation. The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is recorded as revenue or expense in the year of disposal.

Depreciation

All non-current assets, excluding freehold land, are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use.

2.5 Employee Entitlements

As at 30 June the provision for long service leave has been determined for the Board's employees who have completed eight or more years of service and includes an allowance for employee on-costs. This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

The current component of long service leave is determined based on DAIS estimates of long service leave due to be taken during the 12 months ending 30 June 2002.

2.6 Superannuation

During 2000-01, amounts paid or payable by the Board to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees was \$11 488 (\$4 500).

2.7 Accommodation

The Board occupies leased premises administered by the Department for Administrative and Information Services. Payments during the year to the Real Estate Management Unit for leasing and associated services amounted to \$5 775 (\$4 500).

2.8 Consulting and Contracting Charges

The Board has paid \$55 919 (\$7 700) for expenditure on contractors and consultants to assist the Board in the conduct of whole-of-government reviews of supply activities, including the whole-of-government Procurement Review. These costs are included in the operating expenses in the financial statements.

2.9 Leases**Operating Leases**

For operating leases (being those where the lessor retains substantially all the risks and benefits incidental to ownership of the leased assets), the State Supply Board has brought the lease rental payments to account as an expense in the Operating Statement.

2.10 Receivables, Accounts Payable and Borrowings

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

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

2.11 Goods and Services Tax

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

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

The Department for Administrative and Information Services prepares a Business Activity Statement on behalf of the Board under the grouping provisions of the GST legislation. Under these provisions, DAIS is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to the Board forms part of the Statement of Financial Position and Cash Flow Statement of the Department for Administrative and Information Services.

| 3. Net Profit | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------|----------------|----------------|
| Net profit has been arrived at after: | | | |
| (i) Debiting as Expenses | | | |
| Administration: | | | |
| Salaries and related payments | 3 (ii) | 164 | 51 |
| Administration costs | | 135 | 138 |
| | | <u>299</u> | <u>189</u> |
| Other expenses: | | | |
| Accommodation and power | 2.7 | 6 | 5 |
| Depreciation | | 24 | 39 |
| | | <u>30</u> | <u>44</u> |
| | | <u>329</u> | <u>233</u> |
| (ii) Salaries and Related Payments | | | |
| During the year additional staff were brought on to assist in the delivery of the initiatives of the State Supply Board. This included resources dedicated to managing the Procurement Learning Program and the affairs and policies of the Board. | | | |
| 4. Auditors' Remuneration | | | |
| Estimated amounts payable to the auditors of the State Supply Board | | 5 | 5 |
| 5. Cash | | | |
| Cash held with Treasury | | 310 | 81 |
| 6. Other Current Assets | | | |
| Accrued revenue | | 38 | 38 |
| 7. Plant and Equipment | | | |
| At cost | | 6 | 6 |
| Less: Accumulated depreciation | | 6 | 4 |
| | | - | 2 |
| 8. Fitouts | | | |
| In leased buildings: | | | |
| At cost | | 121 | 121 |
| Less: Accumulated depreciation | | 102 | 79 |
| Total Fitouts | | <u>19</u> | <u>42</u> |
| 9. Provisions | | | |
| Current: | | | |
| Annual leave | | 12 | 1 |
| Non-Current: | | | |
| Long service leave | 2.5 | 14 | 12 |
| Workers compensation | | 1 | - |
| | | <u>15</u> | <u>12</u> |
| 10. Other Current Liabilities | | | |
| Accrued expenses | | 110 | 25 |
| Trade creditors | | 1 | - |
| Prepayments | | 5 | 5 |
| | | <u>116</u> | <u>30</u> |
| 11. Operating Lease Commitments | 2.9 | | |
| Not later than one year | | 6 | 5 |
| Later than one year and not later than two years | | - | - |
| Later than two years and not later than five years | | - | - |
| Later than five years | | - | - |
| | | <u>6</u> | <u>5</u> |

State Supply Board

12. **Related Party Disclosures**

During the year the following persons occupied the position of Board member of the State Supply Board:

| | |
|---------------------|---------------|
| Mr B Miller (Chair) | Ms F Miller |
| Ms P Crook | Mr L Oxlad |
| Ms J Deveraux | Ms J Riedstra |
| Mr P Gardner | Mr G Spence |
| Mr P Jackson | Mr L Thompson |

Board Members retired during 2000-01:

Ms A Howe

During the period, a total of \$29 229 (\$12 600) was paid to Board Members in Board fees.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

13. **Notes to the Statement of Cash Flows**

For the purpose of the Statement of Cash Flows cash is Cash at Bank

| | 2001 \$'000 | 2000 \$'000 |
|--|----------------|----------------|
| (a) Reconciliation of Cash | | |
| Cash | 310 | 81 |
| (b) Reconciliation of Net Profit to Net Cash provided by Operating Activities | | |
| Net profit | 104 | 165 |
| Non cash flows in net profit: | | |
| Depreciation | 25 | 40 |
| Change in assets and liabilities: | | |
| Increase in trade creditors | 1 | - |
| (Increase) in accrued revenue | - | (38) |
| Increase (Decrease) in accrued expenses | 8 | (6) |
| Increase (Decrease) in accrued salaries and wages | 77 | (1) |
| Increase in interest received | - | (1) |
| Increase (Decrease) in provision for annual leave | 11 | (3) |
| Increase in provision for long service leave | 2 | - |
| Increase in provision for workers compensation | 1 | - |
| Net Cash provided by Operating Activities | 229 | 156 |
| 14. Movement in Equity | | |
| Items relating to the Net Change in Equity: | | |
| Opening retained earnings | 120 | (45) |
| Current year profit | 104 | 165 |
| Accumulated surplus | 224 | 120 |

MINISTER FOR EDUCATION AND CHILDREN'S SERVICES; MINISTER FOR EMPLOYMENT AND TRAINING; MINISTER FOR YOUTH

PORTFOLIO – EDUCATION, TRAINING AND EMPLOYMENT

INTRODUCTION

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

- Minister for Education and Children's Services
- Minister for Employment and Training
- Minister for Youth

The agencies included herein relating to the portfolio of Education, Training and Employment are:

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

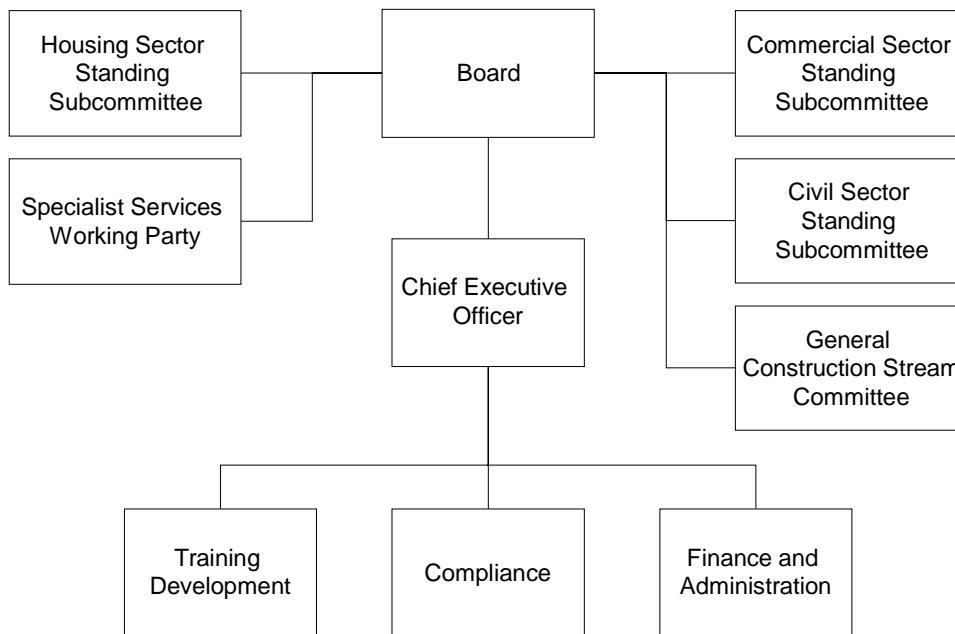
CONSTRUCTION INDUSTRY TRAINING BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

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

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



SIGNIFICANT FEATURES

- Industry levies were \$6.7 million, a decrease of \$2.3 million, 25.3 percent.
- Training expenditure was \$6.3 million (\$6.5 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all major business cycles and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2000-01 specific areas of audit attention included:

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

Audit Communications to Management

An audit management letter outlining the scope and findings of the audit was forwarded to the Chief Executive Officer and a satisfactory response detailing the Board's resolution of all matters raised has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

While the review of the specific areas of financial activity revealed a generally satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims under the User Selected Funding mechanism and the Entry Level Training Program.

Commentary 'Legislative Changes'

In September 1993, the Minister in accordance with section 38 of the *Construction Industry Training Fund Act 1993*, appointed a firm of independent consultants to undertake a review of the Act and the Board's operations. Their report was submitted to the Minister in November 1997.

Several recommendations arising from the independent review regarding legislative changes were encapsulated in the *Construction Industry Training Fund (Miscellaneous) Amendment Bill 2000*.

The *Construction Industry Training Fund (Miscellaneous) Amendment Act 2000* was assented to on 14 December 2000. Amendments to the Act include;

- a revision to the definition of project owner. The definition has been revised to remove the specific reference to building or construction work carried out by or on behalf of a government authority, and to define a project owner as a person who has been engaged to carry out, or to cause to be carried out, substantially all of the building or construction work associated with a particular project;
- giving the Board the ability to determine that a levy may be paid in monthly instalments or in other periodical instalments;
- increasing the minimum estimated value of work to which the levy applies to \$15 000;
- defining the nature of plant and equipment which will be subject to the Construction Industry Training Fund levy;
- a provision to enable the Minister to act if the industry associations recognised under the Act fail to make a nomination for a vacancy on the Board.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Construction Industry Training Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Income from industry levies was \$6.7 million, a decrease of \$2.3 million. Levies from the civil sector decreased by \$1 million and levies from the housing sector decreased by \$850 000. The variations reflect the level of activity in these sectors during 2000-01.

Housing Sector funds not utilised at 30 June 2001 accounted for 52.4 percent of the accumulated surplus of \$5.3 million.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | Housing Sector | Commercial Sector | Civil Sector | Other | 2001 Total | 2000 Total |
|--|------|----------------|-------------------|--------------|-------------|--------------|--------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| REVENUES FROM ORDINARY ACTIVITIES: | | | | | | | |
| Industry levies | | 2 753 | 2 497 | 1 462 | - | 6 712 | 8 991 |
| Interest on deposits | | 179 | 160 | 80 | 2 | 421 | 386 |
| Grants | | - | - | - | 134 | 134 | 118 |
| Fines | | - | - | - | - | - | 7 |
| Proceeds from disposal of assets | 3 | 21 | 18 | 9 | - | 48 | 83 |
| Other | | 15 | 14 | 7 | - | 36 | (1) |
| Total Revenues | | 2 968 | 2 689 | 1 558 | 136 | 7 351 | 9 584 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | | | | | |
| ADMINISTRATION: | | | | | | | |
| Salaries and related payments | | 180 | 162 | 81 | - | 423 | 495 |
| Collection Agents fees | | 51 | 7 | 3 | - | 61 | 83 |
| Depreciation | 4(a) | 46 | 41 | 21 | - | 108 | 47 |
| Occupancy | | 25 | 22 | 11 | - | 58 | 42 |
| Special projects | | - | - | - | - | - | 32 |
| Other | | 141 | 126 | 64 | - | 331 | 348 |
| Total Administration Expenses | | 443 | 358 | 180 | - | 981 | 1 047 |
| TRAINING RESEARCH ACCESS AND EQUITY EXPENSES | | | | | | | |
| Salaries | | 92 | 77 | 59 | - | 228 | 132 |
| Promotion | | 86 | 67 | 51 | - | 204 | 315 |
| Training claims | 4(b) | 2 585 | 2 284 | 807 | - | 5 676 | 5 813 |
| Other | | 25 | 24 | 12 | - | 61 | 35 |
| Access and equity | | 28 | 28 | 68 | - | 124 | 110 |
| Research | | 4 | 4 | 42 | - | 50 | 74 |
| Total Training Research Access and Equity Expenses | | 2 820 | 2 484 | 1 039 | - | 6 343 | 6 479 |
| GRANT EXPENSES: | | | | | | | |
| Salaries and related payments | | - | - | - | 120 | 120 | 78 |
| Depreciation | 4(a) | - | - | - | 16 | 16 | 7 |
| Promotion and occupancy | | - | - | - | 10 | 10 | 9 |
| Other | | - | - | - | 35 | 35 | 53 |
| Total Grant Expenses | | - | - | - | 181 | 181 | 147 |
| Total Expenses | | 3 263 | 2 842 | 1 219 | 181 | 7 505 | 7 673 |
| NET OPERATING (DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES | | (295) | (153) | 339 | (45) | (154) | 1 911 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | 17 | (295) | (153) | 339 | (45) | (154) | 1 911 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 | 2000 |
|--|-----------|--------------|--------------|
| | | \$'000 | \$'000 |
| CURRENT ASSETS: | | | |
| Cash assets | | 345 | 40 |
| Receivables | 5 | 654 | 491 |
| Investments | 6 | 6 463 | 7 303 |
| Total Current Assets | | 7 462 | 7 834 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 7(a),7(b) | 502 | 301 |
| Total Non-Current Assets | | 502 | 301 |
| Total Assets | | 7 964 | 8 135 |
| CURRENT LIABILITIES: | | | |
| Training expenditure approved but not yet paid | 8 | 663 | 746 |
| Payables | | 146 | 133 |
| Employee entitlements and related provisions | 9 | 107 | 55 |
| Total Current Liabilities | | 916 | 934 |
| NON-CURRENT LIABILITIES: | | | |
| Employee entitlements and related provisions | 10 | 14 | 13 |
| Total Non-Current Liabilities | | 14 | 13 |
| Total Liabilities | | 930 | 947 |
| NET ASSETS | | 7 034 | 7 188 |
| ACCUMULATED FUNDS: | | | |
| Reserve | 17 | 1 718 | 1 720 |
| Accumulated funds | 17 | 5 316 | 5 468 |
| TOTAL ACCUMULATED FUNDS | | 7 034 | 7 188 |
| Commitments | 11 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | | 2001 | 2000 |
|--|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| RECEIPTS: | Note | \$'000 | \$'000 |
| Industry training levies | | 6 631 | 8 926 |
| Interest received | | 27 | 32 |
| Other | | 48 | 2 |
| Grant from Government | | 137 | 118 |
| GST refund from Australian Taxation Office | | 459 | - |
| PAYMENTS: | | | |
| Payments to employees and suppliers | | (1 471) | (1 450) |
| Training, access and equity expenditure | | (6 266) | (5 921) |
| Grants | | (168) | (140) |
| Net Cash (used in) provided by Operating Activities | 18.2 | (603) | 1 567 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| RECEIPTS: | | | |
| Proceeds from sale of commercial bills | | - | 17 018 |
| Proceeds from term deposits | | 39 465 | 12 395 |
| Proceeds from sale of plant and equipment | | 48 | 83 |
| PAYMENTS: | | | |
| Payment for commercial bills | | - | (11 820) |
| Payment for term deposits | | (38 217) | (19 577) |
| Payment for plant and equipment | | (388) | (263) |
| Net Cash provided by (used in) Investing Activities | | 908 | (2 164) |
| NET INCREASE (DECREASE) IN CASH HELD | | 305 | (597) |
| CASH AT 1 JULY | | 40 | 637 |
| CASH AT 30 JUNE | 18.1 | 345 | 40 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives

The Board's responsibilities include:

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

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

2. Summary of Accounting Policies

2.1 General System of Accounting Underlying the Financial Statements

The general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, the Treasurer's Instructions for Authorities promulgated under the provisions of the *Public Finance and Audit Act 1987* and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the accounts.

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

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

2.2 Income Recognition

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

Interest income is recognised as it accrues.

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

2.3 Depreciation

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

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

- furniture and fittings 20 percent and 12.5 percent
- computer equipment 25 percent
- office machines 20 percent
- motor vehicles 15 percent

2.4 Recoverable Amount of Non-Current Assets

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

2.5 Income Tax

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

2.6 Employee Entitlements

Provision has been made in the financial statements, where stated, for the Board's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz, workers compensation insurance premiums, superannuation contributions and payroll tax) have been included in the determination of the liability.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates and includes an allocation of relevant on-costs.

Sick Leave

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

Long Service Leave

In calculating long service leave entitlements the Board has used a benchmark of five years as it more accurately reflects the long service leave liability. Related on-costs are reported as accrued expenses.

Superannuation

The Board has contributed 8 percent of employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for superannuation for the year.

2.7 Creditors and Accrued Expenses

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

2.8 Leases

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

2.9 Accrued Levy Income

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

2.10 Training Expenditure Approved but Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training expenditure approved but not yet paid'.

2.11 Sector Allocation of Income and Expenditure

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

- interest income
- other income
- salaries and related payments
- depreciation
- gain on disposal of non-current assets
- promotion and occupancy costs
- other administration costs

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

2.12 Receivables

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

2.13 Investments

Investments represent investments in term deposits. Interest income is brought to account on an accruals basis.

2.14 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG31 Accounting for the Goods and Services Tax (GST) revenues, expenses and assets are recognised net of the amount of GST except that:

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

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

2.14 Accounting for the Goods and Services Tax (GST) (continued)

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

2.15 Reclassification of Financial Information

As a result of applying AAS1 'Statement of Financial Performance' and AAS36 'Statement of Financial Position', the format of the Statement of Financial Performance (previously referred to as the Operating Statement) and the Statement of Financial Position have been amended. As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

| | | | | | | |
|-----------|--|---------------------------|-----------------------|--------------------|-------------------|--------------|
| 3. | Operating Revenues | | 2001 | 2000 | | |
| | Proceeds and Expenses from Sale of Assets | | \$'000 | \$'000 | | |
| | Non-financial assets - Plant and equipment | | | | | |
| | Revenue (proceeds) from sale | | 48 | 83 | | |
| | Expense from sale | | 43 | 67 | | |
| | | | <u>5</u> | <u>16</u> | | |
| 4. | Operating Expenses | | | | | |
| | (a) Depreciation | | | | | |
| | The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows: | | | | | |
| | Furniture and fittings | | 5 | 6 | | |
| | Computer equipment | | 100 | 31 | | |
| | Office machines | | 4 | 3 | | |
| | Motor vehicles | | 15 | 14 | | |
| | Total | | <u>124</u> | <u>54</u> | | |
| | (b) Write Back of Training Contract Amounts | | | | | |
| | Training contract amounts which were unspent from previous Annual Training Plan years have been written back and are included in training claims expenditure. The amounts written back are as follows: | | | | | |
| | Write back of training expenses | | 9 | 225 | | |
| | | | <u>9</u> | <u>225</u> | | |
| 5. | Current Receivables | | 2001 | 2000 | | |
| | The receivables due to the Board at balance date comprise: | \$'000 | \$'000 | \$'000 | | |
| | Accrued levy income | | 444 | 423 | | |
| | Accrued interest | | 21 | 35 | | |
| | Prepayments | | 6 | 18 | | |
| | Trade debtors | 41 | | | | |
| | Less: Provision for doubtful debts | <u>1</u> | | | | |
| | | | 40 | 8 | | |
| | Sundry debtors | | 6 | 7 | | |
| | GST receivables | | 137 | - | | |
| | Total Current Receivables | | <u>654</u> | <u>491</u> | | |
| 6. | Current Investments | | 2001 | 2000 | | |
| | The investments of the Board at balance date comprise: | | \$'000 | \$'000 | | |
| | National Australia Bank term deposits | | 6 463 | 7 303 | | |
| | Total Current Investments | | <u>6 463</u> | <u>7 303</u> | | |
| 7. | Property, Plant and Equipment | | 2001 | 2000 | | |
| | (a) Plant and equipment: | \$'000 | \$'000 | \$'000 | | |
| | Furniture and fittings at cost | 66 | | | | |
| | Less: Accumulated depreciation | <u>49</u> | | | | |
| | | | 17 | 16 | | |
| | Computer equipment at cost | 609 | | | | |
| | Less: Accumulated depreciation | <u>234</u> | | | | |
| | | | 375 | 177 | | |
| | Office machines at cost | 27 | | | | |
| | Less: Accumulated depreciation | <u>14</u> | | | | |
| | | | 13 | 15 | | |
| | Motor vehicles at cost | 108 | | | | |
| | Less: Accumulated depreciation | <u>11</u> | | | | |
| | | | 97 | 93 | | |
| | Total Plant and Equipment | | <u>502</u> | <u>301</u> | | |
| | (b) Analysis of Plant and Equipment | | | | | |
| | | Furniture And Fittings | Computer Equipment | Office Machines | Motor Vehicles | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Gross value at 1 July 2000 | 60 | 311 | 25 | 100 | 496 |
| | Additions - Purchase of assets | 6 | 298 | 2 | 63 | 369 |
| | Disposals | - | - | - | (55) | (55) |
| | Gross value at 30 June 2001 | <u>66</u> | <u>609</u> | <u>27</u> | <u>108</u> | <u>810</u> |
| | Accumulated depreciation as at 30 June 2000 | 44 | 134 | 10 | 7 | 195 |
| | Disposals | - | - | - | (11) | (11) |
| | Depreciation charge for the year | 5 | 100 | 4 | 15 | 124 |
| | Write-offs | - | - | - | - | - |
| | Accumulated depreciation at 30 June 2001 | <u>49</u> | <u>234</u> | <u>14</u> | <u>11</u> | <u>308</u> |
| | Net Book Value as at 30 June 2001 | <u>17</u> | <u>375</u> | <u>13</u> | <u>97</u> | <u>502</u> |
| | Net Book Value as at 1 July 2000 | <u>16</u> | <u>177</u> | <u>15</u> | <u>93</u> | <u>301</u> |

| | | |
|---|---------------|---------------|
| 8. Training Expenditure Approved but Not Yet Paid | 2001 | 2000 |
| | \$'000 | \$'000 |
| Housing sector | 305 | 376 |
| Commercial sector | 252 | 229 |
| Civil sector | 106 | 141 |
| | 663 | 746 |
| 9. Current Provision | | |
| Provision for employee entitlements: | | |
| Long service leave | 69 | 20 |
| Annual leave | 38 | 35 |
| | 107 | 55 |
| 10. Non-Current Provision | | |
| Provision for employee entitlements: | | |
| Long service leave | 14 | 13 |
| 11. Expenditure Commitments | | |
| Lease commitments: | | |
| Operating leases: | | |
| Not later than one year | 78 | 54 |
| Later than one year but not later than five years | 13 | 68 |
| Aggregate lease expenditure contracted for at balance date but not provided for (including GST) | 91 | 122 |
| GST included in the Operating Lease commitments | 8 | - |
| 12. Auditors' Remuneration | | |
| Amounts receivable by the auditors for auditing the accounts | 23 | 21 |

The leases for office accommodation are non-cancellable leases, with rental payable monthly in advance. Lease payments are subject to annual increases in accordance with movements in current market rental rates.

| | | |
|--|------------------|---------------|
| 13. Remuneration of Directors | | |
| Total income received, or due and receivable during the financial year, by Board Members was \$17 000 (\$17 000). | | |
| | 2001 | 2000 |
| | Number of | Number of |
| | Members | Members |
| The number of Board members whose income from the entity falls within the following band is: | | |
| \$0 - \$20 000 | 1 | 1 |
| Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Board member was \$1 395. | | |
| 14. Remuneration of Executives | 2001 | 2000 |
| Employees received remuneration in the year in the following band: | Number of | Number of |
| | Executive | Executive |
| \$100 001 - \$110 000 | 1 | 1 |
| 15. Consultant Fees | 2001 | 2000 |
| | \$'000 | \$'000 |
| Total expenditure on consultants | 50 | 17 |

| | | |
|--|------------------------|--|
| 16. Related Party Disclosures | | |
| 16.1 Directors of the Construction Industry Training Board | | |
| The Directors of the Construction Industry Training Board appointed from 1 July to 30 June 2001: | | |
| Richard McKay Presiding Member | Christopher Michelmore | |
| Susan Frazer | Martin O'Malley | |
| Robert Stewart | Graeme Lawler | |
| Trevor Trewartha | Anne Howe | |
| Brenton Gardner Appointment effective 22.11.2000 | Stephen Hall | |
| Robert Geraghty | | |
| 16.2 Transactions with Director-Related Entities | | |
| The following related party transactions occurred during the financial year: | | |
| (a) Three of the Directors are Deputy Board Members of Construction Benefit Services (CBS) and two of the Deputy Board Members are Board Members of CBS from whom the Construction Industry Training Board leases premises for its operating activities under normal terms and conditions. | | |
| (b) During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions to other parties. | | |

17. **Equity**

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

| ACCUMULATED SURPLUS (DEFICIT) | Housing Sector \$'000 | Commercial Sector \$'000 | Civil Sector \$'000 | Other \$'000 | 2001 Total \$'000 | 2000 Total \$'000 |
|--|--------------------------|-----------------------------|------------------------|-----------------|----------------------------------|-------------------------|
| Balance at 1 July | 3 073 | 1 123 | 1 250 | 22 | 5 468 | 3 822 |
| Transfer (to) from - Strategic Reserve | 8 | (6) | - | - | 2 | (265) |
| Surplus/deficit for the year | (295) | (153) | 339 | (45) | (154) | 1 911 |
| Balance at 30 June | 2 786 | 964 | 1 589 | (23) | 5 316 | 5 468 |

Reserve

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

In developing its policy in 2000-01 for the maintenance of a strategic reserve, the Board has reviewed the level of the reserve. The Board has decided to reduce the level of its strategic reserve in accordance with its annual policy or review.

| | 2001 \$'000 | 2000 \$'000 |
|-------------------|------------------------|----------------|
| Strategic reserve | 1 718 | 1 720 |

18. **Notes to the Statement of Cash Flows**

18.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and investments readily convertible to cash within two working days.

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

| | 2001 \$'000 | 2000 \$'000 |
|--------------------------|------------------------|----------------|
| Cash on hand and at bank | 302 | - |
| Term deposits | 43 | 40 |
| | 345 | 40 |

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

| | | |
|--|--------------|-------|
| Net operating (deficit) surplus from ordinary activities | (154) | 1 911 |
| Depreciation | 124 | 54 |
| Increase in annual leave provision | 3 | 19 |
| Increase in long service leave provision | 37 | 33 |
| (Increase) in debtors and accrued levy income | (52) | (109) |
| Decrease (Increase) in prepayments | 12 | (18) |
| Decrease (Increase) in accrued interest | 14 | (18) |
| Interest on commercial bills | - | (215) |
| Interest on term deposits | (407) | (121) |
| Decrease in creditors and accrued expenses | 45 | 45 |
| Gain on disposal of assets | (5) | (16) |
| (Increase) Decrease in GST paid | (137) | - |
| (Increase) Decrease in training liability | (83) | 2 |
| Net Cash (used in) provided by Operating Activities | (603) | 1 567 |

19. **Financial Instruments**

(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows.

Financial Assets

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

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

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

Financial Liabilities

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

(b) Credit Risk Exposures

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

The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Interest Rate Risk Exposures

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

| | Weighted Average Interest Rate Percent | Floating Interest Rate \$'000 | Fixed Interest Maturing in 1 to 5 years \$'000 | Non- Interest Bearing \$'000 | 2001 Total \$'000 | 2000 Total \$'000 |
|--|---|--|--|---------------------------------------|----------------------------------|-------------------------|
| Financial Assets: | | | | | | |
| Cash | 4.8 | 345 | - | - | 345 | 40 |
| Receivables | | - | - | 654 | 654 | 491 |
| Investments | 5.6 | - | 6 463 | - | 6 463 | 7 303 |
| | | <u>345</u> | <u>6 463</u> | <u>654</u> | <u>7 462</u> | <u>7 834</u> |
| Financial Liabilities: | | | | | | |
| Training expenditure approved but not paid | | - | - | 663 | 663 | 746 |
| Creditors and accrued expenses | | - | - | 146 | 146 | 133 |
| Net Financial Assets (Liabilities) | | <u>345</u> | <u>6 463</u> | <u>(155)</u> | <u>6 653</u> | <u>6 955</u> |

(d) Net Fair Value of Financial Assets and Liabilities

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

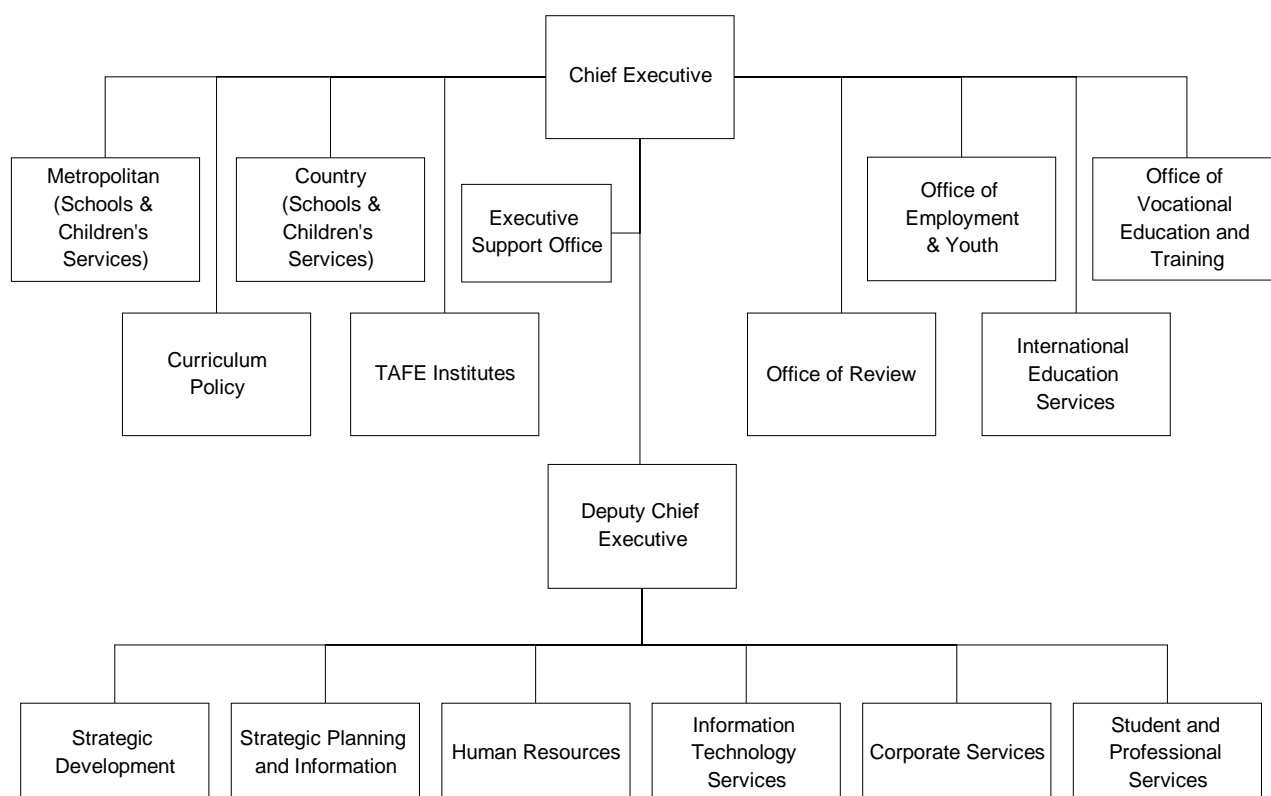
DEPARTMENT OF EDUCATION, TRAINING AND EMPLOYMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established pursuant to the *Public Sector Management Act 1995*.

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

The organisational structure of the Department is:



SIGNIFICANT FEATURES

- Net cost of services was \$1.5 billion, an increase of 9 percent.
- Employee expenses totalled \$1.3 billion or 69 percent of the total cost of services.
- Commonwealth grants, \$258 million, represented 61 percent of total operating revenues.
- The written down value of the Department's non-current assets is \$2 billion.
- The liability for employee entitlements is \$403 million, an increase of \$22 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

During 2000-01, specific areas of audit attention included:

- expenditure, including accounts payable, salaries and wages and leave management systems
- non-current assets, including the adequacy of asset register maintenance
- revenue, including general ledger recording
- TAFE Institute operations including the Onkaparinga Institute.

Audit Communications to Management

During the year, correspondence communicating issues arising from the audit was forwarded to the Chief Executive and satisfactory responses were received. These issues are detailed in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit identified certain instances of non-compliance with generally accepted internal control procedures and departmental policies and guidelines in the State Office and at certain Institutes.

Issues raised with the Department included weaknesses in procedures and internal controls with respect to State Office's sundry debtors system, purchasing and accounts payable functions and the Office of Employment and Youth (Government Youth Training Scheme).

Further, internal control weaknesses identified in certain TAFE Institute purchasing and accounts payable functions were raised with the Department.

These and other issues are commented upon further in this section of the Report.

State Office

Sundry Debtors

The main issues raised included the need to improve and enhance appropriate policy and procedural requirements to facilitate proper accounting and control of sundry debtor transactions.

Departmental Response

The Departmental response indicated that appropriate action would be taken to address the matters raised.

Purchasing

Specific issues arising from the review included:

- instances of non-compliance with the Department's delegations for purchase authority;
- instances where appropriate procurement procedures for quotes/tenders and proper approval processes had not been followed in accordance with the requirements of the Department's Procurement Framework;
- instances of inadequate retention and maintenance of documentation confirming that appropriate procurement processes had been followed.

Departmental Response

The Departmental response stated that the Department's Procurement Unit has embarked on a training program to ensure that end users are aware of requirements outlined on the procurement framework and that priority will be given to areas of high risk. To ensure accountability the review will take into account business needs and procurement competencies. In addition, a work group has been formed to establish a robust records management system for procurement documents and the associated maintenance.

Accounts Payable

A review of activities associated with the Accounts Payable function revealed instances of non-compliance with the Department's financial delegations associated with the approval of invoices for payment.

Departmental Response

The Departmental response indicated that appropriate action would be taken to address the matters raised.

Office of Employment and Youth

A review of the monitoring activities over National Training Wage payments for traineeships revealed that there was:

- the need for improvement over the management processes of applications for suspension of training contracts;
- a need for improved management of the monthly claim form returns from host agencies that certify the accuracy of claims and validity of indicated participants.

Departmental Response

- That the Department will investigate ways of reducing the time period that sometimes occurs between suspension and receipt of application for suspension.
- That the Department considers that host agencies also share in the responsibility to return reimbursement claim forms in a timely basis. In order to encourage agencies to promptly return reimbursement forms, a due date has now been included. In addition prior to reconciliation of each intake a closure date for reimbursement claims is gazetted in order to allow agencies a final opportunity to claim salary subsidies owed to them.

TAFE Institutes Sector

Purchasing

Specific issues arising from the review included:

- the need for the Department to ensure compliance by officers with its Procurement Framework;
- lack of retention of documentation relating to the procurement processes performed by Institute Supply Units

Accounts Payable

The more significant issues raised included:

- the need for a periodic review of the electronic financial delegations database;
- clarification as to which Departmental Unit is responsible for ensuring the validity of travel and accommodation claims paid by the Department on behalf of apprentices/trainees who are required to travel away from their normal residence in order to attend a non TAFE registered training organisation or training interstate because their particular course of study is not provided locally;
- the need to develop a mechanism for ensuring the pertinence of Departmental officers given access to the online ordering system for stationery.

Departmental Response

The Departmental response regarding these issues indicated that appropriate action would be taken to address the matters raised.

Onkaparinga Institute of TAFE

The major findings of the audit were:

- controls over the recording of accounts receivable within the Student Management System and the sundry debtors system did not ensure that an accurate record of outstanding amounts was maintained;
- policies and procedures associated with the follow up of student fee debts were not always complied with. Debtor follow up procedures were found to be inadequate, resulting in increased numbers of outstanding debts. Reports designed to ensure that established procedures were operating for the initiation and recording of debts on the Student Management System were not being produced and reviewed;
- improvement was required over policies and procedures associated with costing, pricing, approving and monitoring of fee for service activities;
- controls over transactions processed through cash registers that were subsequently voided were insufficient to ensure that all voided transactions were legitimate;
- credit card transactions were not always supported by explanations of how such expenditure was related to the business activities of the Institute.

Departmental Response

The Departmental response stated:

- that action will be taken to improve management and internal control over fee for service activities and student fees. The Department informed Audit that in late April 2001, steps were taken to commission a review of the practices and procedures with the view to identify those that represented poor business practice and to assist staff in adopting a best practice approach;
- the Institute has developed its own internal review procedure for credit card transactions with the primary purpose to provide an additional level of scrutiny over credit card use.

Human Resource Management System (HRMS)

The Department (DETE) has been progressing the development of a human resource management system (referred to as Concept). The project commenced in 1993 and has been suspended several times for various reasons.

In late 1995, a joint development between DETE, OCPE and the Concept software supplier Concept Systems International, was established to upgrade Concept functionality to meet the Department needs. In addition to this core development, the Department is also developing, using in house resources, two major systems to integrate with Concept. These systems are a staff entitlement and allocation system and an employment selection and placement system.

In October 2000, a submission from the Minister for Education and Children's Services to Cabinet to complete the implementation of Concept Human Resource Management System and associated systems, at an estimated cost of approximately \$16 million including costs incurred to date, was approved.

At the time of preparation of this Report, finalisation of a contract for a joint development between DETE and Concept Systems International to develop and maintain a Concept system which met the Department's specific needs was imminent.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

The Department of Education, Training and Employment economic entity comprises the Corporate Department, TAFE Institutes and other non-corporate operational units including preschools, long day care centres (those referred to as 'Bowen Funded Centres' only), neighbourhood houses, toy libraries, government schools and child parent centres. As disclosed in Note 2(b) to the financial statements, the Department has concluded that the effect of consolidating other non-corporate operational units was not considered material with the exception of cash assets. Accordingly, the financial statements do not include funds generated by the other non-corporate entities as required by Australian Accounting Standard AAS 24 'Consolidated Financial Reports'. Whilst these transactions and balances are available to the Department and summarised in Note 31 to the Financial Statements, I am not in a position to assess whether principles of Financial Statement preparation and accounting policies have been consistently applied by other non-corporate operational units. Accordingly, until the issues regarding financial statement preparation have been resolved, I am unable to conclude whether these transactions and balances except for cash assets would have a material effect on other assets and liabilities and the operating result.

In addition, as disclosed in Note 2(k) to the financial statements, values in respect to the buildings and improvements controlled by the Department were obtained from the Building and Land Asset Management System (BLAMS) maintained by the Department for Administrative and Information Services. As the integrity of values reflected to the BLAMS system have not been ascertained, I am unable to form an opinion on the reasonableness of the value of buildings and improvements brought to account in the Statement of Financial Position.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department of Education, Training and Employment as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Education, Training and Employment included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Education, Training and Employment in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Expenses

Employee Expenses

Employee expenses for the year were \$1.3 billion, an increase of \$110.7 million. Reflected in this increase was:

- an increase in salary and wage expenditure of \$64.1 million, 6.5 percent to \$1.1 billion;
- targeted voluntary separation payments of \$29.8 million (\$6.1 million).

Supplies and Services

Included in supplies and services expenditure, \$388.1 million, is an amount of \$91.5 million relating to minor works maintenance and equipment. The principal component of this amount relates to expenditure on schools.

Grants and Subsidies

Expenditure relating to grants and subsidies of \$135.4 million, includes grants to primary and secondary schools of \$116.1 million. The reduction in Schools Support Grants is in part offset by payments associated with Partnerships 21. Detail is provided later under the heading 'Further Commentary on Operations' regarding grants and subsidies.

Operating Revenues

Student and Other Fees and Charges

This amount, \$91.9 million, includes \$29.1 million for student enrolment fees and charges, of which \$26.7 million relates to students attending TAFE Institutes.

Non-Current Assets

Property, Plant and Equipment

The written down value of property, plant and equipment is \$2 billion. Note 2(k) to the financial statements states how the valuation was derived with respect to buildings and improvements.

The note also indicates the reasons for the non-inclusion of certain improvements.

Liabilities

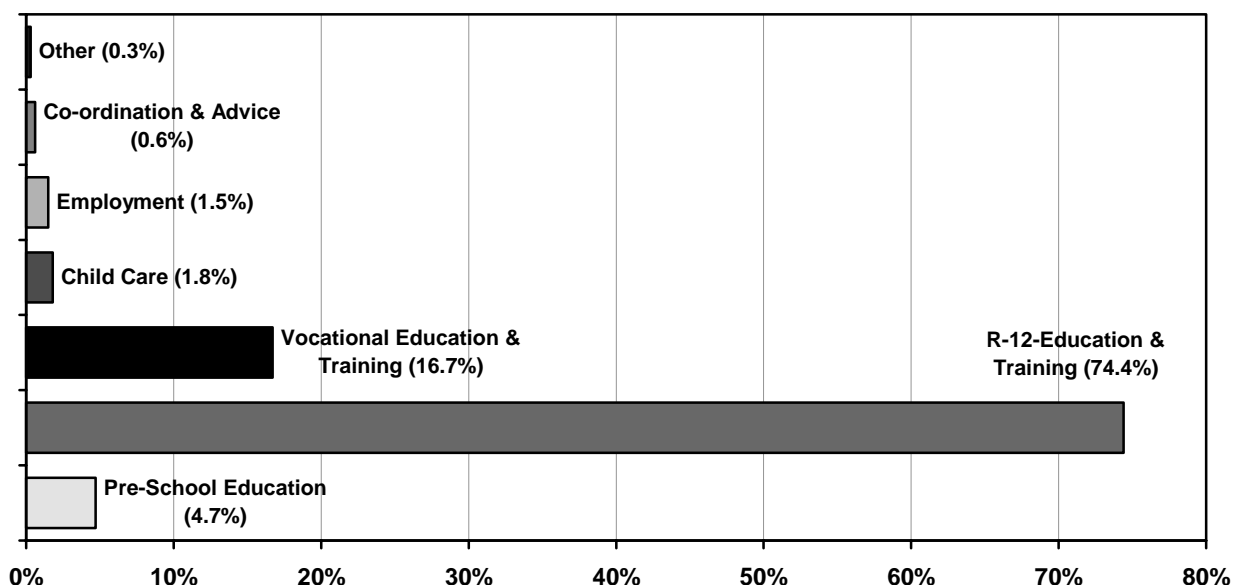
Employee Entitlements

Employee entitlements total \$403 million, with the principal component being a provision of \$253.3 million (\$231.8 million) for long service leave.

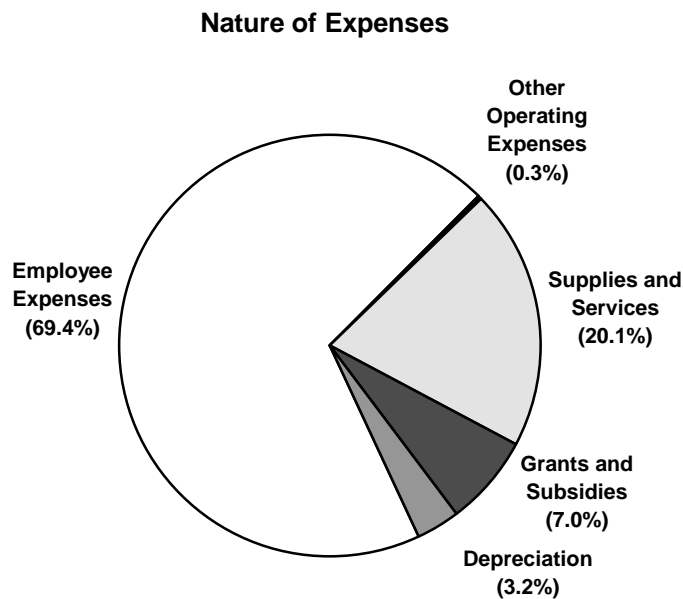
Results of Operations

Output costs for primary and secondary education accounted for 74.4 percent of the total cost of services. The output elements of the total cost of services are represented in the following diagram.

Output Classes - Expenses Expressed in Percentage Terms



Employee expenses accounted for 69.4 percent (70.1 percent) of total cost of services. The nature of expenses, as a percentage of the total cost of services, are represented in the following chart.



RISK FUND

The Financial Management Framework requires agencies to take full responsibility for managing any risk exposures to their operations. Whilst the Department has an annual Agreement with the South Australian Government Captive Insurance Corporation (SAICORP), the Department still retains a significant degree of risk in relation to levels of excess for specific types of claims. In accordance with the Financial Management Framework directive, and in response to potential losses not covered by SAICORP, the Department has established a Risk Fund.

A Risk Fund Steering Committee, chaired by the Department's Executive Director, Corporate Services, is responsible for overseeing the management and operation of this Fund.

During 1999-2000, the Department increased its Risk Fund from \$8.7 million to \$28.5 million to cover unexpected expenses not covered in the Partnerships 21 funding model. The Risk Fund applies to all Partnerships 21 and non-Partnerships 21 sites, and to the TAFE Institutes.

To coincide with the implementation of Partnerships 21, the Department has resolved that costs relating to vandalism will be met by the Risk Fund. In this way, the Department is developing a profile of those costs to determine ways in which preventative action can be taken.

During 2000-01, Risk Fund expenditure was \$25.3 million.

- \$6.8 million was paid to fund repair work for damage caused to schools by out of hours vandalism and theft;
- \$3.3 million was paid as Temporary Relieving Teacher supplementation beyond school entitlements;
- \$2.8 million was paid to cover costs of unplanned major plant and equipment failure;
- \$2.4 million was paid for emergency school accommodation; and
- \$2.3 million was paid to fund the replacement of Departmental material and equipment as a result of fire.

The Department has an outstanding liability for fire claims yet to be finalised estimated to be \$3.6 million as at 30 June 2001.

FURTHER COMMENTARY ON OPERATIONS

Financial Management Framework

The Financial Management Framework (FMF) became operative in July 1998 under the mandate of the Treasurer's Instructions. The FMF requires agencies to implement and document policies, systems and processes that will assist the Chief Executive and responsible Minister to discharge accountability in relation to financial management and reporting, internal control and risk management.

During 2000-01, the Department progressed the Financial Management and Accountability project. This project provides a coordinated framework for improvement in the following:

- planning and budgeting
- transaction processing
- management reporting
- accountability
- change facilitation.

Key outcomes of the Financial Management and Accountability Project 2001 are:

- a financial management framework in the context of corporate governance and taking into account the State Government's Financial Management Framework, the Department's framework for quality improvement and accountability and national and international best practice;
- financial management practices that underpin the Department's vision and mission and facilitates the achievement of budget outcomes by all Department managers.

The completion of these initiatives will provide the critical basis for the effective implementation of many of the prescribed elements of the FMF, including the establishment of an ongoing Risk Management Plan.

Partnerships 21

Introduced in 2000, Partnerships 21 is the new funding model for local management of schools and children services.

Partnerships 21 aims to provide schools and preschools with greater responsibility, authority and accountability for making their own decisions on how best to deliver education, care and training through partnerships with their communities.

Take up of Partnerships 21 is voluntary. Those schools and preschools that elect to be part of the new model remain within the State system and are required to comply with legislative requirements and Departmental policies.

Central Principles of Partnerships 21

The central principles forming the foundation for Partnerships 21 are designed to:

- optimise the use of resources to improve the educational outcomes for all students;
- provide flexibility for local sites to make their own arrangements for teaching and learning within common curriculum framework and public system employment agreements;
- allow sites to develop partnership agreements with their local communities, the State Office and business and industry;
- include the voices of parents, students, staff and local community in decision making at the local level;
- make local decisions to optimise human, physical and financial resources;
- strengthen accountability for improving educational outcomes within a common curriculum framework;
- strengthen equity standards benchmarks to measure local and systemic improvement;

Education, Training and Employment

- establish protocols for partnership agreements between the State Office and other service providers, and the local site or cluster of sites;
- provide a focus for the improvement of service responsiveness and delivery at the local site and State Office.

The Global Budget for Partnerships 21 Sites

Schools that have elected to become Partnerships 21 sites have assumed the responsibility for the financial management of activities covered by their global budget.

The global budget is comprised of the resources a school or preschool is allocated in order to manage its educational program. It is based on the number and type of students being taught at each site. Prior to the output based global budget, schools were funded by the cost of inputs such as teachers salaries, grants, utilities and maintenance expenditures. These inputs are not separately identified within the global budget.

The basic structure of the 2001 global budget is that every site receives a 'per school' funding amount, based on the nature of the site, eg secondary, primary, area, preschool. In addition, each student attracts additional amounts based on their year level and special needs. The global budget also includes funding for special programs which represent current Government priorities, and a guarantee to ensure that no school is worse off by opting to become a Partnerships 21 site.

The net global budget is paid into each site's South Australian Schools Investment Fund account on a monthly basis, once expenditure processed on behalf of the site by State Office has been deducted from the instalment.

Any savings a site achieves with respect to its global budget will be retained by the site.

Risk Fund

To support Partnerships 21 sites, the Department maintains a Risk Fund of \$28.5 million to cover unexpected expenses for schools eg damage or losses associated with fires, theft, vandalism. Refer to earlier commentary headed 'Risk Fund.'

Take Up of Partnerships 21

During 2000-01, 726 sites were operating under a global budget. The following table shows the number and type of these sites.

| School Type | Number of Schools |
|------------------------|--------------------------|
| Preschools | 254 |
| Junior Primary Schools | 40 |
| Primary Schools | 308 |
| High Schools | 46 |
| Area Schools | 43 |
| Special Schools | 13 |
| Aboriginal Schools | 13 |
| Combined Schools | 9 |
| Total | 726 |

The following table divides these sites by country/metropolitan location.

| School Type | Number of Schools |
|--------------------|--------------------------|
| Country | 317 |
| Metropolitan | 409 |
| Total | 726 |

At the date of preparation of this Report, an additional 22 sites had indicated that they would enter into Partnerships 21 local management at the beginning of January 2002.

Grants

Partnerships 21 net global budget grants for 2000-01 totalled \$44.3 million (\$19.9 million).

Variances between the net global budget grants paid in 1999-2000 and 2000-01 are attributable to the following:

- The net global budget grants paid in 1999-2000 reflects only five months expenditure between February and June 2000. Grants paid in 2000-01 represent twelve months of payments to sites.
- The number of schools electing to become a Partnerships 21 site has increased from 386 in 1999-2000 to 726 in 2000-01.

In addition to the global budget grants paid to schools in 2000-01, Partnerships 21 sites received \$7 million in Back to Schools grants, \$1 million in Ecological Sustainable Development payments, \$9.5 million in Asset Management Plan funding and \$1 million in furniture grants.

Further, sites electing to take up the new funding model in 2000-01 received \$4.6 million as a one off 'Start Up' payment.

Recurrent Operations

General Children's Services

The number of licensed child care centres and licensed places at 30 June was:

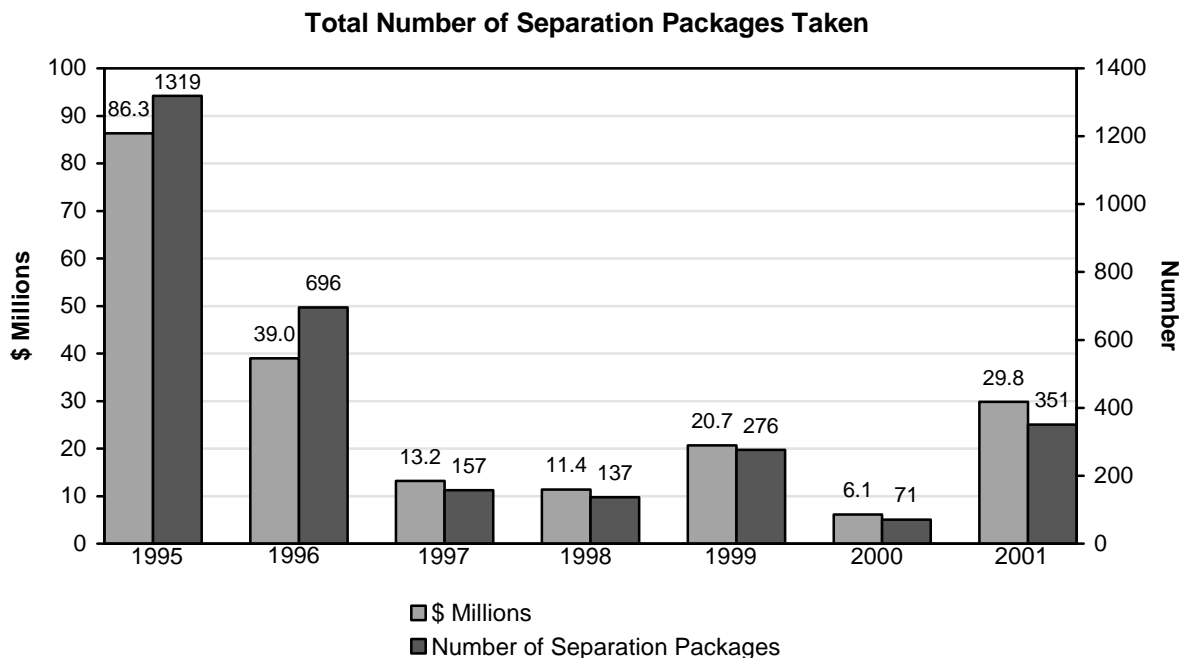
| | 2001 | 2000 | 1999 |
|---------------------------------------|--------|--------|--------|
| Number of licensed child care centres | 231 | 231 | 233 |
| Number of licensed places | 11 173 | 10 903 | 10 852 |

At 30 June, the number of places and children registered for family day care and respite care was:

| | 2001 | 2000 | 1999 |
|-------------------------------|--------|--------|--------|
| Number of places | 5 314 | 5 314 | 5 134 |
| Number of children registered | 15 091 | 12 911 | 14 431 |

Separation Packages

The workforce of the Department has been reduced through the use of targeted separation packages (from 1993-94 to 2000-01) and voluntary separation packages (prior to 1993-94). The following chart illustrates the number of packages taken and the cost since 1994-95. The total number of packages taken and the cost since their inception has been 4 131 and \$307.5 million respectively.



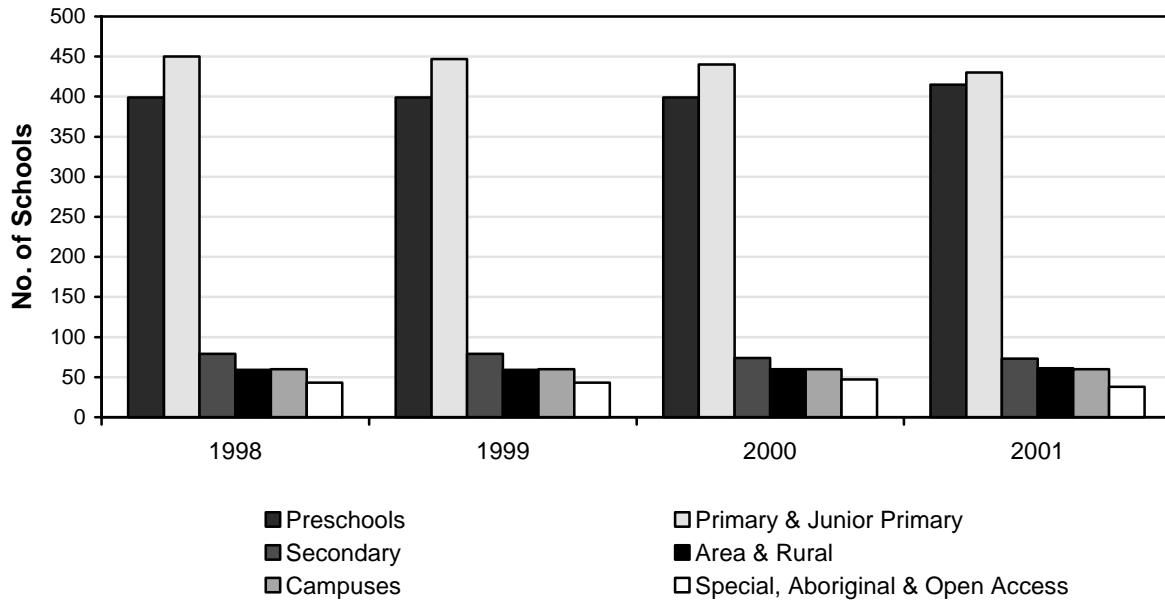
Payment and financing arrangements relating to targeted separation packages are outlined in Note 24 of the financial statements.

Numbers of Preschools, Schools, Campuses, Children, Students and Teaching Staff

Preschools, Schools and Campuses

State preschools and schools and TAFE campuses in South Australia at 30 June are illustrated below:

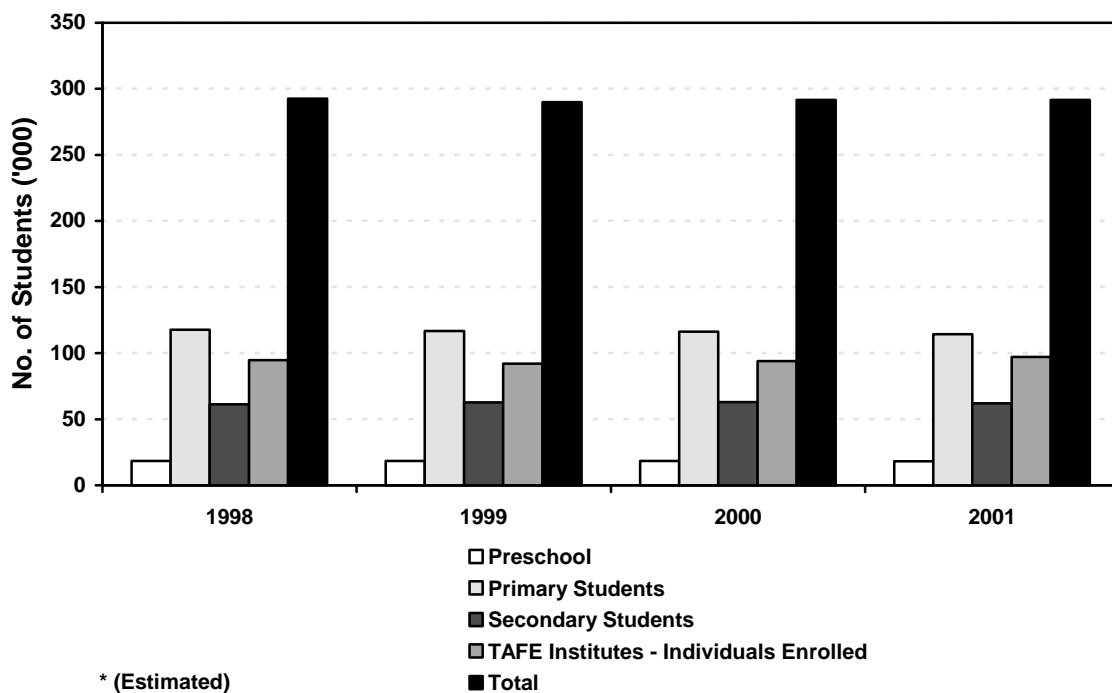
Number of Preschools, Schools and Campuses



Children, Students and Staff

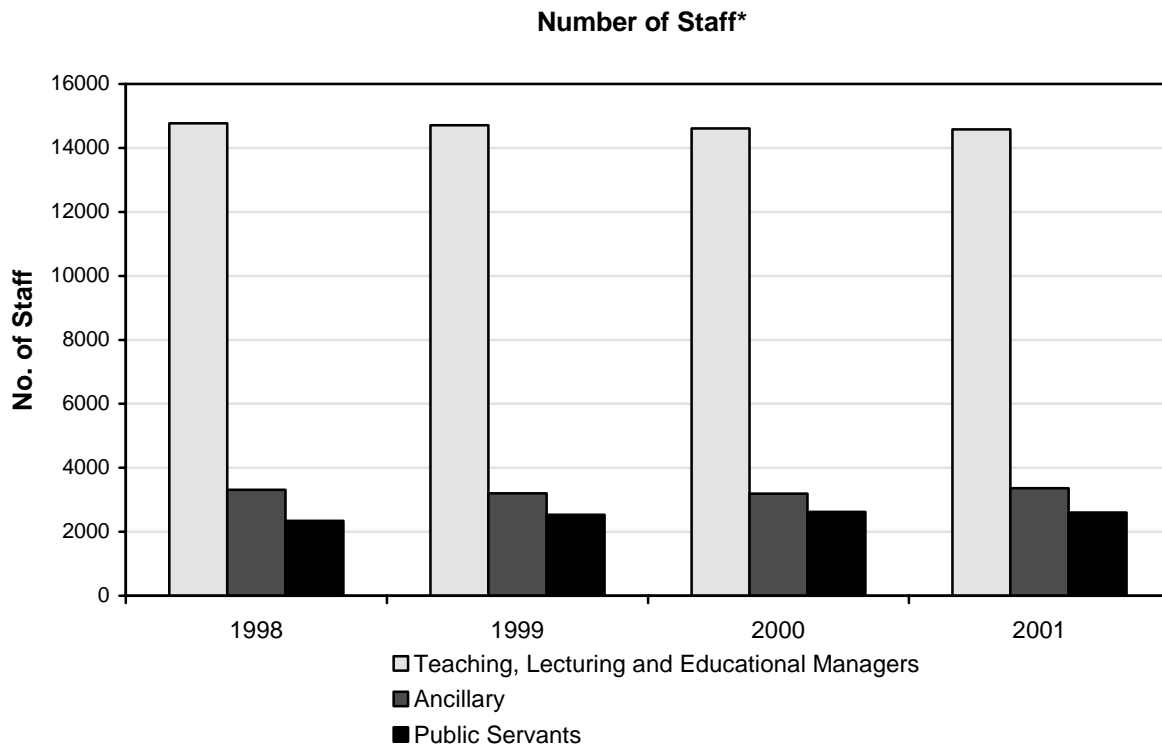
Children and students in full-time equivalent terms enrolled in State preschools, primary and secondary schools, based on a mid-year census and individuals enrolled at TAFE Institutes for the academic year, are shown in the following graph:

Number of Children and Students



Number of Staff

Total teaching, lecturing, educational managers, ancillary and public servant staff:



* Average full-time equivalents (excludes part time instructors employed on an hourly basis at TAFE Institutes).

Grants and Subsidies

Some of the major grants and subsidies included:

| | 2001 | 2000 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Partnerships 21 | 63 250 | 19 937 |
| Schools Operating Support Grant | 16 208 | 15 982 |
| Non-Government vocational education and training providers | 29 658 | 24 023 |
| Back to School Program | 2 942 | 9 011 |
| DECStech 2001/Computer Plus | 6 073 | 4 951 |
| Employment Programs | 20 230 | 23 867 |

Non-Government Vocational Education and Training Providers

The most prominent initiative is User Choice. Under this arrangement, apprentices and trainees and associated employers have more influence over their choice of provider, content of training programs and the mode of delivery. User Choice, grants and subsidies were \$24.4 million (\$18.5 million).

Employment Programs

Employment programs include service to increase youth and adult employment levels to assist regions and groups in developing skills for employment. The main programs were Government Youth Traineeship Schemes \$8.8 million (\$11 million), and Assisting Regions, Business and People Schemes \$7.6 million (\$10.9 million).

Government School Grants

Government schools (primary and secondary schools) are paid grants to support their educational programs which are also supplemented by school fees and fund raising. Grant expenditure associated with primary and secondary schools was \$116.1 million and included:

- Partnerships 21 grant of \$63.3 million (\$19.9 million) This increase was in part offset by decreases in other grant programs.
- DECStech 2001/Computers Plus \$6.1 million (\$4.9 million).

School Accounts

Government schools receive financial support principally from grants paid by the Department, school fees and funds raised by parents.

The financial operations of schools are conducted through one Consolidated Account or through a number of accounts. These include the School Fund Account under the control of the Principal which includes the South Australian Schools Investment Fund and the Accounts of the School Council and affiliated bodies. Where a school canteen is operated, a separate account is maintained.

At 30 June 2001 funds held by schools was \$151.9 million (\$115.2 million). School activity comprised revenues of \$225.3 million, which included operating grants of \$116.1 million and expenditure of \$187.8 million. Schools net surplus was \$37.5 million. Refer to Note 31 to the Financial Statements.

Capital Operations

Major Works

The following major projects are some of the capital works undertaken by the Department during 2000-01:

| | Estimated Total Cost \$'000 | Total to June 2001 \$'000 |
|--|-----------------------------------|---------------------------------|
| Regency Institute of TAFE - Stages 2 & 3 | 33 860 | 18 075 |
| Centre for Performing and Visual Arts | 30 300 | 31 057 |
| Urrbrae Education Centre | 19 705 | 16 886 |
| William Light R-12 - Stage 2 | 3 717 | 3 590 |
| Woodend Primary School | 3 800 | 2 307 |
| Playford Primary School | 5 584 | 3 371 |

Major works still under construction at the date of the preparation of this Report.

Urrbrae Education Centre

The Urrbrae Education Centre is a joint project between the Urrbrae Agricultural High School and the Torrens Valley Institute of TAFE. The project has involved the construction of new facilities for the Torrens Valley Institute of TAFE School of Horticulture and the upgrade and replacement of existing school accommodation. During 2000-01 approximately \$11 million was transferred to the Department's asset register, representing costs of completed capital works. The sum of \$5 million was recognised as expenses in the Department's 2000-01 financial statements in line with the Department's capitalisation policy. At the date this Report was prepared, advice received from the Department indicated that the project was nearing completion.

William Light R-12 School - Upgrading Stage 2

This project has involved the redevelopment of the former Plympton High School site into an R-12 education facility. Stage 2 of the project has involved the upgrade of the existing facilities and the construction of a new gymnasium and technical studies upgrade. Whilst the upgrade of the existing facilities was completed in January 2001, the construction of the new gymnasium and technical studies upgrade were ongoing as at 30 June 2001. In accordance with the Department's capitalisation policy, the sum of \$2.3 million was recognised as expenses in the Department's 2000-01 financial statements.

Woodend Primary School

In May 2001 the Minister approved the purchase of the Woodend Centre land and associated building work for the sum of \$3.8 million. The Woodend Primary School project involves the provision of additional accommodation to meet the growth in the school's enrolments through the conversion of the shopping centre for school use.

Regency Institute of TAFE - Stages 2 and 3

This project forms part of the total redevelopment of the Regency campus of the Regency Institute of TAFE in support of new initiatives emerging in the vocational education and training sector. Stages 2 and 3 of this redevelopment have involved the construction of new facilities for the Regency Hotel School including kitchens, laboratories and associated spaces for programs in cookery, hotel management and food and beverage processing. As at the date of preparation of this report, the project was over halfway complete.

Major works completed during the year included the:

Adelaide Institute of TAFE - Centre for Performing and Visual Arts

This project involved the construction of the new Light Square site for performing and visual arts in replacement of the campuses at Grote Street, Adelaide and Stanley Street, North Adelaide. This project was completed in December 2000.

Blackwood High School

This project involved the construction of a performing arts centre incorporating music and drama facilities. This project was completed in December 2000.

Non-Government Schools

State Assistance

Assistance from State funds totalling \$86.7 million was paid to non-government schools during 2000-01 compared with \$76.6 million for 1999-00.

This amount includes \$81.9 million (\$71.5 million) comprising per capita grants and grants paid according to the needs of students and schools, determined by the Advisory Committee on Non-Government Schools.

A further amount of \$2.8 million (\$2.8 million) was provided to assist with the funding of non-government special schools. The balance of \$2 million (\$2.3 million) includes various grants and allowances payable on the same basis as for government schools. The major component was a payment of \$1.8 million (\$1.8 million) in respect of the School Card Scheme.

Payments are made by the Department, on behalf of the Minister for Education and Children's Services, and are recorded under 'Transfer Payments' in the Schedule of Administered Expenses and Revenues (also refer to Note 1 (c) to the financial statements).

Commonwealth Assistance

In addition to State funds provided for non-government schools, an amount of \$254.4 million (\$203.1 million) was paid for the period 1 July 2000 to 30 June 2001, from funds provided by the Commonwealth under various Commonwealth Acts:

| | 2001 | 2000 |
|---------------------------|----------------|---------|
| | \$'000 | \$'000 |
| General recurrent grants: | | |
| Non-systemic | 68 339 | 57 688 |
| Catholic systemic | 133 474 | 107 644 |
| Other | 36 785 | 25 924 |
| | 238 598 | 191 256 |
| Capital grants | 7 336 | 6 450 |
| National Equity program | 8 505 | 5 385 |
| | 254 439 | 203 091 |

A further amount of \$3.9 million (\$4.3 million) of Commonwealth Assistance was provided to assist with the funding of non-government special schools.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|------------------|------------------|
| OPERATING EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Employee expenses | 4 | 1 339 744 | 1 229 030 |
| Supplies and services | 5 | 388 137 | 343 476 |
| Grants and subsidies | 6 | 135 425 | 108 664 |
| Depreciation | 7 | 63 322 | 64 002 |
| Borrowing costs | | 849 | 618 |
| Other expenses | 8 | 3 834 | 1 692 |
| Total Expenses | | 1 931 311 | 1 747 482 |
| OPERATING REVENUES FROM ORDINARY ACTIVITIES: | | | |
| Commonwealth grants | 9 | 257 983 | 257 207 |
| Student and other fees and charges | 10 | 91 917 | 73 361 |
| Other grants and contributions | | 12 823 | 11 492 |
| Interest and investment income | | 10 840 | 4 169 |
| Share of net (losses) profits from associates | 16 | (416) | 244 |
| Other revenues | 11 | 48 382 | 15 441 |
| Total Revenues | | 421 529 | 361 914 |
| NET COST OF SERVICES | | 1 509 782 | 1 385 568 |
| REVENUES FROM STATE GOVERNMENT: | | | |
| Recurrent appropriations | 12 | 1 345 070 | 1 244 971 |
| Capital appropriations | 12 | 67 049 | 67 912 |
| Total Government Revenues | | 1 412 119 | 1 312 883 |
| NET (LOSS) GAIN ON DISPOSAL OF NON-CURRENT ASSETS | 13 | (50) | 1 816 |
| DEFICIT FOR THE YEAR | 25 | (97 713) | (70 869) |
| Net (decrease) increase in asset revaluation reserve | | (15 986) | - |
| Net increase (decrease) on recognition of assets | | 4 921 | - |
| TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY | | (11 065) | - |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | (108 778) | (70 869) |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|------|------------------|------------------|
| CURRENT ASSETS: | | | |
| Cash assets | 14 | 71 717 | 88 513 |
| Receivables | 15 | 35 008 | 13 714 |
| Other | 17 | 5 150 | 5 073 |
| Total Current Assets | | 111 875 | 107 300 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 15 | 4 071 | 1 573 |
| Investments | 16 | 828 | 1 262 |
| Property, plant and equipment | 18 | 1 962 289 | 2 009 066 |
| Total Non-Current Assets | | 1 967 188 | 2 011 901 |
| Total Assets | | 2 079 063 | 2 119 201 |
| CURRENT LIABILITIES: | | | |
| Payables | 19 | 88 185 | 49 469 |
| Borrowings | 20 | 3 334 | 700 |
| Employee entitlements | 21 | 125 248 | 126 041 |
| Other | 22 | 7 821 | 3 173 |
| Total Current Liabilities | | 224 588 | 179 383 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 19 | 13 753 | 12 966 |
| Borrowings | 20 | 6 357 | 6 857 |
| Employee entitlements | 21 | 277 524 | 254 377 |
| Other | 22 | 248 | 247 |
| Total Non-Current Liabilities | | 297 882 | 274 447 |
| Total Liabilities | | 522 470 | 453 830 |
| NET ASSETS | | 1 556 593 | 1 665 371 |
| EQUITY: | | | |
| Accumulated surplus | 25 | 1 504 931 | 1 597 723 |
| Asset revaluation reserve | 25 | 51 662 | 67 648 |
| TOTAL EQUITY | | 1 556 593 | 1 665 371 |
| Commitments | 27 | | |
| Contingent Obligations | 28 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | | 2001 | 2000 |
|--|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| | Note | | |
| Employee expenses | | (1 316 475) | (1 196 842) |
| Supplies and services | | (385 333) | (320 055) |
| Grants paid | | (136 582) | (148 081) |
| Borrowing costs | | (110) | (618) |
| Other payments | | (1 051) | (970) |
| | | <u>(1 839 551)</u> | <u>(1 666 566)</u> |
| RECEIPTS: | | | |
| Commonwealth grants | | 257 983 | 257 207 |
| Student and other fees and charges | | 91 904 | 70 257 |
| Other grants and contributions received | | 12 813 | 11 492 |
| Interest received | | 3 225 | 4 733 |
| Other receipts | | 45 376 | 17 314 |
| GST refunds from ATO | | 23 246 | - |
| | | <u>434 547</u> | <u>361 003</u> |
| CASH FLOWS FROM GOVERNMENT: | | | |
| Recurrent appropriations | | 1 345 070 | 1 244 971 |
| Capital appropriations | | 67 049 | 67 912 |
| | | <u>1 412 119</u> | <u>1 312 883</u> |
| Net Cash provided by Operating Activities | 29 | <u>7 115</u> | <u>7 320</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| PAYMENTS FOR: | | | |
| Loans advanced | | (2 079) | (270) |
| Purchase of non-current assets | | (33 470) | (61 654) |
| PROCEEDS FROM: | | | |
| Repayment of loans | | - | 423 |
| Sales of non-current assets | | 10 271 | 14 566 |
| Net Cash used in Investing Activities | | <u>(25 278)</u> | <u>(46 935)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| PAYMENTS FOR: | | | |
| Repayments to Department of Treasury and Finance | | - | (450) |
| PROCEEDS FROM: | | | |
| Borrowings from Department of Treasury and Finance | | 1 367 | - |
| Net Cash provided by (used in) Financing Activities | | <u>1 367</u> | <u>(450)</u> |
| NET DECREASE IN CASH HELD | | <u>(16 796)</u> | <u>(40 065)</u> |
| CASH AT 1 JULY | | <u>88 513</u> | <u>128 578</u> |
| CASH AT 30 JUNE | 14 | <u>71 717</u> | <u>88 513</u> |

Output Class Schedule
Department's Expenses and Revenues for the year ended 30 June 2001

| | Pre-School Education | R-12 Education & Training | VET | Regulatory & Licensing Services for Training Organisa- tions | Child Care | Employ- ment Services | Coordina- tion and Advice | Youth Services | 2001 Total |
|--|-------------------------|---------------------------------|----------------|---|----------------|-----------------------------|---------------------------------|-------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | | | | |
| Employee expenses | 67 608 | 1 061 315 | 182 282 | 1 884 | 9 212 | 8 238 | 8 313 | 892 | 1 339 744 |
| Supplies and services | 12 474 | 217 278 | 118 997 | 557 | 25 070 | 10 555 | 2 682 | 524 | 388 137 |
| Grants and subsidies | 8 532 | 106 271 | 7 286 | 180 | 1 339 | 10 441 | 91 | 1 285 | 135 425 |
| Depreciation | 1 996 | 48 610 | 12 692 | - | 10 | 10 | 4 | - | 63 322 |
| Borrowing costs | - | 849 | - | - | - | - | - | - | 849 |
| Other expenses | 212 | 2 523 | 1 049 | - | 11 | 28 | 11 | - | 3 834 |
| Total Cost of Services | 90 822 | 1 436 846 | 322 306 | 2 621 | 35 642 | 29 272 | 11 101 | 2 701 | 1 931 311 |
| REVENUES: | | | | | | | | | |
| Commonwealth grants | 1 023 | 140 879 | 84 975 | 191 | 27 291 | 1 943 | 152 | 1 529 | 257 983 |
| Student and other fees and charges | 73 | 25 405 | 64 366 | 1 | 1 122 | - | 882 | 68 | 91 917 |
| Other grants and contributions | 729 | 9 122 | 1 938 | - | 2 | 1 032 | - | - | 12 823 |
| Interest income | 695 | 9 696 | 150 | - | 64 | 171 | 64 | - | 10 840 |
| Share of net (losses) profits from Associates | (27) | (374) | (4) | - | (2) | (7) | (2) | - | (416) |
| Other revenues | 1 851 | 35 236 | 9 320 | 141 | 541 | 1 032 | 231 | 30 | 48 382 |
| Appropriations | 77 228 | 1 138 745 | 158 476 | 2 045 | 3 515 | 22 420 | 8 730 | 960 | 1 412 119 |
| Gain (loss) on disposal of assets | 89 | 1 233 | (1 410) | - | 8 | 22 | 8 | - | (50) |
| Total Revenues | 81 661 | 1 359 942 | 317 811 | 2 378 | 32 541 | 26 613 | 10 065 | 2 587 | 1 833 598 |
| DEFICIT FOR THE YEAR | (9 161) | (76 904) | (4 495) | (243) | (3 101) | (2 659) | (1 036) | (114) | (97 713) |

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

Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

| | | |
|---|----------------|----------------|
| ADMINISTERED EXPENSES: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Employee expenses | 1 114 | 1 012 |
| Supplies and services | 352 | 975 |
| Depreciation | - | 3 |
| Interest on borrowings | 942 | 980 |
| Transfer payments | 366 684 | 306 612 |
| Total | 369 092 | 309 582 |
| ADMINISTERED REVENUES: | | |
| Revenue for transfer | 258 766 | 204 839 |
| Interest | 1 025 | 984 |
| Other revenues | 109 360 | 103 770 |
| Total | 369 151 | 309 593 |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | 59 | 11 |

Schedule of Administered Assets and Liabilities as at 30 June 2001

| | | |
|--------------------------------------|---------------|---------------|
| CURRENT ASSETS: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Cash assets | 770 | 2 893 |
| Receivables | 1 726 | 1 077 |
| Total Current Assets | 2 496 | 3 970 |
| NON-CURRENT ASSETS: | | |
| Receivables | 27 | 20 |
| Plant and equipment | 7 452 | 7 674 |
| Total Non-Current Assets | 7 479 | 7 694 |
| Total Assets | 9 975 | 11 664 |
| CURRENT LIABILITIES: | | |
| Payables | 348 | 96 |
| Borrowings | 1 500 | 1 500 |
| Total Current Liabilities | 1 848 | 1 596 |
| NON-CURRENT LIABILITIES: | | |
| Borrowings | 7 960 | 9 960 |
| Total Non-Current Liabilities | 7 960 | 9 960 |
| Total Liabilities | 9 808 | 11 556 |
| NET ASSETS | 167 | 108 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Department of Education, Training and Employment was established on 23 October 1997 and incorporates the former Department of Education and Children's Services, the former Department for Training and Further Education and the former Information Technology Workforce Strategy Office.

1. Objectives and Funding

(a) Objectives

The Department of Education, Training and Employment operates within the:

- *Education Act 1972* and the Regulations under the *Education Act 1972*;
- *Children's Services Act 1985* and the Children's Services Regulations 1985;
- *Technical and Further Education Act 1975* and the Regulations under the *Technical and Further Education Act 1975*;
- *Vocational Education, Employment and Training Act 1994*;
- *Public Sector Management Act 1995*.

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

The Department's objectives are summarised below:

- (i) *Raise Standards*
The Department will raise the quality of education and training standards and service delivery standards to, or above, national levels and improve student results.
- (ii) *More Jobs*
The Department seeks to increase employment opportunities to support State economic growth.
- (iii) *Information Technology Smart*
The Department will seek information technology to improve student learning and training, streamline business processes, improve client services, improve management decision making and department productivity.
- (iv) *Focus on Youth*
The Department will lead policy and program development for young South Australians.
- (v) *Value for Money*
The Department will maximise the value of public investment in education, training and employment.

(b) Financial Arrangements

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

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

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

(c) Administered Funds

The Department is responsible for the administration of specific funds which are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties on behalf of the Minister for Education and Children's Services. Administered revenues, expenses, assets and liabilities are detailed separately within these statements (refer to the Schedule of Administered Expenses and Revenues and the Schedule of Administered Assets and Liabilities).

The main administered funds are:

- (i) *Minister for Education and Children's Services - 'Payments'*
Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the discretion of the Minister. The principal payments are:
 - to the Passenger Transport Board for the purposes of student travel;
 - to SSABSA (Senior Secondary Assessment Board of South Australia) as a contribution to operating expenses;
 - the State Government contribution to the operations of non-government schools, organisations and special schools;
 - the Commonwealth Government contribution to the operations of non-government schools, organisations and special schools.

Education, Training and Employment

- (ii) **Minister's Salary and Allowances**
The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.
- (iii) **Minister's Borrowings**
The Minister for Education and Children's Services is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

(d) **Trust Funds**

The Department receives monies in a trustee capacity for various trusts. The monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

| | 2001 | 2000 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Balance as at 1 July | 951 | 1 116 |
| Add: Revenue | 430 | 683 |
| Less: Expenses | 557 | 877 |
| Add: Movements in assets and liabilities | 67 | 29 |
| Balance as at 30 June | 891 | 951 |

2. Significant Accounting Policies

(a) **Basis of Accounting**

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

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

(b) **Principles of Consolidation**

The Department of Education, Training and Employment economic entity comprises:

- the Corporate Department including its operational units;
- TAFE Institutes;
- Other non-corporate operational units viz:
 - Preschools;
 - Long Day Care Centres (those referred to as 'Bowen Funded Centres' only);
 - Neighbourhood Houses;
 - Toy Libraries;
 - Government Schools (including School Councils, Canteens, Out of School Hours Care and Vacation Care Programs);
 - Child Parent Centres.

The financial statements incorporate the activities of the Department and TAFE Institutes but exclude funds separately generated by the schools and children's services sites. As a consequence, the financial statements treat any transactions with schools and children's services sites as transactions with third parties.

A consolidation exercise was undertaken for schools using data for the school year ended 31st October 2000. The data was adjusted to reflect the cash balance of schools as at 30 June 2001 and other items in the Statement of Financial Position to reflect the balances in the Department's accounts as at 30 June 2001 prior to their elimination.

Based on the data collected in the consolidation exercise, the effect of including schools transactions was not considered material on the Department's financial statements with the exception of cash. In addition, in preparing consolidated statements, certain items of interest were no longer reported such as grants paid to schools under various programs as they were eliminated upon consolidation. As a result the Department has chosen not to present consolidated financial statements. Details of the balances of schools transactions that were used in the consolidation exercise are presented in Note 31. No data is included for plant and equipment non-current assets within schools as the data is not reliable. Further work is continuing on the identification and valuation of these assets with a view to incorporating this data in the notes in the 2001-02 financial statements. It is not intended that data for children's services sites be included in the financial statements as it is not considered material.

(c) **Reclassification of Financial Information**

As a result of applying Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position', the format of the Statement of Financial Performance (previously referred to as the Operating Statement) and the Statement of Financial Position have been amended. As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

(d) **Income Recognition**

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

Where contributions, recognised as revenues during the reporting period, were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are disclosed in Note 9.

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

(e) Employee Entitlements and Employment Related Expenses

Provisions have been established for the Department's liability for various employee entitlements arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Employee entitlements include entitlements to wages and salaries, long service leave, annual leave, non-attendance days and superannuation.

Non-attendance days are accrued annually, for employees engaged under the *Technical and Further Education Act 1975*, but are non-cumulative.

Employment related expenses include on-costs such as payroll tax on employee entitlements together with the workers' compensation insurance premium.

Employment on-costs relating to employee entitlements owing are recognised as liabilities in the Statement of Financial Position.

Employee entitlements and employment related on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

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

Liabilities for salaries, wages, annual leave and non-attendance days are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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

(b) Long Service Leave

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

Long service leave liability entitlements have been calculated using a Department of Education, Training and Employment specific benchmark of 13 years, advised by the Department of Treasury and Finance, based on current salaries and wages.

(c) Superannuation

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

(d) Sick Leave

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

(e) Workers Compensation

To reflect the liability for outstanding (unsettled) workers compensation claims a provision is raised. The amount of the provision is based on an actuarial assessment prepared for the Department for Administrative and Information Services, Occupational Health and Injury Management Branch. Lump sum payments and legal costs are a liability of the Department for Administrative and Information Services and therefore not a liability of the Department.

(ii) Employment Related Expenses**(a) Fringe Benefits Tax**

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

(b) Payroll Tax

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

(c) WorkCover Premium

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

(f) Repairs and Maintenance

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

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

(g) Receivables

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

(h) Provision for Doubtful Debts

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

(i) Inventory

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

(j) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property. Details of leased assets are being collected as part of the Asset Management Planning process that is currently being undertaken for all sites. This information will enable the register of operating leases to be updated to reflect all non-cancellable lease agreements.

Details of commitments of current known material non-cancellable operating leases are disclosed at Note 26.

(k) Property, Plant and Equipment

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

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

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Conversely, where assets are revalued to market value, and not by reference to current prices for assets newer than those being revalued, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are increased or decreased by the revaluation increments or decrements.

The recoverable amount test has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 30 June 1999.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and valuations prepared by licensed valuers and updated through the application of a relevant building index. The valuations for buildings are current as at 31 March 1999, paved areas are current as at 31 March 2001 and swimming pools are current as at 31 March 2000. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes fencing, landscaping, infrastructure, pergolas, playground equipment and sheds because they either cannot be reliably measured or no information is centrally recorded. A sample verification of site assets to the BLAMS information confirmed a high degree of reliability in the data used.

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

Future enhancements to the identification and valuation process will occur to ensure strict compliance with Australian Accounting Standards. The future development of the Government's Strategic Asset Management Information System (SAMIS) by the Department for Administrative and Information Services will link works management, financial management (especially information for accrual accounting purposes) and performance management systems. As a major user of the current BLAMS asset system, the Department is developing an integrated facilities management planning process for its sites, incorporating asset management, maintenance, business life cycle, and occupational health and safety planning.

Funding for the development of SAMIS is included in the 2001-02 budget. Work is currently being undertaken by the Department to develop Asset Management Plans for all sites. This process is expected to be complete by June 2002. The process will identify under-utilised space at each site. This information will form the basis for revaluation of these assets. Asset Management Plans have been completed for approximately 600 sites and where applicable this information has been used to revalue buildings to account for under-utilised space at these sites. Buildings at the remaining sites where Asset Management Plans are yet to be completed are valued on the basis that they are fully utilised.

Library Collection

The base value of the library collection is reported at valuation. The valuation for collections within TAFE Institutes was carried out as at 30 June 1999 by VALCORP Aust Pty Ltd and is on the basis of written down current cost. The valuation for collections within administrative sites of the Department is current as at 30 June 1997 and is on the basis of an internal valuation and reflects written down current cost. Acquisitions after 1 July 1997 are recorded at cost.

Buses

Buses are recorded at current replacement cost as at 30 June 1999 less accumulated depreciation.

Plant and Equipment

Items within TAFE Institutes are recorded at historical cost less accumulated depreciation. Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation. Only individual items costing \$5 000 or more are capitalised and recorded in the Statement of Financial Position. Items under \$5 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

(l) Depreciation of Non-Current Assets

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

Major depreciation periods are:

| | Years |
|---------------------------------------|----------|
| Improvements: | |
| Buildings: | |
| Transportables | 30 - 50 |
| Fixed construction | 40 - 106 |
| Swimming pools | 25 - 30 |
| Paved areas | 15 - 45 |
| Computing and communication equipment | 3 - 7 |
| Telephone systems | 7 - 15 |
| Office furniture and equipment | 5 - 20 |
| Buses | 12 - 20 |
| Other plant and equipment | 7 - 40 |

(m) Payables

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

(n) Loans**(i) Borrowings**

Loans are recognised upon receipt of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of payables.

The loan obligation is to the Minister for Education and Children's Services for amounts borrowed for capital works at school sites. The loan is repayable over the next five years. Interest is payable quarterly in arrears and the rate is floating.

(ii) Loan Receivables

Loans are recognised upon payment of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of current receivables.

The loans are receivable in varying instalments over the next 15 years. The interest rates are fixed at between nil percent and 12.2 percent.

Education, Training and Employment

(o) **Accounting for the Goods and Services Tax (GST)**

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

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

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

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

(p) **Rounding**

All amounts are rounded to the nearest thousand dollars.

3. **Output Classes and Outputs**

The output classes and outputs presented in this report are:

(i) **Output Class - Education and Training**

Provision of preschool education, reception to year 12 education, and vocational education and training.

(a) *Output - Preschool Education*

The provision of early childhood education through preschools and child parent centres.

(b) *Output - R-12 Education and Training*

The provision of education in government schools from reception to year 12 (includes VET in schools).

(c) *Output - Vocational Education and Training*

The provision of vocational education and training by TAFE Institutes and other providers outside the school sector.

(d) *Output - Regulatory and Licensing Services for Training Organisations*

The provision of registration and licensing for registered training organisations.

(ii) **Output Class - Childcare**

The provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years.

(iii) **Output Class - Employment Services**

The provision of employment programs and services to increase South Australia's youth and adult employment levels.

(iv) **Output Class - Coordination and Advice**

The provision of policy advice and coordination in relation to children's services, education, training, employment, youth and industry planning and community information and advice.

(v) **Output Class - Youth Services**

The provision of youth programs and services.

4. **Employee Expenses**

| | 2001 \$'000 | 2000 \$'000 |
|---|------------------|------------------|
| Salaries and wages (including annual leave) | 1 056 889 | 992 820 |
| Superannuation | 123 287 | 110 778 |
| Payroll tax | 71 923 | 66 193 |
| Targeted voluntary separation payments | 29 826 | 6 147 |
| Long service leave | 47 632 | 36 519 |
| Workers compensation | 5 186 | 14 194 |
| Other employee related costs | 5 001 | 2 379 |
| | 1 339 744 | 1 229 030 |

5. **Supplies and Services**

| | | |
|---|----------------|----------------|
| Minor works, maintenance and equipment | 91 479 | 79 657 |
| Child care assistance, school card and other allowances | 29 048 | 26 414 |
| Cleaning | 23 032 | 28 884 |
| Utilities | 25 920 | 23 490 |
| Fees - Contractors, consultants and other outsourced services | 30 418 | 28 698 |
| Printing, postage and consumables | 19 071 | 22 041 |
| Computer communications | 30 477 | 20 345 |
| Vehicle and travelling expenses | 24 576 | 22 240 |
| Rentals and leases | 15 274 | 12 287 |
| Telecommunications | 19 456 | 17 383 |
| Bus contractors | 9 849 | 8 988 |
| Non-government VET provider services | 29 658 | 24 023 |
| Trainee reimbursements | 8 930 | 11 016 |
| Other | 30 949 | 18 010 |
| | 388 137 | 343 476 |

Consultancy Fees

The Department engaged consultants during the period and incurred expenses of \$287 000 (\$643 000).

| | | |
|---|----------------|---------------|
| 6. Grants and Subsidies | 2001 | 2000 |
| Major grants and subsidies comprise: | \$'000 | \$'000 |
| Partnerships 21* | 63 250 | 19 937 |
| Schools Operating Support Grant* | 16 208 | 15 982 |
| Vocational, Education and Training Programs | 4 024 | 2 133 |
| Back to School Program* | 2 942 | 9 011 |
| Employment Programs | 11 882 | 12 851 |
| Disadvantaged Schools Program* | 2 794 | 4 993 |
| ANTA Infrastructure Program | 2 273 | 3 217 |
| DECStech 2001/Computer Plus | 6 073 | 4 951 |
| VET in schools | 2 983 | 3 482 |
| Students with Disabilities* | 4 678 | 2 892 |
| Other specific grants* | 18 318 | 29 215 |
| | 135 425 | 108 664 |

* Some grants previously paid in these categories are now included in Partnerships 21.

| | | |
|--|---------------|--------|
| 7. Depreciation | | |
| Depreciation expense for the reporting period was charged in respect of: | | |
| Buildings and improvements | 58 620 | 58 999 |
| Computing, communication equipment, furniture and equipment | 2 717 | 2 835 |
| Buses | 1 670 | 1 813 |
| Other | 315 | 355 |
| | 63 322 | 64 002 |

| | | |
|--|--------------|-------|
| 8. Other Expenses | | |
| Reduction in value of non-current assets | 1 328 | 86 |
| Auditor's remuneration - Auditing services* | 1 059 | 973 |
| Asset revaluation reserve adjustment | 1 143 | - |
| Provision for doubtful debts and debt write-offs | 304 | 633 |
| | 3 834 | 1 692 |

* The auditor provided no other services and received no other benefits.

| | | |
|----------------------------------|----------------|---------|
| 9. Commonwealth Grants | | |
| Recurrent Grants: | | |
| General purpose | 163 499 | 151 925 |
| Specific purpose | 61 495 | 63 420 |
| | 224 994 | 215 345 |
| Capital Grants: | | |
| General purpose | 32 989 | 41 862 |
| | 32 989 | 41 862 |
| Total Commonwealth Grants | 257 983 | 257 207 |

Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2001 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2001.

| | Opening Balance | Revenue for Period | Expenses for Period | Closing Balance |
|---------------------------------|--------------------|-----------------------|------------------------|--------------------|
| | 1.7.00 | \$'000 | \$'000 | \$'000 |
| Commonwealth Grants for: | | | | 30.6.01 |
| Primary and secondary education | 5 567 | 31 414 | (29 775) | 7 206 |
| Child care services | 2 320 | 27 318 | (28 371) | 1 267 |
| | 7 887 | 58 732 | (58 146) | 8 473 |

| | | |
|---|---------------|---------------|
| 10. Student and Other Fees and Charges | 2001 | 2000 |
| | \$'000 | \$'000 |
| Student enrolment fees and charges | 29 117 | 26 360 |
| Sales/Fee-for-service | 42 958 | 27 736 |
| Other user fees and charges | 19 842 | 19 265 |
| | 91 917 | 73 361 |

| | | |
|--|---------------|--------|
| 11. Other Revenues | | |
| Targeted voluntary separation package recoveries | 29 816 | 6 147 |
| Sundry revenue | 18 566 | 9 294 |
| | 48 382 | 15 441 |

| | | |
|---|------------------|-----------|
| 12. Revenues from State Government | | |
| (a) Recurrent Appropriation | 1 714 161 | 1 554 553 |
| Less: Appropriations not recognised in the Operating Statement Administered Expense - Refer Note 12(c) | 369 091 | 309 582 |
| | 1 345 070 | 1 244 971 |
| (b) Capital Appropriation | 67 049 | 67 912 |
| Total Government Revenues | 1 412 119 | 1 312 883 |

(c) Transfer Payments

The Department is responsible for transfer of payments to eligible beneficiaries consistent with instructions from the Minister for Education and Children's Services. The Department does not control how these funds are to be spent and acts only as an agent responsible for the administration of the transfer proceeds to the third parties. During the reporting period, the Department received and transferred \$369.1 million (Refer Note 1 Administered Funds).

Education, Training and Employment

| | | | |
|------------|--|---------------|--------|
| 13. | Net (Loss) Gain on Disposal of Non-Current Assets | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Proceeds from disposal | 10 271 | 14 566 |
| | Less: Written down value | 10 321 | 12 750 |
| | (Loss) Gain on disposal | (50) | 1 816 |
| 14. | Cash Assets | | |
| | Special Deposit Accounts with Department of Treasury and Finance | 69 765 | 87 580 |
| | Cash at bank and on hand | 1 656 | 646 |
| | Section 21 Deposit Accounts | 296 | 287 |
| | | 71 717 | 88 513 |

The Special Deposit Accounts are bearing floating interest rates determined as follows:

- that portion applying to the level of debt owing to the Department of Treasury and Finance is determined by the applicable common public sector interest rate.
- the remainder is determined by the applicable 90 day bank bill rate.

| | | | |
|------------|--|---------------|--------|
| 15. | Receivables | 2001 | 2000 |
| | Current: | \$'000 | \$'000 |
| | Fees and charges and other receivables | 22 064 | 14 942 |
| | Less: Provision for doubtful debts* | 1 345 | 1 879 |
| | | 20 719 | 13 063 |
| | GST recoverable from the ATO | 5 797 | - |
| | Loan receivables | 317 | 300 |
| | Other receivables | 8 175 | 351 |
| | | 35 008 | 13 714 |
| | Non-Current: | | |
| | Workers compensation receivable | 961 | 524 |
| | Loan receivables | 3 110 | 1 049 |
| | | 4 071 | 1 573 |

* Approximately 26 percent of the provision relates to arrangements between the Department and government schools.

| | | | |
|------------|--|---------------|--------|
| 16. | Investments | 2001 | 2000 |
| | Non-Current: | \$'000 | \$'000 |
| | Shares in associated companies (refer below) | 451 | 885 |
| | Shares in Ngapartji Pty Ltd (refer below) | 375 | 375 |
| | Other | 2 | 2 |
| | | 828 | 1 262 |

| | | | | | |
|---|----------------|----------------------|---------------|----------------|----------------------|
| Associated Companies | | 2001 | | 2000 | |
| | AITEC | Austraining | Total | AITEC | Austraining |
| | Percent | International | | Percent | International |
| | 25 | Pty Ltd | | 25 | Pty Ltd |
| | | Percent | | 50 | Percent |
| | | 50 | | 50 | 50 |
| Percentage of equity interest held | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest in associated companies | * | 200 | 200 | * | 218 |
| Share of retained profit | 140 | 111 | 251 | 289 | 378 |
| Equity accounted amount of investment in associated companies | 140 | 311 | 451 | 289 | 596 |
| Retained profits (losses) attributable to associated companies: | | | | | |
| Balance at 1 July | 289 | 378 | 667 | 262 | 161 |
| Share of operating profit (loss) and extraordinary items after income tax | (149) | (267) | (416) | 27 | 217 |
| Balance at 30 June | 140 | 111 | 251 | 289 | 378 |

* The Minister for Education and Children's Services has an interest in AITEC of \$1.

Australian Information Technology Engineering Centre Pty Ltd (AITEC)

AITEC is owned by the Minister for Education and Children's Services, the University of Adelaide, the Flinders University of South Australia and the University of South Australia in equal proportions. AITEC's principal activity is vocational education through a Master of Engineering degree program. AITEC has a reporting date of 31 December.

Austraining International Pty Ltd

Austraining International Pty Ltd is owned by the Minister for Education and Children's Services and the NSW Minister for Technical and Further Education in equal proportions. Austraining International Pty Ltd's principal activity is to secure international contracts for work in vocational education and training. Austraining International Pty Ltd has a reporting date of 30 June. The current investment value is based on unaudited financial statements as at 30 June 2001.

Subsequent to balance date the Minister for Education and Children's Services purchased the remaining fifty percent share in Austraining International Pty Ltd.

Ngapartji Pty Ltd (Ngapartji)

The Minister for Education and Children's Services is the owner of one \$1 'A' class share in Ngapartji issued at par, as well as the holder of one \$1 'A' class share issued at par and previously owned by the Minister for Employment, Training and Further Education. In addition, the Minister owns 375 \$1 'B' class (non voting) shares issued at a premium of \$999 per share.

Whilst the Minister has financial involvement with other organisations, the above represent those of material significance.

| 17. Other Current Assets | | 2001 | | 2000 | |
|--------------------------|--|--------------|--------|--------------|--------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Prepayments | | 4 385 | | 4 385 | |
| Inventories | | 765 | | 688 | |
| | | 5 150 | | 5 073 | |

| 18. Property, Plant and Equipment | | 2001 | | | 2000 | | |
|---|--------------------------|---------------------------------|---------------------------|--------------------------|---------------------------------|---------------------------|--|
| | Cost or Valuation \$'000 | Accumulated Depreciation \$'000 | Written Down Value \$'000 | Cost or Valuation \$'000 | Accumulated Depreciation \$'000 | Written Down Value \$'000 | |
| Land at valuation * | 397 752 | - | 397 752 | 402 980 | - | 402 980 | |
| Land at cost | 2 596 | - | 2 596 | 1 600 | - | 1 600 | |
| Buildings and improvements at valuation* | 3 011 617 | 1 713 982 | 1 297 635 | 3 060 377 | 1 690 168 | 1 370 209 | |
| Buildings and improvements at cost | 168 532 | 5 903 | 162 629 | 101 619 | 4 113 | 97 506 | |
| Computing, communication equipment, furniture and equipment at valuation* | 3 748 | 2 794 | 954 | 6 125 | 5 433 | 692 | |
| Computing, communication equipment, furniture and equipment at cost | 35 457 | 18 681 | 16 776 | 35 001 | 16 938 | 18 063 | |
| Buses at valuation* | 40 356 | 22 349 | 18 007 | 40 479 | 20 815 | 19 664 | |
| Buses at cost | 950 | 70 | 880 | 267 | 38 | 229 | |
| Construction work in progress at cost | 34 756 | - | 34 756 | 67 344 | - | 67 344 | |
| Other (libraries, toys and security) at valuation* | 28 667 | 353 | 28 314 | 29 384 | 826 | 28 558 | |
| Other (libraries, toys and security) at cost | 2 947 | 957 | 1 990 | 2 899 | 678 | 2 221 | |
| | 3 727 378 | 1 765 089 | 1 962 289 | 3 748 075 | 1 739 009 | 2 009 066 | |

* Valuations of land were performed at 30 June 1999 by the Valuer-General, buildings and improvements by the Department for Administrative and Information Services and libraries by VALCORP Aust Pty Ltd. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with Department of Treasury and Finance policy on valuations of non-current assets.

Reconciliations

Reconciliations of the carrying amount of each class of land, buildings and improvements, plant and equipment and other non-current assets at the beginning and end of the current financial year are set out below:

| 2001 | 1 July | | | Transfer to (from) WIP | Net revaluation increment (decrement) | Other Move-ments | Deprec-iation | 1 July Carrying Amount |
|--|------------------|---------------|---------------|------------------------|---------------------------------------|------------------|---------------|------------------------|
| | Carrying Amount | Additions | Disposals | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Land at valuation | 402 980 | - | 5 228 | - | - | - | - | 397 752 |
| Land at cost | 1 600 | 996 | - | - | - | - | - | 2 596 |
| Buildings and improvements at valuation | 1 370 209 | 391 | 4 428 | - | (17 924) | 6 215 | 56 828 | 1 297 635 |
| Buildings and improvements at cost | 97 506 | - | 14 | 66 942 | (13) | - | 1 792 | 162 629 |
| Computing, communication equipment, furniture and equipment at valuation | 692 | - | - | - | 798 | (330) | 206 | 954 |
| Computing, communication equipment, furniture and equipment at cost | 18 063 | 1 458 | 340 | - | - | 107 | 2 512 | 16 776 |
| Buses at valuation | 19 664 | - | 19 | - | - | - | 1 638 | 18 007 |
| Buses at cost | 229 | 683 | - | - | - | - | 32 | 880 |
| Construction work in progress at cost | 67 344 | 34 354 | - | (66 942) | - | - | - | 34 756 |
| Other (libraries, toys and security) at valuation | 28 558 | - | 219 | - | - | - | 25 | 28 314 |
| Other (libraries, toys and security) at cost | 2 221 | 126 | 73 | - | - | 5 | 289 | 1 990 |
| | 2 009 066 | 38 008 | 10 321 | - | (17 139) | 5 997 | 63 322 | 1 962 289 |

| 2000 | 1 July | | | Transfer to (from) WIP | Net revaluation increment (decrement) | Other Move-ments | Deprec-iation | 1 July Carrying Amount |
|--|------------------|---------------|---------------|------------------------|---------------------------------------|------------------|---------------|------------------------|
| | Carrying Amount | Additions | Disposals | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Land at valuation | 414 979 | - | 11 999 | - | - | - | - | 402 980 |
| Land at cost | 844 | 756 | - | - | - | - | - | 1 600 |
| Buildings and improvements at valuation | 1 422 035 | - | 314 | - | - | 5 836 | 57 348 | 1 370 209 |
| Buildings and improvements at cost | 64 207 | 5 929 | - | 29 021 | - | - | 1 651 | 97 506 |
| Computing, communication equipment, furniture and equipment at valuation | 1 111 | - | - | - | - | (8) | 411 | 692 |
| Computing, communication equipment, furniture and equipment at cost | 18 156 | 2 746 | 437 | - | - | 22 | 2 424 | 18 063 |
| Buses at valuation | 21 458 | - | - | - | - | - | 1 794 | 19 664 |
| Buses at cost | 248 | - | - | - | - | - | 19 | 229 |
| Construction work in progress at cost | 42 135 | 54 230 | - | (29 021) | - | - | - | 67 344 |
| Other (libraries, toys and security) at valuation | 28 672 | - | - | - | - | 1 | 115 | 28 558 |
| Other (libraries, toys and security) at cost | 1 337 | 1 124 | - | - | - | - | 240 | 2 221 |
| | 2 015 182 | 64 785 | 12 750 | - | - | 5 851 | 64 002 | 2 009 066 |

Education, Training and Employment

| | | | |
|--|--|----------------------------|---------------------|
| 19. Payables | | 2001 | 2000 |
| Current: | | \$'000 | \$'000 |
| Trade creditors | | 70 980 | 34 923 |
| Accruals | | 4 937 | 2 405 |
| On-costs on employee entitlement provisions | | 12 268 | 12 141 |
| | | 88 185 | 49 469 |
| Non-Current: | | | |
| On-costs on employee entitlement provisions | | 13 753 | 12 966 |
| 20. Borrowings | | | |
| Current: | | | |
| Overdraft | | 2 134 | - |
| Loans | | 1 200 | 700 |
| | | 3 334 | 700 |
| Non-Current: | | | |
| Loans | | 5 737 | 6 237 |
| Advances | | 620 | 620 |
| | | 6 357 | 6 857 |
| 21. Employee Entitlements | | | |
| Current: | | | |
| Accrued salaries and wages | | 29 414 | 26 650 |
| Provision for annual leave | | 46 562 | 48 317 |
| Provision for non-attendance days | | 3 184 | 3 003 |
| Provision for long service leave | | 25 027 | 25 571 |
| Employer superannuation contributions | | 9 217 | 9 032 |
| Workers compensation provision | | 11 844 | 13 468 |
| | | 125 248 | 126 041 |
| Non-Current: | | | |
| Provision for long service leave | | 228 318 | 206 256 |
| Employer superannuation contributions | | 9 941 | 8 869 |
| Workers compensation provision | | 39 265 | 39 252 |
| | | 277 524 | 254 377 |
| 22. Other Liabilities | | | |
| Current: | | | |
| Deposits | | 5 546 | 903 |
| Unearned revenue | | 167 | 385 |
| Other liabilities | | 2 108 | 1 885 |
| | | 7 821 | 3 173 |
| Non-Current: | | | |
| Deposits | | 248 | 247 |
| 23. Remuneration of Employees | | 2001 | 2000 |
| The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands: | | Number of Employees | Number of Employees |
| \$100 000 - \$109 999 | | 73 | 33 |
| \$110 000 - \$119 999 | | 32 | 12 |
| \$120 000 - \$129 999 | | 11 | 5 |
| \$130 000 - \$139 999 | | 3 | 7 |
| \$140 000 - \$149 999 | | 7 | 7 |
| \$150 000 - \$159 999 | | 5 | 2 |
| \$170 000 - \$179 999 | | 1 | 1 |
| \$180 000 - \$189 999 | | 1 | - |
| \$190 000 - \$199 999 | | 1 | - |
| \$260 000 - \$269 999 | | - | 1 |
| \$270 000 - \$279 999 | | 1 | - |
| | | 135 | 68 |
| Total remuneration received or due and receivable by the above employees was \$15.6 million (\$8.1 million) (included in employee expenses). This number of employees includes 15 (10) who received country incentive payments and 13 (11) who retired/resigned. The number of employees included in the above table increased significantly due to pay increases awarded during the year to officers employed under the <i>Public Sector Management Act 1995</i> and the <i>Education Act 1972</i> . For example, the number of Superintendents included in the above table increased from 9 to 24 and the number of Principals included in the above table increased from 3 to 21. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. The TVSP impact on employee numbers and amounts is disclosed in Note 24. | | | |
| 24. Targeted Voluntary Separation Packages (TVSPs) | | 2001 | 2000 |
| TVSPs paid to employees for the year were: | | \$'000 | \$'000 |
| TVSP payments (included in employee expenses) | | 29 816 | 6 147 |
| Recovered from the Department of the Premier and Cabinet in respect of TVSPs | | 29 816 | 6 147 |
| Annual and long service leave accrued over the period of employment paid to employees who received TVSPs | | 7 042 | 2 215 |
| The number of employees paid TVSPs during the reporting period totalled 351 (71). | | | |

| | | | |
|--|--|------------------|-----------|
| 25. Equity | | 2001 | 2000 |
| Accumulated Surplus | | \$'000 | \$'000 |
| Balance at 1 July | | 1 597 723 | 1 661 977 |
| Adjustment for assets brought to account for first time* | | 4 921 | 6 615 |
| Deficit for the year | | (97 713) | (70 869) |
| | | 1 504 931 | 1 597 723 |
| Asset Revaluation Reserve | | | |
| Balance at 1 July | | 67 648 | 68 412 |
| Decrease as a result of revaluations | | (15 986) | (764) |
| | | 51 662 | 67 648 |
| Total Equity | | 1 556 593 | 1 665 371 |

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department policy on the revaluation of property, plant and equipment as discussed in Note 2.

* Relates to net assets of DECS Tech Foundation not previously brought to account.

26. Operating Leases - Lessee

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

| | | |
|---|--------------|-------|
| Payable no later than one year | 998 | 1 044 |
| Payable later than one year and not later than five years | 2 951 | 3 243 |
| Payable later than five years | 1 385 | 2 931 |
| | 5 334 | 7 218 |
| GST included in operating lease commitments | 26 | - |

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by the CPI on an annual or bi-annual basis. Options exist to renew the leases at the end of the term of the leases.

27. Capital Budget Commitments

At the end of the reporting period the Department had the following capital budget commitments.

| | | |
|---|---------------|--------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| These amounts are due for payment: | | |
| Not later than one year | 38 654 | 47 470 |
| Later than one year and not later than five years | 419 | 14 259 |
| Later than five years | - | - |
| | 39 073 | 61 729 |
| GST included in capital budget commitments | 3 552 | - |

28. Contingent Obligations

The Department has items which meet the definition of liabilities but have not been recognised because they cannot be measured reliably. These items are set out as follows:

- The Department estimates that it has outstanding fire reinstatement claims of \$3 654 000 (\$341 000);
- The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs) and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978.
- The Department has received advice from the Crown Solicitor that School Services Officers (SSOs) and Government Stores Employees (GSEs) are eligible for an on call allowance pursuant to clause 6.9 of the South Australian Government Services Award. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide an on call allowance for SSOs and GSEs.

29. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

| | | |
|--|--------------------|-------------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Net cash provided by operating activities | 7 115 | 7 320 |
| Depreciation | (63 322) | (64 002) |
| Associated Companies - share of operating profits (losses) | (416) | 245 |
| Bad and doubtful debts | (304) | (228) |
| Net assets recognised for the first time | 7 130 | - |
| Decrement in value of assets | (2 471) | (86) |
| Increase in employee entitlements | (22 354) | (24 077) |
| Increase in receivables | 11 908 | 374 |
| Increase in other current assets | 77 | (824) |
| (Increase) Decrease in payables | (30 485) | 7 419 |
| Increase in other liabilities | (4 650) | (4 861) |
| Government appropriation | (1 412 119) | (1 312 883) |
| Movements in non-current assets | 109 | 149 |
| Net Cost of Services | (1 509 782) | (1 391 454) |

30. Financial Instruments

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

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable common public sector interest rate. Interest is paid on a monthly basis.

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

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

Financial Liabilities

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

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

All assets and liabilities are unsecured.

(b) Credit Risk Exposures

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

(c) Interest Rate Risk Exposures

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

| | Weighted Average Interest Rate Percent | Floating Interest Rate \$'000 | Fixed Interest Maturing in 1 to 5 years \$'000 | Fixed Interest maturing in more than 5 years \$'000 | Non- Interest Bearing \$'000 | 2001 Total \$'000 | 2000 Total \$'000 |
|---|--|--|--|--|---------------------------------------|----------------------------------|-------------------------|
| Financial Assets: | | | | | | | |
| Cash and deposits | 6.11 | 70 887 | - | - | 830 | 71 717 | 88 513 |
| Receivables | | - | - | - | 35 652 | 35 652 | 13 660 |
| Other assets | | - | - | - | 5 150 | 5 150 | 5 424 |
| Loan receivables | 8.07 | - | 329 | 957 | 2 141 | 3 427 | 1 276 |
| | | <u>70 887</u> | <u>329</u> | <u>957</u> | <u>43 773</u> | 115 946 | 108 873 |
| Financial Liabilities: | | | | | | | |
| Trade and other creditors | | - | - | - | 75 917 | 75 917 | 31 944 |
| Loans | 8.14 | 9 071 | - | - | 620 | 9 691 | 7 557 |
| Other liabilities | | - | - | - | 7 902 | 7 902 | 1 190 |
| | | <u>9 071</u> | <u>-</u> | <u>-</u> | <u>84 439</u> | 93 510 | 40 691 |
| Net Financial Assets (Liabilities) | | <u>61 816</u> | <u>329</u> | <u>957</u> | <u>(40 666)</u> | 22 436 | 68 182 |

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

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

31. **School Financial Information**

The following is a summary of transactions processed by schools for the school year ended 31 October 2000. The amounts have been adjusted to reflect balances as at 30 June 2001 based on transactions between the Department and schools for the period ended 30 June 2001. No data is included for plant and equipment non-current assets within schools as the data is not reliable.

| | |
|---|------------------------------|
| STATEMENT OF FINANCIAL PERFORMANCE | 2001 |
| OPERATING EXPENSES | \$'000 |
| Employee expenses | 21 031 |
| Supplies and services | 165 261 |
| Borrowing costs | 113 |
| Other expenses | 1 420 |
| Total Cost of Services | <u>187 825</u> |
| OPERATING REVENUES: | |
| Commonwealth grants | 1 112 |
| Student and other fees and charges | 73 498 |
| Other grants and contributions | 116 102 |
| Interest and investment income | 5 602 |
| Other revenues | 28 981 |
| Total Operating Revenues | <u>225 295</u> |
| SURPLUS FOR THE YEAR | <u><u>37 470</u></u> |
| STATEMENT OF FINANCIAL POSITION | |
| CURRENT ASSETS: | |
| Cash on hand, at bank and on deposit* | 151 912 |
| Receivables | 13 791 |
| Investments | 4 034 |
| Other | 1 391 |
| Total Current Assets | <u>171 128</u> |
| NON-CURRENT ASSETS: | |
| Investments | 1 338 |
| Total Non-Current Assets | <u>1 338</u> |
| Total Assets | <u><u>172 466</u></u> |
| CURRENT LIABILITIES: | |
| Payables | 9 407 |
| Borrowings | 384 |
| Other | 8 609 |
| Total Current Liabilities | <u>18 400</u> |
| NON-CURRENT LIABILITIES: | |
| Payables | 2 603 |
| Borrowings | 2 299 |
| Other | 2 654 |
| Total Non-Current Liabilities | <u>7 556</u> |
| Total Liabilities | <u>25 956</u> |
| NET ASSETS | <u>146 510</u> |
| EQUITY: | |
| Accumulated surplus | 146 510 |
| TOTAL EQUITY | <u>146 510</u> |

* Represents cash held by schools which is committed for various purposes.

The extent of trading between the Department and Schools for the year ended 30 June 2001 amounted to \$137.4 million.

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The University was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council. To assist in its deliberations Council has established certain committees, including the Resources Committee and Audit Committee to focus on matters of a financial and audit related nature.

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

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

As at 31 December 2000 the University had a number of controlled entities. Major entities include:

- Flinders Consulting Pty Ltd
The company's prime objective is to maintain a commercial operation that arranges the conduct of consultancies and other business objectives from which the University derives financial benefits.

It utilises the skills and knowledge of the University staff, and engages and coordinates the specialist skills of external organisations and individuals.
- Flinders Technologies Pty Ltd
The company markets the University's intellectual property and negotiates the business arising therefrom.
- Airborne Research Australia Pty Ltd
The company's main activity relates to atmospheric research and includes high resolution physical and chemical measuring and analyses, research and monitoring, radiometry and remote sensing.

SIGNIFICANT FEATURES

- Consolidated operations for the year resulted in a surplus before abnormal items of \$8.3 million (surplus of \$455 000 in 1999).
- Income from fee paying students was \$11.6 million (\$8.5 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

In respect of the year ended 31 December 2000, the auditable areas that were subject to review included:

- revenue
- accounts payable
- payroll
- liabilities
- assets
- general ledger
- computer processing environment
- controlled entities.

Audit Communications to Management

The scope of audit review and issues arising were conveyed in an audit management letter to the Vice-Chancellor of the University. The response received from the University indicates action proposed or taken to address the issues raised by Audit. Further commentary on these issues is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the University's general financial control environment was considered satisfactory, a number of areas were identified where control practices could be strengthened and others where policies/procedures are required to be formulated or improved. These issues were raised with the University and a satisfactory response, including action proposed, was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of The Flinders University of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by The Flinders University of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Consolidated operations for the year resulted in a surplus before abnormal items of \$8.3 million, an increase of \$7.9 million. The result reflects an increase in operating revenue of \$10.1 million compared to an increase of \$2.2 million in operating expenses.

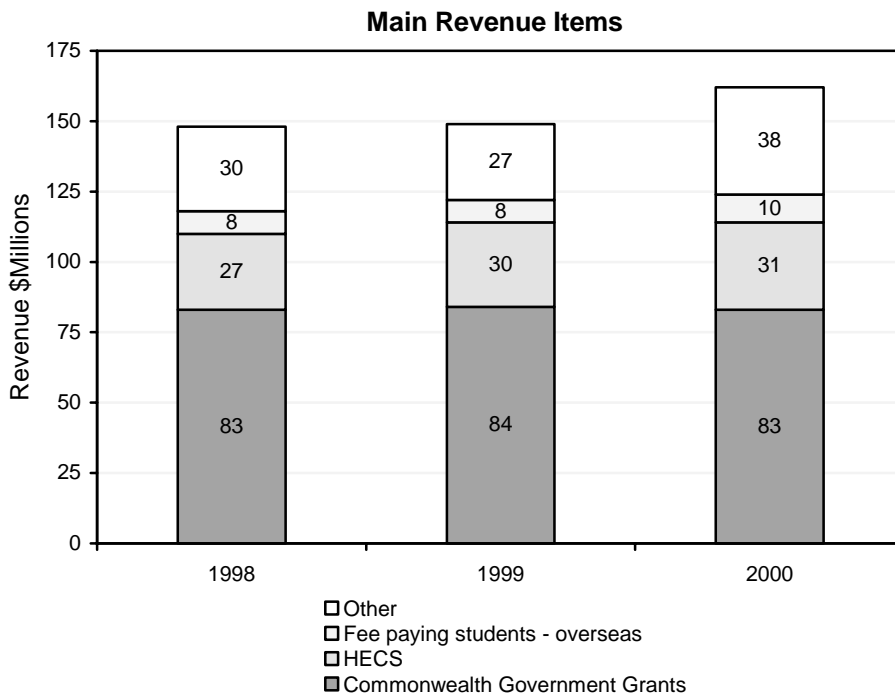
Revenue

The increase in revenue was due principally to an increase of:

- \$5.1 million in fees and charges mainly as a result of an increase of \$2.4 million in fees from overseas students and an increase of \$2 million in income from sundry sources.
- \$4.4 million in other revenue principally attributable to a net increment from the revaluation of assets (land and infrastructure) of \$2.5 million (\$nil in 1999) and an increase of \$1 million in donations and bequests.

While revenue has gradually increased over recent years the level of funding from Commonwealth Government Grants has remained static.

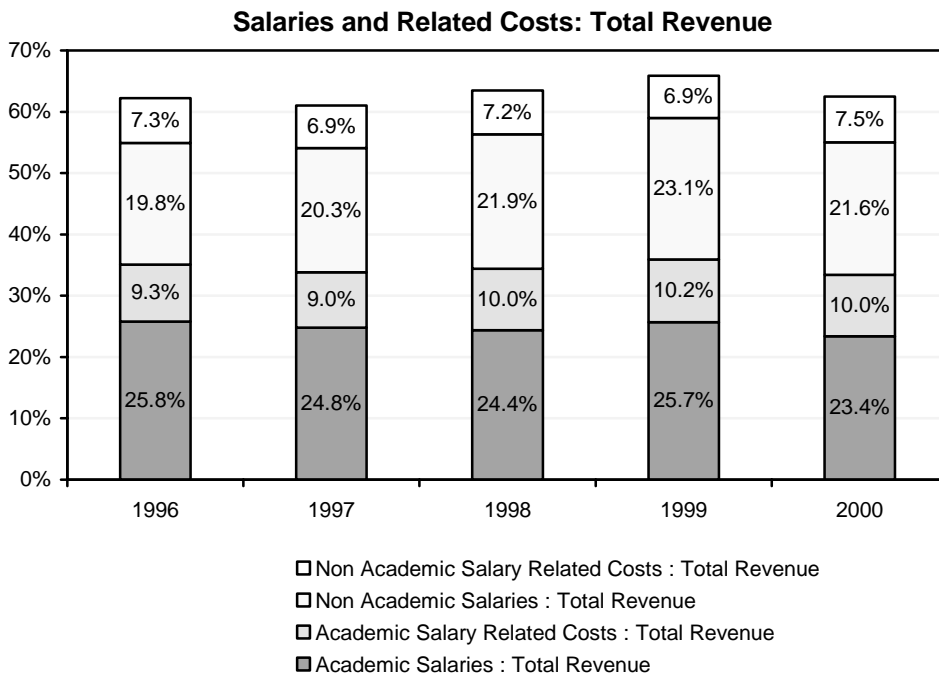
The following chart reflects the changing composition of revenues over recent years.



Expenses

Operating expenses increased by \$2.2 million to \$152.7 million of which \$100 million (the same as last year) represented salaries and salary related costs.

The following chart reflects academic and non-academic salaries and salary related costs as a percentage of total revenues over recent years.



Statement of Financial Performance for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| OPERATING RESULT BEFORE ABNORMAL ITEMS | 2 | 8 323 | 455 | 6 273 | 2 520 |
| Abnormal items | 3 | (1 180) | 14 530 | (1 854) | 11 168 |
| TOTAL OPERATING RESULT AFTER ABNORMAL ITEMS | | 7 143 | 14 985 | 4 419 | 13 688 |
| ACCUMULATED FUNDS AT THE BEGINNING OF THE FINANCIAL YEAR | | 165 035 | 155 770 | 155 588 | 147 706 |
| Adjustment to retained accumulated funds at 1 January 2000 as a result of the adoption of revised accounting standard Australian Accounting Standard AAS 19 'Accounting for Interest in Joint Ventures' | | (1 382) | - | (1 382) | - |
| ACCUMULATED FUNDS AT 1 JANUARY | | 163 653 | 155 770 | 154 206 | 147 706 |
| Transfers: | 15 | | | | |
| To reserves | | - | (5 720) | - | (5 806) |
| From reserves | | 14 271 | - | 14 271 | - |
| ACCUMULATED FUNDS AT 31 DECEMBER | | 185 067 | 165 035 | 172 896 | 155 588 |

Statement of Financial Position at 31 December 2000

| | Note | Consolidated | | University | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash | | 508 | 392 | 415 | 331 |
| Inventories | 1(h),6 | 322 | 352 | 322 | 352 |
| Receivables | 1(c),7,17 | 12 871 | 8 915 | 12 478 | 10 142 |
| Investments | 1(c),8 | 20 555 | 26 226 | 14 413 | 17 734 |
| Other | 9 | 526 | 620 | 526 | 620 |
| Total Current Assets | | 34 782 | 36 505 | 28 154 | 29 179 |
| NON-CURRENT ASSETS: | | | | | |
| Receivables | 1(c),7,17 | 21 471 | 22 285 | 21 471 | 22 357 |
| Investments | 1(c),8 | 23 509 | 14 816 | 20 313 | 14 483 |
| Property, plant and equipment | 1(l),10 | 176 004 | 174 684 | 170 730 | 169 367 |
| Other | 9 | 741 | 504 | 1 255 | 860 |
| Total Non-Current Assets | | 221 725 | 212 289 | 213 769 | 207 067 |
| Total Assets | | 256 507 | 248 794 | 241 923 | 236 246 |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | 1(c),12 | 6 358 | 6 929 | 5 962 | 4 680 |
| Provisions | 1(d),(e),13,17 | 7 106 | 7 216 | 6 944 | 7 142 |
| Other | 14 | 13 323 | 10 524 | 12 274 | 9 818 |
| Total Current Liabilities | | 26 787 | 24 669 | 25 180 | 21 640 |
| NON-CURRENT LIABILITIES: | | | | | |
| Provisions | 1(d),(e),13,17 | 34 452 | 34 565 | 34 343 | 34 493 |
| Other | 14 | 750 | 1 500 | 750 | 1 500 |
| Total Non-Current Liabilities | | 35 202 | 36 065 | 35 093 | 35 993 |
| Total Liabilities | | 61 989 | 60 734 | 60 273 | 57 633 |
| NET ASSETS | | 194 518 | 188 060 | 181 650 | 178 613 |
| EQUITY: | | | | | |
| Reserves | 15 | 9 451 | 23 025 | 8 754 | 23 025 |
| Accumulated funds | | 185 067 | 165 035 | 172 896 | 155 588 |
| TOTAL EQUITY | | 194 518 | 188 060 | 181 650 | 178 613 |
| Commitments | 16,19 | | | | |
| Contingent Liabilities | 18 | | | | |

Statement of Cash Flows for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|--|------------|---|---|---|---|
| | | 2000 Inflows (Outflows) \$'000 | 1999 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 | 1999 Inflows (Outflows) \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Grant revenue: | | | | | |
| DETYA | | 71 222 | 72 012 | 71 222 | 72 012 |
| Other Commonwealth | | 12 550 | 14 424 | 12 460 | 14 424 |
| Total Commonwealth | | 83 772 | 86 346 | 83 682 | 86 436 |
| South Australian Government | | 1 973 | 2 041 | 1 973 | 2 041 |
| Higher Education Contribution Scheme: | | | | | |
| Student payments | | 3 492 | 3 504 | 3 492 | 3 504 |
| Commonwealth receipts | | 26 341 | 26 415 | 26 341 | 26 415 |
| Fees and charges | | 18 608 | 18 471 | 16 861 | 15 258 |
| Investment income | | 2 175 | 1 970 | 1 830 | 2 003 |
| Consultancy and contract research | | 10 018 | 10 066 | 6 884 | 7 445 |
| Other revenue | | 6 188 | 8 312 | 5 696 | 2 061 |
| OUTFLOWS: | | | | | |
| Staff salaries | | (73 428) | (72 985) | (72 192) | (71 543) |
| Staff related costs | | (26 770) | (26 441) | (26 106) | (26 017) |
| Other | | (46 038) | (42 584) | (39 738) | (37 925) |
| Net Cash provided by Operating Activities | 28(ii) | 6 331 | 15 205 | 8 723 | 9 678 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Proceeds from sale of investments | | 27 662 | 2 103 | 24 699 | 2 103 |
| Proceeds from sale of property, plant and equipment | | 661 | 712 | 661 | 712 |
| OUTFLOWS: | | | | | |
| Purchase of investments | | (18 632) | (7 362) | (18 163) | (1 974) |
| Purchase of property, plant and equipment | | (7 237) | (10 838) | (7 167) | (10 718) |
| Net Cash provided by (used in) Investing Activities | | 2 454 | (15 385) | 30 | (9 877) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| OUTFLOWS: | | | | | |
| Lease payments | | - | (90) | - | (90) |
| Net Cash used in Financing Activities | | - | (90) | - | (90) |
| NET INCREASE (DECREASE) IN CASH HELD | | 8 785 | (270) | 8 753 | (289) |
| CASH AT 1 JANUARY | | 1 626 | 1 896 | 1 565 | 1 854 |
| CASH AT 31 DECEMBER | 1(o),28(i) | 10,411 | 1 626 | 10 318 | 1 565 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

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

Financial Reporting Framework(a) *Basis of Preparation*

The financial statements are a special purpose report for the Commonwealth Department of Education, Training and Youth Affairs (DETYA) and a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Public Sector Accounting Standards Board and/or the Australian Accounting Standards Board, Urgent Issues Consensus Views and the requirements of DETYA.¹

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

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) *Principles of Consolidation*

The consolidated accounts comprise the accounts of the University and all of its controlled entities, detailed in Note 23.

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

Significant Accounting Policies(a) *Comparative Figures*

Certain 1999 comparative figures have been adjusted to reflect consistency with current year disclosures.

¹ DETYA requirements are specified in the publication 'Guidelines for the preparation of Annual Financial Reports for the 2000 reporting period by Australian Higher Education Institutions'.

(b) Depreciation

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

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

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 10. Depreciation expense by asset class is shown in Note 2.9.

(c) Financial Instruments

- **Receivables**
Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts).
- **Investments**
The change in the University's indexed bonds is brought to account at balance date using the CPI rate. Other investments are at cost. The carrying amount of investments is reviewed annually by the University to ensure that it is not in excess of the recoverable amount of these investments.
- **Accounts Payable**
Accounts Payable are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken.
- **Funds Held on Behalf of Other Entities**
Funds held on behalf of other entities are shown at amounts due.

(d) Employee Entitlements

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

- **Long Service Leave**
The long service leave liability is independently actuarially estimated by the long hand method prescribed by Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The long service leave liability includes associated on-costs.
- **Annual Leave**
The liability for annual leave includes associated on-costs.
- **Sick Leave**
Sick leave is considered to be taken from the current year's accrual. As the accrual always significantly exceeds the leave taken, no liability is recorded.
- **Superannuation**
Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Statement of Financial Performance. Note 17 provides details in respect of the individual Schemes.
- **Invalidity Fund**
The Invalidity Fund exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the fund, based on an independent actuarial review conducted every three years. The last actuarial review was conducted for the liability as at 31 December 2000. For the years between actuarial reviews, the University estimates the liability by extrapolation from the most recent review.
- **Redundancy/Severance**
Provision is also made for redundancy payments in circumstances where the University has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

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

(e) Workers Compensation

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

The provision for workers compensation liability has been actuarially determined by using the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs.

(f) Foreign Currency

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

(g) *Goods and Services Tax*

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

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

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

(h) *Inventories*

Inventories are stores of consumable items. University policy is to value inventory at the lower of cost or net realisable value.

(i) *Investments in Business Undertakings*

• *Controlled Entities*

Investments in controlled entities are carried in the University's Statement of Financial Position at the lower of cost and recoverable amount. Dividends are brought to account when they are declared by the controlled entities.

• *Associates*

Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 24.

• *Joint Ventures*

Joint Venture Operations

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Statement of Financial Performance where material. Details of joint ventures are included in Note 21. The University has applied Australian Accounting Standard AAS 19 'Interests in Joint Ventures' for the first time in 2000 and there is a reduction to opening equity of \$1.4 million.

Joint Venture Entities

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Note disclosure is made in Note 22.

(j) *Leased Assets*

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

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

(k) *Revenue Recognition*

• *Grant Income*

Grant income from DETYA is brought to account in the period to which it relates. As required by the DETYA Guidelines, the first instalment for 2001 received in December 2000 is recorded as a liability in the Statement of Financial Position under Other.

• *Other Research Grants and Contracts*

Income from Other Research Grants and Contracts is recognised in the period to which the grant relates, or the period in which the contract services are provided.

• *Donations*

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

• *Fees and Charges: Student Income*

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

• *Investment Income*

Interest income is recognised as it accrues. The indexation component of indexed bonds is recorded as revenue in the year that it is earned.

(l) *Property, Plant and Equipment*

• *Land*

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

Land controlled by the University is independently valued every three years. Land controlled by the University was revalued in 2000 by Norm Satchell, AAIP, B App Sc (Val) of Edward Rushton Australia Pty Ltd. The basis used for the valuation was market value for existing use. Land purchased between revaluations is valued at cost.

- (l) *Property, Plant and Equipment (continued)*
- *Buildings and Improvements*
Buildings controlled by the University as at 31 March 1998 have been recognised at independent valuation conducted by Greg McCloud AVLE (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. Infrastructure controlled by the University has been valued as at 31 December 1999 by Norm Satchell AAPI B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. The basis used for both valuations was market value for existing use. Buildings and Infrastructure acquired subsequent to that date are valued at cost.

Building and Infrastructure valuations are undertaken triennially.
 - *Buildings in Progress*
Construction of buildings under progress is valued at cost.
 - *Library Books - Monographs and Serials*
The base value of the Library collection is reported at Council's valuation based on current average written down replacement cost as at 31 December 1993. Additions subsequent to 31 December 1993 are capitalised at cost.
 - *Equipment*
This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.
 - *Aircraft*
Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

Aircraft were independently revalued in 2000 by R A Douglas MSA of Douglas Aircraft Sales. The basis of the valuation was market value for existing use.
 - *Works of Art*
The main Works of Art collection was independently valued in 1995 with subsequent acquisitions valued at cost. A minor collection pre dating 1995 has been valued at cost. All acquisitions are included in the valuation. Works of Art are not depreciated, and there is no fixed timeframe for revaluation.
- (m) *Student Service Fees*
The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student services fee income and associated expenditure are not reflected in the financial statements.
- (n) *Doubtful Debts*
The collectibility of receivables is assessed at balance date and provision made for any doubtful debts.
- (o) *Cash*
For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within two working days.
- (p) *Income Tax Status*
The activities of the University and its wholly owned controlled entities are exempt from income tax.
- (q) *Rounding to the Nearest \$'000*
Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.
- (r) *Change in Accounting Policies*
- *Valuation of Land*
The consolidated entity independently values land every three years based on market value, existing use, as this provides the most appropriate valuation. Prior to 2000, the University valued land using the South Australian Valuer-General's site valuation.

The financial effect of the change cannot be quantified as the University does not have an updated land valuation by the Valuer-General.

2. Operating Result

| | Note | Consolidated | | University | |
|---------------------------------------|--------------------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| REVENUE: | | | | | |
| Commonwealth Government grants | 1(k),2.1,30 | 83 347 | 84 515 | 83 257 | 84 515 |
| Higher Education Contribution Scheme: | 30.1 | | | | |
| Student contributions | | 3 492 | 3 504 | 3 492 | 3 504 |
| Commonwealth payments | | 26 912 | 26 460 | 26 912 | 26 460 |
| South Australian Government grants | 2.2 | 1 973 | 1 723 | 1 973 | 1 723 |
| Superannuation: | | | | | |
| Deferred government contributions | 17 | (1 900) | 1 500 | (1 900) | 1 500 |
| Commonwealth supplementation | | 929 | 860 | 929 | 860 |
| Fees and charges | 1(k),2.3 | 18 275 | 13 196 | 16 528 | 12 355 |
| Investment income | 1(k),2.4 | 5 154 | 1 996 | 2 206 | 2 029 |
| Royalties, Trademarks and Licences | 2.5 | 1 736 | 383 | 22 | 9 |
| Consultancy and contract research | 1(k),2.6 | 10 018 | 10 066 | 6 884 | 7 445 |
| Other revenue | 2.7 | 11 126 | 6 752 | 11 142 | 6 227 |
| Total Operating Revenue | | 161 062 | 150 955 | 151 445 | 146 627 |
| EXPENSES: | | | | | |
| Employee benefits | 31 1(d),(e),2.8 | 99 974 | 100 033 | 97 950 | 98 207 |
| Depreciation and amortisation | 1(b),2.9 | 7 857 | 7 890 | 7 103 | 7 189 |
| Buildings and grounds | 2.10 | 7 555 | 8 672 | 7 555 | 8 672 |
| Net losses from sale of assets | 2.11 | 303 | 138 | 279 | 138 |
| Bad and doubtful debts | 1(n) | 3 | 489 | 161 | 489 |
| Other | 2.12 | 37 047 | 33 278 | 32 124 | 29 412 |
| Total Operating Expenses | | 152 739 | 150 500 | 145 172 | 144 107 |
| Operating Result | | 8 323 | 455 | 6 273 | 2 520 |

The operating result includes an increase in unspent grants of \$2.4 million. The University has included that amount as revenue for the period but related expenditure will not occur until subsequent periods. Had the matching expenditure been made in the reporting period, the operating result would have been reduced by \$2.4 million. The unspent grant is treated this way because the receipt of grants does not create a liability for the University.

2.1 Commonwealth Government Grants (excluding HECS)

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Operating purposes excluding HECS | 60 683 | 60 045 | 60 683 | 60 045 |
| Teaching hospital (FMC) | 174 | 171 | 174 | 171 |
| Capital development pool | 987 | - | 987 | - |
| Large research | 2 765 | 2 663 | 2 765 | 2 663 |
| Strategic partnerships with industry | 666 | 657 | 666 | 657 |
| Research Fellowships | 254 | 460 | 254 | 460 |
| International Researcher Exchange | 25 | - | 25 | - |
| Research infrastructure equipment and facilities | 142 | 579 | 142 | 579 |
| Indigenous Researchers Development Scheme | 8 | - | 8 | - |
| Small research | 761 | 721 | 761 | 721 |
| Infrastructure block | 2 272 | 2 426 | 2 272 | 2 426 |
| Australian postgraduate awards | 1 795 | 1 704 | 1 795 | 1 704 |
| International Postgraduate Research Scholarships | 265 | 333 | 265 | 333 |
| Key centres | - | 96 | - | 96 |
| Other: | | | | |
| National Health and Medical Research Council grants | 6 253 | 5 825 | 6 253 | 5 825 |
| Other Commonwealth Government research grants | 3 864 | 3 306 | 3 864 | 3 306 |
| AusAID stipend contribution | - | 1 257 | - | 1 257 |
| Other Commonwealth Government grants | | | | |
| Non-research | 2 433 | 4 272 | 2 343 | 4 272 |
| | 83 347 | 84 515 | 83 257 | 84 515 |

2.2 South Australian Government Grants

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Research grants: | | | | |
| SA Health Commission | 319 | 207 | 319 | 207 |
| Other research grants | 781 | 269 | 781 | 269 |
| Sub total research grants | 1 100 | 476 | 1 100 | 476 |
| Non-research grants | 873 | 1 247 | 873 | 1 247 |
| Total South Australian Government Grants | 1 973 | 1 723 | 1 973 | 1 723 |

2.3 Fees and Charges

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Fee-paying overseas students | 10 052 | 7 611 | 10 052 | 7 611 |
| Fee-paying non-overseas postgraduate students | 1 412 | 835 | 1 412 | 824 |
| Non-overseas students undertaking non-award courses | 86 | 89 | 86 | 89 |
| Other: | | | | |
| Student housing and other rental charges | 2 338 | 2 299 | 2 325 | 2 299 |
| Car parking revenue | 780 | 803 | 781 | 803 |
| Other | 3 607 | 1 559 | 1 872 | 729 |
| | 18 275 | 13 196 | 16 528 | 12 355 |

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| 2.4 Investment Income | | | | |
| Profit on sale of investment | 62 | - | - | - |
| Dividends - Controlled entities | - | - | - | 250 |
| Other entities | 2 530 | 82 | - | - |
| Interest | 2 097 | 1 914 | 1 741 | 1 779 |
| Rental Income | 465 | - | 465 | - |
| | 5 154 | 1 996 | 2 206 | 2 029 |
| 2.5 Royalties, Trademarks and Licences | 1 736 | 383 | 22 | 9 |
| 2.6 Consultancy and Contract Research | | | | |
| Consulting | 5 060 | 6 267 | 2 343 | 3 646 |
| Other research grants and contracts | 4 958 | 3 799 | 4 541 | 3 799 |
| | 10 018 | 10 066 | 6 884 | 7 445 |
| 2.7 Other Revenue | | | | |
| Net increments arising from the revaluation of assets (land and infrastructure) | 2 542 | - | 2 542 | - |
| Donations: | | | | |
| Donations and bequests | 1 572 | 532 | 1 572 | 532 |
| Contribution of assets | 674 | 940 | 674 | 940 |
| | 2 246 | 1 472 | 2 246 | 1 472 |
| Scholarships and prizes | 920 | 584 | 933 | 584 |
| Other: | | | | |
| Other State Government education grants | 2 128 | 2 013 | 2 128 | 2 013 |
| Other (aggregate of immaterial items) | 3 290 | 2 683 | 3 293 | 2 158 |
| | 11 126 | 6 752 | 11 142 | 6 227 |
| 2.8 Employee Benefits | | | | |
| Salaries: | | | | |
| Academic | 38 221 | 38 420 | 38 122 | 38 143 |
| Non-academic | 35 148 | 34 494 | 34 012 | 33 329 |
| Contributions to Superannuation and Pension Schemes: | | | | |
| Deferred employee benefits for superannuation | (1 900) | 1 500 | (1 900) | 1 500 |
| Emerging cost | 1 385 | 1 241 | 1 385 | 1 241 |
| Funded | 11 666 | 11 126 | 11 166 | 10 877 |
| Payroll tax | 5 590 | 5 522 | 5 520 | 5 447 |
| Workers compensation | 393 | 484 | 380 | 469 |
| Long service leave expense | 3 071 | 1 303 | 2 987 | 1 302 |
| Annual leave | 6 400 | 5 943 | 6 278 | 5 899 |
| | 99 974 | 100 033 | 97 950 | 98 207 |
| 2.9 Depreciation and Amortisation | | | | |
| Buildings | 2 616 | 2 422 | 2 522 | 2 392 |
| Equipment | 3 123 | 3 206 | 2 463 | 2 535 |
| Library collections | 2 118 | 2 262 | 2 118 | 2 262 |
| | 7 857 | 7 890 | 7 103 | 7 189 |
| 2.10 Buildings and Grounds | 7 555 | 8 672 | 7 555 | 8 672 |
| 2.11 Net Losses Arising from Sale of Assets | 303 | 138 | 279 | 138 |
| 2.12 Other Expenses | | | | |
| Scholarships, grants and prizes | 5 127 | 5 987 | 5 124 | 5 971 |
| Telecommunications | 1 072 | 864 | 1 047 | 849 |
| Non-capitalised equipment | 4 102 | 3 553 | 4 078 | 3 476 |
| Travel, staff development and entertainment | 5 065 | 3 988 | 4 872 | 3 879 |
| Operating lease rental expenses | 376 | 355 | 372 | 344 |
| Other expenses | 21 305 | 18 531 | 16 631 | 14 893 |
| | 37 047 | 33 278 | 32 124 | 29 412 |
| 3. Abnormal Items | | | | |
| Items comprise: | | | | |
| Dividend from controlled entity | - | - | - | 2 000 |
| Intellectual property expense | - | (2 053) | - | - |
| Reduction of superannuation liability | - | 819 | - | 819 |
| Capital works adjustment | - | - | - | (532) |
| Licence fee income | - | 6 260 | - | - |
| Donations and bequests | - | 2 700 | - | 2 700 |
| Gain on take on of invalidity fund | - | 1 287 | - | 1 287 |
| Voluntary separations | (545) | (1 933) | (545) | (1 933) |
| Revaluations - land, buildings and infrastructure | - | 4 340 | - | 4 340 |
| Asset write down | (1 309) | - | (1 309) | - |
| Union building upgrade (1998) not previously capitalised | - | 663 | - | 663 |
| Funds provided by union for union building upgrade | - | 1 599 | - | 1 599 |
| Prior period depreciation adjustment | - | 752 | - | 752 |
| Gain on take on of controlled entity | 674 | 538 | - | - |
| Other | - | (442) | - | (527) |
| | (1 180) | 14 530 | (1 854) | 11 168 |

| 4. Remuneration of Executives | Consolidated | | University | |
|---|-----------------|---------------|-----------------|---------------|
| | Number of staff | | Number of staff | |
| The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000: | 2000 | 1999 | 2000 | 1999 |
| \$100 000 - \$109 999 | 2 | 2 | 1 | 1 |
| \$110 000 - \$119 999 | 2 | 2 | 2 | 2 |
| \$120 000 - \$129 999 | 3 | 3 | 2 | 2 |
| \$130 000 - \$139 999 | 1 | - | 1 | - |
| \$150 000 - \$159 999 | 1 | 1 | 1 | 1 |
| \$160 000 - \$169 999 | - | 1 | - | 1 |
| \$170 000 - \$179 999 | 1 | 1 | 1 | 1 |
| \$300 000 - \$309 999 | 1 | 1 | 1 | 1 |
| | 11 | 11 | 9 | 9 |
| | 2000 | 1999 | 2000 | 1999 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Aggregate remuneration of executives | 1 593 | 1 613 | 1 359 | 1 382 |

The DETYA guidelines specify that executive are defined as the Chief Executive Officer and those staff in a senior line position directly reporting to that position.

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits, but excludes the value of separation payments.

| 5. Remuneration of Auditors | Consolidated | | University | |
|--|---------------|---------------|---------------|---------------|
| | 2000 | 1999 | 2000 | 1999 |
| Auditing the financial report: | \$'000 | \$'000 | \$'000 | \$'000 |
| South Australian Auditor-General | 153 | 153 | 153 | 153 |
| Other auditors | 13 | 10 | 2 | 2 |
| Other services | - | - | - | - |
| | 166 | 163 | 155 | 155 |
| | 2000 | 1999 | 2000 | 1999 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 6. Inventories | | | | |
| Current | 322 | 352 | 322 | 352 |
| | 2000 | 1999 | 2000 | 1999 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 7. Receivables | | | | |
| Current: | | | | |
| General debtors | 10 774 | 6 553 | 10 381 | 7 780 |
| Student debtors | 881 | 773 | 881 | 773 |
| Loans receivable | 28 | 14 | 28 | 14 |
| Superannuation receivable | 1 700 | 2 200 | 1 700 | 2 200 |
| Provision for doubtful debts | (512) | (625) | (512) | (625) |
| | 12 871 | 8 915 | 12 478 | 10 142 |
| Non-Current: | | | | |
| General debtors | 600 | - | 600 | - |
| Loans receivable | 71 | 216 | 71 | 216 |
| Loans receivable, controlled entity | - | - | 158 | 72 |
| Superannuation receivable | 20 800 | 22 200 | 20 800 | 22 200 |
| Provision for doubtful debts | - | (131) | (158) | (131) |
| | 21 471 | 22 285 | 21 471 | 22 357 |
| | 2000 | 1999 | 2000 | 1999 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 8. Investments | | | | |
| Current: | | | | |
| Deposits at 24 hour call | 9 903 | 1 234 | 9 903 | 1 234 |
| Term deposits | 10 652 | 23 992 | 4 510 | 15 500 |
| Government securities | - | 1 000 | - | 1 000 |
| | 20 555 | 26 226 | 14 413 | 17 734 |
| Non-Current: | | | | |
| Term deposits | 20 | 30 | 16 | 26 |
| Government securities | 2 441 | 2 441 | 2 441 | 2 441 |
| Indexed bonds | 5 344 | 5 146 | 5 344 | 5 146 |
| Other securities | 109 | 118 | 7 | 7 |
| Managed investment held by Unisure Pty Ltd | 4 297 | 3 820 | 4 297 | 3 820 |
| Managed investment held by HSBC Asset Management | 1 967 | 1 869 | 1 967 | 1 869 |
| Managed investment held by Tower Trust | 768 | - | - | - |
| Interests in business undertakings: | | | | |
| Controlled entities at Council valuation | - | - | 1 075 | 1 014 |
| Other entities at cost | 161 | 961 | 161 | 160 |
| Other equities | 4 637 | 431 | 1 240 | - |
| Property held for investment purposes | 3 765 | - | 3 765 | - |
| | 23 509 | 14 816 | 20 313 | 14 483 |
| Total Investments | 44 064 | 41 042 | 34 726 | 32 217 |
| Maturities of fixed interest investments are: | | | | |
| Current: | | | | |
| Not later than one year | 20 555 | 26 226 | 14 413 | 17 734 |
| | 20 555 | 26 226 | 14 413 | 17 734 |

| 8. | Investments (continued) | Consolidated | | University | |
|-----|--|----------------|----------------|----------------|----------------|
| | | 2000 | 1999 | 2000 | 1999 |
| | Non-Current: | \$'000 | \$'000 | \$'000 | \$'000 |
| | Later than one year, but not later than two years | 20 | 30 | 16 | 26 |
| | Later than two years, but not later than five years | 3 112 | 111 | 3 112 | - |
| | Later than five years, but not later than ten years | 4 673 | 5 460 | 4 673 | 5 460 |
| | Later than ten years | - | 2 127 | - | 2 127 |
| | Managed investment held by Unisure Pty Ltd | 4 297 | 3 820 | 4 297 | 3 820 |
| | Managed investment held by HSBC Asset Management | 1 967 | 1 869 | 1 967 | 1 869 |
| | Managed investment held by Tower Trust | 768 | - | - | - |
| | Equities | 4 907 | 1 399 | 2 483 | 1 181 |
| | Property held for investment purposes | 3 765 | - | 3 765 | - |
| | | 23 509 | 14 816 | 20 313 | 14 483 |
| | Total Investments | 44 064 | 41 042 | 34 726 | 32 217 |
| 9. | Other Assets | | | | |
| | Current: | | | | |
| | Prepayments | 526 | 620 | 526 | 620 |
| | Non-Current: | | | | |
| | Advances to controlled entity | - | - | 1 255 | 860 |
| | Other | 741 | 504 | - | - |
| | | 741 | 504 | 1 255 | 860 |
| 10. | Property, Plant and Equipment | | | | |
| | Land, Building and Infrastructure | | | | |
| | Crown Land: | | | | |
| | 2000 independent valuation | 9 125 | - | 9 125 | - |
| | 1993 independent valuation | - | 7 813 | - | 7 813 |
| | | 9 125 | 7 813 | 9 125 | 7 813 |
| | Freehold Land: | | | | |
| | 2000 independent valuation | 1 110 | - | 1 110 | - |
| | | 1 110 | - | 1 110 | - |
| | Buildings: | | | | |
| | 1998 independent valuation | 80 594 | 82 013 | 80 594 | 82 013 |
| | At cost | 7 170 | 6 664 | 6 014 | 5 536 |
| | | 87 764 | 88 677 | 86 608 | 87 549 |
| | Infrastructure: | | | | |
| | 1999 independent valuation | 4 460 | 4 340 | 4 460 | 4 340 |
| | At cost | 223 | - | 223 | - |
| | | 4 683 | 4 340 | 4 683 | 4 340 |
| | | 102 682 | 100 830 | 101 526 | 99 702 |
| | Accumulated depreciation | (6 933) | (4 326) | (6 774) | (4 262) |
| | | 95 749 | 96 504 | 94 752 | 95 440 |
| | Buildings Under Construction: | | | | |
| | Construction costs | 738 | 17 | 738 | 17 |
| | | 96 487 | 96 521 | 95 490 | 95 457 |
| | Library Collection | | | | |
| | Independent valuation 31 December 1993 | 81 657 | 82 175 | 81 657 | 82 175 |
| | At cost | 24 202 | 21 292 | 24 202 | 21 292 |
| | | 105 859 | 103 467 | 105 859 | 103 467 |
| | Accumulated depreciation | (39 958) | (38 231) | (39 958) | (38 231) |
| | | 65 901 | 65 236 | 65 901 | 65 236 |
| | Equipment | | | | |
| | At cost | 29 959 | 28 223 | 29 089 | 27 212 |
| | Accumulated depreciation | (21 541) | (20 329) | (20 968) | (19 746) |
| | | 8 418 | 7 894 | 8 121 | 7 466 |
| | Aircraft | | | | |
| | At cost | - | 5 859 | - | - |
| | At independent valuation 2000 | 3 980 | - | - | - |
| | Accumulated depreciation | - | (2 034) | - | - |
| | | 3 980 | 3 825 | - | - |
| | Works of Art | | | | |
| | At cost | 149 | 142 | 149 | 142 |
| | At Council valuation 1999 and 2000 | 21 | 18 | 21 | 18 |
| | 1995 independent valuation | 1 048 | 1 048 | 1 048 | 1 048 |
| | | 1 218 | 1 208 | 1 218 | 1 208 |
| | | 176 004 | 174 684 | 170 730 | 169 367 |
| | Acquisitions | | | | |
| | The following property, plant and equipment was acquired during this year: | | | | |
| | Land, buildings and improvements | 1 458 | 4 634 | 1 430 | 4 632 |
| | Library collection | 2 910 | 3 654 | 2 910 | 3 654 |
| | Equipment | 3 703 | 4 047 | 3 733 | 3 895 |
| | Works of art | 10 | 29 | 10 | 29 |
| | | 8 081 | 12 364 | 8 083 | 12 210 |

| 10. Property, Plant and Equipment (continued) | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Disposals | | | | |
| The following property, plant and equipment was disposed of or written off during the year: | | | | |
| Land, buildings and improvements | 1 427 | 277 | 1 427 | 277 |
| Library collection | 518 | 306 | 518 | 306 |
| Equipment | 1 967 | 1 257 | 1 856 | 1 223 |
| Works of art | - | 39 | - | 39 |
| | 3 912 | 1 879 | 3 801 | 1 845 |
| Revaluations | | | | |
| The following property, plant and equipment was revalued during the year: | | | | |
| Land, buildings and improvements | 2 542 | 4 340 | 2 542 | 4 340 |
| Aircraft | 697 | - | - | - |
| | 3 239 | 4 340 | 2 542 | 4 340 |

Land and Infrastructure Revaluation

Land was revalued in January 2000 and Infrastructure was revalued as at 31 December 1999 by Norm Satchell AAPI B.AppSc (Val), of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

11. Restricted Assets

Crown Land is not owned by the University and therefore cannot be sold by the University. The University has restrictions imposed on the real property listed above (land, buildings and improvements) under the *Flinders University of South Australia Act 1966*. Section 3(4) of the Act states;

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

12. Accounts Payable

| | Consolidated | | University | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Current | | | | |
| Creditors | 959 | 1 075 | 963 | 963 |
| Unpresented cheques | 500 | - | 500 | - |
| Accrued expenses | 4 899 | 5 854 | 4 499 | 3 717 |
| | 6 358 | 6 929 | 5 962 | 4 680 |

13. Provisions

| | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Current: | | | | |
| Annual leave | 2 632 | 2 496 | 2 537 | 2 476 |
| Long service leave | 2 064 | 1 835 | 1 997 | 1 781 |
| SA Superannuation Scheme | 1 700 | 2 200 | 1 700 | 2 200 |
| Outstanding claims - Unisure Pty Ltd | 477 | 410 | 477 | 410 |
| Other | 233 | 275 | 233 | 275 |
| Total Current | 7 106 | 7 216 | 6 944 | 7 142 |
| Non-Current: | | | | |
| Long service leave | 12 442 | 11 240 | 12 333 | 11 168 |
| SA Superannuation Scheme | 20 800 | 22 200 | 20 800 | 22 200 |
| Invalidity Fund | 494 | 510 | 494 | 510 |
| Outstanding claims - Unisure Pty Ltd | 716 | 615 | 716 | 615 |
| Total Non-Current | 34 452 | 34 565 | 34 343 | 34 493 |
| Total | 41 558 | 41 781 | 41 287 | 41 635 |

14. Other Liabilities

| | | | | |
|--|---------------|---------------|---------------|--------------|
| Current: | | | | |
| Income in advance: | | | | |
| Fees and charges | 1 075 | 942 | 1 075 | 942 |
| DETYA | 8 156 | 7 641 | 8 156 | 7 641 |
| NH & MRC | - | 283 | - | 283 |
| Other | 1 676 | 972 | 164 | 70 |
| | 10 907 | 9 838 | 9 395 | 8 936 |
| Funds held on behalf of external entities: | | | | |
| Student entities | 623 | 610 | 623 | 610 |
| Other entities | 1 785 | 76 | 1 785 | 76 |
| Advances from controlled entities | - | - | 463 | 196 |
| | 2 408 | 686 | 2 871 | 882 |
| Unspent grants | 8 | - | 8 | - |
| Total Current | 13 323 | 10 524 | 12 274 | 9 818 |
| Non-Current: | | | | |
| Income in advance: | | | | |
| DETYA | 750 | 1 500 | 750 | 1 500 |
| Total Non-Current | 750 | 1 500 | 750 | 1 500 |

| 15. Reserves | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| Reserves Comprise: | \$'000 | \$'000 | \$'000 | \$'000 |
| Asset revaluation | 1 238 | 541 | 541 | 541 |
| Endowment | 7 702 | 5 929 | 7 702 | 5 929 |
| Trust and special purpose | - | 14 923 | - | 14 923 |
| Other | 511 | 1 632 | 511 | 1 632 |
| | 9 451 | 23 025 | 8 754 | 23 025 |
| Movements in Reserves | | | | |
| <i>Asset Revaluation Reserve</i> | | | | |
| Balance at beginning of financial year | 541 | 555 | 541 | 555 |
| Asset revaluation increment | 697 | - | - | - |
| Asset revaluation decrement | - | (14) | - | (14) |
| Balance at End of Financial Year | 1 238 | 541 | 541 | 541 |
| <i>Endowment</i> | | | | |
| Balance at beginning of financial year | 5 929 | 258 | 5 929 | 258 |
| Transfers to (from) reserves | 1 773 | 5 671 | 1 773 | 5 671 |
| Balance at End of Financial Year | 7 702 | 5 929 | 7 702 | 5 929 |
| <i>Trust and Special Purpose</i> | | | | |
| Balance at beginning of financial year | 14 923 | 14 862 | 14 923 | 14 777 |
| Transfers to (from) reserves | (14 923) | 61 | (14 923) | 146 |
| Balance at End of Financial Year | - | 14 923 | - | 14 923 |
| <i>Other Reserves</i> | | | | |
| Balance at beginning of financial year | 1 632 | 1 643 | 1 632 | 1 643 |
| Transfers to (from) reserves | (1 121) | (11) | (1 121) | (11) |
| Balance at End of Financial Year | 511 | 1 632 | 511 | 1 632 |
| 16. Commitments for Expenditure | | | | |
| (a) Capital Expenditure Commitments | | | | |
| <i>Building Works:</i> | | | | |
| Within 12 months | 1 444 | 846 | 1 444 | 846 |
| Twelve months or longer and not longer than five years | - | - | - | - |
| Longer than five years | - | - | - | - |
| | 1 444 | 846 | 1 444 | 846 |
| <i>Plant and Equipment:</i> | | | | |
| Within 12 months | 830 | - | 830 | - |
| Twelve months or longer and not longer than five years | - | - | - | - |
| Longer than five years | - | - | - | - |
| | 830 | - | 830 | - |
| <i>Joint Ventures:</i> | | | | |
| Within 12 months | 79 | - | 39 | - |
| Twelve months or longer and not longer than five years | - | - | - | - |
| Longer than five years | - | - | - | - |
| | 79 | - | 39 | - |
| (b) Lease Commitments | | | | |
| Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 19 to the financial statements. | | | | |
| (c) Expenditure Commitments | | | | |
| Within 12 months | 655 | 2 631 | 655 | 2 631 |
| Twelve months or longer and not longer than five years | 821 | 603 | 821 | 603 |
| Longer than five years | - | 151 | - | 151 |
| | 1 476 | 3 385 | 1 476 | 3 385 |

17. Superannuation Plans
The University contributes to the following employee superannuation funds:

- (a) Superannuation Scheme for Australian Universities - (SSAU)**
UniSuper Management Pty Ltd administers the scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded.
- Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin conducted the last actuarial investigation on 22 December 2000. A funding and solvency certificate required under regulation 9.09 (1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 1 October 2000. The certificate is valid for a period of five years unless certain specified events occur in which case the certificate is valid to the date of those events.

(a) Superannuation Scheme for Australian Universities - (SSAU) (continued)

As at 31 December, amounts of the fund applicable to Flinders University for members in the defined benefits plan were:

| | University | |
|------------------------|----------------|----------------|
| | 2000 | 1999 |
| | \$'000 | \$'000 |
| Net market value | 127 551 | 124 145 |
| Accrued benefits | 116 374 | 106 017 |
| Surplus | 11 177 | 18 128 |
| Vested Benefits | 116 374 | 106 017 |

(b) South Australian Superannuation Scheme

The University has 98 present and former employees who are members of closed state government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth government funds the University on an emerging cost basis and recovers the state's share of the cost directly from the State government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2000 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$22.5 million (\$24.4 million in 1999). This represents a decrease in the liability of \$1.9 million since 31 December 1999. The decrease in the liability is attributable to a revision of the economic assumptions used. The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (see Note 7). The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

| | University | |
|------------------------------|---------------|---------------|
| | 2000 | 1999 |
| | \$'000 | \$'000 |
| University's gross liability | 23 800 | 25 500 |
| Funded component | 1 300 | 1 100 |
| Unfunded Liability | 22 500 | 24 400 |

(c) Tertiary Education Superannuation Scheme (TESS)

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

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

(d) Superannuation Scheme No. 1 Superannuation Scheme

Prior to the inception of the Superannuation Scheme for Australian Universities - SSAU - the University operated its own schemes. Employees were given the option of transferring to SSAU or remaining with the University's own scheme. As at 31 December 2000, 13 staff remained members of the University scheme (1999: 16 staff). The scheme, managed by a Board of Trustees, is similar to that of SSAU with the University contributing, as a minimum, twice that of employees.

Buck Consultants undertook the last actuarial review as at 1 January 1998. At that time the scheme had a surplus of \$1.2 million, which was 27 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the scheme allowed the suspension of employer's contributions and no employer contributions were made in 2000.

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

| | University | |
|------------------------|--------------|--------------|
| | 2000 | 1999 |
| | \$'000 | \$'000 |
| Net market value | 6 283 | 6 502 |
| Accrued benefits | 5 133 | 5 350 |
| Surplus | 1 150 | 1 152 |
| Vested Benefits | 5 133 | 5 350 |

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the Superannuation Scheme for South Australian Universities (SSAU).

In 1999, the University Council approved a number of changes to the Scheme and the University assumed direct responsibility for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. Prior to 1999 the Scheme was managed externally.

Based on independent actuarial advice, the University has recognised a liability of \$494 000 (1999: \$510 000) for the Scheme. This is equal to the estimated present value of future disablement benefits as at 31 December 2000, together with a small amount still to be repaid to former members as a result of the University taking over direct responsibility for the scheme. The last actuarial investigation was completed as at 31 December 2000 by J Holbrook BEc BSc of William M Mercer Pty Ltd.

18. Contingent Liabilities**Loan Guarantee**

The University is the guarantor for a loan taken out by the Flinders University Union Incorporated in 1998 for the redevelopment of the Union building, which is a building owned by the University. The amount of the loan is \$1 million and it is repayable over five years. The University provides security for the guarantee in the form of Commonwealth bonds that have a market value of \$1 million. The University has protected its risk by making the Flinders University Union Incorporated's debt a first charge against student services fee revenues.

The nominal value of the loan outstanding as at 31 December 2000 is \$577 000 (1999: \$767 000).

19. Leases Commitments

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Total rents paid during the reporting period were | 685 | 712 | 648 | 681 |
| Contracted but not provided for in the financial statements and payable as follows: | | | | |
| Within 12 months | 104 | 337 | 79 | 227 |
| Twelve months or longer and not longer than five years | 113 | 266 | 13 | 166 |
| Longer than five years | 501 | 476 | - | - |
| | 718 | 1 079 | 92 | 393 |

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

20. Economic Dependency

The University is to a significant extent dependent on monies received pursuant to the Department of Education, Training and Youth Affairs (DETYA) operating grant and the Higher Education Contribution Scheme (HECS). In 2000, funding from both DETYA and HECS totalled \$91.1 million (1999: \$90 million) and represented 57 percent (1999: 60 percent) of the total operating revenues (before abnormal items).

21. Joint Venture Operations

| Name of Entity | Principal Activity | Output Interest | |
|--------------------------|--|-----------------|-----------------|
| | | 2000 Percent | 1999 Percent |
| Centre for Remote Health | Provision of health education and research to remote areas | 50 | 50 |

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

| | Consolidated | | University | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Current Assets | | | | |
| Receivables | 1 689 | - | 1 689 | - |
| Total Current Assets | 1 689 | - | 1 689 | - |
| Non-Current Assets | | | | |
| Property, plant and equipment | 111 | - | 111 | - |
| Total Non-Current Assets | 111 | - | 111 | - |
| Total Assets | 1 800 | - | 1 800 | - |

The University's joint venture operation has no contingent liabilities as at 31 December 2000.

22. Joint Venture Entities**Interest in Joint Venture Entities**

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

Relevant disclosures are as follows:

| Name of Entity | Reporting Date | Principal Activity | Ownership Interest | |
|---|----------------|--|--------------------|-----------------|
| | | | 2000 Percent | 1999 Percent |
| Co-operative Research Centre for Sensor Signal Information Processing (CSSIP) | (U) 30 June | To provide research and postgraduate education in signal and information processing for sensors | 10 | 11 |
| Co-operative Research Centre for Tissue Growth and Repair (TGR) | (U) 30 June | To coordinate research, postgraduate training and commercialisation of applications of growth factors that support the growth and repair of human and animal tissues | 10 | 10 |
| Co-operative Research Centre for Aboriginal and Tropical Health (ATH) | (U) 30 June | To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice | 9 | 15 |
| Other Joint Venture Entities | | | | |
| South Australian Tertiary Admissions Centre (SATAC) | (U) 30 June | Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses | 25 | 25 |

Interest in Joint Venture Entities (continued)

| Name of Entity | | Reporting Date | Principal Activity | Ownership Interest | |
|---|-----|----------------|---|--------------------|-----------------|
| | | | | 2000 Percent | 1999 Percent |
| South Australian Academic Research and Development Network (SAARDNet) | (U) | 31 Dec | To provide high speed communication links and enhanced network and shared resources between higher education and research organisations | 20 | 20 |
| South Australian Centre for Economic Studies (SACES) | (U) | 31 Dec | To conduct research on economic issues for government and private sector bodies with particular application to South Australia | 50 | 50 |

(U) Unincorporated

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

| | Share Accumulated Funds | | Expenditure Commitments | |
|---|-------------------------|----------------|-------------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2001 \$'000 | 2000 \$'000 |
| South Australian Centre for Economic Studies (SACES) | Not Available | 39 | - | - |
| Co-operative Research Centre for Sensor Signal Information Processing (CSSIP) | 144 | 66 | 20 | 20 |
| South Australian Tertiary Admission Centre (SATAC) | 151 | 112 | 323 | 220 |
| South Australian Academic Research and Development Network (SAARDNet) | 34 | 11 | 36 | 20 |
| | 329 | 228 | 379 | 260 |

| | Share Cash Funds | | Expenditure Commitments | |
|--|------------------|----------------|-------------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Co-operative Research Centre for Aboriginal and Topical Health (ATH) | 150 | 185 | 50 | 50 |
| Co-operative Research Centre for Tissue Growth and Repair (TGR) | 50 | 41 | 50 | 50 |
| | 200 | 226 | 100 | 100 |

(b) Other Information

Contingent Liabilities

No material capital expenditure commitments.

Contingent Liabilities

No material contingent liabilities.

After Balance Date Events

No material after balance date events.

22A. Other Business Undertakings

The University holds investments in the following business undertakings which are carried in the Financial Statements at historical cost.

| | Investment at Cost | |
|-----------------------------|--------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| Ngapartji Pty Ltd | 150 | 150 |
| IDP Education Australia Ltd | 10 | 10 |

23. Controlled Entities

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

| Parent Entity: | Principal Activity | Ownership Interest | |
|---|---|--------------------|-----------------|
| | | 2000 Percent | 1999 Percent |
| Flinders University of South Australia | | | |
| Controlled Entities: | | | |
| Flinders Consulting Pty Ltd | Arranges the conduct of commercial consultancies | 100 | 100 |
| Flinders Reproductive Medicine Pty Ltd (wholly owned subsidiary of Flinders Consulting Pty Ltd) | Provides a high quality comprehensive infertility investigatory and treatment service | 100 | 100 |
| Flinders Bioremediation Pty Ltd (wholly owned subsidiary of Flinders Consulting Pty Ltd) | Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies | 100 | 100 |
| Flinders Technologies Pty Ltd | Commercialisation of University sourced intellectual property | 100 | 100 |
| Airborne Research Australia Pty Ltd | Undertakes atmospheric research | 100 | 100 |
| National Institute of Labour Studies Inc (NILS Inc) | Undertakes independent research and consultancy services in labour studies | 100 | 100 |
| National Institute of Labour Studies Foundation Inc (wholly owned subsidiary of NILS Inc) | Supports the activities of NILS Inc | 100 | 100 |
| Heaslip Trust | Supports medical education activities in the School of Medicine | 100 | - |

24. Associated Entities

| Name of Entity | Principal Activity | Ownership Interest | | Carrying Amount | | Investment at cost | |
|-----------------|---|--------------------|-----------------|-----------------|----------------|--------------------|----------------|
| | | 2000 Percent | 1999 Percent | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| AITEC Pty Ltd | Provides advanced information technology courses | 25 | 25 | - | - | - | - |
| Unisure Pty Ltd | Provision of workers' compensation services and investment of funds set aside for workers' compensation | 33.3 | 33.3 | - | - | - | - |

AITEC Pty Ltd

The University's share of the net assets of AITEC Pty Ltd as at 31 December 2000 was \$140 000 (1999: \$262 000). This amount has not been included in the financial statements as the recoverable amount is estimated to be zero.

Unisure Pty Ltd

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 2000 the Unisure Unit Trust held net assets of \$3.2 million on behalf of the University (1999: \$2.9 million).

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

25. Segment Information

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

26. Subsequent Events

There were no events that took place subsequent to balance date that have a material impact on the financial statements of the University or the consolidated entity.

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

The University is the trustee of two trusts:

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

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

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

28. Notes to the Statement of Cash Flows**(i) Reconciliation of Cash**

For purposes of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions, and investments that are readily convertible to cash within two working days. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| Note | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Cash | 508 | 392 | 415 | 331 |
| Deposits at 24 hour call | 9 903 | 1 234 | 9 903 | 1 234 |
| | 10 411 | 1 626 | 10 318 | 1 565 |
| (ii) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus after Abnormal Items | | | | |
| Operating surplus after abnormal items | 7 143 | 14 985 | 4 419 | 13 688 |
| Add: Loss from sale of assets | 303 | 138 | 279 | 138 |
| | 7 446 | 15 123 | 4 698 | 13 826 |
| Add: Non-cash items: | | | | |
| Depreciation | 7 857 | 7 890 | 7 103 | 7 189 |
| Land and buildings revaluation | (2 542) | (4 340) | (2 542) | (4 340) |
| Assets write down | 1 427 | - | 1 427 | - |
| Assets received for no consideration | (674) | (940) | (674) | (940) |
| Capitalised interest on investments | (376) | - | (376) | - |
| Share income - Flinders Technologies | (2 492) | - | - | - |
| Equity adjustment on establishment of joint venture operation | (1 382) | - | (1 382) | - |
| Prior period depreciation adjustment | - | (752) | - | (752) |
| Capital works adjustment | - | - | - | 532 |
| Gain on take on of Invalidation Fund | - | (1 869) | - | (1 869) |
| Assets previously not capitalised | - | (663) | - | (663) |
| Gain on take on of controlled entity | (674) | (538) | - | - |
| Other | (259) | 205 | (450) | (286) |
| Sub Total | 8 331 | 14 116 | 7 804 | 12 697 |
| Change in assets and liabilities: | | | | |
| (Increase) Decrease in receivables | (3 142) | (1 997) | (1 450) | (3 505) |
| (Increase) Decrease in inventories | 30 | 213 | 30 | 213 |
| (Increase) Decrease in other assets | (143) | (1 972) | (301) | (2 609) |
| Increase (Decrease) in accounts payable | (571) | 2 791 | 1 282 | 708 |
| Increase (Decrease) in provisions | (223) | 927 | (348) | 1 752 |
| Increase (Decrease) in other liabilities | 2 049 | 1 127 | 1 706 | 422 |
| Net Cash provided by Operating Activities | 6 331 | 15 205 | 8 723 | 9 678 |

(iii) **Financing Facilities**

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Flinders University has the following arrangements with the ANZ Bank: | | | | |
| Overdraft facility ⁽¹⁾ | 500 | 500 | 500 | 500 |
| Amount used | - | - | - | - |
| Unused overdraft facility | 500 | 500 | 500 | 500 |
| Visa credit cards facility ⁽²⁾ | 1 368 | 1 140 | 1 318 | 1 140 |
| Amount used | 170 | 259 | 157 | 259 |
| Unused credit cards facility | 1 198 | 881 | 1 161 | 881 |

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

(2) The credit cards facility is unsecured.

(iv) **Non-Cash Financing and Investing Activities**

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$674 000 (1999: \$940 000) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

(v) **Cash Balances Not Available For Use**

All cash balances are available for use (1999 all available).

(vi) **Tax Status**

The activities of the University and its wholly controlled entities are exempt from income tax.

29. **Financial Instruments**

The following table details the economic entity's exposure to interest rate risk as at the 31 December 2000:

| | Average Interest Rate Percent | Variable Interest Rate \$'000 | 2000 Fixed Interest Rate Maturity | | | Non-Interest Bearing \$'000 | 2000 Total \$'000 |
|-------------------------------|----------------------------------|----------------------------------|--------------------------------------|------------------------|-----------------------------|--------------------------------|-------------------------|
| | | | Less than one year \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets: | | | | | | | |
| Price risk: | | | | | | | |
| Interest rate risk | 5.95 | 1 967 | 10 652 | 3 132 | 4 673 | - | 20 424 |
| Market risk | 6.56 | 5 065 | - | 101 | - | 8 571 | 13 737 |
| Credit risk | 8.50 | - | 28 | 56 | - | 34 258 | 34 342 |
| Cash flow risk | 6.00 | 10 411 | - | - | - | - | 10 411 |
| | | 17 443 | 10 680 | 3 289 | 4 673 | 42 829 | 78 914 |
| Financial Liabilities: | | | | | | | |
| Price risk: | | | | | | | |
| Interest rate risk | 6.20 | 2 408 | - | - | - | - | 2 408 |
| Credit risk | | - | - | - | - | 6 358 | 6 358 |
| | | 2 408 | - | - | - | 6 358 | 8 766 |

The following table details the economic entity's exposure to interest rate risk as at the 31 December 1999:

| | Average Interest Rate Percent | Variable Interest Rate \$'000 | 1999 Fixed Interest Rate Maturity | | | Non-Interest Bearing \$'000 | 1999 Total \$'000 |
|-------------------------------|----------------------------------|----------------------------------|--------------------------------------|------------------------|-----------------------------|--------------------------------|-------------------------|
| | | | Less than one year \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets: | | | | | | | |
| Price risk: | | | | | | | |
| Interest rate risk | 5.54 | 16 869 | 9 945 | 50 | 7 587 | - | 34 451 |
| Market risk | 6.75 | 3 820 | - | 91 | - | 1 399 | 5 310 |
| Credit risk | 8.50 | - | 14 | 70 | - | 31 116 | 31 200 |
| Cash flow risk | 4.70 | 1 673 | - | - | - | - | 1 673 |
| | | 22 362 | 9 959 | 211 | 7 587 | 32 515 | 72 634 |
| Financial Liabilities: | | | | | | | |
| Price risk: | | | | | | | |
| Interest rate risk | 4.70 | 687 | - | - | - | - | 687 |
| Credit risk | | - | - | - | - | 6 929 | 6 929 |
| | | 687 | - | - | - | 6 929 | 7 616 |

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

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

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

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

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

Net Fair Value

The carrying amount of financial assets at reporting date approximate the net fair values, with the exception of the following:

Net fair value of financial liabilities at reporting date all approximate the net fair values.

| | 2000 Carrying Amount \$'000 | 2000 Net Fair Value \$'000 | 1999 Carrying Amount \$'000 | 1999 Net Fair Value \$'000 |
|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Financial Assets | | | | |
| Government bonds | 5 344 | 5 431 | 5 146 | 5 146 |
| Shares | 1 240 | 1 378 | - | - |
| | 6 584 | 6 809 | 5 146 | 5 146 |

30. Commonwealth Government Grants

| 30.1 Acquittal of Commonwealth Government Grants Amounts received and expended pursuant to the <i>Higher Education Funding Act 1988</i> , excluding HECS: Teaching and Learning Grants in advance (paid in the previous reporting period for the current reporting period, including Commonwealth superannuation supplementation) Grants paid in previous reporting period for future reporting periods <i>Add:</i> Grants received during reporting period (including Commonwealth superannuation supplementation) <i>Add:</i> Contributions actually received from students <i>Less:</i> Grants in advance (received in the reporting period for the next reporting period, including Commonwealth superannuation supplementation) Including grants in advance - Grants paid in previous reporting period Accrual adjustments: Superannuation supplementation Special advance provide for future years Shortfall in student receipts from DETYA estimate Revenue attributed to the reporting period <i>Add:</i> Surplus/deficit prior year Funds available for the reporting period <i>Less:</i> Expenses for current period | University | | | |
|--|--|----------------|------------------------|----------------|
| | Operating grants Excluding HECS 2000 \$'000 | 1999 \$'000 | HECS 2000 \$'000 | 1999 \$'000 |
| | 5 359 | 5 354 | 2 070 | 2 115 |
| | 1 500 | - | - | - |
| | 61 052 | 62 410 | 26 341 | 26 415 |
| | | | 3 492 | 3 504 |
| | (4 971) | (5 359) | (2 175) | (2 070) |
| | - | (1 500) | - | - |
| | 172 | - | - | - |
| | (1 500) | - | - | - |
| | - | - | 676 | - |
| | 61 612 | 60 905 | 30 404 | 29 964 |
| | 236 | 433 | - | - |
| | 61 848 | 61 338 | 30 404 | 29 964 |
| | 61 683 | 61 102 | 30 404 | 29 964 |
| Surplus (Deficit) for Reporting Period | 165 | 236 | - | - |

Note: Grant revenue includes \$929 000 (1999: \$860 000) for superannuation supplementation.

| 30.2 Acquittal of Commonwealth Government Grants Amounts received and expended pursuant to the <i>Higher Education Funding Act 1988</i> , excluding HECS: Teaching and Learning Grants in advance (paid during previous reporting period) <i>Add:</i> Grants received during reporting period <i>Less:</i> Grants in advance (received in reporting period for next reporting period) Accrual adjustments Revenue attributed to the reporting period <i>Add:</i> Surplus/deficit prior year Funds available for the reporting period <i>Less:</i> Expenses for current period | Teaching Hospital FMC | | Capital Development Pool | |
|---|--------------------------|----------------|-----------------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| | 14 | 14 | - | - |
| | 174 | 171 | 987 | - |
| | (14) | (14) | - | - |
| | - | - | - | - |
| | 174 | 171 | 987 | - |
| | - | - | - | - |
| | 174 | 171 | 987 | - |
| | 174 | 171 | 778 | - |
| Surplus (Deficit) for Reporting Period | - | - | 209 | - |

| 30.3 Acquittal of Commonwealth Government Grants Amounts received and expended pursuant to the <i>Higher Education Funding Act 1988</i> , excluding HECS Australian Research Council Grants in advance (paid during previous reporting period) <i>Add:</i> Grants received during reporting period <i>Less:</i> Grants in advance (received in reporting period for next reporting period) Accrual adjustments Revenue attributed to the reporting period <i>Add:</i> Surplus/deficit prior year Funds available for the reporting period <i>Less:</i> Expenses for current period | Large Research | | Strategic Partnerships with Industry | |
|--|----------------|--------------|---|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | 140 | 130 | 40 | 37 |
| | 2 625 | 2 673 | 634 | 660 |
| | - | (140) | - | (40) |
| | - | - | (8) | - |
| | 2 765 | 2 663 | 666 | 657 |
| | 1 036 | 813 | 614 | 411 |
| | 3 801 | 3 476 | 1 280 | 1 068 |
| | 2 735 | 2 440 | 744 | 454 |
| Surplus (Deficit) for Reporting Period | 1 066 | 1 036 | 536 | 614 |

30.3 Acquittal of Commonwealth Government Grants (continued)

| | Research Fellowships | | International Researcher Exchange | |
|--|----------------------|----------------|-----------------------------------|----------------|
| | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Grants in advance (paid during previous reporting period) | 18 | 37 | - | - |
| Add: Grants received during reporting period | 236 | 441 | 25 | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | (18) | - | - |
| Accrual adjustments | - | - | - | - |
| Revenue attributed to the reporting period | 254 | 460 | 25 | - |
| Add: Surplus/deficit prior year | 71 | 152 | - | - |
| Funds available for the reporting period | 325 | 612 | 25 | - |
| Less: Expenses for current period | 317 | 541 | 13 | - |
| Surplus (Deficit) for Reporting Period | 8 | 71 | 12 | - |

| | Research Centres | | Research Infrastructure Equipment and Facilities | |
|--|------------------|----------------|--|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (paid during previous reporting period) | - | - | - | - |
| Add: Grants received during reporting period | - | - | 142 | 579 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - | - | - |
| Accrual adjustments | - | - | - | - |
| Revenue attributed to the reporting period | - | - | 142 | 579 |
| Add: Surplus/deficit prior year | - | (5) | 244 | 50 |
| Funds available for the reporting period | - | (5) | 386 | 629 |
| Less: Expenses for current period | - | (5) | 296 | 385 |
| Surplus (Deficit) for Reporting Period | - | - | 90 | 244 |

| | Indigenous Researchers' Development | | Special Research Initiatives | |
|--|-------------------------------------|----------------|------------------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (paid during previous reporting period) | - | - | - | - |
| Add: Grants received during reporting period | 8 | - | - | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - | - | - |
| Accrual adjustments | - | - | - | - |
| Revenue attributed to the reporting period | 8 | - | - | - |
| Add: Surplus/deficit prior year | 10 | 16 | - | 24 |
| Funds available for the reporting period | 18 | 16 | - | 24 |
| Less: Expenses for current period | 1 | 6 | - | 24 |
| Surplus (Deficit) for Reporting Period | 17 | 10 | - | - |

30.4 Acquittal of Commonwealth Government Grants

| | Small Research | | Infrastructure | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Amounts received and expended pursuant to the Higher Education Funding Act 1988, excluding HECS | | | | |
| DETYA Research Grants | | | | |
| Grants in advance (paid during previous reporting period) | - | - | - | 194 |
| Add: Grants received during reporting period | 826 | 721 | 2 453 | 2 232 |
| Less: Grants in advance (received in reporting period for next reporting period) | (65) | - | (181) | - |
| Accrual adjustments | - | - | - | - |
| Revenue attributed to the reporting period | 761 | 721 | 2 272 | 2 426 |
| Add: Surplus/deficit prior year | 148 | 129 | 660 | 553 |
| Funds available for the reporting period | 909 | 850 | 2 932 | 2 979 |
| Less: Expenses for current period | 744 | 702 | 2 290 | 2 319 |
| Surplus (Deficit) for Reporting Period | 165 | 148 | 642 | 660 |

| | Australian Postgraduate Awards | | International Postgraduate Research Scholarships | |
|--|--------------------------------|----------------|--|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (paid during previous reporting period) | - | - | - | - |
| Add: Grants received during reporting period | 1 795 | 1 704 | 265 | 333 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - | - | - |
| Accrual adjustments | - | - | - | - |
| Revenue attributed to the reporting period | 1 795 | 1 704 | 265 | 333 |
| Add: Surplus/deficit prior year | (43) | 64 | - | - |
| Funds available for the reporting period | 1 752 | 1 768 | 265 | 333 |
| Less: Expenses for current period | 1 756 | 1 811 | 265 | 333 |
| Surplus (Deficit) for Reporting Period | (4) | (43) | - | - |

30.4 **Acquittal of Commonwealth Government Grants (continued)**

| | Key Centres | |
|--|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (paid during previous reporting period) | - | 8 |
| Add: Grants received during reporting period | - | 88 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | - | 96 |
| Add: Surplus/deficit prior year | - | 14 |
| Funds available for the reporting period | - | 110 |
| Less: Expenses for current period | - | 110 |
| Surplus (Deficit) for reporting period | - | - |

30.5 **Summary of Unspent Grants**

| | Amount of unspent grant as at 31 December 2000 \$'000 | Amount of unspent grant that it is more likely will be approved by the Cwltth for carry forward 2000 \$'000 | Amount of unspent grant that is more likely will be recovered by the Cwltth 2000 \$'000 |
|--|--|--|--|
| | | | |
| Amounts received and expended pursuant to the Higher Education Funding Act 1988, excluding HECS: | | | |
| Operating, excluding HECS | 165 | 165 | - |
| HECS | - | - | - |
| Teaching hospitals | - | - | - |
| Capital development pool | 209 | 209 | - |
| Large research | 1 066 | 1 066 | - |
| Strategic partnerships with industry | 544 | 536 | 8 |
| Research Fellowships | 8 | 8 | - |
| International Researcher Exchange | 12 | 12 | - |
| Research centres | - | - | - |
| Research infrastructure equipment and facilities | 90 | 90 | - |
| Indigenous Researchers' Development | 17 | 17 | - |
| Special research initiatives | - | - | - |
| Small research | 165 | 165 | - |
| Infrastructure | 642 | 642 | - |
| Australian Postgraduate awards | (4) | (4) | - |
| International Postgraduate Research Scholarships | - | - | - |
| Total | 2 914 | 2 906 | 8 |

31. **Expenses by Function**

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Academic Activities | | | | |
| Academic staff salaries | 37 430 | 37 570 | 37 331 | 37 292 |
| Academic staff salary related costs | 15 916 | 14 791 | 15 860 | 14 735 |
| Non-academic staff salaries | 18 368 | 18 499 | 17 565 | 17 628 |
| Non-academic staff salary related costs | 5 933 | 5 297 | 5 636 | 5 101 |
| Depreciation expense: | | | | |
| Buildings | 1 705 | 1 620 | 1 611 | 1 590 |
| Equipment | 2 242 | 2 239 | 1 619 | 1 605 |
| Other expenses | 22 519 | 20 478 | 20 874 | 18 786 |
| | 104 113 | 100 494 | 100 496 | 96 737 |
| Libraries | | | | |
| Non-academic staff salaries | 2 942 | 2 934 | 2 942 | 2 934 |
| Non-academic staff salary related costs | 1 082 | 965 | 1 082 | 965 |
| Depreciation expense: | | | | |
| Buildings | 345 | 348 | 345 | 348 |
| Equipment | 24 | 49 | 24 | 49 |
| Library collections | 2 118 | 2 262 | 2 118 | 2 262 |
| Other expenses | 1 206 | 375 | 1 206 | 375 |
| | 7 717 | 6 933 | 7 717 | 6 933 |
| Other Academic Support Services | | | | |
| Non-academic staff salaries | 2 538 | 2 616 | 2 538 | 2 616 |
| Non-academic staff salary related costs | 1 012 | 849 | 1 012 | 849 |
| Depreciation expense: | | | | |
| Buildings | 19 | 19 | 19 | 19 |
| Equipment | 428 | 480 | 428 | 480 |
| Other expenses | 1 555 | 1 587 | 1 555 | 1 587 |
| | 5 552 | 5 551 | 5 552 | 5 551 |

| 31. Expenses by Function (continued) | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Student Services | | | | |
| Academic staff salaries | 336 | 390 | 336 | 390 |
| Academic staff salary related costs | 118 | 119 | 118 | 119 |
| Non-academic staff salaries | 2 598 | 2 495 | 2 598 | 2 495 |
| Non-academic staff salary related costs | 1 011 | 873 | 1 011 | 873 |
| Depreciation expense: | | | | |
| Buildings | 357 | 344 | 357 | 344 |
| Equipment | 72 | 61 | 72 | 61 |
| Other expenses | 2 968 | 4 243 | 2 968 | 4 243 |
| | 7 460 | 8 525 | 7 460 | 8 525 |
| Buildings and Grounds | | | | |
| Non-academic staff salaries | 2 697 | 2 559 | 2 697 | 2 559 |
| Non-academic staff salary related costs | 875 | 850 | 875 | 850 |
| Depreciation expense: | | | | |
| Buildings | 107 | 4 | 107 | 4 |
| Equipment | 314 | 282 | 314 | 282 |
| Other expenses | 7 555 | 8 672 | 7 555 | 8 672 |
| | 11 548 | 12 367 | 11 548 | 12 367 |
| Administration and Other General Institutional Services | | | | |
| Academic staff salaries | 455 | 460 | 455 | 461 |
| Academic staff salary related costs | 262 | 363 | 262 | 363 |
| Non-academic staff salaries | 6 005 | 5 391 | 5 672 | 5 097 |
| Non-academic staff salary related costs | 2 296 | 1 512 | 1 860 | 1 380 |
| Depreciation expense: | | | | |
| Buildings | 83 | 87 | 83 | 87 |
| Equipment | 43 | 95 | 6 | 58 |
| Other expenses | 9 105 | 7 222 | 5 961 | 5 048 |
| | 18 249 | 15 130 | 14 299 | 12 494 |
| Deferred Employee Benefits for Superannuation | | | | |
| Academic staff salary related expenses | (1 520) | 1 200 | (1 520) | 1 200 |
| Non-academic staff salary related expenses | (380) | 300 | (380) | 300 |
| | (1 900) | 1 500 | (1 900) | 1 500 |
| Summary of Expenses by Function | | | | |
| Academic staff salaries | 38 221 | 38 420 | 38 122 | 38 143 |
| Academic staff salary related costs | 14 776 | 16 473 | 14 720 | 16 417 |
| Non-academic staff salaries | 35 148 | 34 494 | 34 012 | 33 329 |
| Non-academic staff salary related costs | 11 829 | 10 646 | 11 096 | 10 318 |
| Depreciation expense: | | | | |
| Buildings | 2 616 | 2 422 | 2 522 | 2 392 |
| Equipment | 3 123 | 3 206 | 2 463 | 2 535 |
| Library collections | 2 118 | 2 262 | 2 118 | 2 262 |
| Other expenses | 44 908 | 42 577 | 40 119 | 38 711 |
| Total Expenses by Function | 152 739 | 150 500 | 145 172 | 144 107 |

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY

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

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

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

As at 31 December 2000 the University had a number of controlled entities. Major entities include:

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

SIGNIFICANT FEATURES

University Operations

- Operating surplus was \$1.7 million, a decrease of \$1.7 million.
- Revenue from student fees was \$28.1 million, a decrease of \$3.1 million.
- Research grants and fees increased by \$10.4 million to \$59.8 million.
- Cooperative Research Centre direct funding decreased by \$5.1 million to \$2.9 million.
- Investment revenue decreased by \$5.2 million to \$4.3 million.

Luminis Investment Trust

The market value of shares held by Luminis Investment Trust was \$33.9 million. This compared to a book value of \$8.6 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

During 2000, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants and student fees
- internal audit activities
- non-current assets, including valuation and adequacy of asset register maintenance
- liabilities, including provisions and borrowings
- goods and services tax (GST).

The audits of the controlled entities for the year ending 31 December 2000 were carried out by private accounting firms.

Audit Communications to Management

During the year, several letters communicating issues arising from the audit were forwarded to the Vice-Chancellor. Responses received were satisfactory. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the general financial control environment of the University was assessed as satisfactory, several areas were identified where the existing environment could be further strengthened. These issues were raised with the University and a satisfactory response, including action proposed, was received.

In addition, a number of issues relating to data integrity and completeness of entries in integrated management information systems, installed during the year, were referred for management comment and action. Audit is satisfied with the action taken by the University.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the University of Adelaide included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

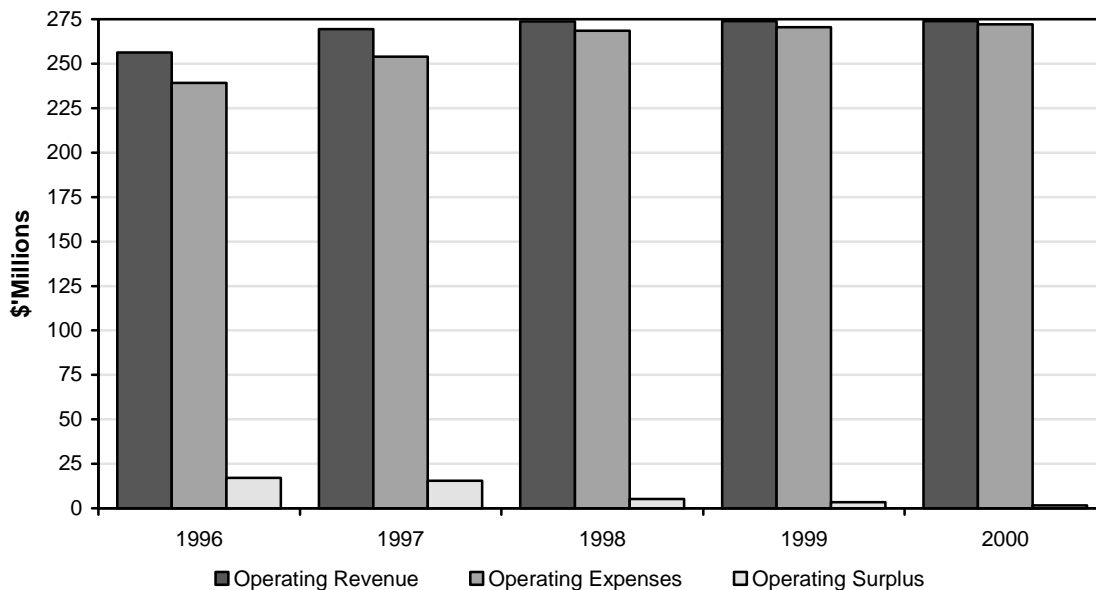
Audit formed the opinion that the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Significant features with respect to the financial operations of the University for 2000 were:

Operating Result

The operating surplus for the year was \$1.7 million, a decrease of \$1.7 million when compared to 1999. The following chart shows the operating revenue, operating expenses and operating surplus for the last five years:



Over this five year period, operating revenue has increased by 6.9 percent, while operating expenses have increased by 13.8 percent. In this same time-frame, funding received under the Higher Education Funding Act, for operating grants and the Higher Education Contribution Scheme, has remained virtually static, hence the importance for the University to generate funds from other sources.

Revenue

Student Fees

Revenue from student fees decreased by \$3.1 million to \$28.1 million. The reduction is mainly the result of fees from international students decreasing by \$1.7 million to \$19.8 million, and fees generated through non-award courses decreasing by \$1.2 million to \$4.4 million.

Research Grants and Fees

Research grants and fees increased by \$10.4 million to \$59.8 million mainly through an increase in revenue of \$4.9 million from National Competitive grants and an increase of \$4.9 million from Industry and other organisations.

Cooperative Research Centre Direct Funding

Revenue in relation to Cooperative Research Centres was \$2.9 million, a decrease of \$5.1 million. This reduction reflects the decision of two Centres to transfer their function away from the University.

Investment Revenue

A reduction in funds available for investment, lower interest rates and a decrease in the market value of the Composite Fund were factors contributing to investment revenue decreasing from \$9.5 million to \$4.3 million.

Expenditure

Salaries and related expenses, \$162.3 million (\$164.6 million), accounted for 59.6 percent (60.8 percent) of total operating expenses.

Investments

Luminis Investment Trust holds shares in biotechnology companies BresaGen Ltd and GroPep Ltd. Both companies which had their origin within the University were listed on the Australian Stock Exchange in December 1999 and August 2000 respectively. The market value, at 31 December 2000, of the shares held by the Trust was \$33.9 million. The investments are recognised at their pre-listing book value of \$8.6 million due to the shares being subject to escrow and other conditions, (refer to Note 29 to the Financial Statements).

FURTHER COMMENTARY ON OPERATIONS

Management Information Systems

In 1998, the University commenced a project designed to implement integrated management information systems in the areas of finance, human resources, student administration and research. The estimated cost of the project was \$16 million and it was envisaged that savings of \$6 million a year would be achieved. The estimated cost has now been revised to \$18.8 million.

In December 1998, the software supplier was selected and contractors were subsequently engaged to assist with implementation of the software.

All software modules are operational with the exception of the student records system and student financials. These modules have been delayed until October 2001.

Implementation costs to date total \$14.9 million.

Santos Sponsorship

In June 2000, the University and Santos Limited signed a sponsorship agreement which provides sponsorship funding, from Santos, of up to \$25 million over a ten year period. The main purpose of the sponsorship is to establish a new academic department to be called the 'School of Petroleum Engineering and Management.' In turn, the University is required to expend in the order of \$20 million over the ten year term of sponsorship and a further \$20 million in the following ten years. There are a number of other conditions relating to the sponsorship.

The sponsorship is designed to assist with the construction and fit-out of a new building, provide for replacement and upgrade of equipment and facilities, fund scholarships, contribute to operating costs of the School and field experience and support special projects in petroleum engineering, education and research.

It is expected that the School will be operational in early 2002.

Statement of Financial Performance for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| OPERATING REVENUE: | | | | | |
| Received under <i>Higher Education Funding Act 1988</i> : | 5,6 | | | | |
| Base operating grant | | 99 016 | 98 558 | 99 016 | 98 558 |
| Other operating grants | | 2 357 | 2 708 | 2 357 | 2 708 |
| Higher Education Contribution Scheme | | 36 990 | 36 803 | 36 990 | 36 803 |
| | | 138 363 | 138 069 | 138 363 | 138 069 |
| Learning and Teaching: | | | | | |
| Student fees | 5 | 28 100 | 31 224 | 28 100 | 31 224 |
| Grants | | 5 173 | 4 313 | 5 173 | 4 313 |
| | | 33 273 | 35 537 | 33 273 | 35 537 |
| Research Grants and Fees: | | | | | |
| National competitive grants | | 37 550 | 32 729 | 37 550 | 32 621 |
| Public sector – Other | | 10 324 | 9 402 | 9 806 | 9 197 |
| Industry and other | | 12 108 | 7 370 | 12 428 | 7 545 |
| | | 59 982 | 49 501 | 59 784 | 49 363 |
| Research Other: | | | | | |
| Cooperative Research Centre direct funding | | 2 949 | 8 097 | 2 949 | 8 097 |
| Research infrastructure program | | 7 391 | 6 111 | 7 391 | 6 111 |
| | | 10 340 | 14 208 | 10 340 | 14 208 |
| Other: | | | | | |
| Investment revenue | | 4 459 | 9 658 | 4 257 | 9 471 |
| Property revenue | | 6 195 | 4 574 | 5 916 | 4 570 |
| Specialist services and trading | | 34 565 | 45 511 | 10 637 | 9 242 |
| Deferred superannuation | | (2 600) | 2 600 | (2 600) | 2 600 |
| Other | 21(e) | 22 028 | 8 909 | 13 931 | 10 840 |
| | | 64 647 | 71 252 | 32 141 | 36 723 |
| Total Operating Revenue | | 306 605 | 308 567 | 273 901 | 273 900 |
| OPERATING EXPENSES: | | | | | |
| Salaries and related expenses | 6 | 168 473 | 174 110 | 162 276 | 164 591 |
| Student services | 3(m) | 15 956 | 17 506 | 15 956 | 17 506 |
| Teaching and research materials | | 23 680 | 19 770 | 22 358 | 18 141 |
| Buildings and grounds | | 14 428 | 15 081 | 14 060 | 14 470 |
| Administration, communication and travel | | 51 147 | 50 109 | 28 602 | 28 061 |
| Finance and fund administration | | 3 583 | 2 750 | 3 511 | 2 725 |
| Miscellaneous equipment, depreciation and written down value of assets sold | | 27 984 | 21 405 | 26 817 | 20 645 |
| Deferred and HEFA superannuation | 21(e) | (1 401) | 4 363 | (1 401) | 4 363 |
| Total Operating Expenses | | 303 850 | 305 094 | 272 179 | 270 502 |
| OPERATING SURPLUS | | 2 755 | 3 473 | 1 722 | 3 398 |
| ACCUMULATED FUNDS AT 1 JANUARY | | 73 741 | 72 348 | 63 745 | 62 618 |
| TRANSFERS: | | | | | |
| To reserves | 16 | (4 647) | (2 067) | (4 647) | (2 271) |
| Outside equity interest | 26 | (1 664) | (13) | - | - |
| ACCUMULATED FUNDS AT 31 DECEMBER | | 70 185 | 73 741 | 60 820 | 63 745 |

Statement of Financial Position as at 31 December 2000

| | Note | Consolidated | | University | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash | | 14 405 | 8 252 | 9 483 | 3 641 |
| Receivables | 7 | 12 324 | 10 236 | 9 059 | 7 652 |
| Investments | 8 | 35 362 | 56 804 | 38 985 | 56 713 |
| Inventories | 9 | 3 112 | 1 603 | 1 679 | - |
| Other | 10 | 6 088 | 48 069 | 3 353 | 3 114 |
| Total Current Assets | | 71 291 | 124 964 | 62 559 | 71 120 |
| NON-CURRENT ASSETS: | | | | | |
| Investments | 8 | 82 036 | 76 153 | 75 878 | 70 387 |
| Property, plant and equipment | 11 | 483 213 | 462 315 | 461 154 | 443 918 |
| Deferred government superannuation contribution | 21(e) | 31 900 | 34 500 | 31 900 | 34 500 |
| Other | 10 | - | 102 | - | - |
| Total Non-Current Assets | | 597 149 | 573 070 | 568 932 | 548 805 |
| Total Assets | | 668 440 | 698 034 | 631 491 | 619 925 |
| CURRENT LIABILITIES: | | | | | |
| Creditors | 12 | 21 178 | 54 907 | 15 498 | 7 362 |
| Borrowings | 13 | 4 732 | 3 442 | 7 011 | 2 990 |
| Provisions | 14 | 12 219 | 9 134 | 11 084 | 8 403 |
| Deferred employee superannuation benefits | 21(e) | 2 100 | 2 800 | 2 100 | 2 800 |
| Other | 15 | 17 601 | 18 244 | 17 199 | 18 135 |
| Total Current Liabilities | | 57 830 | 88 527 | 52 892 | 39 690 |
| NON-CURRENT LIABILITIES: | | | | | |
| Borrowings | 13 | 17 288 | 17 374 | 17 281 | 17 357 |
| Provisions | 14 | 21 034 | 22 486 | 21 012 | 22 394 |
| Deferred employee superannuation benefits | 21(e) | 29 800 | 31 700 | 29 800 | 31 700 |
| Total Non-Current Liabilities | | 68 122 | 71 560 | 68 093 | 71 451 |
| Total Liabilities | | 125 952 | 160 087 | 120 985 | 111 141 |
| NET ASSETS | | 542 488 | 537 947 | 510 506 | 508 784 |
| EQUITY: | | | | | |
| Capital reserves | 16 | 371 329 | 368 212 | 350 850 | 350 850 |
| Specific purpose reserves | 16 | 98 836 | 94 189 | 98 836 | 94 189 |
| Accumulated results - Outside equity interest | | 2 138 | 1 805 | - | - |
| Accumulated results - Of operations | | 70 185 | 73 741 | 60 820 | 63 745 |
| TOTAL EQUITY | | 542 488 | 537 947 | 510 506 | 508 784 |
| Commitments | 18 | | | | |
| Contingent Liabilities | 19 | | | | |

Statement of Cash Flows for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|---|-------|---|---|---|---|
| | | 2000 Inflows (Outflows) (\$'000) | 1999 Inflows (Outflows) (\$'000) | 2000 Inflows (Outflows) (\$'000) | 1999 Inflows (Outflows) (\$'000) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Grant Revenue: | | | | | |
| Commonwealth Government general grants | | 103 900 | 101 849 | 103 900 | 101 849 |
| Commonwealth Government research grants | | 51 669 | 43 729 | 51 361 | 43 729 |
| State Government grants | | 6 776 | 6 671 | 6 639 | 6 466 |
| HECS: | 33 | | | | |
| Student payments | | 6 201 | 5 095 | 6 201 | 5 095 |
| Higher Education Trust Fund | | 30 789 | 31 634 | 30 789 | 31 634 |
| Other research grants and fees | | 11 551 | 15 291 | 11 871 | 15 291 |
| Student fees | | 29 488 | 30 931 | 29 488 | 30 931 |
| Scholarships and prizes | 5 | 1 237 | 679 | 1 237 | 654 |
| Donations and bequests | 5 | 2 055 | 1 603 | 2 755 | 3 256 |
| Investment income | | 6 483 | 4 962 | 6 166 | 4 775 |
| Specialist services and produce trading | | 40 957 | 45 551 | 10 637 | 9 242 |
| Fees and charges | | 10 016 | 4 087 | 8 096 | 3 608 |
| Other | | 2 238 | 10 080 | 2 066 | 11 297 |
| OUTFLOWS: | | | | | |
| Salaries and related expenses | | (176 111) | (171 743) | (165 097) | (162 273) |
| Student services | | (15 958) | (17 506) | (15 958) | (17 506) |
| Goods and services | | (90 626) | (91 297) | (66 791) | (67 725) |
| Interest paid | | (1 817) | (1 839) | (1 775) | (1 839) |
| Net Cash provided by Operating Activities | 17(b) | 18 848 | 19 777 | 21 585 | 18 484 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 2 045 | 2 252 | 1 495 | 2 088 |
| Proceeds from sale of business | | - | 30 | - | - |
| Repayment of loan | | 138 | 166 | 138 | 166 |
| Additional borrowings | | - | 1 068 | - | 683 |
| OUTFLOWS: | | | | | |
| Payments for property, plant and equipment | | (35 676) | (37 043) | (34 800) | (36 011) |
| Payments for investments industry Composite Fund | | (1 062) | (2 682) | (394) | (2 249) |
| Decrease in borrowings | | (123) | (306) | (73) | (6) |
| Additional lending | | (347) | - | (2 862) | (500) |
| Distribution to minority | | (64) | (75) | - | - |
| Net Cash used in Investing Activities | | (35 089) | (36 590) | (36 496) | (35 829) |
| NET DECREASE IN CASH HELD | | (16 241) | (16 813) | (14 911) | (17 345) |
| CASH AT 1 JANUARY | | 64 643 | 81 456 | 58 941 | 76 286 |
| CASH AT 31 DECEMBER | 17(a) | 48 402 | 64 643 | 44 030 | 58 941 |

Note: There were no cash flows from financing activities during the accounting period

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

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

The term 'Statement of Financial Performance' is a reporting requirement of DETYA and not the early adoption of Australian Accounting Standard AAS 1 'Statement of Financial Performance'.

2. Scope of Reporting

The financial statements and notes disclose the operating results and 1999 comparative results of the University of Adelaide as follows:

- University - refers to all aspects of operation of the University of Adelaide only.
- Consolidated - refers to the operating results of the University of Adelaide together with operating results of its controlled entities, interests in associated entities and its joint venture operations. In the following notes this will be referred to as the economic entity.

The operational aspects of the University of Adelaide also include the following activities:

- Australian Music Examinations Board
- Mawson Appeal
- The University of Adelaide Medical Foundation
- South Australian Foundation for Dental Education and Research Inc
- The Postgraduate Committee of Dentistry
- The University of Adelaide Foundation

2. Scope of Reporting (continued)

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

- Lubims Pty Ltd
- Luminis Pty Ltd as trustee for Luminis Investment Trust:
 - Australian Company Number 060 292 486 Pty Ltd formerly Camtech (SA) Pty Ltd as trustee for Camtech Discretionary Trust:
 - > Camtech R&D Pty Ltd (sold 10.1.01)
 - > Camtech ASIA Sdn Bhd (sold 10.1.01)
 - > Australian Company Number 49 089 171 719 Ltd formerly Camtech Corporation Ltd
 - Repromed Pty Ltd
 - Disc Pty Ltd
- Martindale Holdings Pty Ltd as trustee for:
 - JS Davies Estate
 - JAT Mortlock Trust

Refer to Note 26 Investment in Controlled Entities.

3. Statement of Significant Accounting Policies

(a) **Basis of Accounting**

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

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

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

(b) **Principles of Consolidation**

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

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

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

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

(c) **Foreign Currency**

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

The Statements of Financial Position of overseas controlled entities that are self-sustaining foreign operations are translated at the rates of exchange ruling at balance date. The Profit and Loss Statements are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(d) **Revenue Recognition**

All revenues are recognised in the accounting period to which they apply. Revenue received in advance of the reporting period is recognised as a liability in the Statement of Financial Position.

Student Tuition Fees and Charges

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

Interest and Investment Income

Interest and income from investment is recognised as it accrues - Refer to Note 3(g).

Asset Sales

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

(e) **Employee Entitlements**

Wages, Salaries and Annual Leave

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

Long Service Leave

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

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

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

Superannuation

Superannuation Schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these Schemes by the University, and emerging costs from unfunded Schemes, are expensed in the Statement of Financial Performance. Refer to Note 21 for details relating to the individual Schemes.

(f) Doubtful and Bad Debts

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

(g) Investments

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

Cash on Deposit

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

Composite Fund

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

(h) Investments in Business Undertakings*Controlled Entities*

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

Associates

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

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

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

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 28(a)(i). In the ordinary course of events this income is used to meet operational costs and/or acquire equipment which is recognised in the accounts of the University. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The consolidated entity's interest in Other Unincorporated Joint Ventures, as described in Note 28(a)(ii), is not considered material in total, and as such they have been reported as a net amount in investments.

Other Business Undertakings

The Economic Entity does not exercise significant influence over the two public listed investments held by the Luminis Investment Fund. The Economic Entity's holdings as at balance date are subject to escrow provision.

As the Economic Entity is not in a position to dispose of these shares, the valuation has remained unchanged. Refer Note 29 Other Investments.

(i) **Inventories**

Consumable Materials and Trading Stock

The University operates from multiple locations where working levels of inventory are held. Previously, inventory was expensed at the date of acquisition and was not displayed in the Statement of Financial Position. However, in the current year there has been a change in accounting policy where inventory on hand as at 31 December 2000, was brought to account as a current asset at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in consolidated figures for the group at the lower of cost or net realisable value.

Livestock

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

(j) **Non-Current Assets**

Acquisitions

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

Revaluations

Land, buildings and works of art are independently valued every three years on an existing use basis of valuation and are included in the financial statements at the revalued amounts. The next valuation will be undertaken during 2001.

Disposal of Revalued Assets

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

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. A 'trust' building is one which is constructed on land provided by government in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Other buildings are referred to as 'other' buildings.

Buildings acquired prior to 31 December 1998 are valued at replacement cost. These were prepared by Edward Rushton Australia Pty Ltd. Expenditure incurred during the course of 1999 and 2000 has been reported at cost.

Other Collections

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

Library Collection

During 1998, the Library was valued using an internal valuation based on the annual price movement of books and journals. Acquisitions since the date of the valuation have been valued at cost.

Works of Art

Items greater than \$25 000 are recorded on the basis of an independent valuation carried out by Mr JFB Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 11 November 1999. Acquisitions after 11 November 1999 are recorded at cost. No provision for depreciation is made.

Software

The University capitalises certain software costs with a purchase price greater than \$100 000 and an expected useful life greater than 12 months, together with all costs associated with implementation. These are recorded on the basis of cost and then amortised upon bringing the system into an operational environment.

Leased Plant and Equipment

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

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance - refer to Note 18.

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

(k) Depreciation and Amortisation

Depreciation and amortisation are charged on a straight line basis using expected useful lives.

The expected useful lives used for each class of asset are as follows:

| | Range |
|-----------------------------------|-------------|
| Buildings | 30-80 years |
| Library | 5-50 years |
| Plant and equipment | 5-10 years |
| Software and implementation costs | 3-5 years |
| Leased plant and equipment | 10 years |
| Leasehold improvements | 10 years |

(l) Workers Compensation

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

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

(m) Salaries and Related Expenses

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

(n) Operating Revenue - Other

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

(o) Special Reserve

The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

(p) Rounding to the Nearest \$'000

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

(q) Comparative Information

These financial statements display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DETYA.

As at 1 January 2000, the University replaced the existing financial accounting system as among other things, the system was not Y2K compliant. As part of this replacement, there was a significant refinement to the accounting policies and codes used. This refinement, whilst significantly enhancing the quality of information reported, has nonetheless, created an apparent distortion when comparing 2000 actual results with those reported in 1999. Where possible, 1999 results have been reclassified to provide more meaningful comparatives.

4. Changes in Accounting Policy**(a) Valuation of Inventory**

In previous years, the University expensed costs associated with inventory at the time of purchase. For the financial year ended 31 December 2000, there was a change of policy whereby inventory on hand as at 31 December 2000, was brought to account as a current asset at the lower of cost or net realisable value. The financial impact arising from this policy change was an increase in the operating surplus by \$1.7 million.

(b) Calculation of Depreciation and Amortisation

During the course of the year, the University implemented the PeopleSoft suite of accounting modules. One of these modules implemented was the Fixed Asset module.

The methodology of calculating depreciation and amortisation expense in the PeopleSoft Fixed Asset module is different to the method used by the previous fixed asset accounting system. The key difference is that the PeopleSoft methodology calculates the expense from the month following asset acquisition, whereas the previous system calculated the expense from the exact date of acquisition. The financial effect of the change in methodology cannot be easily quantified.

There has been no change in the expected useful lives used in PeopleSoft compared to the previous fixed asset accounting system.

5. Operating Revenue

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Revenue from Operating Activities: | | | | |
| Bequests and Donations received for: | | | | |
| Research | 1 478 | 1 112 | 1 478 | 1 287 |
| Prizes and scholarships | 1 237 | 679 | 1 237 | 654 |
| General operational purposes | 577 | 491 | 1 277 | 1 444 |
| | 3 292 | 2 282 | 3 992 | 3 385 |
| Consultancy, Contract and Industry Research Income | 17 412 | 8 178 | 11 643 | 8 178 |

| 5. Operating Revenue (continued) | Note | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Student fee income includes: | | | | | |
| Award Courses: | | | | | |
| Australian fee paying undergraduate students | | 521 | 598 | 521 | 598 |
| Australian fee paying postgraduate students | | 3 378 | 3 497 | 3 378 | 3 497 |
| International fee paying students | | 19 795 | 21 524 | 19 795 | 21 524 |
| | | 23 694 | 25 619 | 23 694 | 25 619 |
| Non-Award Courses: | | | | | |
| Australian fee paying | | 650 | 1 453 | 650 | 1 453 |
| Continuing Education | | 1 114 | 844 | 1 114 | 844 |
| Other teaching service fees | | 2 642 | 3 308 | 2 642 | 3 308 |
| | | 4 406 | 5 605 | 4 406 | 5 605 |
| Total Student Fee Income | | 28 100 | 31 224 | 28 100 | 31 224 |
| Investment income includes: | | | | | |
| General Fund earnings | | 4 221 | 3 380 | 3 868 | 3 193 |
| Composite Fund earnings | | 4 842 | 4 454 | 4 842 | 4 454 |
| General and Composite Fund investment market valuation adjustment | | (2 958) | 1 824 | (2 958) | 1 824 |
| Royalty income | | 273 | 20 | 21 | 24 |
| Distribution from controlled entities | | - | - | 470 | 953 |
| | | 6 378 | 9 678 | 6 243 | 10 448 |
| Research directed earnings from the Composite Fund qualify for inclusion in the calculation of the Research Quantum and, as such, are reported in the Statement of Financial Performance as part of Research Grants and Fees. | | | | | |
| Gross Proceeds from sale of non-current assets | | 1 777 | 1 566 | 1 495 | 1 388 |
| Share of net profits (losses) of: | | | | | |
| Associates | 27 | (127) | (170) | - | - |
| Joint venture operations | 28 | 202 | 150 | - | 150 |
| 6. Operating Surplus | | | | | |
| Operating surplus is arrived at after crediting and charging the following specific items: | | | | | |
| Credits: | | | | | |
| Net foreign exchange gain | | 99 | - | 99 | - |
| Net gain on disposal of property, plant and equipment | | 559 | 399 | 273 | 270 |
| Charges: | | | | | |
| Amortisation: | | | | | |
| Leasehold improvements | | 20 | 19 | 20 | - |
| Leased plant and equipment | | 12 | 1 | 12 | 1 |
| Software and system development costs | | 1 939 | 315 | 1 852 | 315 |
| | | 1 971 | 335 | 1 884 | 316 |
| Bad and Doubtful Debts Cost: | | | | | |
| Student loans | | 20 | 1 | 20 | 1 |
| Student tuition | | 9 | - | 9 | - |
| Other debtors | | 996 | 295 | 906 | 258 |
| | | 1 025 | 296 | 935 | 259 |
| Depreciation: | | | | | |
| Buildings | | 3 849 | 3 372 | 3 674 | 3 334 |
| Plant and equipment | | 5 505 | 5 943 | 4 734 | 5 404 |
| Library collection | | 5 814 | 5 850 | 5 814 | 5 850 |
| | | 15 168 | 15 165 | 14 222 | 14 588 |
| Expenses directly related to Employee Entitlements include: | | | | | |
| Contributions to superannuation schemes: | | | | | |
| Deferred employee benefits for superannuation | | (2 600) | 2 600 | (2 600) | 2 600 |
| Emerging cost | | 1 199 | 1 763 | 1 199 | 1 531 |
| Funded | | 18 164 | 17 337 | 17 498 | 16 988 |
| | | 16 763 | 21 700 | 16 097 | 21 119 |
| Payroll tax | | 7 893 | 8 853 | 7 497 | 8 459 |
| Annual leave | | 5 399 | 3 275 | 5 364 | 3 246 |
| Long service leave | | 3 091 | 3 275 | 3 100 | 3 220 |
| Workers compensation | | 709 | 1 370 | 621 | 1 263 |
| | | 33 855 | 38 473 | 32 679 | 37 307 |
| Finance charges on capitalised leases | | 158 | 1 | 89 | 1 |
| Interest and finance costs | | 1 775 | 1 849 | 1 775 | 1 839 |
| Net loss on disposal of property, plant and equipment | | 308 | 456 | 236 | 396 |
| Operating lease rental expense | | 1 792 | 1 676 | 1 709 | 1 676 |

| 7. | Receivables (refer Note 3(f)) | Note | Consolidated | | University | |
|-----|--|------|----------------|----------------|----------------|----------------|
| | | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| | Student tuition fees | | 1 004 | 1 827 | 1 004 | 1 827 |
| | Less: Provision for doubtful debts | | 230 | 225 | 230 | 225 |
| | | | 774 | 1 602 | 774 | 1 602 |
| | Sundry and trade debtors | | 12 697 | 6 501 | 9 186 | 5 992 |
| | Less: Provision for doubtful debts | | 1 305 | 247 | 1 059 | 153 |
| | | | 11 392 | 6 254 | 8 127 | 5 839 |
| | Student loans | | 158 | 211 | 158 | 211 |
| | Other | | - | 2 169 | - | - |
| | Total Receivables | | 12 324 | 10 236 | 9 059 | 7 652 |
| 8. | Investments | | | | | |
| | Current: | | | | | |
| | Short-term investment portfolio: | | | | | |
| | Cash on deposit | 3(g) | 34 547 | 55 300 | 34 547 | 55 300 |
| | Other | | 217 | 1 253 | 121 | 162 |
| | | | 34 764 | 56 553 | 34 668 | 55 462 |
| | Loans: | | | | | |
| | Loans to controlled entities | | - | - | 3 719 | 1 000 |
| | Other loans | | 598 | 251 | 598 | 251 |
| | | | 598 | 251 | 4 317 | 1 251 |
| | Total | | 35 362 | 56 804 | 38 985 | 56 713 |
| | Non-Current: | | | | | |
| | Composite Fund: | 3(g) | | | | |
| | Australian fixed interest securities | | 1 852 | 2 463 | 1 852 | 2 463 |
| | Australian equities | | 8 775 | 9 197 | 8 775 | 9 197 |
| | Overseas equities | | 10 992 | 11 161 | 10 992 | 11 161 |
| | Property trusts | | 2 551 | 2 245 | 2 551 | 2 245 |
| | Cash and liquid assets | | 32 426 | 30 746 | 32 426 | 30 746 |
| | Total Composite Fund | | 56 596 | 55 812 | 56 596 | 55 812 |
| | Managed investment held by Unisure Pty Ltd | | 8 942 | 9 095 | 8 942 | 9 095 |
| | Interests in business undertakings: | | | | | |
| | Controlled entities | 26 | - | - | 2 898 | 2 898 |
| | Associated entities: | 27 | | | | |
| | At cost | | - | - | 197 | 197 |
| | Listed shares at Council valuation 1999 | | 264 | - | - | - |
| | Listed shares at Council valuation 2000 | | 8 572 | - | - | - |
| | Equity accounted | | 162 | 289 | - | - |
| | | | 8 998 | 289 | 197 | 197 |
| | Joint venture entities | 28 | 202 | 150 | 150 | 150 |
| | Other investments | 29 | 5 103 | 8 675 | 5 103 | 103 |
| | Total Interests in business undertakings | | 14 303 | 9 114 | 8 348 | 3 348 |
| | Loans: | | | | | |
| | Other loans | | 2 695 | 2 632 | 2 492 | 2 632 |
| | Less: Provision for doubtful debts | | 500 | 500 | 500 | 500 |
| | | | 2 195 | 2 132 | 1 992 | 2 132 |
| | | | 82 036 | 76 153 | 75 878 | 70 387 |
| | Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property. | | | | | |
| 9. | Inventories | 3(i) | | | | |
| | Consumable materials and trading stock | | 1 745 | 441 | 1 722 | - |
| | Livestock | | 1 410 | 1 162 | - | - |
| | Provision for obsolescence | | (43) | - | (43) | - |
| | | | 3 112 | 1 603 | 1 679 | - |
| 10. | Other Assets | | | | | |
| | Current: | | | | | |
| | Prepayments | | 5 538 | 3 240 | 3 248 | 3 106 |
| | Accrued Income | | 445 | 13 | 105 | 8 |
| | Transgenic Syndicated Research and Development Fund | 12 | - | 42 007 | - | - |
| | Other | | 105 | 2 809 | - | - |
| | | | 6 088 | 48 069 | 3 353 | 3 114 |
| | Non Current: | | | | | |
| | Intangibles | | - | 102 | - | - |

Transgenic Research and Development Syndicate was a syndicated research and development project under which the Trust received funds from a syndicate of external organisations in payment for licensing of technology and for carrying out a research program. Luminis has been informed that a syndicate member exercised its put option in October 2000 with the result that the syndicate member became entitled to the Transgenic Research and Development Syndicate Fund, and the associated liability was satisfied.

| 11. | Property, Plant and Equipment (refer Note 3(j)) | Note | Consolidated | | University | |
|-----|---|------|------------------|-----------|------------------|-----------|
| | | | 2000 | 1999 | 2000 | 1999 |
| | Land | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Trust land: | | 32 539 | 32 539 | 32 539 | 32 539 |
| | At independent valuation 1998 | | | | | |
| | Other land: | | 22 233 | 22 233 | 22 233 | 22 233 |
| | At independent valuation 1998 | | - | 14 344 | - | - |
| | At Council valuation 1999 | | 17 744 | - | - | - |
| | At Council valuation 2000 | | 39 977 | 36 577 | 22 233 | 22 233 |
| | Total Land | | 72 516 | 69 116 | 54 772 | 54 772 |
| | Buildings | | | | | |
| | Trust buildings: | | 220 001 | 220 001 | 220 001 | 220 001 |
| | At independent valuation 1998 | | | | | |
| | Other buildings: | | 16 533 | 11 495 | 14 537 | 9 620 |
| | At cost | | 59 688 | 60 269 | 59 688 | 59 688 |
| | At independent valuation 1998 | | 581 | - | - | - |
| | At Council valuation 1999 | | 155 | 155 | - | - |
| | At Council valuation 2000 | | 76 957 | 71 919 | 74 225 | 69 308 |
| | Capital work in progress: | | 28 014 | 14 268 | 28 014 | 14 268 |
| | At cost | | 324 972 | 306 188 | 322 240 | 303 577 |
| | Total Buildings | | | | | |
| | Provision for Depreciation of Buildings | | | | | |
| | Trust buildings: | | (5 205) | (2 424) | (5 205) | (2 424) |
| | At independent valuation 1998 | | | | | |
| | Other buildings: | | (794) | (586) | (128) | (8) |
| | At cost | | (1 677) | (1 159) | (1 677) | (904) |
| | At independent valuation 1998 | | (236) | - | - | - |
| | At Council valuation 1999 | | (47) | - | - | - |
| | At Council valuation 2000 | | (2 754) | (1 745) | (1 805) | (912) |
| | Total Provision for Depreciation | | (7 959) | (4 169) | (7 010) | (3 336) |
| | Total Buildings Net of Depreciation | | 317 013 | 302 019 | 315 230 | 300 241 |
| | Leasehold Improvements: | | | | | |
| | At cost | | 524 | 522 | 200 | 200 |
| | Provision for amortisation | | (287) | (244) | (20) | - |
| | Total Leasehold Improvements | | 237 | 278 | 180 | 200 |
| | Library Collection: | | | | | |
| | At cost | | 14 307 | 10 107 | 14 307 | 10 107 |
| | At Council valuation 1998 | | 167 760 | 167 760 | 167 760 | 167 760 |
| | Provision for depreciation | | 182 067 | 177 867 | 182 067 | 177 867 |
| | Total Library Collection | | (127 792) | (121 978) | (127 792) | (121 978) |
| | Works of Art: | | | | | |
| | At independent valuation 1999 | | 2 790 | 2 790 | 2 790 | 2 790 |
| | Plant and Equipment: | | | | | |
| | At cost | | 95 492 | 85 015 | 88 731 | 79 198 |
| | Provision for depreciation/amortisation | | (59 110) | (52 792) | (54 824) | (49 172) |
| | Total Plant and Equipment | | 36 382 | 32 223 | 33 907 | 30 026 |
| | Total Property, Plant and Equipment | | 483 213 | 462 315 | 461 154 | 443 918 |
| | 12. Creditors | | | | | |
| | Current: | | | | | |
| | Trade creditors | | 15 569 | 6 224 | 11 930 | 4 941 |
| | Transgenic Syndicated Research and Development Fund | 10 | - | 42 007 | - | - |
| | Accruals | | 5 609 | 6 676 | 3 568 | 2 421 |
| | | | 21 178 | 54 907 | 15 498 | 7 362 |
| | 13. Borrowings | | | | | |
| | Current: | | | | | |
| | Bank loans and commercial paper * | | 3 413 | 2 913 | 2 863 | 2 863 |
| | Lease liability | | 81 | 88 | 70 | 71 |
| | Other | | 1 238 | 441 | 31 | 56 |
| | Owing to controlled entities | 20 | - | - | 4 047 | - |
| | | | 4 732 | 3 442 | 7 011 | 2 990 |

| 13. Borrowings (continued) | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Non-Current: | | | | |
| Bank loans and commercial paper * | 17 175 | 17 175 | 17 175 | 17 175 |
| Lease liability | 7 | 85 | - | 70 |
| Other | 106 | 114 | 106 | 112 |
| | 17 288 | 17 374 | 17 281 | 17 357 |
| * The University obtained a loan facility to a maximum of \$22.9 million in 1991 for a period of 10 years. Terms of the loan are interest only payments from 1991 to 1996 and then the principal is to be reduced by \$2.9 million per annum from 1997 to 2001. The balance of the loan is payable on or before 11 December 2001. The loan is unsecured. The principal repayment for 2000 was financed through a commercial bill facility with a termination date concurrent with the above facility. | | | | |
| 14. Provisions | Consolidated | | University | |
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Current: | | | | |
| Annual and long service leave provisions | 10 953 | 8 295 | 10 184 | 7 803 |
| Workers compensation provision | 900 | 817 | 900 | 600 |
| Other provisions | 366 | 22 | - | - |
| | 12 219 | 9 134 | 11 084 | 8 403 |
| Non-Current: | | | | |
| Workers compensation provision | 1 300 | 1 600 | 1 300 | 1 600 |
| Long service leave provision | 19 734 | 20 886 | 19 712 | 20 794 |
| | 21 034 | 22 486 | 21 012 | 22 394 |
| 15. Other Liabilities | Consolidated | | University | |
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Current: | | | | |
| Grants received in advance | 13 187 | 11 902 | 13 187 | 11 902 |
| Outside funded positions | 902 | 793 | 902 | 793 |
| Salaries, wages and deductions | 777 | 3 372 | 380 | 3 301 |
| Student tuition fees received in advance | 2 709 | 2 139 | 2 704 | 2 139 |
| Residential bonds | 26 | 38 | 26 | - |
| | 17 601 | 18 244 | 17 199 | 18 135 |
| 16. Reserves | Consolidated | | University | |
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Capital Reserves: | | | | |
| Capital reserve | 2 970 | 2 970 | - | - |
| Capital profits reserve | 865 | 937 | - | - |
| Asset revaluation reserve | 88 116 | 84 927 | 71 726 | 71 726 |
| Initial asset recognition reserve | 279 378 | 279 378 | 279 124 | 279 124 |
| | 371 329 | 368 212 | 350 850 | 350 850 |
| Specific Purpose Reserves: | | | | |
| Special reserve | 26 187 | 21 667 | 26 187 | 21 667 |
| Bequests/donations unspent income reserve | 9 547 | 8 717 | 9 547 | 8 717 |
| Restricted purpose bequest capital reserve | 47 583 | 46 902 | 47 583 | 46 902 |
| Composite fund revaluation reserve | 15 519 | 16 903 | 15 519 | 16 903 |
| | 98 836 | 94 189 | 98 836 | 94 189 |
| Movements in Reserves | | | | |
| Capital Reserve: | | | | |
| Opening balance | 2 970 | 3 101 | - | - |
| Current year movement | - | (131) | - | - |
| Balance at 31 December | 2 970 | 2 970 | - | - |
| Capital Profits Reserve: | | | | |
| Opening balance | 937 | 995 | - | - |
| Current year movement | (72) | (58) | - | - |
| Balance at 31 December | 865 | 937 | - | - |
| Asset Revaluation Reserve: | | | | |
| Opening balance | 84 927 | 79 467 | 71 726 | 70 700 |
| Add: Revaluation increment on investments and works of art | 3 189 | 5 460 | - | 1 026 |
| Balance at 31 December | 88 116 | 84 927 | 71 726 | 71 726 |
| Initial Asset Recognition Reserve: | | | | |
| Opening balance | 279 378 | 279 378 | 279 124 | 279 124 |
| Current year movement | - | - | - | - |
| Balance at 31 December | 279 378 | 279 378 | 279 124 | 279 124 |
| Special Reserve: | | | | |
| Opening balance | 21 667 | 23 117 | 21 667 | 23 117 |
| Transfer from (to) accumulated funds | 4 520 | (1 569) | 4 520 | (1 365) |
| Transfer from (to) reserves | - | 119 | - | (85) |
| Balance at 31 December | 26 187 | 21 667 | 26 187 | 21 667 |

| 16. Reserves (continued) | Consolidated | | University | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2000 | 1999 | 2000 | 1999 | |
| Bequests/Donations Unspent Income Reserve: | \$'000 | \$'000 | \$'000 | \$'000 | |
| Opening balance | 8 717 | 8 283 | 8 717 | 8 283 | |
| Transfer from accumulated funds | 830 | 434 | 830 | 434 | |
| Balance at 31 December | 9 547 | 8 717 | 9 547 | 8 717 | |
| Bequests/Donations Capital Reserve: | | | | | |
| Opening balance | 46 902 | 46 210 | 46 902 | 46 210 | |
| Transfer from accumulated funds | 681 | 692 | 681 | 692 | |
| Balance at 31 December | 47 583 | 46 902 | 47 583 | 46 902 | |
| Composite Fund Revaluation Reserve: | | | | | |
| Opening balance | 16 903 | 14 403 | 16 903 | 14 403 | |
| Transfer (to) from accumulated funds | (1 384) | 2 510 | (1 384) | 2 510 | |
| Adjustment | - | (10) | - | (10) | |
| Balance at 31 December | 15 519 | 16 903 | 15 519 | 16 903 | |
| 17. Notes to the Statement of Cash Flows | | | | | |
| (a) Reconciliation of Cash | | | | | |
| For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term investments in money market instruments. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | | | | |
| | | Consolidated | | University | |
| | Note | 2000 | 1999 | 2000 | 1999 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | | 14 405 | 8 252 | 9 483 | 3 641 |
| Bank overdraft | | (550) | - | - | - |
| Short-term cash investment | | 34 547 | 56 391 | 34 547 | 55 300 |
| | | 48 402 | 64 643 | 44 030 | 58 941 |
| (b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus | | | | | |
| Operating result | | 2 755 | 3 473 | 1 722 | 3 398 |
| Add (Less): Non-cash items: | | | | | |
| Amortisation | | 1 971 | 335 | 1 884 | 316 |
| Depreciation | 6 | 15 168 | 15 165 | 14 222 | 14 588 |
| Write down (up) investments | | 2 958 | (1 181) | 2 958 | (1 181) |
| Bad debts written off | | 985 | 296 | 911 | 259 |
| Superannuation expense | | (2 600) | (2 600) | (2 600) | (2 600) |
| Superannuation revenue | | 2 600 | 2 600 | 2 600 | 2 600 |
| Other revenue/expenses | | (4 145) | 52 | (3 153) | (162) |
| (Profit) Loss on sale of property, plant and equipment | | (251) | 57 | (37) | 126 |
| Changes in assets/liabilities: | | | | | |
| (Increase) Decrease in inventories | | (1 509) | 152 | (1 679) | - |
| (Increase) Decrease in receivables | | (10 825) | (1 396) | (3 316) | (1 978) |
| (Increase) in loans | | (2 826) | - | (157) | - |
| Decrease (Increase) in other current assets | | 44 712 | 1 041 | (239) | 1 420 |
| (Decrease) Increase in creditors | | (31 318) | (496) | 8 136 | (563) |
| (Decrease) Increase in other current liabilities | | (577) | 200 | (966) | 123 |
| (Decrease) in other non-current liabilities | | - | (165) | - | - |
| Increase in provisions | | 1 750 | 2 244 | 1 299 | 2 138 |
| Net Cash provided by Operating Activities | | 18 848 | 19 777 | 21 585 | 18 484 |
| (c) Borrowings | | | | | |
| Refer Note 13. | | | | | |
| 18. Future Expenditure Commitments | | | | | |
| Operating Expenditure | | | | | |
| Contracted but not provided for in the financial statements and payable: | | | | | |
| Not later than one year | | 3 080 | 1 361 | 3 080 | 1 361 |
| Later than one year but not later than five years | | 4 600 | - | 4 600 | - |
| Later than five years | | - | - | - | - |
| | | 7 680 | 1 361 | 7 680 | 1 361 |
| Capital Expenditure | | | | | |
| Contracted but not provided for in the financial statements and payable: | | | | | |
| Not later than one year | | 4 900 | 16 774 | 4 900 | 16 607 |
| Later than one year but not later than five years | | - | 4 772 | - | 4 200 |
| Later than five years | | - | - | - | - |
| | | 4 900 | 21 546 | 4 900 | 20 807 |
| Operating Lease Commitments | | | | | |
| Future operating base rental not provided for in the financial statements and payable: | | | | | |
| Not later than one year | | 1 210 | 794 | 1 066 | 794 |
| Later than one year but not later than five years | | 3 705 | 1 770 | 3 273 | 1 770 |
| Later than five years | | 1 571 | - | 1 571 | - |
| | | 6 486 | 2 564 | 5 910 | 2 564 |

| 18. Future Expenditure Commitments (continued) | Note 3(j) | Consolidated | | University | |
|---|--------------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Finance Lease Commitments | | | | | |
| Finance leases rentals are payable as follows: | | | | | |
| Not later than one year | | 82 | 89 | 70 | 71 |
| Later than one year but not later than five years | | 8 | 78 | - | 70 |
| Later than five years | | - | 7 | - | - |
| | | 90 | 174 | 70 | 141 |
| Less: Future lease finance charges | | (1) | (5) | - | - |
| | | 89 | 169 | 70 | 141 |
| Lease liabilities provided for in the financial statements: | | | | | |
| Current | | 81 | 86 | 70 | 71 |
| Non-current | | 8 | 83 | - | 70 |
| Total lease liability | | 89 | 169 | 70 | 141 |

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

In addition, the University has contractual commitments to contribute in-kind contributions of staff time and access to resources for the conduct of research programs under Cooperative Research Centres (CRC's) and national competitive grants. CRC's obligations are met from the total funding provided both by the University and other sources. In respect of national competitive grants, the University enters contracts with the Commonwealth to carry out defined pieces of research. The Commonwealth provides a large proportion of the total project resources. Refer Note 28.

19. Contingent Liabilities

(a) Guarantees

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

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

(b) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Actuarial advice is that there are sufficient assets available - refer Note 21(d).

(c) Insurance Claims

Luminis Pty Ltd is a named co-defendant in an action for loss and damages with respect to the Hindmarsh Island Bridge. The total claim is approximately \$20 million (\$20 million). The claim relates to alleged negligence in the employment of a consultant who assisted in making submissions to the Minister for Aboriginal Affairs. The company insurers have employed legal advisers who consider the claim to be without merit. The directors of Luminis Pty Ltd intend that the claim be vigorously defended.

(d) Litigation

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

20. Events Subsequent to Balance Date

Prior to the end of the financial year, the University entered into an agreement to sell the assets and E-Commerce operations of Camtech to KeyCorp Ltd, a public listed company on the Australian Stock Exchange. The sale agreement contained some standard commercial conditions precedent which were satisfied shortly thereafter. The consideration of \$5 million was in the form of KeyCorp equity. The equity is to be issued in four tranches over the course of 2001. The first tranche of \$2 million having already been received, subsequently has been sold into the market at a minor loss. The cost of this transaction was accounted for in the Statement of Financial Performance for the year ended 31 December 2000.

Other than the above, there were no events which took place subsequent to balance date so as to have a material impact on the operating results or Statement of Financial Position of the University or the consolidated entity.

21. Superannuation Schemes

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

(i) Those operative and open to membership:

- UniSuper Defined Benefit Plan or Investment Choice Plan - formerly Superannuation Scheme for Australian Universities (SSAU)
- UniSuper Award Plus Plan - formerly Tertiary Education Superannuation Scheme (TESS).

(ii) Those operative but closed to future membership:

- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985).

(iii) State Government Schemes closed to future membership by University employees:

- State Pension Scheme;
- State Lump Sum Scheme.

(b) UniSuper Defined Benefit Plan or Investment Choice Plan — Formerly Superannuation Scheme for Australian Universities (SSAU)

From 1984 the University became a participating institution in the Superannuation Scheme for Australian Universities (SSAU). The Scheme is administered by UniSuper Management Pty Ltd and UniSuper Pty Ltd is the trustee. As at 1 July 1998, the rules governing the Fund were amended to allow employees the option to remain within the defined benefits arrangement or convert to an accumulation fund. The employer contribution rate throughout 2000 was 14 percent of salaries. The employee contribution rate throughout 2000 was 7 percent of their gross salaries. The Defined Benefits Scheme is fully funded.

An actuarial assessment, as at 31 December 1999, was completed on 18 May 2000. The assessment was carried out by Mr G Harslett (FIA, FIAA) of Towers Perrin. The actuary concluded that the assets of the Fund were sufficient to meet all benefits payable in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each employee of the University.

On 1 October 2000, SSAU merged with TESS to form UniSuper. The Scheme is known as UniSuper Defined Benefit Plan or UniSuper Investment Choice Plan depending on employee's choice.

As at 31 December 2000, vested and accrued benefits of staff members who are in the Defined Benefits Plan were valued at the greater of the present value of expected future payment of benefits or the vested benefit as follows:

- (i) Estimated vested and accrued benefits at 31 December 2000 - \$163.6 million (unaudited) (\$150.5 million audited).
- (ii) Estimated net market value of assets for current members at 31 December 2000, available to pay the superannuation liabilities of the University of Adelaide members was \$178.7 million (unaudited) (\$176.3 million audited).
- (iii) The difference between the estimated net market value of assets and accrued benefits at 31 December 2000 apportioned to the University of Adelaide was \$15.1 million (unaudited) (\$25.8 million audited).

(c) UniSuper Award Plus Plan — Formerly Tertiary Education Superannuation Scheme

The University is a participating institution in the Tertiary Education Superannuation Scheme (TESS), a non-contributory scheme for University employees. The Fund is administered by UniSuper Management Pty Ltd and TESS Superannuation Ltd is the trustee. The employer contribution rate throughout 2000 was 3 percent of salaries for members of other superannuation schemes, and 8 percent for staff not covered by other schemes.

On 1 October 2000, TESS merged with SSAU to form UniSuper. TESS will now be known as UniSuper Award Plus Plan.

(d) The University of Adelaide Superannuation Scheme A 1985

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

No employer contribution was made in 2000. Actuarial advice is that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members, and that no contributions from the University are required over the foreseeable future.

As at 30 June 2000, accrued benefits were valued by the actuary, William M Mercer Pty Ltd, and together with the vested benefits are reported as follows:

- (i) Accrued benefits at 30 June 2000 - \$9.5 million (\$9.5 million)
- (ii) Vested benefits at 30 June 2000 - \$10 million (\$9.9 million)
- (iii) Estimated net market value of the assets of Scheme A 1985 available to pay benefits as at 30 June 2000 was \$12.8 million (\$12.4 million)
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2000 was \$3.3 million.

(e) State Government Superannuation Schemes

In 1991 employees of the City Campus of the South Australian College of Advanced Education and the Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The Schemes are administered by the Superannuation Board of South Australia. The Schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2000 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimates that as at 31 December 2000 there is an unfunded liability of \$31.9 million (\$34.5 million). This represents a decrease in liability of \$2.6 million since 31 December 1999. This is recognised as a write back in expenditure in the 2000 Statement of Financial Performance, with a corresponding adjustment to income giving rise to negative income.

(e) State Government Superannuation Schemes (continued)

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act 1988* to meet the additional costs in respect of State Government emerging cost schemes where costs are in excess of funding provided for this purpose in the base operating grant, (ie 14 percent of salaries). Under the Commonwealth legislation titled *State Grants (General Purposes) Amendment Act 1982*, the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these accounts is in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 2000 Reporting Period by Australian Higher Education Institutions' provided by DETYA. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$31.9 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

(f) Summary

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Deferred Government Superannuation Contribution: | | | | |
| Non-Current asset | 31 900 | 34 500 | 31 900 | 34 500 |
| Deferred Employee Superannuation Benefits: | | | | |
| Current liability | 2 100 | 2 800 | 2 100 | 2 800 |
| Non-Current liability | 29 800 | 31 700 | 29 800 | 31 700 |
| | 31 900 | 34 500 | 31 900 | 34 500 |
| The total employer contributions remitted by the University were: | | | | |
| Superannuation Scheme for Australian Universities (SSAU) | 12 675 | 12 605 | 12 675 | 12 605 |
| Tertiary Education Superannuation Scheme (TESS) | 5 367 | 5 202 | 5 367 | 5 202 |
| State Superannuation Schemes (3 percent) | 62 | 68 | 62 | 68 |
| | 18 104 | 17 875 | 18 104 | 17 875 |

22. Segment Information

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

23. Auditors' Remuneration

| | Consolidated | | University | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Amounts paid or payable were: | | | | |
| South Australian Auditor-General | 161 | 135 | 161 | 135 |
| Other | 133 | 152 | 42 | 42 |
| | 294 | 287 | 203 | 177 |

24. Remuneration for University Senior Management

| | University | |
|---|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| Amounts paid or payable to University Senior Management | 2 390 | 2 100 |
| | Number | Number |
| \$100 000 - \$109 999 | 1 | - |
| \$120 000 - \$129 999 | - | 1 |
| \$130 000 - \$139 999 | 1 | - |
| \$140 000 - \$149 999 | 1 | 3 |
| \$150 000 - \$159 999 | 2 | 1 |
| \$160 000 - \$169 999 | 1 | 2 |
| \$170 000 - \$179 999 | 1 | 1 |
| \$180 000 - \$189 999 | 1 | 1 |
| \$200 000 - \$209 999 | 2 | 1 |
| \$210 000 - \$219 999 | 1 | - |
| \$250 000 - \$259 999 | - | 1 |
| \$540 000 - \$549 999 | 1 | - |
| | 12 | 11 |

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

During 2000 the Vice-Chancellor received remuneration in accordance with her employment contract.

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

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

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

| | | 2000 | | | | | |
|--|------|--|-----------------------------|--------------------------------|--------------------------------|---------------------------------------|-----------------|
| | | Floating Interest Rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | Non- Interest Bearing \$'000 | Total \$'000 |
| Financial Assets: | Note | | | | | | |
| Cash | | 14 405 | - | - | - | - | 14 405 |
| Receivables | 7 | - | - | - | - | 12 324 | 12 324 |
| Investments | 8 | 20 402 | 46 692 | - | 3 778 | 46 526 | 117 398 |
| | | <u>34 807</u> | <u>46 692</u> | <u>-</u> | <u>3 778</u> | <u>58 850</u> | <u>144 127</u> |
| Weighted average interest rate (percent) | | 5.43 | 6.07 | - | 5.85 | - | |
| Financial Liabilities: | | | | | | | |
| Trade creditors | 12 | - | - | - | - | 21 178 | 21 178 |
| Borrowings | 13 | - | 2 863 | 17 175 | - | 1 982 | 22 020 |
| | | <u>-</u> | <u>2 863</u> | <u>17 175</u> | <u>-</u> | <u>23 160</u> | <u>43 198</u> |
| Weighted average interest rate (percent) | | - | 10.20 | 10.42 | - | - | |
| | | 1999 | | | | | |
| | | Floating Interest Rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | Non- Interest Bearing \$'000 | Total \$'000 |
| Financial Assets: | Note | | | | | | |
| Cash | | 8 252 | - | - | - | - | 8 252 |
| Receivables | 7 | - | - | - | - | 10 236 | 10 236 |
| Investments | 8 | 26 410 | 59 799 | - | 4 846 | 41 902 | 132 957 |
| | | <u>34 662</u> | <u>59 799</u> | <u>-</u> | <u>4 846</u> | <u>52 138</u> | <u>151 445</u> |
| Weighted average interest rate (percent) | | 4.88 | 5.37 | - | 5.13 | - | |
| Financial Liabilities: | | | | | | | |
| Trade creditors | 12 | - | - | - | - | 12 900 | 12 900 |
| Borrowings | 13 | - | 2 863 | 17 175 | - | 778 | 20 816 |
| | | <u>-</u> | <u>2 863</u> | <u>17 175</u> | <u>-</u> | <u>13 678</u> | <u>33 716</u> |
| Weighted average interest rate (percent) | | - | 10.20 | 10.42 | - | - | |

(b) Foreign Exchange Risk

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

(c) Credit Risk Exposure

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

(i) On-Statement of Financial Position Financial Instruments

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

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

(ii) Off-Statement of Financial Position Financial Instruments

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

(d) Net Fair Values of Financial Assets and Liabilities

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

(i) On-Statement of Financial Position Financial Instruments

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

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

- (i) *On-Statement of Financial Position Financial Instruments (continued)*
The carrying amount of bank term deposits, accounts payable and bank loans approximate net fair value.

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

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

| 26. Investment in Controlled Entities | Controlled entities and contribution to Operating result before elimination of consolidation items: | Investment at Cost | | Contribution to Operating Result | |
|--|---|--------------------|----------------|----------------------------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| | Controlled Entity: | | | | |
| | Luminis Investment Trust | 2 898 | 2 898 | (399) | (80) |
| | Lubims Pty Ltd | - | - | 79 | 480 |
| | Martindale Holdings Pty Ltd as trustee for: | | | | |
| | JS Davies Estate | - | - | 972 | 152 |
| | JAT Mortlock Trust | - | - | 306 | 479 |
| | Roseresco Pty Ltd (Liquidated 24.12.99) | - | - | - | 35 |
| | | 2 898 | 2 898 | 958 | 1 066 |

JS Davies Estate

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

| 27. Investments in Associates | (a) Equity and Contribution to Results | Holding Percent | Consolidated Carrying Amount | | Investment At Cost | | | |
|--------------------------------------|---|--|------------------------------|----------------|--------------------|----------------|------------|--|
| | | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | | |
| | Associate Entity | Principal Activity | | | | | | |
| | Held by the University of Adelaide | | | | | | | |
| | AITEC Pty Ltd | Provides advanced information technology courses | 25.0 | 140 | 289 | - | - | |
| | Unisure Pty Ltd | Responsible for processing of Tertiary Institution Workers Compensation Insurance | 33.3 | - | - | - | - | |
| | Ngee Ann Adelaide Education Centre Pte Ltd | Operates a graduate education centre in Singapore | 50.0 | 22 | - | 197 | 197 | |
| | Anti-Cancer Foundation Pty Ltd | Fundraising and educational awareness of cancer | 50.0 | - | - | - | - | |
| | | | | 162 | 289 | 197 | 197 | |
| | (b) Movements in Carrying Amounts of Investments In Associates | | | | | | | |
| | At 1 January | | | 289 | 459 | - | - | |
| | Share of operating (losses) profits | | | (127) | (170) | - | - | |
| | | | | 162 | 289 | - | - | |
| | (c) Results Attributed to Associates | | | | | | | |
| | Operating (losses) profits | | | (127) | (170) | - | - | |
| | Retained profits attributable to associates | | | 289 | 459 | - | - | |
| | Retained profits attributable to associates as at 31 December 2000 | | | 162 | 289 | - | - | |
| | (d) Accounting for Associates | | | | | | | |
| | (i) <i>Capital and Other Expenditure Commitments</i> | There are no material capital expenditure commitments relating to associated entities. | | | | | | |
| | (ii) <i>Contingent Liabilities</i> | There are no material contingent liabilities relating to associated entities. | | | | | | |
| | (iii) <i>After Balance Date Events</i> | There are no material after balance date events to report for associated entities. | | | | | | |
| | (iv) <i>Assets, Revenue and Expenditure</i> | Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts. | | | | | | |
| | (v) <i>Off-Statement of Financial Position Financial Instruments</i> | Neither the reporting entity, nor any of its associated entities, have any Off-Statement of Financial Position Financial Instruments. | | | | | | |

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

The University participates in a number of joint ventures. None of these operations are material to the University and there is no separate disclosure for 2000 in accordance with Australian Accounting Standard AAS 19 'Accounting for Interests in Joint Ventures'. For reporting purposes these have been segregated into two groups as follows - refer accounting policy 3(h).

(i) Cooperative Research Centres

The University participates in a number of Cooperative Research Centres (CRCs) at 31 December 2000. These Centres have the characteristics of joint ventures for a defined period (generally seven years) and have been reported as such.

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

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure. The University provides activity on a fee for service basis which is reimbursed by the CRC. In addition, over the life of the joint venture the University provides cash and 'in kind' contributions (staff and access to facilities), which are part of its contractual obligations and are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd (see below), there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

One successful example of a CRC achieving commercial value for the intellectual property created is GroPep Ltd, a company listed on the Australian Stock Exchange and one in which the University holds a significant interest. Refer Note 29.

| | | | Participation Percent |
|---|-----|-----|----------------------------------|
| Australian Petroleum CRC | (U) | (C) | 13 |
| CRC for Welded Structures (was CRC for Materials Welding & Joining) | (I) | (C) | 7 |
| CRC for Molecular Plant Breeding | (U) | - | 17 |
| CRC for Clean Power from Lignite (was New Technology for Power Generation from Low Rank Coal) | (U) | (C) | 10 |
| CRC for Premium Quality Wool | (U) | (C) | 3 |
| CRC for Sensor Signal and Information Processing | (U) | - | 16 |
| CRC for Tissue Growth and Repair | (U) | (C) | 16 |
| CRC for Viticulture | (U) | (C) | 18 |
| CRC for Water Quality and Treatment | (U) | (C) | 6 |
| CRC for Weed Management Systems | (U) | (C) | 7 |
| CRC for Biological Control of Pest Animals | (U) | (C) | 8 |

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

(ii) Other Unincorporated Joint Ventures

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

The economic entity's reported interest in the assets employed in the joint ventures total \$202 000 (\$150 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3.

(b) Accounting for Joint Ventures**(i) Capital and Other Expenditure Commitments**

There are no material capital expenditure commitments relating to joint ventures.

(ii) Contingent Liabilities

There are no known material contingent liabilities relating to joint ventures.

- (iii) **After Balance Date Events**
There are no material after balance date events to report for joint ventures.
- (iv) **Assets, Revenue and Expenditure**
Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.
- (v) **Off-Statement of Financial Position Financial Instruments**
Neither the reporting entity, nor any of its joint ventures, have any Off-Statement of Financial Position Financial Instruments.

(c) **Joint Venture Accounts Not Received**

Joint venture accounts are reported in accordance with Note 3, with the exception of The South Australian Centre for Economic Studies. Financial Statements for this joint venture were not received for inclusion in the 2000 Financial Statements. Their omission does not distort the overall financial position of the University, as the amounts involved are not considered material.

29. **Other Investments**

The University holds investments in the following business undertakings:

| Entity | Note | Consolidated Investment | | University | |
|--|------|-------------------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Investments at Cost: | | | | | |
| Ngapartji Pty Ltd | | 171 | 75 | 75 | 75 |
| IDP Education Australia Ltd | | 10 | 10 | 10 | 10 |
| KeyCorp Ltd | | 5 000 | - | 5 000 | - |
| Other equity investments | | 18 | 18 | 18 | 18 |
| | | 5 199 | 103 | 5 103 | 103 |
| Investments at Council Valuation 2000: | | | | | |
| Other | | 264 | - | - | - |
| Held by Luminis Investment Trust: | 3(h) | | | | |
| BresaGen Ltd - Biotechnology research | | 7 934 | 7 934 | - | - |
| GroPep Ltd - Biotechnology research | | 638 | 638 | - | - |
| | | 8 572 | 8 572 | - | - |
| | | 14 035 | 8 675 | 5 103 | 103 |

Shares held by the Luminis Investment Trust had a market value of \$33.9 million as at 31 December 2000. This valuation was calculated using the final quoted sale price on the Australian Stock Exchange. These shares are subject to escrow and other conditions, which prevent an accurate determination of their value to the economic entity. Accordingly, the valuation has remained unchanged from 1999.

30. **Related Party Transactions**

(a) **Councillor Related Transactions**

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

Professor M O'Kane is a Board member of the CSIRO. Board fees derived by Professor O'Kane from the CSIRO are paid to the University.

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

Mr NR Adler, AO, is a director of Telstra Corporation Ltd. The University purchases services from Telstra on normal commercial terms and conditions. The University receives research grants from Telstra. In addition, Telstra owns 50 percent of Keycorp Ltd, the company which acquired the e-commerce operations of Camtech. (Refer Note 20). Mr Adler advised that he did not participate in Telstra's decision making process in respect of the Camtech transaction. Mr Adler is also a director of The Australian Trade Commission (Austrade), which provides on normal commercial terms to the University various marketing services, primarily in the area of international students.

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

(b) **CSIRO**

The University leases land at peppercorn rents to the CSIRO. On this land the CSIRO has erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - Refer to Note 28.

(c) **Fees Paid To Members of Council**

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

(d) Students at Adelaide University

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

The following information being Note 31 to Note 37 has been prepared in accordance with the DETYA reporting guidelines.

| 31. | | Operating Statement for the year ended 31 December 2000 | | | |
|--|-------|--|----------------|----------------|----------------|
| | | Consolidated | | University | |
| | Note | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| OPERATING REVENUE: | | | | | |
| | | | | | |
| Commonwealth Government grants | 32 | 153 976 | 146 098 | 153 976 | 146 098 |
| Higher Education Contribution Scheme (HECS) | 33 | 36 990 | 36 803 | 36 990 | 36 803 |
| State Government grants | 35 | 6 849 | 6 671 | 6 639 | 6 466 |
| Other research grants and contracts | | 9 230 | 7 195 | 8 922 | 7 195 |
| Scholarships and prizes | 5 | 1 237 | 679 | 1 237 | 654 |
| Donations and bequests | 5 | 2 055 | 1 603 | 2 755 | 2 731 |
| Investment income | 5 | 6 596 | 9 678 | 6 243 | 10 448 |
| Fees and charges | 36 | 42 403 | 38 682 | 40 227 | 38 203 |
| Other revenue | | 49 869 | 58 558 | 19 512 | 22 702 |
| Deferred government contributions for superannuation | 21(e) | (2 600) | 2 600 | (2 600) | 2 600 |
| Total Operating Revenue from Ordinary Activities | | 306 605 | 308 567 | 273 901 | 273 900 |
| OPERATING EXPENSES: | | | | | |
| | | | | | |
| Academic activities | 37 | 161 676 | 158 739 | 161 676 | 158 739 |
| Library | | 14 234 | 14 221 | 14 234 | 14 221 |
| Other academic support services | | 21 348 | 19 330 | 21 348 | 19 330 |
| Student services | | 21 702 | 18 990 | 21 702 | 18 990 |
| Public services | | 2 105 | 1 429 | 2 105 | 1 429 |
| Buildings and grounds | | 18 736 | 19 724 | 18 632 | 19 287 |
| Administration and other general institutional services | | 66 649 | 70 061 | 35 082 | 35 906 |
| Deferred employee benefits for superannuation | 21(e) | (2 600) | 2 600 | (2 600) | 2 600 |
| Total Operating Expenses from Ordinary Activities | | 303 850 | 305 094 | 272 179 | 270 502 |
| OPERATING RESULT | | 2 755 | 3 473 | 1 722 | 3 398 |
| ACCUMULATED FUNDS AT 1 JANUARY | | 73 741 | 72 348 | 63 745 | 62 618 |
| TRANSFERS: | | | | | |
| | | | | | |
| To reserves | 16 | (4 647) | (2 067) | (4 647) | (2 271) |
| Outside equity interest | | (1 664) | (13) | - | - |
| ACCUMULATED FUNDS AT 31 DECEMBER | | 70 185 | 73 741 | 60 820 | 63 745 |

| 32. Commonwealth Government Grants Received | University | |
|---|----------------|----------------|
| | 2000 | 1999 |
| (a) Grants received pursuant to the Higher Education Funding Act 1988, excluding HECS: | \$'000 | \$'000 |
| Operating purposes (excluding HECS) | 100 911 | 100 208 |
| Special research assistance: | | |
| Large research grants | 5 975 | 6 325 |
| Small research grants | 1 714 | 1 687 |
| Strategic partnerships with industry | 1 795 | 1 970 |
| Special research centres | 2 753 | 1 463 |
| Key centres | 175 | 210 |
| Australian postgraduate awards | 3 677 | 3 688 |
| International postgraduate research scholarships | 949 | 978 |
| Research fellowships | 1 927 | 2 362 |
| International researcher exchange | 218 | 10 |
| Research infrastructure block grants | 5 453 | 5 446 |
| Research infrastructure equipment and facilities | 1 938 | 665 |
| ANZCCART | - | 21 |
| Advanced engineering centres | - | 562 |
| Teaching hospitals | 506 | 497 |
| | 127 991 | 126 092 |
| (b) Other Commonwealth Government Grants received: | | |
| Attorney-General's Department | 13 | - |
| Austrade | - | 25 |
| Australia Council | 8 | 45 |
| Australian Geological Survey Organisation | - | 37 |
| Australia India Council | - | 17 |
| Australian Institute of Nuclear Science and Engineering | - | 3 |
| Australian Nuclear Science and Technology Organisation | 6 | - |
| Australian Wool Research and Promotion Organisation | 45 | - |
| Bureau of Rural Sciences | - | 48 |
| Centrelink | 4 | - |
| Community Broadcasting Foundation | - | 41 |
| CSIRO | 214 | 154 |
| Defence, Science and Technology Organisation | 170 | 250 |
| Department of Agriculture, Fisheries and Forestry | 9 231 | 6 411 |
| Department of Communications and the Arts | 45 | 58 |
| Department of Education, Training and Youth Affairs | 439 | 193 |
| Department of Employment, Workplace Relations and Small Business | - | 207 |
| Department of Environment and Heritage | 189 | 110 |
| Department of Foreign Affairs and Trade | 510 | 696 |
| Department of Health and Aged Care | 14 533 | 11 362 |
| Department of Industry, Science and Resources | 376 | 256 |
| Department of Veterans Affairs | 86 | 85 |
| Energy Research and Development Corporation | - | 6 |
| Department of Primary Industries and Energy | 116 | - |
| Other | - | 2 |
| | 25 985 | 20 006 |
| Total Commonwealth Government Grants excluding HECS | 153 976 | 146 098 |

33. Acquittal of Commonwealth Government Grants - Teaching and LearningAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:**University Only**

| | Operating Grant Excluding HECS | | HECS | | Teaching Hospitals | | Advanced Engineering Centre | |
|--|-----------------------------------|----------------|----------------|----------------|-----------------------|----------------|--------------------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (received in the previous reporting period) | 8 030 | 7 987 | 2 486 | 2 560 | 40 | 40 | - | 45 |
| Add: Grants received during reporting period | 102 850 | 100 251 | 30 897 | 31 634 | 507 | 497 | - | 517 |
| Contributions actually received from students | - | - | 6 201 | 5 095 | - | - | - | - |
| Less: Grants in advance (received in the reporting period for the next reporting period) | (9 969) | (8 030) | (2 594) | (2 486) | (41) | (40) | - | - |
| Accrual adjustments | - | - | - | - | - | - | - | - |
| Revenue attributed to the reporting period | 100 911 | 100 208 | 36 990 | 36 803 | 506 | 497 | - | 562 |
| Add: Surplus prior year | 987 | 447 | - | - | 497 | - | - | - |
| Funds available for the reporting period | 101 898 | 100 655 | 36 990 | 36 803 | 1 003 | 497 | - | 562 |
| Less: Expenses for current period | (100 638) | (99 668) | (36 990) | (36 803) | (1 003) | - | - | (562) |
| Surplus for reporting period | 1 260 | 987 | - | - | - | 497 | - | - |

34. Acquittal of Commonwealth Government Grants - ResearchAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:**University Only**

| | Large Research | | Small Research | | Strategic Partnerships with Industry | | Special Research Centres | | Key Centres | |
|--|----------------|----------------|----------------|----------------|---|----------------|-----------------------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (received in the previous reporting period) | 340 | 355 | - | - | 101 | 131 | 50 | - | 14 | 17 |
| Add: Grants received during reporting period | 5 635 | 6 310 | 1 849 | 1 687 | 1 694 | 1 940 | 2 703 | 1 513 | 161 | 207 |
| Less: Grants in advance (received in the reporting period for the next reporting period) | - | (340) | (135) | - | - | (101) | - | (50) | - | (14) |
| Accrual adjustments | - | - | - | - | - | - | - | - | - | - |
| Revenue attributed to the reporting period | 5 975 | 6 325 | 1 714 | 1 687 | 1 795 | 1 970 | 2 753 | 1 463 | 175 | 210 |
| Add: Surplus prior year | 1 895 | 2 069 | 718 | 612 | 361 | 250 | - | - | - | - |
| Funds available for the current period | 7 870 | 8 394 | 2 432 | 2 299 | 2 156 | 2 220 | 2 753 | 1 463 | 175 | 210 |
| Less: Expenses for current period | (6 328) | (6 499) | (1 522) | (1 581) | (1 372) | (1 859) | (1 241) | (1 463) | (175) | (210) |
| Surplus for reporting period | 1 542 | 1 895 | 910 | 718 | 784 | 361 | 1 512 | - | - | - |

| | Special Research Initiatives | | Australian Postgraduate Awards | | International Postgraduate Research Scholarships | | Research Fellowships | |
|--|---------------------------------|----------------|-----------------------------------|----------------|---|----------------|----------------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (received in the previous reporting period) | - | - | - | - | - | - | 139 | 138 |
| Add: Grants received during reporting period | - | - | 3 677 | 3 688 | 949 | 978 | 1 788 | 2 363 |
| Less: Grants in advance (received in the reporting period for the next reporting period) | - | - | - | - | - | - | - | (139) |
| Accrual adjustments | - | - | - | - | - | - | - | - |
| Revenue attributed to the reporting period | - | - | 3 677 | 3 688 | 949 | 978 | 1 927 | 2 362 |
| Add: Surplus prior year | 2 | 26 | 156 | 199 | - | - | 205 | 153 |
| Funds available for the current period | 2 | 26 | 3 833 | 3 887 | 949 | 978 | 2 132 | 2 515 |
| Less: Expenses for current period | (2) | (24) | (3 833) | (3 731) | (949) | (978) | (1 975) | (2 310) |
| Surplus for current period | - | 2 | - | 156 | - | - | 157 | 205 |

34. **Acquittal of Commonwealth Government Grants - Research (continued)**

| | International Research Fellowships | | International Researcher Exchange | | Research Infrastructure Block Grant | | Research Infrastructure Equipment & Facilities | |
|--|------------------------------------|----------------|-----------------------------------|----------------|-------------------------------------|----------------|--|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Grants in advance (received in the previous reporting period) | - | - | - | - | - | 436 | - | - |
| Add: Grants received during reporting period | - | - | 218 | 10 | 5 900 | 5 010 | 1 938 | 665 |
| Less: Grants in advance (received in the reporting period for the next reporting period) | - | - | - | - | (447) | - | - | - |
| Accrual adjustments | - | - | - | - | - | - | - | - |
| Revenue attributed to the reporting period | - | - | 218 | 10 | 5 453 | 5 446 | 1 938 | 665 |
| Add: Surplus prior year | 6 | 51 | - | - | 703 | - | 4 | - |
| Funds available for the current period | 6 | 51 | 218 | 10 | 6 156 | 5 446 | 1 942 | 665 |
| Less: Expenses for current period | (6) | (45) | (155) | (10) | (6 156) | (4 743) | (1 539) | (661) |
| Surplus for current period | - | 6 | 63 | - | - | 703 | 403 | 4 |

| 35. | State Government Grants | | Consolidated | | University | |
|-----|---|------|----------------|----------------|----------------|----------------|
| | | | 2000 | 1999 | 2000 | 1999 |
| (a) | South Australian Government, State Government Grants | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| | Arts SA | | 91 | 106 | 91 | 106 |
| | Central Yorke Peninsula Hospital | | 9 | 15 | 9 | 15 |
| | Corporate Services | | - | 14 | - | 14 |
| | Department for Employment, Training and Further Education | | 173 | 57 | 173 | 57 |
| | Department of Education and Children's Services | | - | 35 | - | 35 |
| | Department for Environment and Heritage | | 423 | 326 | 423 | 326 |
| | Department of Human Services | | 517 | 404 | 517 | 404 |
| | Department of Industry and Trade | | 61 | - | 61 | - |
| | Department of the Premier and Cabinet | | - | 35 | - | 35 |
| | Department of Primary Industries and Resources (PIRSA) | | 1 048 | 982 | 1 048 | 982 |
| | Department of Treasury and Finance | | 110 | - | 110 | - |
| | Drug and Alcohol Services Council | | 66 | 92 | 66 | 92 |
| | Information Technology Workforce Strategy Office | | - | 124 | - | 124 |
| | Institute of Medical and Veterinary Science | | 112 | 113 | 112 | 113 |
| | Lyell McEwin Hospital | | - | 120 | - | 120 |
| | Multi Function Polis Australia | | - | 13 | - | 13 |
| | North Western Adelaide Health Service | | 1 931 | 88 | 1 931 | 88 |
| | North Western Adelaide Mental Health Services | | 33 | 58 | 33 | 58 |
| | Northern Adelaide and Barossa Catchment Water Management Board | | 22 | 30 | 22 | 30 |
| | Patawalonga Catchment Water Management Board | | 1 | 19 | 1 | 19 |
| | Planning SA | | 38 | 120 | 38 | 120 |
| | Police Department SA | | 149 | 221 | 149 | 221 |
| | Royal Adelaide Hospital | | 883 | 865 | 883 | 865 |
| | SA Dental Service | | 108 | 135 | 108 | 135 |
| | SA Housing Trust | | 20 | 30 | 20 | 30 |
| | SA Water | | 34 | 14 | 34 | 14 |
| | South Australian Research and Development Institute | | 134 | 230 | 134 | 230 |
| | South Australian State Energy Research Advisory Committee | | - | 19 | - | 19 |
| | Southern Yorke Peninsula Health Service | | 103 | 413 | 103 | 208 |
| | SYP Health Commission | | 210 | - | - | - |
| | The Queen Elizabeth Hospital | | 161 | 1 582 | 161 | 1 582 |
| | Torrens Catchment Water Management Board | | - | 16 | - | 16 |
| | Transport SA | | 20 | 21 | 20 | 21 |
| | Women's and Children's Hospital | | 323 | 319 | 323 | 319 |
| | WorkCover Corporation | | 14 | 12 | 14 | 12 |
| | Other | | 29 | 34 | 29 | 34 |
| | | | 6 823 | 6 662 | 6 613 | 6 457 |
| (b) | Other State Government Grants | | 26 | 9 | 26 | 9 |
| | Total State Government Grants | | 6 849 | 6 671 | 6 639 | 6 466 |
| 36. | Fees and Charges | | | | | |
| | Fees and charges were collected from the following sources during the reporting period: | | | | | |
| | Student fee income | 5 | 28 100 | 31 224 | 28 100 | 31 224 |
| | Library charges and fines | | 1 034 | 622 | 1 034 | 622 |
| | Application management and late fees | | 248 | 35 | 248 | 35 |
| | Parking fees | | 845 | 651 | 845 | 651 |
| | Rental charges and accommodation fees | | 3 098 | 3 136 | 3 098 | 2 657 |
| | Recharge of costs to other organisations | | 2 994 | - | 2 994 | - |
| | Other | | 6 084 | 3 014 | 3 908 | 3 014 |
| | Total Fees and Charges | | 42 403 | 38 682 | 40 227 | 38 203 |
| 37. | Expenses Attributed to Functions | | | | | |
| | Academic Activities: | | | | | |
| | Academic staff salaries | | 65 396 | 64 462 | 65 396 | 64 462 |
| | Academic staff salary related expenses | | 15 435 | 17 127 | 15 435 | 17 127 |
| | Non-academic staff salaries | | 26 850 | 26 759 | 26 850 | 26 759 |
| | Non-academic staff salary related expenses | | 9 637 | 7 255 | 9 637 | 7 255 |
| | Depreciation and amortisation expense: | | | | | |
| | Plant and equipment | | 3 352 | 3 895 | 3 352 | 3 895 |
| | Other expenses | | 41 006 | 39 241 | 41 006 | 39 241 |
| | Total Academic Activities | | 161 676 | 158 739 | 161 676 | 158 739 |
| | Library: | | | | | |
| | Non-academic staff salaries | | 4 711 | 4 794 | 4 711 | 4 794 |
| | Non-academic staff salary related expenses | | 1 703 | 1 795 | 1 703 | 1 795 |
| | Depreciation and amortisation expense: | | | | | |
| | Library | | 5 814 | 5 850 | 5 814 | 5 850 |
| | Plant and equipment | | 54 | 73 | 54 | 73 |
| | Other expenses | | 1 952 | 1 709 | 1 952 | 1 709 |
| | Total Library | | 14 234 | 14 221 | 14 234 | 14 221 |

| 37. Expenses Attributed to Functions (continued) | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Other Academic Support Services: | | | | |
| Academic staff salaries | 906 | 697 | 906 | 697 |
| Academic staff salary related expenses | 242 | 241 | 242 | 241 |
| Non-academic staff salaries | 7 338 | 4 826 | 7 338 | 4 826 |
| Non-academic staff salary related expenses | 2 242 | 948 | 2 242 | 948 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 444 | 494 | 444 | 494 |
| Other expenses | 10 176 | 12 124 | 10 176 | 12 124 |
| Total Other Academic Support Services | 21 348 | 19 330 | 21 348 | 19 330 |
| Student Services: | | | | |
| Academic staff salaries | 668 | 1 165 | 668 | 1 165 |
| Academic staff salary related expenses | 124 | 326 | 124 | 326 |
| Non-academic staff salaries | 2 550 | 1 389 | 2 550 | 1 389 |
| Non-academic staff salary related expenses | 815 | 440 | 815 | 440 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 10 | 9 | 10 | 9 |
| Other expenses | 17 535 | 15 661 | 17 535 | 15 661 |
| Total Student Services | 21 702 | 18 990 | 21 702 | 18 990 |
| Public Services: | | | | |
| Academic staff salaries | 207 | 158 | 207 | 158 |
| Academic staff salary related expenses | 26 | 37 | 26 | 37 |
| Non-academic staff salaries | 840 | 635 | 840 | 635 |
| Non-academic staff salary related expenses | 224 | 169 | 224 | 169 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 24 | 25 | 24 | 25 |
| Other expenses | 784 | 405 | 784 | 405 |
| Total Public Services | 2 105 | 1 429 | 2 105 | 1 429 |
| Buildings and Grounds: | | | | |
| Non-academic staff salaries | 1 949 | 2 911 | 1 949 | 2 872 |
| Non-academic staff salary related expenses | 526 | 1 059 | 526 | 1 049 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 87 | 114 | 87 | 114 |
| Buildings and leasehold improvements | 3 869 | 3 372 | 3 694 | 3 334 |
| Other expenses | 12 305 | 12 268 | 12 376 | 11 918 |
| Total Buildings and Grounds | 18 736 | 19 724 | 18 632 | 19 287 |
| Administration and Other General Institutional Services: | | | | |
| Academic staff salaries | 610 | 524 | 610 | 524 |
| Academic staff salary related expenses | 298 | 107 | 298 | 238 |
| Non-academic staff salaries | 16 668 | 21 763 | 11 176 | 13 393 |
| Non-academic staff salary related expenses | 5 449 | 6 369 | 4 003 | 5 082 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 1 546 | 1 333 | 775 | 794 |
| Software and system development costs | 1 939 | 315 | 1 852 | 315 |
| Other expenses | 40 139 | 39 650 | 16 368 | 15 560 |
| Total Administration and Other General Institutional Services | 66 649 | 70 061 | 35 082 | 35 906 |
| Total: | | | | |
| Academic staff salaries | 67 787 | 67 006 | 67 787 | 67 006 |
| Academic staff salary related expenses | 16 125 | 17 838 | 16 125 | 17 969 |
| Non-academic staff salaries | 60 906 | 63 077 | 55 414 | 54 668 |
| Non-academic staff salary related expenses | 20 596 | 18 035 | 19 150 | 16 738 |
| Depreciation and amortisation expense: | | | | |
| Plant and equipment | 5 517 | 5 943 | 4 746 | 5 404 |
| Buildings and leasehold improvements | 3 869 | 3 372 | 3 694 | 3 334 |
| Library | 5 814 | 5 850 | 5 814 | 5 850 |
| Software and system development costs | 1 939 | 315 | 1 852 | 315 |
| Sub-total depreciation expense | 17 139 | 15 480 | 16 106 | 14 903 |
| Other expenses | 123 897 | 121 058 | 100 197 | 96 618 |
| Deferred employee benefit for superannuation | 306 450 | 302 494 | 274 779 | 267 902 |
| (2 600) | 2 600 | (2 600) | 2 600 | |
| TOTAL EXPENSES | 303 850 | 305 094 | 272 179 | 270 502 |

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

The University of South Australia was established by the *University of South Australia Act 1990*. The mission of the University is to advance, disseminate and preserve knowledge through the provision of a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

The University operated from six campuses during 2000: City East, City West, Magill, The Levels, Underdale and Whyalla.

During 2000, the following entities were controlled by the University:

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

SIGNIFICANT FEATURES

Consolidated operations for the year resulted in a surplus of \$2.4 million (surplus of \$1.3 million in 1999).

Income from fee paying overseas students totalled \$28.9 million, an increase of \$8.9 million from the previous year total of \$20 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the Financial Statements and internal control.

The scope of the audit for 2000 included:

- strategic planning
- budgetary control
- payroll
- expenditure
- fixed assets
- revenue.

Consideration was also given to the work of Internal Audit in framing the audit coverage.

Audit Communications to the University

Matters arising during the course of the Audit were detailed in a management letter to the Chancellor. The University's Audit Committee noted the management letter and accepted management's response. The response was subsequently received by Audit and considered to be satisfactory. The comments in 'Audit Findings and Comments' hereunder summarise the major matters raised with the University and the related responses. The responses indicate the University's approach to cost effective, risk based control.

AUDIT FINDINGS AND COMMENTS

Strategic Planning

The University has for some years relied on its Corporate Plan, supported by annual business plans at division and portfolio levels, to focus its activities over the short and longer term through the identification of high level objectives (and related key performance indicators) to be achieved over, generally, a three year timeframe. Measurement of the achievement of these high level objectives is undertaken annually in the context that the Corporate Plan is a rolling plan.

Following a review of these processes, Audit made some suggestions in relation to the University formalising its short-term task orientated elements for any one year of operation through a corporate Business Plan monitored progressively throughout the relevant year.

The University responded that its planning processes were one of the University's key strengths involving regular monitoring of both financial and non-financial key performance indicators. Detailed operational planning supported this, given that local managers had an important role to play in the planning and review process and are accountable for outcomes within time periods that represent a natural business cycle. The University also noted that its corporate planning and review process is reviewed periodically, most recently in November 2000, to ensure continuous improvement in practices. It was stated that Audit's comments would be considered in the next review of the planning and review process.

Budgetary Control

Budgetary control is a critical high-level control utilised by the University. The responsibility for budgetary control has been delegated to cost centre managers. Their work, in turn, supports higher level management reporting and monitoring. A review of monitoring and reporting aspects of budgetary control was undertaken for the 2000 year.

Monitoring and Reporting

From a review of reporting to Council and its committees (with financial monitoring responsibilities), Audit noted some internally identified improvements sought in relation to the monitoring and reporting of the net return of some University activities. Audit noted and supported these aims recognising that not all the necessary information and related systems/processes for detailed net return analysis were, at the time, readily available within the University and that in response, action was underway to facilitate the production of such information. Audit suggested some practical, high-level analysis be prepared in the interim.

Audit also made observations on possible improvements in relation to monitoring and reporting the achievement of the University's short-term objectives. Recommendations were also made in relation to consistent, periodic and timely reporting and review.

The University responded that it would continue to develop systems and methods to better analyse its varied activities, noting it was a sector wide issue and advising that a major costing consultancy sponsored by DETYA reported in June 2000 that trials of activity-based costing approaches had had mixed success in three universities. It further noted that implementing new costing approaches was a complex matter but costing would be improved as rapidly as resources permit.

The University also indicated that its Finance Committee had guided improvements to financial reporting to the Council, and would continue to do so. It was generally satisfied with the current arrangements. It was noted that the University's business cycles are such that financial operations may be reported on less frequently than monthly intervals and this also supported the meeting schedules of Council and its committees.

Budgetary Control Guidelines

In acknowledgement of the significance of budgetary control in the University's control environment, Audit reviewed the budgetary control guidelines available to responsible managers within the University for the 2000 year. Audit found that budgetary control guidelines were not available to responsible managers for most of the 2000 year.

Audit recommended that the relevant draft guidelines be finalised and promulgated to University employees as soon as practicable and that these guidelines should be reviewed in the context of the University's operations on a periodic basis. Audit also made recommendations in regard to the guidelines being more prescriptive in relation to the frequency of budget monitoring, providing definition or guidance in relation to criteria and documentation for variation analysis, and retention of documentary evidence of the reviews performed.

The University responded that draft Guidelines for Budget Monitoring had been in use by divisional staff since September 2000 pending review of their suitability in the light of practice. The University supported Audit's recommendation to finalise the Guidelines and would give due consideration to the detailed issues raised by Audit in their finalisation.

Budgetary Control Practices

Audit reviewed practices for the 2000 year and found, for a sample of cost centres reviewed, there was limited evidence to confirm regular and timely review and explanation of variances from expenditure budgets. Audit considered that this weakened the related process for approval of significant variances. It was recommended that cost centre managers maintain sufficient evidence that all significant variances have been appropriately explained on a periodic and timely basis and consistently across the University.

The University responded that it supported Audit's recommendation that cost centre managers maintain sufficient evidence of the financial review process. It was noted that the nature of the review process is increasingly focused on performance against key indicators and does not necessarily require detailed variance analysis against budget estimates. Consistency in the practice of financial review would be pursued to the extent practicable.

Payroll

The periodic review by managers of listings of current employees within their cost centres has been a critical high-level control supporting the validity of payroll payments and control over such expenditure. During the course of the audit, Audit found, for a sample of cost centre managers reviewed, limited evidence to confirm that a periodic review of listings of current employees was undertaken and considered that control over such expenditure was lessened. Audit recommended that cost centre managers maintain sufficient evidence that listings of current employees have been periodically reviewed (and on a timely basis).

The University responded indicating the changing nature of payroll and that much staff appointment was now through fixed term contract arrangements. It considered that satisfactory procedures existed for monitoring and control to mitigate risks to an acceptable level including managing contract end dates and planning processes that occur at various points throughout the year (eg budget development, leave management) that require management review of staffing.

Performance Based Remuneration

A review was conducted of the frameworks supporting performance pay for senior managers and market allowances. Audit did not find any issues in terms of compliance with the University's 'Performance Management Guidelines'. Overall, Audit was of the opinion that there was a need for improvement in the processes supporting the awarding of these payments. Audit made suggestions in regard to establishing relevant criteria, documenting the attainment of criteria relative to performance payments and considerations in relation to consistency of application that would, in Audit's view, improve the process for such payments by evidencing a more transparent and objective process.

The University's response identified the current context and framework within which performance related payments are made with reference to documentation emanating from the University's current performance management framework. It indicated that work was in progress that would emphasise the link to the current performance management framework. The University indicated it would ensure that consistency is included in any processes associated with performance pay. It noted that market allowances were introduced solely for retention and attraction purposes and the current development of suitable guidelines to strengthen the process for the allocation and review, if needed, of market allowances but this will remain separate to the performance management process.

OTHER MATTERS

The other main matters arising from the audit included:

Payroll — including completeness of leave recording and completion of checklists by staff leaving the University.

Accounts payable — including limiting purchase order authority, segregation of duties, refinement of credit cards limits, expiration of contracts and need for some preferred supplier arrangements.

Revenue — including approval of fees, checking of manual invoices, collecting outstanding fees and policy for monitoring and write-off of certain bad debts.

Response

The University has responded satisfactorily to all of the other matters highlighting its acceptance and/or considerations in relation to the Audit suggestions and having regard to its assessment of risk and feasibility relevant to each matter.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the University of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Result of Operations

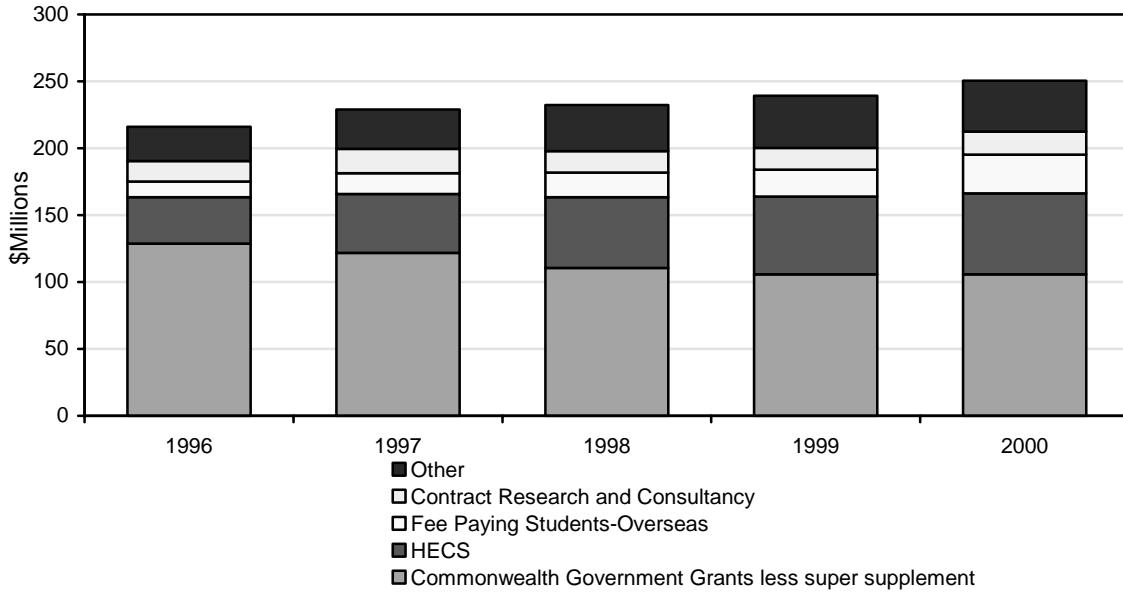
The consolidated result of operations for the year was a surplus of \$2.4 million (surplus of \$1.3 million in 1999), an increase of \$1.1 million. The result reflects an increase of \$11.3 million in operating revenue (excluding deferred government superannuation contribution) compared to an increase of \$10.2 million in operating expenses (excluding deferred government superannuation contribution).

Operating Revenue

The increase in consolidated operating revenue is due mainly to an increase in revenue from fee paying overseas students, which has continued its previous upward trend up by \$8.9 million to \$28.9 million from \$20 million in 1999.

Funding from the University's main revenue items, Commonwealth Government Grants and the Higher Education Contribution Scheme (HECS), increased by \$2.5 million reflecting an increase in the Commonwealth contributions component of HECS of \$2.2 million to \$52.1 million (\$49.9 million).

The following graph reflects the changing composition of revenues over recent years.

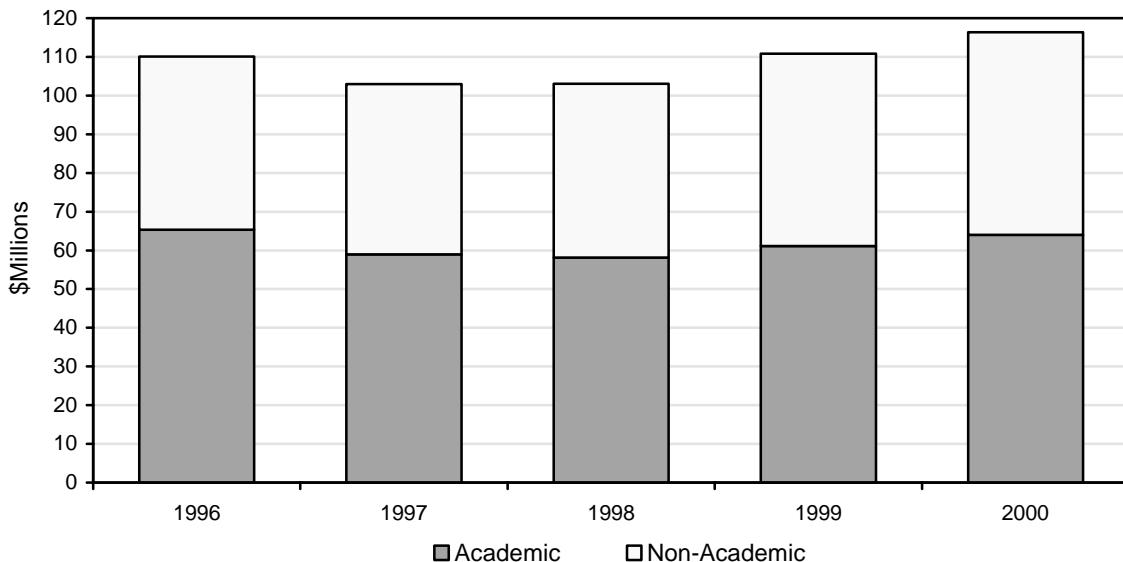


The graph highlights the success the University has had in increasing the proportion of revenue from fee-paying overseas students and the significance of those fees in relation to increasing the diversification of the University's revenue base.

Operating Expenses

Consolidated operating expenses (excluding deferred government superannuation contribution) increased to \$248 million (\$237.8 million). The main operating expense of the University (as for most service entities) is employee benefits and this item increased by \$10.7 million to \$161.2 million from \$150.6 million the previous year.

The following graph shows the changes in the academic and non-academic staff salaries components of employee benefits over recent years.



The graph highlights the effects of the University's changes in staffing from 1997 and the more recent increases in staff salary costs. In 2000, academic staff salaries increased by \$2.9 million or 4.8 percent to \$64 million (\$61.1 million) and non-academic staff salaries increased by \$2.5 million or 5.1 percent to \$52.3 million (\$49.7 million).

Statement of Financial Performance for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|---|---------------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| OPERATING REVENUES: | | | | | |
| Commonwealth Government grants | 1.1(d),2.1,27 | 105 792 | 105 729 | 105 792 | 105 729 |
| Higher Education Contribution Scheme: | | | | | |
| Student contributions | 2.2 | 8 451 | 8 212 | 8 451 | 8 212 |
| Commonwealth contributions | 2.2 | 52 085 | 49 898 | 52 085 | 49 898 |
| South Australia Government grants | 1.1(d),2.3 | 2 276 | 2 502 | 2 276 | 2 502 |
| Commonwealth superannuation supplementation | | 17 437 | 19 127 | 17 437 | 19 127 |
| Fees and charges | 1.1(d),2.4 | 40 483 | 31 215 | 40 344 | 31 176 |
| Investment income | 1.1(d),2.5 | 2 813 | 2 086 | 2 883 | 2 007 |
| Royalties, trademarks and licenses | | 158 | 254 | 158 | 254 |
| Contract research and consultancy | 1.1(d) | 17 166 | 16 255 | 12 246 | 11 496 |
| Other revenue | 2.6 | 3 723 | 3 852 | 3 520 | 3 664 |
| Sub Total | | 250 384 | 239 130 | 245 192 | 234 065 |
| Deferred Government superannuation contribution | 15 | (23 600) | 15 600 | (23 600) | 15 600 |
| Total Operating Revenues | | 226 784 | 254 730 | 221 592 | 249 665 |
| OPERATING EXPENSES: | | | | | |
| Employee benefits | 2.7 | 161 244 | 150 553 | 158 746 | 147 883 |
| Depreciation and amortisation | 1.1(g) | 19 251 | 21 712 | 19 215 | 21 601 |
| Borrowing costs | | 2 679 | 3 009 | 2 563 | 2 993 |
| Net losses from sale of assets | | 1 389 | - | 1 433 | - |
| Bad and doubtful debts | | 197 | (56) | 197 | (56) |
| Other | 2.8 | 63 246 | 62 586 | 61 444 | 60 803 |
| Sub Total | | 248 006 | 237 804 | 243 598 | 233 224 |
| Deferred employee benefits for superannuation | 2.7, 15 | (23 600) | 15 600 | (23 600) | 15 600 |
| Total Operating Expenses | | 224 406 | 253 404 | 219 998 | 248 824 |
| OPERATING RESULT | | 2 378 | 1 326 | 1 594 | 841 |
| Add: ACCUMULATED FUNDS AT 1 JANUARY | 23 | 355 666 | 354 340 | 353 190 | 352 349 |
| ACCUMULATED FUNDS AT 31 DECEMBER | | 358 044 | 355 666 | 354 784 | 353 190 |

Statement of Financial Position as at 31 December 2000

| | Note | Consolidated | | University | |
|--------------------------------------|--------------|----------------|----------------|----------------|----------------|
| | | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash | | 2 353 | 2 236 | 2 115 | 1 276 |
| Receivables | 5 | 10 236 | 7 305 | 9 399 | 6 402 |
| Investments | 6 | 46 395 | 38 138 | 45 389 | 37 838 |
| Other | 7 | 23 768 | 22 263 | 23 765 | 22 220 |
| Total Current Assets | | 82 752 | 69 942 | 80 688 | 67 736 |
| NON-CURRENT ASSETS: | | | | | |
| Investments | 6 | 6 826 | 5 601 | 6 529 | 5 667 |
| Property, plant and equipment | 1.1(f,g,h),8 | 412 044 | 443 636 | 411 687 | 443 318 |
| Other | 7 | 238 500 | 262 900 | 238 500 | 262 900 |
| Total Non-Current Assets | | 657 370 | 712 137 | 656 716 | 711 885 |
| Total Assets | | 740 122 | 782 079 | 737 384 | 779 621 |
| CURRENT LIABILITIES: | | | | | |
| Revenue in advance | 11 | 17 896 | 16 436 | 17 703 | 16 313 |
| Creditors | 9 | 11 816 | 10 651 | 11 349 | 10 051 |
| Borrowings | 10 | 5 113 | 5 056 | 5 113 | 5 056 |
| Accrued liabilities | 1.1(i),12 | 15 219 | 13 094 | 15 039 | 13 019 |
| Other | 13 | 23 507 | 21 252 | 24 869 | 22 068 |
| Total Current Liabilities | | 73 551 | 66 489 | 74 073 | 66 507 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 10 | 15 050 | 20 106 | 15 050 | 20 106 |
| Accrued liabilities | 1.1(i),12 | 20 740 | 16 711 | 20 740 | 16 711 |
| Other | 13 | 238 500 | 262 900 | 238 500 | 262 900 |
| Total Non-Current Liabilities | | 274 290 | 299 717 | 274 290 | 299 717 |
| Total Liabilities | | 347 841 | 366 206 | 348 363 | 366 224 |
| NET ASSETS | | 392 281 | 415 873 | 389 021 | 413 397 |
| EQUITY: | | | | | |
| Asset revaluation reserve | 23 | 34 237 | 60 207 | 34 237 | 60 207 |
| Accumulated results of operations | | 358 044 | 355 666 | 354 784 | 353 190 |
| TOTAL EQUITY | | 392 281 | 415 873 | 389 021 | 413 397 |

Statement of Cash Flows for the year ended 31 December 2000

| | Note | Consolidated | | University | |
|---|--------|---|---|---|---|
| | | 2000 Inflows (Outflows) \$'000 | 1999 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 | 1999 Inflows (Outflows) \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Grant revenue: | | | | | |
| Commonwealth Government grants | | 126 167 | 117 816 | 126 167 | 117 816 |
| South Australian Government grants | | 2 274 | 2 484 | 2 274 | 2 484 |
| Higher Education Contribution Scheme: | | | | | |
| Student payments | | 8 451 | 8 212 | 8 451 | 8 212 |
| Higher Education Trust Fund | | 51 334 | 50 279 | 51 334 | 50 279 |
| Interest and investment earnings | | 2 765 | 1 728 | 2 883 | 1 650 |
| Fees, charges and other | | 60 857 | 56 077 | 55 820 | 50 674 |
| OUTFLOWS: | | | | | |
| Staff salaries | | (116 819) | (111 057) | (114 278) | (108 602) |
| Staff salary related expenditure | | (41 061) | (43 625) | (40 426) | (42 380) |
| Interest and other expenditure of finance paid | | (2 884) | (2 878) | (2 768) | (2 878) |
| Other | | (63 966) | (64 841) | (62 710) | (63 225) |
| Net Cash provided by Operating Activities | 24(ii) | 27 118 | 14 195 | 26 747 | 14 030 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 1 595 | 1 296 | 1 522 | 1 193 |
| OUTFLOWS: | | | | | |
| Investment | | (1 000) | (440) | (735) | (440) |
| Payments for property, plant and equipment | | (13 766) | (13 215) | (13 571) | (12 990) |
| Net Cash used in Investing Activities | | (13 171) | (12 359) | (12 784) | (12 237) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| OUTFLOWS: | | | | | |
| Repayment of borrowings | | (5 000) | (5 065) | (5 000) | (5 056) |
| Net Cash used in Financing Activities | | (5 000) | (5 065) | (5 000) | (5 056) |
| NET INCREASE (DECREASE) IN CASH HELD | | 8 947 | (3 229) | 8 963 | (3 263) |
| CASH AT 1 JANUARY | | 39 685 | 42 914 | 38 425 | 41 688 |
| CASH AT 31 DECEMBER | 24(i) | 48 632 | 39 685 | 47 388 | 38 425 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policy

1.1 Statement of Significant Accounting Policies

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

(a) Basis of Preparation

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

The financial statements comply, except as identified below, with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions. The basis of recognising grant income is not consistent with requirements of the Accounting Policy Statements to the extent that the requirements of the Accounting Policy Statements and the DETYA guidelines conflict.

The term 'Statement of Financial Performance' is a reporting requirement of DETYA, and does not reflect the early adoption of AAS 1 Statement of Financial Performance.

The financial statements have been prepared on the basis of historic costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

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

(b) Principles of Consolidation

The consolidated accounts include the accounts of the University and its controlled entities (detailed in Note 20). The effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

(c) Comparative Figures

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

(d) Revenue Recognition

• Grants

Grants received from DETYA under the Higher Education Funding Act are recognised in the period to which they relate. In accordance with DETYA instructions, the DETYA advance of \$13.676 million received in 2000 for 2001 (1999: \$13.263 million) has been recognised as income in advance of the operating year and recorded as a liability. Other government grants are recognised as revenue when they are received.

- *Fees and Charges*
Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.
 - *Investment Income*
Interest income is recognised as it accrues.
 - *Contract Research and Consultancy*
Income from consultancy and contract research is recognised in the period to which the grant relates, or the period in which the contract services are provided.
- (e) *Inventories*
Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.
- (f) *Property, Plant and Equipment*
Items of property, plant and equipment have been recognised in the financial statements as follows:
- *Land*
Land occupied by the University is either owned by the University in its own right or by the State Government. The value of the land is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University at 31 December 2000 has been recognised at unimproved value as determined by the South Australian Department for Administrative and Information Services.

Land is revalued every three years at unimproved value as determined by the South Australian Department for Administrative and Information Services. The last valuation was completed on 31 December 1998.
 - *Buildings*
Buildings controlled by the University at 31 December 2000 have been recognised at independent or Counsellor's valuation on the basis of its existing use. The last independent valuation was carried out as at 31 December 1998 by the South Australian Department for Administrative and Information Services, and is on the basis of written down current cost. A Counsellor's valuation was undertaken of certain buildings as at 31 December 2000, where the value of the buildings was considered to be materially different to the value ascribed by the independent valuer due to surplus capacity. Buildings constructed or under construction since 31 December 1998 are valued at the cost of construction.
 - *Building Infrastructure*
Building infrastructure controlled by the University at 31 December 2000 is recognised at independent or Counsellor's valuation on the basis of its existing use. The last independent valuation was carried out as at 31 December 1998 by the South Australian Department for Administrative and Information Services, and is on the basis of written down current cost. A Counsellor's valuation was undertaken of certain building infrastructure as at 31 December 2000, where the value of the building infrastructure was considered to be materially different to the value ascribed by the independent valuer due to surplus capacity.
 - *Library Collection*
The library collection is reported at University valuation, based on written down current cost as at 31 December 1998. The collection is reviewed at least every three years for valuation purposes. Library acquisitions since December 1998 are valued at historical cost less accumulated depreciation.
 - *Plant and Equipment*
The IT network is reported at University valuation, based on written down current cost as at 31 December 1998. The network is reviewed at least every three years for valuation purposes. All other items of plant and equipment are recorded at historic cost less accumulated depreciation.
 - *Leased Property, Plant and Equipment*
Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer Note 8(a) and 17.

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.
- (g) *Depreciation*
Depreciation is calculated on a straight line basis on all property, plant and equipment other than buildings under construction and land which are not subject to depreciation. Rates are calculated to allocate the cost or value of the assets over their estimated useful life to the entity.

| | | |
|-----|--|--|
| (g) | <i>Depreciation (continued)</i> Asset Class | 2000 Depreciation Range Percent |
| | Property: | |
| | Land | - |
| | Buildings | 0.51 - 5.62 |
| | Infrastructure | 1.87 - 3.17 |
| | Library Collection: | |
| | Serials | 3.82 - 5.90 |
| | Monographs | 5.62 - 9.00 |
| | Audio visual materials | 10.00 |
| | Plant and Equipment: | |
| | IT equipment | 25.00 - 33.33 |
| | Non IT equipment | 10.00 |
| | Motor vehicles | 20.00 |
| | Major IT facilities | 10.00 - 20.00 |

(h) *Restrictions on Assets*
Land, buildings and infrastructure asset values include \$7.164 million of land controlled by the University which are Crown Lands, and \$5.071 million of land dedicated for use by the Minister of Education. Such lands are unable to be sold.

The University has restrictions on all land, buildings and infrastructure by application of the *University of South Australia Act, 1990* Section 6(4) which states:

The University cannot, except with the approval of the Governor and in accordance with any terms or conditions stipulated by the Governor in granting that approval, sell, lease (except for a term not exceeding 21 years), or otherwise dispose of, mortgage or charge any of its real property.

(i) *Accrued Liabilities*
The long service leave liability is independently estimated by the long hand method prescribed by Australian Accounting Standard AAS 30, Accounting for Employee Entitlements. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability.

The liability for annual leave (including the leave loading) is calculated on current wage rates and includes superannuation benefits and payroll tax as appropriate.

1.2. Change in Accounting Policy

(a) *Change in Useful Life*
In 2000, the University reviewed the depreciation rates for the library collection and changed them to reflect the latest estimate of useful life. The effect of this change was to decrease depreciation expense for the period by \$1.8 million. As it is not practicable to determine the cumulative financial effect of this change to useful life for preceding periods, this new accounting policy has been applied from the beginning of the current reporting period.

There have been no other changes to accounting policies for 2000.

2. Operating Result

2.1 Commonwealth Government Grants (excluding HECS)

| Grants pursuant to the <i>Higher Education Funding Act 1988</i> , excluding HECS: | University | |
|---|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| Operating purposes excluding HECS | 95 143 | 96 303 |
| Capital development pool | 753 | - |
| Large research | 571 | 669 |
| Strategic partnerships with industry | 1 692 | 1 440 |
| Research fellowships | 91 | 127 |
| International research exchange | 20 | - |
| Special research centre | 1 255 | - |
| Research infrastructure equipment and facilities | 102 | - |
| Indigenous researchers development grant | (1) | 6 |
| Key centres for teaching and research | 116 | 126 |
| Collaborative research - ongoing | - | 624 |
| Small research | 209 | 213 |
| Research infrastructure block | 790 | 1 102 |
| Australian postgraduate awards | 1 053 | 1 019 |
| International postgraduate research | 215 | 233 |
| | 102 009 | 101 862 |
| Other commonwealth government grants: | | |
| Other commonwealth government research grants | 2 905 | 2 743 |
| Aboriginal tutorial assistance scheme grant | 343 | 252 |
| Rural health grant | - | 534 |
| Other commonwealth grants | 535 | 338 |
| | 3 783 | 3 867 |
| | 105 792 | 105 729 |

| 2.2 | Higher Education Contribution Scheme | University | | | |
|-----|--|---------------|---------------|---------------|---------------|
| | | 2000 | 1999 | 2000 | 1999 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Grants in advance (paid in the previous reporting period for the current reporting period) | 4 066 | 4 028 | | |
| | Add: Grants received during reporting period | 50 647 | 50 279 | | |
| | Add: Contributions actually received from students | 8 451 | 8 212 | | |
| | Less: Grants in advance (received in the reporting period for the next reporting period) | 4 233 | 4 066 | | |
| | Accrual adjustments: | | | | |
| | (Over) under trust funding for the year | 1 262 | (343) | | |
| | Reversal prior year accrual | 343 | - | | |
| | Revenue Attributed to the Reporting Period | 60 536 | 58 110 | | |
| | Add: Surplus/deficit prior year | - | - | | |
| | Funds available for the reporting period | 60 536 | 58 110 | | |
| | Less: Expenses for current period | 60 536 | 58 110 | | |
| | Surplus/Deficit for Reporting Period | - | - | | |
| 2.3 | South Australian Government Grants | Consolidated | | University | |
| | | 2000 | 1999 | 2000 | 1999 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Department of Education Training and Employment (DETE) | | | | |
| | certificate teaching | - | 4 | - | 4 |
| | Anangu Teacher Education Program (AnTEP) | 151 | 150 | 151 | 150 |
| | Research grants | 2 112 | 2 342 | 2 112 | 2 342 |
| | Other | 13 | 6 | 13 | 6 |
| | | 2 276 | 2 502 | 2 276 | 2 502 |
| 2.4 | Fees and Charges | | | | |
| | Fee-paying overseas students | 28 899 | 20 042 | 28 899 | 20 042 |
| | Fee-paying Australian postgraduate students | 2 910 | 2 678 | 2 910 | 2 678 |
| | Open Learning Australia (OLA) | 947 | 1 005 | 947 | 1 005 |
| | Fees - Flying school | 519 | 531 | 519 | 531 |
| | Hire of facilities | 1 464 | 1 604 | 1 464 | 1 604 |
| | Secondment support | 1 012 | 656 | 1 012 | 656 |
| | Seminar/workshop | 866 | 1 137 | 866 | 1 137 |
| | All other | 3 866 | 3 562 | 3 727 | 3 523 |
| | | 40 483 | 31 215 | 40 344 | 31 176 |
| 2.5 | Investment Income | | | | |
| | Dividends | 22 | - | 248 | - |
| | Interest | 2 415 | 1 728 | 2 259 | 1 649 |
| | Investment income from related parties | 376 | 358 | 376 | 358 |
| | | 2 813 | 2 086 | 2 883 | 2 007 |
| 2.6 | Other Revenue | | | | |
| | Profit on sale of assets - Other than investments | - | 168 | - | 179 |
| | Donations and bequests* | 1 258 | 1 530 | 943 | 1 097 |
| | Scholarships and prizes | 682 | 742 | 551 | 736 |
| | Other | 1 783 | 1 412 | 2 026 | 1 652 |
| | | 3 723 | 3 852 | 3 520 | 3 664 |

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

| 2.7 | Employee Benefits | Consolidated | | University | |
|-----|--|-----------------|----------------|-----------------|----------------|
| | | 2000 | 1999 | 2000 | 1999 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Salaries: | | | | |
| | Academic | 64 041 | 61 099 | 64 073 | 61 099 |
| | Non-academic | 52 285 | 49 737 | 50 206 | 47 503 |
| | Contributions to superannuation and pension schemes: | | | | |
| | Emerging cost | 19 422 | 20 850 | 19 422 | 20 850 |
| | Funded | 12 021 | 10 875 | 11 853 | 10 671 |
| | Payroll tax | 7 618 | 6 988 | 7 480 | 6 856 |
| | Workers' compensation | (80) | 347 | (99) | 320 |
| | Long service leave expense | 5 055 | 1 835 | 5 041 | 1 835 |
| | Annual leave - Movement in provision | 882 | (1 178) | 770 | (1 251) |
| | | 161 244 | 150 553 | 158 746 | 147 883 |
| | Deferred employee benefits for superannuation | (23 600) | 15 600 | (23 600) | 15 600 |

Payments for annual leave are shown as direct salaries. The movement in the provision for annual leave is shown above.

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

2.7 Employee Benefits (continued)

Included in employee benefits are three (1999: three) targeted separation packages totalling \$0.152 million (1999: \$0.113 million) from a total of \$1.100 million (1999: \$0.273 million) redundancy expenses for the year. The aggregate of accrued annual leave and long service leave paid to employees who received these targeted separation payments was \$0.010 million (1999: \$0.012 million) and \$0.050 million (1999: \$0.023 million) respectively. There was no recovery from the office of the Commissioner of Public Employment in respect of the targeted separation packages.

2.8 Other Expenses

| | Consolidated | | University | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Communications | 4 248 | 3 872 | 4 169 | 3 820 |
| Equipment (non-IT) | 3 654 | 3 999 | 3 642 | 3 963 |
| External services* | 14 326 | 11 178 | 13 545 | 10 484 |
| IT, hardware and software | 4 032 | 5 982 | 3 996 | 5 949 |
| Library acquisitions | 430 | 149 | 430 | 149 |
| Printing | 2 071 | 1 976 | 2 069 | 1 972 |
| Building and grounds | 10 222 | 12 202 | 9 935 | 11 953 |
| Scholarships | 5 510 | 4 861 | 5 481 | 4 859 |
| Staff development | 2 873 | 2 348 | 2 789 | 2 332 |
| Travel and accommodation | 7 056 | 5 625 | 6 926 | 5 499 |
| Other | 8 824 | 10 394 | 8 462 | 9 856 |
| | 63 246 | 62 586 | 61 444 | 60 803 |

* In 2000 the University expended \$1.298 million (1999: \$1.408 million) as a result of engaging consultants.

3. Remuneration of Executives

| | University | |
|--|----------------|----------------|
| | 2000 Number | 1999 Number |
| \$150 000 - \$159 999 | - | 7 |
| \$160 000 - \$169 999 | 6 | 1 |
| \$170 000 - \$179 999 | 1 | - |
| \$190 000 - \$199 999 | 1 | - |
| \$290 000 - \$299 999 | - | 1 |
| \$320 000 - \$329 999 | 1 | - |
| | 9 | 9 |
| | \$'000 | \$'000 |
| Total remuneration received or due and receivable by senior employees from the University | 1 702 | 1 567 |

The remuneration includes salary, employer's superannuation costs and other benefits including the associated fringe benefits tax, but excludes the value of separation payments. DETYA defines 'executives' to include only those persons in a senior line position with direct reporting to the Chief Executive Officer.

4. Remuneration of Auditors

| | Consolidated | | University | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Amounts paid or payable were: | | | | |
| South Australian Auditor-General | 143 | 140 | 143 | 140 |
| Other | 7 | 9 | 1 | 1 |
| | 150 | 149 | 144 | 141 |

5. Receivables

| | Consolidated | | University | |
|------------------------------|---------------|--------------|---------------|--------------|
| | 2000 | 1999 | 2000 | 1999 |
| Current: | | | | |
| Student fee | 721 | 581 | 721 | 581 |
| Student loans | 586 | 533 | 586 | 533 |
| Debtors commonwealth | 2 679 | 1 923 | 2 679 | 1 923 |
| Debtors other | 6 853 | 4 674 | 6 016 | 3 771 |
| | 10 839 | 7 711 | 10 002 | 6 808 |
| Provision for doubtful debts | (603) | (406) | (603) | (406) |
| | 10 236 | 7 305 | 9 399 | 6 402 |

6. Investments

| | Consolidated | | University | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2000 | 1999 | 2000 | 1999 |
| Current: | | | | |
| Workers Compensation Investment Fund | 116 | 158 | 116 | 158 |
| Short term deposits | 46 279 | 37 980 | 45 273 | 37 680 |
| | 46 395 | 38 138 | 45 389 | 37 838 |
| Non-Current: | | | | |
| Investment in controlled entity | - | - | 66 | 66 |
| Workers Compensation Investment Fund | 6 051 | 5 296 | 6 051 | 5 296 |
| Share investments | 775 | 305 | 412 | 305 |
| | 6 826 | 5 601 | 6 529 | 5 667 |

| 7. | Other Assets | Consolidated | | University | |
|------------|---|----------------|----------------|----------------|----------------|
| | | 2000 | 1999 | 2000 | 1999 |
| | Current: | \$'000 | \$'000 | \$'000 | \$'000 |
| | Deferred government superannuation contribution | 22 000 | 21 200 | 22 000 | 21 200 |
| | Prepayments | 544 | 107 | 544 | 64 |
| | Accrued income - Projects | 1 224 | 956 | 1 221 | 956 |
| | | 23 768 | 22 263 | 23 765 | 22 220 |
| | Non-Current: | | | | |
| | Deferred government superannuation contribution | 238 500 | 262 900 | 238 500 | 262 900 |
| 8. | Property, Plant and Equipment | | | | |
| | Land, Buildings and Infrastructure: | | | | |
| | At valuation | 511 257 | 547 822 | 511 194 | 547 822 |
| | At cost | 11 882 | 5 661 | 11 882 | 5 661 |
| | Accumulated depreciation | (163 652) | (160 175) | (163 618) | (160 175) |
| | | 359 487 | 393 308 | 359 458 | 393 308 |
| | Library Collection: | | | | |
| | At University valuation 31 December 1998 | 103 577 | 104 614 | 103 577 | 104 614 |
| | At cost | 5 743 | 3 034 | 5 743 | 3 034 |
| | Accumulated depreciation | (73 314) | (70 230) | (73 314) | (70 230) |
| | | 36 006 | 37 418 | 36 006 | 37 418 |
| | Plant and Equipment: | | | | |
| | At University valuation 31 December 1998 | 3 168 | 3 920 | 3 168 | 3 920 |
| | At cost | 33 890 | 27 710 | 32 958 | 26 778 |
| | Accumulated depreciation | (20 507) | (18 720) | (19 903) | (18 106) |
| | | 16 551 | 12 910 | 16 223 | 12 592 |
| | Total Property, Plant and Equipment | 412 044 | 443 636 | 411 687 | 443 318 |
| | Acquisitions: | | | | |
| | The following property, plant and equipment was purchased or constructed during the year: | | | | |
| | Land, buildings and infrastructure | 6 483 | 5 661 | 6 420 | 5 661 |
| | Library collection | 2 721 | 3 039 | 2 721 | 3 039 |
| | Plant and equipment | 7 562 | 5 046 | 7 367 | 4 888 |
| | | 16 766 | 13 746 | 16 508 | 13 588 |
| | Disposals: | | | | |
| | The following property, plant and equipment was disposed of or written-off during the year: | | | | |
| | Land, buildings and infrastructure | 2 256 | 427 | 2 256 | 427 |
| | Library collection | 1 049 | 1 292 | 1 049 | 1 292 |
| | Plant and equipment | 2 134 | 1 655 | 1 939 | 1 068 |
| | | 5 439 | 3 374 | 5 244 | 2 787 |
| | Revaluations: | | | | |
| | Land, buildings and infrastructure | (25 970) | - | (25 970) | - |
| (a) | Finance Leases | | | | |
| | Included in plant and equipment is one finance lease over a computer with a written down value of \$1.954 million. The terms of the agreement do not include renewal or purchase options. | | | | |
| 9. | Creditors | | | | |
| | Current: | | | | |
| | Trade creditors | 11 816 | 10 120 | 11 349 | 9 520 |
| | Bank overdraft (unpresented cheques) | - | 531 | - | 531 |
| | | 11 816 | 10 651 | 11 349 | 10 051 |
| 10. | Borrowings | | | | |
| | Current: | | | | |
| | Not later than one year | 5 113 | 5 056 | 5 113 | 5 056 |
| | Non-Current: | | | | |
| | Later than one year but not later than five years | - | 5 056 | - | 5 056 |
| | Later than five years | 15 050 | 15 050 | 15 050 | 15 050 |
| | | 15 050 | 20 106 | 15 050 | 20 106 |
| 11. | Revenue in Advance | | | | |
| | Current: | | | | |
| | Income in advance on incomplete projects | 2 854 | 2 315 | 2 661 | 2 192 |
| | Work in progress | (58) | (336) | (58) | (336) |
| | | 2 796 | 1 979 | 2 603 | 1 856 |
| | Fees and charges | 1 424 | 1 194 | 1 424 | 1 194 |
| | Commonwealth grant | 13 676 | 13 263 | 13 676 | 13 263 |
| | | 17 896 | 16 436 | 17 703 | 16 313 |

| 12. Accrued Liabilities | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| Current: | \$'000 | \$'000 | \$'000 | \$'000 |
| Annual leave | 9 686 | 8 859 | 9 554 | 8 785 |
| Long service leave | 2 828 | 2 450 | 2 828 | 2 450 |
| Separation Scheme | 890 | 77 | 890 | 77 |
| Workers compensation liability | 694 | 879 | 703 | 879 |
| Accrued interest | 508 | 713 | 508 | 713 |
| Finance lease (Note 17; 1.1 f(vi)) | 414 | - | 414 | - |
| Other | 199 | 116 | 142 | 115 |
| | 15 219 | 13 094 | 15 039 | 13 019 |
| Non-Current: | | | | |
| Workers compensation liability | 981 | 1 219 | 981 | 1 219 |
| Long service leave | 17 988 | 15 492 | 17 988 | 15 492 |
| Finance lease (Note 17; 1.1 f(vi)) | 1 771 | - | 1 771 | - |
| | 20 740 | 16 711 | 20 740 | 16 711 |
| 13. Other Liabilities | | | | |
| Current: | | | | |
| Provision for State Superannuation (Refer Note 14(i), 15) | 22 000 | 21 200 | 22 000 | 21 200 |
| Funds held on behalf of external entities | 1 507 | 52 | 2 869 | 868 |
| | 23 507 | 21 252 | 24 869 | 22 068 |
| Non-Current: | | | | |
| Provision for State Superannuation (Refer Note 15) | 238 500 | 262 900 | 238 500 | 262 900 |
| | 238 500 | 262 900 | 238 500 | 262 900 |
| 14. Superannuation | | | | |

The University contributes to the following employee superannuation funds:

(i) **South Australia Superannuation Fund**

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2000 to be \$274.8 million (31 December 1999: \$297.3 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 1998, the results of which, were made available at the end of the year whereby the proportion of liability the University is responsible for funding has decreased from 82.5 percent to 81.1 percent.

The University's liability under the scheme has been partly funded by an amount of \$14.4 million (1999: \$13.2 million) arising from 3 percent productivity employer contributions. This reduces the unfunded liability to \$260.5 million (1999: \$284.1 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth government (refer Note 15). The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DETYA Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

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

| | |
|--|----------------|
| Rate of increase in the Consumer Price Index | 2.5% per annum |
| Rate of salary increases | 4.0% per annum |
| Investment earnings | 7.5% per annum |

These assumptions have changed since 1999 to reflect changes in economic conditions.

If an investment earnings rate of 3 percent per annum above the rate of salary increase had been assumed rather than 3.5 percent, and the rate of increase in the Consumer Price Index was 3.0 percent rather than 2.5 percent the unfunded liability would have been \$301.2 million.

Further details are provided in Note 15.

(ii) **Superannuation Scheme for Australian Universities (SSAU)**

The University contributes to the SSAU at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation was conducted on 18 May 2000 as at 31 December 1999 by Grant Harslett, FIA FIAA.

(ii) Superannuation Scheme for Australian Universities (SSAU) (continued)

A funding and solvency certificate required under regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations has been obtained from SSAU with a date of effect of 2 December 1999 ceasing on 30 June 2002.

As at 31 December the University of South Australia's share of the fund was:

| | 2000 \$'000 | 1999 \$'000 |
|------------------------|----------------------|----------------------|
| Net Market Value | 71 435 | 64 017 |
| Accrued Benefits | 65 176 | 54 669 |
| Difference | <u>6 259</u> | <u>9 348</u> |
| Vested Benefits | <u>65 176</u> | <u>54 669</u> |

(iii) Tertiary Education Superannuation Scheme (TESS)

The University contributes to the fund at a rate determined by the trust deed. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

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

During the year the TESS and SSAU schemes were merged with no change to the conditions for each scheme.

15. Deferred Government Superannuation Contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 2000, an amount of \$23.6 million was brought to account to reflect the decrease in the net unfunded past service cost for State superannuation (1999 an increase of \$15.6 million).

| | 2000 \$'000 | 1999 \$'000 |
|---|-----------------------|-----------------------|
| Deferred government superannuation contribution at 1 January | 284 100 | 268 500 |
| (Decrease) Increase in amount owing for unfunded liability | <u>(23 600)</u> | <u>15 600</u> |
| Deferred Government Superannuation Contribution at 31 December | <u>260 500</u> | <u>284 100</u> |

Comprising:

| | | |
|-------------------|-----------------------|-----------------------|
| Current asset | 22 000 | 21 200 |
| Non-Current asset | <u>238 500</u> | <u>262 900</u> |
| | <u>260 500</u> | <u>284 100</u> |

16. Capital Expenditure Commitments

Contacted for, but not provided for and payable:
Not later than one year

| Consolidated | | University | |
|----------------|----------------|----------------|----------------|
| 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| 1 371 | 720 | 1 371 | 720 |

17. Lease Expenditure Commitments

Operating lease base rentals are payable as follows:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Not later than one year | 2 828 | 2 850 | 2 614 | 2 690 |
| Later than one year but not later than five years | 4 868 | 6 594 | 4 552 | 6 434 |
| Later than five years | - | 424 | - | 424 |
| | <u>7 696</u> | <u>9 868</u> | <u>7 166</u> | <u>9 548</u> |

Finance Lease Commitments

Finance lease rentals are payable as follows:

| | | | | |
|---|--------------|----------|--------------|----------|
| Not later than one year | 593 | - | 593 | - |
| Later than one year but not later than five years | 2 163 | - | 2 163 | - |
| Later than five years | - | - | - | - |
| | <u>2 756</u> | <u>-</u> | <u>2 756</u> | <u>-</u> |

Less: Future lease finance charges

| | | | |
|--------------|----------|--------------|----------|
| 580 | - | 580 | - |
| <u>2 176</u> | <u>-</u> | <u>2 176</u> | <u>-</u> |

18. Contingent Liabilities

The University has entered into an agreement with the Minister of the Department of Education Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years an amount of \$0.680 million being the Minister's contribution to the Child Care Centre will be refunded. If the agreement is terminated after seven years a sum of \$0.680 million to be repaid is reduced on a pro rata basis reducing to zero after 21 years.

In 1994 the University received a South Australian government grant of \$1.0 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions the grant was awarded if the IWRI ceases to operate the University is liable to repay 10 percent of the grant for each complete year the IWRI fails to operate up to 2004.

The University has no other material contingent liabilities.

19. Events Subsequent to Reporting Date

After balance date, a claim was brought against the University in relation to the disposal of a property. Settlement in relation to the disposal of the property is subject to finalising the claim, the outcome of which is uncertain at the time of these accounts. No provision has been made in the accounts in relation to this matter.

20. Controlled Entities

The University has 100 percent ownership of two controlled entities

(i) ITEK Pty Ltd

ITEK Pty Ltd was formed on 1 July 1999 and is trustee for the ITEK trust and the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services.

(ii) University of South Australia Foundation Incorporated

The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it will seek to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are used for the intended purpose.

21. Unisure Pty Ltd

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986* and is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers' compensation liabilities and the associated investment funds. As at 31 December 2000 the Unit Trust held net assets of \$4.484 million on behalf of the University of South Australia (1999: \$3.357 million).

The University's annual financial statements incorporated the financial transactions of the Unisure Unit Trust.

22. Interest in other Joint Ventures

The University is required to measure its interests in non-partnership joint ventures by applying the equity method of accounting in its consolidated financial statements under Australian Accounting Standard AAS 19, Accounting for Interests in Joint Ventures'. Disclosure requirements of specific information about each joint venture are also required under this standard.

The University participates in several joint ventures as described below. The University's interest in these joint ventures is by note disclosure only as these interests are immaterial in relation to the University's core activities.

The following table indicates for each joint venture entity if they are an incorporated (I) or unincorporated (U) entity, the date on which annual reports are produced, the percentage ownership (or voting rights) for the University, the University's nominal share of accumulated cash and expenditure commitments during the next accounting period.

| Joint Venture Entities: | | Reporting Date | *Ownership Percent | Share Accumulated (Cash) Funds \$'000 | Expenditure Commitments 2001 \$'000 |
|----------------------------|---|----------------|--------------------|---------------------------------------|-------------------------------------|
| (i) AARNet Pty Ltd | I | 31 December | 2.7 | 211 | - |
| (ii) SAARDNET | U | 31 December | 20 | 40 | 37 |
| (iii) SATAC | U | 30 June | 25 | 39 | 437 |
| (iv) AITEC Pty Ltd | I | 31 December | 25 | 134 | - |
| (v) GUA | I | 31 December | 10 | 29 | - |
| (vi) OLA | I | 31 December | 12.5 | (3) | - |
| (vii) CSSIP | U | 30 June | 5.2 | 34 | - |
| (viii) CWQT | U | 30 June | 6 | 42 | 50 |
| (ix) CRCSS | U | 30 June | 24 | - | 100 |
| (x) CRCIMST | U | 30 June | 7 | 20 | 20 |
| (xi) CMC | I | 30 June | 10 | 182 | - |
| (xii) CRCST | I | 30 June | 4 | - | - |
| Joint Ventures Operations: | | | | | |
| (xiii) SPRI (building) | U | 30 June | 30 | - | 50 |
| | | | | 728 | 694 |

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

Joint Venture Entities**(i) Australian Academic and Research Network Pty Ltd (AARNet)**

AARNet is a joint venture by 37 universities and CSIRO formed to provide management, technical and administrative expertise to members for the operation and development of their internet sites.

(ii) South Australian Academic Research and Development Network (SAARDNet)

SAARDNet is a joint venture by the three South Australian universities, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet was formed to facilitate greater data, voice and video communications between higher education and research organisations in South Australia.

(iii) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment.

SATAC process undergraduate and postgraduate applications for admission to tertiary level courses.

- (iv) *Australian Information Technology Engineering Centre Pty Ltd (AITEC)*
The AITEC is jointly owned by the University of Adelaide, the Flinders University of South Australia, the South Australian Minister of Education Employment and Training and the University of South Australia. AITEC was formed by its higher education venturers to support the State's information technology education and training. It has created educational programs designed to significantly increase the productivity of engineers employed in the Australian Information and Technology (IT&T) industries.
- (v) *Global University Alliance (GUA)*
GUA is an international joint venture entity with 10 international universities formed to develop new programs, address global educational needs, seek new ways to increase learning opportunities and share skills and resources in a global market.
- (vi) *Open Learning Agency of Australia Pty Ltd (OLA)*
OLA is a joint venture entity with eight other universities whose role by acting as a national education broker is to make post secondary courses and units of study more accessible to a broader range of Australians.
- (vii) *Cooperative Research Centre for Sensor Signal and Information Processing (CSSIP)*
The CSSIP is a national cooperative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors. The University has a commitment to the CSSIP to provide funding up to a maximum of \$100 000 for 2001.
- (viii) *Centre for Water Quality and Treatment (CWQT)*
The CWQT is a national cooperative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

The University has a commitment to the CWQT to provide cash funding of \$50 000 per annum for the next two years.
- (ix) *Cooperative Research Centre for Satellite Systems (CRCSS)*
The mission of the CRCSS is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

The University has a commitment to CRCSS to provide cash funding of \$100 000 per annum for the next four years.
- (x) *Cooperative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)*
The CRCIMST is a national cooperative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research that are directed at industry manufacturing methodologies and technologies. The University has a commitment to provide cash funding of \$20 000 for the next five years.
- (xi) *Cooperative Multimedia Centre (CMC)*
The University is a shareholder in Ngapartji Pty Ltd which is a CMC. The University shareholding is below that required for Ngapartji to be considered an associated company. The aim of Ngapartji is to provide an international focal point for the creation and development of world leading commercially successful skills, technology and products in interactive media.

The University has no commitment to contribute to Ngapartji Pty Ltd in 2001 (2000: Nil).
- (xii) *Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST)*
CRCST is a joint venture entity including membership from 14 Australian universities and 12 government and industry members. Its mission is to develop and manage intellectual property to deliver innovation to the community and government to enhance the environment, economic and social sustainability of tourism.

Joint Venture Operations

- (xiii) *Signal Processing Research Institute (SPRI) Building*
The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the Signal Processing Research Institute (SPRI) adjacent to the Levels at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share.

| 23. Reconciliation of Equity | Consolidated | | University | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Asset Revaluation Reserve | | | | |
| Land, Buildings and Infrastructure Reserve: | | | | |
| Opening balance 1 January | 59 125 | 59 125 | 59 125 | 59 125 |
| Asset revaluation decrement | (25 970) | - | (25 970) | - |
| Closing balance 31 December | <u>33 155</u> | <u>59 125</u> | <u>33 155</u> | <u>59 125</u> |
| Library Reserve: | | | | |
| Opening Balance 1 January | 1 082 | 1 082 | 1 082 | 1 082 |
| Closing balance 31 December | <u>1 082</u> | <u>1 082</u> | <u>1 082</u> | <u>1 082</u> |
| Closing Balance 31 December | <u>34 237</u> | <u>60 207</u> | <u>34 237</u> | <u>60 207</u> |
| Accumulated Results of Operations | | | | |
| Opening balance 1 January | 355 666 | 343 304 | 353 190 | 341 313 |
| Result of operations | 2 378 | 1 326 | 1 594 | 841 |
| Transfers from reserves | - | 11 036 | - | 11 036 |
| Closing balance 31 December | <u>358 044</u> | <u>355 666</u> | <u>354 784</u> | <u>353 190</u> |

| 23. Reconciliation of Equity (continued) | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| Other Reserves | \$'000 | \$'000 | \$'000 | \$'000 |
| Unspent HEFA Grant Reserves: | | | | |
| Opening balance 1 January | - | 2 878 | - | 2 878 |
| Transfer to (from) reserves | - | (2 878) | - | (2 878) |
| Closing balance 31 December | - | - | - | - |
| Unspent Other Grant Reserves: | | | | |
| Opening balance 1 January | - | 5 495 | - | 5 495 |
| Transfer to (from) reserves | - | (5 495) | - | (5 495) |
| Closing balance 31 December | - | - | - | - |
| Workers Compensation Reserve: | | | | |
| Opening balance 1 January | - | 2 663 | - | 2 663 |
| Transfers to (from) reserves | - | (2 663) | - | (2 663) |
| Closing balance 31 December | - | - | - | - |
| Total Equity | 392 281 | 415 873 | 389 021 | 413 397 |

24. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Note | Consolidated | | University | |
|---------------------|------|---------------|--------|---------------|--------|
| | | 2000 | 1999 | 2000 | 1999 |
| Cash | | 2 353 | 2 236 | 2 115 | 1 276 |
| Short-term deposits | 6 | 46 279 | 37 980 | 45 273 | 37 680 |
| Bank overdraft | 9 | - | (531) | - | (531) |
| | | 48 632 | 39 685 | 47 388 | 38 425 |

(ii) Reconciliation of Operating Result after Abnormal Items to Net Cash Used in Operating Activities

| | | | | |
|---|-----------------|----------|-----------------|----------|
| Operating result | 2 378 | 1 326 | 1 594 | 841 |
| Add (Less): Items classified as investing activities: | | | | |
| (Profit) Loss on sale of plant and equipment | 1 389 | (168) | 1 433 | (179) |
| Add (Less): Non-cash items: | | | | |
| Depreciation | 19 251 | 21 712 | 19 215 | 21 601 |
| Increase (Decrease) in doubtful debt provision | 197 | (1 671) | 197 | (1 651) |
| Non cash donations | (349) | (536) | (349) | (536) |
| Change in assets and liabilities: | | | | |
| (Increase) Decrease in receivables | (3 128) | (361) | (3 194) | 311 |
| (Increase) Decrease in other assets | 22 895 | (15 631) | 22 855 | (15 597) |
| Increase (Decrease) in trade creditors | 1 201 | (855) | 1 341 | (1 304) |
| Increase (Decrease) in advanced revenue | 1 460 | (2 390) | 1 390 | (2 319) |
| Increase (Decrease) in accrued liabilities | 3 969 | (2 303) | 3 864 | (2 346) |
| Increase (Decrease) in other liabilities | (22 145) | 15 072 | (21 599) | 15 209 |
| Net Cash provided by Operating Activities | 27 118 | 14 195 | 26 747 | 14 030 |

(iii) Non Cash Financing and Investing Activities

The University received in the reporting period donations of works of art and library materials with a fair value of \$349 000 (1999: \$536 000). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

During the reporting period, major IT equipment was acquired (refer Note 8a, 17) by means of a finance lease. This acquisition is not reflected in the Statement of Cash Flows.

(iv) Financing Facilities

The University has a \$4.0 million (1999: \$4.0 million) credit card facility with the National Australia Bank. The balance owing at the end of each monthly cycle is automatically paid by transfer from the University's NAB bank account. The unused portion of this facility as at 31 December 2000 was \$3.473 million (1999: \$3.068 million).

The University currently has a loan facility of \$35.0 million with the Department of Treasury and Finance. As at 31 December 1998 the University had drawn \$30.0 million of the loan. As at 31 December 2000, the University had repaid \$10.0 million, leaving \$20.0 million outstanding. No security is provided against these borrowings.

In addition the South Australian Treasurer has agreed to provide a short term credit facility to 30 June 2001 of up to \$10.0 million. As at 31 December 2000 the unused amount available was \$10.0 million (1999: \$10.0 million). A condition of this facility is that any funds drawn down must be repaid prior to 30 June in the relevant financial year.

(v) Cash Balances Not Available for Use

There are no cash balances not available for use.

25. Segment Information

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

26. Financial Instruments

(i) **Interest Rate Risk**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

| | Note | Fixed Interest maturing in | | | | Non-Interest Bearing \$'000 | Total 2000 Total \$'000 |
|---|------|-------------------------------|-----------------------|--------------------------|--------------------------|-----------------------------|-------------------------|
| | | Floating Interest Rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets: | | | | | | | |
| Cash | | 2 353 | - | - | - | 2 353 | |
| Receivables | 5 | - | - | - | 10 236 | 10 236 | |
| Investments | 6 | 51 440 | - | - | 1 781 | 53 221 | |
| | | 53 793 | - | - | 12 017 | 65 810 | |
| Weighted average interest rate percent | | 6.13 | | | | | |
| Financial Liabilities: | | | | | | | |
| Trade creditors | 9 | - | - | - | 11 816 | 11 816 | |
| Borrowings | 10 | - | 5 000 | - | 163 | 20 163 | |
| Finance lease | 17 | - | 414 | 1 771 | - | 2 185 | |
| Funds held on behalf of external entities | 13 | 126 | - | - | 1 381 | 1 507 | |
| | | 126 | 5 414 | 1 771 | 13 357 | 35 671 | |
| Weighted average interest rate percent | | 5.75 | 9.72 | 8.78 | 10.18 | | |

| | Note | Fixed Interest maturing in | | | | Non-Interest Bearing \$'000 | 1999 Total \$'000 |
|---|------|-------------------------------|-----------------------|--------------------------|--------------------------|-----------------------------|-------------------|
| | | Floating Interest Rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets: | | | | | | | |
| Cash | | 2 236 | - | - | - | 2 236 | |
| Receivables | 5 | - | - | - | 7 305 | 7 305 | |
| Investments | 6 | 43 434 | - | - | 305 | 43 739 | |
| | | 45 670 | - | - | 7 610 | 53 280 | |
| Weighted average interest rate percent | | 4.85 | - | - | - | - | |
| Financial Liabilities: | | | | | | | |
| Bank overdraft* | 9 | 531 | - | - | - | 531 | |
| Trade creditors | 9 | - | - | - | 10 120 | 10 120 | |
| Borrowings | 10 | - | 5 000 | 5 000 | 15 000 | 25 162 | |
| Funds held on behalf of external entities | 13 | 319 | - | - | (267) | 52 | |
| | | 850 | 5 000 | 5 000 | 10 015 | 35 865 | |
| Weighted average interest rate percent | | 1.69 | 9.40 | 9.80 | 10.18 | | |

* The bank overdraft represents un-presented cheques. The University maintains sufficient cash in the bank account to cover presented cheques and avoid incurring interest expense.

(ii) **Currency Risk**

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2000 the University had no hedging arrangements in place.

(iii) **Credit Risk**

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

(i) **On-Balance Sheet Finance Instruments**

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

The economic entity is not materially exposed to any individual overseas country or individual customer.

(iv) **Net Fair Values of Financial Assets and Liabilities****Valuation Approach**

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

• **On-Balance Sheet Financial Instruments**

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

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

The net fair value of unlisted share investments is determined by reference to the underlying net assets of the respective entities.

Valuation Approach (continued)

• Net Fair Values

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for borrowings at fixed rates of interest. The values of those borrowings are:

| | 2000 | |
|---|--|---------------------------------------|
| | Carrying Amount \$'000 20 000 | Net Fair Value \$'000 23 682 |
| 27. Acquittal of Commonwealth Government Grants | | |
| Amounts received and expended pursuant to the <i>Higher Education Funding Act 1988</i> , excluding HECS | University 2000 | 1999 |
| Operating Purposes Excluding HECS: | \$'000 | \$'000 |
| Grants in advance (paid during previous reporting period, including Commonwealth superannuation supplementation) | 9 058 | 8 800 |
| Add: Grants received during reporting period (including commonwealth superannuation supplementation) | 113 940 | 108 427 |
| Less: Grants in advance (received in reporting period for next reporting period, including Commonwealth superannuation supplementation) | 9 307 | 9 058 |
| Accrual adjustments | (1 111) | 7 261 |
| Revenue attributed to the reporting period | 112 580 | 115 430 |
| Add: Surplus (Deficit) prior year | 438 | 1 877 |
| Funds available for the reporting period | 113 018 | 117 307 |
| Less: Expenses for current reporting period | 112 433 | 116 869 |
| Surplus* (Deficit) for reporting period | 585 | 438 |
| * Surplus includes funds carried forward for Higher Education Innovation Program \$0.334 million and Equality of Opportunity Program \$0.251 million. | | |
| Capital development pool: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during the reporting period | 753 | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 753 | - |
| Add: Surplus (Deficit) prior year | - | - |
| Funds available for the reporting period | 753 | - |
| Less: Expenses for current reporting period | - | - |
| Surplus (Deficit) for reporting period | 753 | - |
| Special research centre: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 1 255 | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 1 255 | - |
| Add: Surplus (Deficit) prior year | - | - |
| Funds available for the reporting period | 1 255 | - |
| Less: Expenses for current reporting period | 933 | - |
| Surplus (Deficit) for reporting period | 322 | - |
| Large research grants: | | |
| Grants in advance (paid during previous reporting period) | 39 | 32 |
| Add: Grants received during reporting period (including grants) | 532 | 676 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | 39 |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 571 | 669 |
| Add: Surplus (Deficit) prior year | 217 | 132 |
| Funds available for the reporting period | 788 | 801 |
| Less: Expenses for current reporting period | 562 | 584 |
| Surplus (Deficit) for reporting period | 226 | 217 |
| Small research grants: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 226 | 213 |
| Less: Grants in advance (received in reporting period for next reporting period) | 17 | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 209 | 213 |
| Add: Surplus (Deficit) prior year | 44 | 91 |
| Funds available for the reporting period | 253 | 304 |
| Less: Expenses for current reporting period | 186 | 260 |
| Surplus (Deficit) for reporting period | 67 | 44 |

| 27. Acquittal of Commonwealth Government Grants (continued) | University | |
|--|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| Indigenous researchers development grant: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | (1) | 6 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | (1) | 6 |
| Add: Surplus (Deficit) prior year | 9 | 12 |
| Funds available for the reporting period | 8 | 18 |
| Less: Expenses for current reporting period | - | 9 |
| Surplus (Deficit) for reporting period | 8 | 9 |
| Collaborative research grants: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | - | 624 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | - | 624 |
| Add: Surplus (Deficit) prior year | 131 | 151 |
| Funds available for the reporting period | 131 | 775 |
| Less: Expenses for current reporting period | 131 | 644 |
| Surplus (Deficit) for reporting period | - | 131 |
| Research infrastructure block: | | |
| Grants in advance (paid during previous reporting period) | - | 88 |
| Add: Grants received during reporting period | 847 | 1 014 |
| Less: Grants in advance (received in reporting period for next reporting period) | 57 | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 790 | 1 102 |
| Add: Surplus (Deficit) prior year | 5 | 265 |
| Funds available for the reporting period | 795 | 1 367 |
| Less: Expenses for current reporting period | 795 | 1 362 |
| Surplus (Deficit) for reporting period | - | 5 |
| Research infrastructure equipment and facilities: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 102 | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 102 | - |
| Add: Surplus (Deficit) prior year | - | - |
| Funds available for the reporting period | 102 | - |
| Less: Expenses for current reporting period | 102 | - |
| Surplus (Deficit) for reporting period | - | - |
| Special research initiatives: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | - | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | - | - |
| Add: Surplus (Deficit) prior year | - | 17 |
| Funds available for the reporting period | - | 17 |
| Less: Expenses for current reporting period | - | 17 |
| Surplus (Deficit) for reporting period | - | - |
| Research fellowships: | | |
| Grants in advance (paid during previous reporting period) | 6 | 6 |
| Add: Grants received during reporting period | 85 | 127 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | 6 |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 91 | 127 |
| Add: Surplus (Deficit) prior year | - | 12 |
| Funds available for the reporting period | 91 | 139 |
| Less: Expenses for current reporting period | 91 | 139 |
| Surplus (Deficit) for reporting period | - | - |

| 27. Acquittal of Commonwealth Government Grants (continued) | University | |
|--|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 |
| International projects: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | - | - |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | - | - |
| Add: Surplus (Deficit) prior year | - | 4 |
| Funds available for the reporting period | - | 4 |
| Less: Expenses for current reporting period | - | 4 |
| Surplus (Deficit) for reporting period | - | - |
| International research exchange: | | |
| Grants in advance (paid during previous reporting period) | 2 | - |
| Add: Grants received during reporting period | 18 | 2 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | 2 |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 20 | - |
| Add: Surplus (Deficit) prior year | 4 | 8 |
| Funds available for the reporting period | 24 | 8 |
| Less: Expenses for current reporting period | 19 | 4 |
| Surplus (Deficit) for reporting period | 5 | 4 |
| Australian postgraduate awards: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 1 053 | 1 019 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 1 053 | 1 019 |
| Add: Surplus (Deficit) prior year | 86 | 8 |
| Funds available for the reporting period | 1 139 | 1 027 |
| Less: Expenses for current reporting period | 998 | 941 |
| Surplus (Deficit) for reporting period | 141 | 86 |
| International postgraduate research scholarships: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 215 | 233 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 215 | 233 |
| Add: Surplus (Deficit) prior year | 17 | (23) |
| Funds available for the reporting period | 232 | 210 |
| Less: Expenses for current reporting period | 213 | 193 |
| Surplus (Deficit) for reporting period | 19 | 17 |
| Strategic partnerships with industry: | | |
| Grants in advance (paid during previous reporting period) | 93 | 138 |
| Add: Grants received during reporting period | 1 599 | 1 395 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | 93 |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 1 692 | 1 440 |
| Add: Surplus (Deficit) prior year | 462 | 301 |
| Funds available for the reporting period | 2 154 | 1 741 |
| Less: Expenses for current reporting period | 1 458 | 1 279 |
| Surplus (Deficit) for reporting period | 696 | 462 |
| Key centres for teaching and research: | | |
| Grants in advance (paid during previous reporting period) | - | - |
| Add: Grants received during reporting period | 116 | 126 |
| Less: Grants in advance (received in reporting period for next reporting period) | - | - |
| Accrual adjustments | - | - |
| Revenue attributed to the reporting period | 116 | 126 |
| Add: Surplus (Deficit) prior year | 69 | - |
| Funds available for the reporting period | 185 | 126 |
| Less: Expenses for current reporting period | 85 | 57 |
| Surplus (Deficit) for reporting period | 100 | 69 |

28. Summary of Unspent Grants

| | Amount of unspent grant as at 31/12/2000 \$'000 | Amount of unspent grant that is more likely to be approved by the Cwth for carry forward \$'000 | Amount of unspent grant that is more likely to be recovered by the Cwth \$'000 |
|--|--|--|---|
| Operating purposes excluding HECS: | | | |
| Higher education innovation program | 334 | 334 | - |
| Equality of opportunity | 251 | 251 | - |
| | 585 | 585 | - |
| Capital development pool | 753 | 753 | - |
| Large research | 226 | 226 | - |
| Strategic partnerships with industry | 696 | 696 | - |
| Research fellowships | - | - | - |
| International research exchange | 5 | 5 | - |
| Research centres | - | - | - |
| Special research centres | 322 | 322 | - |
| Research infrastructure equipment and facilities | - | - | - |
| Indigenous researchers' development | 8 | 8 | - |
| Key centres for teaching and research | 100 | 100 | - |
| Collaborative - ongoing | - | - | - |
| Small research | 67 | 67 | - |
| Research infrastructure block | - | - | - |
| Australian postgraduate awards | 141 | 141 | - |
| International postgraduate research | 19 | 19 | - |
| | 2 337 | 2 337 | - |
| | 2 922 | 2 922 | - |

29. Expenses Attributed to Functions

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Academic Activities: | | | | |
| Academic staff salaries | 61 756 | 58 896 | 61 788 | 58 896 |
| Academic staff salary related expenses | 29 553 | 27 232 | 29 553 | 27 232 |
| Non-academic staff salaries | 17 229 | 16 990 | 17 229 | 16 990 |
| Non-academic staff salary related expenses | 5 009 | 4 164 | 5 009 | 4 164 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 7 196 | 8 010 | 7 196 | 8 010 |
| Plant and equipment | 1 274 | 1 296 | 1 274 | 1 296 |
| Sub-total depreciation expense | 8 470 | 9 306 | 8 470 | 9 306 |
| Other expenses | 28 682 | 28 940 | 28 682 | 28 940 |
| | 150 699 | 145 528 | 150 731 | 145 528 |
| Libraries: | | | | |
| Academic staff salaries | 113 | 92 | 113 | 92 |
| Academic staff salary related expenses | 71 | 48 | 71 | 48 |
| Non-academic staff salaries | 5 908 | 5 777 | 5 908 | 5 777 |
| Non-academic staff salary related expenses | 1 662 | 1 361 | 1 662 | 1 361 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 1 344 | 1 261 | 1 344 | 1 261 |
| Library collection | 3 780 | 6 352 | 3 780 | 6 352 |
| Plant and equipment | 66 | 64 | 66 | 64 |
| Sub-total depreciation expense | 5 190 | 7 677 | 5 190 | 7 677 |
| Other expenses | 1 560 | 1 267 | 1 560 | 1 267 |
| | 14 504 | 16 222 | 14 504 | 16 222 |
| Other Academic Support Services: | | | | |
| Academic staff salaries | 1 102 | 761 | 1 102 | 761 |
| Academic staff salary related expenses | 475 | 140 | 475 | 140 |
| Non-academic staff salaries | 6 349 | 6 168 | 6 349 | 6 168 |
| Non-academic staff salary related expenses | 1 533 | 1 285 | 1 533 | 1 285 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 853 | 453 | 853 | 453 |
| Plant and equipment | 1 017 | 877 | 1 017 | 877 |
| Sub-total depreciation expense | 1 870 | 1 330 | 1 870 | 1 330 |
| Other expenses | 7 228 | 7 182 | 7 228 | 7 182 |
| | 18 557 | 16 866 | 18 557 | 16 866 |
| Student Services: | | | | |
| Academic staff salaries | 50 | 447 | 50 | 447 |
| Academic staff salary related expenses | 25 | 204 | 25 | 204 |
| Non-academic staff salaries | 1 735 | 1 662 | 1 735 | 1 662 |
| Non-academic staff salary related expenses | 553 | 383 | 553 | 383 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 1 180 | 1 735 | 1 180 | 1 735 |
| Sub-total depreciation expense | 1 180 | 1 735 | 1 180 | 1 735 |
| Other expenses | 3 745 | 2 660 | 3 745 | 2 660 |
| | 7 288 | 7 091 | 7 288 | 7 091 |

29. Expenses Attributed to Functions (continued)

| | Consolidated | | University | |
|--|-----------------|----------------|-----------------|----------------|
| | 2000 \$'000 | 1999 \$'000 | 2000 \$'000 | 1999 \$'000 |
| Public Services: | | | | |
| Academic staff salaries | 5 | 57 | 5 | 57 |
| Academic staff salary related expenses | (6) | 3 | (6) | 3 |
| Non-academic staff salaries | 128 | 114 | 128 | 114 |
| Non-academic staff salary related expenses | 30 | - | 30 | - |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 339 | 47 | 339 | 47 |
| Plant and equipment | 1 | 1 | 1 | 1 |
| Sub-total depreciation expense | 340 | 48 | 340 | 48 |
| Other expenses | 458 | 185 | 458 | 185 |
| | 955 | 407 | 955 | 407 |
| Buildings and Grounds: | | | | |
| Academic staff salaries | - | - | - | - |
| Academic staff salary related expenses | - | 1 | - | 1 |
| Non-academic staff salaries | 2 934 | 2 991 | 2 934 | 2 991 |
| Non-academic staff salary related expenses | 647 | 719 | 647 | 719 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 979 | 333 | 979 | 333 |
| Plant and equipment | 32 | 23 | 32 | 23 |
| Sub-total depreciation expense | 1 011 | 356 | 1 011 | 356 |
| Other expenses | 12 349 | 13 885 | 12 349 | 13 885 |
| | 16 941 | 17 952 | 16 941 | 17 952 |
| Administration and Other General Institutional Services: | | | | |
| Academic staff salaries | 1 015 | 846 | 1 015 | 846 |
| Academic staff salary related expenses | 459 | 384 | 459 | 384 |
| Non-academic staff salaries | 15 923 | 13 798 | 15 923 | 13 798 |
| Non-academic staff salary related expenses | 4 456 | 3 360 | 4 456 | 3 360 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 666 | 736 | 666 | 736 |
| Plant and equipment | 488 | 413 | 488 | 413 |
| Sub-total depreciation expense | 1 154 | 1 149 | 1 154 | 1 149 |
| Other expenses | 11 615 | 9 621 | 11 615 | 9 621 |
| | 34 622 | 29 158 | 34 622 | 29 158 |
| Deferred Employee Benefits for Superannuation: | | | | |
| Academic staff salary related expenses | (18 880) | 12 480 | (18 880) | 12 480 |
| Non-academic staff salary related expenses | (4 720) | 3 120 | (4 720) | 3 120 |
| | (23 600) | 15 600 | (23 600) | 15 600 |
| Other: | | | | |
| Non-academic staff salaries | 2 079 | 2 234 | - | - |
| Non-academic staff salary related expenses | 451 | 436 | - | - |
| Depreciation expense: | | | | |
| Plant and equipment | 36 | 111 | - | - |
| Sub-total depreciation expense | 36 | 111 | - | - |
| Other expenses | 1 874 | 1 799 | - | - |
| | 4 440 | 4 580 | - | - |
| Total: | | | | |
| Academic staff salaries | 64 041 | 61 099 | 64 073 | 61 099 |
| Academic staff salary related expenses | 11 697 | 40 492 | 11 697 | 40 492 |
| Non-academic staff salaries | 52 285 | 49 737 | 50 206 | 47 503 |
| Non-academic staff salary related expenses | 9 621 | 14 825 | 9 170 | 14 389 |
| Depreciation expense: | | | | |
| Buildings and infrastructure | 12 557 | 12 575 | 12 557 | 12 575 |
| Library collection | 3 780 | 6 352 | 3 780 | 6 352 |
| Plant and equipment | 2 914 | 2 785 | 2 878 | 2 674 |
| Sub-total depreciation expense | 19 251 | 21 712 | 19 215 | 21 601 |
| Other expenses | 67 511 | 65 539 | 65 637 | 63 740 |
| | 224 406 | 253 404 | 219 998 | 248 824 |

MINISTER FOR ENVIRONMENT AND HERITAGE; MINISTER FOR RECREATION, SPORT AND RACING

PORTFOLIO – ENVIRONMENT AND HERITAGE

INTRODUCTION

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

- Minister for Environment and Heritage
- Minister for Recreation, Sport and Racing

The agency included herein relating to the portfolio of Environment and Heritage is the Department for Environment and Heritage.

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

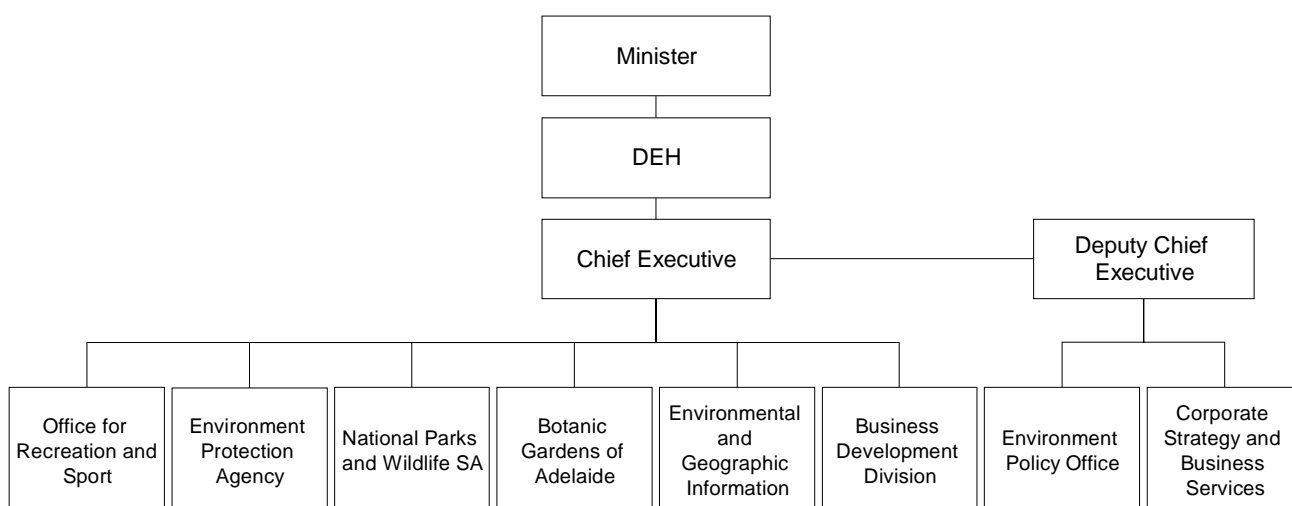
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department for Environment and Heritage (DEH) is an administrative unit established pursuant to the *Public Sector Management Act 1995*.

DEH is responsible for:

- managing the protection, conservation, enhancement and utilisation of South Australia's natural resources and heritage within a framework of ecologically sustainable development;
- developing recreation and sport services, programs and alliances to make a positive impact on the social, health and economic well being of the community;
- promoting and supporting involvement of the community in volunteer activities.

In February 2000, as a result of a restructure of government functions, DEH gained responsibility for the Office for Recreation and Sport. The Division of State Aboriginal Affairs and certain water related functions were transferred to other departments. In response to these changes, the appointment of a new Chief Executive and various other factors, effective from 1 November 2000, DEH underwent an internal restructure. The revised structure of DEH is shown in the following diagram.



SIGNIFICANT FEATURES

- Total expenses decreased to \$164.1 million from \$180.1 million, a decrease of \$16 million or 9 percent.
- Cash assets increased by \$22.5 million to \$73.5 million due mainly to accrual based appropriations deposited to a Special Deposit Account with the Department of Treasury and Finance.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all major financial areas of activity and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2000-01 specific areas of audit attention included:

- Revenue, receipts and receivables
- Purchases, payments and payables
- Employee expenses and related benefits
- Fixed assets
- Financial Management Framework
- Procurement
- Office of Recreation and Sport.

Audit Communications to Management

During the year Audit attended meetings with respect to all management letters forwarded to the Chief Executive. The main findings together with responses received from DEH are explained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

Previous years' Reports included commentary on the Department's progress toward meeting the principles outlined in the Financial Management Framework (FMF). Broadly, Audit observed that during 2000-01 the Department has provided additional focus toward progressing various governance initiatives. The following summarises matters raised in relation to progress with FMF implementation in 2000-01.

Financial Management Framework Implementation

In 1999-00 Audit reported that DEH had not established a specific management process (ie from a project management sense) to implement and monitor the requirements of the FMF.

The Audit follow-up review observed that the Department has undergone a significant internal restructure, and as part of this restructure the Prudential Management Branch was established. The scope of the Prudential Management Branch includes governance matters, internal control and risk management, all of which relate to the broad principles of the FMF.

Further, in March 2001 a project was initiated to review the implementation of the FMF. An interim progress report was presented to the DEH Audit Committee in June 2001 detailing each component of the FMF and summarising the compliances and gaps identified by the review to date, and included a broad outline for the future stages of the review. However, the project was still in progress at the time of Audit review.

DEH Response

The response emphasised the measures taken by DEH to advance the implementation of the FMF, including the establishment of the Audit Committee, Prudential Management Branch and Corporate Governance Framework. The Audit Committee will provide oversight to the future FMF implementation plan, which will be developed in conjunction with the business plan for Prudential Management.

Audit Committee

Last year Audit reported that DEH established an interim Audit and Risk Management Committee, which met for the first time in June 2000.

Audit noted that the Audit and Risk Management Committee did not progress and in its place an Audit Committee was established, which met for the first time in March 2001. Audit was advised that it is anticipated that quarterly reports will be provided to the Audit Committee on the implementation of the FMF, issues raised by the Auditor-General, implementation of a risk management strategy, internal audits conducted and new policy development.

DEH Response

DEH commented that the Audit Committee is operating effectively with structured responsibilities and reporting mechanisms.

Internal Audit

No internal audit function operated during 1999-00. Audit observed that during 2000-01 the Audit Committee endorsed an internal audit structure based on a limited initial risk assessment. The Audit Committee is responsible for approving and monitoring internal audit projects with the Assistant Director Prudential Management providing oversight to the audits. At the time of Audit review, limited internal audit reviews had been completed.

DEH Comment

DEH acknowledged Audit comments and indicated that the Audit Committee will oversee internal audit activity and that a budget provision has been made for conducting internal audit reviews in 2001-02.

Risk Management

Last year Audit reported that DEH had established a risk management policy statement and was in the process of developing mechanisms for risk identification and mitigation. However, the Department did not have a consolidated risk management plan in a form as outlined in the FMF.

The follow-up review noted that DEH Executive endorsed a proposal for the development of a Risk Management Strategy in March 2001 and that the preparation of a Strategic Risk Overview was anticipated to commence in early 2001-02. The position of Risk Management Consultant was also created, which was expected to be filled in early 2001-02.

DEH Response

DEH has established a structure for the Risk Management Strategy comprising the Audit Committee, Strategic Risk Committee, Prudential Management Branch and Divisional Risk Coordinators. DEH advised that the Strategic Risk Overview should be finalised in October 2001 and a Risk Management Plan will be developed. DEH further indicated that risk assessment will link into performance reporting for 2001-02 and the agency's planning and budget cycle for 2002-03.

Strategic Planning

For 1999-2000 information of a strategic nature was provided in a combination of the Budget Portfolio Statement, Corporate Overview 2000, annual report and individual divisional plans. The better practice advocated in the FMF suggests that a single strategic plan that consolidates strategic information should be developed, with timeframes between three and five years as appropriate.

Audit observed that during 2001 the Department prepared a draft strategic plan and was considering further developing the strategic planning process in conjunction with the risk assessment process detailed in the aforementioned commentary. It was understood that the completion of certain components envisaged by that framework (eg strategic plan, annual plan) would occur in early 2001-02.

DEH Response

DEH advised that strategic and financial planning in DEH is linked closely to the Government and portfolio business planning cycles of the portfolio. Further DEH advised that the annual plan was launched on 24 August 2001 and progress has since commenced on the planning cycle for 2002-03.

Further improvements in the portfolio's planning and budgeting processes are planned for this current financial year, with a timetable for the 2002-03 planning and budgeting cycle currently in development including the finalisation of the strategic plan.

Monitoring and Reporting

In 1999-2000, Audit suggested that DEH consider the level of financial reporting relating to outputs. During 2000-01 Audit observed that DEH identified the reporting of outputs and the review of performance indicators as gaps that will need to be addressed in the future.

DEH Response

The response from DEH indicated output reporting was not progressed in 2000-01 primarily due to the impacts of internal restructuring and the associated changes to the output structure. The Department has recently completed extensive work on an improved overhead allocation model, which should facilitate regular output reporting to Executive during 2001-02.

DEH further responded that a project has commenced to review portfolio outputs, and associated performance measures.

Procurement Practices

In May 1998 the Government published the SA Government Procurement Reform Strategy (Reform Strategy), which outlined the Government's procurement reform policy framework. The implementation of the reform objectives was envisaged to have benefits for government, industry and agencies, particularly with respect to developing strategic purchasing capabilities, improving the management of procurement, considering value for money when making procurement decisions and lowering the cost of doing business with government.

Audit reviewed the DEH's progress in implementing the Reform Strategy, including the management structures, responsibilities and reporting established for this purpose.

Audit observed that over the past three years the DEH has progressed a number of initiatives in line with the Reform Strategy aimed at improving the management of procurement. DEH has established an Accredited Purchasing Unit (APU), developed procurement policies and procedures, and has trained departmental staff in procurement practices. It was further observed that, since the inception of the Reform Strategy, DEH has been mainly engaged in establishing procurement policies and reviewing and approving the procurement of goods and services with the Department recently directing resources to advance strategic procurement requirements and initiatives. Consequently, the strategic elements pertaining to procurement were at an early stage of formation.

Audit made several observations where the DEH could further develop its strategic focus and procurement controls. Those observations mainly related to the strategic elements pertaining to procurement and the reform strategy. Audit particularly emphasised the benefits of:

- clearly articulating the roles and responsibilities of the Accredited Purchasing Unit in the departmental context;
- progressing the preparation of a strategic plan for procurement development;
- improving the review and reporting of operational and strategic elements pertaining to procurement;
- formally approving and mandating an existing guideline document for the engagement of consultants and contractors;
- establishing a mechanism to assist in the control and reporting of contracts;
- implementing measures to provide assurance that the procurement policies and procedures are being followed;
- developing performance targets and identification and measurement of cost savings relating to procurement reform as required by the Reform Strategy.

DEH Response

The response from DEH acknowledged the Audit observations and highlighted the recently created Prudential Management Branch's role in progressing Procurement Reform including planning, developing tools and infrastructure, evaluation of associated risk, etc. This included the establishment of a new position for a corporate procurement specialist, which was filled in the latter part of 2000-01, and the review of existing practices to identify gaps and risks and to convert those insights into project and business plans for 2001-02. The response also detailed planned future action to address all specific issues raised by Audit.

Property Plant and Equipment

Valuation of Fixed Assets

DEH controls a large volume of diverse assets, spread out over a large geographic area. To facilitate the management and recording of assets, DEH utilises the Masterpiece Fixed Assets system (MPFA) as well as the Asset Recording and Management Information System (ARAMIS). ARAMIS is primarily used to record information relating to building, infrastructure and road assets in protected areas. The valuation of ARAMIS assets and the determination of their useful lives is through a methodology developed by independent valuers.

A matter of concern highlighted during the course of the 2000-01 audit was the valuation and depreciation of protected areas infrastructure assets, particularly roads, trails and tracks. Audit noted that the depreciation expense for roads, trails and tracks was likely to decrease substantially from \$ 15.6 million in 1999 to an Audit estimated \$3.4 million for 2001. Audit considered that this trend indicated that the underlying valuation and depreciation methodology for these assets may not reflect the actual asset values and corresponding depreciation charges.

DEH Response

The response from DEH indicated it had initiated a review of asset data. That review concluded the depreciation rate applied to 'Roads, Trail and Track' assets were significantly flawed and that the consequence of this methodological error was to potentially overstate depreciation in prior financial years. DEH engaged valuers to review the issue.

The valuers completed their review, which resulted in substantial adjustments to the methodology. The effect of these adjustments was that road, trail and track assets had been over depreciated. A fundamental error amounting to \$36.9 million has been recorded on the Statement of Financial Performance reflecting the adjustment to accumulated depreciation arising from the methodological error in the depreciation rate ascribed to roads, tracks and trails. Note 2(c) and Note 14 to the Financial Statement provides details of this adjustment.

Accounting for Fixed Assets

The audit revealed a significant improvement in methods and processes utilised to account for fixed assets, particularly in implementing regular processes to reconcile MPFA, ARAMIS and the General Ledger. Whilst substantial advances have been made, there remain significant areas that still need to be addressed. These related to the:

- Maintenance of relevant and up to date policies and procedures.
- Process to ensure assets are revalued.
- Assessment of depreciation rates and methods.
- Complete and accurate recording of asset information.
- Management of capital work in progress.
- Level of management review and planning.

DEH Response

DEH's response provided details of action being taken or proposed to address all matters raised by Audit.

Accounting for Crown Land

Over the past two years Audit has commented on action taken in relation to the treatment of Crown lands for accounting purposes and the completeness and accuracy of information available on Crown lands. This has included consideration of the proposed approach by the Department for the recognition of Crown lands in the Department's financial statements. The results of these audits concluded that there was insufficient information available to enable a broad appreciation of the impact the various types of Crown tenures may have on the accounting treatment for these lands. After consideration of these limitations the Department resolved to treat the Crown lands as administered rather than controlled.

In prior years Audit has also relayed to the Department concerns regarding the use of information from the Land Ownership and Tenure System (LOTS) for financial reporting purposes. These concerns relate to anomalies that adversely impacted on the completeness and accuracy of information relating to Crown lands obtained from LOTS. These concerns were also reiterated by an independent valuers report.

As a result of the aforementioned matters the Independent Audit Report on the Department's financial statements for past years were qualified with respect to administered property.

Previous reports also noted that DEH had secured funding to review Crown lands assets. That review was expected to result in the development of a robust Government property register providing reliable information for effective management and decision making, and the facilitation of departmental and whole-of-government reporting. Audit noted that the Department considers the valuation and recording of Crown lands to be an issue that should be addressed from a whole-of-government perspective.

Audit follow-up in 2000-01 revealed that there has been minimal progress with recording and valuation of Crown lands. Consequently, similar to previous years, the Independent Audit Report to the financial statements has been qualified with respect to the completeness and valuation of property plant and equipment included in the Schedule of Administered Items.

DEH Comment

The response indicated that there were significant whole-of-government issues concerning reliability of the LOTS data and that DEH would write to the Department of Treasury and Finance (DTF) to outline DEH's concerns and ask that DTF lead a whole-of-government approach to deal with this issue.

Audit noted that in June 2001 a minute was forwarded to the Under-Treasurer on this matter. At the time of preparing this report, a response had not been received from the Under-Treasurer.

Land Services Group

As part of the 23 October 1997 restructure of Government agencies the functions, assets and liabilities of the Land Services Group (LSG) were transferred to the Department for Administrative and Information Services (DAIS).

Since that time, Audit has on several occasions corresponded with the DEH seeking clarification of several outstanding issues regarding the transfer. Those communications highlighted the need to formally document the final negotiated position and establish formal service agreements between DEH and DAIS (particularly relating to systems maintenance, revenue and accounts receivable), outlining the responsibilities, rights and obligations of each agency resulting from the transfer of the LSG and resulting IT assets.

Previous responses to the matters raised indicated that the issue of ownership was difficult to resolve and acknowledged that formal service level agreements needed to be established. In August 2000, DEH advised that a 'Heads of Agreement in relation to Lands Administration' was completed. The Heads of Agreement identified the requirement for clearly defined roles and envisaged the completion of various other agreements, including land administration functions and data, agent arrangements and service provider arrangements.

An Audit follow-up review in 2000-01 revealed that several agreements have been completed, however it was not clear whether all matters arising from the Heads of Agreement have been addressed. In particular, whether all land administration functions, products, data and services, including the revenue streams and inter-entity charging arrangements, have been satisfactorily specified and addressed through the agreements.

Audit observed that there have been difficulties involved in reaching agreement pertaining to certain aspects of LOTS due to the reliance on the system for the various businesses operations of both agencies. Nevertheless, it has been almost four years since the Government directed that LSG be transferred from DEH to DAIS and agreement with respect to important aspects of the relationships and responsibilities has still not been achieved.

DEH Response

The response from DEH, 4 September 2001, advised that subsequent to Audit correspondence, significant progress has been achieved toward the finalisation of outstanding agreements. DEH advised that five agreements have been completed with another three agreements to be finalised over the next two months. The outstanding agreements relate to data management services, data distribution and data use.

Waste Depot Levies

Audit reviews over the past few years have commented that a structured mechanism was not in place to ensure that the information accompanying waste levy receipts is reflective of the underlying waste disposals at licensed waste depots.

During 1999-2000 it was noted that regulatory changes aimed at improving the accuracy of waste disposal measurements were being progressed. In addition, DEH advised it was considering various options in relation to performing systematic audits aimed at ensuring waste levies collected are representative of underlying waste activities.

As part of the follow-up review, Audit noted that, effective from 1 October 2000, the Regulations to the *Environment Protection Act 1993* were changed in relation to waste measurement and payment arrangements. Audit observed that much of the activity of DEH since that time has related to ensuring that departmental staff and waste depots understand and implement the requirements of the updated Regulations. In relation to systematic audits, DEH was developing an audit process and establishing base measurement information and methodologies for future reviews.

DEH Response

The response from DEH confirmed Audit's observations and outlined action to be taken during 2001-02, including the audit of waste depots to ensure accurate recording of waste received and the reconciliation of weighbridge data to volumetric surveys for certain depots.

Office for Recreation and Sport

Accounting Arrangements

The Office for Recreation and Sport (the Office) was transferred to DEH from the Department of Industry and Trade in February 2000. The Department of Industry and Trade continued to manage all accounting arrangements pertaining to the Office until June 2000. From July 2000 the Office managed its own accounting systems for the payment of accounts, recording of fixed assets, revenue raising and collection and general ledger, with the Office's payroll being processed by the Attorney-General's Department.

In recognition of the independent accounting processes at the Office, a separate audit has been conducted. The scope of the audit covered the Office's major accounting functions

Many of the observations arising from the audit related to the control framework established by the Office. These involved the level of documented policies and procedures and the extent and nature of controls implemented over accounting processes including fixed assets, accounts payable and payroll. It was considered that the observations reflected the early development of the Office's accounting arrangements.

DEH Response

A response was received that satisfactorily addressed all matters raised.

Management Development Program

Last year, Audit commented on the administrative arrangements of the Management Development Program. As a part of the 2000-01 audit, a follow-up review was undertaken to ascertain the progress in addressing these matters. Comments regarding these are detailed below.

Audit of Grant Recipients

In 2000-01 comment was made with respect to the direction being taken by the Office in the implementation of a program of audit covering grant recipients. The response from the Office concurred with the comments made by Audit that a formal annual audit program of grant recipients should be considered.

The follow-up review revealed internal auditors have been contracted to formulate and implement a program of audit on the Management Development Program. Audit observed that whilst the initial planning process had commenced, the audit program has yet to be developed and that no audits were completed at the time of review.

DEH Response

The response, 13 August 2001, indicated that subsequent to our review audits had been conducted and that the internal auditors were in the process of compiling a report.

The Assessment Process of Grant Applications

Last year Audit suggested that commentary on grant assessments by the Sport and Recreation Funding Committee be enhanced in respect of the Committee's analysis of each funding application. In response the Office agreed to implement a procedure to ensure enhanced commentary would be included in the minutes, with that commentary being more aligned to the stated criteria of the funding program.

At the time of audit, in April 2001, the funding round for the 2001-02 Management Development Program had not been completed and consequently Audit was not in a position to be able to assess the level of commentary provided in the minutes.

DEH Response

The response, 13 August 2001, advised that the 2001-02 Management Development Program had not been formally approved to date.

Stadium Arrangements

In 1999-2000 Audit commented that a formalised management arrangement between the Government and Hockey SA was outstanding. A follow-up conducted during the current year's audit revealed that an agreement between the Government and Hockey SA remains outstanding.

Audit suggested that contractual arrangements for all stadiums be reviewed to ensure that they are current and that, in this context, consideration should be given to the development of policies and procedures for contract management.

DEH Response

The response acknowledged importance of formalising the arrangements between the Government and Hockey SA and outlined efforts made in this area. The response also indicated that a review of contracts and the development of appropriate policies and procedures would be completed by December 2001.

Other Matters

Other matters raised by Audit related to:

- Payroll — The matter of the extent of review by some managers of the information on the bona-fide report. The review and certification of this report is a key management control for ensuring that payroll payments are valid complete and accurate.
- Accounts Payable — The documentation of policies and procedures, and the use and control of corporate credit cards.
- Receipting and Banking — The documentation of policies and procedures, internal controls over masterfiles and the level of access controls.

DEH Response

A satisfactory response to each of the matters raised was received.

EXTRACT FROM THE INDEPENDENT AUDIT REPORT

The following is an extract from the 2000-01 Independent Audit Report, which details the qualification to DEH's financial report. A similar qualification was included in last year's Independent Audit Report.

Qualification

Due to limitations with respect to the reliability and completeness of information maintained on property administered by the Department that have prevented the production of timely and appropriate information, I am unable to form an opinion on the completeness and reliability of values ascribed to the property, plant and equipment component of the Schedule of Administered Items. Recognising this property using similar valuation methodology to that used for other property in this financial report may have material effects, the amounts of which are uncertain, on the property, plant and equipment reported in the Schedule of Administered Items.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department for Environment and Heritage as at 30 June 2001 the results of its operations and its cash flows for the year then ended.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Environment and Heritage included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

In February 2000, certain functions (including assets and liabilities) were transferred out of and into DEH. As a result of these changes comparison of figures between financial years may not be appropriate. The analysis below highlights some observations from the financial statements.

Statement of Financial Performance

During the year DEH revisited its first time recognition of assets. That exercise revealed errors relating to the identification of assets not previously recognised and the methodology used to depreciate certain infrastructure assets. The errors identified that the accumulated depreciation for roads was overstated by \$36.9 million and assets totalling \$5.3 million relating to the Gawler and Flinders Ranges National Parks had been omitted from the asset total. These adjustments are treated as a fundamental error in accordance with new Accounting Standards and are discussed in Note 14 to the Financial Statements.

In interpreting the result on ordinary activities for the year it is noted that the total fundamental error of \$42.2 million accounted for 87 percent of surplus from ordinary activities for the year.

Expenses

Total expenses decreased to \$164.1 million from \$180.1 million, a decline of \$16 million or 9 percent. Major items effecting that movement were:

- salaries and wages, which increased by \$1.7 million (3 percent) to \$65.6 million;
- grants and transfers, which decreased by \$16.3 million (55 percent) to \$13.8 million;
- depreciation and amortisation expenses, which decreased by \$1.3 million (5 percent) to \$25.1 million.

Revenues

Commonwealth grant contributions decreased from \$12.9 million to \$6.4 million, a decrease of \$6.5 million.

Appropriations

Recurrent appropriations decreased by \$8.3 million to \$94.9 million.

The accrual appropriation was \$21.7 million (\$17.5 million). This amount was placed in a Special Deposit Account with the Department of Treasury and Finance. DEH's balance in this account totalled \$40.9 million (\$19.2 million) as at 30 June 2001.

Statement of Financial Position

Assets

Cash assets increased by \$22.5 million to \$73.5 million. Of that increase \$21.7 million relates to accrual appropriation discussed above.

The increase in property, plant and equipment from \$226.8 million to \$270.2 is due mainly to the correction of the fundamental error (refer above). Other major factors influencing the written down value of property, plant and equipment was the depreciation expense of \$25.1 million, additions of \$15.4 million and revaluations of \$13.9 million.

Contingent Obligations

Note 34 to the Financial Statements highlights contingent obligations of DEH. The total potential exposure as at 30 June 2001 from these contingent obligations was \$9.9 million.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|---|------|----------------|----------------|
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Salaries and wages and other employee related expenses | | 65 624 | 63 909 |
| Goods and services | 4 | 53 040 | 54 587 |
| Grants and transfers | 5 | 13 796 | 30 143 |
| Depreciation and amortisation | 6 | 25 106 | 26 442 |
| Borrowing costs | | 3 479 | 3 565 |
| Net loss from disposal of non-current assets | 7 | 326 | 586 |
| Other | 8 | 2 709 | 911 |
| Total Expenses | | 164 080 | 180 143 |
| REVENUES FROM ORDINARY ACTIVITIES: | | | |
| Fees and charges | 9 | 22 455 | 23 918 |
| Grants and transfers | 10 | 17 820 | 26 833 |
| Interest and dividends | | 4 766 | 3 613 |
| Assets received free of charge | 11 | 324 | 3 |
| Other revenues | 12 | 5 787 | 2 427 |
| Total Revenues | | 51 152 | 56 794 |
| NET COST OF SERVICES | | 112 928 | 123 349 |
| REVENUES FROM GOVERNMENT: | | | |
| Recurrent appropriations | | 94 866 | 103 154 |
| Accrual appropriations | | 21 738 | 17 562 |
| Contingency provision grants | | 954 | - |
| Assumption of liabilities | | 550 | - |
| Total Revenues from Government | 13 | 118 108 | 120 716 |
| FUNDAMENTAL ERROR | 14 | 42 230 | - |
| NET REVENUE FROM RESTRUCTURING | 15 | 1 227 | 47 410 |
| SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES | | 48 637 | 44 777 |
| Increase (decrease) in asset revaluation reserve | | 13 855 | 2 313 |
| Increase (decrease) in first time recognition of assets | | - | 1 798 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS | | 62 492 | 48 888 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|---|-------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash assets | 16 | 73 520 | 51 055 |
| Receivables | 17 | 8 400 | 6 988 |
| Inventory | 18 | 1 445 | 1 612 |
| Other financial assets | 19 | 12 | 8 |
| Other | 20 | 600 | 579 |
| Total Current Assets | | 83 977 | 60 242 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 17 | 1 435 | 1 226 |
| Inventory | 18 | 4 694 | 4 772 |
| Property, plant and equipment | 21 | 270 226 | 226 797 |
| Other | 20 | 22 | 272 |
| Total Non-Current Assets | | 276 377 | 233 067 |
| Total Assets | | 360 354 | 293 309 |
| CURRENT LIABILITIES: | | | |
| Payables | 22 | 14 846 | 10 914 |
| Employee entitlements and other employee related provisions | 23 | 5 492 | 3 792 |
| Finance leases | 24 | 181 | 227 |
| Interest-bearing liabilities | 25 | 23 | - |
| Provision for workers compensation | 26 | 214 | 188 |
| Total Current Liabilities | | 20 756 | 15 121 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 22 | 2 477 | 2 739 |
| Employee entitlements and other employee related provisions | 23 | 10 984 | 11 435 |
| Finance leases | 24 | 131 | 99 |
| Interest bearing liabilities | 25 | 38 544 | 39 139 |
| Provision for workers compensation | 26 | 767 | 573 |
| Total Non-Current Liabilities | | 52 903 | 53 985 |
| Total Liabilities | | 73 659 | 69 106 |
| NET ASSETS | | 286 695 | 224 203 |
| EQUITY: | | | |
| Accumulated surplus | | 272 157 | 223 520 |
| Reserves | | 14 538 | 683 |
| TOTAL EQUITY | 27 | 286 695 | 224 203 |
| Restrictions on Contributions, Contingent Obligations | 33,34 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|--|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| Employee entitlements and other employee related expenses | | (63 416) | (63 635) |
| Goods and services | | (49 794) | (51 174) |
| Grants and transfers | | (13 796) | (30 143) |
| Interest | | (3 505) | (4 011) |
| GST payments on purchases | 2(p) | (8 406) | - |
| RECEIPTS: | | | |
| Fees and charges | | 22 131 | 23 681 |
| Interest income | | 3 538 | 3 579 |
| Grants and transfers | | 17 820 | 27 164 |
| GST receipts on sales | 2(p) | 2 178 | - |
| GST receipts from taxation authority | 2(p) | 5 495 | - |
| Other revenues | | 6 719 | 1 986 |
| CASH FLOWS FROM GOVERNMENT: | | | |
| Recurrent appropriations | | 94 866 | 103 154 |
| Accrual appropriations | | 21 738 | 17 562 |
| Contingency provision grants | | 954 | - |
| Net transfer receipts from other Government Entities | | 884 | (1 867) |
| Net Cash provided by Operating Activities | 28 | 37 406 | 26 296 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| RECEIPTS: | | | |
| Disposal of non-current assets | 7 | 287 | 1 281 |
| PAYMENTS: | | | |
| Purchase of non-current assets | | (14 549) | (18 963) |
| Loans to customers | | (643) | - |
| Net Cash used in Investing Activities | | (14 905) | (17 682) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| Principal repayments under finance leases and repayments of borrowings | | (36) | (103) |
| Net Cash used in Financing Activities | | (36) | (103) |
| NET INCREASE IN CASH HELD | | 22 465 | 8 511 |
| CASH AT 1 JULY | | 51 055 | 42 544 |
| CASH AT 30 JUNE | 16 | 73 520 | 51 055 |

Schedule of Administered Items for the year ended 30 June 2001 (refer Note 1)

| | 2001 | 2000 |
|---|-----------------|----------------|
| | Total | Total |
| | \$'000 | \$'000 |
| ADMINISTERED ASSETS AND LIABILITIES: | | |
| ASSETS: | | |
| Cash assets | 14 909 | 14 778 |
| Current receivables | 2 061 | 172 |
| Inventory | 114 | 105 |
| Non-current receivables | 305 | 384 |
| Capital work in progress | 1 027 | 536 |
| Property, plant and equipment | 112 604 | 141 425 |
| Total | 131 020 | 157 400 |
| LIABILITIES: | | |
| Current payables | 2 562 | 488 |
| Other current liabilities | 2 402 | 3 531 |
| Interest bearing liabilities | 200 | 327 |
| Total | 5 164 | 4 346 |
| ADMINISTERED REVENUES AND EXPENSES: | | |
| EXPENSES: | | |
| War concessions | 2 | 2 |
| Arid zone ecology | 9 | 4 |
| Royal Zoological Society of SA | 2 904 | 2 771 |
| Grants paid | 2 529 | 821 |
| Salaries and allowances | 351 | 456 |
| Salaries and allowances - Special Acts | 168 | 141 |
| Accommodation and service costs | 64 | 26 |
| Materials and consumables | 339 | 250 |
| Vehicle operating costs | 54 | 110 |
| Contract payments | 1 265 | 887 |
| Consultancies | 221 | 407 |
| Minor plant and equipment | 7 | - |
| Depreciation and amortisation | 1 245 | 1 435 |
| Fundamental error - Adjustment to useful life of roads, tracks and trails | (471) | - |
| Interest expense | 28 | 26 |
| Auditor's remuneration | 69 | 75 |
| Other expenses | 235 | 681 |
| Amounts remitted to the Department of Treasury and Finance | 6 262 | 5 098 |
| Net expense on restructure | 23 591 | 800 |
| Other transfers and remittances | 12 110 | 6 187 |
| Total | 50 982 | 20 177 |
| REVENUES: | | |
| Appropriations | 1 725 | 1 330 |
| Crown land/property sales | 1 397 | 3 339 |
| Draw on Consolidated Account (Ministerial Other Items, Special Acts) | 3 162 | 2 908 |
| Grants and transfers received | 2 239 | 8 579 |
| Rents and interest - War Service properties | 517 | 562 |
| Fees and charges | 5 189 | 747 |
| Charges and admissions | 2 052 | 1 955 |
| Sales of other goods and services | 4 134 | 4 483 |
| Fines and penalties | 344 | 41 |
| Private plated vehicles contributions | 1 | 1 |
| Interest | 583 | 384 |
| Bad debt recovery | 251 | - |
| Net revenue on restructure | 1 609 | 57 |
| Other revenues | 273 | 508 |
| Total | 23 476 | 24 894 |
| SURPLUS (DEFICIT) | (27 506) | 4 717 |

Output Class Schedule of Expenses and Revenues for the year ended 30 June 2001

| Output Class (Refer Note 3) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Total |
|--|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | | | | | | | |
| Salaries and wages and other employee related expenses | 28 179 | 11 738 | 1 129 | 5 053 | 8 665 | 1 775 | 3 740 | 5 345 | 65 624 |
| Goods and services | 22 517 | 8 255 | 849 | 2 815 | 8 696 | 793 | 2 625 | 6 490 | 53 040 |
| Grants and transfers | 2 841 | 1 212 | 39 | 80 | (44) | 29 | 393 | 9 246 | 13 796 |
| Depreciation and amortisation | 17 066 | 606 | 6 | 139 | 5 882 | 8 | 28 | 1 371 | 25 106 |
| Borrowing cost expense | 1 479 | 628 | 61 | 201 | 609 | 78 | 266 | 157 | 3 479 |
| Net loss from disposal of non-current assets | 144 | 62 | 6 | 20 | 59 | 8 | 26 | 1 | 326 |
| Other expenses | 723 | 311 | 30 | 100 | 298 | (238) | 132 | 1 353 | 2 709 |
| Total Expenses | 72 949 | 22 812 | 2 120 | 8 408 | 24 165 | 2 453 | 7 210 | 23 963 | 164 080 |
| REVENUES FROM ORDINARY ACTIVITIES: | | | | | | | | | |
| Fees and charges | 5 880 | 10 084 | 238 | 778 | 2 322 | 1 095 | 1 029 | 1 029 | 22 455 |
| Grants and transfers | 7 975 | 2 853 | 205 | 492 | 1 468 | 192 | 769 | 3 866 | 17 820 |
| Interest and dividends | 1 792 | 769 | 92 | 247 | 736 | 108 | 326 | 696 | 4 766 |
| Assets received free of charge | 143 | 58 | 6 | 19 | 56 | 7 | 25 | 10 | 324 |
| Other revenues | 4 069 | (555) | (80) | 82 | (728) | (92) | (219) | 3 310 | 5 787 |
| Total Revenues | 19 859 | 13 209 | 461 | 1 618 | 3 854 | 1 310 | 1 930 | 8 911 | 51 152 |
| NET COST OF SERVICES | (53 090) | (9 603) | (1 659) | (6 790) | (20 311) | (1 143) | (5 280) | (15 052) | (112 928) |
| REVENUES FROM GOVERNMENT FUNDAMENTAL ERROR | 53 638 | 11 231 | 1 743 | 6 293 | 5 422 | - | 3 292 | 36 489 | 118 108 |
| FUNDAMENTAL ERROR | 42 230 | - | - | - | - | - | - | - | 42 230 |
| NET REVENUE FROM RESTRUCTURING | 375 | 4 | (315) | 1 | (24) | 1 | 2 | 1 183 | 1 227 |
| SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES | 43 153 | 1 632 | (231) | (496) | (14 913) | (1 142) | (1 986) | 22 620 | 48 637 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Strategic Context and Financial Arrangements

Strategic Context

The Department for Environment and Heritage (DEH) is working to secure a thriving, diverse future for South Australia characterised by a healthy environment, healthy communities and healthy people.

DEH is a diverse agency with principal responsibilities for:

- management of South Australia's national parks, botanic gardens and coastline;
- protection and management of biodiversity and State heritage;
- environment protection, policy and regulation;
- monitoring and reporting of the quality of South Australia's water, air and land;
- provision of environmental and geographic information;
- promotion of recreation, sport and racing;
- promotion of and support for the volunteer sector.

DEH makes a significant contribution to the well-being of South Australians, promoting sustainable development and quality of life in this State. Through recreation, sport and volunteer programs, DEH is helping to increase community fitness, health and participation. In partnership with the community, DEH is helping to create the right conditions for natural resources to be used for their best outcome within sustainable limits.

Financial Arrangements

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- fees, levies and licenses;
- rents for Crown Land;
- sales of spatial information.

The financial activities of the Department are primarily conducted through Deposit Accounts with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided. All contracts and balances of the Department are denominated solely in Australian dollars, therefore there are no foreign currency assets or liabilities.

Administered Activities

The Department is responsible for the administration of certain activities described below on behalf of the Department of Treasury and Finance, other South Australian Government Agencies, the Crown, Industry, interstate governments, the Minister for Environment and Heritage and the Minister for Recreation, Sport and Racing. The transactions relating to these activities are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have any control over these activities and merely acts as an agent. Administered revenues, expenses, assets and liabilities are detailed in the Schedule of Administered Items. The administered items are:

- War Service Land Settlement Scheme;
- Crown Land Sales Suspense Account;
- Surplus Land and Property Sales;
- Wildlife Conservation Fund;
- Bookmark Biosphere Trust;
- General Reserves Trust;

Administered Activities (continued)

- Martindale Hall Development Trust;
- Board of the Botanic Gardens and State Herbarium;
- Environment Protection Fund;
- State Heritage Fund;
- Native Vegetation Fund;
- Coast Protection Fund;
- Adelaide Coastal Water Study;
- Murray Mallee Partnership;
- Land Services Group;
- Racing Industry Development Authority decommissioning costs;
- Ministerial other payments:
 - War concessions;
 - Arid zone ecology;
 - Royal Zoological Society of South Australia.
- Special acts allocation:
 - Salary and allowances - Minister.
- Consolidated revenue:
 - Fines and penalties arising from breaches of various acts administered by the Department;
 - Private plate vehicle contributions.

Full Time Equivalents

The Department was operating with 1147 full time equivalents as at 30 June 2001.

2. Significant Accounting Policies**(a) Changes to Agency Structure**

The Department has not undergone any major administrative restructures during the year ended 30 June 2001, however, several functions have been transferred to other government agencies. The Pastoral function, including the Pastoral Board, an administered fund of the Department, transferred to Primary Industries and Resources SA from 1 July 2000. The Geodetic Services and Geographical Names Units transferred to the Department for Administrative and Information Services also at 1 July 2000.

The Interim Waste Management Committee, a State Government body created under the *Environment Protection Act 1993*, wound up its operations as at 30 June 2000. The Committee transferred its net assets at this date to the Environment Protection Fund, an administered fund of the Department, with the exception of the property, plant and equipment which was transferred to the Department. The operations of the Martindale Hall Development Trust have been inadvertently accounted for as part of the Department's controlled operations to 30 June 2000 when in fact the Trust is only administered by the Department. As such, from 1 July 2000 the Trust has been accounted for as an administered body. The effect of this oversight is not material. The Racing Industry Development Authority (RIDA) also wound up its operations as at 30 September 2000, the remaining cash balance and outstanding creditors were transferred to the Department to administer. Any remaining cash balance of RIDA will be distributed to the racing codes upon settlement of final debts.

The Mt Lofty Summit Development Trust came into being on 1 August 2000. As a Board was not formulated until 28 June 2001, the Department has continued to manage and control these operations. The accounting arrangements are that revenues earned and expenses incurred by the Mount Lofty Development Trust have been reported by the Department.

(b) Basis of Accounting

This financial report is a general purpose financial report which has been prepared in accordance with the Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views (UIG's), *Public Finance and Audit Act 1987*, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Department has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received because only at this time can the Department be certain about the amounts to be collected. These revenues include items such as licence and accreditation fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at written down current cost, in accordance with Department of Treasury and Finance guidance. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements detail the revenues, expenses and financial position of the Department as a single entity and accordingly all intra Departmental transactions and balances have been eliminated.

(c) Property, Plant and Equipment

All items of property, plant and equipment controlled by the Department have been brought to account at current cost, with assets other than land, being reduced to reflect the portion of economic benefits that had been consumed since the asset was acquired, ie 'depreciated current cost'.

Current cost has been determined using deprival value methodology, whereby assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential. Accordingly, all assets acquired since 1 July 1996 are accounted for at cost of acquisition unless revalued in accordance with the Department's revaluation policy.

(c) **Property, Plant and Equipment (continued)**

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than three years were to be revalued at intervals not exceeding three years as per previous Treasurer's Instructions. However, the Department has been provided approval from the Treasurer to use the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' allowing the first revaluation to be an interval not exceeding five years, but prior to 30 June 2004, and then revaluations at every three years thereafter.

Under the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Department will continue to use deprival methodology for revaluations undertaken prior to 30 June 2002.

During the financial year the Department revalued certain buildings, infrastructure, roads, tracks and trails within National Parks state wide. This work was carried out by Valcorp in June 2001.

The revaluation of infrastructure, roads, tracks and trails resulted in an asset revaluation reserve of \$13.8 million being recognised in the financial statements.

Heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of major classes of assets (building/improvements or other). Heritage assets and works of art that are unique are not depreciated due to their long useful lives. Heritage assets that provide a functional service are recorded at depreciated current cost.

Minor items of plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(i) **Land**

Land comprising National Parks, Conservation Parks, Recreation Parks, Wilderness Protection Areas and Reserves, generally have restrictions on use imposed by statute or regulation. Independent valuers, using the deprival value approach, and having regard to restrictions on use, have determined the carrying amount of this type of land.

The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of value of the asset, unallotted Crown Land is not included in the Schedule of Administered Items.

The Schedule of Administered Items includes the Crown's interest in land leased to third parties under miscellaneous leases, perpetual leases, and annual licences.

(ii) **Buildings, Improvements and Infrastructure**

Independent valuers have valued selected items in this category.

Other items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers. This methodology has been revised and updated with current deprival costs and forms the basis of the revaluation process undertaken during the current financial year.

(iii) **Intellectual Property, Databases and Information Systems**

Selected items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers.

The Department controls a large number of databases, registers, information systems and other intellectual property. All databases were developed in-house and are used to store and manage intellectual property owned by the Department. While the development and maintenance of these databases involve on-going costs to the Department, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure the value of those assets.

The purchase costs of information systems used by the Department have been recognised as assets. However, the implementation and development costs related to the systems have not been capitalised as assets. These costs therefore have been expensed when incurred, as it has not been possible to reliably identify and match the expenditure to economic benefits attributable to future reporting periods.

(iv) **Capital Work in Progress**

Capital work in progress consists of actual expenditure carried forward, where it is possible to reliably measure the cost of the asset/work, and it is probable that future economic benefits will flow to the Department from use or conversion of the asset/work.

(d) **Depreciation**

All items of property, plant and equipment, with the exception of land, unique heritage assets and works of art have a limited useful life and are systematically depreciated in a manner, which reflects the consumption of service potential. The depreciation rates are reviewed annually. No depreciation is applied to capital work in progress, as this asset category consists of unfinished projects, which have not been commissioned into service.

During the year Valcorp were engaged to review useful lives of asset classes, specifically, roads, tracks and trails. Physical inspection of assets during the year indicated that depreciation rates previously ascribed to roads, track and trail assets did not accurately reflect service potential. Upon revision of useful lives a \$36.9 million adjustment was taken up to reflect the under-valued written down cost of these assets upon initial adoption under the first time recognition provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' and subsequent over depreciation during the financial years ending 30 June 1999 and 30 June 2000 (refer to Note 14).

- (d) **Depreciation (continued)**
 Assets are subject to straight line depreciation over the following periods:
- | | Years |
|--------------------------|-------|
| Buildings/improvements | 10-80 |
| Infrastructure | 2-50 |
| Roads, tracks and trails | 4-50 |
| Moveable vehicles | 5-20 |
| Computing equipment | 3 |
| Application Software | 5 |
| Furniture and fittings | 5-20 |
| Plant and equipment | 3-30 |
| Other | 3-25 |
- (e) **Repairs and Maintenance**
 Repairs and maintenance costs are expensed as incurred.
- (f) **Income Recognition**
 All revenue recorded in the Statement of Financial Performance, including appropriations, grants, donations and other contributions are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations and granted assets is normally obtained upon their receipt.
- Licences, leases and accreditation fees, where the period exceeds one reporting period, are recorded in their entirety as revenue in the period in which they are received.
- The Department is not economically dependent on one individual for its revenue, however, the amount of revenue earned from transactions with our customer base can be influenced by the South Australian economy.
- (g) **Cash Assets**
 Cash assets consist of cash on hand, at call accounts with Australian commercial banks and monies held by the Department of Treasury and Finance in Special Deposit Accounts. Interest is received on credit balances in accordance with standard commercial terms for deposits not held by the Treasurer. Deposit Account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 8.3 percent.
- (h) **Receivables**
 Receivables in respect of fees and charges are generally settled within 60 days and are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as the provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.
- The Department does not have any significant exposure to any individual customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.
- As at 1 July 2000, the Department retained the receivables balance for the products and services relating to the Pastoral function upon their transfer to Primary Industries and Resources SA (PIRSA). A cash settlement was made to PIRSA for these receivable balances. The Geodetic and Geographical Names Section did not have any receivables balance upon transfer to the Department for Administrative and Information Services.
- (i) **Creditors/Payables**
 Trade creditors are unsecured debts, recognised in the financial statements when contracted goods or services have been received by the Department. These debts generally are settled within 30 days of invoice. Retention monies held on capital works projects are carried at their nominal face value. Oncosts associated with employee entitlements have been recognised as accrued payables for the period ending 30 June 2001 in accordance with Accounting Policy Statement APS 9 'Employee Entitlements', paragraph 30.
- (j) **Employee Entitlements and Other Employee Related Provisions**
 A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave, long service leave and accrued salaries and wages.
- (i) **Annual Leave**
 The annual leave entitlement is calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.
- (ii) **Long Service Leave**
 In calculating long service leave entitlements the Department uses a benchmark of eight years, based on an actuarial assessment undertaken by the Department of Treasury and Finance of a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Department's experience of employee retention and leave taking.
- (iii) **Sick Leave**
 The Department's employees' entitlement to sick leave is non vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods. No sick leave liability has been recorded as the sick leave taken during the period was less than the sick leave entitlements accrued.
- (k) **Interest Bearing Liabilities**
 Interest-bearing liabilities consist of loans advanced by the Department of Treasury and Finance. The loans, which are unsecured, generally incur interest at a rate determined by the Treasurer. Interest is paid quarterly in arrears. The average effective interest rate for the reporting period was 8.35 percent.

(l) Leases

The Department has entered into lease agreements for property, plant and equipment.

Where the lessors effectively retain all of the risks and benefits incidental to ownership of the items the arrangements are considered to be operating leases. For these cases equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property. Details of operating leases are disclosed in Note 32.

The Department's rights and obligations under finance leases, which are leases that effectively transfer to the Department substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as plant and equipment under lease, and are amortised to the Statement of Financial Performance over the period during which the Department is expected to benefit from the use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 24.

(m) Superannuation

The Department made contributions of \$5.6 million to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

(n) Inventories

Inventories are valued in the accounts at cost.

(o) Lease Incentive

The Department has entered into an operating lease where it received an incentive, in the form of structural improvements and the provision of certain items of furniture and fittings. A liability has been raised to reflect the deferred benefits received under the lease incentive arrangement and this liability is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(p) Goods and Services Tax

The Department is registered for GST, as such it charges GST on its products and claims input tax credits on its purchases where required by legislation. The net amount of GST recoverable from the Australian Taxation Office has been recognised as part of current receivables in the Statement of Financial Position. In accordance with Urgent Issues Group Abstract 31 'Accounting for Goods and Services Tax (GST)', receivables and payables have been recognised inclusive of GST. The only exception to grossing up for GST is for accrued expenses where a valid tax invoice is not on hand at the time of accruing the revenue or expense and the amount of the transaction has been estimated.

The Department prepares a Business Activity Statement on behalf of its administered entities and the Department for Water Resources under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Statement of Financial Position and the GST Cash Flows recorded on the Cash Flow Statement of the Department.

(q) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand (including petty cash and cashier floats), deposits held at call with banks and Deposit Accounts with the Department of Treasury and Finance.

(r) Comparative Figures

In terms of the Statement of Financial Position the comparative figures for the year ended 30 June 2000 reflect the same entity as at 30 June 2001 with some minor changes in functions as per Note 2(a) above. However, the Statement of Financial Performance for the period ended 30 June 2000 includes eight months operating results for the Division of State Aboriginal Affairs and the water-related functions that were transferred to the Department for Water Resources, both transferred from 14 February 2000. The 30 June 2000 figures also contain four months operating results for the Office for Recreation and Sport which transferred into the Department in February 2000. The Statement of Financial Performance for the period ending 30 June 2001 includes the full year operating result for the Office for Recreation and Sport and no operating result for the Aboriginal Affairs and water-related functions.

The comparative figures in the Schedule of Administered Items have been amended to reflect the final audited position of administered entities for the year ended 30 June 2000. As a result, there are differences when comparing the comparative figures to the Schedule of Administered Items as published in the Report of the Auditor-General for the year ending 30 June 2000.

(s) Reclassification of Financial Information

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(t) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Output Classes of the Department

The Department is funded by appropriation for the provision of the following output classes as set out below:

1. National Parks and Wildlife
2. Environmental Protection
3. Heritage Conservation
4. Botanic Gardens
5. Environmental and Geographic Information and Knowledge
6. Administration and Stewardship of Crown Lands
7. Coordination and Advice
8. Recreation, Sport and Racing

4. Goods and Services

Goods and service expenses for the reporting period comprised:

| | 2001 | 2000 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Accommodation and service expenses | 10 990 | 9 667 |
| Section 7* remittances | 2 571 | 2 722 |
| Materials and consumables | 3 022 | 2 701 |
| Vehicle and aircraft operating expenses | 4 595 | 3 853 |
| Travel and accommodation | 1 695 | 1 889 |
| Contractor expenses | 13 329 | 14 510 |
| Consultancies | 1 135 | 2 302 |
| Computing expenses | 6 435 | 7 278 |
| Minor plant and equipment purchases | 1 063 | 1 011 |
| Auditor's remuneration - Auditing services | 206 | 277 |
| Equipment repairs and maintenance | 484 | 872 |
| Printing and publishing | 1 199 | 1 233 |
| Goods held for resale | 830 | 1 094 |
| Bank fees and finance lease charges | 136 | 145 |
| Postage, courier and freight | 571 | 521 |
| Advertising | 646 | 577 |
| Scholarships, awards and prizes | 355 | 297 |
| Other | 3 778 | 3 638 |
| | 53 040 | 54 587 |

* *Land and Business (Sale and Conveyancing) Act 1994*

5. Grants and Transfers

Grants and transfers for the reporting period comprised:

| | | |
|--|---------------|--------|
| Murray Darling 2001 Grants | - | 5 484 |
| Catchment Management Subsidy Scheme | - | 1 346 |
| Grants to service programs for Aboriginal people | - | 2 003 |
| Transfer to: | | |
| State Heritage Fund | 350 | - |
| Adelaide Coastal Water Study | 75 | - |
| Department for Water Resources | 190 | - |
| Murray Darling Basin Commission | - | 8 868 |
| Botanic Gardens Board | 100 | 1 137 |
| General Reserves Trust | - | 600 |
| Coast Care grants | 219 | 633 |
| Animal Welfare grants - RSPCA | 525 | 500 |
| National Estate program grants | 89 | 359 |
| Natural Heritage Trust grants | 1 238 | 1 293 |
| Resource Conservation grants | 271 | 232 |
| Waterwatch Program | 267 | 4 |
| KESAB | 317 | 276 |
| Mt Lofty Watershed program | 345 | - |
| State Heritage grants | - | 37 |
| Recreation and sport financial assistance grants | 9 204 | 6 457 |
| Miscellaneous grants | 606 | 914 |
| | 13 796 | 30 143 |

6. Depreciation and Amortisation

Depreciation and amortisation expenses for the reporting period were charged in respect of:

| | | |
|---|---------------|--------|
| Buildings/improvements | 2 688 | 1 361 |
| Infrastructure | 6 611 | 6 459 |
| Roads, tracks and trails | 7 075 | 9 371 |
| Moveable vehicles | 517 | 428 |
| Computing equipment | 3 355 | 2 460 |
| Application Software | 2 551 | 4 307 |
| Furniture and fittings | 200 | 189 |
| Plant and equipment | 1 103 | 669 |
| Other | 726 | 882 |
| Amortisation of plant and equipment under finance lease | 280 | 316 |
| | 25 106 | 26 442 |

7. Net Loss from Disposal of Non-Current Assets

Proceeds from disposal of non-current assets

Less: Written down value of non-current assets

| | | |
|--|------------|-------|
| | 287 | 1 281 |
| | 613 | 1 867 |
| | 326 | 586 |

Environment and Heritage

| | | |
|--|----------------|---------|
| 8. Other Expenses | 2001 | 2000 |
| | \$'000 | \$'000 |
| Revaluation decrements - Photographic proofs | - | 631 |
| Doubtful debts | 938 | 269 |
| Bad debts | 81 | 11 |
| Capital work in progress write-off | 1 690 | - |
| | 2 709 | 911 |
| 9. Fees and Charges | | |
| Fees and charges for the reporting period comprised: | | |
| Rent and other related income | 1 919 | 2 972 |
| Fees, levies and licences | 8 695 | 8 294 |
| Admissions and guided tour charges | 77 | 52 |
| Section 7* enquiries | 6 851 | 6 421 |
| Remote user property inquiry fees | 2 083 | 2 146 |
| Sale of products and other services | 2 830 | 4 033 |
| | 22 455 | 23 918 |
| * <i>Land and Business (Sales and Conveyancing) Act 1994</i> | | |
| 10. Grants and Transfers | | |
| Other revenues for the reporting period comprised: | | |
| Commonwealth contributions | 6 383 | 12 887 |
| State Government grants | 5 110 | 4 831 |
| Contributions towards capital projects - Other government agencies | - | 860 |
| Contributions received - Catchment Management Subsidy Scheme | - | 1 330 |
| Transfer from General Reserves Trust | 5 537 | 5 648 |
| Transfer from Board of Botanic Gardens and State Herbarium | 333 | 426 |
| Sundry grants and contributions received | 457 | 851 |
| | 17 820 | 26 833 |
| 11. Assets Received Free of Charge | | |
| Donated assets | 260 | 3 |
| Assets transferred in from the Environment Protection Fund | 64 | - |
| | 324 | 3 |
| 12. Other Revenues | | |
| Other revenues for the reporting period comprised: | | |
| Salaries and wage expenses recouped | 1 116 | 1 260 |
| Gaming revenue | 3 199 | - |
| Insurance recovery | 163 | - |
| Service charge to DAIS for Corporate IT Support | 331 | 331 |
| Other revenue | 978 | 836 |
| | 5 787 | 2 427 |
| 13. Revenues from Government | | |
| Reconciliation of Government Revenues | | |
| Total appropriations | 116 862 | 120 853 |
| Contingency provision grants | 954 | - |
| Net draw on Consolidated Account not recognised in the Statement of Financial Performance* | (258) | (137) |
| Net cash from Government | 117 558 | 120 716 |
| Other Government revenues, assumption of liabilities | 550 | - |
| Total Government Revenues | 118 108 | 120 716 |

* The Department does not control how these funds are to be spent and acts only as an agent in an administrative capacity on behalf of the Minister for Environment and Heritage.

The net draw on the Consolidated Account not recognised in the Statement of Financial Performance comprised:

| | | |
|--------------------------------------|--------------|-------|
| Ministerial other payments | (12) | (6) |
| Special Acts - Recurrent expenditure | (254) | (141) |
| Recurrent receipts | 8 | 10 |
| | (258) | (137) |

14. Fundamental Error

During the 2000-01 financial year, the Department has undertaken a review of its asset base and related depreciation. As a result of the review, two material errors have been highlighted. The errors that have been amended through the Statement of Financial Performance during the 2000-01 financial year are the following:

- The useful lives of roads, tracks and trails have been revised resulting in a \$36.9 million revenue in the current financial year. In effect, this adjustment is to amend overstated depreciation over the prior three financial years and the first time recognition of the written down value; and
- Assets of the Gawler and Flinders Ranges National Parks amounting to \$5.3 million have not been brought to account in prior reporting periods and this has resulted in a revenue in the 2000-01 financial year (under the transitional provisions of AAS 29, which have since expired, this take up of assets would have been recognised as a direct adjustment to equity via the First Time Recognition Reserve).

The total amount recognised as a fundamental error represents corrections to prior reporting periods. Any corrections relating to the current year have been amended against the line item in which the error has been initially made. Restating of the comparative figures has not been made as it is impractical to recalculate these figures.

15. Net Revenues from Restructuring of Administrative Arrangements

| | | 2001 \$'000 | 2000 \$'000 |
|---|------|----------------|----------------|
| The net revenues/expenses relating to the restructuring of administrative arrangements are the following: | Note | | |
| Pastoral function to Primary Industries and Resources SA | (a) | 190 | - |
| Geodetic and Geographical Names to the Department for Administrative and Information Services | (b) | 148 | - |
| Martindale Hall Development Trust to administered funds | (c) | (315) | - |
| Assets from the Minister | (d) | 23 | - |
| Office for Recreation and Sport from the Department for Industry and Trade | (e) | 1 181 | 60 145 |
| Division of State Aboriginal Affairs to the Department for Transport, Urban Planning and the Arts | (f) | - | (5 158) |
| Water related functions to the Department for Water Resources | (g) | - | (7 557) |
| Kangaroo Management Fund to administered funds | (h) | - | (20) |
| | | 1 227 | 47 410 |

- (a) During the 2000-01 financial year, the Department relinquished responsibility for the pastoral function to Primary Industries and Resources SA, effective from 1 July 2000. Amounts transferred comprised of inventory \$12 000, property, plant and equipment \$5 000 and employee entitlements \$207 000.
- (b) Geodetic Services and Geographical Names units transferred to the Department for Administrative and Information Services, effective from 1 July 2000. The amounts transferred are \$28 000 property, plant and equipment and \$176 000 employee entitlements.
- (c) During the year, the Department assessed that it no longer controlled the operations of the Martindale Hall Development Trust. Consequently, as at 1 July 2000 cash of \$315 000 was transferred to administered operations (see Note 2(a)).
- (d) During the year, the Department assumed responsibility for some additional assets with a written down value of \$23 000 relating to the change in the Department's Minister.
- (e) During the 1999-2000 financial year, the Department assumed responsibility for the Office for Recreation and Sport. During 2000-01 there was a further transfer of cash from the Department of Industry and Trade of \$1.2 million as a result of the finalisation of the Office for Recreation and Sport transfer. Also forming part of the finalisation of this transfer was an adjustment to the opening balances (excluding cash) upon transfer of a net \$18 000. A summary of these transactions is included below:

| | 2001 \$'000 | 2000 \$'000 |
|-------------------------------|----------------|----------------|
| Assets: | | |
| Cash | 1 199 | 7 498 |
| Receivables | - | 2 107 |
| Prepayments | - | 4 |
| Inventory | (210) | 222 |
| Property, plant and equipment | (665) | 52 992 |
| Liabilities: | | |
| Payables | (857) | 1 058 |
| Employee entitlements | - | 1 085 |
| Borrowings | - | 535 |
| | 1 181 | 60 145 |

- (f) In February 2000, the Division of State Aboriginal Affairs was transferred to the Department for Transport, Urban Planning and the Arts. The following assets and liabilities were transferred:

| | 2001 \$'000 |
|-------------------------------|----------------|
| Assets: | |
| Cash | 5 439 |
| Receivables | 551 |
| Property, plant and equipment | 967 |
| Liabilities: | |
| Payables | 676 |
| Employee entitlements | 1 077 |
| Finance Leases | 46 |
| | 5 158 |

- (g) In February 2000, the Department relinquished its responsibility for water-related functions to the new Department for Water Resources. The following assets and liabilities were transferred:

| | 2001 \$'000 |
|-------------------------------|----------------|
| Assets: | |
| Cash | 3 894 |
| Receivables | 100 |
| Prepayments | 15 |
| Work in progress | 629 |
| Property, plant and equipment | 5 187 |
| Liabilities: | |
| Payables | 343 |
| Employee entitlements | 1 925 |
| | 7 557 |

- (h) During the 1999-2000 financial year, the Department assessed that is no longer controlled the operations of the Kangaroo Management Fund. Consequently, as at 1 July 1999 cash of \$20 000 was transferred to administered operations.

Environment and Heritage

| 16. Cash Assets | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Bank accounts with non South Australian Government entities | 1 303 | 548 |
| Cash on hand (including petty cash) | 25 | 21 |
| Accrual Appropriation Excess Fund Special Deposit Account with the Department of Treasury and Finance | 40 893 | 19 155 |
| Special Deposit Accounts with the Department of Treasury and Finance | <u>31 299</u> | <u>31 331</u> |
| | <u>73 520</u> | <u>51 055</u> |
| 17. Receivables | | |
| Current: | | |
| Fees and charges | 5 538 | 6 265 |
| Loans receivable | 2 299 | 244 |
| Accrued investment income | 1 507 | 261 |
| GST receivable | 1 389 | - |
| Other | 84 | 929 |
| Less: Provision for doubtful debts | <u>2 417</u> | <u>711</u> |
| | <u>8 400</u> | <u>6 988</u> |
| Non-Current: | | |
| Loans receivable | 1 435 | 1 139 |
| Other | - | 87 |
| | <u>1 435</u> | <u>1 226</u> |
| 18. Inventory | | |
| Current: | | |
| Raw materials and consumables | 311 | 353 |
| Finished goods held for resale | <u>1 134</u> | <u>1 259</u> |
| | <u>1 445</u> | <u>1 612</u> |
| Non-Current: | | |
| Land held for resale | <u>4 694</u> | <u>4 772</u> |
| 19. Other Financial Assets | | |
| Equity in listed entities | 8 | 7 |
| Equity in unlisted entities | <u>4</u> | <u>1</u> |
| | <u>12</u> | <u>8</u> |
| 20. Other Assets | | |
| Current: | | |
| Prepayments | 594 | 476 |
| Provision for workers compensation - Third party recoveries | <u>6</u> | <u>103</u> |
| | <u>600</u> | <u>579</u> |
| Non-Current: | | |
| Provision for workers compensation - Third party recoveries | <u>22</u> | <u>272</u> |

21. Property, Plant and Equipment

| | 2001 | | | | | | | | | | | | |
|--|---------------|-----------------------------|--------------------------|---------------------------------|----------------------|------------------------|-------------------------|---------------------------|------------------------|--|----------------|-------------------------------|------------------|
| | Land* | Buildings/ Improvements* | Other Infrastructure* | Roads, Tracks and Trails* | Moveable Vehicles | Computing Equipment | Application Software | Furniture And Fittings | Plant and Equipment | Plant and Equipment Under Finance | Other | Capital Work in Process | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross Carrying Amount | 72 695 | 95 651 | 90 061 | 79 613 | 6 280 | 11 519 | 11 858 | 2 060 | 7 865 | 1 075 | 12 700 | 17 322 | 408 699 |
| Additions | 1 275 | 13 | 9 | - | 376 | 2 610 | - | 155 | 696 | 344 | 1 798 | 8 142 | 15 418 |
| Additions - Transfer from CWIP | - | 2 397 | 3 087 | 1 547 | - | 1 719 | 888 | - | - | - | - | (9 638) | - |
| Fundamental error - First time recognition | - | 727 | 9 379 | 3 015 | - | - | - | - | - | - | 89 | (1 486) | 11 724 |
| Disposals | (10) | (472) | (24) | - | (215) | (999) | - | (110) | (286) | (415) | (54) | - | (2 585) |
| Transfers between classes | (642) | (2 664) | 6 612 | 1 258 | - | - | - | (140) | (130) | - | (4 294) | - | - |
| Net revaluation increments (decrements) | - | 7 978 | 8 326 | 11 568 | - | - | - | - | 144 | - | 8 | - | 28 024 |
| CWIP written off | - | - | - | - | - | - | - | - | - | - | - | (1 690) | (1 690) |
| Opening balance amendment | - | (24) | - | - | - | (16) | - | 20 | (65) | - | 2 | - | (83) |
| Balance at 30 June 2001 | 73 318 | 103 606 | 117 450 | 97 001 | 6 441 | 14 833 | 12 746 | 1 985 | 8 224 | 1 004 | 10 249 | 12 650 | 459 507 |
| Accumulated Depreciation/Amortisation | - | (29 435) | (63 303) | (66 982) | (2 453) | (6 268) | (4 830) | (814) | (3 920) | (706) | (3 191) | - | (181 902) |
| Balance at 1 July 2000 | - | (29 435) | (63 303) | (66 982) | (2 453) | (6 268) | (4 830) | (814) | (3 920) | (706) | (3 191) | - | (181 902) |
| Disposals | - | 302 | 46 | - | 75 | 866 | - | 39 | 203 | 401 | 40 | - | 1 972 |
| Net adjustments from revaluation increments (decrements) | - | (2 731) | (6 464) | (4 898) | - | - | - | - | (72) | - | (4) | - | (14 169) |
| Depreciation expense | - | (2 688) | (6 611) | (7 075) | (517) | (3 355) | (2 551) | (200) | (1 103) | (280) | (726) | - | (25 106) |
| Fundamental error - Revision to useful lives | - | - | - | 36 930 | - | - | - | - | - | - | - | - | 36 930 |
| Fundamental error - First time recognition | - | (385) | (5 318) | (696) | - | - | (1) | - | - | - | (24) | - | (6 424) |
| Transfers between classes | - | (1 053) | (459) | (96) | - | - | - | 77 | 809 | - | 722 | - | - |
| Opening balance amendment | - | (344) | - | - | - | (194) | - | (19) | (25) | - | - | - | (582) |
| Balance at 30 June 2001 | - | (36 334) | (82 109) | (42 817) | (2 895) | (8 951) | (7 382) | (917) | (4 108) | (585) | (3 183) | - | (189 281) |
| Net Book Value | | | | | | | | | | | | | |
| As at 30 June 2000 | 72 695 | 66 216 | 26 758 | 12 631 | 3 827 | 5 251 | 7 028 | 1 246 | 3 945 | 369 | 9 509 | 17 322 | 226 797 |
| As at 30 June 2001 | 73 318 | 67 272 | 35 341 | 54 184 | 3 546 | 5 882 | 5 364 | 1 068 | 4 116 | 419 | 7 066 | 12 650 | 270 226 |

* Valuations of protected areas, selected land and buildings (including fixtures and fittings), plant and equipment and heritage assets not providing a functional service were performed by Valcorp Australia Pty Limited. The valuers who provided professional opinions were Messrs A J Lucas, MBA, B App Sc (Val), Dip Acc, AAPI and F Taormina, B App Sc (Val), AAPI. Certain items have been valued by Mr D B Bruce AAPI (Val). Other land controlled by the Department has been valued at unimproved site value provided by the Valuer-General. Various items of infrastructure, computing equipment, movable vehicles, plant and equipment and other assets have been included at officer's valuation. For further details of valuation methodologies adopted by the Department refer to Note 2(b).

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| | | | |
|----------------------------------|--|---------------|---------------|
| 22. Payables | | 2001 | 2000 |
| Current: | | \$'000 | \$'000 |
| Creditors | | 9 846 | 7 534 |
| Accruals | | 3 776 | 2 500 |
| Employee entitlements - On-costs | | 923 | 579 |
| Lease incentive | | 301 | 301 |
| | | 14 846 | 10 914 |
| Non-Current: | | | |
| Employee entitlements - On-costs | | 1 649 | 1 610 |
| Lease incentive | | 828 | 1 129 |
| | | 2 477 | 2 739 |

23. Employee Entitlements and Other Employee Related Provisions

| | | | |
|----------------------------|--|---------------|--------|
| Current: | | | |
| Long service leave | | 2 302 | 940 |
| Annual leave | | 3 187 | 2 846 |
| Accrued salaries and wages | | 3 | 6 |
| | | 5 492 | 3 792 |
| Non-Current: | | | |
| Long service leave | | 10 984 | 11 435 |

24. Finance Leases

At the reporting date, the Department had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation). The finance leases held by the Department are mainly PC leases which are non-cancellable and payable either six-monthly or monthly in advance. The option to renew the lease is held by DEH. There are no existing contingent rental provisions.

| | | | |
|---|--|---------------|---------------|
| | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| Payable not later than one year | | 201 | 236 |
| Payable later than one year but not later than five years | | 154 | 101 |
| | | 355 | 337 |
| Minimum lease payments | | 355 | 337 |
| Less: Future finance charges | | 43 | 11 |
| Lease liability | | 312 | 326 |
| Classified as: | | | |
| Current | | 181 | 227 |
| Non-Current | | 131 | 99 |
| | | 312 | 326 |

25. Interest Bearing Liabilities

| | | | |
|--|--|---------------|--------|
| Current: | | | |
| Loans - Department of Treasury and Finance | | 23 | - |
| Non-Current: | | | |
| Loans - Department of Treasury and Finance | | 38 544 | 39 139 |

26. Provision for Workers Compensation

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. It is based on an actuarial assessment prepared for the Department of the Premier and Cabinet.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments over the period 1 July 1987 - 30 June 2001. A separate valuation of the liabilities of the Department has not been undertaken and if such a valuation is performed this may result in a different assessed liability.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

The above allocation of workers compensation liabilities has also been split into current (ie the provision required to meet the liability over the coming year) and non-current (ie the provision required for later years).

27. Equity

Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community.

| | | | |
|--|--|----------------|---------------|
| Accumulated Surplus: | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| Opening balance accumulated surplus | | 223 520 | 175 315 |
| Adjustment to amounts previously recognised | | - | 1 798 |
| Amounts transferred from Asset Revaluation Reserve | | - | 1 630 |
| Surplus for the period | | 48 637 | 44 777 |
| | | 272 157 | 223 520 |

| | | | |
|--|--|-----------------------------|----------------------|
| 27. Equity (continued) | | 2001 | 2000 |
| Asset Revaluation Reserve: | | \$'000 | \$'000 |
| Opening balance asset revaluation reserve | | 683 | - |
| Amounts recognised on revaluation of property, plant and equipment | | 13 855 | 2 313 |
| Amounts transferred to accumulated surplus | | - | (1 630) |
| | | 14 538 | 683 |
| | | 286 695 | 224 203 |
| | | | |
| 28. Reconciliation of Net Cash provided by Operating Activities to Net Surplus (Deficit) | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| Surplus on ordinary activities | | 48 637 | 44 777 |
| Depreciation and amortisation | | 25 106 | 26 442 |
| Net loss (gain) on sale of non-current assets | | 326 | 586 |
| Net result of transfer of assets to and from the Department | | 675 | (49 265) |
| Assets received free of charge | | (324) | - |
| Assumption of liabilities | | (550) | - |
| Fundamental error | | (42 230) | - |
| Capital WIP write-off | | 1 690 | - |
| Accrued GST | | 643 | - |
| Accrued assets | | (559) | - |
| Revaluation decrement | | - | 631 |
| Movements in assets and liabilities: | | | |
| (Increase) Decrease in receivables | | (1 621) | 140 |
| Decrease (Increase) in inventories | | 245 | (351) |
| Decrease (Increase) in other assets | | 229 | (87) |
| Increase in payables | | 3 670 | 4 952 |
| Increase in workers compensation provision | | 220 | 496 |
| Increase (Decrease) in employee entitlements | | 1 249 | (2 025) |
| Net Cash provided by Operating Activities | | 37 406 | 26 296 |
| | | | |
| 29. Remuneration of Executives | | 2001 | 2000 |
| The number of executives whose remuneration received or receivable during the period 1 July 2000 to 30 June 2001 falls within the following bands: | | Number of Executives | Number of Executives |
| \$100 000 - \$109 999 | | 2 | 4 |
| \$110 000 - \$119 999 | | 4 | 3 |
| \$120 000 - \$129 999 | | 1 | - |
| \$130 000 - \$139 999 | | 1 | 1 |
| \$140 000 - \$149 999 | | 1 | 1 |
| \$150 000 - \$159 999 | | 1 | 1 |
| \$160 000 - \$169 999 | | 1 | 3 |
| \$210 000 - \$219 999 | | 1 | - |
| \$240 000 - \$249 999 | | 1 | - |
| \$250 000 - \$259 999 | | 1 | - |
| \$260 000 - \$269 999 | | - | 1 |
| Total remuneration received or due and receivable during the reporting period by these executives was \$2 107 000 (\$1 968 000). | | | |
| | | | |
| 30. Targeted Voluntary Separation Packages (TVSPs) | | 2001 | 2000 |
| TVSPs paid to employees during the reporting period were: | | \$'000 | \$'000 |
| TVSP payments | | 604 | 348 |
| Recovery from the Department of the Premier and Cabinet in respect of TVSPs | | (594) | (307) |
| Annual and long service leave accrued over the period of employment paid to employees who received TVSPs | | 186 | 102 |
| The number of employees who were paid TVSPs during the reporting period totalled 9 (7). | | | |
| | | | |
| 31. Audit Fees | | | |
| Audit fees of \$206 000 were incurred for the period ending 30 June 2001. | | | |
| | | | |
| 32. Operating Leases | | | |
| At the reporting date, the Department had the following obligations under non-cancellable operating leases. These obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Department are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by DEH. There are no existing or contingent rental provisions. | | | |
| | | 2001 | 2000 |
| | | \$'000 | \$'000 |
| Payable not later than one year | | 6 203 | 4 531 |
| Payable later than one year but not later than five years | | 12 082 | 14 278 |
| Payable later than five years | | 2 845 | 3 925 |
| | | 21 130 | 22 734 |

33. Restrictions on Contributions Received

The Department receives contributions from various funding sources expressly for the purpose of undertaking specific projects. As at 30 June 2001, \$5.4 million of those contributions, which have been recognised as revenues in the Statement of Financial Performance during current or previous periods, are yet to be spent in the manner specified by the contributors.

| | 2001 | |
|--------------------------------------|------------------|----------------|
| | Revenue Received | Unspent Amount |
| | \$'000 | \$'000 |
| Recreation and sport | 1 386 | 421 |
| Resource conservation and management | 13 526 | 4 398 |
| Environment protection | 1 664 | 603 |
| | 16 576 | 5 422 |

34. Contingent Obligations

34.1 Wilpena Tourist Centre

The Minister (on behalf of the Department) extended a guarantee to a maximum value of \$1.25 million to ANZ Bank on behalf of Flinders Ranges Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability is expected to reduce by an amount of \$125 000 per year effective from 1 July 2000 in line with loan repayment. As a result, the maximum exposure in relation to the guarantee as at 30 June 2001 is \$1 million. As at the reporting date, no event was known to have occurred which would crystallise liability under the guarantee.

34.2 Hindmarsh Soccer Stadium - Stage 1

Included in the redevelopment arrangement between the Government and the South Australian Soccer Federation (SASF), are a Deed of Guarantee issued by the Treasurer and a Funding Deed between the Government and the SASF. Under the latter document, the SASF will service its loan repayments by a payment of \$3.00 for each person entering the Western Grandstand area of the Stadium. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights to require the levy to be increased. In addition, any surplus Fit Out Levy (see Note 34.3) is available to offset the Minister's liabilities.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the SASF loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts. As at balance date, the liability of the Federation under the loan was \$3.8 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 1 October 1997.

During the reporting period amounts totalling \$409 500 (\$422 000) were paid to the SASF under these underwriting arrangements. These amounts are recoverable from any future surpluses in the levy with interest at a rate of 2 percent higher than the loan rate. Interest totalling \$122 500 (\$72 000) was charged during the reporting period.

34.3 Hindmarsh Soccer Stadium - Fitout

Included in the redevelopment arrangement between the Government and the SASF are a Deed of Guarantee issued by the Treasurer and a Fit Out Guarantee Deed between the Government and the SASF. Under the latter document, the SASF will service its loan repayments by a payment of \$2.00 for each person entering the Stadium for soccer matches. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights to require the levy to be increased.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the SASF loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts. As at balance date, the liability of the Federation under the loan was \$1.8 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 13 February 1998.

During the reporting period amounts totalling \$194 500 (\$195 000) were paid to the SASF under these underwriting arrangements. These amounts are recoverable from any future surpluses in the levy with interest at a rate of 2 percent higher than the loan rate. Interest totalling \$39 500 (\$19 000) was charged during the reporting period.

34.4 Netball Stadium - Mile End

Included in the arrangement between the Government and the South Australian Netball Association (SANA) are a Deed of Guarantee issued by the Treasurer and a Development and Funding Deed between the Government and the SANA. Under the latter document, the SANA will service its loan repayments from the net revenues from ordinary activities of the Stadium. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights in relation to the setting of fees and charges at the Stadium.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the Association's loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts. As at balance date, the liability of the Association under the loan was \$3.3 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 15 December 1997.

During the reporting period SANA met its financial obligations under the Funding Deed and the Department was not required to underwrite any shortfall in loan repayments. An amount of \$20 000 was paid to the Association in the 1999-2000 financial year under these underwriting arrangements and subsequently repaid.

MINISTER FOR HUMAN SERVICES; MINISTER FOR DISABILITY SERVICES; MINISTER FOR THE AGEING

PORTFOLIO – HUMAN SERVICES

INTRODUCTION

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

- Minister for Human Services
- Minister for Disability Services
- Minister for the Ageing

The agencies included herein relating to the portfolio of Human Services are:

- HomeStart Finance
- Human Services - Department of
- Institute of Medical and Veterinary Science
— Medvet Science Pty Ltd
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Health Commission
- South Australian Housing Trust

SUPPLEMENTARY REPORT

There are agencies whose financial statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The financial statements for, and commentary on the operations of, the following agencies will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- Institute of Medical and Veterinary Science
— Medvet Science Pty Ltd

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Human Services and is subject to the control and direction of the Minister.

Specific Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership by persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes.

In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- the management of existing loans and advance of new loans which form part of the ongoing HomeStart program;
- the management of concessional home loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989;
- management of loans advanced by the SA Housing Trust to enable tenants to purchase their Trust homes;
- the Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

Specific Obligations

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Lending Services and Debt Funding

HomeStart Finance uses the services of a number of financial institutions and other intermediaries to provide essential services including loan origination, loan management and arrears management. Debt funding for HomeStart Finance lending has been provided by the South Australian Government Financing Authority (SAFA).

SIGNIFICANT FEATURES

The level of outstanding home loans rose by \$9.7 million (fell by \$133.1 million) to \$807.4 million (\$797.7 million) as at 30 June 2001.

The Net Profit from Ordinary Activities after Related Income Tax Expense was \$4.8 million (\$5.2 million), a decrease of \$0.3 million (\$0.7 million) compared to the previous year. An income tax equivalent of \$2.5 million (\$2.9 million) was paid to the Treasurer.

HomeStart paid guarantee fees to the Treasurer of \$5.1 million (\$5.5 million) and a dividend of \$1.65 million (\$5 million) to the Department of Human Services. A repayment of capital was made during the year of \$3.35 million (\$nil).

Bad and doubtful debts expense was \$1.9 million a variation of \$3.7 million from the previous year (\$1.8 million credit). This was due principally to an increase in general provisions to \$13.2 million from \$9.6 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

The Auditor-General has audited the accounts of HomeStart Finance. The accounts of Bank SA in relation to the administration of the HOME program are audited by external auditors appointed by the Bank. This did not occur for the 1999-2000 year. Instead, the Auditor-General performed sufficient work with respect to the HOME program so as to form an opinion as to HomeStart's financial statements.

Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- Lending activities including loan approvals, monitoring of arrears and loss write off procedures
- Raisings and receipting of loan repayments
- Loan loss provisioning
- Completeness and accuracy of the Loan Management System including general IT controls
- Funding including treasury risk management and accruals
- Other expenditure.

HomeStart Finance has an Internal Audit function which uses an external contractor to undertake the internal audit program. External Audit has considered the work undertaken by Internal Audit to supplement other procedures performed in evaluating HomeStart's internal control.

Audit Communications to Management

No significant matters arose from the external audit of HomeStart Finance.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of HomeStart Finance included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

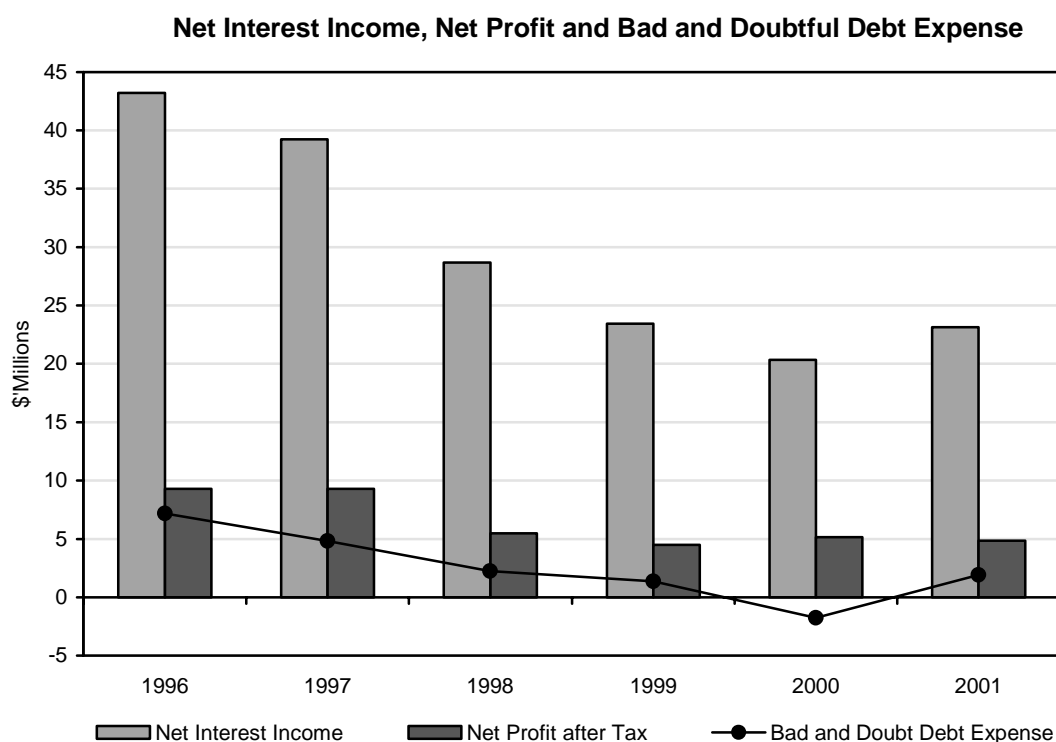
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

HomeStart Profitability

Profit after income tax reduced to \$4.8 million from \$5.2 million in 1999-2000 notwithstanding an increase in net interest income for the first time in a number of years.

The primary factors relevant to this result were net interest income which increased to \$23.1 million (\$20.3 million in 1999-2000) offset by an increase in the bad and doubtful debts expense to \$1.9 million which compared to a net write back or credit of \$1.8 million the year before. The bad and doubtful debts expense, which is a reversal of \$3.7 million from the previous year, reflected HomeStart's assessment that there was a need to increase general provisions for bad and doubtful debts in 2000-01 compared to a decrease in 1999-2000.

The following chart shows that net profit after tax has been relatively stable over the past four years as movements in both net interest income and bad and doubtful debts expense, while individually significant, have offset each other in the determination of net profit.



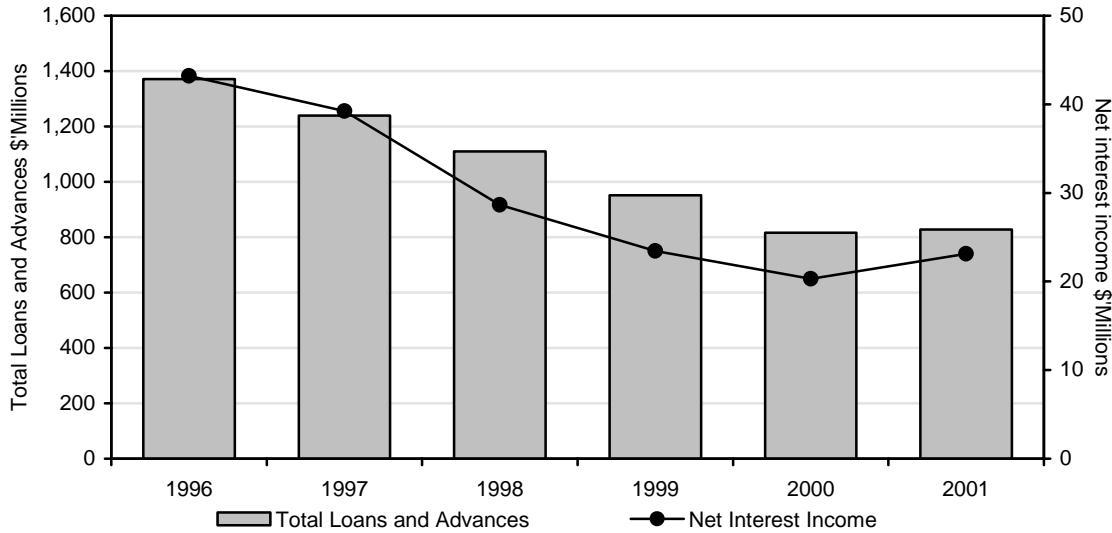
Net Interest Income

The increase in net interest income is due to an increase in Housing Loans and Advances, which increased by \$9.7 million to \$807.4 million up from \$797.7 million over the previous year and the maintenance of interest rate margins between loans and the cost of funds. The growth in total loans reversed a trend in which the housing loan portfolio has been decreasing by an average of \$138 million per year for the four years to 2000. The reversal was entirely due to the HomeStart products as the HOME and other products continued to wind down, reducing by \$23.5 million to \$82.3 million.

The increase reflected strong market conditions associated with the operation of the First Home Owners Grant (FHOG) and historically low interest rates.

The following chart shows the relationship between housing loans and advances and net interest income and the trend in these items over six years.

Loans and Advances and Net Interest Income



Asset Quality - Provision for Doubtful Debts

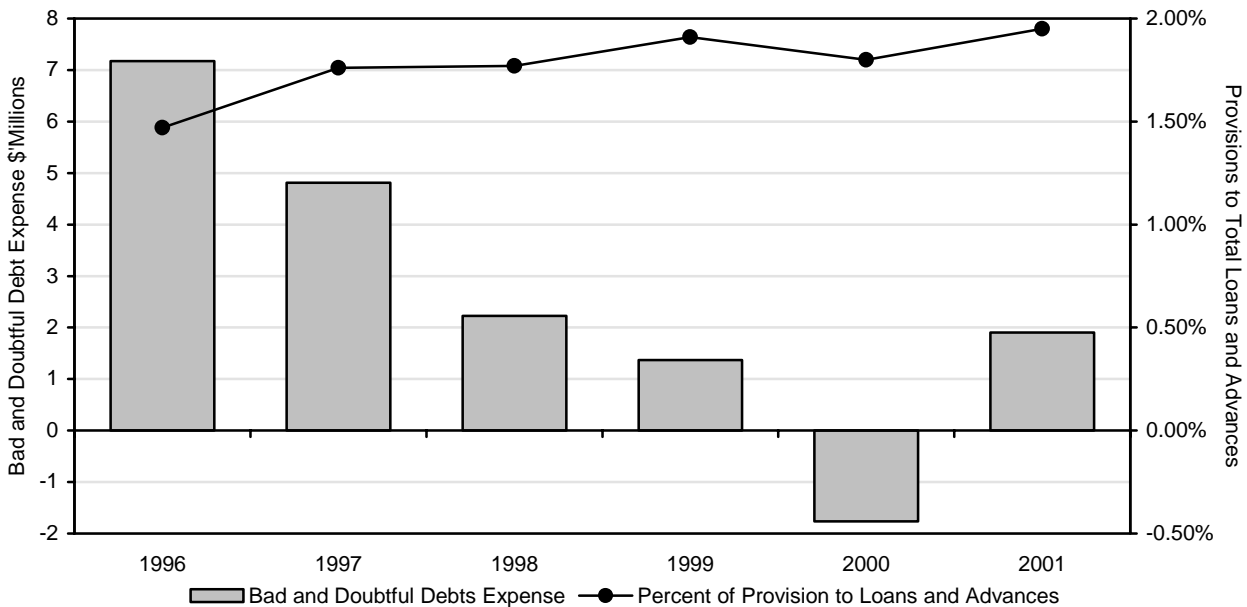
The market conditions have also influenced HomeStart's provision for doubtful debts but in two different ways. The total provision is comprised of two components being the specific and general provision.

The specific provision (the estimate of potential loss exposure on identified problem loans) has decreased to \$2.5 million from \$4.8 million due to property value growth, improved principal repayments due to low interest rates and a reduction in loans in arrears.

The general provision (provision for future but presently unidentifiable losses that may arise in the portfolio) has increased to \$13.2 million from \$9.6 million due to HomeStart's concern about the possibility of a correction in property values in the event of reductions to the FHOG and the outlook for rising interest rates. HomeStart's projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio.

The following chart shows the change in doubtful debts expense over the past six years and that total provisions as a proportion of loans and advances is at a peak for the six year period. This results from the general provision.

Asset Quality - Provision for Doubtful Debts

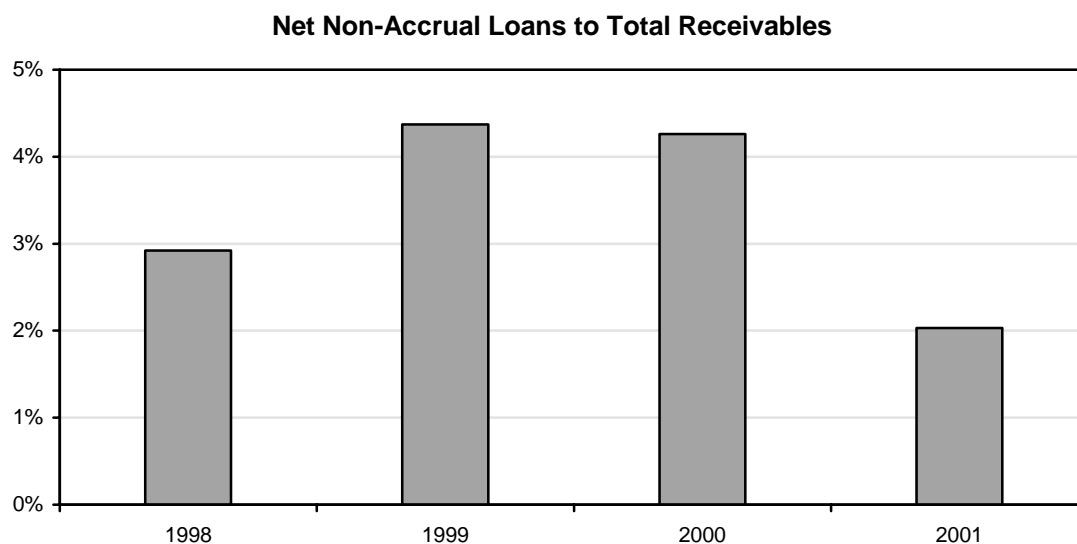


Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

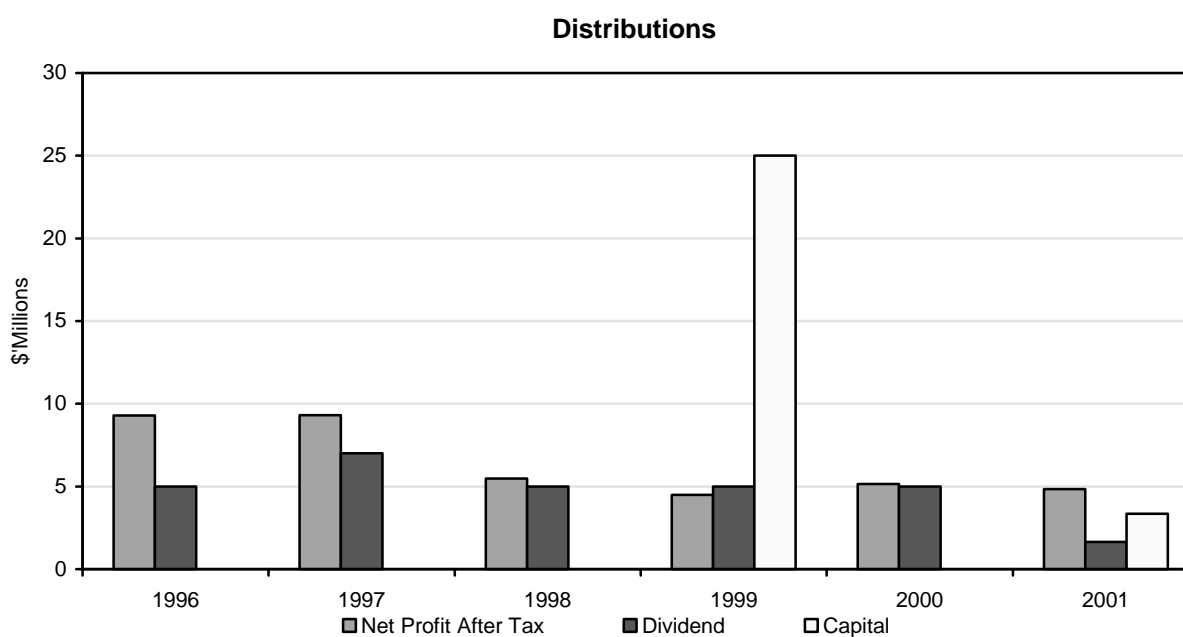
The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total receivables (net of interest foregone) is the lowest for four years as shown in the following graph. Again, this reflects the market conditions and is consistent with the specific provision for the year.



Distributions to Government

HomeStart has been required to maintain its distributions to the Government (Department of Human Services) and in 2000-01 made a dividend payment of \$1.65 million (\$5 million) and a capital repatriation of \$3.35 million. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is, however, noted that the level of retained surplus at 30 June 2001 was \$130.7 million (\$130.9 million).

The following chart shows net profit after tax and distributions made for the past six years.



HomeStart

In addition to these distributions, HomeStart pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount paid in 2000-01 was \$5.1 million (\$5.5 million).

HomeStart is also subject to an income tax equivalent regime. The income tax expense in 2000-01 was \$2.5 million (\$2.9 million).

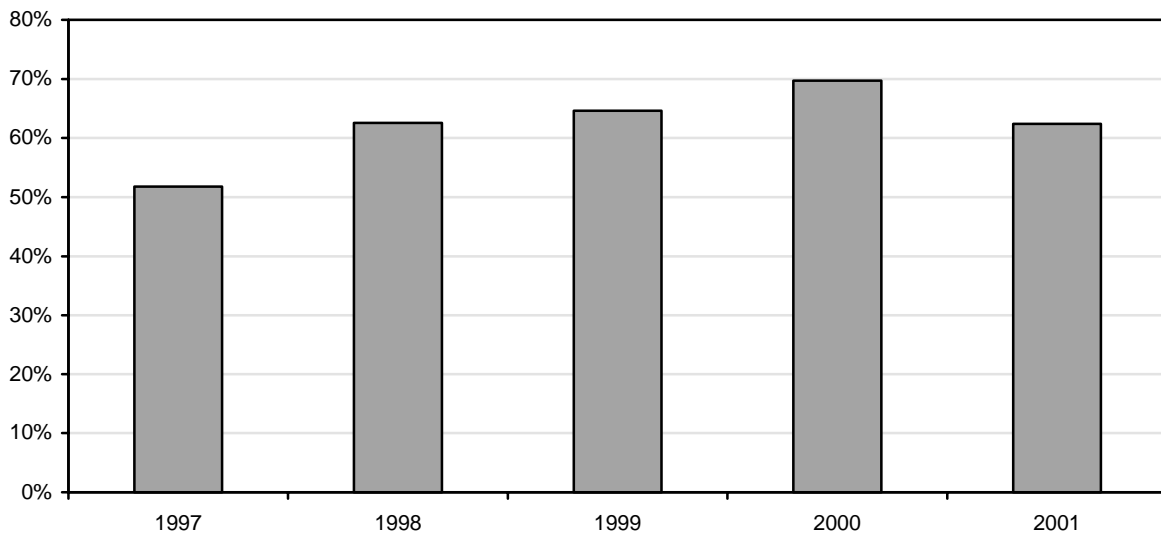
Operating Expenses

Operating expenses (excluding bad and doubtful debts expense) increased 6 percent to \$15.3 million (\$14.5 million).

The increase was offset by increases in other revenue and had no effect on net profit.

When reviewed as a proportion of operating income (net interest income and other revenue) it is evident that HomeStart has reduced operating expenses relative to income. This is primarily due to the 18.4 percent growth of net interest income.

Operating Expenses to Operating Income



Cash and Investments

Cash and investments increased to \$22.3 million up from \$2.8 million in the previous year.

This was a result of HomeStart undertaking investments as part of a strategy for meeting loan shortfalls.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|----------------|----------------|
| Interest revenue | 3 | 63 227 | 57 881 |
| Borrowing costs | 3 | (40 109) | (37 652) |
| NET INTEREST REVENUE | | 23 118 | 20 319 |
| Other revenue from ordinary activities | 3 | 1 449 | 427 |
| Bad and doubtful debts (expense) credit | 3 | (1 902) | 1 764 |
| Government guarantee fee | 3 | (5 087) | (5 504) |
| Retailer and management fees | 3 | (2 607) | (2 629) |
| Depreciation expense | 3 | (573) | (473) |
| Personnel expense | 3 | (3 774) | (3 081) |
| Other expenses from ordinary activities | 3 | (3 291) | (2 775) |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE | | 7 333 | 8 048 |
| INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES | 4 | (2 493) | (2 897) |
| NET PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE | 16 | 4 840 | 5 151 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 4 840 | 5 151 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------|----------------|----------------|
| ASSETS: | | | |
| Cash | 21(a) | 13 292 | 2 784 |
| Investments | 6 | 8 965 | - |
| Housing loans and advances | 7 | 807 389 | 797 747 |
| Office and computer equipment | 10 | 977 | 1 221 |
| Other assets | 11 | 1 013 | 605 |
| Total Assets | | 831 636 | 802 357 |
| LIABILITIES: | | | |
| Short-term interest bearing borrowings | 12, 13 | 230 633 | 200 500 |
| Long-term interest bearing borrowings | 12, 13 | 459 955 | 461 622 |
| Tax liability | 4 | 1 048 | 1 493 |
| Provisions | 14 | 429 | 320 |
| Other liabilities | 15 | 3 909 | 2 600 |
| Total Liabilities | | 695 974 | 666 535 |
| NET ASSETS | | 135 662 | 135 822 |
| EQUITY: | | | |
| Capital grants | | 4 918 | 4 918 |
| Retained surplus | 16 | 130 744 | 130 904 |
| TOTAL EQUITY | | 135 662 | 135 822 |
| Commitments | 18 | | |
| Contingent Liabilities | 19 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | | 2001 | 2000 |
|--|-------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Interest received on: | Note | \$'000 | \$'000 |
| Cash | | 801 | 23 |
| Housing loans | | 62 925 | 59 612 |
| Fees and commissions received | | 809 | 86 |
| Interest paid on borrowings | | (39 588) | (40 781) |
| Government guarantee fee | | (5 087) | (5 504) |
| Retailer and management fees | | (2 581) | (2 662) |
| Administration | | (6 791) | (5 932) |
| Income tax paid | | (2 938) | (2 392) |
| Net Cash provided by Operating Activities | 21(b) | 7 550 | 2 450 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Customers loans repaid | | 203 985 | 238 181 |
| Customers loans granted | | (215 153) | (104 792) |
| Payments for investments | | (8 965) | - |
| Payments for office and computer equipment | | (333) | (579) |
| Dividend received | | - | 2 |
| Other | | (39) | 9 |
| Net Cash (used in) provided by Investing Activities | | (20 505) | 132 821 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from new borrowings | | 1 149 650 | 1 655 325 |
| Principal repaid on borrowings | | (1 121 184) | (1 785 808) |
| Financial instruments | | (3) | 34 |
| Capital repatriation | | (3 350) | - |
| Dividend paid | | (1 650) | (5 000) |
| Net Cash provided by (used in) Financing Activities | | 23 463 | (135 449) |
| NET INCREASE (DECREASE) IN CASH HELD | | 10 508 | (178) |
| CASH AT 1 JULY | | 2 784 | 2 962 |
| CASH AT 30 JUNE | 21(a) | 13 292 | 2 784 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of HomeStart Finance

The objective of HomeStart Finance is to provide affordable home finance to low income persons and to other needs groups in South Australia.

During the financial year ended 30 June 2001, HomeStart administered the following schemes:

- The HomeStart Loan
- The Advantage Loan
- Home Ownership Made Easier (HOME)
- Rental Purchase
- The Refinance Loan
- The Seniors Loan
- The Rosewood Village Advantage Loan
- Mortgage Relief

HomeStart also provides a key role in supplying finance for the purchase of South Australian Housing Trust (SAHT) dwellings by tenants and has collaborated with the Trust on many joint projects through the year.

HomeStart

HomeStart provides mortgages to low income persons and other needs groups with low start indexed repayments. The HomeStart loan is the principal loan product. The outstanding value of HomeStart loans at 30 June 2001 was \$744.9 million (\$710.4 million)

HOME

The concessional HOME scheme is no longer open to new borrowers. The scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-90. The scheme is managed by HomeStart and administered by Bank SA. The outstanding value of the Home scheme at 30 June 2001 was \$68 million (\$87.7 million). Management and administration of the HOME Rental Purchase Scheme, which was for SAHT tenants, was transferred from the SAHT to HomeStart in December 1992.

Other

HomeStart owns and administers a small group of miscellaneous loans.

Subsidies

HomeStart provides subsidised loans to low income earners up to \$15 000. The Advantage Loan has an interest rebate period of five years, after which the principal is indexed to either the value of the property purchased or to the CPI. The outstanding value of the loans at 30 June 2001 was \$36.1 million (\$32.4 million).

In providing these loans HomeStart forgoes interest income, estimated to be \$2.1 million on the funds lent (\$2.4 million). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates under the HOME and Rental Purchase Schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Accounts

(a) **Basis of Preparation**

Pursuant to section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Statements of Accounting Concepts, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act, 1987*.

The financial statements have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or fair values of non-current assets.

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

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

(b) **Reclassification of Financial Information**

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standard Australian Accounting Standard AAS 1 'Statement of Financial Performance' and the new standards Australian Accounting Standards AAS 36 'Statement of Financial Position' and Australian Accounting Standards AAS 37 'Financial Report Presentation and Disclosures'.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closed retained profits from the face of the Statement of Financial Performance to Note 16.

The tax liability has been removed from its previous classification within provisions and is now disclosed as separate line item on the face of the Statement of Financial Position.

(c) **Tax Equivalents**

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax and wholesale sales tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

(d) **Depreciation**

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

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

| | Percent |
|-------------------------|---------|
| Computer hardware | 33 |
| Computer software | 33 |
| Accounting software | 20 |
| Loan management systems | 20 |
| Office fit-out | 20 |
| Furniture and equipment | 20 |

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

(e) **Loans and Advances (Housing Loans)**

Loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Specific Provision

The Specific Provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed \$2 500
- repayment reductions have been negotiated
- in other cases HomeStart is taking action to manage the loan
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision

This provision is created to provide for future, but presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The General Provision for HomeStart loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- the profile of past loan losses from the portfolio
- changes to risk levels of the portfolio - for example due to changes in new business
- the outlook for interest rates, the housing market and other key economic trends.

The General Provision for the HOME and Rental Purchase Scheme is set at a standard percentage of the portfolio balance, as these loans have seasoned and they are now low risk.

(f) Bad and Doubtful Debts

All bad and doubtful debts are written off in the period in which they are identified. The write-off of debts over \$20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

(g) Non-Accrual Loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken to account when realised or when loans are returned to accrual status. Non-accrual loans are recognised where loans are contractually past due 90 days with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

(h) Employee Entitlements

Liabilities for wages and annual leave are recognised and measured as the amount unpaid at the balance date at current pay rates plus employment on-costs, in respect of employees' service up to balance date.

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

During 2000-01 HomeStart paid \$124 000 (\$150 000), with respect to HomeStart's superannuation obligations for employees who are not active contributors to the South Australia Superannuation Fund, in line with the requirements of the Commonwealth legislation.

During 2000-01 HomeStart paid \$123 000 (\$70 000), with respect to HomeStart's superannuation obligations for contributors to the South Australian Superannuation Fund.

(i) Other Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to HomeStart Finance.

Accounts payable are normally settled within 30 days.

(j) Borrowings

Borrowings are reflected in the financial statements as their face value. Interest expense is accrued at the contracted rate and included in other liabilities.

(k) Derivative Financial Instruments

HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swaps agreements and futures contracts to hedge this risk.

The net amount receivable or payable under interest rate agreements, realised losses and gains on forward rate agreements and futures contracts are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense during the period.

(l) Revenue Recognition

Interest income is recognised as it accrues.

Non-interest income is recognised when earned or recovered.

(m) Goods and Services Tax

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

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

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

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

(n) Recoverable Amount of Non-Current Assets Valued on a Cost Basis

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(o) Operating Leases

Incentives received on entering into operating leases are recognised as liabilities which are reduced by allocating lease rental payments between rental expense and reduction of the liability. The allocation of lease rental payments is made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property.

| | | |
|---|---------------|----------------|
| 3. Profit from Ordinary Activities Before Income Tax | 2001 | 2000 |
| Revenue from Ordinary Activities: | \$'000 | \$'000 |
| Interest Revenue: | | |
| HomeStart and HOME | 61 074 | 56 466 |
| Deposits with Treasury and banks | 888 | 24 |
| Other | 1 265 | 1 391 |
| Total Interest Revenue | 63 227 | 57 881 |
| Other Revenue from Ordinary Activities: | | |
| Fees and charges | 730 | 114 |
| Bad debts recovered | 151 | 229 |
| Investment | 59 | 82 |
| Other | 509 | 2 |
| Total Other Revenue from Ordinary Activities | 1 449 | 427 |
| Expenses from Ordinary Activities | | |
| Borrowing Costs: | | |
| HomeStart and HOME | 40 109 | 37 562 |
| Total Borrowing Costs | 40 109 | 37 562 |
| Bad and doubtful debts expenses: | | |
| Direct write-offs: | | |
| HomeStart | 135 | 314 |
| HOME | - | 7 |
| Other | - | 4 |
| Total | 135 | 325 |
| Doubtful debt provisions expenses: | | |
| HomeStart | 1 873 | (1 974) |
| HOME | (38) | (50) |
| Other | (68) | (65) |
| Total | 1 767 | (2 089) |
| Total Bad and Doubtful Debts Expenses | 1 902 | (1 764) |
| Other Expenses: | | |
| Government guarantee fee | 5 087 | 5 504 |
| Management fees: | | |
| HomeStart | 2 246 | 2 187 |
| HOME | 361 | 442 |
| Total Retail and Management Fees | 2 607 | 2 629 |
| Depreciation expense: | | |
| Computer hardware | 158 | 109 |
| Computer software | 107 | 78 |
| Loan Management System | 231 | 231 |
| Office fit-out | 34 | 29 |
| Furniture and equipment | 43 | 26 |
| Total Depreciation Expense | 573 | 473 |
| Personnel expenses: | | |
| Charges to provisions for annual leave | 11 | 32 |
| Charges to provisions for long service leave | 98 | 9 |
| Salaries and related costs | 3 665 | 3 040 |
| Total Personnel Expenses | 3 774 | 3 081 |
| Other Expenses from Ordinary Activities: | | |
| Office accommodation | 288 | 364 |
| Marketing, product development and advertising | 729 | 557 |
| Auditor's remuneration | 63 | 64 |
| Internal audit | 79 | 48 |
| Loan Management fees | 169 | 203 |
| Systems | 426 | 277 |
| Consultants fees | 313 | 314 |
| Other | 1 224 | 948 |
| Total Other Expenses from Ordinary Activities | 3 291 | 2 775 |

4. Income Tax

HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts as its basis, the application of the corporate income tax rate for *Income Tax Assessment Act 1936* purposes (34 percent for 2000-2001, 36 percent for 1999-2000), to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit after all abnormal and extraordinary items.

Audited accounting profit of \$7.3 million x 34 percent is equal to Income Tax Equivalents of \$2.5 million (\$2.9 million).

In line with the proposed business tax reforms, which were announced by the Treasurer on 21 September 1999 and received Royal Assent in December 1999, the corporate income tax rate will be reduced from 36 percent to 34 percent in respect of 2000-01 income tax year and then to 30 percent in 2001-02 income tax year.

HomeStart's income tax equivalent regime based on Accounting Profits Model will reflect these changes.

5. Payment of Dividend to the Department of Human Services

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Human Services, that the statutory corporation pay a specified dividend or not pay a dividend, for that financial year, as the statutory corporation considers appropriate. It further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of the statutory corporation, or to determine that another dividend, or no dividend, should be paid.

During 2000-01, the Department of Human Services requested payment of a dividend of \$5 million which HomeStart has allocated between dividend (\$1.65 million) based on the current year net profit from ordinary activities of \$4.8 million and capital repatriation (\$3.35 million) from the retained surplus in accordance with an established dividend policy based on commercial principles.

| 6. Investment | 2001 | 2000 |
|---------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Composite Bond Index Investment | 3 986 | - |
| Bank Bill | 4 979 | - |
| Total Investments | 8 965 | - |

The Composite Bond Index Investment has a maturity date of 1 July 2002.

The Bank Bill has an interest rate of 5.06 percent and a maturity date of 13 July 2001.

7. Housing Loans and Advances

| | | |
|------------------------------------|----------------|----------------|
| Primary loans | 791 311 | 784 628 |
| Subsidised loans | 36 115 | 32 414 |
| Control accounts | (231) | (870) |
| Gross Loans and Advances | 827 195 | 816 172 |
| Specific Provisions for Impairment | (2 474) | (4 782) |
| Unearned income | (4 102) | (4 091) |
| | 820 619 | 807 299 |
| General provisions for impairment | (13 230) | (9 552) |
| Net Loans and Advances | 807 389 | 797 747 |

The balance of the housing loans are shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2(e).

Maturity Profile of HomeStart's Loans and Advances at 30 June 2001:

| | 2001 | 2000 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Not longer than three months | 18 | 12 |
| Longer than three months and not longer than 12 months | - | 174 |
| Longer than one year and not longer than five years | 6 186 | 5 601 |
| Longer than five years | 820 991 | 810 385 |
| Total Loans and Advances | 827 195 | 816 172 |

The maturity distribution of loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority are anticipated to have actual contractual terms of a much shorter maturity period.

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

| | 2001 | 2000 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| HomeStart | 744 942 | 710 416 |
| Less: - Specific Provisions for Impairment | 2 333 | 4 659 |
| - General Provisions for Impairment | 13 037 | 9 235 |
| - Impaired loans unearned income | 4 058 | 4 091 |
| | 725 514 | 692 431 |
| HOME | 67 985 | 87 701 |
| Less: - General Provisions for Impairment | 137 | 175 |
| | 67 848 | 87 526 |
| Other | 14 268 | 18 055 |
| Less: - Specific Provisions for Impairment | 141 | 123 |
| - General Provisions for Impairment | 56 | 142 |
| - Impaired loans unearned income | 44 | - |
| | 14 027 | 17 790 |
| Total Housing Loans after provision for Doubtful Debts | 807 389 | 797 747 |

Total loans approved but not settled at 30 June 2001 amounted to \$8 million (\$4.3 million).

| | | |
|---|----------------|----------------|
| 8. Provisions for Doubtful Debts | 2001 | 2000 |
| SPECIFIC PROVISION | \$'000 | \$'000 |
| Opening Balance: | | |
| HomeStart | 4 659 | 7 860 |
| Other | 123 | 139 |
| Total Opening Balance | 4 782 | 7 999 |
| Movement: | | |
| HomeStart doubtful debts expense | (1 930) | (1 825) |
| HomeStart bad debt write off | (396) | (1 376) |
| Other doubtful debts expense | 18 | (16) |
| Total Movement | (2 308) | (3 217) |
| Closing Balance: | | |
| HomeStart | 2 333 | 4 659 |
| Other | 141 | 123 |
| Total Closing Balance | 2 474 | 4 782 |
| GENERAL PROVISION | | |
| Opening Balance: | | |
| HomeStart | 9 235 | 9 384 |
| HOME | 175 | 225 |
| Other | 142 | 191 |
| Total Opening Balance | 9 552 | 9 800 |
| Doubtful Debts Expense: | | |
| HomeStart | 3 802 | (149) |
| HOME | (38) | (50) |
| Other | (86) | (49) |
| Total Doubtful Debts Expense | 3 678 | (248) |
| Closing Balance: | | |
| HomeStart | 13 037 | 9 235 |
| HOME | 137 | 175 |
| Other | 56 | 142 |
| Total Closing Balance | 13 230 | 9 552 |
| Total Provision for Doubtful Debts | 15 704 | 14 334 |
| 9. Asset Quality Disclosures | | |
| HomeStart provides for doubtful debts as discussed in Note 2. When management determines that a loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely. | | |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Non-Accrual Loans: | | |
| With provision | 14 783 | 32 350 |
| Without provision | 8 443 | 10 820 |
| Total | 23 226 | 43 170 |
| Specific provision | 2 392 | 4 488 |
| Interest forgone on non-accrual loans | 4 102 | 4 091 |
| Real Estate Acquired: | | |
| Balance of loans at 30 June | 1 090 | 1 679 |
| Specific provision | 82 | 294 |
| Past Due Loans: | | |
| Balance at 30 June | 2 548 | 1 860 |
| Total Impaired Assets | 26 864 | 46 709 |
| Total Specific Provision | 2 474 | 4 782 |
| 10. Office and Computer Equipment | | |
| Computer hardware - At cost | 736 | 611 |
| Less: Accumulated depreciation | 442 | 353 |
| | 294 | 258 |
| Computer software - At cost | 483 | 435 |
| Less: Accumulated depreciation | 286 | 204 |
| | 197 | 231 |
| Loan Management Systems - At cost | 1 155 | 1 155 |
| Less: Accumulated depreciation | 880 | 649 |
| | 275 | 506 |
| Office fitout - At cost | 170 | 196 |
| Less: Accumulated depreciation | 100 | 108 |
| | 70 | 88 |
| Furniture and equipment - At cost | 299 | 262 |
| Less: Accumulated depreciation | 158 | 124 |
| | 141 | 138 |
| Total Fixed Assets | 977 | 1 221 |

| 10. Office and Computer Equipment (continued) | 2001 | 2000 |
|---|----------------|----------------|
| Reconciliations | \$'000 | \$'000 |
| Reconciliations of the carrying amounts for each class of office equipment are set out below: | | |
| Computer Hardware: | | |
| Carrying amount at 1 July | 258 | 123 |
| Additions | 198 | 246 |
| Disposals | (4) | (2) |
| Depreciation | (158) | (109) |
| Carrying Amount at 30 June | <u>294</u> | <u>258</u> |
| Computer Software: | | |
| Carrying amount at 1 July | 231 | 76 |
| Additions | 73 | 233 |
| Disposals | - | - |
| Depreciation | (107) | (78) |
| Carrying Amount at 30 June | <u>197</u> | <u>231</u> |
| Loan Management System: | | |
| Carrying amount at 1 July | 506 | 737 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | (231) | (231) |
| Carrying Amount at 30 June | <u>275</u> | <u>506</u> |
| Office Fit-out: | | |
| Carrying amount at 1 July | 88 | 102 |
| Additions | 16 | 15 |
| Disposals | - | - |
| Depreciation | (34) | (29) |
| Carrying Amount at 30 June | <u>70</u> | <u>88</u> |
| Furniture and Equipment: | | |
| Carrying amount at 1 July | 138 | 83 |
| Additions | 48 | 106 |
| Disposals | (2) | (25) |
| Depreciation | (43) | (26) |
| Carrying Amount at 30 June | <u>141</u> | <u>138</u> |
| 11. Other Assets | | |
| Accrued interest | 250 | 499 |
| Investment | - | 80 |
| Debtors | 64 | 26 |
| Other | 699 | - |
| Total Other Assets | <u>1 013</u> | <u>605</u> |
| 12. Borrowings | | |
| Short-term interest bearing borrowings | 230 633 | 200 500 |
| Long-term interest bearing borrowings | 459 955 | 461 622 |
| Total Borrowings | <u>690 588</u> | <u>662 122</u> |
| Maturity Profile of HomeStart's Borrowings at 30 June 2001: | | |
| At call | 1 133 | 7 000 |
| Not longer than three months | 229 500 | 193 500 |
| Longer than one year and not longer than five years | 459 955 | 395 000 |
| Longer than five years | - | 66 622 |
| Total Borrowings | <u>690 588</u> | <u>662 122</u> |
| 13. Financing Arrangement | | |
| HomeStart was required to pay a guarantee fee of 0.75 percent of outstanding borrowings, to the Department of Treasury and Finance in 2000-01 (0.75 percent 1999-2000). | | |
| HomeStart sources its borrowings from the South Australian Government Financing Authority and has no restrictions on its borrowing facilities, however, it is subject to a gross borrowing limit. | | |
| 14. Provisions | 2001 | 2000 |
| | \$'000 | \$'000 |
| Provision for annual leave | 176 | 165 |
| Provision for long service leave | 253 | 155 |
| Total Provisions | <u>429</u> | <u>320</u> |
| 15. Other Liabilities | | |
| Accrued interest | 2 776 | 1 526 |
| Accrued scheme fees | 233 | 208 |
| Creditors | 208 | 355 |
| Aboriginal loan security deposit | 250 | 250 |
| Other | 442 | 261 |
| Total Other Liabilities | <u>3 909</u> | <u>2 600</u> |

| | | | | |
|--|------|--|----------------|---------|
| 16. Retained Surplus | | | 2001 | 2000 |
| | Note | | \$'000 | \$'000 |
| Retained surplus at 1 July | | | 130 904 | 130 753 |
| Profit from ordinary activities after related income tax expense | | | 4 840 | 5 151 |
| Dividend paid | 5 | | (1 650) | (5 000) |
| Capital repatriation | 5 | | (3 350) | - |
| Retained Surplus at 30 June | | | 130 744 | 130 904 |

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

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured and monitored by the Asset and Liability Committee on a monthly basis.

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate.

| | 2001 | | |
|------------------------------------|-----------------|---------------|--------------------------------------|
| | Average Balance | Interest | Average Interest Rate ⁽¹⁾ |
| | \$'000 | \$'000 | Percent |
| Interest Revenue: | | | |
| Cash used for operating activities | 891 | 42 | 4.71 |
| Cash used for investing activities | 15 627 | 846 | 5.41 |
| Loans and advances | 824 732 | 62 339 | 7.56 |
| | 841 250 | 63 227 | 7.52 |
| Interest Expense: | | | |
| Interest on borrowings | 680 881 | 40 109 | 5.89 |

(1) Interest rate calculated on average balances over the year to 30 June 2001.

| | 2000 | | |
|------------------------------------|-----------------|---------------|--------------------------------------|
| | Average Balance | Interest | Average Interest Rate ⁽²⁾ |
| | \$'000 | \$'000 | Percent |
| Interest Revenue: | | | |
| Cash used for operating activities | 1 548 | 24 | 1.55 |
| Cash used for investing activities | - | - | - |
| Loans and advances | 871 142 | 57 857 | 6.64 |
| | 872 690 | 57 881 | 6.63 |
| Interest Expense: | | | |
| Interest on borrowings | 710 133 | 37 563 | 5.29 |

(2) Interest rate calculated on average balances over the year to 30 June 2000.

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| | Weighted Average Interest Rate ⁽³⁾ | Floating Interest Rate | 2001 Fixed Interest Maturing in | | | Non-Interest Bearing | Total |
|---|---|------------------------|---------------------------------|-------------------|-------------------|----------------------|-------|
| | | | 1 Year or Less | 1 Year to 5 years | More than 5 years | | |
| | Percent | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial Assets: | | | | | | | |
| Cash used for operating activities | 2.74 | 953 | - | - | - | 953 | |
| Cash used for investing activities | 4.95 | 12 339 | - | - | - | 12 339 | |
| Composite Bond Index Investment | - | - | - | - | - | 3 986 | |
| Bank Bill | 5.06 | - | 4 979 | - | - | 4 979 | |
| Loans and advances | 6.89 | 804 675 | - | 22 520 | - | 827 195 | |
| Other assets | - | - | - | - | - | 1 013 | |
| | | 817 967 | 4 979 | 22 520 | - | 850 465 | |
| Financial Liabilities: | | | | | | | |
| Borrowings | 4.93 | 690 588 | - | - | - | 690 588 | |
| Interest rate swaps (notional principal amounts) ⁽⁴⁾ | | (20 000) | - | 20 000 | - | - | |

| | Weighted Average Interest Rate ⁽⁵⁾ | Floating Interest Rate | 2000 Fixed Interest Maturing in | | | Non-Interest Bearing | Total |
|--|---|------------------------|---------------------------------|-------------------|-------------------|----------------------|-------|
| | | | 1 Year or Less | 1 Year to 5 years | More than 5 years | | |
| | Percent | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial Assets: | | | | | | | |
| Cash used for operating activities | 5.22 | 2 784 | - | - | - | 2 784 | |
| Loans and advances | 7.73 | 805 977 | - | 10 195 | - | 816 172 | |
| Other assets | - | - | - | - | - | 605 | |
| | | 808 761 | - | 10 195 | - | 819 561 | |
| Financial Liabilities: | | | | | | | |
| Borrowings | 6.08 | 662 122 | - | - | - | 662 122 | |
| Interest rate swaps (notional principal amounts) | | (60 000) | 50 000 | 10 000 | - | - | |

(3) Weighted average interest rate at 30 June 2001 on the outstanding balances.

(4) The effect of the interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

(5) Weighted average interest rate at 30 June 2000 on the outstanding balances.

Off-Balance Sheet Derivative Instruments*Forward Rate Agreements and Futures Contracts*

HomeStart enters into forward rate agreements and 90 day bank bill futures with a maximum tenor of six month and maximum maturity of 12 months in order to hedge its interest exposure.

There were no forward rate agreements or futures contracts outstanding as at 30 June 2001.

Interest Rate Swaps

In addition to forward rate agreements HomeStart also enters into interest rate swaps to manage its interest rate exposures.

At 30 June 2001 HomeStart had floating/fixed swaps with a total notional value of \$20 million with the fixed rates varying between 6.215 percent and 6.76 percent. HomeStart also had a floating/fixed swap with a notional value of \$60 million with the rates set at 30 and 180 day BBSW. This assists HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

(b) Credit Risk

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia, and is therefore exposed to the housing market in this State.

(c) Net Fair Value

The carrying amount of HomeStart's financial assets approximate net fair value and the financial liabilities are recorded at face value.

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

| | 2001 | | 2000 | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | Carrying Value | Net Fair Value | Carrying Value | Net Fair Value |
| Assets: | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 13 292 | 13 292 | 2 784 | 2 784 |
| Composite Bond index Investment | 3 986 | 3 986 | - | - |
| Bank bill | 4 979 | 4 979 | - | - |
| Loans and advances | 807 389 | 807 726 | 797 747 | 797 570 |
| Investment | - | - | 80 | 113 |
| Other assets | 1 013 | 1 013 | 525 | 525 |
| Liabilities: | | | | |
| Borrowings | 690 588 | 689 295 | 662 122 | 662 705 |

Cash

The carrying value of cash approximates its net fair value.

Loans and Advances

The carrying value of loans and advances is net of specific and general provisions and unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment

The net fair value of the investment is based on quoted market price.

All Other Financial Assets

The carrying values of all other financial assets approximate their net fair values.

Borrowings

The net fair value of HomeStart's borrowings was determined based on the quoted marked prices.

Off-Balance Sheet Financial Instruments

| | | |
|--|--------|--------|
| The net fair value of off-balance sheet financial instruments held as at the reporting date are: | 2001 | 2000 |
| Forward rate agreement | \$'000 | \$'000 |
| Interest rate swaps | - | (5) |
| | (294) | (72) |

18. Commitments

Operating lease commitments:

Future operating lease rentals not provided for in the financial

Statements and payable:

 Not later than one year

 Later than one year but not longer than five years

Total

| | |
|------------|------------|
| 171 | - |
| 727 | 898 |
| 898 | 898 |

19. Contingent Liabilities

HomeStart has no material contingent liabilities.

20. Segment Reporting

HomeStart operates in one geographical segment, South Australia, and its principal activities are the provision of home finance to low and moderate income groups.

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

For the purposes of the Statement of Cash Flows, cash includes cash on hand and 'at call' deposits with other financial institutions. Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

| | | |
|------------------------|---------------|--------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Cash | 12 325 | 1 876 |
| Cash at clearing banks | 415 | 179 |
| Cash in transit | 552 | 729 |
| Cash at 30 June | 13 292 | 2 784 |

(b) Reconciliation of Operating Surplus to Net Cash provided by Operating Activities

| | | |
|---|--------------|---------|
| Profit from ordinary activities after tax | 4 840 | 5 151 |
| <i>Add (Less):</i> Items classified as investing activities: | | |
| Loss (Gain) on sale of fixed assets | 1 | (2) |
| Dividend received | - | (2) |
| (Gain) on disposal of investment | (59) | - |
| <i>Add(Less):</i> Non-cash items: | | |
| Depreciation expense | 573 | 473 |
| Provision for probable credit losses/bad debts written off | 1 898 | (1 764) |
| Unearned income on bad debts written off | 254 | 415 |
| Investment in securities | - | (80) |
| Administration of loan accounts | (635) | (262) |
| Net Cash provided by Operating Activities before changes in Assets and Liabilities | 6 872 | 3 929 |
| Changes in assets and liabilities: | | |
| Increase (Decrease) in accrued interest expense | 1 250 | (3 221) |
| Decrease in accrued interest income | 249 | 38 |
| Increase in provisions for employee entitlements | 109 | 40 |
| Increase (Decrease) in management fees payable to retailers | 26 | (33) |
| Increase (Decrease) in other liabilities | 213 | (148) |
| Increase (Decrease) in creditors | - | 36 |
| Increase in unearned interest income | 12 | 1 304 |
| Increase (Decrease) in provision for income tax | (445) | 505 |
| Increase in other assets | (736) | - |
| Net Cash provided by Operating Activities | 7 550 | 2 450 |

All cash flows are presented on a gross basis.

22. Remuneration and Retirement Benefits**(a) Board Members' Remuneration**

| | | |
|---|--------------------------------|-------------------------|
| Number of HomeStart Board Members whose income from HomeStart was within the following bands: | 2001 | 2000 |
| | Number of Board Members | Number of Board Members |
| \$0 - \$9 999 | 1 | 1 |
| \$10 000 - \$19 999 | - | 1 |
| \$20 000 - \$29 999 | 4 | 3 |

Members of the Board of HomeStart who are employed under the *Public Sector Management Act 1995* are not entitled to fees. Four members received remuneration during the financial year.

| | | |
|--|---------------|--------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Total income paid or payable or otherwise made available to all Board Members of HomeStart | 97 | 85 |

The names of the Board Members who held office during the financial year are:

| | |
|--------------|----------------|
| Kate Spargo | Graham Duncan |
| Jay Hogan | Vivienne Pring |
| Stephen Mann | |

No Board Member has entered into a material contract with HomeStart during the financial year.

(b) Executive Remuneration

HomeStart employs one officer on contract at the Executive Level, and that salary is determined by the conditions and procedures prescribed in the *Public Sector Management Act 1995* and other executive officers determined by employment contracts.

| | | |
|--|----------------------------|---------------------|
| The number of executive officers whose remuneration, including non-monetary benefits, on-costs and back pay for previous years, was within the specified bands are as follows: | 2001 | 2000 |
| | Number of Executive | Number of Executive |
| \$100 000 - \$109 999 | 2 | - |
| \$110 000 - \$119 999 | - | 1 |
| \$120 000 - \$129 999 | 1 | 1 |
| \$130 000 - \$139 999 | - | 1 |
| \$140 000 - \$149 999 | 1 | - |
| \$160 000 - \$169 999 | 1 | - |

| | | | |
|------------|---|---------------|--------|
| (b) | Executive Remuneration (continued) | 2001 | 2000 |
| | Total income paid or payable or otherwise made available to executive officers of HomeStart whose income is \$100 000 or more | \$'000 | \$'000 |
| | | 645 | 382 |
| <hr/> | | | |
| (c) | Auditors' Remuneration | | |
| | Amounts received or due and receivable by HomeStart's auditors for: | | |
| | Auditing the accounts | 63 | 64 |
| <hr/> | | | |

23. Related Parties Disclosure

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Identification of Related Parties

- (a) The Minister for Human Services
- (b) The Department of Human Services
- (c) Department of Treasury and Finance
- (d) Board Members

The names of the Board Members who held office during the financial year are identified in Note 22.

24. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

South Australian Government Financing Authority (SAFA)

SAFA is the sole provider of funds to HomeStart.

Retailing Services

HomeStart contracts out its retailing services to Bank SA, South Australian Home Loan Centre Pty Ltd, Home Loans Plus and Bernie Lewis Home Loans.

25. Number of Employees

Number of employees at 30 June

| | |
|---------------|--------|
| 2001 | 2000 |
| \$'000 | \$'000 |
| 56 | 49 |
| <hr/> | |

26. Events Subsequent to Balance Date

On 9 July 2001 State Cabinet approved that HomeStart should finalise the development of a product to provided operator of aged care facilities with finance to expand their operations.

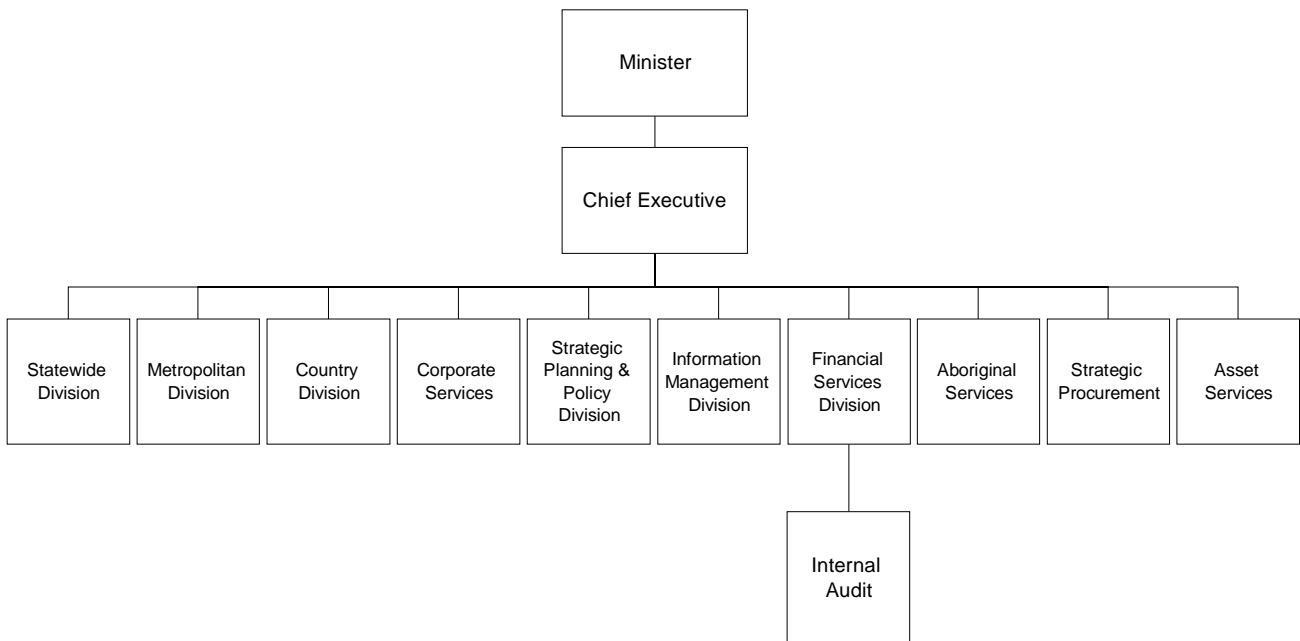
DEPARTMENT OF HUMAN SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established pursuant to the *Public Sector Management Act 1995*.

The Department is charged with broad ranging policy and certain administrative responsibilities associated with health, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

The following is a diagrammatic representation of the principal functions and responsibilities of the organisation structure.



The Department has links with a range of entities including:

- the South Australian Health Commission and Incorporated Health Services (Units) established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and Community Housing Authority;
- Statutory corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations, as provider of risk management, internal audit and insurance services and in management of portfolio information systems management services.

Changes to the *South Australian Health Commission Act 1976 (the Act)*

The Act was subject to significant amendment in May and July 2000.

In May 2000 the Act was amended to explicitly provide that hospitals and health centres incorporated under the Act are subject to the direction of the Minister for Human Services. The Minister's capacity to direct is limited by the Act which also requires any directions to be in writing and particulars of any directions to be included in relevant hospital or health centre's annual report.

The Minister previously had a capacity to direct some hospitals and health centres based on provisions of their respective constitutions.

In July the Act was further amended to transfer many of the functions and powers which were previously exercised by the Commission to the Minister for Human Services. The Commission's functions and powers following the amendments to the Act are essentially to advise and assist the Minister in the performance of functions assigned to the Minister. It also retains responsibility for functions relevant to public and environmental health.

The amendments to the Act which transfer the functions and powers previously performed by the Commission to the Minister were effected to ensure the allocation of functions and powers under the Act are consistent with the overall administrative arrangements of the Ministerial Portfolio of Human Services. They were also intended to remove the necessity for the preparation of separate financial statements for the Commission and the Department of Human Services.

To achieve this objective the Minister, in accordance with section 17 of the Act, has delegated powers and functions pursuant to the Act to the Chief Executive of the Department of Human Services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, the Auditor-General is required to annually audit the accounts of the Department.

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and Services) is provided in the section of this report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- payroll
- accounts payable
- receipting and banking
- grants to non-Government Organisations
- funding provisions to Health Services
- general ledger
- non-current assets.

The audit of the Department for the year included specific consideration of the arrangements for the financial accounting and reporting of the activities previously undertaken by the South Australian Health Commission including activities related to accounting for Health Services incorporated under the *South Australian Health Commission Act 1976*.

Audit Communications to Management

During the year audit findings and recommendations arising from the review and testing of the activities and financial systems and records of the Department have been communicated in audit management letters to the Department. Comment with respect to these communications and other matters are conveyed in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Department is required by the Treasurer's Instructions to implement the Financial Management Framework. The following provides an overview of key areas of the Department's control environment relevant to the Financial Management Framework.

As the Department has adopted a Portfolio approach to development of certain functions which are relevant to the Financial Management Framework the Audit comments contained herein are relevant to other Portfolio entities including the South Australian Housing Trust.

Risk Management

The Department's Risk Management Services Unit, which was established during 1999-2000, supports risk management activities not only within the Department but for the Human Services portfolio. The Unit incorporates three broad areas:

- Risk management services — coordinating workers compensation claims, providing strategic Occupational Health and Safety services and support to the Unit.
- Insurance services — supporting administration of insurance for portfolio entities including claims management, coordination of Risk Financing and reporting.
- Risk management consultants — profiling risks, developing a Strategic Risk Management Plan, assisting portfolio management in developing systematic risk management practices and conducting risk testing programs.

During the year a Risk Management Policy and a Risk Management Framework were formally adopted by the Department. Arrangements for oversight of the Risk Management function within the Department were revised with responsibility transferred from the Department's Senior Executive to a smaller committee comprising senior Departmental officers.

The Risk Management Unit has commenced certain review work during the year and is also developing Better Practice Guides addressing a range of risk management related areas for use within the Department and the Portfolio.

Internal Audit

The Department's Internal Audit function provides services to the Department and other portfolio agencies.

This report has previously reflected upon the effectiveness of the Internal Audit function both within the Department and across the portfolio. In last year's report reference was made to an independent review of the function in the Department and to limited progress in implementing the recommendations of the review report with respect to staffing the function. In the past year the Department has implemented certain interim staffing arrangements but is yet to finalise and implement an approved staffing structure.

Early finalisation of an appropriate staffing structure for Internal Audit is seen by External Audit to be essential to the effectiveness of the function. This view reflects an assessment that the Department's internal audit staff need to obtain experience in the Departmental operations and particularly an appreciation of the policy context in which the Department operates and to which internal audit work and findings must be relevant.

Progress was achieved in preparation of a comprehensive audit universe for the Department. It was completed in July 2001, reviewed by the Departmental Audit Committee and is currently with the Department's Executive for approval. A comprehensive audit plan is a key document which evidences that areas of material risk to the Department have been adequately considered for review (or reviewed) by Internal Audit.

Although the staffing structure is yet to be finalised and the audit universe was recently completed Internal Audit reviews have been conducted and formally reported upon to the Departmental Audit Committee.

Documentation of Policies and Procedures

The Department has implemented a program for the preparation of documented policies and procedures for activities undertaken by the Financial Services Division. This has involved identification of topics to be addressed by the documentation, the establishment of a process for preparation of drafts and release of drafts for discussion before adoption of approved policies and procedures.

The audit of functions associated with Payroll processing in the current year identified the need for the Department to prepare relevant policy and procedural documentation. As the Department plans to replace the current Payroll system, in the short term Audit recommended that the development of documented policies and procedures be planned for and resourced as part of the implementation of the new system.

Commentary on General Financial Controls

Review of Funding to Health Services and Non-Government Organisations

Coverage of Departmental expenditure included two reviews of the provision of funding to Health Services and to Non-Government Organisations. These areas are material components of the Department's expenditure, notably \$1.5 billion in funding to Health Services and over \$200 million in funding to Non-Government Organisations.

Health Services

The review of funding to Health Services had a focus on evaluating the consistency of legislative and administrative arrangements implemented between the Minister for Human Services, the Department and Health Services and on assessing compliance with established administrative and funding policy and procedure.

Audit noted that there was some inconsistency between the provisions of the funding agreements between the Department and Health Services and the provisions of the revised *South Australian Health Commission Act 1976* as they relate to the Department's capacity to direct Health Services. It also noted that the Department, and the Commission before it, had not consistently sought independent verification of Health Service activity data relevant to assess whether case-mix funded activity levels were achieved by Health Services. Further instances were noted of administrative non-compliance concerning service (funding) agreement completion and sign off.

Audit findings arising from this review were communicated to the Department which has indicated it will implement initiatives which are consistent with Audit recommendations.

Non-Government Organisations

The review of funding to Non-Government Organisations considered whether arrangements implemented by the Department for the administration of grants supported appropriate accountability by the Department and the funded organisations.

The review established that the management of this activity occurred across a number of the Department's Divisions in line with the policy areas managed by each Division. In addition to noting areas where appropriate administrative procedures had not been implemented the audit identified the following matters:

- Arrangements had not been implemented to share best practice across divisions or to develop and implement common policies, procedures and systems for management of grants.
- Funding was provided to a number of organisations notwithstanding that formal funding agreements defining each parties' responsibilities had not been concluded.
- Funding arrangements did not consistently require the evaluation of outcomes for programs funded by the Department.

In responding to the Audit findings the Department noted that improvements to the administration of this area of its operations needed to occur in the context of initiatives being developed and implemented in consultation with community groups and that certain initiatives had been introduced during the year. It also indicated that:

- initiatives would be implemented to share best practice through the Divisions of the Department and to share information regarding grants provided by each Division;
- signed service agreements would be obtained for all grant recipients;
- the Department would standardise service agreements and incorporate provisions for evaluation of grant funded programs.

Advance Payments-Capital Program

The audit of the Department's financial statements for the year ended 30 June 2000 identified what Audit considered to be payments in advance of the receipt of relevant goods or services. Payments were made to suppliers of medical equipment where the suppliers' performance was secured by Bank guarantees obtained by the suppliers. Payments were also made to Health Services for planned work which had not been completed at the time of the payment.

With respect to the payments associated with Bank Guarantees it is noted by Audit that the Treasurer's Instructions were amended in January 2001 to specifically prohibit making of such advance payments, without the prior approval of the Treasurer.

With respect to the second type of payment the Department indicated that these payments were of the nature of grant funding and it was within the Department's authority to determine how it funded these projects. While the Department's position with respect to its authority to make these payments is understood by Audit it is noted that of the \$11 million paid to Health Services from the 1999-2000 Capital Program, \$1.4 million had not been spent by the Health Services in May 2001 and was required to be repaid to the Department.

Review of Accounts Payable Processing

In July 1999 the Department implemented an Accounts Payable system to process transactions for the Department and the South Australian Housing Trust. Audit finalised a review of systems controls in July 2000 which identified the following key findings:

- Policies, procedures and control arrangements were not documented in a manual which was available to all system users.
- Utilisation of the On-Line Purchase Order function of the system, which in Audit's view incorporated system based controls, had not been maximised; instead use was made of manual payment vouchers.
- Processing of manual vouchers was not supported by a systematic capability to verify payment details.
- Control over the vendor masterfile was inadequate.
- System controls were, at times, not followed for payment processes.

Audit also reviewed the extent to which the Department's Accounts Payable system matched relevant prescribed elements of the Financial Management Framework and concluded there were a number of gaps between the prescribed elements and the controls implemented by the Department.

The Department's detailed response to the Audit findings, which was received in May 2001, identified a range of actions to be implemented to address the findings and recommendations. Audit note that while the range of proposed actions was broadly consistent with Audit recommendations the action plan to address areas of weakness only commenced towards the end of the 2000-01 financial year.

Payroll Processing and Human Resource Management

The Department provides Human Resource Management and Payroll processing services to the Department and a number of portfolio agencies. The audit review of payroll processing identified certain matters of a management control nature in need of attention. Matters noted included the provision of information to departmental and agency managers with respect to their employees and to related costs and the breakdown of certain payroll processing controls.

A key factor identified by Audit as contributing to the findings is the continued use by the Department of three installations of the system software to process payroll transactions. The Department has recognised the need to consolidate its payroll processing and plans to replace the existing payroll system with a new system which will service not only the Department and the current portfolio agencies but also the Health Services. Audit has suggested that consolidation of payroll processing installations be pursued before implementation of the new payroll system in the latter part of 2002.

Audit findings were communicated in letters to the Department. Specific findings with respect to Bona Fide reporting were responded to by the Department communicating to relevant managers the importance of providing appropriate responses to errors in reports. In responding to issues associated with the reconciliation of payroll system data to the Department and agency financial ledgers, the Department indicated that progress in implementing recommended controls was dependent on the Department consolidating the payroll systems. Other matters raised by Audit were included in a letter sent to the Department. As such the Department is in the process of considering the matters prior to forwarding a final response at the time of preparing this Report.

Administration of Concession Payments

The Department administers government schemes for provision of concessions associated with a range of consumer charges including water and electricity charges. Arrangements for administration of concessions vary by concession type but would generally involve the Department receiving a claim from the provider of concessions for reimbursement of concessions granted.

The Department's Internal Audit program included a review of arrangements for reimbursement of concessions. The review noted that arrangements with the party providing concessions for electricity charges was not governed by a service level agreement with the Department. In reviewing the Internal Audit findings External Audit noted that whereas the service provider receiving reimbursement was previously a statutory authority it was now a private sector service provider which reflected a significant change in the risk profile to be managed by the Department. External Audit recommended that the Department negotiate formal contractual arrangements with the private sector service provider and identified a number of matters which it was considered needed to be addressed.

The Department has responded to the External Audit recommendation by indicating it had commenced negotiations with the service provider and would seek to address the matters identified by External Audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Human Services included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Human Services in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As discussed earlier changes to the South Australian Health Commission Act 1976 resulted in the transfer of certain principal functions and powers of the South Australian Health Commission to the Minister for Human Services and subsequently to the Department. Associated with the transfer of functions and powers, the assets, rights, liabilities and obligations of the Commission were transferred to the Department. The value of assets transferred was \$117.7 million and the amount of liabilities was \$158.8 million.

The magnitude of these amounts and of the revenues and expenses associated with the activities transferred to the Department in 2000-01 limits the scope to compare financial information reported in both the Statement of Financial Performance and the Statement of Financial Position.

As a consequence the analysis and comments that follow largely concentrate on the level of particular items for the 2000-01 year.

Deficit from Ordinary Activities

The Department recorded a Deficit from Ordinary Activities of \$48.4 million for the year compared to a \$5.1 million Surplus for the previous year. The Deficit reflected a net loss from restructure of \$41.1 million following the transfer of the assets, rights, liabilities and obligations of the South Australian Health Commission to the Minister for Human Services and subsequently to the Department. Excluding the effect of restructures the Department's activities resulted in a Deficit of \$7.3 million (\$6.9 million Surplus).

Expenses

Ordinary Expenses

Grants, subsidies and client payments were \$1 985 million and included the payment of grant funding to Health Services of \$1 516 million for recurrent purposes and \$77.7 million for capital purposes and payments of grants to Non-Government Organisations of \$87.8 million.

Supplies and Services

Expenditure \$158.4 million on Supplies and Services included:

- communication and computing costs of \$32.3 million;
- contractors and agency staff of \$17.1 million;
- the cost of interstate patient transfers of \$15.7 million;
- bad and doubtful debt expense of \$14.6 million.

The Department's expenditure on salaries, wages and related costs increased by \$28.3 million due largely to increases in staff numbers and payment in 2001 of Payroll Tax expenses associated with staff transferred from the Commission to the Department incurred in the previous year.

Revenues

Funding from the Commonwealth and State Governments to the Department totalled \$2 180 million and reflects the funding requirements of the Department to cover its expanded role with respect to activities previously undertaken by the Commission. Note 6 to the financial statements provides a full analysis of the components of the funding from the Commonwealth and State Governments.

The ordinary revenues of the Department decreased by \$39.2 million principally due to the Commission no longer paying the Department a service fee for provision of administrative support which in 1999-2000 amounted to \$95 million. This reduction was partly offset by the receipt of insurance recoveries from Health Services and interstate patient transfer receipts.

Cash

The Statement of Cash Flows highlights that the Net Cash Flow used in Operating Activities was \$19.1 million with this net outflow being drawn from cash on hand at the beginning of the financial year of \$29.9 million and cash transferred to the Department from the Commission of \$30.1 million. The net outflow of cash is attributable to the Department funding Health Service draw downs in excess of the Health Service's initial budget allocations.

Receivables

Amounts due to the Department include \$61.1 million with respect to Health Service budget over-runs which increased by \$21.4 million compared to the amount due to the Commission at 30 June 2000 and against which the Department had made a provision for doubtful debts of \$49.2 million. This is an increase of \$14.6 million over the provision recognised by the Commission at 30 June 2000.

Liabilities

Total liabilities of the Department were \$203.3 million comprising:

- payables of \$82.5 million (\$45.6 million) which include \$31.7 million with respect to Health Services' Workers Compensation claims;
- provisions of \$47 million principally related to the Health Services' insurance claims;
- borrowings of \$29.4 million which relate to funding obtained from the Department of Treasury and Finance by the Commission to fund loans to Health Services.

Capital Developments

The Department manages Capital expenditure on behalf of itself and Incorporated Health Services which for the year ended 30 June 2001 totalled \$109.2 million. The major component of this expenditure was \$58.1 million associated with the redevelopment and upgrading of metropolitan and country hospitals with the largest expenditure for the year reflecting:

| | \$'million |
|---------------------------------------|------------|
| Royal Adelaide Hospital redevelopment | 13.2 |
| Lyell McEwin Health Service | 8.9 |
| Queen Elizabeth Hospital | 7 |

Expenditure by the Department on Information Management Systems developments totalled \$21.9 million with the major project expenditure \$11.3 million being for the development and implementation of the Oacis clinical information system for Hospitals.

The expenditure with respect to Oacis reflects two components:

- The ongoing support of the pilot implementation of the system in the renal units of metropolitan hospitals. The pilot implementation which has an estimated project cost of \$31.6 million was initially approved by Cabinet in 1996 and its continuation was approved by Cabinet in March 2000.
- The implementation of the system into other clinical areas which was approved by Cabinet in March 2000 and involves an estimated additional project cost of \$64.7 million.

The system being implemented was acquired from an overseas software developer. Significant developments in the current year include rationalising the contractual arrangements for licensing and support of the systems software following changes to the ownership of the software supplier and implementation of contractual arrangements with the licensed Australian supplier of implementation and software upgrade support.

The Department also received Cabinet approval to proceed with the acquisition of a new Human Resource Management system which will serve the Department, other portfolio agencies and the Health Services. Expenditure on this project was \$1 million and the estimated total cost is \$7.6 million.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|------------------|----------------|
| ORDINARY EXPENSES: | | | |
| Salaries, wages and other employee entitlements | 4(a) | 172 876 | 144 533 |
| Supplies and services | 4(b) | 158 386 | 101 359 |
| Grants, subsidies and client payments | 4(c) | 1 985 325 | 300 567 |
| Depreciation | 4(d) | 3 154 | 2 337 |
| Borrowing costs | 4(e) | 2 981 | - |
| Other expenses | 4(f) | 506 | - |
| Total Ordinary Expenses | | 2 323 288 | 548 796 |
| ORDINARY REVENUES: | | | |
| Rent, fees and charges | 5(a) | 116 968 | 160 037 |
| Interest | 5(b) | 7 525 | 3 028 |
| Dividends - HomeStart Finance | | 5 000 | 5 000 |
| Other revenue | 5(c) | 6 365 | 7 014 |
| Total Ordinary Revenue | | 135 858 | 175 079 |
| NET COST OF SERVICES | | 2 187 370 | 373 717 |
| CONTRIBUTIONS FROM GOVERNMENT: | | | |
| SA Government appropriation | 6(a) | 1 269 898 | 235 599 |
| Commonwealth grants | 6(b) | 883 115 | 137 778 |
| Other SA Government agencies | 6(c) | 27 240 | 7 397 |
| Total Government Contributions | | 2 180 253 | 380 774 |
| Net loss from disposal of non-current assets | 7 | (176) | (124) |
| Net loss from restructuring | 8 | (41 078) | (1 841) |
| (DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES | | (48 371) | 5 092 |
| Non-owner transaction changes in equity | | | |
| Net increase in asset revaluation reserve | | 1 201 | - |
| Total revenues, expenses and valuation adjustments recognised in equity | | 1 201 | - |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | 18 | (47 170) | 5 092 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash on hand and deposit accounts | 19 | 36 741 | 29 859 |
| Receivables | 9 | 58 208 | 45 072 |
| Inventories | 12 | 391 | 353 |
| Other current assets | 11 | 3 002 | 7 402 |
| Total Current Assets | | 98 342 | 82 686 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 9 | 40 100 | - |
| Property, plant and equipment | 10 | 75 667 | 61 418 |
| Other non-current assets | 11 | - | 389 |
| Total Non-Current Assets | | 115 767 | 61 807 |
| Total Assets | | 214 109 | 144 493 |
| CURRENT LIABILITIES: | | | |
| Payables | 13 | 56 693 | 42 975 |
| Employee entitlements and other provisions | 14 | 14 809 | 11 827 |
| Borrowings | 15 | 74 | - |
| Provisions | 16 | 10 172 | - |
| Other | 17 | 1 803 | 540 |
| Total Current Liabilities | | 83 551 | 55 342 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 13 | 25 769 | 2 644 |
| Employee entitlements and other provisions | 14 | 26 954 | 28 238 |
| Borrowings | 15 | 29 597 | 285 |
| Provisions | 16 | 36 853 | - |
| Other | 17 | 571 | - |
| Total Non-Current Liabilities | | 119 744 | 31 167 |
| Total Liabilities | | 203 295 | 86 509 |
| NET ASSETS | | 10 814 | 57 984 |
| EQUITY: | | | |
| Asset revaluation reserve | 18 | 10 299 | 8 904 |
| Accumulated surplus (deficit) | 18 | 515 | 49 080 |
| TOTAL EQUITY | | 10 814 | 57 984 |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|---|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| Salaries, wages and other employee related expenses | | (172 047) | (150 123) |
| Supplies and services | | (159 981) | (92 873) |
| Grants, subsidies and client payments | | (2 013 733) | (306 056) |
| Borrowing costs | | (2 677) | - |
| Goods and services tax paid to other grouped members | | (1 986) | - |
| Goods and services tax paid to suppliers | | (43 766) | - |
| New loans | | (4 592) | - |
| Other payments | | (506) | - |
| Total Payments | | (2 399 288) | (549 052) |
| RECEIPTS: | | | |
| Rent, fees and charges | | 148 703 | 139 364 |
| Interest | | 4 263 | 2 476 |
| Dividends - HomeStart Finance | | 5 000 | 5 000 |
| Goods and services tax collected from other grouped members | | 21 | - |
| Goods and services tax refund from the Australian Taxation Office | | 31 707 | - |
| GST received from customers | | 6 636 | - |
| Loan principal repayments | | 517 | - |
| Interest on loans | | 3 065 | - |
| Other receipts | | 6 117 | 6 022 |
| Total Receipts | | 206 029 | 152 862 |
| CASH FLOWS FROM GOVERNMENT: | | | |
| State Government | | 1 263 803 | 238 894 |
| Commonwealth Government | | 883 115 | 137 778 |
| Grants from other SA Government agencies | | 27 239 | - |
| Total Receipts | | 2 174 157 | 376 672 |
| Net Cash used in Operating Activities | 19(b) | (19 102) | (19 518) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment | | (5 433) | (5 663) |
| Proceeds from sale of property, plant and equipment | | 804 | 14 |
| Net Cash used in Investing Activities | | (4 629) | (5 649) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Repayment of borrowings | | 473 | - |
| Net Cash provided by Financing Activities | | 473 | - |
| CASH FLOWS FROM RESTRUCTURE | | 30 140 | 5 455 |
| NET INCREASE (DECREASE) IN CASH HELD | | 6 882 | (19 712) |
| CASH AT 1 JULY | | 29 859 | 49 571 |
| CASH AT 30 JUNE | 19 | 36 741 | 29 859 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding of the Department

The vision of the Department of Human Services (the Department) is to significantly enhance the quality of life and safeguard the health and wellbeing of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- Provide a coordinated response to human services needs with a focus on well being, illness prevention, safety, early intervention and the provision of quality care;
- Foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- Encourage individuals, families and communities to take responsibility for their own health and well-being;
- Take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and also controls and coordinates portfolio funding arrangements. It has responsibility for the administration and coordination of portfolio Human Resource Management and provides Corporate and Business Service functions to portfolio agencies. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976*, delegated by the Minister for Human Services (The Minister) to the Chief Executive of the Department of Human Services.

(a) Departmental Functions

The functions of the Department have significantly altered during the 2000-01 financial year. Amendments to the *South Australian Health Commission Act 1976*, proclaimed on 6 July 2000, transferred many powers and functions formerly with the South Australian Health Commission to the Minister. The Minister then delegated many of those powers and functions to the Chief Executive Officer of the Department of Human Services.

The assets, rights and liabilities of the South Australian Health Commission were vested in the Minister by proclamation of the Governor on 6 July 2000. These assets, rights and liabilities are reflected in the financial statements of the Department.

(a) Departmental Functions (continued)

While the amendments to the *South Australian Health Commission Act 1976* and the vesting of assets, rights and liabilities in the Minister were proclaimed on 6 July 2000, the effect of these amendments have been applied as at 1 July 2000. As such the financial information reflected in these financial statements is for the financial year commencing 1 July 2000, inclusive of the powers and functions delegated under the *South Australian Health Commission Act 1976*, and the assets, rights and liabilities vested in the Minister.

One of the major functions delegated to the Chief Executive Officer of the Department under the amendments to the *South Australian Health Commission Act 1976* places a requirement upon the Department to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services. Hospitals, Health Centres and Health Services are either incorporated as body corporates under the *South Australian Health Commission Act 1976* (Incorporated Health Services) or are unincorporated (Unincorporated Health Services).

The financial affairs of Incorporated Health Services do not form part of the Department's financial report. Under the *South Australian Health Commission Act 1976*, Incorporated Health Services are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department also functions as a service provider to the South Australian Housing Trust, South Australian Community Housing Authority, Aboriginal Housing Authority, HomeStart Finance and various other non-government organisations. Similarly the financial affairs of these organisations do not form part of the Department's financial report.

(b) Administrative Restructure

The delegation by the Minister of many of the powers and functions formerly with the South Australian Health Commission to the Chief Executive Officer of the Department as described in Note 1(a) has been treated as an administrative restructure and reflected as such in the financial statements.

The Department now recognises transactions and balances which were formerly recognised by the South Australian Health Commission (SAHC). The major effects of this change are:

- revenues from government have significantly increased;
- grants, subsidies and client payments have significantly increased;
- land and buildings asset base has increased;
- plant and equipment asset base has increased ;
- receivables and payables related to Health Services have been recognised;
- provisions have significantly increased; and
- borrowings have significantly increased.

There was no service fee charged to the SAHC in 2000-01. There were no other transactions with the SAHC in 2000-01 and no receivables between the Department and SAHC as at 30 June 2001.

(c) Funding for the Department Comes from Two Main Sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities;
- Payment from portfolio agencies for Business Service and Human Resource Management functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources the Department receives amounts from other sources including interest paid on cash deposits and dividends paid by portfolio agencies.

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cash flows. Additional timing differences arise from the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio.

2. Summary of Significant Accounting Policies**(a) Basis of Accounting**

The Department's Financial Statements are a general purpose financial report which have been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- Statement of Accounting Concepts;
- Applicable Australian Accounting Standards;
- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Australian Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Australian Accounting Standard AAS 6 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and expressed in Australian currency.

(b) Administered Items

The Department administers certain revenues, expenses, assets and liabilities on behalf of other government agencies and non government entities. These revenues, expenses, assets and liabilities are not controlled by the Department and consequently are not recognised in the Department's Financial Statements. These administered amounts are disclosed in the Schedule of Administered Revenues and Expenses, and the Schedule of Administered Assets and Liabilities, as reflected in Note 24.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(c) Revenue Recognition

Government Appropriations

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time they are earned or at the time control passes to the Department.

Service Fee Income

Service fee income comprises revenue earned from the provision of services to entities external to the Department. The revenue is recognised when the fee in respect of services provided is receivable.

Dividends

Dividends are received by the Department from HomeStart Finance in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio entities consistent with Department strategic plans. Revenue is recognised upon agreement by the Minister to the dividend proposed by the HomeStart Board.

(d) Property, Plant and Equipment

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

Assets Disclosed at Transferred Value

As a result of the administrative restructure detailed in Note 1(a) the Department assumed the reporting for assets, rights and liabilities of the South Australian Health Commission that were vested in the Minister by proclamation by the Governor. This involved the acquisition of property, plant and equipment at no cost to the Department. As permitted by Australian Accounting Standards AAS 29 'Financial Reporting by Government Departments' and AAS 38 'Revaluation of Non-Current Assets' all of these assets are recognised at their value immediately prior to the transfer.

Assets Disclosed at Valuation

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, the Department has applied the AAS 38 transitional provisions for the public sector and has elected to apply the same revaluation basis (deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Revaluation decrements are recognised immediately as an expense, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised immediately as revenue.

Revaluation increments and decrements are offset against one another only within their related class of non-current assets.

Assets Disclosed at Cost

Plant, equipment and leasehold improvements not revalued as at 30 June 2001 are reflected at the value as at 1 July 1996 calculated on the basis of replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All property, plant and equipment acquired since the last revaluation of a class of non-current assets are accounted for at cost.

Vacant land is reflected at its cost value.

Other Property, Plant and Equipment Disclosure Information

The recoverable amount test has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as income in the Statement of Financial Performance and Note 5(c)(i).

Items of property, plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

Work in progress stated as capital works are projects physically incomplete as at balance date. The value of work completed is included in work in progress. Work in progress is recorded at cost.

(e) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$5 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

| | Years |
|--|-------|
| Computer equipment/systems development | 3 |
| General plant and equipment | 3-15 |
| Medical, surgical, dental and biomedical equipment | 5-10 |
| Buildings | 25-50 |

Leased assets are amortised over the useful life of the asset or the lease term, in accordance with Australian Accounting Standard AAS 4 'Depreciation'. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

(f) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, these leases are identified in Note 20(c) to the accounts.

Refer Note 2(m) for details of GST recognition under finance leases.

(g) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(h) Payables

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest are identified as payables.

(i) Employee Entitlements and Other Provisions

Provision is made for the Department's liability for employee entitlements arising from services rendered by employees to balance date.

(i) Annual Leave and Long Service Leave

The provision for annual leave and long service leave represents the amount which the Department has a present obligation to pay resulting from employee's services provided up to the reporting date. The long service leave liability was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. A provision has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs.

Related on-costs of payroll tax and superannuation have been calculated by applying their corresponding Department of Treasury and Finance levied rates to employee entitlements and are shown under Payables.

(ii) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, any such amount will be treated as a payable not an employee related entitlement.

(iii) Sick Leave

No provision is made for sick leave because entitlements do not vest in the employee and because of the material uncertainty which precludes reliable estimation of future usage of sick leave by Departmental employees.

(iv) Workers Compensation

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability as at 30 June 2001 \$7.56 million (\$7.97 million) reflects an apportionment of the whole-of-government estimate of the workers compensation liability as at 30 June 2001. The whole-of-government estimate is based on an actuarial assessment conducted by Taylor Fry Consulting Actuaries and submitted to the Office for the Commissioner for Public Employment.

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with Australian Accounting Standard AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

(iv) **Workers Compensation (continued)**
Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation amount payable to Health Services as at 30 June 2001 is \$31.74 million.

(v) **Employee On-Costs**
Related on-costs of payroll tax and superannuation have been calculated by applying their corresponding levied rates to employee entitlements and are shown under Payables.

(j) **Professional Indemnity and General Public Liability Insurance**

Professional Indemnity

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AAS 26 conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

General Public Liability Insurance and Property

The provision for claims is a management assessment based on advice from the claims manager (AON Risk Services Ltd). The claims manager assesses the claim and places a reserve on the claim file after receiving legal advice.

(k) **Inventories**

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off.

Items held for sale are accounted for at the lower of cost or net realisable value.

(l) **Tax Status**

The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

(m) **Accounting for Goods and Services Tax (GST)**

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

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

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

Finance lease liabilities are stated inclusive of the amount of GST payable on the finance lease liability. The Department has also recognised receivables which represent the entitlement to recover input tax credits from the Australian Taxation Office for the GST payable on finance lease liabilities.

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

(n) **Change in Accounting Policies**

Workers Compensation Liability Actuarial Assessment

The workers compensation liability recognised by the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May 2001 data. Taylor Fry Consulting Actuaries have extrapolated this data to 30 June 2001. For the 2000-01 financial year the Department has reflected a workers compensation provision of \$7.56 million.

The workers compensation liability recognised as at 30 June 2000 was based on the apportionment of an actuarial assessment of the whole-of-health workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2000 data. For the 1999-2000 financial year the Department reflected a workers compensation provision of \$7.97 million.

Long Service Leave

The long service leave liability recognised by the Department as at 30 June 2001 is based upon an actuarial assessment conducted by William M Mercer Pty Ltd, in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

The long service leave liability recognised as at 30 June 2000 was determined by employing the short hand method using benchmark number of years recommended by the Department of Treasury and Finance.

Had the Department continued to use the benchmark method applied in previous years the amount reflected as at 30 June 2001 would have been \$3.60 million more than which has been disclosed.

Property, Plant and Equipment

In 1999-2000, the valuations of some land and buildings were disclosed on a net basis. For 2000-01 these valuations have been restated to show separately the gross amount and related accumulated depreciation. There has been no effect on net written down value.

(o) Reclassification of financial information

As a result of applying Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures', the format of the Statement of Financial Performance (previously referred to as the Operating Statement) and the Statement of Financial Position have been amended. As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

3. Report by Output Class**(a) Department's Outputs**

Information about the Department's outputs and the revenues and expenses which are reliably attributable to those outputs is set out in the Output Schedule provided.

(b) Output Class Summary

| | |
|-----------------------|---|
| <i>Output Class 1</i> | <i>Promotion and Protection of Health and Well Being</i> |
| | Outputs that promote and protect health and well being for the whole population or population groups, including outputs that provide information, regulation of environmental and living standards, and community infrastructure. |
| <i>Output Class 2</i> | <i>Personal Financial Assistance</i> |
| | Outputs that provide financial assistance to individuals in the form of payment, concessions, loans or guarantees. |
| <i>Output Class 3</i> | <i>Housing Services</i> |
| | Outputs that provide accommodation to individuals and families and regulation of private housing standards. |
| <i>Output Class 4</i> | <i>Community Based Care</i> |
| | Outputs that provide care and support in a community based or home based setting to individuals and families for their safety and well being. |
| <i>Output Class 5</i> | <i>Accommodation and Support</i> |
| | Outputs that provide accommodation in conjunction with care or support to individuals and families for their safety and well being. |
| <i>Output Class 6</i> | <i>Hospital Based Treatment Services</i> |
| | Outputs that provide treatment services in a hospital setting to individuals for their health and well being. |
| <i>Output Class 7</i> | <i>Coordination and Advice</i> |
| | Outputs that provide advice and information to the Minister. |

| Output Class | 1 | 2 | 3 | 4 | 5 | 6 | 4 | 2001 Total |
|---|---------------|---------------|----------------|----------------|----------------|------------------|------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Ordinary Expenses: | | | | | | | | |
| Salaries, wages and employee entitlements | 26 016 | 4 592 | 50 493 | 60 878 | 20 612 | 9 901 | 384 | 172 876 |
| Supplies and services | 37 928 | 1 323 | 1 047 | 50 776 | 4 483 | 62 805 | 24 | 158 386 |
| Grants, subsidies and client payments | 32 411 | 36 737 | 144 893 | 295 747 | 137 378 | 1 338 159 | - | 1 985 325 |
| Depreciation | 1 847 | 24 | - | 954 | 173 | 156 | - | 3 154 |
| Borrowing costs | 136 | 1 | - | 692 | - | 2 152 | - | 2 981 |
| Other expenses | 188 | - | - | 245 | 73 | - | - | 506 |
| Total Expenses | 98 526 | 42 677 | 196 433 | 409 292 | 162 719 | 1 413 173 | 408 | 2 323 228 |
| Ordinary Revenues: | | | | | | | | |
| Rent, fees and charges | 4 326 | 252 | 46 349 | 8 143 | 235 | 57 663 | - | 119 968 |
| Interest | 218 | - | - | 1 094 | - | 6 213 | - | 7 525 |
| Dividends - HomeStart Finance | - | - | 5 000 | - | - | - | - | 5 000 |
| Other revenue | 734 | 7 | - | 3 433 | 662 | 1 529 | - | 6 365 |
| Total Revenue | 5 278 | 259 | 51 349 | 12 670 | 897 | 65 405 | - | 135 858 |
| Net Cost of Services | 93 248 | 42 418 | 145 084 | 396 622 | 161 822 | 1 347 768 | 408 | 2 187 370 |

4. Ordinary Expenses**(a) Salaries, Wages and other Employee Entitlements**

| | 2001 | 2000 |
|---------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Salaries and wages | 122 814 | 107 665 |
| Long service leave | 3 346 | 1 581 |
| Annual leave | 11 424 | 9 819 |
| Superannuation | 15 281 | 12 825 |
| Workers compensation | 3 055 | 2 839 |
| Payroll tax | 14 802 | 8 352 |
| Other employee related expenses | 2 154 | 1 452 |
| | 172 876 | 144 533 |

(a) Salaries, Wages and other Employee Entitlements (continued)**(i) Targeted Voluntary Separation Packages (TVSPs)**

TVSP amounts paid by the Department are included within salary and wages expenses.

During the year a total of 21 (7) employees of the Department accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$1.709 million (\$0.568 million). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$1.454 million (\$0.309 million) has been recovered of which \$0.681 million related to prior years. A further amount of \$0.939 million (\$0.683 million) is to be recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$0.496 million (\$0.155 million) were paid to employees who received a TVSP.

| | | |
|---|------------------|----------------|
| (b) Supplies and Services | 2001 | 2000 |
| | \$'000 | \$'000 |
| Accommodation and property related | 17 172 | 15 335 |
| Consultant fees | 1 877 | 2 821 |
| Contractors and agency staff | 17 053 | 13 745 |
| Communication and computing | 32 270 | 18 349 |
| Drugs and medical supplies | 10 419 | 11 105 |
| Unincorporated Health Services administration costs | - | 9 159 |
| Equipment expenses | 3 139 | 791 |
| Vehicle expenses | 3 489 | 2 786 |
| Travel expenses | 2 487 | 1 994 |
| Client related expenses | 11 923 | 2 436 |
| Printing, stationery, postage and periodicals | 4 654 | 3 816 |
| Bad and doubtful debts | 14 570 | - |
| External audit | 695 | 476 |
| Insurance | 4 261 | 431 |
| Seminars, courses and training | 1 866 | 1 528 |
| Interpreter/translation fees | 47 | 1 831 |
| Interstate patient transfers | 15 733 | - |
| Other administration expenses | 16 731 | 14 744 |
| | 158 386 | 101 347 |
| (c) Grants, Subsidies and Client Payments | | |
| Home and community care | 26 234 | 69 931 |
| Supported accommodation assistance | 23 800 | 22 043 |
| Family and community development grants | 6 474 | 6 885 |
| Alternative care grants | 5 902 | 5 622 |
| Funds for seniors | 492 | 413 |
| Housing assistance grants | 110 145 | 112 649 |
| SA Housing Trust - Tax equivalent regime | 53 280 | 53 100 |
| Parks Community Centre - Community Cultural Recreation Centre | 2 082 | 2 655 |
| Patient assisted transport concessions | 2 936 | 2 452 |
| Goods and services tax (GST) compensation grants | 12 731 | - |
| Funding to incorporated health services | 1 516 126 | - |
| Capital funding to incorporated health services | 77 663 | - |
| Funding to non-government organisations | 77 347 | - |
| Children's payments | 10 238 | 8 809 |
| Royal Society for the Blind | 1 826 | - |
| Crippled Children's Association | 7 474 | - |
| Community accommodation and respite services | 18 676 | - |
| Royal Flying Doctor Service | 1 144 | - |
| Emergency financial assistance | 2 468 | 2 224 |
| Concessions | 1 486 | - |
| Other various grants | 26 801 | 13 784 |
| | 1 985 325 | 300 567 |
| (d) Depreciation | | |
| Buildings and improvements | 1 245 | 1 161 |
| Leasehold improvements | 1 067 | 381 |
| Medical, surgical, dental and biomedical equipment | 307 | - |
| General plant and equipment | 208 | 140 |
| Computing equipment/systems development | 311 | 655 |
| Vacant buildings | 16 | - |
| | 3 154 | 2 337 |
| (e) Borrowing Costs | | |
| Interest on borrowings | 2 961 | - |
| Other | 20 | 12 |
| | 2 981 | 12 |
| (f) Other Expenses | | |
| Prior period adjustments not assignable | 506 | - |

| | | | |
|----|--|------------------|----------------|
| 5. | Ordinary Revenue | 2001 | 2000 |
| | (a) Rent, Fees and Charges | \$'000 | \$'000 |
| | Rent | 702 | 1 527 |
| | Fees, fines and penalties | 3 482 | 2 043 |
| | Services to the South Australian Health Commission (SAHC) ⁽¹⁾ | - | 95 350 |
| | Business services | 15 802 | 18 020 |
| | Recoveries | 6 242 | 8 111 |
| | Insurance recoveries from Health Services | 23 948 | - |
| | Employee services ⁽²⁾ | 38 281 | 34 986 |
| | Interstate patient transfers | 28 511 | - |
| | | 116 968 | 160 037 |
| | | <hr/> | <hr/> |
| | (1) With the amendments to the <i>South Australian Health Commission Act 1976</i> , the service fee relationship between the Department and the South Australian Health Commission (SAHC) covers a much smaller range of services. In 2000-2001, there were no charges made under the Service Fee arrangement with the SAHC. | | |
| | (2) Represents the recovery of costs for the provision of employee related services to the South Australian Housing Trust (SAHT), the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA). | | |
| | (b) Interest | 2001 | 2000 |
| | | \$'000 | \$'000 |
| | Interest on funds held | 4 156 | 3 028 |
| | Interest on loans | 3 369 | - |
| | | 7 525 | 3 028 |
| | | <hr/> | <hr/> |
| | (c) Other Revenue | | |
| | Assets received for nil consideration ⁽¹⁾ | 395 | - |
| | Prior period adjustments | 2 758 | - |
| | Other revenues | 3 212 | - |
| | | 6 365 | - |
| | | <hr/> | <hr/> |
| | (i) <i>Assets received for Nil Consideration</i> | | |
| | During the reporting period the Department received goods and services free of charge or for nominal consideration as follows: | | |
| | Vacant buildings | 395 | - |
| | | 395 | - |
| | | <hr/> | <hr/> |
| 6. | Contribution from Government | | |
| | (a) South Australian Government Appropriations | | |
| | General appropriation | 1 179 442 | 148 736 |
| | State Housing Assistance Funds | 33 977 | 30 807 |
| | Tax equivalent regime reimbursement - HomeStart Finance | 3 333 | 2 956 |
| | Tax equivalent regime reimbursement - SA Housing Trust | 53 146 | 53 100 |
| | | 1 269 898 | 235 599 |
| | | <hr/> | <hr/> |
| | (b) Commonwealth Grants | | |
| | Australian Health Care Agreement - Base Funding Arrangement | 540 215 | - |
| | Housing Assistance | 74 346 | 75 597 |
| | Department of Veteran Affairs Funding | 63 820 | - |
| | Home and Community Care | 50 195 | 46 170 |
| | Commonwealth - State Disability Agreement | 50 643 | - |
| | Pathology Laboratory Grant | 13 656 | - |
| | Supported Accommodation Assistance | 14 783 | 13 522 |
| | Aged Care Assessment Program | 3 236 | - |
| | Highly Specialised Drugs | 18 098 | - |
| | Goods and Services Tax (GST) Compensation Grant | 9 517 | - |
| | Fringe Benefit Tax (FBT) Employee Remuneration | 11 266 | - |
| | Public Health Agreement | 18 126 | - |
| | Red Cross Blood Transfusion Service | 7 103 | - |
| | Woomera Hospital | 1 028 | - |
| | Other | 7 083 | 2 489 |
| | | 883 115 | 137 778 |
| | | <hr/> | <hr/> |
| | (c) Other South Australian Government Agencies | | |
| | Community Development Fund | 9 900 | 2 400 |
| | Department of Treasury and Finance - Contingency Funds | 14 798 | 4 068 |
| | Other | 2 542 | 929 |
| | | 27 240 | 7 397 |
| | | <hr/> | <hr/> |
| 7. | Net Loss from Disposal of Non-Current Assets | | |
| | Proceeds from disposal of non-current assets | 819 | 14 |
| | Less: Additional disposal costs | 15 | - |
| | Less: Written down value of non-current assets | 980 | 138 |
| | | (176) | (124) |
| | | <hr/> | <hr/> |
| 8. | Net loss from Restructuring | | |
| | Net loss on restructure - South Australian Health Commission | (41 078) | - |
| | Net loss on restructure - DHS Health Development Inc and SA Coordinated Care 21 | - | (1 694) |
| | Net loss on restructure - DHS Mental Health Services | - | (147) |
| | | (41 078) | (1 841) |
| | | <hr/> | <hr/> |

| | | | |
|--|--|---------------|---------------|
| 9. Receivables | | 2001 | 2000 |
| Current Receivables: | | \$'000 | \$'000 |
| Debtors | | 9 403 | 9 582 |
| Debtors - South Australian Health Commission | | - | 25 720 |
| Interest | | 496 | 298 |
| Interest - South Australian Health Commission | | - | 537 |
| Tax equivalent regime (Treasury Appropriation) | | 2 970 | 1 871 |
| Health service budget over-runs | | 10 206 | - |
| Goods and Services Tax (GST) Recoverable from Australian Taxation Office | | 7 724 | - |
| Goods and Services Tax (GST) Recoverable from other Group Members | | 297 | - |
| Interstate patient transfers | | 8 901 | - |
| Service level | | 892 | - |
| Grant receivables | | 11 330 | 5 235 |
| Loan receivables | | 2 356 | - |
| Sundry receivables | | 4 103 | 1 925 |
| Less: Provision for doubtful debts | | 470 | 96 |
| | | 58 208 | 45 072 |
| Non-Current Receivables: | | | |
| Health service budget over-runs | | 50 932 | - |
| Loan receivables | | 36 900 | - |
| Sundry receivables | | 999 | - |
| Less: Provision for doubtful debts | | 48 731 | - |
| | | 40 100 | - |
| 10. Property, Plant and Equipment | | | |
| (a) Land and Buildings | | | |
| Vacant land (At valuation) | | 9 334 | 2 179 |
| Site land (At valuation) | | 16 852 | - |
| Vacant buildings (At valuation) | | 647 | - |
| Less: Accumulated depreciation | | 118 | - |
| | | 529 | - |
| Buildings (At valuation) | | 75 086 | 69 865 |
| Less: Accumulated depreciation | | 38 360 | 18 593 |
| | | 36 726 | 51 272 |
| Leasehold improvements (At cost) | | 10 754 | 4 893 |
| Less: Accumulated depreciation | | 8 557 | 4 009 |
| | | 2 197 | 884 |
| Buildings and improvements under construction | | 2 822 | 994 |
| Total Land and Buildings | | 68 460 | 55 329 |
| (b) Plant and Equipment | | | |
| Medical, surgical, dental and biomedical equipment (At cost) | | 3 306 | 803 |
| Less: Accumulated depreciation | | 2 148 | 5 |
| | | 1 158 | 798 |
| Computing equipment/systems development (At cost) | | 3 990 | 2 461 |
| Less: Accumulated depreciation | | 3 851 | 2 330 |
| | | 139 | 131 |
| Other plant and equipment (At cost) | | 2 532 | 1 511 |
| Less: Accumulated depreciation | | 1 121 | 585 |
| | | 1 411 | 926 |
| Plant and Equipment under Construction | | 4 499 | 4 234 |
| Total Plant and Equipment | | 7 207 | 6 089 |

Reconciliation

Reconciliations of the carrying amount of each class of land and building at the beginning and end of the current and previous financial year are displayed in the tables below.

| | Vacant Land \$'000 | Site Land \$'000 | Vacant Buildings \$'000 | Buildings & Improvements \$'000 | Leasehold Improvements \$'000 | Building & Improve- ments Under Construction \$'000 | 2001 Total \$'000 |
|--|--------------------------|------------------------|-------------------------------|---------------------------------------|-------------------------------------|---|----------------------------------|
| Carrying amount at 1 July | 2 179 | - | - | 51 272 | 884 | 994 | 55 329 |
| Purchases | - | - | - | - | - | 2 175 | 2 175 |
| Disposals | (743) | (42) | - | (138) | - | - | (923) |
| Transfers between asset classes | 210 | 17 026 | 622 | (17 732) | 31 | - | 157 |
| Write-offs | - | - | - | - | - | - | - |
| Assets received for nil consideration | 370 | - | 25 | - | - | - | 395 |
| Assets received for the first time | - | - | - | 2 605 | - | - | 2 605 |
| Acquisitions from administrative restructure | 5 785 | - | - | 2 243 | 2 346 | - | 10 374 |
| Transfers from works in progress | - | 79 | - | 268 | - | - | 347 |
| Transfers to completed works | - | - | - | - | - | (347) | (347) |
| Net revaluation increment less revaluation decrement | 1 658 | 99 | - | (649) | - | - | 1 108 |
| Depreciation expense | - | - | (16) | (1 245) | (1 067) | - | (2 328) |
| Other movements | (125) | (310) | (102) | 102 | 3 | - | (432) |
| Carrying Amount at 30 June | 9 334 | 16 852 | 529 | 36 726 | 2 197 | 2 822 | 68 460 |

Reconciliation (continued)

| | Medical Surgical Dental and Biomedical Equipment | Computing Equipment/ Systems Development | General Plant and Equipment | Plant and Equipment Under Construction | 2001 Total \$'000 |
|---|--|---|-----------------------------------|---|-------------------------|
| | \$'000 | \$'000 | \$'000 | | |
| Carrying amount at 1 July | 798 | 131 | 926 | 4 234 | 6 089 |
| Purchases | 348 | 82 | 321 | 265 | 1 016 |
| Disposals | (44) | - | (14) | - | (58) |
| Transfer between asset classes | (31) | - | 10 | - | (21) |
| Write-offs | - | - | (5) | - | (5) |
| Assets received for nil consideration | - | - | - | - | - |
| Assets recognised for the first time | - | - | 56 | - | 56 |
| Acquisitions from administrative restructure | 396 | 237 | 345 | - | 978 |
| Transfers from works in progress | - | - | - | - | - |
| Transfers to completed works | - | - | - | - | - |
| Net revaluation increment less revaluation decrements | - | - | - | - | - |
| Depreciation expense | (307) | (311) | (208) | - | (826) |
| Other movements | (2) | - | (20) | - | (22) |
| Carrying Amount at 30 June | 1 158 | 139 | 1 411 | 4 499 | 7 207 |
| 11. Other Assets | | | | 2001 | 2000 |
| Other Current Assets: | | | | \$'000 | \$'000 |
| Prepayments | | | | 2 457 | - |
| Other | | | | 545 | 7 402 |
| | | | | 3 002 | 7 402 |
| Other Non-Current Assets: | | | | | |
| Other | | | | - | 389 |
| 12. Inventories | | | | 340 | 327 |
| Drug supplies | | | | 51 | 26 |
| Other | | | | 391 | 353 |
| 13. Payables | | | | | |
| Current Payables: | | | | | |
| Creditors | | | | 19 418 | 19 945 |
| Creditors - South Australian Health Commission | | | | - | 17 944 |
| Accruals (Grants to organisations) | | | | 18 865 | 3 367 |
| Accruals (Tax equivalent regime - Grants to SA Housing Trust) | | | | 1 118 | 319 |
| Health service budget under-runs | | | | 4 849 | - |
| Health service workers compensation | | | | 9 881 | - |
| Interest | | | | 304 | - |
| Goods and Services Tax (GST) refunds payable to other group members | | | | 351 | - |
| Employee entitlement on costs | | | | 1 714 | 1 400 |
| Other payables | | | | 193 | - |
| | | | | 56 693 | 42 975 |
| Non-Current Payables: | | | | | |
| Health service workers compensation | | | | 21 857 | - |
| Employee entitlements on costs | | | | 2 409 | 2 644 |
| Accruals (grants to organisations) | | | | 1 503 | - |
| | | | | 25 769 | 2 644 |
| 14. Employee Entitlements and Other Provisions | | | | | |
| Current employee entitlements and other provisions: | | | | | |
| Accrued salaries and wages | | | | 691 | 654 |
| Annual leave | | | | 7 711 | 6 603 |
| Long service leave | | | | 3 424 | 2 453 |
| Provision for workers compensation | | | | 2 473 | 2 100 |
| Other employee provisions | | | | 510 | 17 |
| | | | | 14 809 | 11 827 |
| Non-Current employee entitlements and other provisions: | | | | | |
| Long service leave | | | | 21 872 | 22 370 |
| Provision for workers compensation | | | | 5 082 | 5 868 |
| | | | | 26 954 | 28 238 |
| 15. Borrowings | | | | | |
| Current Borrowings: | | | | | |
| Department of Treasury and Finance - Loans | | | | 74 | - |
| | | | | 74 | - |

Human Services

| | | | |
|------------|--|---------------|---------------|
| 15. | Borrowings (continued) | 2001 | 2000 |
| | Non-Current Borrowings: | \$'000 | \$'000 |
| | Department of Treasury and Finance - Loans | 29 312 | - |
| | Advance - Treasury Imprest Account | 285 | 285 |
| | | 29 597 | 285 |

| | | |
|---|---------------|------------|
| Not later than one year | 74 | - |
| Later than one year but not later than five years | 2 111 | - |
| Later than five years | 27 486 | 285 |
| | 29 671 | 285 |

(a) Reconciliation of Inter-Health Loans

As at 30 June 2001 the balance of loans to Health Services was \$39.256 million. The movement and status of the overall loans position is as follows:

| | | |
|--------------------------------------|---------------|---|
| Balance at 1 July | - | - |
| Add: Health Service loan transferred | 34 679 | - |
| Advances to Health Services | 4 592 | - |
| Capitalised interest charges | 486 | - |
| Total repayable | 39 757 | - |
| Less: Principal repayments received | 501 | - |
| Loans written-off | - | - |
| | 39 256 | - |

The Department to 30 June 2001 has financed the Health Services with loans amounting to \$9.870 million from the Department funds and \$29.386 million from back-to-back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back to back loan arrangements are as follows:

| | | |
|------------------------------|---------------|---|
| Balance at 1 July | - | - |
| Add: Loans transferred | 28 910 | - |
| Capitalised interest charges | 486 | - |
| Total Repayable | 29 396 | - |
| Less: Principal repayments | 10 | - |
| | 29 386 | - |

16. Provisions

| | | | |
|-------------------------|---------------|---|--|
| Current Provisions: | | | |
| Insurance | 9 872 | - | |
| Other | 300 | - | |
| | 10 172 | - | |
| Non-Current Provisions: | | | |
| Insurance | 36 853 | - | |
| | 36 853 | - | |

17. Other Liabilities

| | | | |
|--------------------------------|--------------|-----|--|
| Other Current Liabilities: | | | |
| Unearned revenue | 1 155 | 302 | |
| Advance - Enfield Council | - | 45 | |
| Unclaimed monies | 558 | 193 | |
| Other | 90 | - | |
| | 1 803 | 540 | |
| Other Non-Current Liabilities: | | | |
| Unearned revenue | 571 | - | |
| | 571 | - | |

18. Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non current assets.

| | Accumulated Funds \$'000 | Asset Revaluation Reserve \$'000 | 2001 Total Equity \$'000 |
|--|---|---|---|
| Balance at 1 July | 49 080 | 8 904 | 57 984 |
| Surplus (Deficit) for the year | (48 371) | - | (48 371) |
| Increments/decrements related to the revaluation of: | | | |
| Site land | - | 99 | 99 |
| Vacant land | - | 1 658 | 1 658 |
| Buildings and improvements | - | (649) | (649) |
| Prior period adjustment | - | 93 | 93 |
| Revaluation realised on disposal | (386) | 386 | - |
| Transfers to accumulated surplus | - | (192) | (192) |
| Transfers from asset revaluation reserve | 192 | - | 192 |
| Balance as at 30 June | 515 | 10 299 | 10 814 |

| 18. Equity (continued) | Accumulated Funds \$'000 | Asset Revaluation Reserve \$'000 | 2000 Total Equity \$'000 |
|---|--------------------------------|---|-----------------------------------|
| Balance at 1 July | 43 988 | 6 142 | 50 130 |
| Surplus (Deficit) for the year | 5 092 | - | 5 092 |
| Increments/decrements related to the revaluation of: | | | |
| Buildings and improvements | - | 2 762 | 2 762 |
| Transfers to accumulated surplus | - | - | - |
| Transfers from asset revaluation reserve | - | - | - |
| Balance as at 30 June | 49 080 | 8 904 | 57 984 |
| | | | |
| 19. Notes to the Statement of Cash Flows | | 2001 | 2000 |
| Cash held at the end of the reporting year as shown in the Statement of Cash Flows is represented by the following balances: | | \$'000 | \$'000 |
| Special deposit account | | 36 305 | 29 443 |
| Advance accounts | | 384 | 401 |
| Other deposits | | 49 | 15 |
| Cash on hand | | 3 | - |
| | | 36 741 | 29 859 |
| | | | |
| (b) Reconciliation of Net Cash Used In Operating Activities to Net Cost of Services | | | |
| Net cash used in operating activities | | (19 102) | (19 518) |
| Adjustments: | | | |
| Depreciation | | (3 154) | (2 337) |
| Cash flows from Government | | (2 174 157) | (376 672) |
| Bad and doubtful debts | | (14 570) | - |
| Assets received for nil consideration | | (395) | - |
| Changes in assets and liabilities: | | | |
| Movement in receivables | | (4 722) | 22 217 |
| Movement in other current assets | | (13 711) | 5 551 |
| Movement in payables | | 30 741 | (8 998) |
| Movement in employee entitlements and related provisions | | (1 408) | 5 590 |
| Movement in other liabilities | | (166) | 450 |
| Movement in provisions | | 13 274 | - |
| Net Cost of Services | | (2 187 370) | 373 717 |
| | | | |
| 20. Expenditure Commitments | | | |
| (a) Capital Expenditures Commitments | | | |
| The total value of outstanding capital projects as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements. | | | |
| Not later than one year | | 1 390 | 893 |
| Later than one year but not later than five years | | - | - |
| Later than five years | | - | - |
| Total (including GST) | | 1 390 | 893 |
| | | | |
| Included in the capital expenditure commitments above is \$0.127 million which is the GST component of the capital expenditure commitments. | | | |
| (b) Other Expenditure Commitments | | | |
| The total value of outstanding other expenditure commitments as at the end of the reporting period for specific projects detailed below. These amounts have not been brought to account in the financial statements. | | | |
| Not later than one year | | 28 193 | - |
| Later than one year but not later than five years | | 27 200 | - |
| Later than five years | | - | - |
| Total (including GST) | | 55 393 | - |
| | | | |
| Included in the other expenditure commitments above is \$2.645 million which is the GST component of the capital expenditure commitments. | | | |
| The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2001 has not been quantified. | | | |
| (c) Operating Lease Commitments | | 2001 | 2000 |
| Future non-cancellable operating lease rentals not provided for and payable | | \$'000 | \$'000 |
| Not later than one year | | 13 181 | 9 132 |
| Later than one year but not later than five years | | 31 666 | 26 843 |
| Later than five years | | 13 219 | 15 800 |
| Total (including GST) | | 58 066 | 51 775 |

Included in the operating lease commitments above is \$4.33 million which is the GST component of the operating lease payments.

The Department has over 60 lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases either CPI or current market rates.

21. Employee Remuneration

The number of employees whose remuneration was over \$100 000 was:

| | 2001 Number of Employees | 2000 Number of Employees |
|-----------------------|--------------------------------|--------------------------------|
| \$100 000 - \$109 999 | 9 | 11 |
| \$110 000 - \$119 999 | 10 | 10 |
| \$120 000 - \$129 999 | 13 | 7 |
| \$130 000 - \$139 999 | 7 | 3 |
| \$140 000 - \$149 999 | 4 | 4 |
| \$150 000 - \$159 999 | 2 | 1 |
| \$160 000 - \$169 999 | 1 | 1 |
| \$170 000 - \$179 999 | 3 | 2 |
| \$180 000 - \$189 999 | - | 2 |
| \$190 000 - \$199 999 | 1 | 1 |
| \$200 000 - \$209 999 | - | 1 |
| \$210 000 - \$219 999 | 1 | - |
| \$220 000 - \$229 999 | 1 | 1 |
| \$230 000 - \$239 999 | 1 | - |
| \$240 000 - \$249 999 | 1 | - |
| \$250 000 - \$259 999 | 1 | - |
| | 55 | 44 |

Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000

7 642 5 846

The table above discloses the number of employees of the Department as at whose remuneration received exceeded \$100 000. This includes Departmental employees assigned to the South Australian Housing Trust, Aboriginal Housing Authority and the South Australian Community Housing Authority.

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated Fringe Benefits Tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

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

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate. Interest is paid at the end of each quarter.

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

Loans are recognised at the amounts lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. Loan repayments may be waived. Interest is credited to revenue as it accrues. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

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

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

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

| | Weighted Average Effective Rate Percent | Floating Interest Rate \$'000 | 2001 Fixed Interest Maturing in | | | Non- Interest Bearing \$'000 | Total \$'000 |
|---|---|--|------------------------------------|--------------------------------|--------------------------------|---------------------------------------|-----------------|
| | | | 1 Year or Less \$'000 | 1 Year to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets | | | | | | | |
| Cash and deposits | 5.06 | 36 741 | - | - | - | - | 36 741 |
| Loans | 9.65 | - | 1 198 | 6 609 | 28 102 | 3 348 | 39 257 |
| Health services budget over-run | n/a | - | - | - | - | 12 406 | 12 406 |
| Debtors | n/a | - | - | - | - | 46 645 | 46 645 |
| | | 36 741 | 1 198 | 6 609 | 28 102 | 62 399 | 135 049 |
| Financial Liabilities | | | | | | | |
| Creditors and accruals | n/a | - | - | - | - | 45 875 | 45 875 |
| Borrowings fixed | 10.16 | - | 74 | 2 111 | 27 201 | 285 | 29 671 |
| Health services budget under-run | n/a | - | - | - | - | 4 849 | 4 849 |
| Health services workers Compensation | n/a | - | - | - | - | 31 738 | 31 738 |
| | | - | 74 | 2 111 | 27 201 | 82 747 | 112 133 |

(b) Interest Rate Risk Exposure (continued)

| | Weighted Average Effective Rate Percent | Floating Interest Rate \$'000 | 2000 Fixed Interest Maturing in | | | Non- Interest Bearing \$'000 | Total \$'000 |
|------------------------------|---|--|------------------------------------|--------------------------------|--------------------------------|---------------------------------------|-----------------|
| | | | 1 Year or Less \$'000 | 1 Year to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial Assets | | | | | | | |
| Cash and deposits | 5.58 | 29 859 | - | - | - | 29 859 | |
| Debtors | n/a | - | - | - | - | 45 072 | |
| | | 29 859 | - | - | - | 74 931 | |
| Financial Liabilities | | | | | | | |
| Creditors and accruals | n/a | - | - | - | - | 45 619 | |
| Borrowings | n/a | - | - | - | - | 285 | |
| | | - | - | - | - | 45 904 | |

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

| | 2001 | | 2000 | |
|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Carrying Amount 2001 \$'000 | Net Fair Value 2001 \$'000 | Carrying Amount 2000 \$'000 | Net Fair Value 2000 \$'000 |
| Financial Assets: | | | | |
| Cash and deposits | 36 741 | 36 741 | 29 859 | 29 859 |
| Loans | 39 257 | 38 249 | - | - |
| Health services budget over-run | 12 406 | 12 406 | - | - |
| Sundry receivables | 46 645 | 46 645 | 45 072 | 45 072 |
| | 135 049 | 134 041 | 74 931 | 74 931 |
| Financial Liabilities: | | | | |
| Creditors and accruals | 45 875 | 45 875 | 45 619 | 45 619 |
| Borrowings | 29 671 | 28 863 | 285 | 285 |
| Health services budget under-run | 4 849 | 4 849 | - | - |
| Health services workers compensation | 31 738 | 31 738 | - | - |
| | 112 133 | 111 325 | 45 904 | 45 904 |

23. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.300 million (\$0.210 million) for the reporting period.

24. Administered Items

The following revenues, expenditures, assets and liabilities were administered but not controlled by the Department. In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the items have been classified as Administered and have not been included in the Financial Statements.

Schedule A (i): Administered Assets and Liabilities as at 30 June 2001
 Schedule A (ii): Administered Assets and Liabilities as at 30 June 2000
 Schedule B (i): Administered Revenues and Expenses as at 30 June 2001
 Schedule B (ii): Administered Revenues and Expenses as at 30 June 2000

| Schedule A (i) Schedule of Administered Assets and Liabilities as at 30 June 2001 | Duke of Edinburgh Trust \$'000 | HCSMCS \$'000 | Gambler's Rehab \$'000 | Charitable & Social Welfare \$'000 | Concessions \$'000 | Family Mntce Orders \$'000 | Minister's Salary \$'000 | Enfield Council \$'000 | Supported Residential Trust Fund \$'000 | SAICORP \$'000 | United Medical Protection \$'000 | SA Cntr for Public Health \$'000 | Guardianship Of the Minister \$'000 | Aboriginal Health Council \$'000 | 2001 Total \$'000 |
|---|---|------------------|------------------------------|---|-----------------------|-------------------------------------|--------------------------------|------------------------------|---|-------------------|---|--|--|---|----------------------------------|
| Administered Current Assets | | | | | | | | | | | | | | | |
| Cash on hand and deposit accounts | 61 | 4 402 | 838 | 1 195 | 2 373 | 29 | - | - | 18 | - | - | 16 | 1 686 | - | 10 618 |
| Receivables | - | 12 | - | - | - | - | 196 | - | - | 1 808 | - | - | - | - | 2 016 |
| Administered Non-Current Assets: | | | | | | | | | | | | | | | |
| Property, plant and equipment | - | 12 | - | - | - | - | - | - | - | - | - | - | - | - | 12 |
| Total Administered Assets | 61 | 4 426 | 838 | 1 195 | 2 373 | 29 | 196 | - | 18 | 1 808 | - | 16 | 1 686 | - | 12 646 |
| Administered Current Liabilities: | | | | | | | | | | | | | | | |
| Payables | - | 215 | - | - | 295 | - | - | - | - | - | - | - | - | - | 510 |
| Borrowings | - | - | - | - | - | - | 196 | - | - | 1 808 | - | - | - | - | 2 004 |
| Employee entitlements | - | 82 | - | - | - | - | - | - | - | - | - | - | - | - | 82 |
| Total Administered Liabilities | - | 297 | - | - | 295 | - | 196 | - | - | 1 808 | - | - | - | - | 2 596 |
| Total Net Administered Assets | 61 | 4 129 | 838 | 1 195 | 2 078 | 29 | - | - | 18 | - | - | 16 | 1 686 | - | 10 050 |
| Schedule A (ii) Schedule of Administered Assets and Liabilities as at 30 June 2000 | | | | | | | | | | | | | | | |
| Administered Current Assets: | | | | | | | | | | | | | | | |
| Cash on hand and deposit accounts | 117 | 1 898 | 1 296 | 1 465 | (1 187) | (599) | (196) | - | - | - | - | - | - | (370) | 2 424 |
| Receivables | - | 10 | - | - | 65 | 635 | 196 | - | - | - | - | - | - | - | 906 |
| Administered Non-Current Assets: | | | | | | | | | | | | | | | |
| Property, plant and equipment | - | 4 | - | - | - | - | - | - | - | - | - | - | - | 150 | 154 |
| Total Administered Assets | 117 | 1 912 | 1 296 | 1 465 | (1 122) | 36 | - | - | - | - | - | - | - | (220) | 3 484 |
| Administered Current Liabilities: | | | | | | | | | | | | | | | |
| Payables | - | 1 249 | - | - | 1 304 | - | - | - | - | - | - | - | - | - | 2 553 |
| Employee entitlements | - | 49 | - | - | - | - | - | - | - | - | - | - | - | - | 49 |
| Total Administered Liabilities | - | 1 298 | - | - | 1 304 | - | - | - | - | - | - | - | - | - | 2 602 |
| Total Net Administered Assets | 117 | 614 | 1 296 | 1 465 | (2 426) | 36 | - | - | - | - | - | - | - | (220) | 882 |

Schedule B (i)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

| | Duke of Edinburgh Trust | HCSMCS | Gambler's Rehab | Charitable & Social Welfare | Concessions | Family Mntce Orders | Minister's Salary | Enfield Council | Supported Residential Trust Fund | SAICORP | United Medical Protection | SA Cntr for Public Health | Guardianship Of the Minister | Aboriginal Health Council | 2001 Total \$'000 |
|--|-------------------------------|----------------|--------------------|-----------------------------------|---------------|---------------------------|----------------------|--------------------|---|--------------|---------------------------------|------------------------------------|------------------------------------|---------------------------------|-------------------------|
| Operating Expenses: | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee related | 278 | 314 | - | 14 | - | - | 196 | 298 | - | - | - | - | - | - | 1 100 |
| Supplies and services | 54 | 416 | 180 | 133 | - | 829 | - | - | 63 | 2 017 | 450 | - | - | - | 4 142 |
| Grants, subsidies and client payments | 1 | 1 060 | 2 325 | 3 123 | 78 656 | - | - | - | - | - | - | - | - | - | 85 165 |
| Depreciation | - | 5 | - | - | - | - | - | - | - | - | - | - | - | - | 5 |
| Total Operating Expenses | 333 | 1 795 | 2 505 | 3 270 | 78 656 | 829 | 196 | 298 | 63 | 2 017 | 450 | - | - | - | 90 412 |
| Operating Revenue: | | | | | | | | | | | | | | | |
| Rent, fees and charges | 167 | 5 072 | - | - | - | - | - | - | - | 2 017 | 450 | - | - | - | 7 706 |
| Interest | 7 | 205 | 47 | - | - | - | - | - | 7 | - | - | - | - | - | 266 |
| Other | 84 | 33 | - | - | - | - | - | 298 | 74 | - | - | - | - | 220 | 709 |
| Total Operating Revenue | 258 | 5 310 | 47 | - | - | - | - | 298 | 81 | 2 017 | 450 | - | - | 220 | 8 681 |
| Net Cost of Services | 75 | (3 515) | 2 458 | 3 270 | 78 656 | 829 | 196 | - | (18) | - | - | - | - | (220) | 81 731 |
| Government Revenues: | | | | | | | | | | | | | | | |
| Department appropriation | 15 | - | 2 000 | 3 000 | 83 173 | - | - | - | - | - | - | - | 1 686 | - | 89 874 |
| Commonwealth grants | - | - | - | - | - | - | - | - | - | - | - | 16 | - | - | 16 |
| Other grants and contributions | 4 | - | - | - | (13) | 822 | 196 | - | - | - | - | - | - | - | 1 009 |
| Total Revenues from Government | 19 | - | 2 000 | 3 000 | 83 160 | 822 | 196 | - | - | - | - | 16 | 1 686 | - | 90 899 |
| Net revenues from disposal of non-current assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Net Assets Before Restructuring | (56) | 3 515 | (458) | (270) | 4 504 | (7) | - | - | 18 | - | - | 16 | 1 686 | 220 | 9 168 |
| Net Revenues from Restructuring | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Net Assets After Restructuring | (56) | 3 515 | (458) | (270) | 4 504 | (7) | - | - | 18 | - | - | 16 | 1 686 | 220 | 9 168 |

Schedule B (ii)Schedule of Administered Revenues
and Expenses for the year ended
30 June 2000

| | Duke of Edinburgh Trust \$'000 | HCSMCS \$'000 | Gambler's Rehab \$'000 | Charitable & Social Welfare \$'000 | Concessions \$'000 | Family Mntce Orders \$'000 | Minister's Salary \$'000 | Enfield Council \$'000 | Supported Residential Trust Fund \$'000 | SAICORP \$'000 | United Medical Protection \$'000 | SA Cntr for Public Health \$'000 | Guardianship Of the Minister \$'000 | Aboriginal Health Council \$'000 | 2000 Total \$'000 |
|--|---|------------------|------------------------------|---|-----------------------|-------------------------------------|--------------------------------|------------------------------|---|-------------------|---|--|--|---|-------------------------|
| Operating Expenses: | | | | | | | | | | | | | | | |
| Employee related | 190 | 170 | 69 | 126 | - | - | 196 | 928 | - | - | - | - | - | - | 2 238 |
| Supplies and services | 36 | 366 | 81 | 23 | - | 979 | - | - | - | - | - | - | - | 1 866 | 3 351 |
| Grants, subsidies and client payments | 2 | 3 743 | 1 746 | 1 706 | 77 929 | - | - | - | - | - | - | - | - | 108 | 85 234 |
| Depreciation | - | 5 | - | - | - | - | - | - | - | - | - | - | - | - | 5 |
| Total Operating Expenses | 228 | 4 284 | 1 896 | 1 855 | 77 929 | 979 | 196 | 928 | - | - | - | - | - | 2 533 | 90 828 |
| Operating Revenue: | | | | | | | | | | | | | | | |
| Rent, fees and charges | 122 | - | - | - | - | - | - | - | - | - | - | - | - | 84 | 206 |
| Interest | - | 113 | 49 | - | 53 636 | - | - | - | - | - | - | - | - | - | 53 798 |
| Other | 5 | 3 300 | - | - | - | - | - | 928 | - | - | - | - | - | 204 | 4 437 |
| Total Operating Revenue | 127 | 3 413 | 49 | - | 53 636 | - | - | 928 | - | - | - | - | - | 288 | 58 441 |
| Net Cost of Services | 101 | 871 | 1 847 | 1 855 | 24 293 | 979 | 196 | - | - | - | - | - | - | 2 245 | 32 387 |
| Government Revenues: | | | | | | | | | | | | | | | |
| Department appropriation | - | - | - | - | - | - | 196 | - | - | - | - | - | - | - | 196 |
| Commonwealth grants | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other grants and contributions | 178 | - | 1 250 | 3 000 | 22 316 | 969 | - | - | - | - | - | - | - | 1 299 | 29 012 |
| Total Revenues from Government | 178 | - | 1 250 | 3 000 | 22 316 | 969 | 196 | - | - | - | - | - | - | 1 299 | 29 208 |
| Net revenues from disposal of non-current assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Net Assets Before Restructuring | 77 | (871) | (597) | 1 145 | (1 977) | (10) | - | - | - | - | - | - | - | (946) | (3 179) |
| Net Revenues from Restructuring | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Net Assets After Restructuring | 77 | (871) | (597) | 1 145 | (1 977) | (10) | - | - | - | - | - | - | - | (946) | (3 179) |

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services, over the past three years.

| Health Sector FTE Mix (Unaudited) | | | |
|--|---------------|---------------|---------------|
| | 2001 | 2000 | 1999 |
| Staff Categories: | | | |
| Nurses | 7 904 | 7 975 | 7 882 |
| Medical Staff | 1 423 | 1 411 | 1 354 |
| Scientific and Technical | 1 160 | 1 181 | 1 205 |
| Administrative and Clerical | 3 958 | 3 920 | 3 835 |
| Allied Health, Hotel, and other staff | 6 472 | 6 491 | 6 603 |
| Total Staff | 20 917 | 20 979 | 20 878 |
| Increase (Decrease) | (62) | 101 | 42 |
| Percentage Increase (Decrease) | (0.2) | 0.5 | 0.2 |

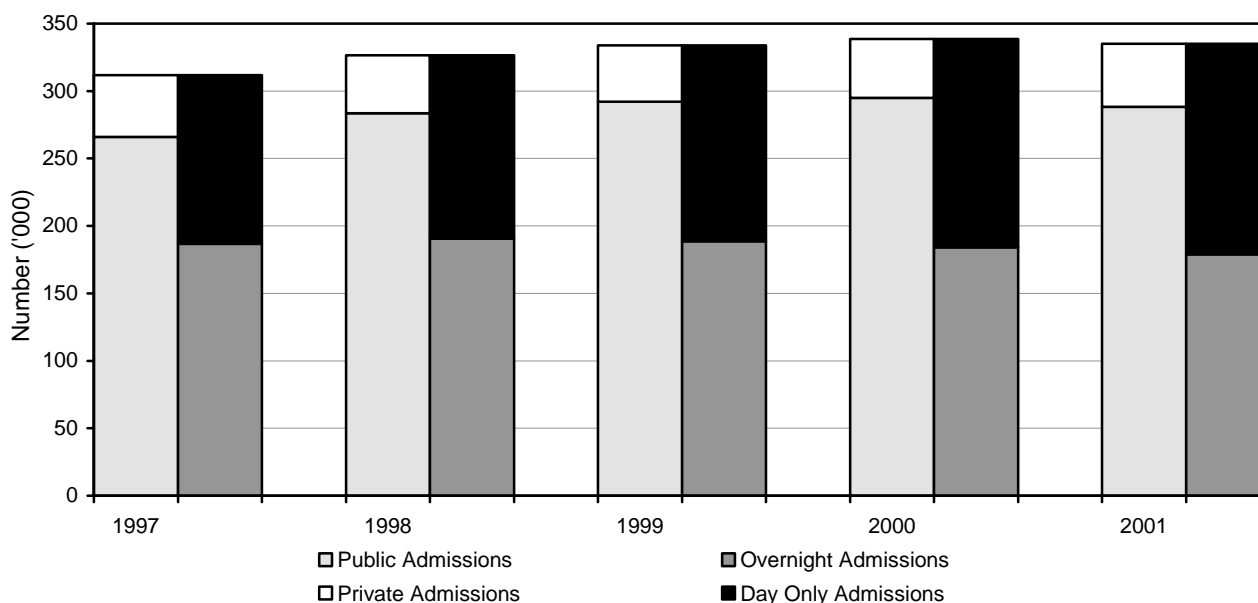
Hospital Activity Statistics

The charts below indicate the trends over the past five years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

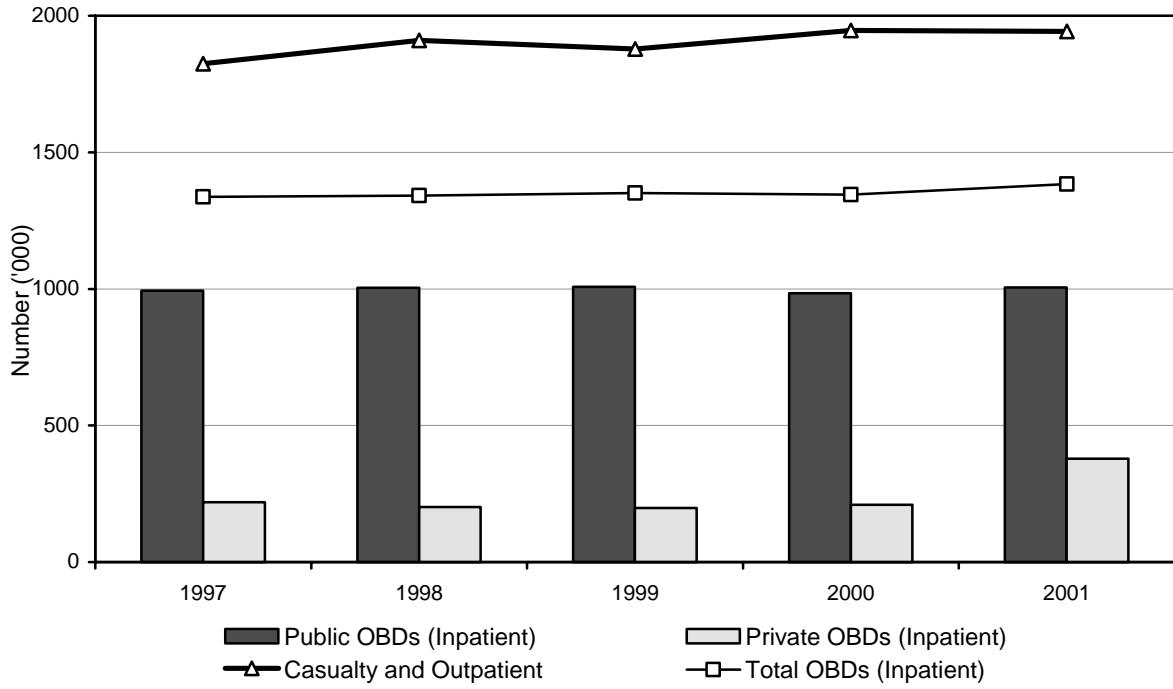
The charts illustrate:

- a reduced number of attendances at hospitals;
- a small reduction in public admissions partly offset by increased private admissions;
- an increase in Average Occupied Bed Days reflecting increases in both public and private Occupied Bed Days and an increase in the Average Patient Length of Overnight Hospital Stay.

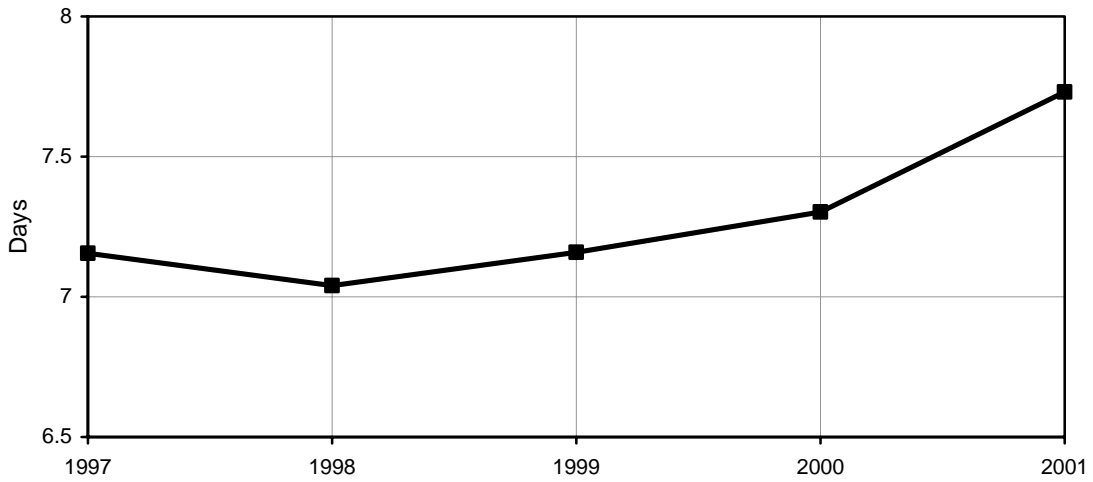
Patient Admissions (Unaudited)



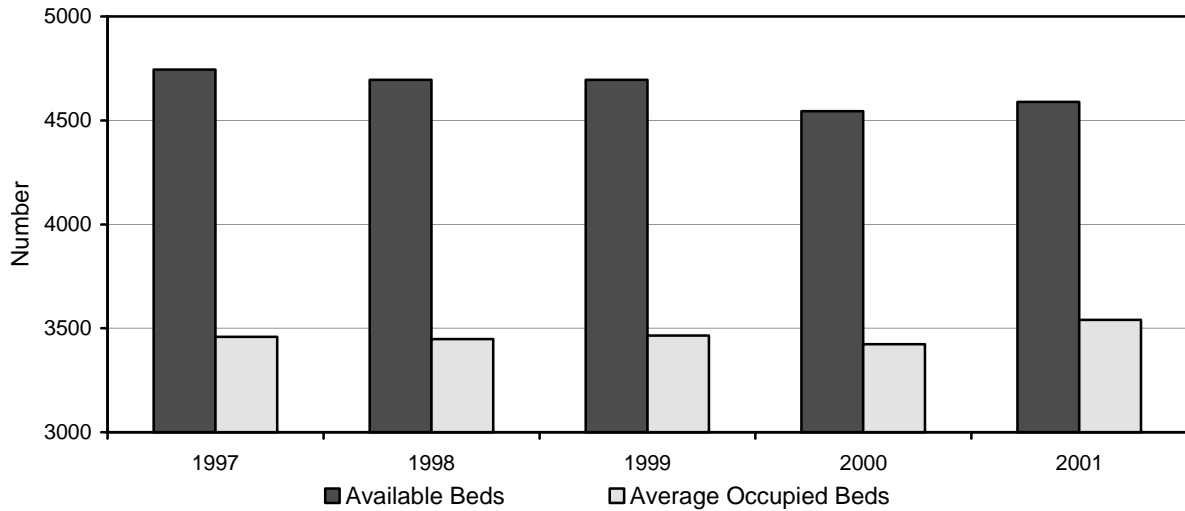
Patient Mix and Activity (Unaudited)



Average Patient Length of Overnight Hospital Stay (Unaudited)



Hospital Bed Utilisation (Unaudited)



Audit Mandate and Coverage - Health Services (Units)

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include review coverage of the following auditable areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements.

Issues arising from the reviews of the auditable areas are referred to Health Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament. In recognition, however, of the general importance of providing at the time of publication of this Report some useful financial information concerning health services' operations, albeit unaudited and on a cash basis, tabular data on Health Unit financial activity is presented below.

Unaudited Health Service Financial Activity

The following tables principally reflect operating payments and receipts information associated with various areas of Health Service (Unit) activity. The information, which is unaudited, has been provided by the Department for inclusion in this Report. As the information is presented on a cash basis of reporting it is not reconcilable to data included in the audited financial statements of the Department presented earlier in this section of the Report. The Department's financial statements present data on an accrual basis of reporting.

Metropolitan Hospitals - Unaudited

The following table shows the operating payments and receipts for the six larger hospitals and other metropolitan hospitals in South Australia.

| | 2001 | | | | | | | | Total 2000 \$'000 |
|-----------------------------------|--------------------|-----------------------------|---|--|-------------------|--|------------------------------|-------------------------|-------------------------|
| | Flinders \$'000 | Royal Adelaide \$'000 | North Western Adelaide Health Service \$'000 | Women's and Children's \$'000 | Modbury \$'000 | Repat- riation General Hospital \$'000 | Other Hospitals \$'000 | Total 2001 \$'000 | |
| PAYMENTS: | | | | | | | | | |
| Salaries and Wages: | | | | | | | | | |
| Non-Medical: | | | | | | | | | |
| Nursing | 45 137 | 84 323 | 71 983 | 36 530 | - | 20 724 | 18 071 | 276 768 | 255 607 |
| Other | 38 808 | 57 416 | 40 906 | 31 749 | 307 | 18 328 | 10 077 | 197 591 | 201 790 |
| Medical and visiting medical | 27 353 | 40 466 | 42 510 | 19 188 | 14 | 10 824 | 4 674 | 145 029 | 137 364 |
| Workers compensation | 1 157 | 3 938 | 4 112 | 1 080 | 23 | 1 259 | 847 | 12 416 | 13 315 |
| Superannuation and terminal leave | 11 230 | 17 503 | 13 607 | 11 698 | 67 | 5 493 | 2 840 | 62 438 | 55 040 |
| Other employee related | - | - | - | - | 69 | - | - | 69 | 56 |
| Total | 123 685 | 203 646 | 173 118 | 100 245 | 480 | 56 628 | 36 509 | 694 311 | 663 172 |

2001

| | Flinders | Royal Adelaide | North Western Adelaide Health Service | Women's and Children's | Modbury | Reparation General Hospital | Other Hospitals | Total 2001 | Total 2000 |
|------------------------------------|----------------|----------------|---------------------------------------|------------------------|---------------|-----------------------------|-----------------|------------------|----------------|
| Goods and Services: | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Fee for service | 4 443 | (38) | 1 760 | 26 | - | - | 4 638 | 10 829 | 9 495 |
| Food supplies | 195 | 2 624 | 3 211 | 666 | 1 | 952 | 597 | 8 246 | 7 440 |
| Drug supplies | 9 827 | 22 389 | 14 126 | 4 778 | 239 | 3 061 | 1 819 | 56 239 | 52 082 |
| Medical and surgical supplies | 8 403 | 22 885 | 16 520 | 6 232 | - | 4 708 | 2 322 | 61 070 | 59 242 |
| Pathology charges | 144 | 10 989 | 9 184 | 193 | - | 72 | 449 | 21 031 | 16 795 |
| Fuel, light and power | 1 587 | 3 195 | 2 246 | 1 628 | 43 | 831 | 341 | 9 871 | 9 258 |
| Domestic charges | 1 882 | 4 422 | 4 368 | 1 647 | 2 | 1 206 | 754 | 14 281 | 12 680 |
| Additional & replacement equipment | 797 | (499) | 844 | 70 | 17 | 581 | (16) | 1 794 | 4 286 |
| Repairs and minor works | 1 541 | 13 549 | 5 784 | 3 248 | 163 | 2 885 | 908 | 28 078 | 26 639 |
| Grants | - | - | 130 | 916 | 30 | 280 | - | 1 356 | 1 931 |
| Other | 19 594 | 22 450 | 24 833 | 13 208 | 49 164 | 6 727 | 5 137 | 141 113 | 121 959 |
| Total | 48 413 | 101 966 | 83 006 | 32 612 | 49 659 | 21 303 | 16 949 | 353 908 | 321 807 |
| Total Payments | 172 098 | 305 612 | 256 124 | 132 857 | 50 139 | 77 931 | 53 458 | 1 048 219 | 984 979 |
| RECEIPTS: | | | | | | | | | |
| Patient fees | 3 214 | 13 641 | 6 760 | 4 529 | 774 | 1 111 | 4 121 | 34 150 | 28 418 |
| Other | 263 | 392 | 2 782 | 266 | 831 | 2 490 | 402 | 7 426 | 6 262 |
| Total Receipts | 3 477 | 14 033 | 9 542 | 4 795 | 1 605 | 3 601 | 4 523 | 41 576 | 34 680 |
| NET PAYMENTS | 168 621 | 291 579 | 246 582 | 128 062 | 48 534 | 74 330 | 48 935 | 1 006 643 | 950 299 |

Country Health Services - Unaudited

Health Services in the Country are provided through seven regional areas. The services provided in each geographical region include hospitals, Domiciliary Care, Community Health and other services.

| | Hills Mallee | Wakefield | Mid North | Riverland | South East | Eyre | Northern & Far Western | Total 2001 | Total 2000 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|----------------|----------------|
| PAYMENTS: | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Salaries and Wages: | | | | | | | | | |
| Nursing | 17 979 | 11 726 | 10 833 | 7 023 | 12 710 | 9 628 | 16 299 | 86 198 | 83 855 |
| Other | 14 511 | 9 002 | 8 125 | 5 912 | 9 370 | 7 413 | 12 662 | 66 995 | 65 237 |
| Medical and visiting medical | 217 | 34 | 21 | 73 | 949 | 128 | 381 | 1 803 | 1 211 |
| Workers compensation | 1 141 | 726 | 226 | 471 | 751 | 349 | 564 | 4 228 | 3 969 |
| Superannuation and termination payments | 3 133 | 2 210 | 1 883 | 1 397 | 2 220 | 1 679 | 2 657 | 15 179 | 13 253 |
| Other employee related | - | (6) | - | 19 | - | - | - | 13 | - |
| Total | 36 981 | 23 692 | 21 088 | 14 895 | 26 000 | 19 197 | 32 563 | 174 416 | 167 525 |
| Goods and Services: | | | | | | | | | |
| Fee for service | 7 932 | 4 069 | 3 392 | 4 065 | 7 139 | 2 842 | 7 910 | 37 349 | 37 939 |
| Food supplies | 651 | 347 | 337 | 279 | 348 | 401 | 473 | 2 836 | 2 853 |
| Drug supplies | 907 | 609 | 681 | 452 | 968 | 428 | 1 137 | 5 182 | 4 877 |
| Medical and surgical supplies | 2 499 | 1 076 | 946 | 979 | 2 327 | 989 | 2 416 | 11 232 | 10 530 |
| Pathology charges | 476 | 224 | 188 | 217 | 443 | 201 | 747 | 2 496 | 2 201 |
| Fuel, light and power | 845 | 550 | 424 | 341 | 524 | 556 | 1 115 | 4 355 | 3999 |
| Domestic charges | 942 | 566 | 661 | 456 | 810 | 280 | 702 | 4 417 | 4 173 |
| Additional and replacement equipment | 736 | 516 | 213 | 379 | 353 | 797 | 1 362 | 4 356 | 5 673 |
| Repairs and minor works | 2 766 | 1 849 | 1 313 | 944 | 2 268 | 1 094 | 3 224 | 13 458 | 13 986 |
| Grants | - | 17 | - | - | 471 | 21 | 229 | 738 | 4 398 |
| Other | 5 957 | 3 037 | 2 285 | 2 230 | 5 219 | 2 690 | 6 137 | 27 555 | 24 226 |
| Total Goods and Services | 23 711 | 12 860 | 10 440 | 10 342 | 20 870 | 10 299 | 25 452 | 113 974 | 114 855 |
| Total Payments | 60 692 | 36 552 | 31 528 | 25 237 | 46 870 | 29 496 | 58 015 | 288 390 | 282 380 |
| RECEIPTS: | | | | | | | | | |
| Patient fees | 2 247 | 2 705 | 2 532 | 892 | 2 109 | 1 922 | 1 517 | 13 924 | 13 068 |
| Other | 64 | 406 | 89 | 91 | 312 | 2 420 | 207 | 3 589 | 2 471 |
| Total Receipts | 2 311 | 3 111 | 2 621 | 983 | 2 421 | 4 342 | 1 724 | 17 513 | 15 539 |
| NET PAYMENTS | 58 381 | 33 441 | 28 907 | 24 254 | 44 449 | 25 154 | 56 291 | 270 877 | 266 841 |

Hospital Support Services - Unaudited

The following table provides a summary of operating payments and receipts in respect of certain organisations which provide support services to Health Units.

| | 2001 | | Total 2001 \$'000 | Total 2000 \$'000 |
|-----------------------|--|---|-------------------------|-------------------------|
| | Institute of Medical and Veterinary Science \$'000 | Red Cross Blood Transfusion \$'000 | | |
| PAYMENTS: | | | | |
| Salaries and Wages: | | | | |
| Salaries | 49 600 | 7 333 | 56 933 | 57 156 |
| Goods and services | 24 964 | 10 778 | 35 742 | 37 800 |
| Total Payments | 74 564 | 18 111 | 92 675 | 94 956 |
| RECEIPTS | 44 657 | 413 | 45 070 | 21 751 |
| NET PAYMENTS | 29 907 | 17 698 | 47 605 | 73 205 |

Mental Health Services - Unaudited

Services for Mental Health are mainly provided through the Mental Health Service, Child and Adolescent Mental Health Service (SAMHS) and Windana.

The following table gives a summary of operating payments and receipts for the three programs.

| | 2001 | | | Total 2001 \$'000 | Total 2000 \$'000 |
|---|---------------------------------------|-----------------|-------------------|-------------------------|-------------------------|
| | Mental Health Service \$'000 | CAMHS \$'000 | Windana \$'000 | | |
| Salaries and Wages: | | | | | |
| Nursing | 1 754 | 1 349 | - | 3 103 | 3 014 |
| Other | 653 | 5 841 | - | 6 494 | 5 768 |
| Medical and visiting medical | 1 006 | 673 | - | 1 679 | 1 815 |
| Workers compensation | 35 | 19 | - | 54 | 42 |
| Superannuation and termination payments | 290 | 794 | - | 1 084 | 1 108 |
| Total Staffing Costs | 3 738 | 8 676 | - | 12 414 | 11 747 |
| Goods and Services: | | | | | |
| Fee for service | 38 | - | - | 38 | - |
| Food supplies | 64 | 21 | - | 85 | 77 |
| Drug supplies | 69 | 10 | - | 79 | 65 |
| Medical and surgical supplies | 2 | 34 | - | 36 | 34 |
| Pathology charges | 53 | - | - | 53 | 31 |
| Fuel, light and power | - | 66 | - | 66 | 54 |
| Domestic charges | 64 | 93 | - | 157 | 130 |
| Additional and replacement equipment | - | 53 | - | 53 | 73 |
| Repairs and minor works | 4 | 474 | - | 478 | 466 |
| Grants | - | - | 201 | 201 | 196 |
| Other | 990 | 1 811 | - | 2 801 | 2 656 |
| Total Goods and Services | 1 284 | 2 562 | 201 | 4 047 | 3 782 |
| Total Payments | 5 022 | 11 238 | 201 | 16 461 | 15 529 |
| RECEIPTS: | | | | | |
| Patient fees | - | - | - | - | 3 850 |
| Other | - | - | - | - | 88 |
| Total Receipts | - | - | - | - | 3 938 |
| NET PAYMENTS | 5 022 | 11 238 | 201 | 16 461 | 11 591 |

Disability Services - Unaudited

Services for the disabled are provided through two programs comprising Disability Services and Guardianship.

Disability Services are principally provided by The Intellectual Disability Services Council, the Julia Farr Centre Minda Incorporated and Options Coordination.

The following table gives a summary of operating payments and receipts for the principal units and other services.

| | IDSC \$'000 | Julia Farr Centre \$'000 | Options Coordi- ation \$'000 | Other Services \$'000 | Total 2001 \$'000 | 2000 \$'000 |
|---|----------------|--------------------------------|---------------------------------------|-----------------------------|-------------------------|----------------|
| PAYMENTS: | | | | | | |
| Salaries and Wages: | | | | | | |
| Nursing | 674 | 10 445 | - | 461 | 11 580 | 11 204 |
| Other | 40 132 | 13 732 | 3 331 | 24 184 | 81 379 | 81 535 |
| Medical and visiting medical | 176 | 520 | - | - | 696 | 654 |
| Workers compensation | 3 132 | 1 607 | 88 | 1 141 | 5 968 | 2 749 |
| Superannuation and termination payments | 3 786 | 2 001 | 278 | 1 817 | 7 882 | 7 606 |
| Total Staffing Costs | 47 900 | 28 305 | 3 697 | 27 603 | 107 505 | 103 748 |
| Goods and Services: | | | | | | |
| Fee for service | - | 154 | - | - | 154 | 190 |
| Food supplies | 788 | 596 | - | - | 1 384 | 1 764 |
| Drug supplies | 394 | 309 | - | 20 | 723 | 740 |
| Medical and surgical supplies | 307 | 594 | - | 122 | 1 023 | 1 080 |
| Fuel, light and power | 449 | 623 | - | 5 | 1 077 | 995 |
| Domestic charges | 420 | 1 043 | - | - | 1 463 | 1 100 |
| Additional and replacement equipment | 57 | 124 | - | 666 | 847 | 1 554 |
| Repairs and minor works | 2 870 | 1 145 | 28 | 226 | 4 269 | 3 575 |
| Grants | 801 | - | 932 | 52 489 | 54 222 | 50 809 |
| Other | 9 450 | 1 606 | 11 090 | 1 141 | 23 287 | 20 727 |
| Total Goods and Services | 15 536 | 6 194 | 12 050 | 54 669 | 88 449 | 82 534 |
| Total Payments | 63 436 | 34 499 | 15 747 | 82 272 | 195 954 | 186 282 |
| RECEIPTS: | | | | | | |
| Patient fees | 5 181 | 3 763 | - | - | 8 944 | 8 027 |
| Other | 440 | 2 821 | - | 11 596 | 14 857 | 14 797 |
| Total Receipts | 5 621 | 6 584 | - | 11 596 | 23 801 | 22 824 |
| NET PAYMENTS | 57 815 | 27 915 | 15 747 | 70 676 | 172 153 | 163 458 |

Community Based Services - Unaudited

Service comprise Community Health Services, Home Based Care Services, Hospice Services and the Spectacles Scheme.

Community Health Services: Comprise health centres throughout the metropolitan area, including SA Dental Service and grant payment to community services.

Home Based Care Service: Comprises the Royal District Nursing Society and metropolitan Domiciliary Care Services.

Hospice Services: Comprises Hospice Services not provided in recognised metropolitan hospitals, and the Chair in Palliative Care.

The following table provides a summary of operating payments and receipts for the subprograms.

| | Community Health \$'000 | Home Based Care \$'000 | Hospice \$'000 | Total 2001 \$'000 | Total 2000 \$'000 |
|---|-------------------------------|---------------------------------|-------------------|-------------------------|-------------------------|
| PAYMENTS: | | | | | |
| Salaries and Wages: | | | | | |
| Nursing | 12 990 | 10 801 | - | 23 791 | 23 897 |
| Other | 44 573 | 20 424 | - | 64 997 | 62 244 |
| Medical and visiting medical | 2 638 | 743 | - | 3 381 | 3 227 |
| Workers compensation | 760 | 952 | - | 1 712 | 1 593 |
| Superannuation and termination payments | 6 375 | 3 120 | - | 9 495 | 8 446 |
| Other employee related | 4 | - | - | 4 | 40 |
| Total | 67 340 | 36 040 | - | 103 380 | 99 447 |

| | Community Health | Home Based Care | Hospice | Total 2001 | Total 2000 |
|--------------------------------------|---------------------|-----------------------|--------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goods and Services: | | | | | |
| Fee for service | 6 054 | - | - | 6 054 | 3 713 |
| Food supplies | 233 | 87 | - | 320 | 330 |
| Drug supplies | 997 | 5 | - | 1 002 | 796 |
| Medical and surgical supplies | 2 313 | 1 200 | - | 3 513 | 3 803 |
| Pathology charges | 6 | - | - | 6 | 25 |
| Fuel, light and power | 852 | 202 | - | 1 054 | 860 |
| Domestic charges | 333 | 237 | - | 570 | 1 066 |
| Additional and replacement equipment | 260 | 199 | - | 459 | 486 |
| Repairs and minor works | 3 427 | 3 219 | - | 6 646 | 6 361 |
| Grants | 9 029 | - | 1 638 | 10 667 | 9 529 |
| Other | 12 234 | 8 541 | - | 20 775 | 18 033 |
| Total Goods and Service | 35 738 | 13 690 | 1 638 | 51 066 | 45 002 |
| Total Payments | 103 078 | 49 730 | 1 638 | 154 446 | 144 449 |
| RECEIPTS: | | | | | |
| Patient fees | 2 035 | 435 | - | 2 470 | 1 376 |
| Other | 3 399 | 681 | - | 4 080 | 3 601 |
| Total Receipts | 5 434 | 1 116 | - | 6 550 | 4 977 |
| NET PAYMENTS | 97 644 | 48 614 | 1 638 | 147 896 | 139 472 |

INSTITUTE OF MEDICAL AND VETERINARY SCIENCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Institute, a body corporate, was established under the Institute of *Medical and Veterinary Science Act 1982*. It is administered by a Council and is subject to the control and direction of the Minister for Human Services.

The Institute conducts its operations through 15 metropolitan, country and regional locations, including an animal research centre at Gilles Plains.

As at 30 June 2001 the Institute had one controlled entity being Medvet Science Pty Ltd.

STATUS OF FINANCIAL STATEMENTS

The Institute was unable to finalise its financial statements for the year ended 30 June 2001 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Institute for the year ended 30 June 2001 will be included in a Supplementary Audit Report to Parliament.

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY

The South Australian Aboriginal Housing Authority (The Authority) was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

The functions of the Authority, as provided by the establishing regulations include:

- developing strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people;
- liaising with other agencies providing assistance to Aboriginal people to achieve a coordinated response;
- to receive and allocate resources for Aboriginal housing programs.

The Authority provides these functions through two main activities being the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

CHANGES TO OPERATIONS

Transfer of Aboriginal Housing Programs from the South Australian Housing Trust to the South Australian Aboriginal Housing Authority

In February 2000 control of Aboriginal rental housing and other housing programs for Aboriginal people was transferred to the Authority. The transfer involved reassignment of staff from the Trust to the Authority and the transfer of rental housing and other properties, along with associated assets, rights, liabilities and obligations from the Trust to the Authority.

SIGNIFICANT FEATURES

- The decrease in Surplus from Ordinary Activities after Restructuring and Asset Disposals of \$125.5 million was due mainly to net revenue on restructure last year of \$131 million resulting from the transfer of Aboriginal housing programs from the Trust to the Authority.
- The surplus attributable to ordinary activities of the Authority was \$10.9 million.
- Rental properties were revalued resulting in an increment of \$3.9 million.
- Receivables increased by \$4.6 million to \$8.5 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records and to prepare annual statements of accounts for each financial year. The Act also empowers the Auditor-General to audit the accounts of the Authority and its annual statement of accounts.

Scope of Audit

The scope of the audit took into account the relationship between the Authority and its two main service providers, being the SA Housing Trust (the Trust) and the Department of Human Services. The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial report and the adequacy of internal controls.

The specific areas of audit attention included:

- monitoring of service providers
- budgetary control and management reporting
- Community Housing Program (previously known as the Rural and Remote Housing Program)
- raising and recovery of rent and other tenant charges
- capital expenditure
- repairs and maintenance of properties
- purchase and sale of properties.

The systems operated by the Trust to process transactions and account balances of the Authority were audited as part of the audit of the Trust.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. The main issues related to opportunities to improve the control environment by improving processes for monitoring the adequacy of services provided to the Authority under service level agreements and by progressing the development and implementation of risk management policies and plans. A satisfactory response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

In 2000-01 the control environment was affected when a number of key managers, with knowledge and experience in Aboriginal housing programs, left the employ of the Authority. An external contractor was appointed to temporarily perform the role of the Senior Finance Officer, whose responsibilities included many accounting and financial reporting functions.

The control environment was further affected by the arrangements for the preparation of the financial statements. The Department prepared the statements; the Trust prepared most of the supporting key reconciliations and accounting estimates; and the Authority's contractor had responsibility for the oversight of the completeness and accuracy of the financial statements.

The potential risk associated with these arrangements was partly mitigated by the Trust continuing to prepare, on behalf of the Authority, most of the key reconciliations, accounting estimates and asset revaluations. The Trust has been performing these activities for many years prior to the establishment of the Authority and has appropriate controls to ensure they are performed effectively. As mentioned, the audit of these controls is covered within the scope of the audit of the Trust.

Notwithstanding the change of managers and the arrangements for preparing the financial statements, the overall assessment of the Authority's control structure was that it was satisfactory, although there was room for improving processes for monitoring the adequacy of services provided to the Authority under service level agreements and room for improving compliance with the prescribed elements of the Financial Management Framework relating to the development and implementation of risk management policies and plans.

Risk Management

Audit identified that a draft risk management policy, prepared in February 2001, had not been submitted to the Board or Audit Committee for consideration.

The Authority responded that the draft policy would be submitted to the Board by November 2001.

Internal Audit

The Authority is required by the *Housing and Urban Development (Administrative Arrangements) Act 1995* to establish and maintain effective internal auditing of its operations.

Audit identified that, although an internal auditor had been appointed, only a draft internal audit plan was prepared during the year.

The Authority responded that an Internal Audit Plan for July 2001 to June 2004 would be implemented upon establishment of an Internal Audit Committee.

Service Level Agreements

The audit identified that a number of the Authority's service level agreements for 2000-01 with the Trust and the Department had not been finalised.

The Authority responded that all service level agreements for 2000-01 and 2001-02 would be finalised by 30 September 2001.

Monitoring of Service Providers

The audit revealed that the Authority had not implemented processes for monitoring the adequacy of services provided to the Authority under service level agreements. For instance, the Authority did not monitor whether all reconciliations performed by service providers were up-to-date and whether appropriate and timely action had been taken on significant reconciling items.

The Authority responded that it would develop, document and implement procedures to ensure all services are provided in accordance with the service level agreements.

Ex-Tenant Debt Recovery

The Trust provides ex-tenant debt recovery services to the Authority. The audit revealed, however, that due to a perceived limitation by the Trust on its authority, the services provided by the Trust have been restricted since October 2000.

The Authority responded that it has approached the Trust to jointly address this issue.

Bank Reconciliation

The Authority had not implemented procedures to ensure its officers were completing the bank reconciliation in a timely manner as required by the Treasurer's Instructions. As a consequence, the bank reconciliation had not been performed for several months.

The Authority responded that procedures would be implemented to ensure the timely performance of a monthly bank reconciliation.

Rent Rebates

Similar to the Trust, the amount of rent rebate provided by the Authority to tenants is mainly based upon the household composition and household income. The Authority, like the Trust, faces challenges in verifying information provided by tenants in respect of household composition and household income. The Trust has been developing and implementing initiatives to improve the verification process which are detailed within that part of this Report dealing with the SA Housing Trust. In summary, the initiatives include regularly obtaining proof of income from tenants and the home visits program. The Authority has included these initiatives within its operations.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Aboriginal Housing Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer’s Instruction 2 ‘Financial Management Policies’.

Audit formed the opinion that the controls exercised by the South Australian Aboriginal Housing Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under ‘Audit Findings and Comments’, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

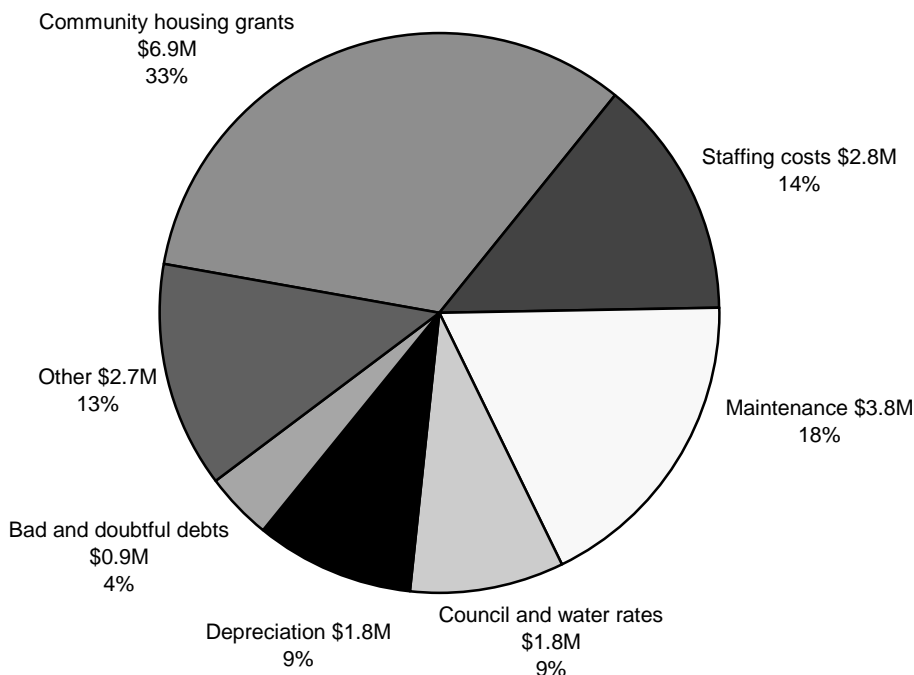
The short period of operation of the Authority and the control last year of many of its operations by the Trust limits the opportunity to undertake comparison of financial information.

Expenses and Revenues

The decrease in the result for the year of \$121.7 million was due mainly to net revenue on restructure last year of \$131 million resulting from the transfer of Aboriginal housing programs from the Trust to the Authority.

The surplus attributable to ordinary activities of the Authority was \$10.9 million. Contributions from the Government of \$22.7 million forms 72 percent of the Authority’s funding, while rent received from tenants of \$7 million forms 22 percent.

Expenses from ordinary activities were \$20.7 million. The main expenses, as depicted in the following chart, were community housing grants and expenses incurred on Government owned rental properties including maintenance, depreciation and council and water rates. A more detailed analysis of activities related to Government owned housing and community owned housing follows the chart.



State Government Owned Housing

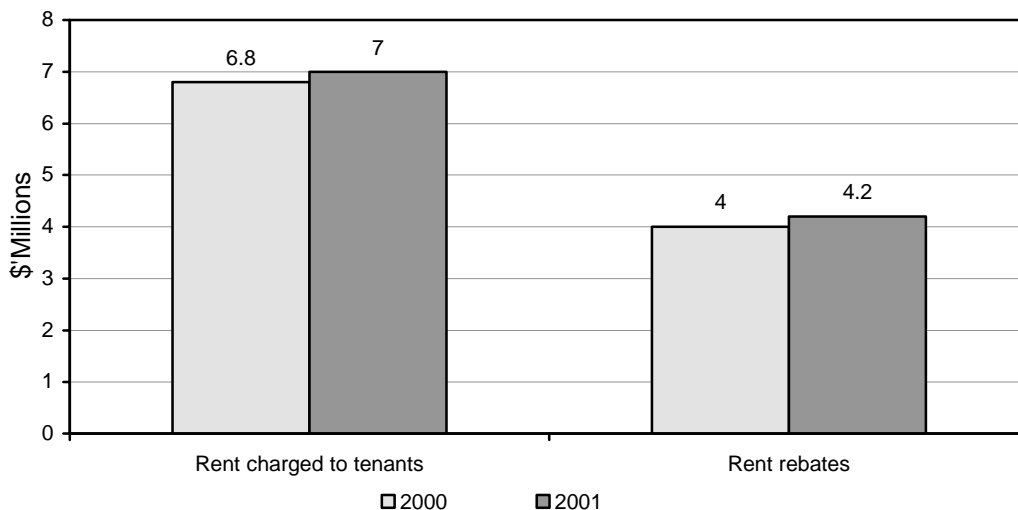
At 30 June 2001 there were 1814 (1797) properties owned by the State Government and controlled by the Authority for rental to Aboriginal people. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

In respect of rental housing activities, revenues from ordinary activities were \$20.5 million while expenses were \$10.6 million resulting in a surplus of \$9.9 million. Proceeds from the sale of 26 rental properties provided a further \$1.5 million. Both the surplus and sales proceeds were used to acquire 43 properties and perform capital upgrades at a combined cost of \$6.8 million.

Rent Revenue

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. The number of tenancies at 30 June 2001 was 1704 (1784). The percentage of tenancies receiving rebates at 30 June 2001 was 63 percent (69 percent).

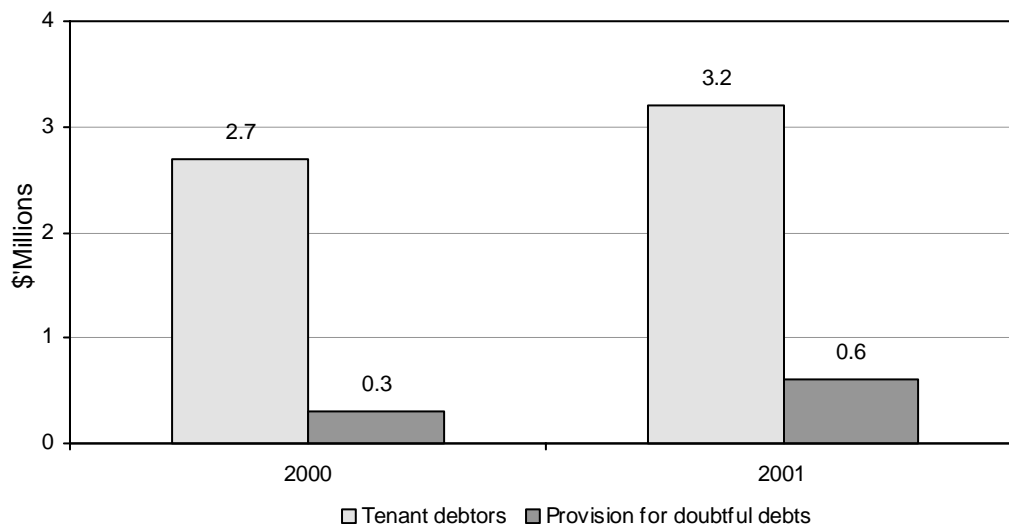
The following graph reflects rent charges and rent rebates for the past two years.



The figures for 2000 include rents and rebates charged by the Trust for Aboriginal houses prior to transfer to the Authority.

Tenant Debtors

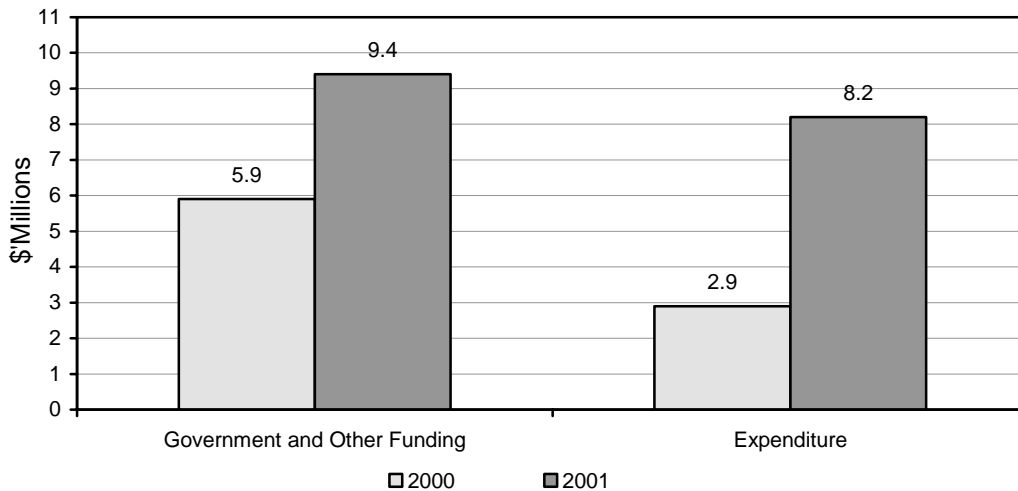
The following graph reflects the increase in gross tenant debt and provision for doubtful debts, due mainly to tenants not paying rent and other charges when due.



Community Owned Housing

Community housing grants are mainly used by the Authority to acquire housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance.

The following graph depicts the increase in accumulated funds held for the community owned housing program since the program was transferred to the Authority.



Statement of Financial Position

Cash assets increased by \$2 million to \$4.6 million due mainly to an increase in accumulated funds for community housing.

Receivables increased by \$4.6 million to \$8.5 million due mainly to Grant funding due but not paid to the Authority by the Department until after 30 June 2001 and increases in tenant debtors.

Rental properties were revalued resulting in an increment of \$3.9 million.

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 | 2000 |
|--|------|---------------|----------------|
| REVENUES FROM ORDINARY ACTIVITIES: | | \$'000 | \$'000 |
| Rent | 5(a) | 7 010 | 2 878 |
| Interest | | 106 | 16 |
| Recoveries | 5(b) | 1 412 | 655 |
| Other revenue | | 327 | 118 |
| Total Ordinary Revenues | | 8 855 | 3 667 |
| CONTRIBUTIONS FROM GOVERNMENT: | | | |
| Grant programs | | 16 328 | 7 655 |
| Rebate subsidy grant | | 1 995 | 468 |
| Other grants | | 4 389 | 2 173 |
| Total Contributions from Government | | 22 712 | 10 296 |
| Total Revenues | | 31 567 | 13 963 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Staffing costs | 4(a) | 2 773 | 1 632 |
| Maintenance | | 3 842 | 1 407 |
| Council and water rates | | 1 803 | 907 |
| Depreciation | 4(b) | 1 754 | 713 |
| Business services fees | | 913 | 552 |
| Rent | | 344 | 109 |
| Insurance | | 319 | 49 |
| Bad and doubtful debts | 4(c) | 871 | 287 |
| Grants | | 6 894 | 2 419 |
| Other | 4(d) | 1 199 | 549 |
| Total Ordinary Expenses | | 20 712 | 8 624 |
| Surplus from Ordinary Activities before Restructuring and Asset Disposals | | 10 855 | 5 339 |
| Net loss from disposal of non-current assets | 6 | (23) | (41) |
| Net revenue from restructuring | | - | 131 074 |
| SURPLUS FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING AND ASSET DISPOSALS | | 10 832 | 136 372 |
| NON-OWNER TRANSACTION CHANGES IN EQUITY: | | | |
| Net Increase in asset revaluation reserve | | 3 857 | - |
| Total Revenues, Expenses and Valuation Adjustments Recognised in Equity | | 3 857 | - |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 14 689 | 136 372 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 | 2000 |
|--------------------------------------|-------|----------------|----------------|
| CURRENT ASSETS: | | \$'000 | \$'000 |
| Cash assets | 13(a) | 4 575 | 2 601 |
| Receivables | 7 | 8 537 | 3 889 |
| Inventories | 8 | 44 | 46 |
| Total Current Assets | | 13 156 | 6 536 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 9 | 140 567 | 133 189 |
| Total Non-Current Assets | | 140 567 | 133 189 |
| Total Assets | | 153 723 | 139 725 |
| CURRENT LIABILITIES: | | | |
| Payables | 10 | 1 912 | 2 655 |
| Other | 11 | 271 | 262 |
| Total Current Liabilities | | 2 183 | 2 917 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 10 | 387 | 344 |
| Total Non-Current Liabilities | | 387 | 344 |
| Total Liabilities | | 2 570 | 3 261 |
| NET ASSETS | | 151 153 | 136 464 |
| EQUITY: | | | |
| Accumulated surplus | 16 | 147 296 | 136 464 |
| Asset revaluation reserve | 16 | 3 857 | - |
| TOTAL EQUITY | | 151 153 | 136 464 |
| Commitments | 12 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|---|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| Supplies and services | | (10 302) | (5 916) |
| Staffing costs | | (2 587) | - |
| Grants | | (6 894) | - |
| Goods and services tax remitted to the Department of Human Services | | (144) | - |
| Goods and services tax paid to suppliers | | (657) | - |
| RECEIPTS: | | | |
| Receipts from customers | | 8 896 | 2 092 |
| Goods and services tax received from the Department of Human Services | | 507 | - |
| Goods and services tax received from customers | | 441 | - |
| Cash flows from government | | 18 801 | 9 938 |
| Interest received | | 106 | - |
| Net Cash provided by Operating Activities | 13(b) | 8 167 | 6 114 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment | | (6 799) | (4 032) |
| Proceeds from sale of property, plant and equipment | | 606 | 419 |
| Net Cash used in Investing Activities | | (6 193) | (3 613) |
| NET INCREASE IN CASH HELD | | 1 974 | 2 501 |
| CASH AT 1 JULY | | 2 601 | 100 |
| CASH AT 30 JUNE | 13(a) | 4 575 | 2 601 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to significantly enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The AHA sources of funds include grants from the Commonwealth and State Governments, rents and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation of the Financial Statements

The AHA's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- Statement of Accounting Concepts;
- applicable Australian Accounting Standards;
- 'other authoritative pronouncements of the Australian Accounting Standards Board (AASB)';
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Australian Accounting Standard AAS 6 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and expressed in Australian currency.

(b) Revenue Recognition

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 6 for further details.

Recoveries

Recoveries for costs on-charged by the AHA are included in revenue.

Grants

Grants for all purposes have been recognised as revenue when received.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all land, buildings, plant and equipment controlled by the AHA.

Interest is capitalised into capital work in progress costs where borrowings are specifically tied to the funding of that project. As at 30 June 2001 the AHA has no borrowings tied to such projects.

The capital work in progress reflects developments that will be utilised in the AHA's operations. The carrying amounts for capital work in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes a revaluation increment or decrement where the property has previously been revalued.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the AHA has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

The recoverable amount test has not been applied as the AHA is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Revaluation decrements are recognised immediately as expenses in the Statement of Financial Performance, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Statement of Financial Performance, the increment is recognised immediately as revenue in the Statement of Financial Performance.

Revaluation increments and decrements are offset against one another only within their related class of non-current assets.

Plant, equipment and leasehold improvements not revalued as at 30 June 2001 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

(i) Rental Properties:

All land and buildings have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2000.

(ii) Vacant Land:

All vacant land, which is held for future development and AHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2000.

Items of land, buildings, plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

(d) Inventories

The AHA has a policy that annually at 31 October the carrying amount of real property inventories other than those subject to development as capital work in progress are compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount is adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

(e) Depreciation

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment is depreciated over their estimated useful life using the straight line basis.

(e) Depreciation (continued)

The basis of depreciating AHA rental dwellings is the remaining useful life of the building component of rental dwellings to fifty years. During the period the AHA calculated the depreciation expense charged to the Statement of Financial Performance for the building component of rental dwellings at a rate of one fiftieth per annum of the revalued balance of each building.

The basis and rate of depreciation for rental dwellings is consistent with the national accounting policy framework for State Housing Authorities. This approach promotes consistency and comparability.

Deriving an appropriate measure for depreciation of the public housing rental stock is a complex and subjective exercise requiring considerable judgement of useful lives and salvage values. The potentially long lived nature of the assets, changing demographics and socio-economic conditions increase the inherent uncertainty involved in any determination of depreciation expense.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Plant and equipment are depreciated between 3 to 10 years. A review of useful lives is performed annually.

(f) Leased Property, Plant and Equipment

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 12.

(g) Employee Benefits as Staffing Costs

Employees of the Department of Human Services are assigned to staff the AHA. The accruing entitlement of Department of Human Services employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department.

The amount payable for annual leave and long service leave represents the amount which the AHA has a present obligation to pay resulting from employee's services provided up to the reporting date. The long service leave liability was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. A payable has been made for the unused component of annual leave as at balance date, based on current salary rates and related on costs. Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employer's superannuation contributions thereon.

This provision, relating to employee entitlements of departmental employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

(h) Superannuation

The accruing on costs relating to employee entitlements of departmental employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Contributions are made by the AHA to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, any such amount will be treated as a payable not an employee related entitlement.

(i) Insurance

The AHA has an agency agreement with SA Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance expense item 'Insurance' reflects the cost of the contribution to SAICORP and the cost to the AHA of losses or charges which are subject to the SAICORP cover.

(j) Workers Compensation

The AHA, by virtue of the Department of Human Services exemption, is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The AHA has insurance cover which limits the exposure for losses.

- (k) **Provisions**
Doubtful Debts
Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write off history has also been raised.
- (l) **Unearned Revenue**
Lump sums received for leases assigned on AHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.
- (m) **Receivables**
Receivables are recognised and carried at the original invoiced amount less a provision for any un-collectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.
- (n) **Payables**
Those amounts which represent liabilities for goods and services provided to the AHA and other amounts, including interest are identified as payables.
- (o) **Tax Status**
The activities of the AHA are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including payroll tax are applicable.
- (p) **Accounting for Goods and Services Tax (GST)**
The AHA is part of a GST group. The nominated representative (Department of Human Services) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

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

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

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

- (q) **Comparative figures**
The AHA has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

The comparative figures reflected within the financial statements and associated notes are reflective of AHA transactions only from 5 February 2000. As a result there are substantial differences between the 2000-01 and 1999-2000 amounts. An additional note (Note 18) has been included to provide a complete comparative guide on the Statement of Financial Performance for the AHA inclusive of the transaction balances performed by the South Australian Housing Trust prior to the formation of the AHA.

3. Report by Major Activities

- (a) **Tenant/Client Services Public Rental**
Statewide AHA program incorporating the management of public rental housing.
- (b) **Community Housing Program**
The Community Housing Program provides funding support to indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.
- (c) **AHA Board**
Board fees and other related expenses of board members.
- (d) **Housing Management Committee**
Housing Management Committees are comprised of Aboriginal and Torres Strait Islander people elected by their communities to provide advice on the allocation of properties, assessment of applications and other housing related activities.
- (e) **Other**
Includes mainly transactions attributable to the operations of the AHA Policy Planning and Service Development unit.

| 3. Report by Major Activities | Tenant/Client Services Public Rental | | Community Housing Program | | AHA Board | | Housing Management Committees | | Other | | Total | |
|--|---|----------------|------------------------------|----------------|----------------|----------------|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 | 2001 \$'000 | 2000 \$'000 |
| Revenues from Ordinary Activities: | | | | | | | | | | | | |
| Rent | 7 008 | 2 878 | 1 | - | - | - | - | - | 1 | - | 7 010 | 2 878 |
| Interest | 53 | 8 | 21 | 3 | - | - | - | - | 32 | 5 | 106 | 16 |
| Recoveries | 1 223 | 601 | 179 | 36 | - | - | - | - | 10 | 18 | 1 412 | 655 |
| Other revenue | 61 | 28 | 229 | 36 | - | - | - | - | 37 | 54 | 327 | 118 |
| Total Ordinary Revenues | 8 345 | 3 515 | 430 | 75 | - | - | - | - | 80 | 77 | 8 855 | 3 667 |
| Contributions from Government: | | | | | | | | | | | | |
| Grant programs | 6 003 | 2 823 | 8 880 | 4 832 | - | - | - | - | 1 445 | - | 16 328 | 7 655 |
| Rebate subsidy grants | 1 995 | 468 | - | - | - | - | - | - | - | - | 1 995 | 468 |
| Other grants | 4 173 | 487 | 84 | 1 000 | - | - | - | - | 132 | 686 | 4 389 | 2 173 |
| Total Contributions from Government | 12 171 | 3 778 | 8 964 | 5 832 | - | - | - | - | 1 577 | 686 | 22 712 | 10 296 |
| TOTAL REVENUES | 20 516 | 7 293 | 9 394 | 5 907 | - | - | - | - | 1 657 | 763 | 31 567 | 13 963 |
| Expenses from Ordinary Activities: | | | | | | | | | | | | |
| Staffing costs | 1 307 | 763 | 509 | 296 | 98 | 64 | 63 | 61 | 796 | 448 | 2 773 | 1 632 |
| Maintenance | 3 742 | 1 393 | 46 | 8 | - | - | - | - | 54 | 6 | 3 842 | 1 407 |
| Council and water rates | 1 803 | 907 | - | - | - | - | - | - | - | - | 1 803 | 907 |
| Depreciation | 1 628 | 625 | 50 | - | - | - | - | - | 76 | 88 | 1 754 | 713 |
| Business services fees | 349 | 347 | 220 | 80 | - | - | - | - | 344 | 125 | 913 | 552 |
| Rent | 107 | 55 | 115 | 21 | - | - | - | - | 122 | 33 | 344 | 109 |
| Insurance | 319 | 49 | - | - | - | - | - | - | - | - | 319 | 49 |
| Bad and doubtful debts | 871 | 287 | - | - | - | - | - | - | - | - | 871 | 287 |
| Grants | - | - | 6 894 | 2 419 | - | - | - | - | - | - | 6 894 | 2 419 |
| Other | 523 | 254 | 351 | 112 | 43 | 8 | 10 | 10 | 272 | 165 | 1 199 | 549 |
| Total Ordinary Expenses | 10 649 | 4 680 | 8 185 | 2 936 | 141 | 72 | 73 | 71 | 1 664 | 865 | 20 712 | 8 624 |
| Surplus (Deficit) from Ordinary Activities before Restructuring and Asset Disposals | 9 867 | 2 613 | 1 209 | 2 971 | (141) | (72) | (73) | (71) | (7) | (102) | 10 855 | 5 339 |
| Net loss from disposal of non-current assets | (23) | (41) | - | - | - | - | - | - | - | - | (23) | (41) |
| Net revenue from restructuring | - | - | - | - | - | - | - | - | - | 131 074 | - | 131 074 |
| Surplus (Deficit) from Ordinary Activities after Restructuring and Asset Disposals | 9 844 | 2 572 | 1 209 | 2 971 | (141) | (72) | (73) | (71) | (7) | 130 972 | 10 832 | 136 372 |
| ACCUMULATED SURPLUS (OPENING) | 2 572 | - | 2 971 | - | (72) | - | (71) | - | 131 064 | 92 | 136 464 | 92 |
| ACCUMULATED SURPLUS (CLOSING) | 12 416 | 2 572 | 4 180 | 2 971 | (213) | (72) | (144) | (71) | 131 057 | 131 064 | 147 296 | 136 464 |

Note: Comparative information for 1999-2000 disclosed in Note 3 'Report by Major Activities' is reflective of the period 5 February 2000 to 30 June 2000.

| | | | | | | | | |
|--|--------------------|------------|--------------|------------------|---------------------|------------|----------------|----------------|
| 9. Property, Plant and Equipment | | | | | | | 2001 | 2000 |
| | | | | | | | \$'000 | \$'000 |
| Freehold land and buildings (At cost) | | | | | | | 2 064 | - |
| Freehold land and buildings (At valuation) | | | | | | | 135 863 | 131 917 |
| Accumulated depreciation | | | | | | | (1 023) | (1 485) |
| | | | | | | | 136 904 | 130 432 |
| Vacant land (At cost) | | | | | | | 420 | 181 |
| | | | | | | | 420 | 181 |
| Leasehold improvements (At cost) | | | | | | | 453 | 453 |
| Accumulated depreciation | | | | | | | (241) | (196) |
| | | | | | | | 212 | 257 |
| Capital work in progress | | | | | | | 2 629 | 1 745 |
| | | | | | | | 2 629 | 1 745 |
| General plant and equipment (At cost) | | | | | | | 92 | 81 |
| Accumulated depreciation | | | | | | | (50) | (45) |
| | | | | | | | 42 | 36 |
| Computing equipment (At cost) | | | | | | | 652 | 634 |
| Accumulated depreciation | | | | | | | (292) | (96) |
| | | | | | | | 360 | 538 |
| Total Property, Plant and Equipment | | | | | | | 140 567 | 133 189 |
| Reconciliation | Freehold | Vacant | Leasehold | Capital | General | Computing | | |
| Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital work in progress at the beginning and end of the current and previous financial year: | Land and Buildings | Land | Improvements | Work in Progress | Plant and Equipment | Equipment | | 2001 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | Total |
| | | | | | | | | \$'000 |
| Carrying amount at 1 July | 130 432 | 181 | 257 | 1 745 | 36 | 538 | | 133 189 |
| Additions | 3 539 | 242 | - | 3 015 | 12 | 7 | | 6 815 |
| Deletions | (1 341) | - | - | - | - | (7) | | (1 348) |
| Transfers from work in progress | 2 131 | - | - | - | - | - | | 2 131 |
| Transfers to completed works | - | - | - | (2 131) | - | - | | (2 131) |
| Net revaluation increment less revaluation decrements | 3 857 | - | - | - | - | - | | 3 857 |
| Depreciation expense | (1 500) | - | (45) | - | (6) | (203) | | (1 754) |
| Other movements | (214) | (3) | - | - | - | 25 | | (192) |
| Carrying Amount at 30 June | 136 904 | 420 | 212 | 2 629 | 42 | 360 | | 140 567 |
| 10. Payables | | | | | | | 2001 | 2000 |
| Current Payables: | | | | | | | \$'000 | \$'000 |
| Creditors | | | | | | | 1 524 | 2 586 |
| GST payable to the Department of Human Services | | | | | | | 297 | - |
| Council and water rates | | | | | | | 84 | 69 |
| Other | | | | | | | 7 | - |
| | | | | | | | 1 912 | 2 655 |
| Non-Current Payables: | | | | | | | | |
| Creditors | | | | | | | 354 | 344 |
| Other | | | | | | | 33 | - |
| | | | | | | | 387 | 344 |
| 11. Other Liabilities | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Insurance provisions | | | | | | | 189 | 145 |
| Unearned revenue | | | | | | | 55 | 98 |
| Other | | | | | | | 27 | 19 |
| | | | | | | | 271 | 262 |
| 12. Expenditure Commitments | | | | | | | | |
| Capital Expenditure | | | | | | | | |
| The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements: | | | | | | | | |
| Not later than one year | | | | | | | - | 307 |
| Later than one year but not later than five years | | | | | | | - | - |
| Later than five years | | | | | | | - | - |
| Total | | | | | | | - | 307 |
| Recurrent Expenditure | | | | | | | | |
| The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements: | | | | | | | | |
| Not later than one year | | | | | | | 5 840 | 3 635 |
| Later than one year but not later than five years | | | | | | | - | - |
| Later than five years | | | | | | | - | - |
| Total | | | | | | | 5 840 | 3 635 |

12. **Expenditure Commitments (continued)**

| | | |
|---|---------------|--------|
| Operating Lease Commitments | 2001 | 2000 |
| Future non-cancellable operating lease rentals not provided for and payable inclusive of GST: | \$'000 | \$'000 |
| Not later than one year | 388 | 303 |
| Later than one year but not later than five years | 1 431 | 1 287 |
| Later than five years | 226 | 218 |
| Total | 2 045 | 1 808 |

The operating leases disclosed above are for administrative properties 153 Wakefield Street and 255 Pulteney Street, Adelaide and are for terms of 10 and 2 years respectively. The lease for 153 Wakefield Street has five years remaining on its lease terms and 255 Pulteney Street has one year of its two year term remaining. Both leases contain renewal options for both lessee and lessor.

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

For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | | |
|------------------------------|--------------|-------|
| Cash held in deposit account | 4 570 | 2 573 |
| Cash on hand | 5 | 28 |
| | 4 575 | 2 601 |

(b) Reconciliation of Net Cash provided by Operating Activities to Surplus from Ordinary Activities before Restructuring and Asset Disposals

Net Cash provided by Operating Activities

Change in Assets and Liabilities:

| | | |
|---|----------------|---------|
| Depreciation | 8 167 | 6 114 |
| | (1 754) | (713) |
| | 6 413 | 5 401 |
| Increase (Decrease) in receivables | 3 754 | 1 933 |
| Increase (Decrease) in other current assets | (2) | (346) |
| Decrease (Increase) in payables | 699 | (1 754) |
| Decrease (Increase) in other liabilities | (9) | 105 |
| | 4 442 | (62) |

Surplus from Ordinary Activities before Restructuring and Asset Disposals

10 855 5 339

14. **Remuneration of Board Members and Employees****(a) Board Members Remuneration**

The AHA Board of Management comprises nine members and eight deputy members. Board members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures. The previous Chairperson of the AHA Board, who resigned on 23 March 2001 received a package consisting of an allowance, government vehicle and mobile phone as approved by the Minister for Human Services.

The number of Board Members whose remuneration from the AHA falls within the following bands:

| | | |
|---------------------|------------------|-----------|
| | 2001 | 2000 |
| | Number of | Number of |
| | Members | Members |
| \$0 - \$9 999 | 7 | 6 |
| \$10 000 - \$19 999 | 1 | - |
| \$20 000 - \$29 999 | 1 | - |
| \$30 000 - \$39 999 | - | - |
| \$40 000 - \$49 999 | - | 1 |
| | 9 | 7 |

Total remuneration received, or due and receivable by the Board Members of the AHA

2001 2000
\$'000 \$'000
66 82

Board members of the AHA have declared the following interest in the following community organisations which have received funding from the AHA. The Board members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA has entered into transactions during the year.

Vic Wilson — declared his interest as Manager of Kalparrin Community.

Approved funding: \$300 000

(b) Employees' Remuneration

One employee assigned by the Department of Human Services to the AHA received remuneration which exceeded \$100 000. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax.

The number of employees whose remuneration was over \$100 000 was:

| | | |
|-----------------------|------------------|-----------|
| | 2001 | 2000 |
| | Number of | Number of |
| | Employees | Employees |
| \$140 000 - \$149 999 | 1 | - |

Total value of remunerations in excess of \$100 000 were

2001 2000
\$'000 \$'000
144 -

15. Targeted Voluntary Separation Packages (TVSPs)

During the year there were no (1999-2000: 1) employees of the AHA who accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$nil (1999-2000: \$134 000). These costs were met from a central fund administered by the Department of the Premier and Cabinet. A total of \$134 000 (1999-2000: \$nil) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$nil (1999-2000: \$47 476) were paid to employees who received a TVSP.

16. Equity

Equity represents the residual interest in the net assets of the AHA. The State Government holds the equity interest in the AHA on behalf of the South Australian community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non current assets.

| | Accumulated Surplus \$'000 | Asset Revaluation Reserve \$'000 | 2001 Total \$'000 | Accumulated Surplus \$'000 | Asset Revaluation Reserve \$'000 | 2000 Total \$'000 |
|--|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|
| Balance as at 1 July | 136 464 | - | 136 464 | 92 | - | 92 |
| Surplus for the year | 10 832 | - | 10 832 | 136 372 | - | 136 372 |
| Increments related to the revaluation of: Rental properties | - | 3 857 | 3 857 | - | - | - |
| Balance as at 30 June | 147 296 | 3 857 | 151 153 | 136 464 | - | 136 464 |

17. Additional Financial Instruments Disclosure**(a) Credit Risk**

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

(b) Interest Rate Risk Exposure

The AHA is not exposed to any interest rate risk exposure, there are no fixed interest assets or liabilities. The only interest bearing component of the AHA is that of the floating interest rate for Cash and Deposits which was deemed to be 5.06 percent as at 30 June 2001.

(c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below. For the financial assets and liabilities which are subject to normal trade credit terms, the fair value is considered to be face value.

| | 2001 | | 2000 | |
|------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
| | Carrying Value \$'000 | Fair Value \$'000 | Carrying Value \$'000 | Fair Value \$'000 |
| Financial Assets: | | | | |
| Cash assets | 4 575 | 4 575 | 2 601 | 2 601 |
| Receivables | 8 537 | 8 537 | 3 889 | 3 889 |
| Total Financial Assets | 13 112 | 13 112 | 6 490 | 6 490 |
| Financial Liabilities: | | | | |
| Payables | 2 299 | 2 299 | 2 999 | 2 999 |
| Total Financial Liabilities | 2 299 | 2 299 | 2 999 | 2 999 |
| Net Financial Assets | 10 813 | 10 813 | 3 491 | 3 491 |

18. Additional Comparative Information Disclosure

Ordinary expenses and revenues for the period 1 July 1999 to 4 February 2000 with respect to activities controlled by the South Australian Housing Trust (SAHT) in that period and subsequently transferred and assigned to the AHA are not included in the Statement of Financial Performance for the comparative figures of 1999-2000. These SAHT comparative figures are disclosed below along with the AHA reported expenses and revenues for the period 1 July 1999 to 30 June 2000. The combined figures provide a comparative summary of the expenses and revenues that would have been reported for the AHA for 1999-2000 if the activities controlled by the South Australian Housing Trust until 4 February 2000 had been controlled by the AHA for the whole year.

| | 2001 AHA \$'000 | Included in SAHT \$'000 | Included in AHA \$'000 | 2000 Total \$'000 |
|--|-----------------------|-------------------------------|------------------------------|-------------------------|
| Revenues from Ordinary Activities: | | | | |
| Rent | 7 010 | 3 950 | 2 878 | 6 828 |
| Interest | 106 | - | 16 | 16 |
| Recoveries | 1 412 | 390 | 655 | 1 045 |
| Other revenue | 327 | 195 | 118 | 313 |
| Total Ordinary Revenues | 8 855 | 4 535 | 3 667 | 8 202 |
| Contributions from Government: | | | | |
| Grant programs | 16 328 | 4 456 | 7 655 | 12 111 |
| Rebate subsidy grant | 1 995 | 248 | 468 | 716 |
| Other grants | 4 389 | 1 052 | 2 173 | 3 225 |
| Total Contributions from Government | 22 712 | 5 756 | 10 296 | 16 052 |
| Total Revenues | 31 567 | 10 291 | 13 963 | 24 254 |

| 18. Additional Comparative Information Disclosure (continued) | 2001 AHA \$'000 | Included in SAHT \$'000 | Included in AHA \$'000 | 2000 Total \$'000 |
|---|-----------------------|-------------------------------|------------------------------|-------------------------|
| Expenses from Ordinary Activities: | | | | |
| Staffing costs | 2 773 | 1 205 | 1 632 | 2 837 |
| Maintenance | 3 842 | 2 079 | 1 407 | 3 486 |
| Council and water rates | 1 803 | 821 | 907 | 1 728 |
| Depreciation | 1 754 | 865 | 713 | 1 578 |
| Business services fees | 913 | 109 | 552 | 661 |
| Rent | 344 | 150 | 109 | 259 |
| Insurance | 319 | 375 | 49 | 424 |
| Bad and doubtful debts | 871 | 330 | 287 | 617 |
| Grants | 6 894 | 3 838 | 2 419 | 6 257 |
| Other expenses | 1 199 | 2 114 | 549 | 2 663 |
| Total Ordinary Expenses | 20 712 | 11 886 | 8 624 | 20 510 |
| Surplus (Deficit) from ordinary activities before restructuring and asset disposals | 10 855 | (1 595) | 5 339 | 3 744 |
| Net gain (loss) from disposal of non-current assets | (23) | 42 | (41) | 1 |
| Net revenue from restructuring | - | (131 074) | 131 074 | - |
| Surplus (Deficit) from Ordinary Activities after Restructuring and Asset Disposals | 10 832 | (132 627) | 136 372 | 3 745 |

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991*.

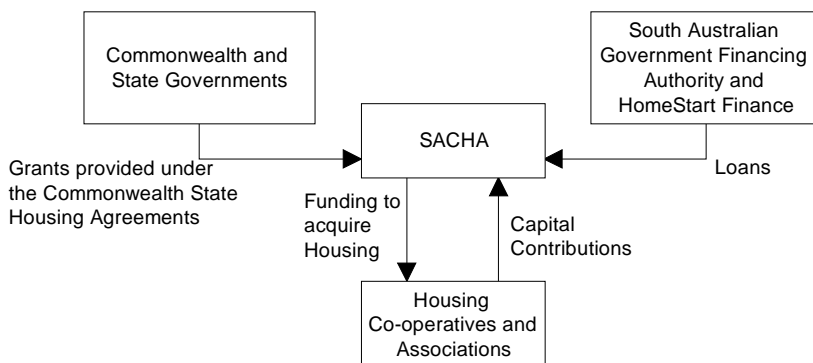
The Authority has a broad range of functions associated with the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

- The provision of advice to the Minister for Human Services.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.
- The provision of funding, through either loans or grants, to community housing organisations.

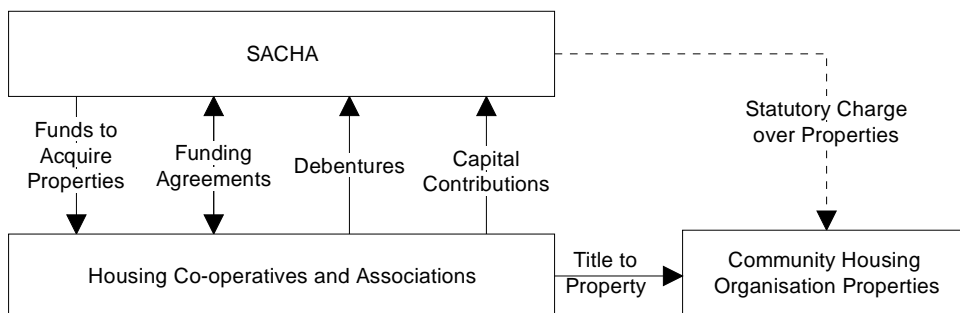
The Authority comprises five representatives appointed by the Minister, including a registered housing associations representative nominated by the Community Housing Council of South Australia, members with expertise in finance and the housing industry or community housing. A further two members are elected by members of registered housing co-operatives.

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations which receive funds from it on the other.

The first chart documents the overview of the relationships.



The second chart documents in more detail the relationship between the Authority and community housing organisations.



SIGNIFICANT FEATURES

- Funding to housing organisations increased by \$38.7 million or 15.8 percent to \$283.6 million.
- The debenture indexation reserve reflected a net increase of \$10.4 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- Planning and analysis
- Internal control
- Reporting
- Expenditure, including both capital and operating
- Debentures and revaluation reserves
- Revenue (including contributions from co-operatives and associations)
- Loans (including program financing charges)
- Joint venture policies and procedures.

Audit Communications to Management

Matters arising during the course of the Audit were detailed in a management letter to the Chairperson. SACHA's Audit Committee of the Board noted the management letter and accepted management's response. The satisfactory response was subsequently received by Audit. The comments in 'Audit Findings and Comments' hereunder summarise the major matters raised with the Authority and the related responses.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Planning and Analysis

Strategic Plan, Business Plan, Risk Management Strategy

Audit reviewed the process by which SACHA's Strategic Plan, Business Plan and Risk Management Strategy were developed and monitored. Audit found there to be a link between the Strategic Plan and the development of the Business Plan. Due to the fact that the Risk Management Strategy was in the process of being developed, however, the management of the risks identified had not yet been formally incorporated into the Strategic Plan and the Business Plan. It was understood that SACHA were looking to progress such a coordinated approach for the 2001-02 Business Plan.

Audit recommended that SACHA formally incorporate the actions stemming from the Risk Management Strategy into the Strategic Plan, and, in particular, the Business Plan, as soon as practicable.

The Authority indicated that it had considered this matter at a subsequent Board meeting and a new risk management framework was being developed and likely to be finalised in early 2001-02. Subsequently key risks would be incorporated into the annual Business Plan as appropriate.

Audit also noted that as part of the review of the achievement of the objectives enunciated as part of the Strategic Plan, the Business Plan was reviewed annually. It was recommended that the Business Plan be reviewed and reported against in the context of the Strategic Plan periodically throughout the relevant year (eg quarterly).

The Authority indicated that it supported the recommendation and that having regard to other reporting practices would review business plan initiatives on a six monthly basis.

Housing Reforms

During the course of the audit, implementation of the Housing Reforms by SACHA was reviewed in the context of a Cabinet Submission approved on 15 February 1999 from the Minister for Human Services with a view to ensuring that the principles supporting the Housing Reforms had been appropriately adopted.

The review highlighted the following matters.

Eligibility Criteria and Waiting Lists

In relation to the eligibility criteria and waiting lists, Audit noted a proposed segmented waiting list and a central access register which were to be effected through changes to the Funding Agreements with Community Housing Organisations (CHOs) and completed by mid 1999. At the time of the audit, the inclusion of the segmented waiting list into the by-laws of all CHOs had not been completed.

Audit recommended that the process to include the requirement for a segmented waiting list into the by-laws of CHOs be given the appropriate priority with performance monitored on a periodic basis. In addition, it was recommended that, in the interim, the exclusion of CHOs without amended by-laws from the allocation process be enforced.

The Authority indicated that it was making considerable progress in this area given a complex process involving individual CHOs and it aimed to complete the process by 30 September 2001. It was also noted that new allocations would only be made to compliant CHOs.

Central Access Register

In relation to the central access register, Audit recognised that SACHA had established a computer based Community Housing Eligibility Register (CHER). Audit noted that the software was only recently launched and that adoption by CHOs was voluntary and it would effectively be used by each CHO in isolation. Although the information created would be consistent with a central waiting list, it could not be imposed on the CHOs by SACHA as the concept has not been included in the Funding Agreements.

It was recommended that formal consideration be given to the feasibility of a central waiting list in the context of the strategic objectives of SACHA and that the necessary action resulting from this evaluation be pursued (eg communication to the Minister and/or action to facilitate the appropriate changes to Funding Agreements be pursued).

The Authority indicated that this was also a complicated area and it proposed to pursue the issue internally and with the Department of Human Services at a policy level.

Housing Reforms Intent

Audit noted that there was potential for inconsistency between the intent of the Housing Reforms and the ability of SACHA to allocate housing on an equitable basis and it was recommended this be considered and monitored.

The Authority indicated that it would continue to improve its monitoring processes in relation to the allocation of properties by CHOs.

Initial Allocation Process

Audit reviewed SACHA's allocation process in light of the principles supporting the Housing Reforms and noted that there may be a significant time lag between the allocation of a house and its tenancy.

It was recommended that SACHA consider undertaking action upon tenancy of a property to ensure that the actual tenant's circumstances are consistent with the reason that the allocation was provided in the first instance.

Audit also found that the current allocation process did not capture the turnover of properties. Where a property was vacated, the process for reallocation is left, albeit within the ambit of the CHOs by-laws, to the CHOs discretion. It was recommended that consideration be given to the process of property re-allocation.

The Authority advised a number of initiatives to assist SACHA in monitoring the adequacy of CHOs use of eligibility criteria.

Reporting

The Housing Reforms require the validity of continued tenure by tenants to be monitored. In this regard, SACHA has implemented the collection of data on an annual basis from CHOs about tenants. Audit noted that there was a three to six month time lag in collecting and analysing this information. It was recommended that SACHA considers other possibilities for timely data collection (eg further promoting the use of CHER).

The Authority advised of its commitment to the promotion of CHER to assist CHOs to meet the requirements of Housing Reforms. In recognition of the lead time associated with CHER, SACHA proposed to use an interim manual system.

Sub Committees of the Board

During the course of the audit, it was noted and recommended that there was a need for the Board to periodically revisit the Terms of Reference of its sub-committees, in particular the Finance Committee, in the context of its strategic direction and the changing business environment within which it operates.

The Authority indicated that it was currently reviewing the terms of reference for its sub committees and annual reviews would be undertaken.

Internal Control

Risk Management

Audit found that SACHA were in the process of formally developing its Risk Management Strategy. In relation to the process underway, Audit recommended that, in future, a broad cross section of staff be involved in the risk identification process. In this regard, Audit supported an Audit Committee recommendation for the involvement of the Board in the risk identification and assessment process.

Audit also suggested that consideration be given to using an independent and expert facilitator for the process in future. It was also suggested that consideration be given to matters including the definition of risk; a Risk Management Policy Statement; a breakdown or classification of the risks identified in the risk assessment process; and a strategy for the periodic review and reporting of changing risks.

The Authority indicated that it had engaged an appropriate expert in finalising its risk management strategy and the noted matters would be incorporated in the process.

Reporting

Board Reporting

At the time of the audit, it was noted that reporting to the Board on the general operations of SACHA constituted the quarterly Ministerial Report and a quarterly capital expenditure report.

It was recommended that an assessment be made of whether current reporting adequately measured the achievement of the strategic objectives of SACHA. This would generally involve the identification of activities and tasks related to the achievement of objectives and data relevant to measuring progress toward the objectives. Audit noted that the production of such information would need to be cost effective for its purpose.

The Authority indicated that it had included the development of a new corporate performance report in its 2001-02 Business Plan.

Capital Monitoring and Reporting

During the course of the audit, it was noted that the monitoring and reporting of capital expenditure would benefit from better formatting of information eg summary totals and better explanation of reasons for variances against budget/expectations and the potential impact on the achievement of related strategic objectives and it was recommended this be considered.

Audit also suggested that any analysis of the capital cash flow budget by the Finance Committee should be documented in the Finance Committee minutes and/or attachments presented to the Board.

The Authority indicated that in response to discussions with Audit staff it was now receiving more detailed information of the capital program to ensure more transparency in the monitoring and management of the program.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Community Housing Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer’s Instruction 2 ‘Financial Management Policies’.

Audit formed the opinion that the controls exercised by the South Australian Community Housing Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under ‘Audit Findings and Comments’ were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Net Cost of Services

Net cost of services is an important indicator of the Authority’s financial performance as it focuses on the net operating expenses for the Authority before Government grants which include capital funding.

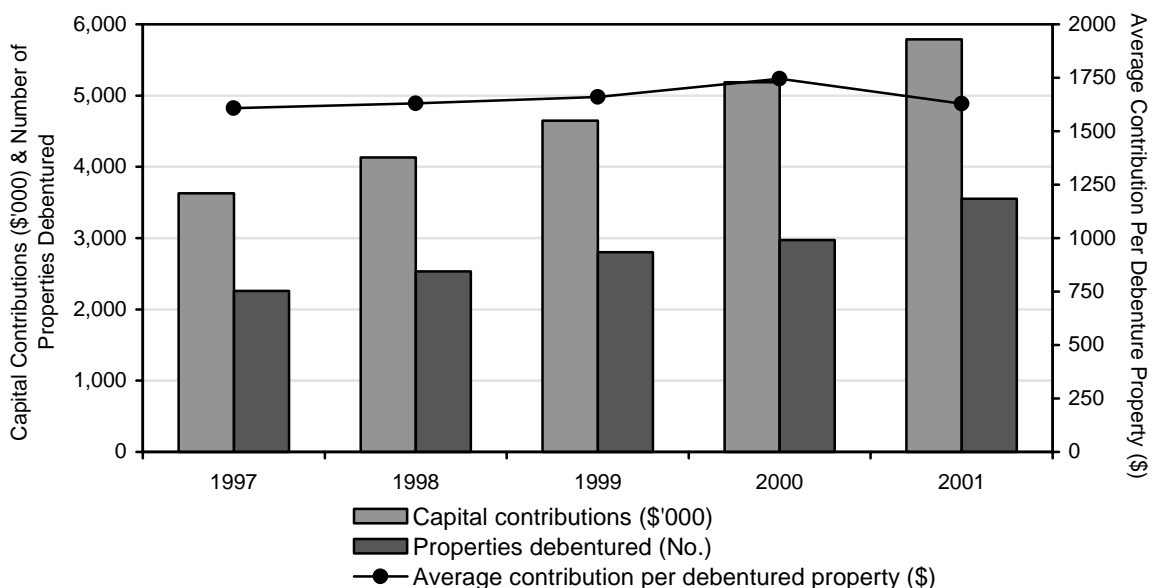
The net cost of services for the Authority increased to \$10.4 million (\$7.4 million). This was predominantly due to a one-off GST expense of \$1.9 million the majority of which is expected to be recovered in 2001-02 from Community Housing Organisations. In the absence of this item, net cost of services increased by \$1.1 million.

Borrowing Costs

The other significant increase in expenses in the year was borrowing costs, which increased by \$1.5 million or 17 percent. This was entirely due to the increase in interest expense for capital indexed debt. The conditions applying to the debt are that the principal is adjusted for movements in the Consumer Price Index. For 2000-01 this resulted in an increase in the principal to \$36.6 million from \$34.7 million. The debt matures in August 2002. Notes 2.7, 9 and 20(c) to the financial statements provide details of this debt.

Capital Contributions

In relation to revenues, during 2000-01 capital contributions from Community Housing Organisations rose by \$0.6 million to \$5.8 million (\$5.2 million) and partly offset the increase in costs incurred by the Authority in borrowing funds from the South Australian Government Financing Authority and HomeStart Finance. The following graph shows the trend of capital contributions and the proportion of capital contributions to the value of debentures with CHOs over the past five years.



The graph highlights that while the total capital contributions received and the number of dwellings debentured have increased over the period, in 2000-01 the proportion of capital contributions per debentured property fell.

Consistent with this, Note 20(a) to the financial statements shows that the weighted average interest rate return on funding to housing organisations decreased to 2.13 percent in 2000-01 from 2.25 percent which while small, represents a 5 percent decrease.

Government Revenues

Government revenues received by the Authority for the year was \$32.7 million (\$30.2 million) reflecting funding for both recurrent and capital purposes. The difference of \$2.5 million compared to the previous year reflects the increase in funding relating to grants specifically provided for the purpose of acquiring South Australian Housing Trust properties at market value.

Government revenues for 2000-01 exceeded the Authority's net cost of services of \$10.4 million resulting in a surplus of \$22.3 million (\$22.9 million) and the surplus was applied to the provision of funding to housing organisations.

The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs tenants and is subject to income tests. As a result of these rental subsidies, the capital contributions were insufficient to meet the Authority's program financing costs, which totalled \$10.4 million.

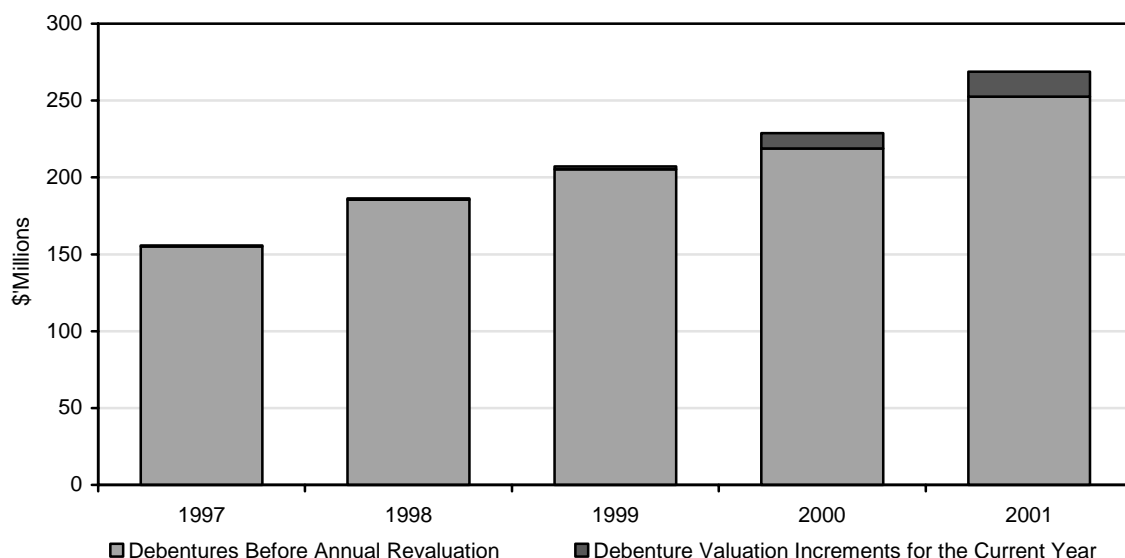
Statement of Financial Position

Funding to Community Housing Organisations

The number of CHOs receiving funding from the Authority to acquire houses was 136 (127). At 30 June 2001 there were 3554 (2971) properties that had been debentured and occupied and an additional 422 (603) properties that were being constructed, upgraded or in preparation for occupation. A further 18 (19) properties were held by the Authority, which were surplus to the requirements of CHOs.

Funding to CHOs supported by issued debentures at 30 June 2001 was \$268.9 million (\$228.8 million), an increase of \$40.1 million reflecting, in the main, net additions to debentures of \$23.7 million and a revaluation of the underlying properties by \$16.4 million. The following graph shows the growth in the value of debentures issued to CHOs over the past five years.

The graph shows that annual debenture revaluation increments have been significant for the past two years after being insignificant. This highlights the proportion of growth in the value of debentures that results from the annual revaluation process. The revaluation increment in 2000-01 was \$16.4 million, which represented an increase of 6.5 percent in the value of properties debentured. The valuation increments reflect the strength of the property market at this point in time. Equally, a weakening in the property market can be expected to be reflected in downward movements in the value of debentures.



Loans to CHOs at 30 June 2001 were \$14.6 million (\$13.6 million). These are amounts advanced for the purchase, upgrade or construction of dwellings. On completion the Authority and CHOs enter funding agreements and debentures are issued.

Capital Commitments

As at 30 June 2001, obligations under loan approvals for advances to individual CHOs totalled \$15.1 million (\$29.1 million). Cash at Treasury and on hand totalled \$10.6 million (\$25.1 million).

Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------|----------------|----------------|
| ORDINARY EXPENSES: | | | |
| Staffing and related costs | 2.11 | 1 776 | 1 627 |
| Projects | 4 | 392 | 373 |
| Operating lease rental expense | 2.3 | 275 | 284 |
| Office expenses | | 192 | 203 |
| Other administration costs | 3 | 430 | 379 |
| Unallocated upgrade expenses | 5 | 95 | 76 |
| Grants to community housing organisations | 6 | 1 082 | 1 167 |
| Community housing organisation costs | 7 | 425 | 497 |
| Borrowing costs | 9 | 10 359 | 8 842 |
| Lease payments to SA Housing Trust | | 629 | 440 |
| GST expense | 17 | 1 936 | - |
| Decrement on revaluation | 12 | - | 52 |
| Total Ordinary Expenses | | 17 591 | 13 940 |
| ORDINARY REVENUES: | | | |
| Contributions received and receivable from community housing organisations | | 5 788 | 5 185 |
| Interest and sundry income | 10 | 1 045 | 1 049 |
| Profit on sale of properties | 8 | 106 | 2 |
| Staff cost recoveries | 2.4 | 242 | 354 |
| Recovery on revaluation | 12 | 52 | - |
| Total Ordinary Revenues | | 7 233 | 6 590 |
| NET COST OF SERVICES | | 10 358 | 7 350 |
| Government revenues | 2.2,11 | 32 691 | 30 235 |
| SURPLUS FOR THE YEAR | | 22 333 | 22 885 |
| Net increase (decrease)in asset revaluation | 12 | 87 | (10) |
| Net increase in debenture indexation | 14 | 10 496 | 7 206 |
| TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY | | 10 583 | 7 196 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 32 916 | 30 081 |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--------------------------------------|---------|----------------|----------------|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash assets | 21 | 10 552 | 25 104 |
| Receivables and prepayments | 15 | 10 430 | 645 |
| Total Current Assets | | 20 982 | 25 749 |
| NON-CURRENT ASSETS: | | | |
| Funding to housing organisations | 2.8,16 | 283 579 | 244 900 |
| Property and equipment | 2.9,18 | 15 357 | 12 408 |
| Total Non-Current Assets | | 298 936 | 257 308 |
| Total Assets | | 319 918 | 283 057 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Payables | 17 | 3 699 | 2 150 |
| Self insurance | 2.5 | - | 24 |
| Total Current Liabilities | | 3 699 | 2 174 |
| NON-CURRENT LIABILITIES: | | | |
| Loans | 2.7,19 | 118 789 | 116 594 |
| Capital Indexed Bond | 2.15 | 157 | 146 |
| Hot Water Service Warranty Provision | 2.14,13 | 504 | 290 |
| Total Non-Current Liabilities | | 119 450 | 117 030 |
| Total Liabilities | | 123 149 | 119 204 |
| NET ASSETS | | 196 769 | 163 853 |
| EQUITY: | | | |
| Accumulated surplus | 23 | 178 740 | 156 262 |
| Asset revaluation reserve | 2.9,12 | - | - |
| Debenture indexation reserve | 2.8,14 | 18 029 | 7 591 |
| TOTAL EQUITY | | 196 769 | 163 853 |
| Capital and Leasing Commitments | 24 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | Note | 2001 Inflows (Outflows) \$'000 | 2000 Inflows (Outflows) \$'000 |
|--|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| PAYMENTS: | | | |
| Payments to suppliers and employees | | (5 393) | (4 327) |
| Borrowing costs | | (8 484) | (8 559) |
| GST payments on purchases | | (1 797) | - |
| RECEIPTS: | | | |
| Receipts from customers | | 5 668 | 5 159 |
| Interest received | | 1 103 | 930 |
| Receipts from other debtors | | 9 | 28 |
| GST receipts from taxation authority | | 1 312 | - |
| GOVERNMENT RECEIPTS: | | | |
| Cash flows from government | | 12 378 | 22 054 |
| Net Cash provided by Operating Activities | 22 | 4 796 | 15 285 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Funding to housing organisations | | (22 928) | (18 043) |
| Proceeds from sale of property | | 3 580 | 2 107 |
| Net Cash used in Investing Activities | | (19 348) | (15 936) |
| NET DECREASE IN CASH HELD | | (14 552) | (651) |
| CASH AT 1 JULY | | 25 104 | 25 755 |
| CASH AT 30 JUNE | 21 | 10 552 | 25 104 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority (SACHA) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA comes from Commonwealth and State Government grants, rents and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) and HomeStart Finance to fund non-current assets.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The Authority has fully employed the accrual basis of accounting in the preparation of the accounts and has consistently applied its accounting policies. The financial statements are a general purpose financial report drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act, 1987*. The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money. Unless otherwise stated the amounts presented in the Statement of Financial Position do not reflect the realisable value of liabilities or assets.

The South Australian Community Housing Authority has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

2.2 Revenue Recognition

Government grants

The Authority recognises grant funds as income when monies are received and controlled or, in the case of funding which is received in arrears, when all conditions under which funding is provided have been fulfilled by the Authority.

Other Revenue

Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectable.

2.3 Operating Lease Rental Expense

The Authority under arrangements with the Department of Human Services meets the cost of building occupancy and vehicle use. These costs have been accounted for as an operating lease by the Authority in accordance with the requirements of Australian Accounting Standard AAS 17 'Leases' (refer Note 24).

2.4 Staff Cost Recoveries

Technical services are provided to assist Community Housing Organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1 000 per house, which is added to the loans provided to individual Community Housing Organisations.

2.5 Insurance

SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of Community Housing Organisations. Under these arrangements the Authority has obtained insurance cover from an external insurer for any claims. Community Housing Organisations pay premiums to the external insurer for the cover provided and all claims are administered by the external insurer.

During 2000-01, SACHA met the costs of an additional Financial Insurance Package to cover all Community Housing Organisations.

2.6 Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentures for properties with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2.7 Accounting for Capital Indexed Debt

On 1 November 1995, SAFA Capital Indexed Debt was transferred to the Authority from HomeStart Finance in connection with the transfer of the mortgages over Housing Association properties to the Authority. The debt transferred to the Authority was valued at a market value which exceeded the indexed face value of the debt. The difference between the market value of the debt at the date of transfer and the indexed face value (the premium) is being written off to the Authority's Statement of Financial Performance using a straight line method over the life of the debt. At the same time, it has been necessary to revalue the face value of the liability to reflect the change in the Consumer Price Index. The adjustment to the face value of the debt has been reflected in a charge to the Statement of Financial Performance, which ensures the face value of the debt as shown on the Authority's Statement of Financial Position reflects the value at maturity and brings to account the indexation expense over the life of the debt. The loan balance for this debt reflected on the Statement of Financial Position is the sum of the indexed debt and the unamortised premium.

2.8 Debentures

Debentures issued by Community Housing Organisations with respect to tenable housing and reflecting the value of funds provided to Community Housing Organisations to acquire and upgrade or to construct new buildings are revalued at balance date to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments or decrements have been reflected in the Debenture Indexation Reserve.

2.9 Property

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Revaluation increments for this class of assets have been accounted for by crediting the Asset Revaluation Reserve. Revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Statement of Financial Performance as Decrement on Revaluation.

2.10 Accounting for Goods and Services Tax (GST)

SACHA is part of a GST group. The nominated representative of the GST group (the Department of Human Services) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by SACHA. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Statement of Financial Position.

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

2.11 Staffing Costs

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability by the Authority to the Department.

2.12 Provision for Doubtful Debts

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

2.13 Capitalisation and Depreciation of Office and Computer Equipment

Office and computer equipment is depreciated from the date of acquisition over the estimated useful life of the asset using the straight line basis.

Office and computer equipment acquired at a cost of \$1 000 and above was capitalised during 2000-01.

2.14 Hot Water Service Warranty Provision

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a liability to cover future expenditure. Properties acquired by Community Housing Organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

2.14 Hot Water Service Warranty Provision (continued)

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby Community Housing Organisations joining Comhouse Co-operative Ltd (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

2.15 Capital Indexed Bond

SACHA has issued a Capital Indexed Bond as part of the settlement of a land purchase. This bond is redeemable on the fifth anniversary of the completion date of the project in March 2003.

The indexed bond makes provision for payment of an adjusted principal amount based on movements in the capital value of the completed project.

| 3. Other Administration Costs | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Auditors remuneration ⁽ⁱ⁾ | 40 | 41 |
| Board fees | 57 | 57 |
| Board expense | 6 | 7 |
| Legal fees | 27 | 30 |
| Brokerage and valuation fees | 11 | 14 |
| Department of Human Services - Service fees | 140 | 144 |
| Insurance | 18 | 2 |
| Aborted project costs | 30 | 14 |
| Fringe benefits tax | 22 | 10 |
| Computing costs | 7 | 6 |
| Sundry expenses | 13 | 4 |
| Product development | 7 | 7 |
| Training | 52 | 43 |
| | 430 | 379 |

(i) Auditors remuneration relates directly to audit services performed. No related practice service payments were made to the auditors.

| 4. Projects | 2001 | 2000 |
|--|-------------|-------------|
| Rent, Finance and Tenancy system for the community housing sector (e-CHO) ⁽ⁱ⁾ | 105 | 104 |
| Property database modification | 54 | 9 |
| Tenant Access Register system (CHER) ⁽ⁱ⁾ | 41 | 83 |
| Goods and services tax implementation costs | 40 | 47 |
| Management review of poorly performing CHOs ⁽ⁱ⁾ | 25 | - |
| Funding model for large community housing organisations ⁽ⁱ⁾ | 24 | 21 |
| Funding review of community housing council of SA (CHCSA) ⁽ⁱ⁾ | 20 | - |
| Survey of tenant satisfaction with community housing organisations ⁽ⁱ⁾ | 18 | - |
| Production of SACHA newsletter and other promotional materials | 15 | - |
| CHO best practice awards | 12 | - |
| Annual Report | 10 | 6 |
| Upgrading financial system to SYBIZ Vision | 3 | 14 |
| Others | 25 | 42 |
| Private financing model for community housing ⁽ⁱ⁾ | - | 28 |
| SACHA strategic plan development ⁽ⁱ⁾ | - | 19 |
| | 392 | 373 |

(i) Includes payments to consultants for these projects totalling \$140 913.

| 5. Unallocated Upgrade Expenses | 2001 | 2000 |
|--|-------------|-------------|
| Inspections and holding costs | 55 | 53 |
| Upgrade expenses | 40 | 23 |
| | 95 | 76 |

During 2000-01 SACHA entered into lease agreements with the South Australian Housing Trust for a number of properties which were sub-let to Community Housing Organisations. SACHA bore the cost of upgrading these properties to program standard along with the inspections and holding costs (eg. council and water rates) associated with this process.

Additional upgrading costs were incurred in restoring several properties formerly owned by the Latamer Housing Co-operative back to program standard, for reallocation to other Community Housing Organisations.

| 6. Grants to Community Housing Organisations | 2001 | 2000 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Community Housing Council of South Australia (CHCSA) ^{(i),(iv)} | 279 | 617 |
| Large Community Housing Organisations ⁽ⁱⁱ⁾ | | |
| Northern Suburbs Housing Co-operative | 65 | 48 |
| The Womens Housing Association | 140 | 177 |
| Multi Agency Community Housing Association | 58 | 28 |
| Red Shield Housing Association | 14 | 5 |
| Housing Spectrum Housing Association | 34 | 25 |
| Portway Housing Association | 41 | 41 |
| DASH Housing Association | 35 | 40 |
| Lutherans Housing Association | 13 | 12 |
| National Community Housing Forum | 5 | 5 |
| Comhouse Co-operative Ltd ⁽ⁱⁱⁱ⁾ | 298 | 162 |
| Community housing sector training through external service providers ^(iv) | 95 | - |
| Country Community Housing Organisations travel reimbursements | 5 | 7 |
| | 1 082 | 1 167 |

6. Grants to Community Housing Organisations (continued)

- (i) The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).
- (ii) During the year the Authority held negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and is conditional on performance measures outlined in their funding agreements.
- (iii) SACHA also committed \$298 436 in funding during 2000-01 to Comhouse Co-operative Ltd to assist with major maintenance management for the community housing sector. These funds were specifically targeted towards properties held by housing associations and are secured by a fixed and floating charge and funding agreement with Comhouse.
- (iv) During the year the Authority assumed responsibility for the provision of training and education to the community housing sector through external service providers, which was previously undertaken by the Community Housing Council of South Australia Inc.

| 7. Community Housing Organisation Costs | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Emergency Services Levy payments ⁽ⁱ⁾ | 115 | 179 |
| Smoke detector rebates ⁽ⁱⁱ⁾ | 1 | 54 |
| Provision adjustments Hot Water Service Warranty (see 2.14) | 264 | 264 |
| Insurance payments (see 2.5) | 45 | - |
| | 425 | 497 |

- (i) SACHA agreed to meet the costs of the Emergency Services Levy on behalf of community housing organisations for the 1999-2000 and 2000-01 financial years, pending a review of the adequacy of the current level of operating levies.
- (ii) Legislation makes it compulsory for householders to install smoke detectors in their properties. SACHA contributed 50 percent towards the costs of CHOs installing these devices in their houses.

| 8. Profit on Sale of Properties | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Sale proceeds | 3 580 | 2 107 |
| Debenture/Mortgage Value and Settlement Costs | (3 474) | (2 105) |
| | 106 | 2 |

9. Borrowing Costs

| | | |
|---|---------------|--------------|
| Gross borrowing costs on debt ⁽ⁱ⁾ | 8 283 | 8 226 |
| Loan indexation expense ⁽ⁱⁱ⁾ (see Note 2.7) | 2 064 | 611 |
| Capital Indexed Bond expense ⁽ⁱⁱⁱ⁾ (see Note 2.15) | 12 | 5 |
| Amount included as net borrowing costs | 10 359 | 8 842 |

- (i) Refer to Note 19 for details of loans.
- (ii) These loans are indexed in line with movements in the Consumer Price Index (CPI). The increase in this expense line is attributed to the introduction of the GST, which resulted in a significant increase in the September 2000 CPI quarterly movement.
- (iii) This bond is indexed in line with movements in the capital value of the completed joint venture project with the Adelaide Central Mission.

| 10. Interest and Sundry Income | 2001 | 2000 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Interest | 1 036 | 1 021 |
| Managed short term leases ⁽ⁱ⁾ | 9 | 28 |
| | 1 045 | 1 049 |

- (i) A small number of properties have been returned to SACHA from Community Housing Organisations which considered them surplus to their requirements. These properties have been leased on the private rental market in the short term, pending assessment of their future suitability for the program.

| 11. Government Revenues (Grants) | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| CSHA - Commonwealth ⁽ⁱ⁾ | 8 539 | 9 174 |
| CSHA - State matching ⁽ⁱ⁾ | 4 269 | 4 626 |
| CSHA grants purchase of SAHT properties ⁽ⁱⁱ⁾ | 11 066 | 8 181 |
| CHP grants ⁽ⁱⁱⁱ⁾ | 5 017 | 5 054 |
| Other State grants | 3 800 | 3 200 |
| Total | 32 691 | 30 235 |

- (i) Refers to the Commonwealth/State Housing Agreement.
- (ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to SACHA for the purpose of acquiring South Australian Housing Trust properties at market value.
- (iii) Refers to a tied program under the Commonwealth/State Housing Agreement entitled the Community Housing Program.

| | | |
|--|----------------|----------------|
| 12. Asset Revaluation Reserve | 2001 | 2000 |
| | \$'000 | \$'000 |
| Opening asset revaluation reserve | - | - |
| Movements during the year: | | |
| Increments (decrements) arising from the transfer of properties (held at Valuer-General's capital values) between SACHA to community housing organisations | 139 | (95) |
| Increments (decrements) arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2001 | - | 33 |
| Recovery of previous years decrement expensed | (52) | - |
| Balance expensed through Statement of Financial Performance | - | 52 |
| Net Increase (Decrease) in asset revaluation reserve arising from revaluation | <u>87</u> | <u>(10)</u> |
| Transfer from (to) accumulated surplus on sale of properties | <u>(87)</u> | <u>(10)</u> |
| Closing Asset Revaluation Reserve | - | - |
| 13. Hot Water Service Warranty Provision | | |
| Opening hot water service warranty provision (See Note 2.14) | 290 | 55 |
| Movements during the year: | | |
| Increments arising from transfers to the provision | 264 | 264 |
| Decrements arising from actual claims against the provision | (50) | (29) |
| | <u>504</u> | <u>290</u> |
| 14. Debenture Indexation Reserve | | |
| Opening Debenture Indexation Reserve | 7 591 | 383 |
| Movements during the year: | | |
| Increments (decrements) arising from debentures substituted at Valuer-General's capital values for the historical cost of loans to individual community housing organisations | (5 932) | (2 806) |
| Increments (decrements) arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2001 | 16 428 | 10 012 |
| Net increase in Debenture Indexation Reserve arising from revaluation | 10 496 | 7 206 |
| Transfer from (to) Accumulated Surplus on sale of properties | (58) | 2 |
| Closing Debenture Indexation Reserve | <u>18 029</u> | <u>7 591</u> |
| 15. Receivables | | |
| Receivables ⁽ⁱ⁾ | 1 291 | 760 |
| Less: Provision for doubtful debts | 115 | 115 |
| | <u>1 176</u> | <u>645</u> |
| Accrued grant funding from DHS ⁽ⁱⁱ⁾ | 9 247 | - |
| Prepayments ⁽ⁱⁱⁱ⁾ | 7 | - |
| | <u>10 430</u> | <u>645</u> |
| (i) Receivables include capital contributions from Community Housing Organisations relating to June and payable in July, arrears in capital contributions, accrued bank interest and GST recoverable on trade creditors. | | |
| (ii) Capital grant funding for the financial year ended 30 June 2001 was received from the Department of Human Services in July 2001 but has been accrued in June 2001. | | |
| (iii) Refers to the prepayment of insurance premiums to the SA Government Insurance Corporation for the 2001-02 financial year. | | |
| 16. Funding to Housing Organisations | 2001 | 2000 |
| | \$'000 | \$'000 |
| Debentures with community housing organisations (at Valuer-General's capital values) ⁽ⁱ⁾ | 269 465 | 229 186 |
| Less: Equity shares (see Note 2.6) | 591 | 411 |
| Net debentures | <u>268 874</u> | <u>228 775</u> |
| Loans to community housing organisations (at cost) ⁽ⁱⁱ⁾ | 14 646 | 13 598 |
| Joint Venture loans | - | 2 468 |
| Housing Association mortgages ⁽ⁱⁱⁱ⁾ | 59 | 59 |
| | <u>283 579</u> | <u>244 900</u> |

Assets of the Authority are not held to generate income but to provide housing for Community Housing Organisation members and as such their value does not reflect the yield to the Authority from those assets.

(i) *Debentures*
On completion and tenancing of their properties, individual Community Housing Organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

The Authority recognises that the debentures issued by Community Housing Organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further, the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual Community Housing Organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge Community Housing Organisations' debentures.

- (a) **New Debentures**
When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and where this is not available, the lower of the Valuer-General's market valuation or total project cost is used.
- (b) **Discharge of Debentures**
When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.

(ii) **Loans to Community Housing Organisations**

The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by Community Housing Organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and Community Housing Organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of Community Housing Organisations' properties to secure the Authority's interest in the property.

(iii) **Housing Association Mortgages**

The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program. Negotiations are underway with this group to replace the mortgage with a debenture and funding agreement between the parties.

| | | |
|---|---------------|---------------|
| 17. Payables | 2001 | 2000 |
| | \$'000 | \$'000 |
| Trade creditors | 792 | 1 206 |
| Amount payable to the Department of Human Services relating to staff leave provisions and on costs ⁽ⁱ⁾ | 127 | 73 |
| Accrued interest payable to SA Government Financing Authority | 740 | 729 |
| GST payable ⁽ⁱⁱ⁾ | 1 936 | - |
| Other expenses accrued | 104 | 142 |
| | 3 699 | 2 150 |

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.

(ii) This amount represents SACHA's estimate of the liability payable to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations during the financial year. The amount is subject to final assessment by the Australian Taxation Office. A significant proportion of this liability is expected to be recovered through Community Housing Organisations during 2001-02.

| | | |
|--|---------------|---------------|
| 18. Property and Equipment | 2001 | 2000 |
| (a) Property | \$'000 | \$'000 |
| Houses formerly belonging to community housing organisations (at Valuer-General's capital values) but surplus to their requirements ⁽ⁱ⁾ | 1 095 | 1 282 |
| Community housing work-in-progress projects (at cost) ⁽ⁱⁱ⁾ | 14 172 | 11 006 |
| | 15 267 | 12 288 |
| (b) Office and Computer Equipment | | |
| Office and computer equipment (at cost) | 168 | 201 |
| Accumulated depreciation | (78) | (81) |
| | 90 | 120 |
| Total Property and Equipment | 15 357 | 12 408 |

(i) The Authority holds properties which were acquired by Community Housing Organisations but which are no longer required by the original owner. The properties will be offered to other Community Housing Organisations or, if not required, will be sold.

(ii) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to Community Housing Organisations.

| | | | |
|--|----------------|----------------|---------------------------|
| 19. Loans | 30 June 2001 | | |
| (a) Loans from the South Australian Government Financing Authority (SAFA) | Interest Rates | Book Value | Fair Value ⁽ⁱ⁾ |
| | Percent | \$'000 | \$'000 |
| Maturity Date | | | |
| Medium to Long Term Interest Only Debt | | | |
| 15 January 2003 | 5.615 | 15 100 | 15 328 |
| 15 September 2006 | 7.545 | 10 000 | 10 661 |
| 15 October 2007 | 6.205 | 7 000 | 7 071 |
| 28 October 2007 | 6.535 | 10 000 | 10 281 |
| 15 September 2009 | 7.025 | 14 217 | 14 900 |
| 15 March 2010 | 7.295 | 10 000 | 10 669 |
| 20 December 2010 | 6.080 | 10 000 | 9 801 |
| Average Weighted Cost | 6.59 | 76 317 | 78 711 |
| Capital Indexed Debt | | | |
| 20 August 2002 | 6.00 | 36 574 | 37 855 |
| Total | 6.40 | 112 891 | 116 566 |
| Plus Treasury Guarantee Fee | 0.75 | | |
| Total Weighted Cost | 7.15 | | |

(b) Loans from HomeStart Finance

| Maturity Date | Interest Rates | Book Value | Fair Value ⁽ⁱ⁾ |
|--------------------|----------------|----------------|---------------------------|
| 30 November 2005 | Percent | \$'000 | \$'000 |
| | 6.470 | 5 898 | 5 898 |
| Total | 6.470 | 5 898 | 5 898 |
| GRAND TOTAL | 7.11 | 118 789 | 122 464 |

(i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity. Loans to the Authority from HomeStart Finance are at floating rates which are equivalent to market rates. Consequently the fair value of the HomeStart loans is considered to be the face value.

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

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from SAFA that comprise the major part of the Authority's debt. Funding arrangements relevant to interest rate risk are set out in Note 9. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

| | Weighted Average Interest Rate | Floating Interest Rate | 30 June 2001 | | | Non-Interest Bearing | 2001 Total |
|----------------------------------|--------------------------------|------------------------|----------------------------|--------------|-------------------|----------------------|------------|
| | | | Fixed Interest Maturing in | | | | |
| | | | Less than 1 year | 1 to 5 years | More than 5 years | | |
| Financial Assets: | Percent | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Cash | 5.02 | 10 552 | - | - | - | 10 552 | |
| Receivables | - | - | - | - | - | 10 430 | |
| Funding to housing Organisations | 2.13 | - | - | - | 283 579 | - | |
| | | 10 552 | - | - | 283 579 | 10 430 | |
| Financial Liabilities: | | | | | | | |
| Loans from SAFA | 7.15 | - | - | 51 674 | 61 217 | - | |
| Loans from HomeStart Finance | 6.47 | 5 898 | - | - | - | - | |
| Trade creditors | - | - | - | - | - | 3 699 | |
| | | 5 898 | - | 51 674 | 61 217 | 3 699 | |

| | Weighted Average Interest Rate | Floating Interest Rate | 30 June 2000 | | | Non-Interest Bearing | 2000 Total |
|----------------------------------|--------------------------------|------------------------|----------------------------|--------------|-------------------|----------------------|------------|
| | | | Fixed Interest Maturing in | | | | |
| | | | Less than 1 year | 1 to 5 years | More than 5 years | | |
| Financial Assets: | Percent | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Cash | 4.67 | 25 104 | - | - | - | 25 104 | |
| Receivables | - | - | - | - | - | 645 | |
| Funding to housing Organisations | 2.25 | - | - | - | 244 900 | - | |
| | | 25 104 | - | - | 244 900 | 645 | |
| Financial Liabilities: | | | | | | | |
| Loans from SAFA | 7.34 | - | 10 000 | 49 822 | 51 217 | - | |
| Loans from HomeStart Finance | 6.37 | 5 555 | - | - | - | - | |
| Trade creditors | - | - | - | - | - | 2 150 | |
| | | 5 555 | 10 000 | 49 822 | 51 217 | 2 150 | |

(b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from Community Housing Organisations as agreed. The credit risk on financial assets is recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

(c) Consumer Price Index Risk

The Authority is exposed to risks associated with increases in the Consumer Price Index that result in increases in the Capital Indexed Debt. (See Note 2.7 and Note 9).

(d) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 19 in relation to loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

| | 2001 | | 2000 | |
|----------------------------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets: | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 10 552 | 10 552 | 25 104 | 25 104 |
| Receivables | 10 430 | 10 430 | 645 | 645 |
| Funding to housing organisations | 283 579 | 283 579 | 244 900 | 244 900 |
| | 304 561 | 304 561 | 270 649 | 270 649 |
| Financial Liabilities: | | | | |
| Loans from SAFA | 112 891 | 116 566 | 111 039 | 114 717 |
| Loans from HomeStart Finance | 5 898 | 5 898 | 5 555 | 5 555 |
| Trade creditors | 3 699 | 3 699 | 2 150 | 2 150 |
| | 122 488 | 126 163 | 118 744 | 122 422 |

21. Reconciliation of Cash

During the reporting year cash transactions for the Authority were transacted through the Authority's Co-operative Housing Development Fund account. A lump sum of \$10 million is on deposit at call with SAFA in a Cash Management Fund, to maximise interest received on committed but incomplete capital projects.

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

| | 2001 \$'000 | 2000 \$'000 |
|--|----------------|----------------|
| Cash held in Co-operative Housing Development Fund | 551 | 15 103 |
| Cash held in SAFA Cash Management Fund | 10 000 | 10 000 |
| Cash on hand | 1 | 1 |
| | <u>10 552</u> | <u>25 104</u> |

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

| | | |
|--|---------------|--------------|
| Net cash provided by operating activities | 4 796 | 15 285 |
| Adjustments: | | |
| Government revenues | (21 625) | (22 054) |
| Premium on indexed loan | 212 | 212 |
| Depreciation | (37) | (22) |
| Decrement on revaluation | - | (52) |
| Recovery on revaluation | 52 | - |
| Provision adjustment Hot Water Service Warranty | (264) | (264) |
| Staff cost recoveries | 242 | 354 |
| Profit (loss) on sale of properties | 106 | 2 |
| Bond indexation | (12) | (5) |
| Loan indexation | (2 064) | (611) |
| Change in assets and liabilities: | | |
| Increase in receivables - Trade and other debtors ⁽ⁱ⁾ | 9 785 | 117 |
| (Increase) in trade creditors and accruals | (1 549) | (312) |
| Net Cost of Services | <u>10 358</u> | <u>7 350</u> |

(i) Included capital grant funding of \$9.247 million (refer Note 15)

23. Accumulated Surplus

| | | |
|--|----------------|----------------|
| Opening balance | 156 262 | 133 389 |
| Transfers from (to) asset revaluation reserve | 87 | (10) |
| Transfers from (to) debenture indexation reserve | 58 | (2) |
| Surplus for the year | 22 333 | 22 885 |
| Closing Balance | <u>178 740</u> | <u>156 262</u> |

24. Capital and Leasing Commitments**Operating Lease Commitments**

Obligations under non-cancellable leases for which no provision has been made.

| | | |
|---------------------------------|------------|------------|
| Payable not later than one year | <u>248</u> | <u>234</u> |
|---------------------------------|------------|------------|

Loans for Capital Expenditure Projects

Obligations under loan approvals for advances to individual community housing organisations for approved new-build and spot purchase projects in progress.

| | | |
|---------------------------------|---------------|---------------|
| Payable not later than one year | <u>15 072</u> | <u>29 102</u> |
|---------------------------------|---------------|---------------|

| | | |
|--|---------------|---------------|
| Total Capital and Leasing Commitments | <u>15 320</u> | <u>29 336</u> |
|--|---------------|---------------|

25. Executive Remuneration

No officers of the Authority received remuneration of over \$100 000 in the current financial year.

26. Remuneration of Board Members and Related Party Transactions

The Board of the Authority comprises seven members. These members are:

| Board Member | Term of Office |
|-------------------------|-------------------------------|
| B J Burgan, Chairperson | July 2000 - August 2000 |
| K F Kelly, Chairperson | September 2000 - June 2001 |
| A E Moore | July 2000 - March 2001 |
| P R Coidan | April 2001 - June 2001 |
| P J Martin | July 2000 - March 2001 |
| D R Lee | April 2001 - June 2001 |
| E M Melhuish | Entire financial year 2000-01 |
| G C Folland | Entire financial year 2000-01 |
| D J Sczesny | Entire financial year 2000-01 |
| B Fischer | Entire financial year 2000-01 |

The number of Board members whose remuneration from the Authority falls within the following bands were:

| | 2001 Number of Members | 2000 Number of Members |
|---------------------|------------------------------|------------------------------|
| Nil | 1 | 1 |
| \$1 - \$9 999 | 9 | 5 |
| \$10 000 - \$19 999 | - | 1 |
| | <u>10</u> | <u>7</u> |

| 26. Remuneration of Board Members and Related Party Transactions (continued) | 2001 | 2000 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Total remuneration received, due or receivable, by the Board members from the Authority | 57 | 57 |

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exception. The Board Member, P R Coidan was an employee of an organisation (Housing Spectrum Inc.) which received grant funding from the Authority.

SOUTH AUSTRALIAN HEALTH COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Health Commission (the Commission) is established and its powers and functions are determined by the *South Australian Health Commission Act 1976*. The Commission is a body corporate. It consists of five members and is under the control and direction of the Minister for Human Services. The Chairman of the Commission is also the Chief Executive of the Department of Human Services.

Amendments to the *South Australian Health Commission Act 1976* and Resulting Changes in the Powers and Functions of the South Australian Health Commission

The powers and functions of the Commission for the year ended 30 June 2001 reflect significant changes from July 2000 following amendments to the *South Australian Health Commission Act 1976*.

In effect the amendments and their operation resulted in the following principal changes from 2000-01:

- Significant functional responsibilities and powers that were previously vested in the Commission in relation to the planning, funding and administration of the health services in this State were conferred on the Minister for Human Services. Pursuant to the amended Act the Minister has delegated certain conferred functions and powers to the Chief Executive of the Department of Human Services.
- Under the amended Act and by proclamation of the Governor the assets, rights, liabilities and obligations of the Commission were vested in the Minister.
- The Department of Human Services assumed from the Commission, both the day to day administration responsibility and the annual financial reporting obligations, associated with the funding and delivery of the State's health services and the assets and liabilities that were vested in the Minister. This is by virtue of the Minister having delegated certain functions and powers to the Chief Executive of the Department of Human Services.

As a result of the significant amendments to the Act the Commission's main functions now involve provision of:

- advice and assistance to the Minister (to the extent determined or requested by the Minister) regarding the performance of functions and the exercise of powers conferred on the Minister under the amended Act;
- assistance and support to the Minister in the promotion, support and investigation of matters relating to public and environmental health or health services within the State.

The Commission must in the exercise of its functions seek to coordinate its activities with the Department of Human Services.

FINANCIAL STATEMENTS OF THE COMMISSION AND AUDIT

Section 25 of the Act requires the Commission to maintain proper accounts of its financial affairs and that the Auditor-General audit the accounts.

Following the amendments to the *South Australian Health Commission Act 1976* the only substantial financial transactions undertaken by the Commission were the transfer of its assets, rights, liabilities and obligations to the Minister and subsequently to the Department. Financial Statements have been prepared for the Commission reflecting the transactions for the year to 30 June 2001 and have been provided to Audit in accordance with requirements of the Act and the *Public Finance and Audit Act 1987*.

Recognising that the only material transactions were the transfer of the Commission's assets, rights, liabilities and obligations through the Minister to the Department the full financial statements have not been included in this Report. A table disclosing the financial details of the material transactions is set out below in the next section of this Report.

The financial activities that were undertaken by the Commission in the past years were undertaken by the Department of Human Services in the year to 30 June 2001. The financial statements of the Department are included elsewhere in this Report and the impact of the transfer of functions from the Commission to the Department are fully discussed in Notes to the Department's Financial Statements.

Before the amendments to the *South Australian Health Commission Act 1976* the Commission had the power to provide directions to Health Services and was consequently required to prepare consolidated financial statements. With the amendments to the Act the power to direct Health Services is explicitly provided to the Minister who has not delegated this power to the Chief Executive of the Department of Human Services. Consequently there is no requirement for the Department to prepare general purpose financial reports which consolidate the financial statements of the individual Incorporated Hospitals, Health Centres and Health Services.

TRANSFER OF COMMISSION ASSETS AND LIABILITIES

The table below, summarises at 1 July 2000, the assets and liabilities of the Commission which were vested in the Minister for Human Services and which came under the administrative control of the Department of Human Services.

South Australian Health Commission Assets and Liabilities Transfer at 1 July 2000

| | 2000 \$'000 |
|--|-----------------|
| CURRENT ASSETS: | |
| Cash | 30 140 |
| Receivables | 32 246 |
| Other | 9 750 |
| Total Current Assets | <u>72 136</u> |
| NON-CURRENT ASSETS: | |
| Receivables | 34 185 |
| Land and improvements | 10 373 |
| Plant and equipment | 983 |
| Total Non-Current Assets | <u>45 542</u> |
| Total Assets | <u>117 678</u> |
| CURRENT LIABILITIES: | |
| Payables | 44 027 |
| Borrowings | 4 |
| Employee entitlements | 190 |
| Provisions | 1 326 |
| Other | 1 062 |
| Total Current Liabilities | <u>46 609</u> |
| NON-CURRENT LIABILITIES: | |
| Payables | 23 557 |
| Borrowings | 28 910 |
| Employee entitlements | 100 |
| Provisions | 58 974 |
| Other | 606 |
| Total Non-Current Liabilities | <u>112 147</u> |
| Total Liabilities | <u>158 756</u> |
| EXCESS OF LIABILITIES OVER ASSETS | <u>(41 078)</u> |
| EQUITY: | |
| Accumulated surplus (deficit) | (41 227) |
| Asset revaluation reserve | 149 |
| TOTAL EQUITY | <u>(41 078)</u> |

UNAUDITED HEALTH SERVICE ACTIVITY AND FINANCIAL TRANSACTION DATA

The section of this report for the Commission has, in the past, presented summary data with respect to activity and financial transactions undertaken by Health Services established pursuant to the *South Australian Health Commission Act 1976*. This information has again been provided in the section of this part of the report relating to the Department of Human Services.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY

The Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. It provides for the continuation of the Trust and for the Trust to continue to undertake, as the principal provider of public housing in the State, the following functions:

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

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 13 to the Trust's financial statements.

SIGNIFICANT FEATURES

- The Trust's Operating Deficit after Tax was \$14.8 million which compares with an Operating Deficit of \$14.2 million last year after adjusting for the \$131.1 million net expense from restructuring.
- The Trust received recurrent grant funding of \$58 million (\$73.8 million) excluding the Tax Equivalent reimbursement \$53.3 million, capital grants of \$1.5 million and a GST compensation payment of \$11.8 million, a reduction of \$15.8 million over the previous year. No grants were received during the year for debt retirement.

AUDIT MANDATE AND COVERAGE

Audit Authority

The *South Australian Housing Trust Act 1995*, subsection 27(2), requires the Trust to keep proper accounting records, and to produce financial statements, in respect of each financial year. Subsection 27(4) of the Act requires the Auditor-General to audit the accounts and financial statements.

The Auditor-General is not the auditor of the Trust's joint ventures but has obtained sufficient information and explanations to rely upon the work of the external auditors as appointed by the joint ventures in accordance with joint venture agreements. Where audited joint venture accounts were not finalised at the time of completing the Trust's financial statements, joint venture management accounts have been relied on, in conjunction with enquiries to the joint venture external auditor.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable audit opinions to be formed with respect to the Trust's financial statements and internal controls.

During 2000-01 specific areas of audit attention included:

- rent raising and recovery
- house sales
- accounts receivable
- maintenance expenditure
- capital expenditure
- systems reconciliation
- accounting for joint ventures.

Systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, including Accounts Payable and Payroll processing, were also reviewed during the year.

Reliance was placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls. Specific areas in which reliance was placed on internal audit work included the activities undertaken at Regional Offices.

Audit Communications to Management

During the year letters communicating issues arising from the audit were forwarded to the Trust and satisfactory responses were received.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Trust is required by the Treasurer's Instructions to implement the Financial Management Framework. The review of controls in operation at the Trust indicate that the prescribed elements of the Financial Management Framework have received adequate attention by the Trust. The following provides an overview of key areas of the Trust's control environment relevant to the Financial Management Framework.

Risk Management

The Trust has established Risk Management programs which continued during the year. A Risk Management Committee comprising senior managers has direct responsibility for oversight of the Risk Management function and is supported by staff from the Department of Human Services' Risk Management group.

During the year the Trust updated its risk management procedures and practices to match the framework and policies adopted by the Department for application throughout the Human Services Portfolio.

Audit Committee and Internal Audit

The Trust Board has an Audit Committee comprising members of the Board and an external adviser. Trust executives, Internal Audit staff and representatives of the Auditor-General attend Audit Committee meetings. The Audit Committee meets on a regular basis to review progress in addressing the Trust's Internal Audit Program, the outcomes of specific reviews completed, action taken with respect to previous findings and other relevant matters which emerge.

Management of the Trust's Internal Audit function is undertaken by Department of Human Services staff under a Service Level Agreement between the Trust and the Department. Specific Internal Audit assignments are performed either by Departmental staff or by external contractors from a panel of approved service providers.

The Trust supplements the work of Internal Audit with a program of self assessments which provides for the checking of processes undertaken by the Trust's regional staff. The self assessment programs cover the core business activities of Public Housing, Private Rental programs and Maintenance with the outcomes of reviews being reported upon to the Audit Committee. The integrity of the self assessments programs is reviewed and reported upon by Internal Audit.

The Trust undertook a review of the self assessment program during 2001 and has developed a range of recommendations to ensure the program appropriately reflects changes to Trust operations since it was implemented in 1998 and to improve its effectiveness.

Public Housing-Rent Rebates

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2001 was \$124.6 million (\$116.7 million) of which \$36.2 million is provided to the Trust as grant funds and the balance represents foregone revenue to the Trust.

The Trust has established policies and procedures which define a tenant's entitlement to and the amount of a rebate. Key determinants are the tenant's household income and the household composition. The process of assessing a tenant's entitlement to a rent rebate involves the tenant providing relevant information to the Trust.

The challenge being addressed by the Trust is verifying information provided by tenants including income and household composition and in obtaining assurance that any change in a tenant's circumstances are advised to the Trust. It is acknowledged that the Trust faces some difficulty in detecting undisclosed income or false details of household composition.

In recent years this report has identified initiatives which address this matter and has reported on action by the Trust to implement the initiatives. The following updated information is provided.

Obtaining Proof of Income

Obtaining proof of income on a periodic basis is considered by Audit to be an important step in confirming tenants' ongoing entitlement to rent rebates.

Arrangements for obtaining proof of income from tenants were reviewed by Audit as part of the evaluation of controls over the Trust's rent management system. Audit concluded the process for obtaining proof of income was sound and recommended the Trust implement formal reporting arrangements to the Audit Committee upon the outcomes of the work performed. The Trust has undertaken to do this.

Home Visits

The Trust undertook a review of the Home Visits program in August 2000. The review supported the continuation of the program and identified a number of recommendations to facilitate and enhance its effectiveness. The primary recommendation was that the objective of the program be clarified to ensure it was seen primarily as an opportunity for the Trust to improve communications with tenants and with an emphasis on improving service to tenants.

Provision of Information by Commonwealth Agencies

A high proportion of Trust tenants and other benefit recipients receive benefits from a Commonwealth agency, Centrelink. As part of Trust processes for verifying these tenants' incomes, and hence their entitlement to rebated rent, the Trust obtains details of the tenants income from Centrelink. Existing processes require provision of documented proof of income by Centrelink to the tenant who then provides that documentation to the Trust.

The Trust, Centrelink and other State Housing Authorities have identified the benefit of automating the exchange of information regarding tenants' income between the Commonwealth and Housing Authorities. Audit understands that there has been ongoing discussion between officers of the State Housing Authorities and Centrelink and that in January 2001 Centrelink had implemented a capability to provide required information to the State Housing Authorities. It is further understood that the Trust will develop its system capacity to use the data provided by the Commonwealth as part of a redevelopment of its Homes system.

Review of Capital Projects

In 1999-2000 Audit reviewed the Trust's arrangements for management and control of Capital Projects. The review identified a concern that the Trust had not obtained required Cabinet approval for capital projects.

In responding to this finding in 1999-2000 the Trust indicated it would seek clarification from the Department of Treasury and Finance as to the practical application of relevant requirements. The Trust has subsequently advised that it has implemented a process of obtaining Cabinet approval as required by the Treasurer's Instructions.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Housing Trust included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer’s Instruction 2 ‘Financial Management Policies’.

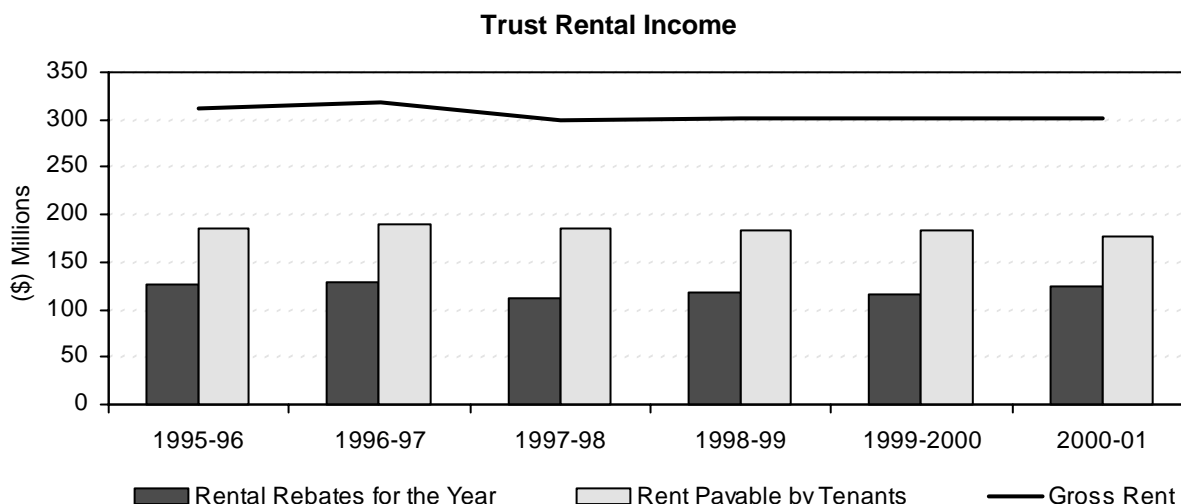
Audit formed the opinion that the controls exercised by the South Australian Housing Trust in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 9388 (9967) applications for tenancies and was able to house 4050 (3793) new tenants during the year. The level of applications received, and new tenants housed, compares to the level of housing stock which was 51 251 (53 310) at 30 June 2001.

The trend identified in previous years, for a higher proportion of Trust tenants to be eligible for reduced rent due to low income continued and, at 30 June 2001, 39 977 (41 998) tenants or 82.4 percent (84 percent) of all tenants were eligible for rent rebates.



Salaries and Related Payments

The number of Department of Human Services’ employees assigned to the Trust at 30 June 2001, expressed as full time equivalents was 624.7 which compares to 622 staff as at 30 June 2000.

Grant Funded Programs

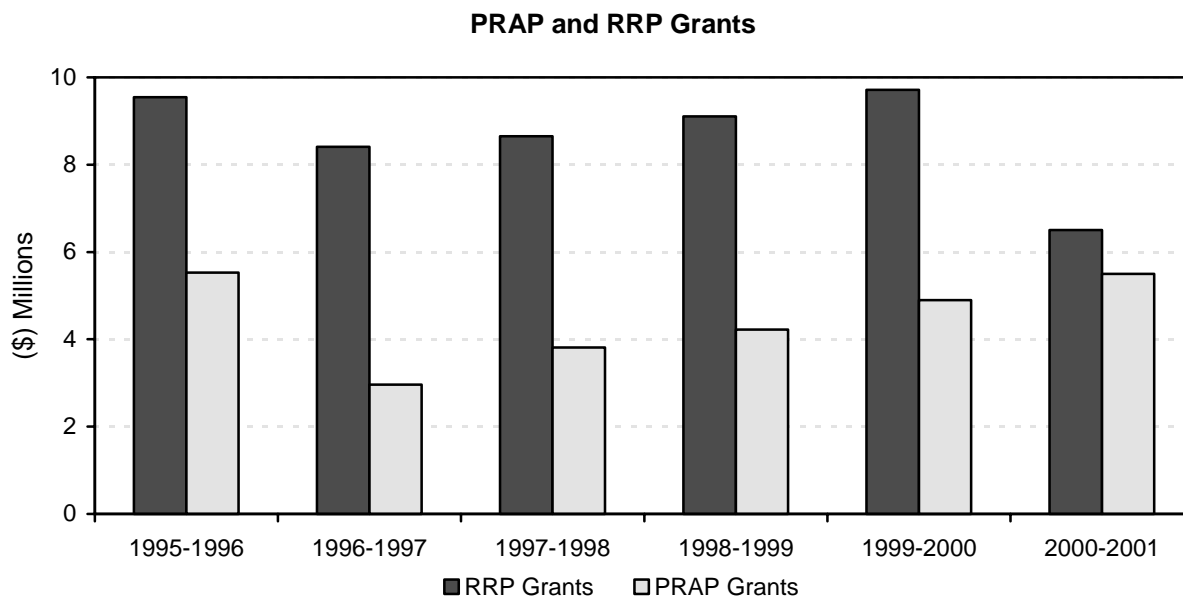
The Trust’s recurrent expenditure with respect to grant-funded programs was \$26.4 million (\$30.3 million) reflecting direct expenditure on the programs of \$14 million (\$18.8 million) and administration costs of \$12.4 million (\$11.5 million).

The overall reduction in the Trust’s expenditure on grant funded programs was principally due to the reduction in expenditure on the Rural and Remote Housing program following the transfer of this program to the Aboriginal Housing Authority in February 2000, reduced expenditure on rent relief following the closure of this program to new claimants, offset by increases in the Private Tenant Support programs.

The Private Tenant Support programs include a bond guarantee scheme which provides for the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust’s contingent liability with respect to Bond Guarantees increased by \$574 000 to \$9.9 million as at 30 June 2001.

Private Tenant Support Programs

The two programs with respect to which the Trust incurs the largest expenditure are the Private Rental Assistance Program (PRAP) and the Rent Relief Program (RRP) which both provide support to tenants who are not placed in Trust accommodation. The following graph shows the changing level of grant funded spending.

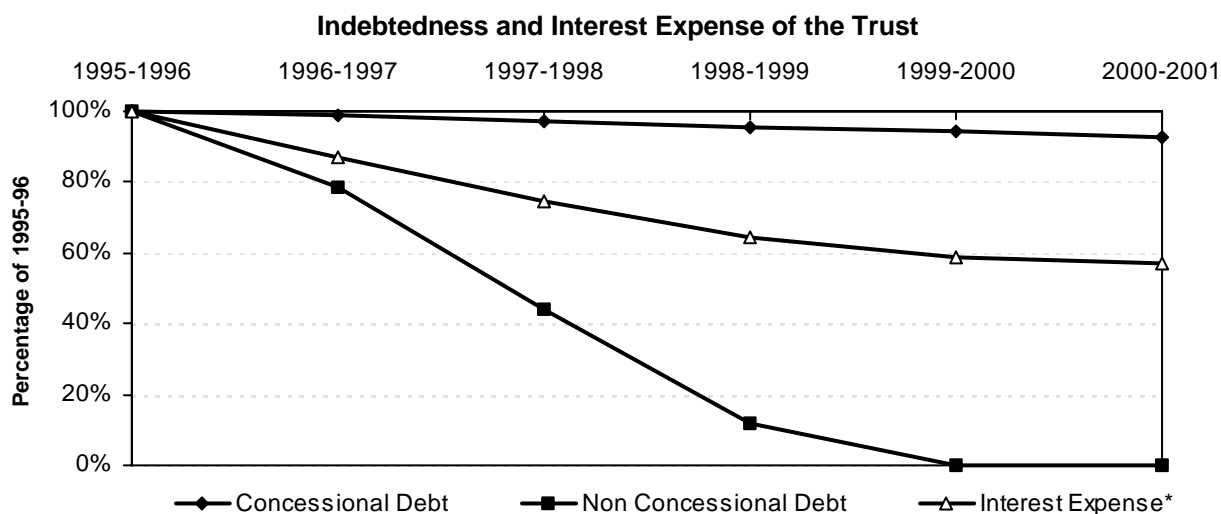


The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by payment to tenants, of amounts up to \$25 per week. The number of recipients of assistance for the year to 30 June 2001 was 5054 (19 881), a significant reduction of 75 percent from the previous year. This material reduction in the number of beneficiaries followed changes to policy which limit entitlement to rent relief.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing a counselling service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses.

Indebtedness

The Trust, in recent years, has sought to reduce its debt funding with an emphasis on repayment of debt which was not advanced at concessional rates. In 1999-2000 the Trust repaid the last of its non concessional debt. The following graph demonstrates the ongoing reduction in Trust indebtedness over the past five years, the significant level of concessional loans received by the Trust in the past, and the impact of reduced indebtedness upon the Trust's interest expense. The base year for calculation of the percentage trend is 1994-95.



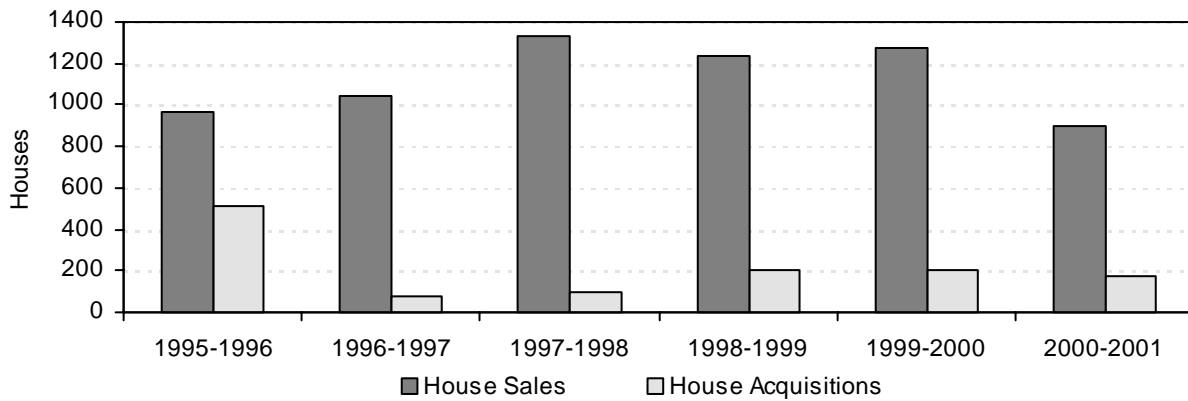
*includes Treasurer's Guarantee Fee

Asset Management

The Trust has responded to changes in demand for housing, the need to quit housing stock which is of inappropriate amenity or involves high levels of maintenance by establishing annual targets for house sales. The following graph depicts the level of house sales and the offsetting acquisitions of houses, over the past five years to demonstrate the net impact of house sales on the level of Trust housing stock. Stock reductions through sales have been supplemented by transferring assets to other State Housing agencies.

As a consequence of adopting this strategy the Trust's housing stocks have fallen from 62 322 dwellings at 30 June 1994 to 51 251 dwellings at 30 June 2001.

The level of sales in the past and in the current year have been significantly influenced by specific developments. In 1995 the Trust sold 333 houses to the Defence Housing Authority and in 2000 transferred 1790 properties to the South Australian Aboriginal Housing Authority.



Statement of Financial Performance for the year ended 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|-------|-----------------|------------------|
| REVENUES FROM ORDINARY ACTIVITIES: | | | |
| Rent | | 176 816 | 184 607 |
| Interest | 4 | 2 280 | 2 392 |
| Recoveries | 5 | 11 320 | 10 326 |
| Sundry | | 3 453 | 3 167 |
| Commonwealth Government | 13 | 46 560 | 45 121 |
| State Government | 13 | 77 961 | 83 976 |
| Superannuation provision adjustment | 21 | 6 661 | - |
| Net revenue from disposal of non-current assets | 12 | 464 | - |
| Total Revenues | | 325 515 | 329 589 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | |
| Staffing costs | 6, 29 | 30 807 | 30 894 |
| Borrowings costs | 7 | 47 257 | 48 565 |
| Maintenance | | 67 543 | 63 015 |
| Council rates and water charges | | 44 327 | 45 168 |
| Land tax equivalent | 2(m) | 52 707 | 51 887 |
| Depreciation | 8 | 38 592 | 37 309 |
| Business service fees | | 15 662 | 15 013 |
| Rent | 9 | 4 453 | 4 027 |
| Insurance | | 3 810 | 3 483 |
| Bad and doubtful debts | 10 | 6 979 | 7 210 |
| Grants | 13 | 14 005 | 18 796 |
| Other | | 14 136 | 13 840 |
| Net expense from disposal of non-current assets | 12 | - | 4 583 |
| Net expense from restructuring | 32 | - | 131 074 |
| Total Expenses | | 340 278 | 474 864 |
| DEFICIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX | | (14 763) | (145 275) |
| Income tax equivalent | 2(m) | - | - |
| DEFICIT FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX | | (14 763) | (145 275) |
| Non-Owner Transaction Changes in Equity: | | | |
| Increase in asset revaluation reserve arising on revaluation of non-current assets | 23 | 106 695 | - |
| Decrement on revaluation of rental dwellings: | | | |
| Transferred to capital work programs | 23 | (13 475) | (11 301) |
| Subject to sale contracts | 23 | (5 072) | (8 151) |
| Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity | | 88 148 | (19 452) |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER | | 73 385 | (164 727) |

Statement of Financial Position as at 30 June 2001

| | Note | 2001 \$'000 | 2000 \$'000 |
|--|--------|------------------|------------------|
| CURRENT ASSETS: | | | |
| Cash | 27(a) | 37 348 | 24 209 |
| Receivables | 15 | 18 440 | 20 709 |
| Inventories | 16 | 37 117 | 46 088 |
| Other current assets | 17 | 262 | 415 |
| Total Current Assets | | 93 167 | 91 421 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 15 | 1 489 | 1 578 |
| Inventories | 16 | 2 581 | 2 546 |
| Property, plant and equipment | 18 | 3 066 540 | 3 017 135 |
| Total Non-Current Assets | | 3 070 610 | 3 021 259 |
| Total Assets | | 3 163 777 | 3 112 680 |
| CURRENT LIABILITIES: | | | |
| Payables | 19 | 15 574 | 14 718 |
| Interest-bearing liabilities | 20 | 15 741 | 15 092 |
| Employee entitlements and other provisions | 21 | 3 621 | 4 142 |
| Other current liabilities | 22 | 7 531 | 9 742 |
| Total Current Liabilities | | 42 467 | 43 694 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 19 | 1 513 | 855 |
| Interest-bearing liabilities | 20 | 831 060 | 846 801 |
| Employee entitlements and other provisions | 21 | 15 981 | 21 680 |
| Other non-current liabilities | 22 | 4 110 | 4 389 |
| Total Non-Current Liabilities | | 852 664 | 873 725 |
| Total Liabilities | | 895 131 | 917 419 |
| NET ASSETS | | 2 268 646 | 2 195 261 |
| EQUITY: | | | |
| Accumulated surplus | 14 | 792 717 | 765 925 |
| Asset revaluation reserve | 23 | 1 475 929 | 1 429 336 |
| TOTAL EQUITY | | 2 268 646 | 2 195 261 |
| Commitments and Contingencies | 25, 26 | | |

Statement of Cash Flows for the year ended 30 June 2001

| | 2001 | 2000 |
|---|-----------------------|-----------------------|
| | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts: | | |
| | Note | |
| Receipts from customers | \$'000 | \$'000 |
| Interest received | 184 581 | 195 891 |
| Income tax equivalents | 2 254 | 2 414 |
| State Government | - | 543 |
| Commonwealth Government | 78 171 | 84 917 |
| Total Receipts | 46 292 | 46 652 |
| Payments: | | |
| Payments to suppliers and employees | (192 887) | (202 274) |
| Finance charges paid | (47 257) | (48 743) |
| Land tax equivalents paid | (52 707) | (51 887) |
| Total Payments | (292 851) | (302 904) |
| Net Cash provided by Operating Activities | 18 447 | 27 513 |
| | 27(b) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Receipts: | | |
| Proceeds from sale of property, plant and equipment | 82 400 | 75 346 |
| Net proceeds from investment mortgage loans | 87 | - |
| Total Receipts | 82 487 | 75 346 |
| Payments: | | |
| Payments for property, plant and equipment | (72 703) | (74 094) |
| Net investment in mortgage loans | - | (18) |
| Total Payments | (72 703) | (74 112) |
| Net Cash provided by Investing Activities | 9 784 | 1 234 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of borrowings | (15 092) | (39 606) |
| Net Cash used in Financing Activities | (15 092) | (39 606) |
| NET INCREASE (DECREASE) IN CASH HELD | 13 139 | (10 859) |
| CASH AT 1 JULY | 24 209 | 35 068 |
| CASH AT 30 JUNE | 37 348 | 24 209 |
| | 27(a) | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Housing Trust (the Trust) is the State's public housing authority. The Trust's role and powers are based on the *South Australian Housing Trust Act 1995* and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Human Services for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement which defines the objectives and responsibilities of both the Minister for Human Services and the Trust. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation of the Financial Statements

The financial statements are a general purpose financial report which have been prepared pursuant to the *South Australian Housing Trust Act 1995* and the *Public Finance and Audit Act 1987* and in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and applicable Accounting Policy Statements. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets that have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated are consistent with those applied in the previous year.

(b) Revenue Recognition

Rental Income

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

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

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

Recoveries

Recoveries for costs on-charged by the Trust are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

(c) Property, Plant and Equipment

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2001 the Trust has no borrowings tied to such projects.

Capital work in progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amounts for capital work in progress have been projected to completion and compared with external market value on completion. Any estimated over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

The Trust has a policy that all land and buildings are to be revalued annually. Up to 30 June 1999 the revaluation was carried out at each respective 30 June, however for this year the revaluation was conducted at 31 October 2000 and will continue to be conducted annually at 31 October thereafter. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non Current Assets'. In accordance with this changed policy the carrying amount of Rental Properties, Administrative Properties and Vacant Land reflect the Valuer-General's values (for rating purposes) issued as at 1 July 2000.

Plant and equipment is carried at cost.

(d) Inventories

At 31 October 2000 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- for Vacant Land, the Valuer-General's value (for rating purposes) issued as at 1 July 2000.
- for Houses and Developed Land, the value as per current sale prices.

Capital work in progress included in Inventories reflects developments intended for sale and has been written down to the net present value of the projected cash flows to the Trust. The write down has been adjusted, first against the available Asset Revaluation Reserve, with the excess being expensed.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment, other than rental dwellings are depreciated over their estimated useful life using the straight-line basis.

Major depreciation periods are:

| | |
|---------------------------|-------------|
| Rental properties | Years 50 |
| Administrative properties | 18-75 |
| Plant and equipment | 3-10 |

(f) Leased Plant and Equipment

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

As at 30 June 2001 the Trust has no finance leases.

(g) Joint Ventures

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Statement of Financial Performance and are detailed in Note 24.

(h) Employee Entitlements, as Staffing Costs

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlement of departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (eight) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Operating Statement as they were incurred.

(i) Superannuation

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

(i) **Superannuation (continued)**

Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

During the year the Trust has provided for employer superannuation contributions at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The carried forward provision is indexed annually and subject to annual payment such that it will be extinguished by 31 December 2025.

An actuarial review of the superannuation liabilities of the Trust as at 30 June 2000 has been completed by the consulting actuaries Brett & Watson Pty Ltd. The provision for superannuation, as recommended in their report, has been recognised in the accounts as at 30 June 2001. Refer Note 21 for further details.

(j) **Insurance**

The Trust is party to an agency agreement with SAICORP (South Australian Government Captive Insurance Corporation) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

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

Insurance Provisions

The provision for Rental Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date or where properties have not been repaired and may be sold in a damaged condition.

The provision for Rental Purchase and Sale Under Agreement properties includes estimates for future claim payments for claims incurred but not reported at balance date.

The provision for Public Liability claims includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claim payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

The provision for Professional Indemnity Claims includes estimates of future claims payable for claims incurred but not reported at balance date.

(k) **Provisions**

Doubtful Debts

Specific provision has been made for doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised.

Payroll Tax on Employee Entitlements

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Audit Fees

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit.

(l) **Unearned Revenue**

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

(m) **Tax Status**

The activities of the Trust are exempt from the Commonwealth's Income Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax and Goods and Services Tax (GST). The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as Payroll Tax are applicable.

The Trust is part of a GST group. The nominated representative of the GST group, the Department of Human Services, is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences incurred/earned by the Trust. The reimbursement receivable from/payable to the nominated representative of the GST group have been recognised as a receivable/payable in the Statement of Financial Position.

(m) Tax Status (continued)

The Trust is subject to the Tax Equivalent Regime (TER) administered by the Department of Treasury and Finance. The application of the TER requires the Trust to pay to the Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty, Financial Institutions Duty and Debits Taxes were applicable. Currently all amounts paid to the Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 34 percent of relevant Operating Profit.

(n) Rounding

Unless otherwise shown in the accounts, amounts are expressed in Australian currency and have been rounded to the nearest one thousand dollars.

(o) Administered Items, Controlled Entities, Subsidiaries and Trust Funds

The Trust does not administer any revenues, expenses, assets or liabilities controlled by the South Australian Government or another South Australian Government Agency, nor does it have an administrative role, ownership or control in any other entity, subsidiary or trust fund.

3. Statement of Outputs

The following is a summary of the Trust's outputs:

Community Support and Development

Support for community activities and networks that develop caring and cohesive communities, including liaison with Government, Local Government, and community organisations in the development and regeneration of urban environments and maintaining and improving private rental housing standards.

Environmental Health Management

Promotion of proper standards of environmental health and includes the management of hazardous substances.

Private Rental Assistance

The provision of rent relief payments, rent in advance/arrears payments, bond guarantees, and referral and advice.

Public Housing

Management of public housing assets and tenancies, including needs assessment, case management and individual support for households with complex needs, including disability, homelessness, children and families at risk, frail aged, youth and mental health and domestic violence issues.

Crisis Accommodation

Funding for the expansion and upgrading of properties which are used by community organisations to provide emergency accommodation for homeless people or those at risk of homelessness.

Net Allocated Expenses

The cost of goods and services indirectly contributing to the provision of the Trust's outputs, which have been allocated to the output through the 'other' expenditure category.

| 3. Schedule of Outputs | 2001 | | | | | | 2001 Total \$'000 | 2000 Total \$'000 |
|---|---|---|---|-----------------------------|----------------------------|--------------------------------|-------------------------|-------------------------|
| | Community Support and Development \$'000 | Environmental Health Management \$'000 | Private Rental Assistance \$'000 | Public Housing \$'000 | Crisis Accomm \$'000 | Reconciling Items \$'000 | | |
| REVENUES FROM ORDINARY ACTIVITIES: | | | | | | | | |
| Gross rents | 79 | - | - | 301 335 | - | 17 | 301 431 | 301 268 |
| Less: Rental rebates | - | - | - | 124 615 | - | - | 124 615 | 116 661 |
| Rents payable by tenants | 79 | - | - | 176 720 | - | 17 | 176 816 | 184 607 |
| Interest | 41 | - | - | 40 | - | 2 199 | 2 280 | 2 392 |
| Recoveries | 339 | - | 3 190 | 6 552 | - | 1 239 | 11 320 | 10 326 |
| Sundry | 199 | - | 2 089 | 529 | - | 636 | 3 453 | 3 167 |
| Commonwealth Government | - | - | 12 236 | 31 772 | 2 552 | - | 46 560 | 45 121 |
| State Government | 1 052 | - | 6 118 | 70 439 | - | 352 | 77 961 | 83 976 |
| Superannuation provision adjustment | - | - | - | 6 661 | - | - | 6 661 | - |
| Net revenue from disposal of non-current assets | (1 247) | - | - | 2 556 | - | (845) | 464 | - |
| Total Revenues | 463 | - | 23 633 | 295 269 | 2 552 | 3 598 | 325 515 | 329 589 |
| EXPENSES FROM ORDINARY ACTIVITIES: | | | | | | | | |
| Staffing costs | 2 492 | 80 | 4 308 | 23 603 | 324 | - | 30 807 | 30 894 |
| Borrowing costs | 4 | - | - | 44 997 | - | 2 256 | 47 257 | 48 565 |
| Maintenance | - | 214 | - | 67 226 | - | 103 | 67 543 | 63 015 |
| Council rates and water charges | - | - | - | 44 087 | - | 240 | 44 327 | 45 168 |
| Land tax equivalents | - | - | - | 52 707 | - | - | 52 707 | 51 887 |
| Depreciation | 15 | - | - | 34 939 | - | 3 638 | 38 592 | 37 309 |
| Business services fees | 1 313 | 33 | 2 645 | 11 496 | 175 | - | 15 662 | 15 013 |
| Rent | 31 | - | - | 1 009 | - | 3 413 | 4 453 | 4 027 |
| Insurance | - | - | - | 3 800 | - | 10 | 3 810 | 3 483 |
| Bad and doubtful debts | - | - | 2 563 | 4 416 | - | - | 6 979 | 7 210 |
| Grants | - | - | 12 133 | 320 | 1 552 | - | 14 005 | 18 796 |
| Other | 5 563 | 25 | 1 984 | 12 528 | 98 | (6 062) | 14 136 | 13 840 |
| Net expense from disposal of non-current assets | - | - | - | - | - | - | - | 4 583 |
| Net expense from restructuring | - | - | - | - | - | - | - | 131 074 |
| Total Expenses | 9 418 | 352 | 23 633 | 301 128 | 2 149 | 3 598 | 340 278 | 474 864 |
| Surplus (Deficit) from Ordinary Activities before Income Tax | (8 955) | (352) | - | (5 859) | 403 | - | (14 763) | (145 275) |
| Income Tax Equivalent | - | - | - | - | - | - | - | - |
| Surplus (Deficit) from Ordinary Activities after Tax | (8 955) | (352) | - | (5 859) | 403 | - | (14 763) | (145 275) |

| | | | | | | |
|---|---------------|--------|---------------|----------------|-------------------|---------|
| 4. Interest Income | | | | | | |
| Interest received or due and receivable: | | | | 2001 | | 2000 |
| Treasury deposit account | | | | \$'000 | | \$'000 |
| Customers | | | | 2 240 | | 2 311 |
| | | | | 40 | | 81 |
| | | | | 2 280 | | 2 392 |
| 5. Recoveries | | | | | | |
| Grant Program receipts | | | | 3 524 | | 3 547 |
| Maintenance | | | | 3 081 | | 3 003 |
| Water charges | | | | 2 374 | | 2 128 |
| Administrative services to other agencies | | | | 2 341 | | 1 648 |
| | | | | 11 320 | | 10 326 |
| 6. Staffing Costs | | | | | | |
| Salaries and wages | | | | 26 299 | | 25 383 |
| Long service leave | | | | 1 071 | | 1 111 |
| Superannuation | | | | 3 157 | | 2 919 |
| Other salary related expenses | | | | 2 830 | | 2 546 |
| | | | | 33 357 | | 31 959 |
| Charged to capital program | | | | (2 550) | | (1 065) |
| | | | | 30 807 | | 30 894 |
| 7. Borrowing Costs | | | | | | |
| Interest on borrowings | | | | 38 596 | | 40 273 |
| Treasurer's guarantee fee | | | | 6 401 | | 6 615 |
| Interest accrued against provision for superannuation | | | | 2 252 | | 1 672 |
| Bank fees | | | | 8 | | 5 |
| | | | | 47 257 | | 48 565 |
| 8. Depreciation | | | | | | |
| Rental houses and flats | | | | 34 939 | | 36 116 |
| Administrative properties - Buildings | | | | 62 | | 62 |
| - Leasehold improvements | | | | 135 | | 159 |
| Plant and equipment | | | | 131 | | 140 |
| Computer systems development | | | | 3 325 | | 832 |
| | | | | 38 592 | | 37 309 |
| 9. Rent | | | | | | |
| Lease rental expense - Administrative properties | | | | 3 445 | | 3 010 |
| - Rental properties | | | | 1 008 | | 1 017 |
| | | | | 4 453 | | 4 027 |
| 10. Bad and Doubtful Debts | | | | | | |
| Bad debts written off | | | | 4 824 | | 5 999 |
| Provision for doubtful debts | | | | 2 155 | | 1 211 |
| | | | | 6 979 | | 7 210 |
| 11. Specific Disclosures | | | | | | |
| Includes the following specific items: | | | | | | |
| Variances on Capital Works Program | | | | 27 | | 746 |
| Increment on revaluation of vacant land property | | | | (1 342) | | - |
| Increment (prior revaluations) on real property inventories | | | | (389) | | - |
| Consultant services | | | | 299 | | 248 |
| Auditor-General's audit fees | | | | 242 | | 180 |
| 12. Disposal of Non-Current Assets | | | | | | |
| | Sale Proceeds | | Cost of Sales | | (Deficit) Surplus | |
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Rental properties* | 58 575 | 54 326 | 57 159 | 57 771 | 1 416 | (3 445) |
| Projects | 22 565 | 14 247 | 23 978 | 18 182 | (1 413) | (3 935) |
| Joint Ventures | 194 | 931 | 78 | 677 | 116 | 254 |
| Inventory vacant land | 940 | 4 190 | 595 | 1 647 | 345 | 2 543 |
| | 82 274 | 73 694 | 81 810 | 78 277 | 464 | (4 583) |

* The cost of sales comprise the Valuer-General's property valuations, costs of separating services and titles in respect of double units sold, marketing and agent fees. In establishing the property value the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

| 13. Grants | Revenue | | | Expenditure | | | |
|--------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | CWth Grants | State Grants | Other Revenue | 2001 Total | Admin Costs | Grants Costs | 2001 Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Crisis Accommodation | 1 552 | - | - | 1 552 | - | 1 552 | 1 552 |
| Housing Improvement and Rent Control | - | 596 | 340 | 936 | 936 | - | 936 |
| Private Rental Assistance Program | 7 057 | 3 361 | 5 121 | 15 539 | 9 955 | 5 584 | 15 539 |
| Rent Relief | 5 179 | 2 757 | 158 | 8 094 | 1 545 | 6 549 | 8 094 |
| Social Housing Subsidy | - | 320 | - | 320 | - | 320 | 320 |
| Total 2001 | 13 788 | 7 034 | 5 619 | 26 441 | 12 436 | 14 005 | 26 441 |
| Total 2000 | 17 729 | 7 131 | 5 417 | 30 277 | 11 509 | 18 796 | 30 305 |

| Grant Revenue Comprises: | 2001 | | | 2000 | | |
|----------------------------------|---------------|---------------|----------------|-------------|--------------|--------------|
| | CWth \$'000 | State \$'000 | Total \$'000 | CWth \$'000 | State \$'000 | Total \$'000 |
| Grant funded programs (as above) | 13 788 | 7 034 | 20 822 | 17 729 | 7 131 | 24 860 |
| Rebate subsidy grant | 22 951 | 13 255 | 36 206 | 25 335 | 17 914 | 43 249 |
| Tax Equivalent Reimbursement | - | 53 280 | 53 280 | - | 53 100 | 53 100 |
| GST compensation | 8 821 | 2 977 | 11 798 | - | - | - |
| Administration subsidy | - | 959 | 959 | - | 4 196 | 4 196 |
| Capital programs | 1 000 | 456 | 1 456 | 2 057 | 109 | 2 166 |
| Appropriation | - | - | - | - | 1 526 | 1 526 |
| | 46 560 | 77 961 | 124 521 | 45 121 | 83 976 | 129 097 |

| 14. Accumulated Surplus Reconciliation | 2001 \$'000 | 2000 \$'000 |
|--|----------------|----------------|
| Balance at 1 July 2000 | 765 925 | 841 598 |
| Operating surplus (deficit) after income tax | (14 763) | (145 275) |
| Transfer to accumulated surplus: | | |
| Reserve on assets transferred to South Australian Aboriginal Housing Authority | - | 30 766 |
| Increment realised on sale of freehold land and buildings | 41 555 | 38 836 |
| Balance at 30 June 2001 | 792 717 | 765 925 |

| 15. Receivables | 2001 \$'000 | 2000 \$'000 |
|---|-------------|-------------|
| Current Assets: | | |
| Debtors | 18 160 | 19 932 |
| Provision for doubtful debts | (2 421) | (1 964) |
| | 15 739 | 17 968 |
| Interest | 248 | 222 |
| Grants - Tax equivalent reimbursement | 56 | 319 |
| - Other programs | 2 193 | 1 872 |
| | 2 497 | 2 413 |
| Residential mortgage and sale under agreement loans | 204 | 328 |
| | 204 | 328 |
| | 18 440 | 20 709 |
| Non-Current Assets: | | |
| Mortgage and sale under agreement loans: | | |
| Residential housing | 1 601 | 1618 |
| Provision for doubtful debts | (112) | (40) |
| | 1 489 | 1 578 |

| 16. Inventories | 2001 \$'000 | 2000 \$'000 |
|--------------------------|-------------|-------------|
| Current Assets: | | |
| Stores | 58 | 43 |
| Finished houses | 100 | 713 |
| Developed land | 6 259 | 3 048 |
| Vacant land* | 4 411 | 4 302 |
| | 10 828 | 8 106 |
| Capital work in progress | 26 289 | 37 982 |
| | 37 117 | 46 088 |
| Non-Current Asset: | | |
| Capital work in progress | 2 581 | 2 546 |

* Vacant land does not include \$39 000 (\$41 000) of land transferred to the South Australian Aboriginal Housing Authority under a management agreement with the Trust.

| 17. Other Current Assets | 2001 \$'000 | 2000 \$'000 |
|--------------------------|-------------|-------------|
| Prepayments | 262 | 415 |

| | | |
|---|------------------|-----------|
| 18. Property, Plant and Equipment | 2001 | 2000 |
| Rental properties (dwellings): | \$'000 | \$'000 |
| Freehold land: | | |
| At independent valuation | 1 301 295 | 1 267 403 |
| | 1 301 295 | 1 267 403 |
| Buildings: | | |
| At independent valuation | 1 743 676 | 1 754 632 |
| Accumulated depreciation | (23 262) | (34 905) |
| | 1 720 414 | 1 719 727 |
| Total Rental Properties* | 3 021 709 | 2 987 130 |
| * Includes \$15.335 million (\$15.160 million) for properties subject to lease and management agreements and \$10.385 million (\$10.469 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme. | | |
| Excludes \$164 000 (\$143 000) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust. | | |
| Administrative Properties: | 2001 | 2000 |
| Freehold land: | \$'000 | \$'000 |
| At independent valuation | 731 | 931 |
| | 731 | 931 |
| Buildings: | | |
| At independent valuation | 2 176 | 1 911 |
| Accumulated depreciation | (41) | (61) |
| | 2 135 | 1 850 |
| Leasehold improvements: | | |
| At cost | 1 760 | 1 965 |
| Accumulated amortisation | (623) | (488) |
| | 1 137 | 1 477 |
| Total Administrative Properties | 4 003 | 4 258 |
| Vacant Land (Freehold): | | |
| At independent valuation | 6 303 | 8 226 |
| Total Vacant Land* | 6 303 | 8 226 |
| * Excludes \$180 000 (\$181 000) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust. | | |
| Plant and Equipment: | | |
| Plant and equipment - At cost | 12 | 64 |
| Accumulated depreciation | (12) | (53) |
| | - | 11 |
| Office equipment - At cost | 1 162 | 1 312 |
| Accumulated depreciation | (587) | (689) |
| | 575 | 623 |
| Computer equipment - At cost | 417 | 803 |
| Accumulated depreciation | (394) | (783) |
| | 23 | 20 |
| Computer system development - At cost | 18 046 | 17 410 |
| Accumulated amortisation | (10 596) | (7 271) |
| | 7 450 | 10 139 |
| Total Plant and Equipment | 8 048 | 10 793 |
| Capital Work in Progress: | | |
| Capital work in progress | 26 477 | 6 728 |
| Total Capital Work in Progress | 26 477 | 6 728 |
| Total Property, Plant and Equipment | 3 066 540 | 3 017 135 |
| 19. Payables | | |
| Current Liabilities: | | |
| Creditors | 15 574 | 14 718 |
| | 15 574 | 14 718 |
| Non-Current Liabilities: | | |
| Creditors | 1 513 | 855 |
| | 1 513 | 855 |
| 20. Interest-Bearing Liabilities | | |
| Current Liabilities: | | |
| Borrowings - SA Department of Treasury and Finance | 15 498 | 14 849 |
| Managed Houses Scheme | 243 | 243 |
| | 15 741 | 15 092 |
| Non-Current Liabilities: | | |
| Borrowings - SA Department of Treasury and Finance | 826 142 | 841 640 |
| Managed Houses Scheme | 4 918 | 5 161 |
| | 831 060 | 846 801 |

20. Interest-Bearing Liabilities (continued)

South Australian Department of Treasury and Finance loans consist of Concessional Interest Rate borrowing of \$841.640 million (\$856.489 million) (originally under the Commonwealth/State Housing Agreement) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3 percent to 8 percent (3 percent to 8 percent). The weighted average interest rate is 4.48 percent (4.52 percent).

The Managed Houses Scheme of \$5.161 million (\$5.404 million) under the memorandum of understanding between the Trust and the Treasurer will be amortised against Managed Houses Scheme expenses over the remaining Agreements term.

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur.

| | 2001 | 2000 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Borrowings - Current: | | |
| Not later than one year | 15 741 | 15 092 |
| Borrowings - Non-Current: | | |
| Later than one year but not later than five years | 69 701 | 66 802 |
| Later than five years | 761 359 | 779 999 |
| Total Non-Current Borrowings | 831 060 | 846 801 |
| Total Borrowings | 846 801 | 861 893 |

21. Employee Entitlements and Other Provisions

Current Liabilities:

| | | |
|----------------------|--------------|--------------|
| Workers compensation | 21 | 139 |
| Superannuation | 1 017 | 1 622 |
| | 1 038 | 1 761 |

Other Provisions:

| | | |
|---|--------------|--------------|
| Insurance of rental and purchase agreement properties | 733 | 644 |
| Public risk claims | 1 183 | 1 001 |
| Professional indemnity | 150 | 150 |
| Deferred separation title costs for attached housing | 280 | 486 |
| Audit fees | 237 | 100 |
| | 2 583 | 2 381 |
| | 3 621 | 4 142 |

Non-Current Liabilities:

| | | |
|----------------------|---------------|---------------|
| Workers compensation | 50 | 323 |
| Superannuation | 15 931 | 21 357 |
| | 15 981 | 21 680 |

Superannuation:

An actuarial review of the superannuation liabilities of the Trust as at 30 June 2000 has been completed by the consulting actuaries Brett & Watson Pty Ltd. The provision for superannuation \$16.948 million, as recommended in their report, has been brought to account as at 30 June 2001. The \$6.661 million reduction to the existing provision has been recognised as income. Refer Note 2(i) for further details.

22. Other Current and Non-Current Liabilities

Current Liabilities:

| | | |
|----------------------------|--------------|--------------|
| Unearned revenue | 2 539 | 4 786 |
| Deposits held: | | |
| Tenant deposits held | 1 951 | 1 962 |
| Sale deposits held | 3 041 | 2 994 |
| | 4 992 | 4 956 |
| Total Other-Current | 7 531 | 9 742 |

Non-Current Liability:

| | | |
|------------------|-------|-------|
| Unearned revenue | 4 110 | 4 389 |
|------------------|-------|-------|

23. Asset Revaluation Reserve

| | | |
|--|------------------|------------------|
| Balance at 1 July 2000 | 1 429 336 | 1 518 390 |
| Increment on revaluation of freehold land and buildings | 106 695 | - |
| Decrement on revaluation of rental houses: | | |
| Transferred to capital work programs | (13 475) | (11 301) |
| Subject to sale contracts | (5 072) | (8 151) |
| Transfer to accumulated surplus: | | |
| Reserve on assets transferred to South Australian Aboriginal Housing Authority | - | (30 766) |
| Increment realised on sale of freehold land and buildings | (41 555) | (38 836) |
| Balance at 30 June 2001 | 1 475 929 | 1 429 336 |

24. Interests in Joint Ventures

The Trust has an interest in the following joint ventures:

(a) Land Management Corporation

The Trust has an interest of 50 percent in a joint venture with the Land Management Corporation to acquire and hold land at Seaford for subsequent development and sale. The Trust's investment consists of \$2.581 million (\$2.546 million) of Vacant Land. For the period ending 30 June 2001 the contribution of the joint venture to the operating result of the Trust was a loss of \$20 000 (loss \$18 000).

(b) Seaford

The Trust has a 25 percent interest in a joint venture named the Seaford Joint Venture, formed to develop, market and sell land in a manner which will encourage a diverse and balanced community. For the period ending 30 June 2001 the contribution of the joint venture to the operating result of the Trust was a surplus of \$38 000 (surplus \$98 000).

The Trust's land holding in the Seaford Joint Venture is brought to account as sales occur. For the period ending 30 June 2001 the contribution to the operating result of the Trust was a surplus of \$78 000 (surplus \$54 000). As a result of these sales there was also a transfer from the revaluation reserve of \$58 000 (\$41 000).

All allotments developed under the Joint Venture have now been sold, and it is anticipated that the Venture will be wound up by 30 September 2001. The Trust's investment at 30 June 2001 consists of \$nil (\$78 000) of vacant land under development and its share of the assets and liabilities of the joint venture.

Included in the Statement of Financial Position of the Trust are the following items, which represent the Trust's aggregate interest in the assets and liabilities, employed in the joint ventures:

| | 2001 \$'000 | 2000 \$'000 |
|-------------------------------|---------------------|---------------------|
| Current Assets: | | |
| Cash | 59 | 46 |
| Receivables | 4 | 1 |
| Inventories | - | 325 |
| Other | - | 1 |
| | <u>63</u> | <u>373</u> |
| Non-Current Assets: | | |
| Inventories | 2 581 | 2 546 |
| Property, plant and equipment | - | 12 |
| | <u>2 581</u> | <u>2 558</u> |
| Total Assets | <u><u>2 644</u></u> | <u><u>2 931</u></u> |
| Current Liability: | | |
| Payables | 23 | 23 |
| Total Liabilities | <u><u>23</u></u> | <u><u>23</u></u> |

25. Commitments**Capital Expenditure***

Contracted but not provided for and payable:
Not later than one year

| | |
|--------|--------|
| 11 193 | 10 401 |
|--------|--------|

* Includes commitments under the terms of joint venture agreements.

Recurrent Expenditure

Recurrent expenditure on operations, maintenance and grant funded programs
contracted but not provided for and payable:
Not later than one year

| | |
|-------|-------|
| 6 534 | 7 671 |
|-------|-------|

During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2001 is dependent upon the existing recipients continuing to meet the programs' eligibility criteria and the relevant legislation remaining in force. In all programs, grant funds from the State Government and or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2001 refer to Note 13.

Management Agreements

Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:

| | 2001 \$'000 | 2000 \$'000 |
|---|----------------|----------------|
| Not later than one year | 1 232 | 1 275 |
| Later than one year but not later than five years | 4 147 | 3 986 |
| Later than five years | 23 000 | 23 718 |
| | <u>28 379</u> | <u>28 979</u> |

Operating Leases

The Trust leases several administrative properties with 10 year lease periods and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

| | 2001 \$'000 | 2000 \$'000 |
|---|----------------|----------------|
| Not later than one year | 3 398 | 3 549 |
| Later than one year but not later than five years | 13 292 | 14 293 |
| Later than five years | 7 527 | 8 043 |
| | <u>24 217</u> | <u>25 885</u> |

26. Contingent Liabilities**Housing Association Program**

Housing Associations are sponsor groups that manage housing on behalf of low income/disadvantaged individuals who pay rents based on household income. The South Australian Community Housing Authority (SACHA) subsidises, with Commonwealth State Housing Agreement grant funds, the difference between rents received from Housing Associations and monies due under mortgages to lending institutions. During the year the Trust's prior mortgage guarantees to those lending institutions have been fully extinguished (\$10 000).

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. These agreements are of 12 months duration. Approximately 171 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$7.41 million (\$7.5 million). The collective value of the properties subject to mortgage is estimated to be \$8.21 million (\$7.9 million), based on the Valuer-General's overall capital value.

Joint Ventures

The joint ventures described in Note 24 give rise to a contingent liability in the case of default by other venturers. It is estimated that the risk of default by a venturer is negligible.

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2001 is \$9.891 million (\$9.317 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$13.23 million. These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to \$1 million.

Bonding Agreements with Local Government

The South Australian Housing Trust is required by the City of Port Adelaide Enfield to execute a Bonding Agreement in relation to the Trust's Windsor Gardens Redevelopment project. The Council requires the agreement to be supported by a guarantee from the Reserve Bank. As at 30 June 2001 the bond stands at \$98 000.

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

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and cash held in joint venture and project bank accounts.

| | | |
|---|---------------|--------|
| Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | 2001 | 2000 |
| | \$'000 | \$'000 |
| Cash at Treasury* | 34 204 | 23 264 |
| Cash on hand | 522 | 586 |
| Cash - Joint venture and projects* | 2 622 | 359 |
| | 37 348 | 24 209 |

* Interest rates applicable at 30 June 2001:

Cash at Treasury 5.06 percent (5.58 percent).

Cash - Joint ventures and projects, 3.25 percent - 4.25 percent (3.45 - 4.95 percent).

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit) after Income Tax

| | | |
|---|-----------------|-----------|
| Net Cash provided by Operating Activities | 18 447 | 27 513 |
| Adjustments: | | |
| Depreciation and amortisation | (38 592) | (37 309) |
| Net loss on restructure | - | (131 074) |
| Construction variances, decrement on property investments | (27) | (746) |
| Net revenue (expense) from disposal of Non-Current Assets | 464 | (4 583) |
| | (38 155) | (173 712) |
| Change in Assets and Liabilities: | | |
| Increase (Decrease) in receivables | (2 145) | (7 083) |
| Increase (Decrease) in other current assets | (153) | 291 |
| Decrease (Increase) in payables | (1 514) | 8 743 |
| Decrease (Increase) in operating provisions | 2 056 | (1 358) |
| Decrease (Increase) in other liabilities | 279 | 314 |
| Decrease (Increase) in employee entitlements | 6 422 | 17 |
| | 4 945 | 924 |
| Operating Deficit after Income Tax | (14 763) | (145 275) |

28. Remuneration of Board Members and Employees**Board Members Remuneration**

The Trust Board comprises seven members appointed by the Governor. In the current year one Board position has been vacant throughout the year. With the retirement of members who have completed their terms and the appointment of new members, nine members served on the Trust Board during the year.

The fees paid to Board Members in their capacity as Board Members are set by the Executive Council. A Board Member received additional remuneration as the Trust representative on an external committee. One member of the Board is an employee under the *Public Sector Management Act 1995* and does not receive Board Fees.

Board Members Remuneration (continued)

The number of Board Members whose remuneration from the Trust falls within the following bands:

| | 2001 | 2000 |
|--|-------------------|-------------------|
| | Number of Members | Number of Members |
| Nil payment | 2 | - |
| \$1 - \$10 000 | 3 | - |
| \$10 001 - \$20 000 | 2 | 4 |
| \$20 001 - \$30 000 | 2 | 1 |
| \$30 001 - \$40 000 | - | 1 |
| | 9 | 6 |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Total remuneration received, or due and receivable by the Board Members from the Trust | 117 | 126 |

Related Party Disclosures

Two Board Members have made the following declarations: Mr Don Lee, declared his involvement with Finlaysons who are one of the legal firms selected by the Trust to act on behalf of the Trust in legal consultancy; Mr Trevor Dunsford, declared his involvement with Jackman & Treloar who act as a panel valuer for the Trust; the Trust was involved with both arrangements prior to the appointment of these members to the Board.

Apart from the preceding declarations, no Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

Employees' Remuneration

The number of employees whose remuneration from the Trust falls within the following bands:

| | 2001 | 2000 |
|--|---------------------|---------------------|
| | Number of Employees | Number of Employees |
| \$100 000 - \$109 999 | - | 1 |
| \$110 000 - \$119 999 | 2 | 2 |
| \$120 000 - \$129 999 | 4 | - |
| \$190 000 - \$199 999 | 1 | 1 |
| | 7 | 4 |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Total remuneration received, or due and receivable by employees whose remuneration exceeds \$100 000 | 932 | 529 |

The table discloses the number of staff, and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

In 1998 the Trust restructured its Executive reducing the number from 11 to 7. These positions have been progressively filled with the full compliment appointed in 2001.

29. Targeted Voluntary Separation Packages (TVSPs)

During the year two staff members of the Trust, who were employees of the Department of Human Services and assigned to the Trust, accepted a package in line with the State Government's policy.

The TVSP component of the costs for the year amounted to \$130 000 (nil). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment. A total of \$130 000 (nil) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$13 000 (nil) were paid to employees who received a package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

30. Additional Financial Instrument Disclosures**Interest Rate Risk**

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer which comprises the major part of its debt.

Note 20 contains details of the interest rates applicable to interest bearing liabilities and Note 27(a) contains details of the interest rates applicable to the cash held in the bank accounts.

Credit Risk

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below.

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

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

30. Additional Financial Instrument Disclosures (continued)

| | 2001 | | 2000 | |
|-------------------------------|----------------|----------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Summary of Fair Values | | | | |
| Financial Liabilities: | | | | |
| Concessional Housing Loans | 841 640 | 653 242 | 856 489 | 656 471 |
| Managed Houses Scheme | 5 161 | 5 161 | 5 404 | 5 404 |
| Payables | 17 087 | 17 087 | 15 573 | 15 573 |
| | 863 888 | 675 490 | 877 466 | 677 448 |
| Financial Assets: | | | | |
| Cash | 37 348 | 37 348 | 24 209 | 24 209 |
| Receivables | 19 929 | 19 929 | 22 287 | 22 287 |
| | 57 277 | 57 277 | 46 496 | 46 496 |

31. Property, Plant and Equipment Movement Schedule

| | Rental Houses and Land | Administrative Properties - Buildings and Leasehold Improvements | Plant and Equipment | Vacant Land | 2001 Total |
|---|------------------------|--|---------------------|-------------|------------|
| Gross Carrying Amount | | | | | |
| Balance at 1 July 2000 | 3 022 035 | 4 807 | 19 589 | 8 226 | 3 054 657 |
| Additions | 61 522 | 774 | 10 689 | 2 206 | 75 191 |
| Disposals | (95 646) | (783) | (10 641) | (4 444) | (111 514) |
| Net revaluations increments (decrements) | 62 133 | (131) | - | 315 | 62 317 |
| Revaluation decrement on contract for sale | (5 072) | - | - | - | (5 072) |
| Balance at 30 June 2001 | 3 044 972 | 4 667 | 19 637 | 6 303 | 3 075 579 |
| Accumulated Depreciation/Amortisation | | | | | |
| Balance at 1 July 2000 | (34 905) | (549) | (8 796) | - | (44 250) |
| Disposals | 443 | - | 663 | - | 1 106 |
| Revaluation decrement on contract for sale | 205 | - | - | - | 205 |
| Depreciation/amortisation expensed | (34 939) | (196) | (3 456) | - | (38 591) |
| Net adjustment from revaluation increments/decrements | 45 933 | 81 | - | - | 46 014 |
| Balance at 30 June 2001 | (23 263) | (664) | (11 589) | - | (35 516) |
| Net Book Value | | | | | |
| Balance at 30 June 2000 | 2 987 130 | 4 258 | 10 793 | 8 226 | 3 010 407 |
| Capital work in progress | | | | | 6 728 |
| Total Property, Plant and Equipment as at 30 June 2000 | | | | | 3 017 135 |
| Balance at 30 June 2001 | 3 021 709 | 4 003 | 8 048 | 6 303 | 3 040 063 |
| Capital work in progress | | | | | 26 477 |
| Total Property, Plant and Equipment as at 30 June 2001 | | | | | 3 066 540 |

32. Net Expense from Restructuring

Last financial year, with an effective date of 5 February 2000, the assets, rights and liabilities associated with rental houses sited on Trust owned land were transferred to the Aboriginal Housing Authority. No further restructuring took place during the year ended 30 June 2001.

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